

The gravity of Auckland's density

- Auckland house prices are up 24% year-on-year despite the pandemic. Dwellings consented in Auckland have increased 14%, with the growth concentrated in multi-units (apartments and townhouses) in existing urban (brownfield) areas.
- The Auckland Unitary Plan allows for denser development in many brownfield places, but just because dense development is allowed does not necessarily mean that it's been taken up.
- Take-up of enabled density in the region's most densely zoned areas is mixed.
- Land values, and thus feasibility of more dense development, play a big role in whether an area redevelops, but it is only part of the equation.
- Other factors such as government led redevelopment can also stimulate regeneration.
- More than four years into the new planning regime, business transformation in the most densely zoned areas is still modest. A likely reason for this is that these areas are still relatively early on in their transformation despite the work done already.

Auckland's Unitary Plan (AUP) and Auckland Plan 2050 acknowledge that Auckland cannot continue the unchecked sprawl of the past. We must look to better use existing urban areas (and all the associated existing infrastructure and amenities) before more sprawl.

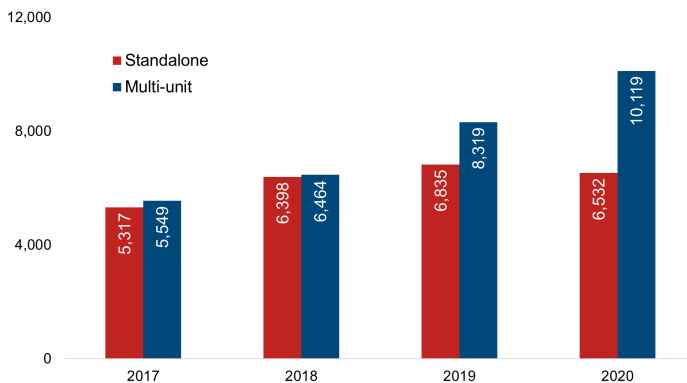
Brownfield development is not costless either, but sprawl ensures environmental degradation, higher transport emissions and congestion, and huge (and inefficient) infrastructure provision costs. A growing population is a product of the desirability and economic potential of a region. But growth must be carefully planned for to limit the poor outcomes described above. The consequences of too much sprawl should be unwelcome to environmentalists and fiscal conservatives alike.

Consequently, when the Unitary Plan was implemented, denser development was permitted in areas close to jobs that already had infrastructure. The scale of up-zoning allowed by the Unitary Plan has ensured that Auckland's [urban boundary does not artificially increase land prices today](#). But that doesn't necessarily mean that all up-zoning (or lack of it) is in the right places.

Consenting for density

The last three years in Auckland have been the three biggest years for consented dwellings since at least 1991. And as we've seen more dwellings consented, we've also seen a move towards multi-unit dwellings (apartments, townhouses, units) in brownfield areas. In fact, over the last three calendar years, 68% of dwellings consented have been in brownfields. This continues [the trend we reported](#) on a couple years ago. Overall, the share of attached dwellings consented has increased from roughly half to over 60%. This change signals the growing acceptance of density in Auckland as residents trade off dwelling size, section size, and access to jobs and amenities.

Dwellings consented by type, by year



Sources: Chief Economist Unit, Auckland Council; Statistics New Zealand

But that does not mean that the density of development is happening evenly across the city. By looking at suburbs that have the densest residential zoning in Auckland, we can tell where density has been taken up.

Compared to five years ago, the number and type of dwellings consented varies among these suburbs. For instance, Glen Innes has the biggest increase in attached dwellings consented while Manurewa saw almost no growth. Similarly, places like Mangere, Panmure, and Ranui have not seen particularly strong growth in development. Obviously, other factors like proximity to amenities and jobs, and supporting infrastructure, contribute to the viability of density beyond just allowing for it.

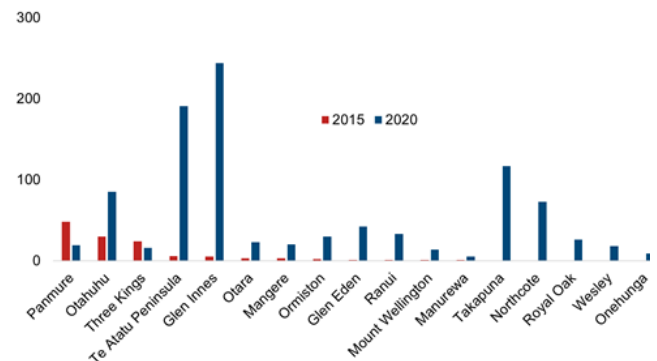
Land values and amenities

We have previously shown that land is valuable [closer](#) to where jobs and amenities are. This is reflected in the fact that land close to the city is valued at tens of millions of dollars per hectare, while land further away is valued much lower.

Yet land values are closely linked to how feasible a development is to a developer. If land values are high, then higher density becomes more viable. Developers also build more when their profit potential rises. This also explains why we have seen a similar increase in consenting activity as Auckland house prices have risen.

Notwithstanding Glen Innes (which has been strongly driven by the Tamaki Regeneration Programme, which is public sector-led), it is no coincidence that some of the greatest increases in attached dwellings consented has been in Takapuna. Takapuna's land value per m² is roughly double that of other areas in the group of suburbs in this analysis. The mix of housing and price points delivered will be commensurate with land values in each higher density area.

Annual multi-unit dwellings consented, by suburb

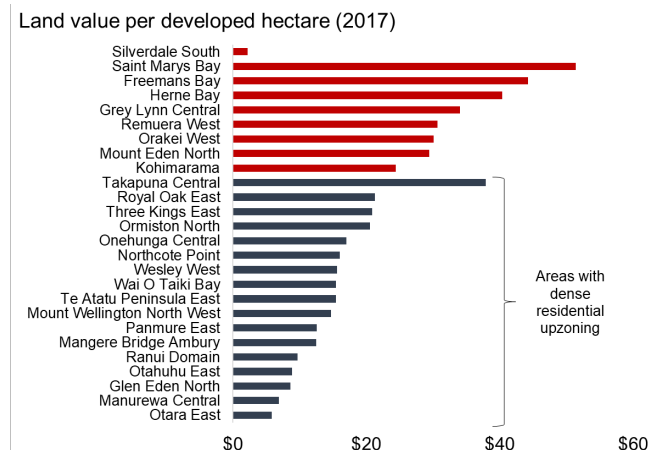


Sources: Chief Economist Unit, Auckland Council; Statistics New Zealand

Other places that have seen lots of development compared to pre-AUP include Otahuhu, Glen Eden, Te Atatu Peninsula (a bit of a development outlier), and Northcote, which are all reasonably close to the city centre (especially compared to say Silverdale). They have dense zoning and good public transport and/or motorway access, despite the fact that land values vary quite sharply across these areas.

However, comparing land values and where development has occurred also suggests missed opportunities for dense zoning close to jobs, and where land values would likely have encouraged significant development. In the chart on land values by suburb shown overleaf, red represents examples of areas that did not receive a lot of dense upzoning. Silverdale is included as an example of an area far from the city centre that has little up-zoning, but areas like Grey Lynn,

Mount Eden, and Remuera all have high land values (indicating desirability) and good access to transport options, amenities, and jobs.



Suburb transformation

Amenities like cafes, restaurants, shops, and other services impact the desirability of an area. These amenities range in quality and size depending on the areas they are in. We looked at the areas with the densest zoning to see if the density changes had led to any changes in business demographics. With density comes more people, and this means more customers for businesses that in turn make further development desirable.

In general, the answer to whether the types and number of businesses in these areas have significantly changed is “not yet”. An obvious reason

for this is that this dense development is still in its early stages and people do not live in [building consents](#). But the pipeline of activity is a strong signal for businesses to serve a growing local populace.

Is this optimal?

Auckland has allowed for an additional million dwellings in residential zones through the Unitary Plan. But the jury is still out on how much this will change the amenities offered in the city, beyond the much-needed housing it is helping to deliver.

While some areas with the densest zoning have seen increased development, there is more to the equation than merely up-zoning. There are other highly desirable areas in the city with the right combination of high land values, proximity to jobs, transport options, and high-quality public and private amenities that do not have the kind of dense zoning to allow for development. These provide opportunities for more housing closer to where the amenity value that drives land values already exists.

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