

Manukau City T2060 Concept

Future Residential Demand & Distribution

Manukau City Council

PROPERTY ECONOMICS

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SCHEDULE

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1. EXECUTIVE SUMMARY

In general, Manukau requires 88,000 new residential dwellings to cater for projected population growth out to the 2061 planning horizon. This demand is likely to be split into three distinct housing typologies – stand alone homes, terraced houses and apartments. Obtaining a broad understanding of how the commercial market may respond, and how this maybe split in terms of typology and geo-spatial distribution is driving the outcomes of this report.

The Manukau City Council (MCC) T2060 concept plan is generally anticipated to be accepted by the market in regard to the type of housing that it promotes. The only exception is number and distribution of apartments, which are unlikely to be in high demand in the lower income locations.

Over the short to medium term there will be a shift towards terrace housing (and some apartment development in high demand pockets) as land becomes scarce relative to the growing population. This is unlikely to result in any reduction in demand for houses in Manukau as other local authorities in the region will also require intensification to house their growing populations. Over the longer term there will be a further shift in demand towards apartments, and these will be more viable in locations that are more attractive in terms of access to white collar employment, natural amenities and commercial activity.

In order to be realised the T2060 plan requires, in broad terms, the following net additional residential units to house the forecast population:

- 7,000 stand alone houses (resulting from uptake of lower intensity residential land by higher intensity residential uses). *Note this equates to around 25,000 new stand alone dwellings;*
- 54,000 terrace houses; and,
- 27,000 apartments.

This will result in the following shift in dwelling composition for Manukau by 2061:

	Stand Alone	Terrace	Apartment	Total Units
2006	78%	18%	4%	100,000
2061	49%	36%	15%	188,000

The T2060 plan is largely aligned with the market ability to accept new types of residential product, with one exception; the large number of apartments allocated in the Clendon/Manurewa, Mangere and East Tamaki/Otara areas.

In terms of apartments, this broadly represents a total of around 400 additional medium sized apartment buildings (i.e. 5-6 stories). This is unrealistic given the current attractiveness of these locations in the marketplace which is evident in the relatively low land values in these areas. The comparatively low land value reflects the underlying locational attributes and desirability which is unlikely to change significantly over time.

An important part of many 'non prime' high density locations, i.e. non waterfront/high value areas, there has to be a marked difference between apartment values and surrounding stand alone house values. Apartment development may often only be commercially viable as a result of cutting back apartment development costs, with design and quality of material usually first to go. This usually results in feeding the investor market rather than the owner occupier market. Some larger scale masterplanned developments such as Addison in Takanini, and Stonefields in the old Mt Wellington Quarry are attempting to add value in the environment and amenity created. This is considered a step in the right direction as it focuses on stimulating demand for higher density living, rather than simply providing supply. This is an important point, as the solution for increasing higher density living is as much about increasing demand for the product as it is about increasing supply, i.e. there is not point promoting policies that will increase high density supply unless there is corresponding increase in demand for the product.

A unique and important factor for apartment land is its ease of supply through the removal of height and other planning restrictions. As such other more attractive locations in Auckland are likely to be made available to the market over the next fifty years. Furthermore, given the low land cost per unit for apartments (often less than 20% of the total unit's value) it is only marginally more expensive to purchase an apartment in more attractive / desirable locations.

From a high density demand distribution perspective, commercially a significant proportion of this is likely to be generated in the high amenity areas such as Pakuranga, Bucklands Beach/Howick, the northern parts of Botany/Dannemora, and to a lesser degree Mangere and Clendon waterfront locations. This is different to the T2060 Concept Plan which focuses on providing high density apartment living in the less desired suburbs in the southern part of the city. This represents a clear divergence in thinking that appears to highlight a major difference between what appears to be a concept focused on planning ideology versus one giving due consideration and weighting to the commercial market realities.

A key issue in developing or expanding high density development in high value/high amenity areas is better managing the quality of the physical product and its environment. Demand is typically high in these areas, but supply constrained, with rezoning and high density development applications usually encountering rigid opposition. However, this needs to be overcome to ensure population projections are met, and a range of housing product in a range of locations can be developed over the next 50 years.

The following suggested changes have been made to the T2060 concept, and are shown diagrammatically in Appendix 1.

1. Increase the additional supply of Apartments in the Pakuranga, Bucklands Beach/Howick and Flatbush to 30,000 units or 75% of total apartment capacity, with a corresponding decrease in the Manurewa/Clendon, Mangere and East Tamaki/Otara areas. These areas are likely to be more viable for public sector apartments (i.e. state housing), which will be significantly less in overall quantum relative to private sector development. Note this report does not address the issue of public sector housing, and focuses purely on private sector intensive housing development.
2. Evaluate opportunities to establish terrace houses and apartments in residential areas in close proximity to the eastern beaches. It is a common trend internationally for higher density residential locations to be located near to the beach/waterfront areas, as access to these amenities are highly sought after.
3. Evaluate potential to establish apartments in other high amenity areas, such as adjacent to large parks, in locations that offer expansive views, close to town centres, etc.
4. Both terraced houses and apartments should have stronger concentrations within 800m of all town centres, i.e. higher density living options are considered important in these areas to cater for future growth in easily accessible locations and higher amenity areas. These areas are shown graphically in Appendix 2.

2. INTRODUCTION

This report evaluates the long run demand for residential land and houses for Manukau City geo-spatially, and reviews the implications for the T2060 Concept Plan. Specific objectives of the report are to:

- review the growth capacity assessment for Manukau
- evaluate the rate of 'take up' of residential and commercial land, as proposed by the T2060 Concept Plan,
- evaluate any environmental social benefits and costs resulting from the T2060 Concept Plan
- evaluate the staging requirements to achieve the T2060 Concept Plan
- identify any impediments to achieving the outcomes sought by the T2060 Concept Plan

2.1 Information Sources

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

- Census of Population and Dwellings 2006 - Statistics NZ
- Manukau City Council Rating Database
- Manukau City Council Population & Household Forecasts
- ARC Population & Household Forecasts
- Social Implications Of Housing Intensification In The Auckland Region: Analysis And Review Of Media Reports, Surveys And Literature. Prepared By: Catherine Syme, Synchro Consulting Victoria McGregor, Hill Young Cooper Ltd David Mead, Hill Young Cooper Ltd February 2005
- Background Base Data – Manukau City Council

3. POPULATION & HOUSEHOLD GROWTH

The residential demand forecasts in this report are based on the Manukau City Council (Manukau) 2046 estimate of 173,000 total households by 2046 (which represents an increase of 70,000 dwellings). Extrapolating this growth to 2061 results in a total of 188,000 households, representing an increase of around 88,000 dwellings.

It is important to note that there are considerable differences between the ARC, Statistics NZ and MCC population projections. These differences are of some concern, however the issues arising from these are easily rectified through Council simply adopting their preferred projections. However, of more interest, are the vast differences in distribution that result from each of these sets of projections. The differences between these are shown graphically in Appendices 4 and 5. These differences in distribution are primarily with the ARC projections (by Census Area Unit (CAU)) and have been compared to both the Statistic NZ and MCC projection distributions, these two distributions being more closely aligned.

Appendix 3 shows the difference between Statistics NZ and ARC distributions. It shows Statistics NZ expecting greater levels of growth focused in centres such as Manukau Central, Pakuranga, Flatbush, Mangere and Manukau Central. The ARC distribution comparatively shows a greater level of growth in East Tamaki and within the rural catchments. The Flatbush area may be the result of a mislabelled CAU by ARC.

Appendix 4 shows a similar disparity between the ARC distribution and MCC's capacity assessments. Once again ARC shows a greater level of growth in the eastern suburbs of Manukau. MCC shows greater levels of capacity in the Manukau Central and Pakuranga locales. In several cases these differences are substantial with over 2,000 dwellings either more or less per CAU. The primary and most concerning differences appear to be in the Pakuranga, Mangere, Manukau Central and East Tamaki areas.

4. RESIDENTIAL LAND SUPPLY

Manukau has 6,500 hectares of residential zoned land resulting in an average lot size of 630 sqms. Under the 2060 household growth forecast the average lot size will nearly halve to 350 sqms, assuming no increase in residential land supply.

Theoretically this means the 2060 forecast population could be accommodated in a built form that is mostly stand alone houses (given 350 sqms is enough land to accommodate a stand alone house). Practically however this is an unlikely outcome as many of the existing residential lots will not be subdivided as the existing house may be located in the middle of the site, the topography may be steep, the owner may choose to keep a large section, there may be protected trees, etc.

It is therefore considered unlikely that Manukau's forecast 2060 population could be accommodated without the introduction of a significant number of terrace houses and apartments.

5. RESIDENTIAL CAPACITY ANALYSIS

An objective of this report is to assess the market viability of the T2060 concept plan in terms of the geo-spatial distribution and quantum of housing demand. Initially this requires an understanding of the 50 year capacity for housing for each market area across Manukau. Figure 1 defines eight residential market areas in Manukau that have been used for the purposes of this report. Subsequently these are used to assess market demand by housing type.

FIGURE 1: MANUKAU HOUSING MARKET AREAS

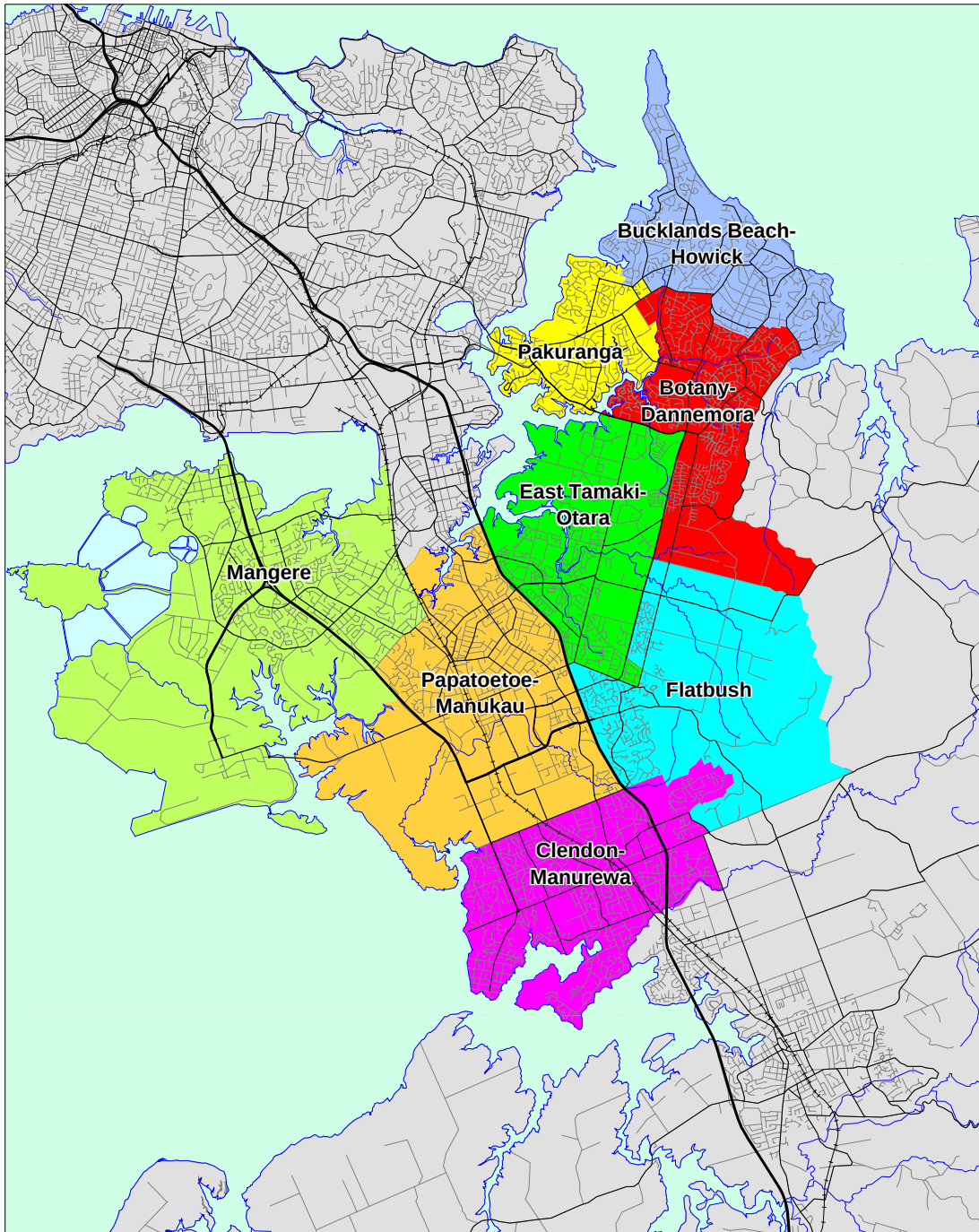


Table 1 illustrates the capacity for residential intensification in Manukau on the basis of 188,000 total households as at 2061. Average lot size is able to be determined by dividing total residential zoned land by the total households forecast for each area.

Note the forecast distribution of growth is determined in Table 2 and is based on anticipated market preferences rather than the regulatory direction of specific plans, such as those inherent to the Statistics NZ forecasts or the T2060 growth concept. In other words, this is a 'market led' forecast of the distribution of growth.

It is evident that the available residential land supply (6,500 hectares) is sufficient to accommodate the majority of growth in a medium density format that is a format that is predominantly stand alone houses, town houses and terrace houses. With the exception of Flat Bush and Manukau CBD, average lot sizes reduce to an average of 300sqms or greater by 2061, and the city wide average reduces to 350sqms.

TABLE 1: RESIDENTIAL CAPACITY ESTIMATE PEL

Catchment	Residential Land (hecatres)	Stats NZ 2011 Households	2021 Hhlds	2031 Hhlds	2041 Hhlds	2051 Hhlds	2061 Hhlds
Balance	0	4,300	4,900	5,500	6,000	6,400	6,700
Botany-Dannemora	890	13,600	16,000	18,700	20,900	22,400	23,700
Bucklands Beach-Howick	1,080	13,500	16,500	19,800	22,500	24,300	25,900
Clendon-Manurewa	1,300	20,900	23,300	26,000	28,200	29,700	31,000
East Tamaki-Otara	440	10,000	11,100	12,400	13,400	14,100	14,700
Flat Bush	350	8,300	10,500	13,000	15,000	16,400	17,600
Mangere	970	17,600	19,800	22,300	24,300	25,700	26,900
Manukau CBD	60	1,400	2,000	2,600	3,100	3,500	3,800
Pakuranga	610	8,300	10,500	13,000	15,000	16,400	17,600
Papatoetoe-Manukau	850	12,300	14,200	16,200	17,900	19,100	20,100
Total	6,500	110,200	128,500	149,100	166,000	177,600	187,500
Catchment	Residential Land (hecatres)	Stats NZ 2011 Households	2021 Lot Size	2031 Lot Size	2041 Lot Size	2051 Lot Size	2061 Lot Size
Balance	0	4,300	0	0	0	0	0
Botany-Dannemora	890	13,600	560	480	430	400	380
Bucklands Beach-Howick	1,080	13,500	660	550	480	450	420
Clendon-Manurewa	1,300	20,900	560	500	470	440	420
East Tamaki-Otara	440	10,000	400	360	330	320	300
Flat Bush	350	8,300	340	270	240	220	200
Mangere	970	17,600	490	440	400	380	370
Manukau CBD	60	1,400	300	240	200	180	160
Pakuranga	610	8,300	590	470	410	380	350
Papatoetoe-Manukau	850	12,300	600	530	480	450	430
Total	6,500	110,200	510	440	400	370	350

Source: Statistics NZ, MCC

Table 2 presents the anticipated house type composition for each market area as at 2061. These compositions have been estimated by Property Economics through consideration of city wide and international trends relating to the take up of high density housing, particularly apartments, the relative attractiveness of each market area (this is evident to a large extent in the residential land value on a per sqm basis), and the general amenity in each location, both existing and future, including retail, employment, education, beaches, parks, etc.

In a general terms stand alone houses will remain the most preferred housing format over the long term, as is the case in most places internationally, however will become increasingly unaffordable in high amenity/desirable suburbs by the majority of the population, resulting in a general move towards terrace housing and apartments. Demand for terrace housing will be spread relatively evenly across the city given the comparable construction costs with stand alone housing (the primary difference in these two formats is the cost of land which is less for terrace housing given the small lot sizes).

Apartments however cost more to build per sqm and therefore require either cheaper land (on a per unit basis) or high amenity locations. The locations where apartments are anticipated to be most viable include Bucklands Beach – Howick (driven by Aucklanders' strong preference to live near the beach), Flat Bush (driven by the unique opportunity to create a master planned development in a park setting with new amenities), and Botany and Pakuranga, both of which are attractive middle income suburbs with good access to central Auckland.

Future housing growth is therefore anticipated to be approximately two thirds terrace houses and one third apartments, with stand alone housing remaining relatively static as they are converted to these other higher intensity formats (offsetting new stand alone housing developed in urban fringe locations).

TABLE 2: ESTIMATED DEMAND BY HOUSE TYPE BY MARKET AREA 2060 (PEL)

Catchment	Residential Units 2060 PEL							
	Residential Land (hectares)	Residential Land per Hhld (sqms)	Stand Alone	Terrace House	Apartment	Stand Alone	Terrace House	Apartment
Balance	0	0	6000	400	400	90%	5%	5%
Botany-Dannemora	890	660	11900	7100	4800	50%	30%	20%
Bucklands Beach-Howick	1,080	800	10400	7800	7800	40%	30%	30%
Clendon-Manurewa	1,300	630	15500	14000	1600	50%	45%	5%
East Tamaki-Otara	440	440	7400	6600	800	50%	45%	5%
Flat Bush	350	430	7100	5300	5300	40%	30%	30%
Mangere	970	560	13500	12100	1400	50%	45%	5%
Manukau CBD	60	430	1500	800	1500	40%	20%	40%
Pakuranga	610	740	8800	5300	3600	50%	30%	20%
Papatoetoe-Manukau	850	700	10100	8100	2100	50%	40%	10%
Total	6,500	590	92,200	67,500	29,300	49%	36%	16%

Source: Statistics NZ, MCC

Table 3 shows the difference between a 'market led' growth distribution and the current MCC growth distribution, as indicated in the T2060 Concept. In general, the locations with low land values are not anticipated to attract the same level of intensification as the more desirable locations and communities (figures coloured red).

The potential for apartment intensification in locations that are within walking distance of the beach is substantial, and represent Manukau's primary opportunity for apartment development over the next 10-20 years. Beach locations are particularly attractive to the market when they are structured around small to medium scale commercial and community centres such as Takapuna or Mission Bay.

In economic terms it is this ability for the average person to access these high amenity locations that support the move from larger stand alone houses to apartments and terrace houses. Similarly, if a high quality urban environment is created, such as Newmarket, this can also be an attractive location for apartments, as residents can walk to a range of commercial and community amenities.

It is however important to consider the inherent limitation in creating this level of amenity through good urban design alone, as the underlying locational characteristics of a location will to a large extent dictate its market potential, as residents will be able to choose from apartments in a number of locations across the city that are offered at comparable prices (i.e. a Newmarket apartment will only be marginally more expensive than a Manurewa apartment).

TABLE 3: FORECAST RESIDENTIAL LOCATION PREFERENCE

Catchment	Stats NZ 2011 Households	PEL Growth Distribution Estimate	PEL Growth Distribution Estimate 2046	MCC Growth Scenario 2046	PEL - MCC Growth Differential 2046	Residential Land Value \$/sqm
Balance	4,300	3%	6,200	3,800	2,400	-
Botany-Dannemora	13,600	13%	21,500	16,100	5,400	\$487
Bucklands Beach-Howick	13,500	16%	23,200	15,900	7,300	\$521
Clendon-Manurewa	20,900	13%	28,800	25,700	3,100	\$281
East Tamaki-Otara	10,000	6%	13,700	9,200	4,500	\$229
Flat Bush	8,300	12%	15,600	19,300	-3,700	\$295
Mangere	17,600	12%	24,900	23,100	1,800	\$259
Manukau CBD	1,400	3%	3,300	10,000	-6,700	\$320
Pakuranga	8,300	12%	15,600	22,800	-7,200	\$443
Papatoetoe-Manukau	12,300	10%	18,400	25,200	-6,800	\$314
Total	110,200	100%	170,800	170,800	0	\$350

Source: Statistics NZ, MCC

The following comments relate specifically to each catchment in Table 3.

Balance - The rural area in Manukau, assumed to achieve modest residential growth, predominantly in the form of lifestyle blocks and suburban lots in coastal townships.

Botany-Dannemora - High growth forecast based on access to education, retail and employment amenity. This area is considered a location that will receive higher density residential.

Buckland's Beach – Howick - High growth forecast based predominantly on its coastal location, however also access to retail and community facilities, and employment opportunities. A desirable suburb that will experience increased demand. The heritage area in Howick will restrict growth in that part of the suburb.

Clendon – Manurewa - Growth in this location is expected as a result of the large amount of residential land, nearly 1,300 hectares, which will generate new stand alone homes rather than high density development. This is not considered a desirable or high amenity area relative to other areas in Manukau and the wider region.

East Tamaki-Otara – Only modest growth forecast in this location, due to low quality environment and amenities, and not considered a desirable suburb, making the likelihood of significant volumes of high density living being driven into this area low.

Flat Bush - Strong growth forecast due to its unique position created by masterplanned development in a rural/park setting. This development is to include significant levels of high density living. For this to be successful, high levels of amenity need to be provided.

Mangere - Modest (per hectare) growth forecast in this location, due to lower quality amenities and low desirability of the suburb. This is unlikely to change significantly in the future.

Manukau CBD - Modest growth forecast based on medium and high rise apartments. The CBD is not considered a desirable area to live at present, with the future level of this significantly influenced by the quality of the future environment.

Pakuranga:

High growth forecast due to high quality residential amenity, and access to retail and education opportunities. Also very close to Auckland, making it a sought after area from a commuting perspective. Demand for high density living is considered inevitable in this location.

Papatoetoe-Manukau - Modest growth forecast reflecting average quality environment and amenity. Access to main transport routes will increase the desirability of this location over time and ahead of other areas.

6. HOUSING TYPE PREFERENCES

Aucklanders have a strong preference for stand alone houses as they offer privacy, strong investment returns, and access to outdoor living and garden areas. Apartments and terrace housing often have body corporate management, which creates additional cost and risk for owners. The preference for stand alone houses is evident for all market sectors, including elderly, single parents and singles.

This preference is also partly driven by historic perceptions of higher density living (particularly apartments) rather than what these typologies could actually be. These perceptions have been driven by the significant amount of negative media coverage apartments have received since the early 1990s when they first entered the Auckland market, i.e. small apartments sizes, leaky developments, resale value of apartments, overseas student exodus and the flow-on effects of this on the apartment market, etc. Many of these factors are no longer apply in today's market with design protocols, tighter building standards and better quality design of apartments, apartment buildings and environments.

Given the limited supply of land within the urban limits, and the growing population, residents will be required to accept other forms of housing, of which there are two broad types, terrace houses and apartments.

Terrace houses are typically preferred over apartments as they are essentially a smaller version of a stand alone house (i.e. have a small rear and/or front yard, ground level entrance, and do not always require body corporate management). Terrace houses are nearly 50% cheaper to construct than apartments (on a per sqm basis), so are typically commercially viable in a residential market before apartments.

Some sectors of the market are more comfortable with apartments, particularly non-family households. Apartments are however the preferred housing option for only a small fraction of the market (less than 10% in all household types, and less than 5% for most).

It is a common misconception that the retirement of the Baby Boomer generation, or similarly the declining proportion of family households, will automatically result in a noteworthy increase in demand for apartments. There will need to be a considerable change in the 'mind-set' of many sectors of the market before that is likely to occur, and this may take a couple of generations.

The viability of terrace houses is less affected by location than apartments as they enable affordable houses in the marketplace, primarily due to their small section size and lower construction cost. In instances where there is an existing dwelling on a site, it will be less viable to replace this before the end of its useful life has been reached, as this involves the demolition of the capital and this cost must be absorbed by the development. This typically means that older houses, on larger sites, in more upmarket locations, will be developed first.

Demand for terraced houses over time is likely to be spread right across Manukau, however its important to recognise once a site is developed for terraced houses then the potential for that site to be used for apartments is put back a significant amount of time (possibly 20-30 years), as the capital investment and useful life of the terraced homes means the apartment development would not 'stack up'. This is important when planning within close proximity to town centres, i.e. areas where higher density residential development will predominantly be focused.

It is also important to bear in mind that while some market areas will see the complete take-up of available stand alone and terrace sites before other catchments, there is likely to be a resulting shift in demand to other locations within Manukau. That is, as people realise there are no more stand alone or terrace units available in a particular location, at an acceptable price, they will decide to look further afield, rather than automatically accepting an apartment in that location.

This trend is likely to also be the case in Manukau, with the household income distribution showing a preference for locations close to the eastern beaches and the City Centre. Southern Manukau City scores poorly on these two counts and these are the main reasons why residential land is less valuable in this location. There are some areas in the south such as Clendon that may see some gentrification in the future, particularly if the mooted bridge to Karaka is developed.

7. RESIDENTIAL MARKET AREA PROFILES

This section presents a profile for each market area. For the purposes of this assessment, the relative difference between the market areas is assumed to remain over the medium-long term.

Table 4 presents the key market variables for each market area.

TABLE 4: MARKET AREA VARIABLES

Market Area	Total Hhols 2006	Avg. School Decile	Average Section Value	Land Value per sqm	Avg. Lot Size	Persons per House	HHld Income	Unemployed	European	Maori	Pacific Peoples	Asian	7 plus residents	% Rent	% Lots 700 sqms plus	Count Lots 1000-1500	% Units (of Total)
Botany-Dannemora	12,117	9.7	\$326,428	\$487	670	3.1	\$78,681	5%	47%	3%	2%	39%	2%	21%	22%	297	19%
Bucklands Beach-Howick	13,032	8.5	\$436,100	\$521	837	2.9	\$77,216	4%	64%	4%	1%	21%	1%	25%	39%	1,513	29%
Clendon-Manurewa	18,687	2.4	\$214,577	\$281	764	3.5	\$62,905	8%	34%	25%	24%	11%	8%	41%	31%	1,058	18%
East Tamaki-Otara	7,032	1.0	\$165,000	\$229	720	4.3	\$61,237	11%	14%	16%	59%	9%	17%	60%	34%	442	9%
Flat Bush	5,199	4.8	\$215,000	\$295	730	3.5	\$79,549	6%	33%	12%	17%	31%	6%	31%	25%	161	10%
Mangere	14,103	1.8	\$199,415	\$259	769	4.2	\$62,312	10%	18%	16%	53%	11%	15%	49%	40%	1,213	12%
Manukau Central	1,023	2.7	\$214,375	\$320	670	3.0	\$55,537	8%	28%	15%	21%	31%	4%	56%	38%	31	42%
Pakuranga	7,974	6.1	\$335,071	\$443	756	3.0	\$69,276	5%	51%	7%	5%	28%	3%	29%	37%	641	25%
Papatoetoe-Manukau	11,478	2.3	\$265,007	\$314	845	3.3	\$56,922	9%	29%	14%	24%	27%	6%	46%	37%	1,039	39%

Source: Property Economics, MCC, Statistics NZ

Botany-Dannemora

Includes Highland Park, Botany Downs, Somerville, Burswood, North Park, Golflands, Cumbria Downs, Shamrock Park, Dannemora and East Tamaki Heights.

The average school decile in the area is 9.7, which is the highest in the city, the high rating attracts family households, particularly young families.

Botany-Dannemora has a high average income which at \$79,000 is the second highest in Manukau City, and is a relatively new suburb.

The land value per sqm in Botany-Dannemora is the second highest in the city, at \$490/sqm.

Unemployment in this catchment is low at 5%.

Very high proportion of the population of Asian decent relative to other parts of the city.

Bucklands Beach-Howick

Includes Half Moon Bay, Mellons Bay, Bucklands Beach, Eastern Beach, Howick, Cockle Bay and Shelly Park.

Bucklands Beach-Howick is an older established suburb and houses many older European residents, many of whom are Baby Boomers that would have set up family homes in the 1960's and 1970's.

Howick has a high average income which at \$77,000 per household is the third highest in Manukau.

The average school decile rating is 8.5, which is the second highest in the city.

Land values are on average \$520 per sqm, the highest in the city.

There is a substantial 1,500 lots sized between 1,000 and 1,500 sqms. This is primarily due to the fact that a large portion of this catchment is in the heritage area.

Clendon-Manurewa

Includes Homai, Hill Park, The Gardens, Clendon Park, Manurewa, Weymouth, Mahia Park and Wattle Downs.

Clendon-Manurewa has a reputation as an undesirable residential location, attributable to the negative media publicity relating to crime and gang violence. Also being one of the southern most suburbs in the city, it is located further away from employment and higher amenity areas.

Clendon-Manurewa has low income, and over 40% of households rent their property. These factors can have negative implications for the property maintenance and community networks.

The area has a very diverse ethnic base.

East Tamaki-Otara

Includes Greenmount, Huntington Park, East Tamaki Industrial Area, Otara and East Tamaki.

This catchment has the lowest household income and school decile rating in the city, the average land value per sqm is also the lowest. All these variables make East Tamaki-Otara an undesirable residential location.

The suburb has a low level of amenity, and a very high proportion of people of Pacific Island descent.

Flat Bush

Includes Chapel Heights, Flat Bush, Chapel Downs, Clover Park, Manukau Heights, Goodwood Heights, Totara Heights.

This catchment has many established parts which have been attractive to wealthy residents. This area is forecast to experience significant growth over the next 20-30 years, and will see a considerable increase in amenity over this time.

Flat Bush has a high average income which at \$80,000 per household is the highest in Manukau City.

Mangere

Includes Mangere Bridge, Favona and Mangere.

Mangere has a reputation as being a less desirable residential location, largely attributable to the negative media publicity relating to crime and gang violence.

Mangere has comparatively low income as a result of relatively high unemployment and has a high proportion of Maori and Pacific peoples. Half of households rent their property, considerably higher than the Auckland average of 35%. These factors can have negative implications for the property maintenance etc, as community networks as populations have less opportunity to form social networks.

The average school decile rating is 1.8. This is a major deterrent for young families, who relocate frequently despite being a decreasing proportion of the total population.

Land values are on average \$260 per sqm, meaning a 500 sqm section is currently valued at around \$130,000. This is some of the lowest value residential land in the Auckland Region.

A high 40% of sections are larger than 700 sqms, and there are a significant 1,250 sections that are in the 1000-1500 sqm bracket, indicating there is a lot of latent potential for short term subdivision and development.

Manukau Central

Includes Manukau Central and Puhinui.

Being the central city, Manukau Central only has 31 lots that are between 1,000 and 1,500sqm, indicating there is no potential for further subdivision. However, it is likely to be location for high density residential apartment developments.

Pakuranga

Includes Farm Cove, Sunnyhills, Pakuranga and Pakuranga Heights.

Pakuranga has the second highest average household income in the city, only after Bucklands Beach-Howick. The average land price per sqm is \$440, which is only slightly lower than Botany-Dannemora.

Pakuranga has a very high percentage of its population either European or Asian, and is considered a desirable suburb to live in with high levels of amenity, access to goods & services, education and recreation.

Papatoetoe-Manukau

Includes Middlemore, Papatoetoe and Wiri.

Papatoetoe-Manukau has the biggest average section size in the city, at 850sqm. Household income of this catchment is \$57,000, only higher than Manukau Central.

This is a well established part of the city and is considered average quality in terms of the physical environment and amenities. Its high level of access to key transport modes, means increased levels of demand will be experienced over the longer term.

8. APARTMENT DEVELOPMENT VIABILITY

This section evaluates the commercial viability for apartment development in Manukau.

Stand alone and terrace houses have similar construction costs, of around \$1,500 - \$1,800 per sqm. The only significant difference is the land value, which will be lower for Terrace houses given they require less land. Apartments however cost in the order of \$2,300 - \$2,700 per sqm to build, making them less profitable in terms of the physical structure than other formats of houses.

For example given the choice to build ten terrace houses or ten apartments on a specific site, terrace houses will in most instances provide the greatest return. In order for apartments to be profitable, they either need prime locations (where the average resident would not be able to afford a stand alone house, e.g. near the beach), or land that is cheap enough on a per housing unit basis to offset the additional construction costs. For these reasons apartments will only be commercially viable in some locations, regardless of Council development controls.

The following table outlines several development feasibility scenarios that illustrate the commercial viability of apartments in different markets across Manukau.

TABLE 5: APARTMENT DEVELOPMENT VIABILITY SCENARIOS

Description	High Rise / Low Quality			Mid Rise / Medium Quality			Mid Rise / High Quality			
Land Value per Unit	\$20,000	\$30,000	\$40,000	\$50,000	\$60,000	\$70,000	\$80,000	\$90,000	\$100,000	\$110,000
Apartment Size (two beds)	70	70	70	70	70	70	70	70	70	70
Common Area per Unit	15	15	15	15	15	15	15	15	15	15
Carparking (two parks)	35	35	35	35	35	35	35	35	35	35
Constuction Cost	\$226,000	\$226,000	\$226,000	\$226,000	\$226,000	\$226,000	\$226,000	\$226,000	\$226,000	\$226,000
Consultants (10%)	\$25,000	\$26,000	\$27,000	\$28,000	\$29,000	\$30,000	\$31,000	\$32,000	\$33,000	\$34,000
Council Contributions	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
Marketing plus Other	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Development Margin	\$32,000	\$34,000	\$35,000	\$36,000	\$37,000	\$38,000	\$40,000	\$41,000	\$42,000	\$43,000
Total Cost per Unit	\$328,000	\$341,000	\$353,000	\$365,000	\$377,000	\$389,000	\$402,000	\$414,000	\$426,000	\$438,000
Sale Price Per sqm	\$4,700	\$4,900	\$5,100	\$5,300	\$5,400	\$5,600	\$5,800	\$6,000	\$6,100	\$6,300
Construction Cost per sqm										
Apartment	\$2,300									
Common Area	\$1,500									
Carparking	\$1,200									

Source: Property Economics, Rawlinsons

The land values per apartments have assumed to range from \$20,000 to \$110,000, with the lower end of the range reflecting high rise units / low quality apartments, and the higher values mid rise / high quality apartments. Apartment construction prices have been included at \$2,300 per sqm, which is the lower end of the range.

The table shows, at a general level, that a lower quality high rise apartment (2 bedroom, 70 sqms), can be delivered to the market currently for approximately \$330,000, and the upper end units of the same size, can be provided in the market for around \$440,000.

The lower value suburbs currently have three bedroom houses on medium sized sites for approximately the same price as the lower end apartment unit. This indicates limited market viability for this product in the Mangere, Manurewa, Otara and Central Otara areas. It is noted however that a limited market for apartments will exist in the low value locations, typically attracting older tenants that wish to stay in their current location, however require lower maintenance, secure property, and also smaller rental units.

Council plans that rely on large proportions of residential growth to be provided for in apartments in less desirable locations will result in residents relocating to other locations in Auckland, or the provision of small apartments (less than 40 sqms) which will adversely impact those residents quality of life. A key point to note here also is the household structure and ethnicities of the city (i.e. multi-family households) suggest larger apartments than 'typical' will be required to meet the communities needs in the future. This has the effect of increasing the development costs for no real increase in apartment value on the market. This would make apartment development even less feasible in many instances.

9. HOUSING TYPE & LOCATION PREFERENCES

Trends evident in the existing market do not always tell the complete story about market demand for different housing types, for each market area. This is because the development controls often restrict or prohibit certain types of developments, such as minimum lot sizes and heights controls.

There is little statistically relevant material available on the housing preferences of each sector of the population in Auckland. CHРАНZ recently commissioned a study of the housing type and tenure preferences, which included seven focus groups into housing preference.

This study has revealed several trends including:

- Older (55 year plus) households prefer three bedroom houses.
- Young (18-40 years) family households prefer separate houses and are interested in being located near to good schools.
- Young (18-40 years) couple households prefer separate houses and will look to increase the size of the house if they have children. This group identified living close to work as an important consideration.
- The majority people prefer to stay in locations where they have existing family and personal networks.
- All sectors preferred stand alone houses.

The above housing preferences are not surprising. In considering the future 2060 housing preferences however it is necessary to anticipate the changes in preferences, and more importantly the trade-offs that households are willing to make as stand alone houses become more expensive.

Table 7 shows the house types occupied by each household type, for Manukau City. This shows several key trends:

1. Terrace houses are more likely to be occupied by low income households. The likely reason for this is that terrace houses are often smaller, are most often situated on smaller lots, and offer less privacy.
2. Currently 17% of households live in terrace houses or units. Of these one half earn less than \$50,000 per annum, and one third earn less than \$30,000 per annum. This shows that many low income sectors are not able to afford stand alone houses.
3. Conversely those on the higher household incomes show a preference to live in stand alone houses.
4. Singles and Mixed Households are more likely to live in terrace houses or units than other sectors of the population.

TABLE 6: HOUSING PREFERENCES FOR MANUKAU CITY 2006 (CENSUS)

Area	Dwelling Type	Less than \$30,001	\$30,001 - \$50,000	\$50,001 - \$70,000	\$70,001 - \$100,000	\$100,001 or More	Not Stated	Total
Couple	Separate House	12%	11%	12%	16%	21%	8%	81%
	Terrace	4%	3%	3%	3%	2%	2%	16%
	Apartment	0%	0%	0%	0%	0%	0%	0%
	Other	1%	0%	0%	0%	0%	1%	2%
	Total	17%	14%	15%	19%	24%	10%	18,159
Family	Separate House	5%	8%	12%	17%	27%	18%	87%
	Terrace	1%	2%	2%	2%	1%	2%	11%
	Apartment	0%	0%	0%	0%	0%	0%	0%
	Other	0%	0%	0%	0%	0%	1%	3%
	Total	7%	11%	14%	19%	28%	22%	35,388
Single Parent	Separate House	21%	14%	9%	6%	4%	21%	76%
	Terrace	6%	4%	2%	1%	1%	5%	18%
	Apartment	0%	0%	0%	0%	0%	0%	0%
	Other	1%	1%	0%	0%	0%	3%	5%
	Total	29%	18%	11%	8%	5%	29%	13,701
Two Plus Family	Separate House	3%	5%	7%	12%	33%	29%	88%
	Terrace	1%	1%	1%	1%	2%	3%	8%
	Apartment	0%	0%	0%	0%	0%	0%	0%
	Other	0%	0%	0%	0%	1%	2%	4%
	Total	4%	6%	7%	13%	36%	35%	7,929
Mixed	Separate House	9%	10%	10%	12%	13%	18%	72%
	Terrace	4%	4%	3%	3%	2%	5%	22%
	Apartment	0%	0%	0%	0%	0%	0%	0%
	Other	1%	1%	1%	0%	0%	3%	6%
	Total	14%	15%	13%	16%	16%	26%	3,258
Single	Separate House	25%	13%	7%	3%	2%	4%	54%
	Terrace	20%	7%	3%	1%	0%	3%	35%
	Apartment	0%	0%	0%	0%	0%	0%	1%
	Other	4%	1%	0%	0%	0%	5%	10%
	Total	50%	22%	10%	4%	2%	12%	12,936
TOTAL	Separate House	10812	9369	9231	11568	17184	14052	72210
	Terrace	4902	2820	1953	1563	1230	2640	15108
	Apartment	42	51	30	15	15	45	189
	Other	879	411	237	180	201	1938	3861
	Total	16638	12657	11445	13323	18636	18666	91371
TOTAL	Separate House	12%	10%	10%	13%	19%	15%	79%
	Terrace	5%	3%	2%	2%	1%	3%	17%
	Apartment	0%	0%	0%	0%	0%	0%	0%
	Other	1%	0%	0%	0%	0%	2%	4%
	Total	18%	14%	13%	15%	20%	20%	91,371

Source: Statistics NZ

The focus groups and the Census data indicate that there is less preference for terrace houses or apartments, with lower income and smaller households tending to occupy this type of dwelling, particularly via multi-family households.

For Manukau City over the period out to 2060 this will have significant implications for the demand for different house types. In particular demand for terrace and apartment houses will not eventuate until the underlying land value necessitates this change. In other words, the market will not demand terrace houses and apartments in a location where stand alone houses are similarly priced, or not significantly more expensive, with the exception of a small proportion of buyers that prefer this type of house (i.e. for security reasons).

10. ECONOMIC IMPLICATIONS OF HOUSING SUPPLY

The broad economic implications of implementing the T2060 plan include:

1. Increasing residential land capacity will reduce the cost of housing for existing and future residents. It is a basic requirement to locate apartments appropriately to achieve this.
2. Increasing the return on investment in infrastructure (roads, services, community facilities, etc) as the costs of these are spread across more residents. This assumes capacity points are not reached as a result of the T2060 concept.
3. Providing a greater diversity of housing stock. While there is a preference for stand alone houses, there are sectors of the population that are willing to accept terrace houses and apartments.
4. Agricultural land can remain in production.

11. SOCIAL IMPLICATIONS OF HOUSING SUPPLY

There is little conclusive research on the social implications of different housing types, or more specifically whether traditional suburban residential environments (i.e. with stand alone homes) inherently create better communities than terrace housing or apartment housing.

Apartment buildings are the only form of building which has communally owned spaces. For owners, this means that there is a need to have good body corporate management structures to ensure the building is maintained and that occupants do not disturb other residents. In this respect apartment buildings are a higher risk investment than other types of houses as they are shared ownership.

There is a change in the household structure occurring driven primarily by couples having children later in life and the retirement of the Baby Boomer generation. As a consequence family households are becoming a smaller proportion of the population. The implication of this is there are more couples and singles and they are more able to adapt to the terrace house and apartment format.

The retirement of the Baby Boomers marks a turning point in the history of residential property. This cohort initiated the move to the suburbs to find affordable housing, supported by decreasing travel costs. As this group enters retirement age there will be a proportion that decides to 'trade down' to access capital in their houses, some will seek lower maintenance and higher security options, and some will seek retirement village accommodation. All of these options suggest an increase in demand for apartments over the next twenty years, but not all of this cohort will suddenly shift into apartments. Regardless there still maintains a preference for the Baby Boomers to remain in their houses for as long as possible, and it is unlikely that this will change over the short to medium term.

A recent report for the Auckland region entitled “Social Implication of High Intensity Housing 2005” has been reviewed. The literature review has concluded that impacts associated with intensive housing can be minimised if it is:

1. well designed in terms of external and internal living spaces
2. well located in terms of being accessible to a range of services and activities
3. meets the needs of a diverse range of households in terms of income and demographics, that is, it is not associated with one particular group in society.

These simplistic conclusions are by no means an exhaustive list nor guarantee high quality residential development or environment. The report also concludes that there is no empirical evidence showing that higher density forms of housing create stronger communities, or otherwise. It is likely that this depends on the nature of the community that resides in the building, rather than the built form that defines the community. Similarly crime statistics do not reveal a trend towards regarding the safety implications of high intensity housing. Again this is likely to be more a function of the population rather than the built form.

Regarding health, the general consensus is there is increased walkability offered in high intensity housing areas, however they have health effects from noise.

12. ENVIRONMENTAL IMPLICATIONS OF HOUSING SUPPLY

Some broad environmental implications of implementing the T2060 plan include:

1. Reducing the economic and environmental cost if community infrastructure
2. Increasing the residential density to a level that better facilitates public transport
3. Reducing average travel distances for residents, as work and retail located within walking distance of a higher proportion of people

13. HOUSING DISTRIBUTION & STAGING RECOMMENDATIONS

The distribution of growth envisaged by the MCC T2060 plan will be accepted by the market with the exception of large numbers of apartments allocated in the lower income suburbs. Terrace houses will be accepted by the market in all locations. Higher levels of apartment demand will be generated in the higher amenity / better quality northern suburbs.

The distribution and staging recommendations for each house type are outlined below.

Stand Alone Houses

These are the preferred form of housing for over 90% of the population in Auckland and will continue to be sought after in all locations across Manukau. Minimum lot size will be the most important consideration for this sector. It is conceivable that these could be reduced to, for example, 350 sqms and still deliver a high quality suburban living environment. For the purposes of this report I have assumed an average lot size of 475 sqms, which anticipates a minimum lot size in this order (given a portion will not be subdivided). A detailed review of the zoning and development regulations will be required to facilitate the supply of additional Stand Alone houses.

Terrace Houses

Over the next 20 years terrace houses will be required to provide a significant proportion of new housing for the Manukau population. These will generally be viable in all locations, however will be most sought after in the more affluent locations. Note if terraced houses are established where apartments need to be developed, then the likelihood of apartments being developed on that land over the next 30 years is slight, i.e. that potential apartment land will no longer be available or feasible for apartments over the period.

The distribution and staging of terrace houses should:

1. Initially be located near to commercial centres and transport corridors, to access existing infrastructure and amenity. Once the areas immediately surrounding commercial centres and corridors have been developed, then secondary areas can be released. This will enable higher number of residents to be within walking distance, say 800 meters, of centres and corridors initially. This will need to be balanced with not removing land suitable for apartment development in and around the town centres.
2. These are also likely to be in locations that have high amenity, such as near the coast that will be attractive places for terrace housing. This will provide higher amenity for those that cannot afford larger lots, and mean that more residents are able to have access to beaches, etc. Terrace houses with access to amenity will be more desirable in the market place.

It is acknowledged that existing residents in the more affluent locations near the coast are unlikely to support intensification. It is however important to recognise that they have not paid for exclusive use of these amenities, and have only paid for the use of their individual properties, which they will have the right to retain as larger lots.

Apartments

While the demand for apartments is anticipated to be subdued over the period out to 2031 (apart from Flat Bush), and negligible for the less affluent locations, it is nonetheless beneficial to make provision for this in the District Plan. There will be instances where land is available at a low per unit cost, such as above retail or commercial buildings, and this will support the efficient use of the land resource. Locations within and adjacent to town centres and corridors typically offer the greatest return on a cities infrastructure, and also supports the commercial and social function of the centres and corridors. Like Terrace houses, apartments will also be viable in coastal locations, and will offer the same benefits such as increased access to the beach for residents, again increasing the competitiveness of Manukau as a residential location in the regional market.

Given the lifespan of buildings in NZ is typically 50 plus years, it may be necessary to set aside land for apartment development in key locations, such as immediately adjacent to centres and corridors. This is something to consider at the structure planning and zoning stages, and will need to balance the short term versus long term use of this land.

Regulations around apartment height can be a powerful policy tool to support their commercial viability in the marketplace. For example, if a building height is limited to five levels, and can be used for either commercial office or apartments, and commercial office gives a better return, then this will be the most prevalent land use. If apartments are able to be built to seven levels, and office five, then this may result in more apartments being constructed, as apartment developers are more able to outbid office developers for the land.

Recommended changes to the MCC T2060 Concept Plan

In light of the findings in this report the following changes to the MCC T2060 concept plan are recommended:

- Increase the additional supply of Apartments in the Pakuranga, Bucklands Beach/Howick and Flatbush to 30,000 units or 75% of total apartment capacity, with a corresponding decrease in the Manurewa/Clendon, Mangere and East Tamaki/Otara areas. These areas are likely to be more viable for public sector apartments (i.e. state housing), which will be significantly less in overall quantum relative to private sector development.
- Evaluate opportunities to establish terrace houses and apartments in residential areas in close proximity to the eastern beaches. It is a common trend internationally for higher density residential locations to be located near to the beach/waterfront areas, as access to these amenities are highly sought after.

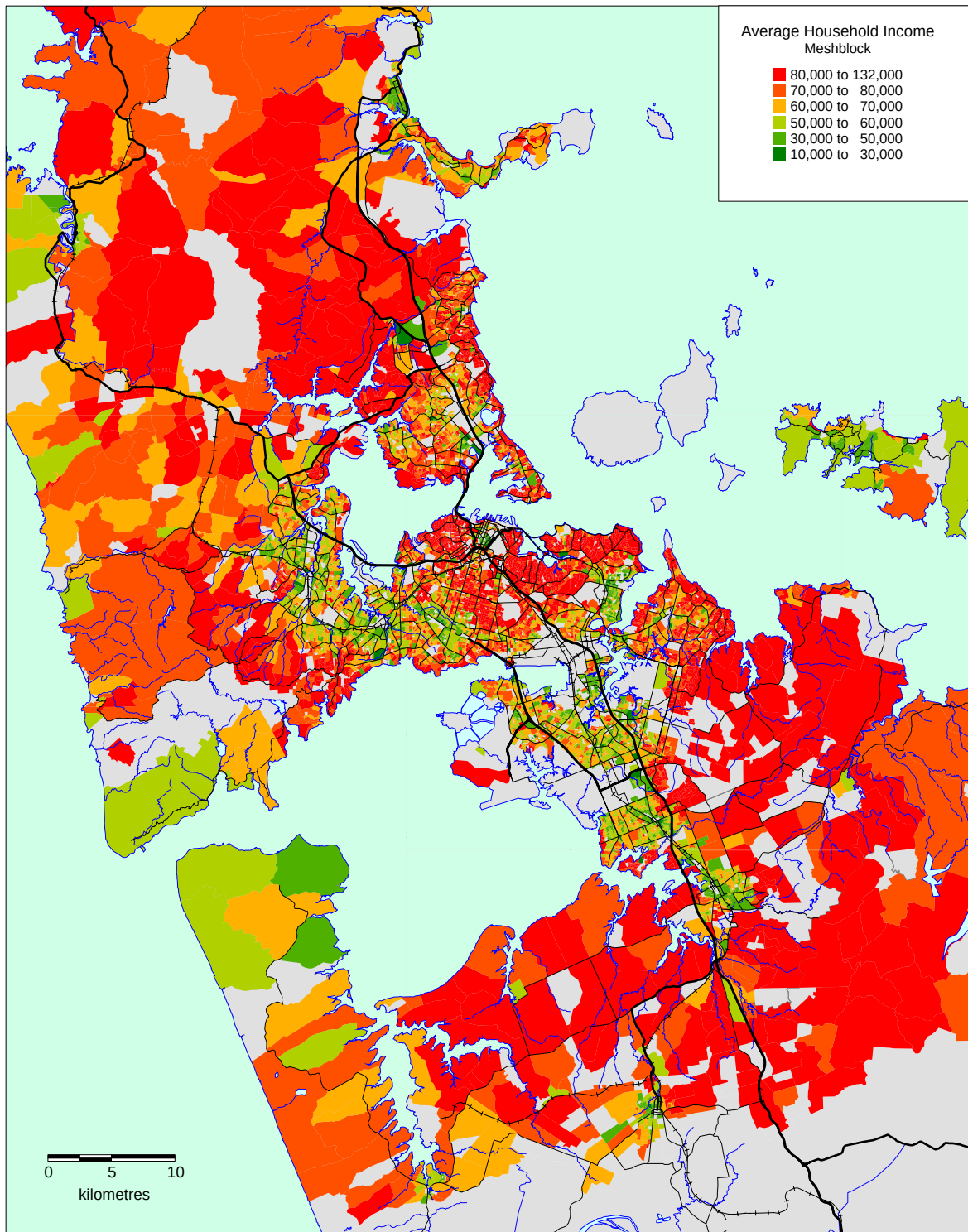
- Evaluate potential to establish apartments in other high amenity areas, such as adjacent to large parks, in locations that offer expansive views, close to town centres, etc.
- Both terraced houses and apartments should have stronger concentrations within 800m of all town centres, i.e. higher density living options are considered important in these areas to cater for future growth in easily accessible locations and higher amenity areas. These areas are shown graphically in Appendix 2.

Market Preferences

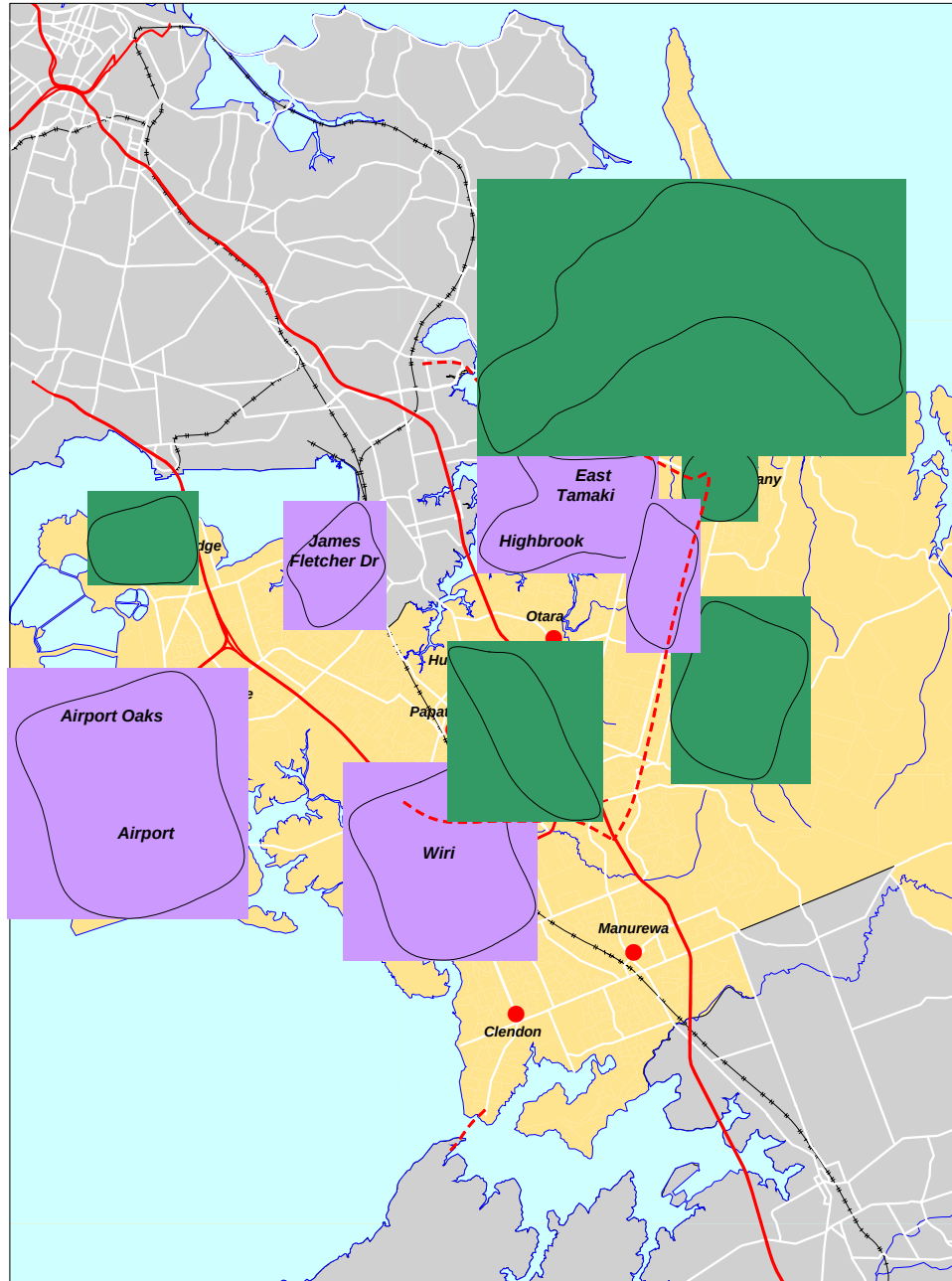
Residents will gravitate over time toward those locations that have the best locational characteristics, accessibility, amenity, education facilities, job opportunities, recreation areas and built environment. These are currently represented in both the land values and the household incomes. Figure 2 shows the average household income as at 2006. It is evident that the most affluent locations are in the northeast and Flatbush areas, as discussed earlier in the report. The areas near the coast are the most desirable, reflecting the importance Aucklanders place on having access to the beaches and sea views for lifestyle reasons.

Over the next 50 years these will be the most sought after locations for all housing types. For the T2060 plan the challenge will be balancing the markets preference for coastal locations, with the wider economic and environmental benefits of having higher intensity residential development located near to centres and corridors.

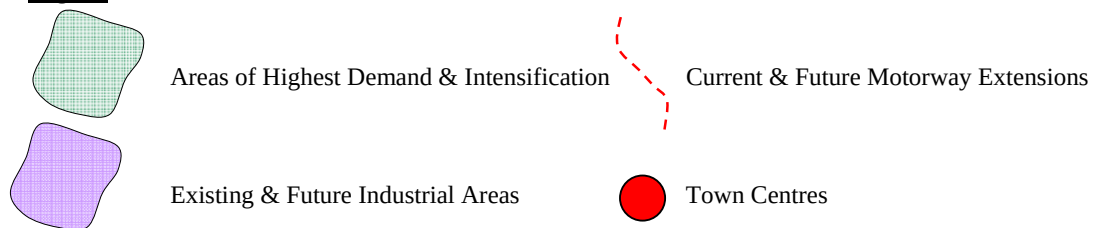
FIGURE 2: REGIONAL INCOME DISTRIBUTION



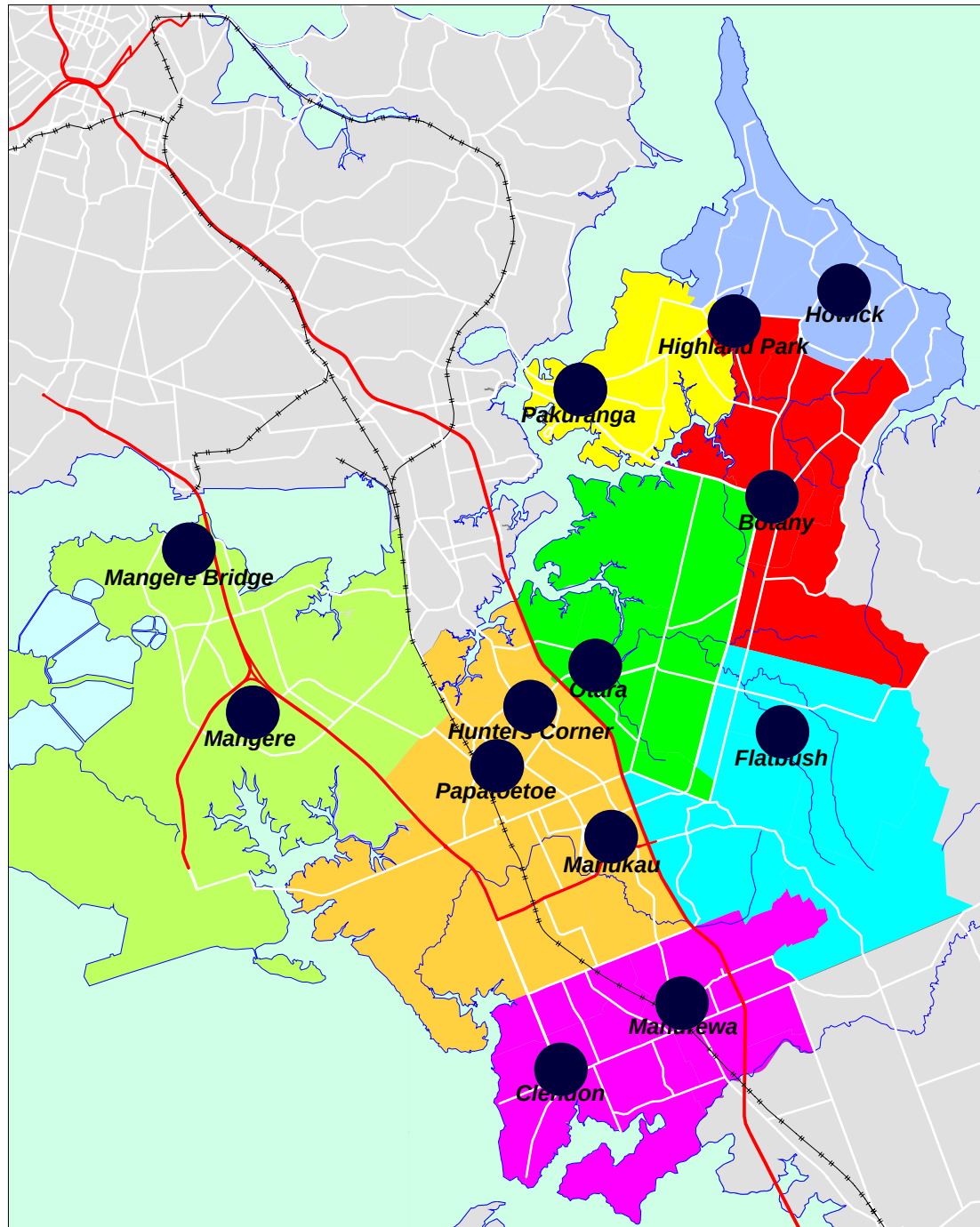
14. APPENDIX 1: FUTURE HIGH DEMAND AREAS



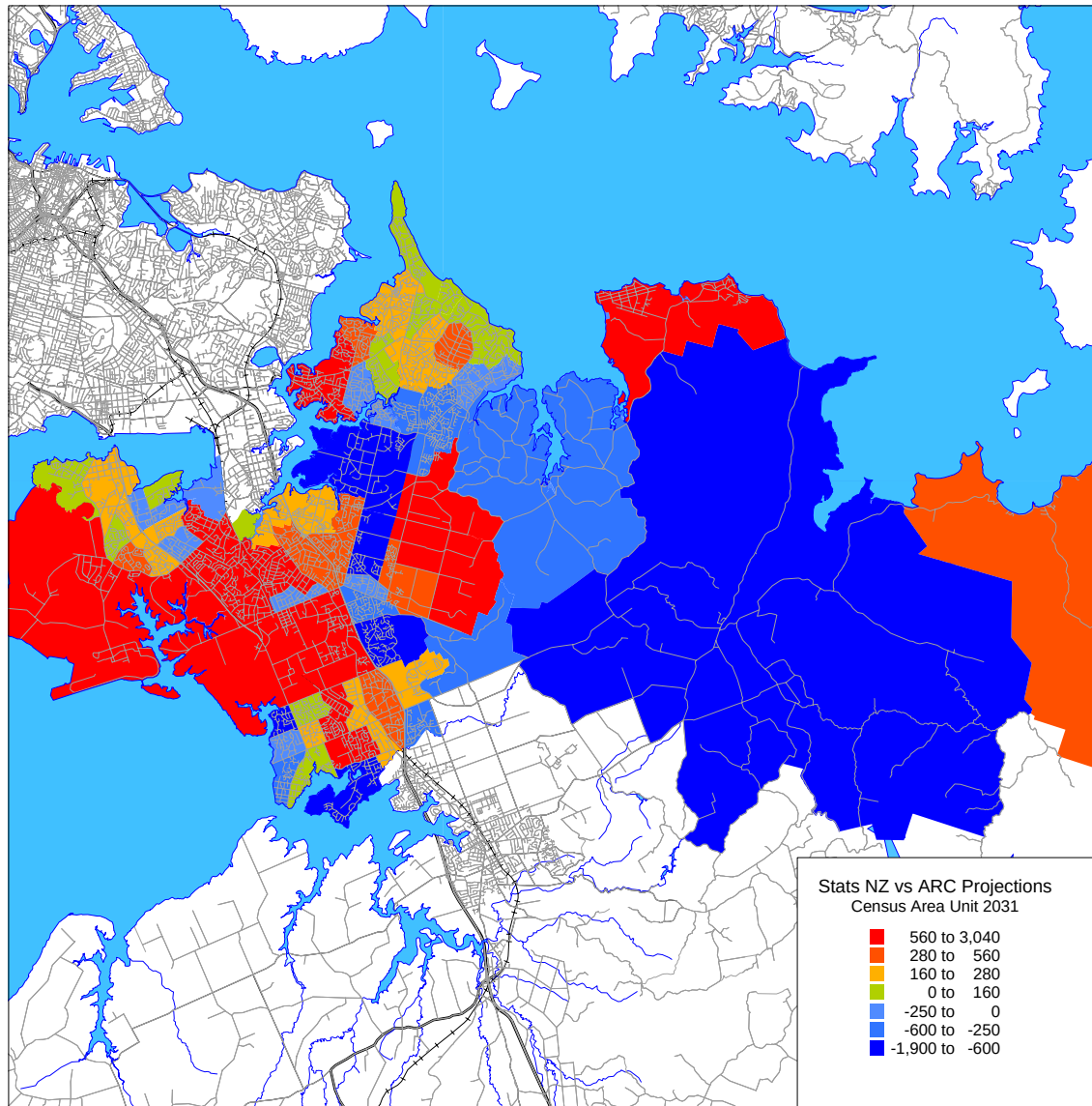
Legend



15. APPENDIX 2: HIGH DENSITY 800M AROUND CENTRES



16. APPENDIX 3: STATS NZ VS ARC GROWTH DISTRIBUTION



17. APPENDIX 4: MCC CAPACITY VS ARC GROWTH

