

# PROPERTY **E**CONOMICS



**K ROAD MASS TIMBER**

**BUILDING FAST TRACK**

**ECONOMIC IMPACT ASSESSMENT**

Client: James Kirkpatrick Group Limited

Project No: 52510

Date: April 2025



## SCHEDULE

Code	Date	Information / Comments	Project Leader
52510.5	April 2025	Report	Phil Osborne / Tim Heath

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## 1. INTRODUCTION

Property Economics have been commissioned to estimate the economic impacts that would be generated by the application by James Kirkpatrick Group Limited (“JKGL”) on the development and construction of a mass timber commercial building (“the Project”) at 538 Karangahape Road (“the Site”). The Site spans around 1,600sqm of land with three road frontages respectively to Karangahape Road (north), Gundry Street (east) and Abbey Street (south).

In particular, the application seeks to construct a part 10, part 11-level building (plus two-level basement) on the Site. This Project will contain offices on the upper levels with the ground floors a mix of common circulation spaces along with retail and food and beverage activities to improve end-of-trip amenities for workers and increased amenity offerings to the general public.

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. 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 85 which records when a panel must or may decline approval and specifies that a panel may decline consent where “*adverse impacts are sufficiently significant to be out of proportion to the project’s regional or national benefits.*”
- Schedule 5 Clause 7 which requires economic effects to be assessed in the Assessment of Environmental Effects.

- Schedule 5 Clause 17 which specifies the criteria for assessing consent applications and provides that the greatest weight is to be given to the purpose of FTAA.

In addition, Section 22 of FTAA sets out the following criteria for assessing referral applications:

- Whether the proposal “*will increase the supply of housing, address housing needs, or contribute to a well-functioning urban environment (within the meaning of policy 1 of the National Policy Statement on Urban Development 2020)*” (Section 22(2)(a)(iii)); and
- Whether the proposal “*will deliver significant economic benefits*” (Section 22 (2)(a)(iv)).

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 the National Policy Statement on Urban Development (“NPS-UD”).

This economic impact estimates the total additional gross economic output<sup>1</sup> into the Auckland 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 important to note that this is not site specific but is building structure specific.

The Site represents an efficient location for future growth and therefore the associated infrastructure is location specific. The Site on Karangahape Road is well-located for Auckland's urban intensification due to its strategic position in the City Centre, strong public transport connectivity, including the upcoming Karanga-a-Hape station of the City Rail Link (“CRL”), and its vibrant, mixed-use character.

Redevelopment in this location would contribute significantly to increasing the utilisation of regionally significant infrastructure, particularly the CRL network investment, by concentrating more residents, businesses, and visitors within walking distance of a major transit node.

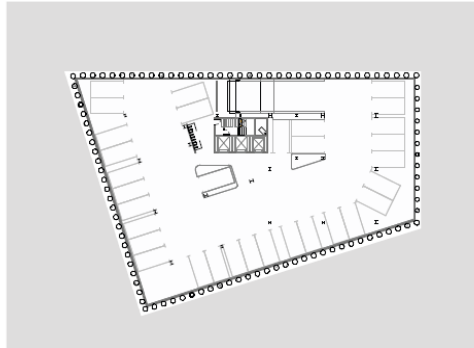
This increased activity has the potential to enhance network efficiency and support Auckland's broader goals for compact urban growth and transit-oriented development, contributing positively to the facilitation of a 'well-functioning' urban environment. Greater utilisation of the CRL network would lower the marginal infrastructure cost of that asset.

Figure 1 following provides an outline of the floor plans of JKGL's proposed mass timber commercial building development for the Site.

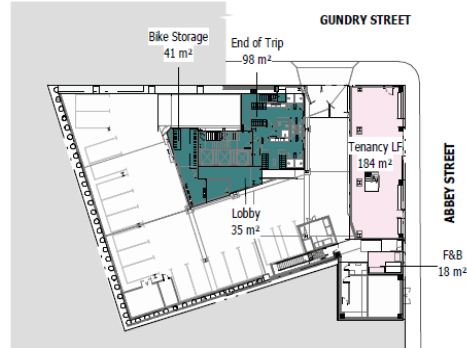
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<sup>1</sup> For example, this has not taken into account the short-term loss of operational employment currently on site

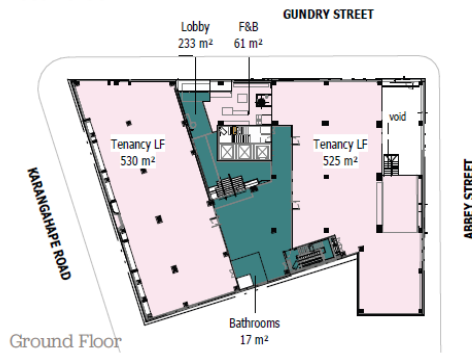
**FIGURE 1: K ROAD MASS TIMBER COMMERCIAL BUILDING FLOOR PLANS**



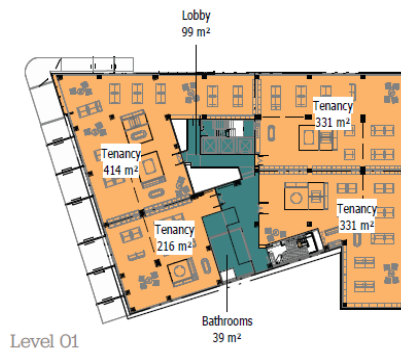
Basement 02



Basement 01



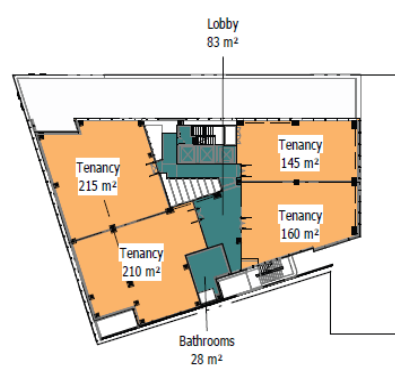
Ground Floor



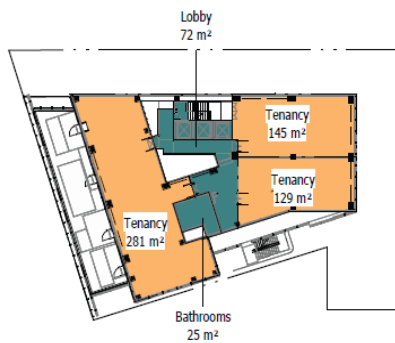
Level 01



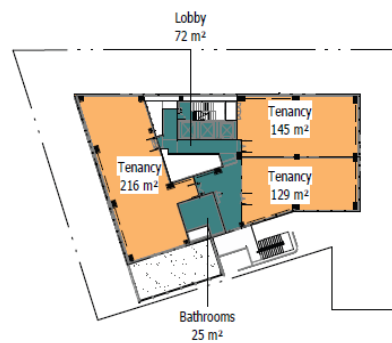
Level 02 / Level 03



Level 04 / Level 05



Level 06



Level 07 / Level 08 / Level 09

Source: JKGL

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 (CAPEX<sup>2</sup>) 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 operation of the facilitated development.

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

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

### 1.1. 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 FTAA applications.

### 1.2. CODE OF CONDUCT

I confirm that, in my capacity as author of this report, I have read and abide by the Environment Court of New Zealand's Code of Conduct for Expert Witnesses Practice Note 2023.

### 1.3. 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

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<sup>2</sup> CAPEX – Capital Expenditure

- Business Frame Data - Statistics NZ
- Proposed Development Costings – JKGL
- Development Floor Plans – JKGL

#### 1.4. 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 will not affect the economic analysis conducted in this report or our economic position.

TERM	DEFINITION
<b>ANZSIC</b>	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.
<b>CAPEX</b>	capital expenditure.
<b>Development contributions</b>	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.
<b>Direct economic impacts</b>	derived from the actual spending / expenses incurred through the construction of the anticipated development.
<b>Economic benefits</b>	usually gains that can be expressed in financial terms as the result of an improvement in facilities provided by a government, local authority, etc.
<b>Economic costs</b>	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.
<b>Employment multipliers</b>	the level of indirect and induced employment activity generated through the expenditure on and off site.
<b>FTE years</b>	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.

<b>GDP</b>	gross domestic product.
<b>Net Present Value (NPV)</b>	the difference between the present value of cash inflows and the present value of cash outflows over a period of time.
<b>Transaction costs</b>	costs that arise as part of engaging in an economic trade. This can include compliance costs, planning costs, variation costs, etc.
<b>Wellbeing</b>	individuals and communities with a higher state of wellbeing are generally happier and feel more connected. The Local Government (Community Wellbeing) Amendment Act encourages local government to promote the social, economic, environmental and cultural wellbeing of communities in the present and for the future.
<b>Well-functioning urban environment</b>	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: (a) have or enable a variety of homes that: (i) meet the needs, in terms of type, price, and location, of different households; and (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.

## 2. EXECUTIVE SUMMARY

The JKGL application proposes to develop a part 10, part 11-level mass timber commercial building at 538 Karangahape Road.

The total economic impact on business activity within Auckland Region as a result of the subject JKGL development over a 4-year period is estimated to be \$135 million (NPV)<sup>3</sup>.

In terms of employment multipliers<sup>4</sup> this would contribute 370<sup>5</sup> FTEs during the peak development and operation year within Auckland Region, with a total of 1,030 FTE years over the 4-year development period.

It is important to consider these nominal economic benefits in the localised economic context. To provide comparative context, an assessment of the Karangahape Road Precinct illustrates the level of commercial employment has fallen by approximately 20% over the past 5 years. This is over the same time period that the Auckland central city has experienced 16% growth in commercial employment.

JKGL's single mass timber commercial development, by itself, would more than offset the entire last 5-year period's lost commercial sector employment base from the Karangahape Road Precinct. As such, the proposed development's positive impact on this regional asset is significant.

Additionally, the proposed development is estimated to increase daytime population density and local spending with increased business spend of \$12.5m per annum and increased local worker retail spend of \$800,000 per annum. This will increase vitality and materially support local businesses within the Precinct.

Furthermore, the Project would contribute significantly to increasing the utilisation of regionally significant infrastructure, particularly the CRL network investment, by concentrating more residents, businesses, and visitors within walking distance of a major transit node. Greater utilisation of the CRL network enhances network efficiency and lower the marginal infrastructure cost of that asset.

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<sup>3</sup> Net Present Value

<sup>4</sup> Employment Multipliers relate to the level of indirect and induced employment activity generated through the expenditure on and off site.

<sup>5</sup> 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.

A unique range of 'value add' benefits of the development to the wider economy is the utilisation of mass wood construction. Mass wood retains this carbon sequestration, while the alternative concrete option actually emits carbon. At a value of \$85 per tonne the proposed development would store 3,610t at \$307,000 while the concrete alternative would emit 4,940 tonnes at a cost of \$419,900. The net positive position from the proposed development therefore is nearly \$730,000 with additional building energy efficiencies at approximately \$28,000 per annum

Additionally, this building technique requires significantly more specialist construction labour, this in turn presents an opportunity to develop additional employment skills and opportunities specialising in these techniques.

Moreover, the location of the proposed development increased activity is likely to result in greater economic wellbeing due in part to agglomeration and productivity benefits. These benefits are inherent in the level of infrastructure investment in and around the precinct through Auckland Council and national infrastructure projects.

In addition to these quantifiable regional contributions, the JKGL development can be expected to generate a wide range of qualitative economic benefits to the wider market and communities, including:

- Additional commercial floor space and capacity
- Improved development feasibility (especially with the likely alternative being no development on this site in the nearby future)
- Catalysing other intensified (re)development(s) and urban regeneration
- Increased employment opportunities – generating over 1,000 FTE years
- More efficient land use and improved economic productivity
- Increased variety of commercial space options / greater levels of locational choice, and therefore a more competitive commercial market
- More efficient infrastructure use
- Supporting intensification of the City Centre
- Reducing transport costs and associated emissions:
- Promoting mixed-use synergies and agglomeration effects
- Enhanced building and Precinct profile
- Higher level of specialisation and productivity
- Potential for less land / green space take-up

Cumulatively, these economic benefits, in conjunction with the development's quantified economic injection into the regional economy and employment opportunities, would significantly outweigh the limited economic costs associated with change in built form and site character, increased traffic, congestion and potential reverse sensitivity effects.

Property Economics considers that advancing the proposed development would yield significant economic benefits for the regional economy and community. Overall, our assessment supports the JKGL development from an economic perspective in the context of the RMA and FTAA.

### 3. ECONOMIC CONTEXT

In assessing the potential economic impacts, it is important to firstly 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 business development and spend is likely to have a national economic impact, the majority of impacts are likely to be retained within the Auckland Region. As identified, for the purposes of this assessment, the extent of economic impacts is focussed on the retention of activity within this area.
- 2) The economic impacts are those resulting from the commercial development over a four-year period.
- 3) In terms of the statutory considerations the RMA provides context in terms of the utilisation of resources and the resulting impact on the price and provision of these resources. It calls for the “*efficient use and development of natural and physical resources*”, with economic efficiency being 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*”, Part II section 7 (b) RMA.

As identified the proposed development is likely to have economic impacts that are felt beyond the specific costs and benefits within the region. Additionally, there are likely to be non-economic effects, such as environmental. While these effects may result in economic impacts for the most part they have not been addressed here.

#### 3.1. LOCAL ECONOMIC ENVIRONMENT

While this economic report is focussed on the regional significance of the proposed Project, it is important to provide localised context for this development to better highlight its impactful benefits.

The Auckland Central City, which includes the Karangahape Road Precinct is a crucial generator of economic activity for the region. Development in this area provides greater profile, improved agglomeration benefits, efficient infrastructure utilisation and greater productivity. This is evident in Auckland Council’s multi-million dollar investments and development of transport, public realm and water infrastructure assets in this area.

A key factor in the consideration of 'regional significance' is not limited to the \$135m economic injection but the regional location of the economic impetus.

A high-level overview of employment trends in the Karangahape Road Precinct<sup>6</sup>, based on Stats NZ's Business Demography Statistics and the Meshblock 2023 boundaries, indicates that the Precinct has not experienced any meaningful economic expansion over the past five years.

In 2019, total employment in the Precinct was approximately 4,040 jobs. By 2024, this had increased only marginally to 4,140 jobs, representing a net growth of just +2.5%. This negligible differential reflects a stagnant employment base, suggesting that the Precinct has not materially contributed to the wider economic growth occurring across the City Centre and the wider region during this period.

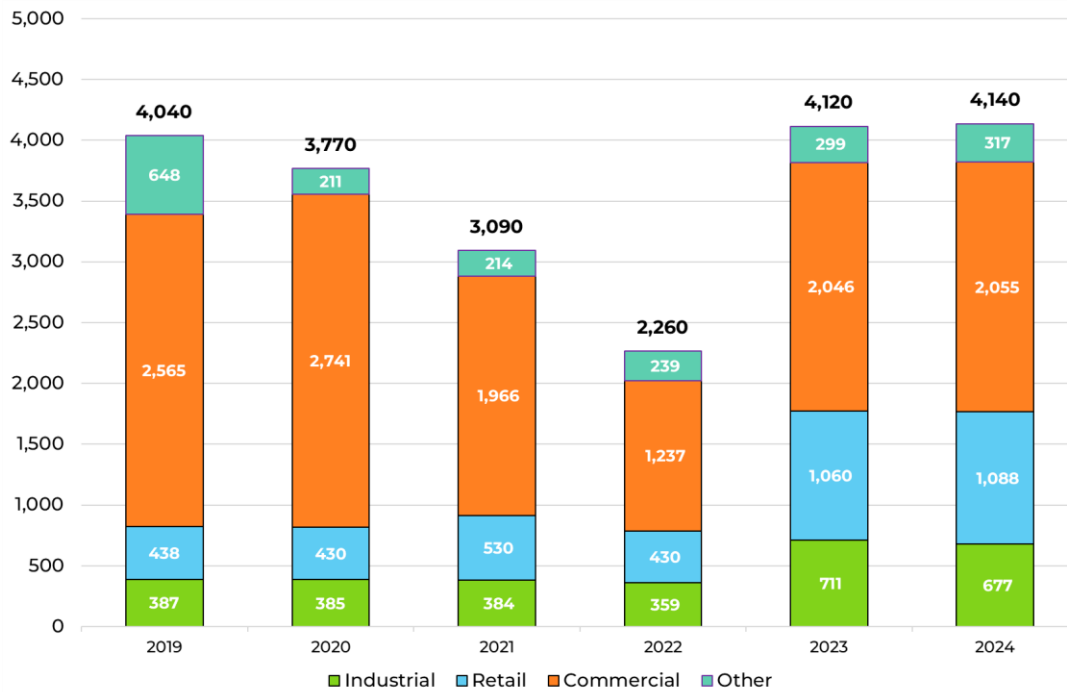
The most notable structural change within the Precinct has occurred in the commercial sector, historically the Precinct's primary employment driver. Commercial sector employment has declined by a significant 510 jobs, falling from around 2,570 jobs in 2019 to around 2,060 jobs in 2024, a drop of approximately 20%. While there was a partial recovery in 2023 and 2024, following the pandemic-related downturn, commercial employment remains well below its pre-COVID level, indicating an incomplete rebound and potentially deeper structural challenges.

The Precinct's decline stands in contrast to trends in the broader City Centre, which experienced significantly stronger commercial growth over the same period. From 2019 to 2024, commercial sector employment across the City Centre grew by approximately 12,000 jobs, equivalent to a +16% increase. This suggests that the Karangahape Road Precinct, in terms of commercial employment, has deteriorated in a period of strong market growth and fallen behind the rest of the City Centre, missing out on the uplift in knowledge-intensive and service-based employment that has driven much of the City Centre's post-COVID resurgence.

In effect the Karangahape Road Precinct is in a state of commercial sector decline and losing relevance as a commercial employment destination relative to the balance of the City Centre and its economy. New capital investment and (re)development (private and public sector) is essential to catalyse commercial growth in this regional asset and elevate its productive potential.

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<sup>6</sup> i.e., the geospatial extent defined in the AUP I206.10.1 Karangahape Road: Precinct Plan 1

**FIGURE 2: K ROAD PRECINCT EMPLOYMENT TREND BY BROAD SECTOR 2019-2024**


Source: Stats NZ, Property Economics

From an economic perspective, the poor performance in commercial and overall employment within the Precinct reflects an inefficient use of strategically located urban land, especially given its proximity to major infrastructure such as the CRL, key arterial routes, and other investments aimed at supporting the City Centre's expected regionally and nationally significant role. It also suggests that the Precinct is facing challenges in attracting and retaining commercial tenants, particularly in a context where other parts of the City Centre have been relatively successful in doing so.

Given the above high-level overview, Property Economics considers that the Karangahape Road Precinct is a key location in need of targeted reinvestment and rejuvenation within the broader City Centre. Strategic development, such as the proposed mass timber commercial building, will catalyse private-sector investment, and reclaim the Precinct's position as a vibrant contributor to the regional economy.

JKGL's single mass timber commercial development would, by itself, more than offsets the entire last 5-year period's lost commercial sector employment base from the Karangahape Road Precinct. As such, the proposed development's positive impact on this regional asset is significant.

## 4. TOTAL ECONOMIC ACTIVITY

This section assesses the potential economic activity generated within the Auckland 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 Statistics New Zealand (based on 48 sectors), which were then assessed at a district level based on Auckland Region's 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.

### 4.1. 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. 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 Statistics NZ based on 2018 data. However, employment data has been updated as per the Statistics NZ Business Frame data<sup>7</sup> to March 2024.
4. This report deals with the economic impact of proposed development on Auckland Region. 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.
6. For the purposes of this report a 6% discount rate has been applied.
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 Auckland Region 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 proposed development.

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<sup>7</sup> Business Frame Data – provides Statistics NZ measure of employment in an area by ANZSIC sector.

## 4.2. TOTAL AUCKLAND REGION ECONOMIC ACTIVITY

**TABLE 1: TOTAL GROSS AUCKLAND REGIONAL ECONOMIC INJECTION OF PROJECT (FAST TRACK)**

	2025	2026	2027	2028	Total
<b>Direct Expenditure (\$m)</b>					
Land					
Earthworks / Civil Works	\$2.5	\$3.1			\$5.6
Civil Consultants	\$3.0	\$3.0	\$3.0		\$9.0
Other	\$0.7	\$0.5		\$1.0	\$2.2
<b>Total Development Costs (excl. land)</b>	<b>\$6.2</b>	<b>\$6.5</b>	<b>\$3.0</b>	<b>\$1.0</b>	<b>\$16.8</b>
<i>Total Construction</i>		<i>\$21.4</i>	<i>\$30.5</i>	<i>\$38.7</i>	<i>\$90.6</i>
<b>Total Construction and Development Costs (excl. Land)</b>	<b>\$6.2</b>	<b>\$28.0</b>	<b>\$33.5</b>	<b>\$39.7</b>	<b>\$107.4</b>
Increased Local Spend*			\$1.4	\$2.9	\$4.3
<b>Total Direct Expenditure (excl. land)</b>	<b>\$6.2</b>	<b>\$28.0</b>	<b>\$35.0</b>	<b>\$42.6</b>	<b>\$111.8</b>
<b>Level 2 Multiplier Impacts</b>					
Total Auckland Output (48 sector multipliers)					
<b>Total Auckland Output NPV (48 sector multipliers)</b>	<b>\$8.4</b>	<b>\$36.0</b>	<b>\$42.2</b>	<b>\$48.4</b>	<b>\$134.9</b>
<b>Household Income</b>					<b>\$75.6</b>
<b>Employment (FTE Years)</b>					<b>0</b>
Development Employment	82	86	40	14	222
Construction Employment		209	283	333	825
Other Employment	9	-19	2	23	15
<b>Total Employment (FTE years)</b>	<b>60</b>	<b>277</b>	<b>324</b>	<b>370</b>	<b>1,031</b>

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 Auckland Region as a result of direct, indirect and induced activities.

The preceding table illustrates that the total impact on business activity within Auckland Region as a result of the JKGL development over a 4-year period is estimated to be in the order of \$135 million.

In terms of employment multipliers this would contribute over 370<sup>8</sup> jobs during the peak construction year within the Auckland Region, with a total number of FTE years at 1,030 over the development period. This also provides a total increase in household income of over \$75m.

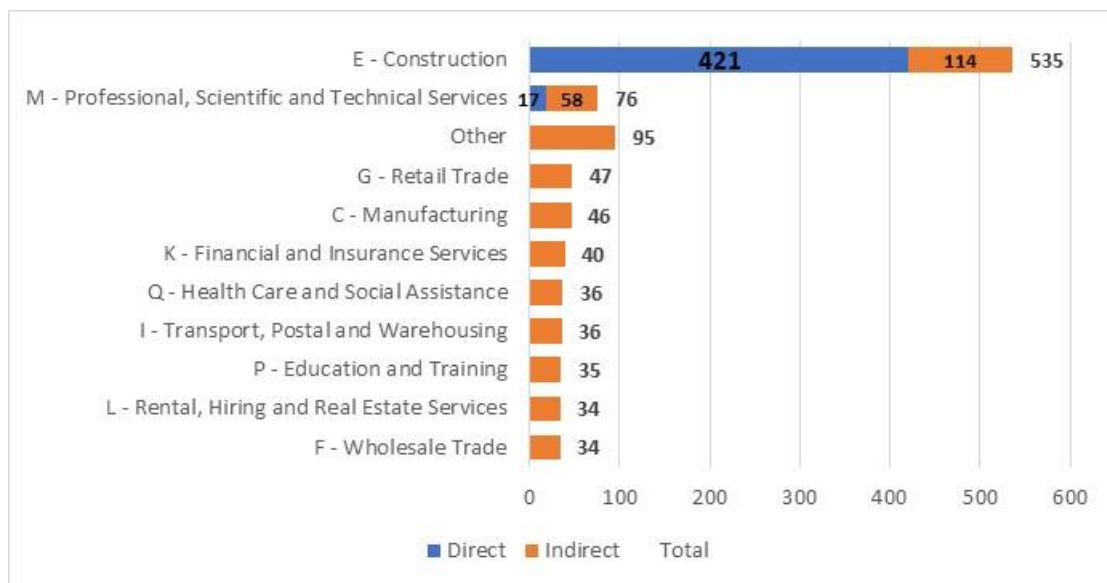
<sup>8</sup> NB These are all jobs created through the direct construction phase including indirect and induced employment through all business sectors (not solely construction jobs).

### 4.3. TOTAL AUCKLAND REGION DIRECT AND INDIRECT EMPLOYMENT

Figure 3 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 438 FTE years with the remaining around 577 FTE years resulting from indirect and induced activity

**FIGURE 3: AUCKLAND EMPLOYMENT GENERATION BY SECTOR (DIRECT, INDIRECT AND INDUCED)**



Source: Property Economics

### 4.4. LOCALISED ECONOMIC CONTRIBUTION

The development of just under 10,000sqm of additional commercial floorspace is likely to accommodate approximately 800 employees. These employees bring with them both retail expenditure and business expenditure for the local area. It is estimated that this level of commercial activity will generate approximately \$800,000 of local retail spend per annum and over \$12.5m of business spend per annum. This in turn is likely to materially support other local businesses in the area.

## 5. OTHER ECONOMIC BENEFITS

In addition to the previously quantified economic injection, the Project to construct a mass timber commercial building at the Site would create a variety of potential economic costs and benefits. The following analysis outlines the key economic benefits of the Project within the framework of the RMA and the NPS-UD.

### Economic Benefits

- **Additional commercial floor space and capacity:** The Project will add significant additional commercial office space to the City Centre, attracting businesses seeking modern, sustainable centre-based premises. This supports economic growth by accommodating expanding businesses and new entrants to the Auckland market.
- **Improved development feasibility:** The increase in height limits brings the (re)development timeframe of affected properties forward in time as the return on development is higher (more rent is now achievable). There is a second order effect also because development encourages further development. As one parcel is (re)developed, neighbouring properties benefit off the improvement in amenity (assuming development and urban design standards are appropriately set to deliver such outcomes) and are encouraged to (re)develop themselves to maximise returns.
- **Catalysing other intensified (re)development(s) and urban regeneration:** The Project will act as a catalyst for the wider precinct to be redeveloped or upgraded (or in fact more efficiently utilised), accelerating urban regeneration in the K'Rd Precinct. This is particular pertinent in an area that has had no new commercial consents in the last 2 years. As land values increase and infrastructure improves, more intensive and higher-value land uses are encouraged, contributing to the area's long-term economic revitalisation.
- **Increased employment opportunities:** As the level of commercial floorspace increases, so does the potential to house more businesses, each of which generate and accommodate increased employment opportunities. Beyond the direct employment generated by the businesses occupying the office space, the increased GFA also leads to the creation of additional operational roles required to manage and maintain the building.
- **More efficient land use and improved economic productivity:** Taller commercial buildings mean land is being utilised more efficiently as the vertical space is being used more effectively. The Project will transform a vacant and currently underutilised site into a high-density commercial asset. By intensifying land use in a prime City Centre location, the Project maximises the site's economic output and contributes to higher land productivity in the area.

- + **Increased variety of commercial space options / greater levels of locational choice:** The proposed high-rise commercial building could offer flexible floor plans, accommodating different business types and sizes. This could also attract a wide range of industries, from tech startups to corporate offices or creative agencies, all of which may have different space and infrastructure needs. This could make it easier for these businesses to settle in and adapt over time.
- + **More efficient infrastructure use:** The existing and future infrastructure that is put in place to service Auckland residents in and around the City Centre is used by a larger number of people. This includes road / footpath network, community facilities – libraries, halls, parks – power and telecommunications, three waters. The larger the number of people travelling in the form of both increased employees using these resources on the way to work and increased residents / tourists living in apartments in the City Centre, the more efficient the transport network.

This is particularly pertinent to the CRL network with the Karangahape station within five hundred metres walkable distance to the proposed development. Increased patronage of the CRL would improve marginal infrastructure costs of the asset.

- + **Increased daytime population density and local spending:** The influx of additional office workers as a result of the Project will boost daily foot traffic, increasing customer demand for nearby cafes, restaurants, retail stores, and professional services. This helps sustain and grow local businesses along Karangahape Road and the wider City Centre through increased customer flows.
- + **Supporting intensification for the City Centre:** The (re)development of properties will encourage increased foot traffic to the area through employment, residents and tourists attracted by the amenity. By delivering a high-density commercial building on a vacant, underutilised site, the project makes more efficient use of City Centre land. This aligns with Auckland Council's strategy for intensification and supports a compact urban form.
- + **Reducing transport costs and associated emissions:** The increased density enabled by increased building heights will reduce transport costs as a greater number of locals will be able to access the benefits of the City Centre. This has secondary benefits of lower fuel emissions, and possibly a greater reliance on public transport as more employment options will be collocated on a public transit route. This aligns closely with aspirations of the CRL.
- + **Promoting mixed-use synergies and agglomeration effects:** Development and height create a general feel of commercial professionalism that attracts high tier commercial tenants and main brands to the City Centre. As more businesses move into the area,

complementary services and industries are likely to cluster nearby (e.g., cafes, co-working spaces, gyms). This clustering effect enhances the local economic ecosystem and stimulates further investment in the City Centre.

- + **Generation of new views and enhanced building profile:** A broader range of views from buildings at differing heights are attractive to commercial tenants that desire a good view for their office. This could attract high tier commercial tenants for regional / City Centre head offices. Meanwhile, for practical floorspace reasons, and sometimes for image reasons, taller buildings are more attractive to large corporations by providing a higher-profile space. This is reflected in a prestige factor.

Pertinent to this is the nationally unique and largest mass timber structure in NZ which would provide a positive national profile of significance and recognition for the K'Rd precinct.

- + **Higher level of specialisation and productivity:** As levels of economic activity increase in the same footprint, so does the ability of businesses to specialise and increase efficiency, due to increased competition. This would also increase the prevalence of knowledge spillovers, increasing innovation density allows businesses to have access to larger markets of suppliers (especially labour supply) and consumers, allowing competition to enhance the quality of inputs and outputs.
- + **Potential for less land / green space take-up:** A higher density of agglomeration of business activity means that a greater quantity of activity can take place within the Precinct and the City Centre. This would suggest that more efficient use of land for commercial space leaves more green space for other uses, such as parks, from which the local community can benefit.
- + **Additional benefits of the unique building techniques:** The utilisation of mass wood construction in the development of this project represents a number of additional values to the wider economy.

Firstly, the use of mass wood retains this carbon sequestration, while the alternative concrete option actually emits carbon. At a value of \$85 per tonne the proposed development would store 3,610t at \$307,000 while the concrete alternative would emit 4,940 tonnes at a cost of \$419,900. The net positive position from the proposed development therefore is nearly \$730,000 with additional building energy efficiencies at approximately \$28,000 per annum.

Additionally, this building technique requires significantly more specialist construction labour, this in turn presents an opportunity to develop additional employment opportunities specialising in these techniques.

### Economic Costs

- **Change in built form and character of the Precinct:** The character of the receiving environment may change as the building height increases, with the existing built form predominantly ranging from one to five storeys. The proposed 11-storey commercial development would represent a noticeable shift from this lower-rise context, altering the area's scale and visual character. This shift risks overshadowing Karangahape Road's historic architecture, potentially disrupting the established streetscape and diminishing the Precinct's heritage values. Such changes may, in turn, impact the area's established character, vibrancy, and economic performance.

However, well-considered planning and design approaches - such as setbacks and architectural integration - may help mitigate these effects, ensuring the Precinct retains its unique identity. Moreover, it is important to note that the intensification of the wider City Centre is an inevitable and necessary part of urban transition toward a more efficient and 'well-functioning' environment.

From an economic perspective, the key challenge is not whether intensification occurs, but how it is managed to optimise land use efficiency. While the transformation may be perceived as a cost to heritage, it also presents an opportunity to enhance the area's long-term economic and functional viability, catalysing further (re)development of the wider Precinct.

- **Potential generation of disbenefits associated with density (congestion, crime, noise, pollution, etc.):** Mass commercial building has the potential to generate negative externalities, with increased congestion being the most significant concern. Higher foot traffic from intensified employment and business activity may put additional pressure on the road network and reduce parking availability within the Precinct and wider City Centre.

However, these impacts are unlikely to be immediately disruptive, allowing time for effective traffic management and mitigation measures. At this stage, any associated costs have no propensity to materially undermine the broader role and function of the Precinct and the wider City Centre.

Considering the economic cost benefit 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 yield significant economic benefits for the regional economy and community. This approach would positively contribute to the facilitation of a 'well-functioning' urban environment within the Auckland Region, giving effect to the NPS-UD Policies.