188 Beaumont Street Fast-track Application: *Review of Updated Economic Analyses*

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1 Introduction

Property Economics[1] and ME Consulting[2] have provided updated economic analyses in support of the proposed development at 188 Beaumont Street in the Wynyard Quarter of Central Auckland. These new reports, which are partly in response to my review of their previous report,[3] provide some useful additional information and make several legitimate arguments in response to the review. However, they do not resolve several of its central criticisms, and neither response adequately demonstrates how much of the economic activity attributed to the proposed development and Orams Marine represents an *additional net economic benefit*, rather than activity that would occur elsewhere or under a different scenario.

2 Attachment A (Property Economics)

Property Economics (PE) has provided a more substantive response. It provides additional analysis of housing-market effects, construction resource costs, transport benefits, land opportunity cost and shading. Some of this is useful, although several estimates depend on assumptions that are not sufficiently supported.

2.1 Counterfactual and Additionality

The benefits of a project need to be demonstrated relative to what would happen without the project. This is because the resources used (including labour, land and raw materials) are all *scarce* in the economic sense, ie they are not infinite and have other potential uses, otherwise they would not have a price in the economy. The counterfactual has been partially examined.

- PE suggests the site would remain a car park but this is not fully justified. And PE adds "*we cannot consider all hypothetical possibilities (ie a different developer seeking resource consent with potentially lower upfront costs).*" No alternative use of the site with a development that meets current restrictions has been examined.

- What might happen elsewhere in the property market has been addressed in the property market analysis (Appendix 1), with the conclusion that the total supply will

[1] Property Economics. Economic Memorandum, Response to Minute 12 of The Expert Panel and Tim Denne Comments In Relation to the 188 Beaumont Street Development Application under the Fast-Track Approvals Act 2024 ("Project"), 30 October 2026
[2] Greg Akehurst, Market Economics. Response to Resource Economics Review of 188 Beaumont St Economic Analysis and Minute 12 of the Expert Panel dated 2 September 2026
[3] Tim Denne. 188 Beaumont Street Fast-track Application: Review of Economic Analyses. Resource Economics, 25th August 2026.

be less than 210 dwellings. This is useful but they have not compiled the numbers to produce a new assessment of net benefits under the different assumptions (eg at different % displacement levels). Rather they suggest dwelling numbers alone do not capture the full economic contribution, noting these are premium apartments with high market prices.

PE includes region specific employment numbers and utilisation as part of an argument to suggest that there will be little opportunity cost of labour supply. This is a useful discussion point, but the regional numbers do not address utilisation rates for any specific skillsets required for the project, or if these relatively low utilisation rates are expected to continue.

2.2 Significant within LBA or region

There are two issues: (1) whether significance should be assessed at a regional or local level; and (2) how to measure significance.

The first is a legal point, which is not my expertise, although to my mind the legislation is clear, including in its purpose statement. On (2), PE suggests that the number of dwellings is not relevant to assessing significance. Rather the size of the economic impact is and that this is reflective of the property costs (or market values). The point is valid and the inclusion in my review of a table of dwelling numbers for other projects was purely illustrative. But I would argue that a comparison of numbers of properties provides some useful information, particularly because the effects of new housing on property prices will tend to reflect the total addition to the housing stock for the relevant market. The issue of how best to measure the significance of the benefit raises the next issue, of how benefits should be measured.

2.3 Measuring Benefits: EIA or CBA

PE nots that the FTAA does not necessarily require a CBA. This is a reasonable statement, given the need to weigh up the benefits and adverse impacts (s.85(3)(b)). However, as I have discussed elsewhere, the practice of CBA has a clear theoretical link to benefit assessment, which EIA (by focussing on measuring economic activity) does not.[4] So it is noteworthy that PE concludes that "*It is highly unlikely that any housing project would reach the level of being "regionally significant" when considered through a CBA*" (p6)!

PE's CBA work (Appendix 1) is somewhat useful, but it still includes the $570 million market value of the properties as though that is a benefit; this needs to be calculated net of the resource costs of construction. Some of the other items are useful, eg the assessment of possible housing market effects, transport savings and agglomeration benefits.

3 Attachment B (Market Economics)

ME provides further background on the relationship between the residential development and Orams Marine, including the remediation arrangements and competitive pressures from Australia. This helps explain the commercial rationale for the development but does not establish the extent to which Orams' future operations depend on it.

[4] Denne T and Stroombergen A (2026) *Economic Analysis under the Fast Track Approvals Act.* Resource Economics & Infometrics. https://www.rmla.org.nz/rmla-insights/benefits-analysis-under-the-ftaa

3.1 Oram's Continuity Risk

ME argues that Orams undertook the clean-up on the assumption that the residential development could go ahead and that the costs of clean-up are sunk costs. As they are sunk costs, I agree that the clean-up costs are not relevant.

This allows us to further separate the two activities. The financial position of Orams next door, is irrelevant to the decision on the best use of 188 Beaumont Street. The merits of the proposed project at 188 Beaumont Street need to be evaluated relative to the alternative use of the resources that would be used in the project (the counterfactual). If the project produces a financial surplus as part of its overall set of effects, whether that is used to pay off Orams' debt[5] or in some other investment is a separate decision. If the best use of a financial surplus is to pay off the Orams debt, this suggest that Orams operations are a valuable activity that would also attract other sources of finance.

3.2 GDP and Foreign Ownership

GDP measures economic output based strictly on geographic boundaries, regardless of who owns the productive assets. However, the exit of those profits to a foreign country creates a divergence between what the country produces (GDP) and what it actually retains (Gross National Income, or GNI). The latter seems more relevant to benefits. To argue, as they have done, that foreign ownership does not affect GDP and therefore does not affect benefits, ie to assume GDP is a measure of benefit. I would argue, counter to this, that this is another demonstration of why GDP is a very poor indicator of benefit, as the expatriation of profit clearly reduces wealth otherwise available to New Zealand.

3.3 Employment effects

ME notes that "*economists such as Dr Denne tend to treat employment as a cost*" and goes on to argue the benefit of employment, suggesting more employment is better than less. My review does not suggest that employment is undesirable or that employment should be ignored. Employment is important, but the economic benefit is the value of the additional output produced relative to the opportunity cost of the labour employed. Where workers would otherwise be unemployed, that opportunity cost may be relatively low; where they are drawn from other productive activity, it will be higher. Job numbers alone do not establish the net benefit.

Imagine two businesses that have the same level of output and the same costs for all other resource inputs, but one uses more labour. Which one is better? The ME argument appears to be that it is the one that requires more labour because more jobs are a benefit. The counter argument is that the one with more labour has higher costs because it reduces the availability of people to do other things. If there is high unemployment and the people would otherwise be doing absolutely nothing, then maybe a higher labour requirement is not a higher cost, but it is never a benefit.[6]

[5] I use the debt term simply to characterise Orams' expenditure on clean-up as something for which

[6] There may be benefits to people from effects such as the dignity of work