

Economic Significance of the  
Property Industry to the  
**AUCKLAND**  
Economy

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PREPARED FOR PROPERTY COUNCIL NEW ZEALAND

BY URBAN ECONOMICS

2016



# ABOUT PROPERTY COUNCIL NEW ZEALAND

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Property Council New Zealand is a member-led, not-for-profit organisation offering a collective voice for the commercial property industry. Working closely with local and central government, Property Council advocates for quality urban growth that supports strong national and local economies.

Our 730 member companies have an estimated \$50 billion investment in commercial property, ranging from leading institutional investors, property trusts and financial organisations to private investors and developers.

Through extensive research, policy development, advocacy, education, and networking event programmes nationally and regionally, Property Council is enabling a vibrant commercial property market and wealth for all New Zealanders.

[www.propertynz.co.nz](http://www.propertynz.co.nz)

# ABOUT URBAN ECONOMICS

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## AREAS OF EXPERTISE

### Economic Analysis

Our work aims to bridge the gap between land-use planning and urban economics. Our focus is on the interaction between land markets, land-use regulations and urban development. We have developed a range of methodologies using a quantitative approach to analyse urban spatial structure and audit land-use regulations.

### Property Research

We provide property and retail market research to assist with planning and marketing of new projects. This includes identification of new sites and market areas, assessments of market potential and positioning, and the evaluation of market-feasibility of specific projects.

### Development Advisory

We provide development planning and costing advisory services to support small and large scale developments.

[www.ue.nz](http://www.ue.nz)

Additional data provided by 

[www.valocity.co.nz](http://www.valocity.co.nz)





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## 1. KEY POINTS

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### Economic Contribution

The Property Industry had a 'direct impact' of

**\$10.5 Billion**

on the Auckland Economy in 2016



It also had 'flow-on impacts' of

**\$12.3 Billion**

from increased supplier activity and employee spending

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### Share of Local and National Economy

The property industry is the **largest industry** in Auckland and makes up

**13% of economic activity** in the Region

The Auckland Property Industry makes up

**35% of the National Property Industry**

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### Value of Auckland's Buildings



Auckland's stock of residential buildings is valued at

**\$137.3 Billion**



The stock of commercial buildings is valued at

**\$38.8 Billion**

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### Income and Employment

The Property Industry employs

**53,050 People**



The average income in the Property Industry

is **\$68,000 p.a.**

## 2. ECONOMIC CONTRIBUTION

Urban Economics has used a multiplier analysis to examine the economic contribution of the Property Industry to the Auckland Economy.

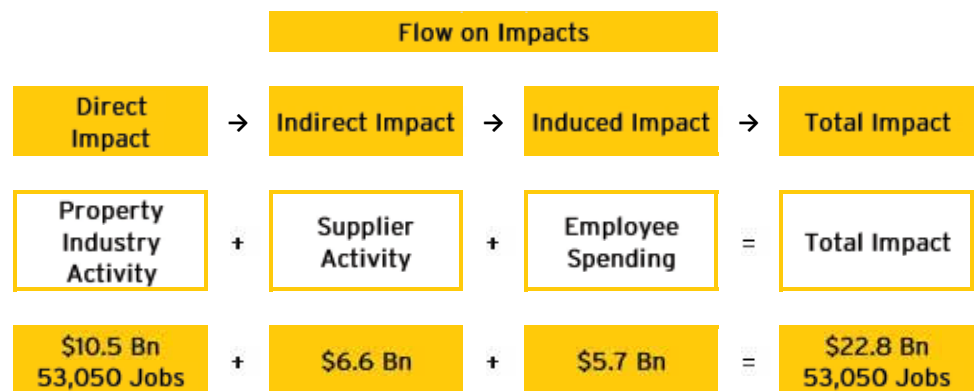
This analysis first examines the 'direct impact' of the industry's various sub-sectors (outlined in Appendix 1) to the Auckland Regional Gross Domestic Product (GDP)<sup>1</sup>.

The operation of the Property Industry also has a wider economic impact through two types of 'flow-on impacts'. The first type are 'indirect impacts' which result from the Property Industry purchasing goods and services from other industries (e.g. building materials suppliers). The second type are 'induced impacts' which result from employees of the Property Industry and supplier industries spending their wages or salaries on goods and services.

Based on Urban Economics' multiplier analysis, a \$1.00 contribution by the Property Industry to Auckland Regional GDP results in an additional \$1.17 of flow-on economic impacts.

In the year to March 2016, the Property Industry contributed \$22.8 billion to the Auckland Economy. This includes a direct impact of \$10.5 billion and flow-on (indirect and induced) impacts of \$12.3 billion. It is important to note that this does not include capital gains from the appreciation of land and property values. In addition, 53,050 employees were directly employed in the Property Industry in March 2016, accounting for 8% of total employment in Auckland.

Figure 1: Total Economic Contribution of the Property Industry Year Ended March 2016



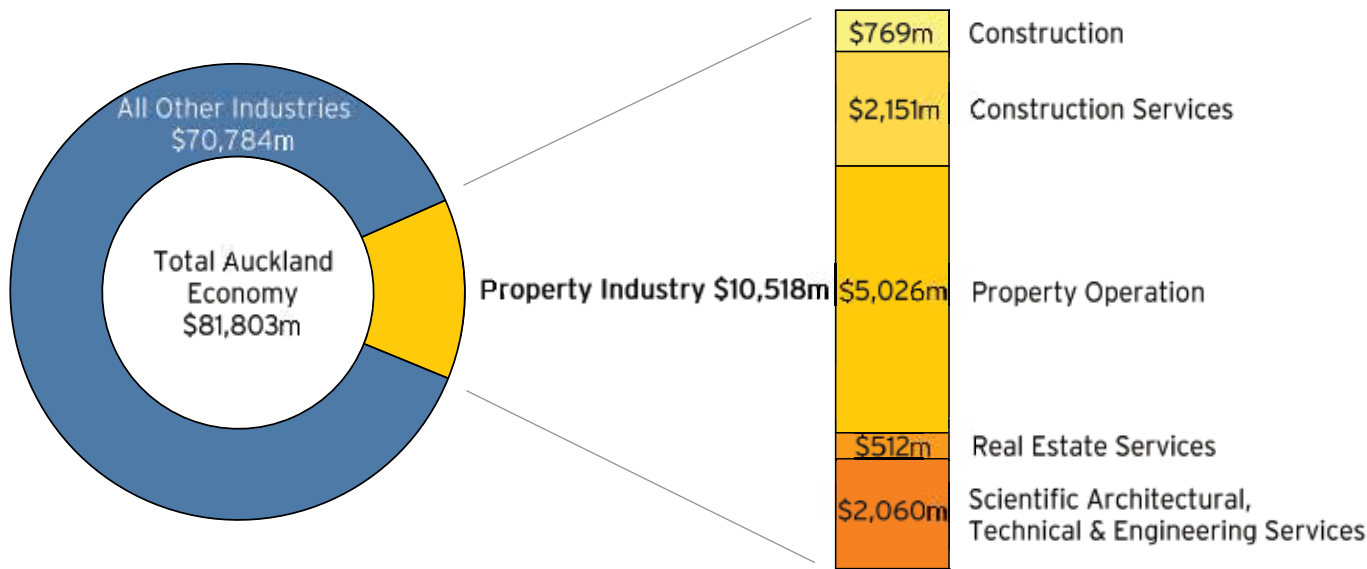
Source: Urban Economics

<sup>1</sup> For the purposes of this report GDP is measured in 'basic prices' which is price minus taxes but including subsidies.



The following figure shows the direct economic contribution of the Property Industry to the Auckland economy. This is the difference between the value of inputs (labour, materials, etc.) and the value of outputs (dwellings, real estate services, etc.). In other words, it is the value added to the economy by the Property Industry.

Figure 2: Property Industry Economic Contribution (2016 \$m)<sup>2</sup>



Source: Statistics NZ, Urban Economics

<sup>2</sup> An explanation of the Property Industry Sub-Sectors is included in Appendix 1.



### 3. RELATIVE SIZE OF THE PROPERTY INDUSTRY

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#### 3.1. Contribution to the Auckland Economy

The following table shows the direct contribution to GDP by industry for the year to March 2016. The Property Industry is the largest industry in Auckland and has a direct contribution to GDP of \$10,518 million or 13% of total GDP<sup>3</sup>.

In comparison, the Property Industry's share of National GDP is 12%, which indicates the Property Industry makes up a slightly larger share of the Auckland economy.

Table 1: Direct Contribution of the Property Industry to GDP (Year to March 2016)

Industry	\$Million	%
Property Industry	\$10,518	13%
Manufacturing	\$8,763	11%
Information Media, Telecommunications and Other Services	\$7,128	9%
Financial and Insurance Services	\$6,913	9%
Wholesale Trade	\$6,836	8%
Owner-Occupied Property Operation	\$5,977	7%
Health Care and Social Assistance	\$4,994	6%
Education and Training	\$4,408	5%
Transport, Postal and Warehousing	\$4,280	5%
Retail Trade	\$4,027	5%
Public Administration and Safety	\$2,581	3%
Administrative and Support Services	\$2,118	3%
Accommodation and Food Services	\$1,655	2%
Electricity, Gas, Water, and Waste services	\$1,307	2%
Forestry, Fishing, and Mining	\$339	0%
Agriculture	\$269	0%
Other	\$9,189	11%
<b>Total</b>	<b>\$81,303</b>	<b>100%</b>

Source: Statistics NZ, Urban Economics

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<sup>3</sup> The proportion of GDP contribution of each industry in 2016 is derived from the Statistics New Zealand National Accounts Input-Output Tables 2013.

## 3.2. Number of Employees

The Property Industry is currently the sixth largest employer in Auckland. In March 2016, 53,050 people were directly employed in the Property Industry, which is 8% of all employees.

This is the same share of employees as the National Property Industry.

Table 2: Employment by Industry March 2016

Industry	Employment	%
Manufacturing	70,580	10%
Health Care and Social Assistance	66,650	10%
Retail Trade	64,720	10%
Scientific and Professional Services	63,740	9%
Education and Training	53,100	8%
Property Industry	53,050	8%
Wholesale Trade	53,040	8%
Information Media, Telecommunications and Other Services	52,240	8%
Accommodation and Food Services	44,970	7%
Administrative and Support Services	38,870	6%
Transport, Postal and Warehousing	33,100	5%
Public Administration and Safety	30,090	4%
Financial and Insurance Services	28,640	4%
Heavy and Civil Engineering Construction	10,160	1%
Agriculture, Forestry, Fishing, and Mining	5,250	1%
Rental & Hiring Services	5,140	1%
Electricity, Gas, Water, and Waste services	4,220	1%
<b>Total</b>	<b>677,560</b>	<b>100%</b>

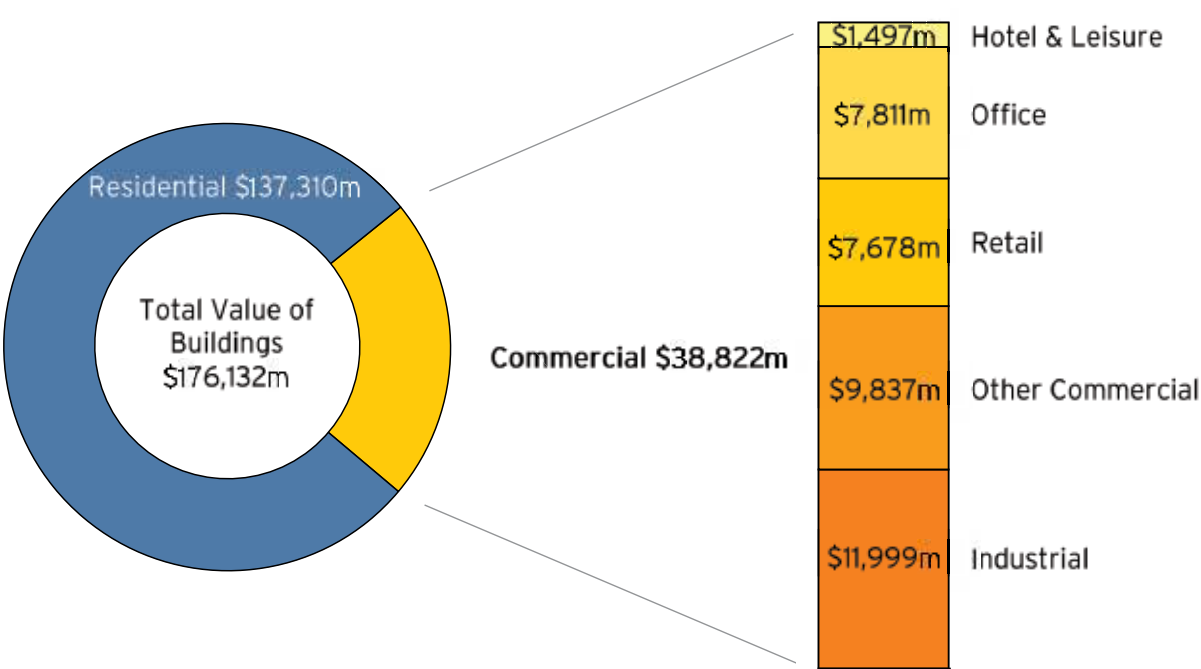
Source: Statistics NZ, Urban Economics

# 4. AUCKLAND PROPERTY ASSETS

The Auckland Region's building stock is currently worth \$176.1 billion. Commercial buildings make up \$38.8 billion or 22% of the total building stock and residential buildings make up \$137.3 billion or 78%.

Commercial buildings in Auckland make up a slightly larger share of the total building value than the National building stock, with commercial buildings making up 20% of the total value of buildings Nationally, and residential buildings making up 80%.

Figure 3: Value of Residential and Commercial Buildings (\$m)



Source: Valocity

## 4.1. Commercial Building Floorspace

The following table and figure show commercial building floorspace in the Auckland Region by type. Within the Auckland Region there is currently 31.0 million m<sup>2</sup> of commercial building floorspace. Industrial floorspace makes up over half of Auckland's commercial floorspace. Office and Retail floorspace are similar with 3.7 million m<sup>2</sup> (12%) and 3.4 million m<sup>2</sup> (11%) respectively.

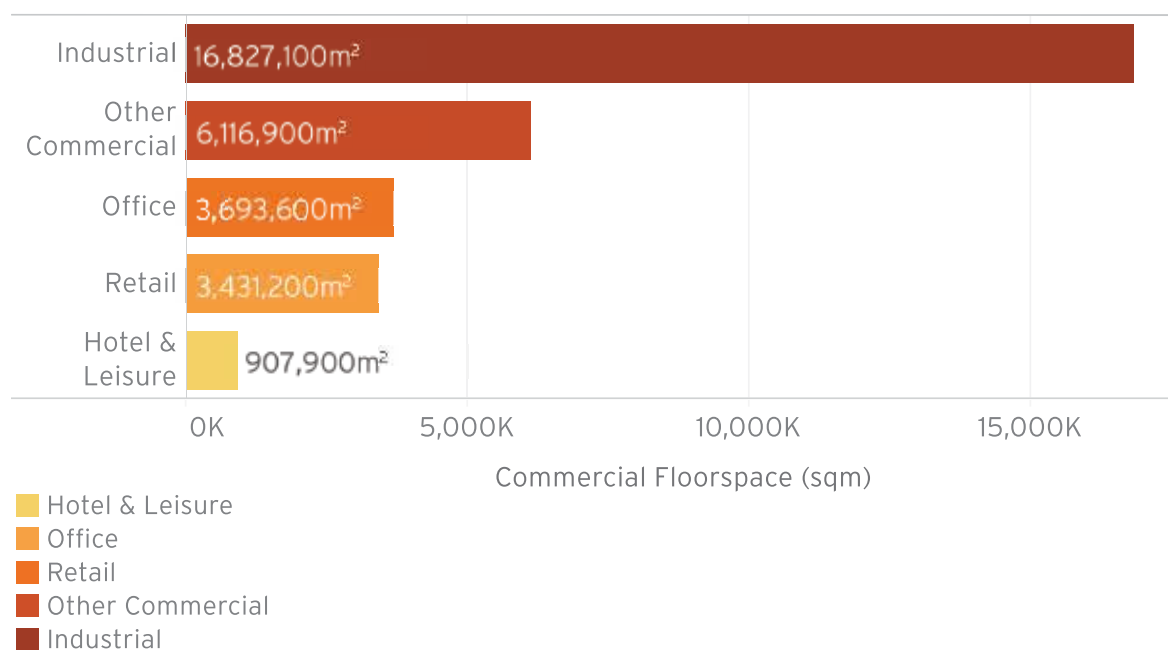
There is 95.5 million m<sup>2</sup> of commercial building floorspace Nationally. The Auckland Region therefore has approximately 32% of all commercial building floorspace.

Table 3: Commercial Building Floorspace by Type (m<sup>2</sup>)

	Floorspace	Percentage
Industrial	16,827,100	54%
Other Commercial	6,116,900	20%
Office	3,693,600	12%
Retail	3,431,200	11%
Hotel & Leisure	907,900	3%
<b>Total</b>	<b>30,976,700</b>	<b>100%</b>

Source: Valocity

Figure 4: Commercial Building Floorspace by Type



Source: Valocity



# 5. EMPLOYMENT AND INCOME IN THE PROPERTY INDUSTRY

Construction Services is the largest sub-sector of the Property Industry in Auckland with 23,290 employees or 44% of all Property Industry employment. The second largest sub-sector is Architectural, Engineering and Technical Services with 15,260 employees (29%), followed by Residential Building Construction with 5,240 employees (10%).

The average earnings in the Property Industry are \$68,000 per annum. Within the Property Industry the Architectural, Engineering and Technical Services sub-sector has the highest earnings, at \$84,200 per annum.

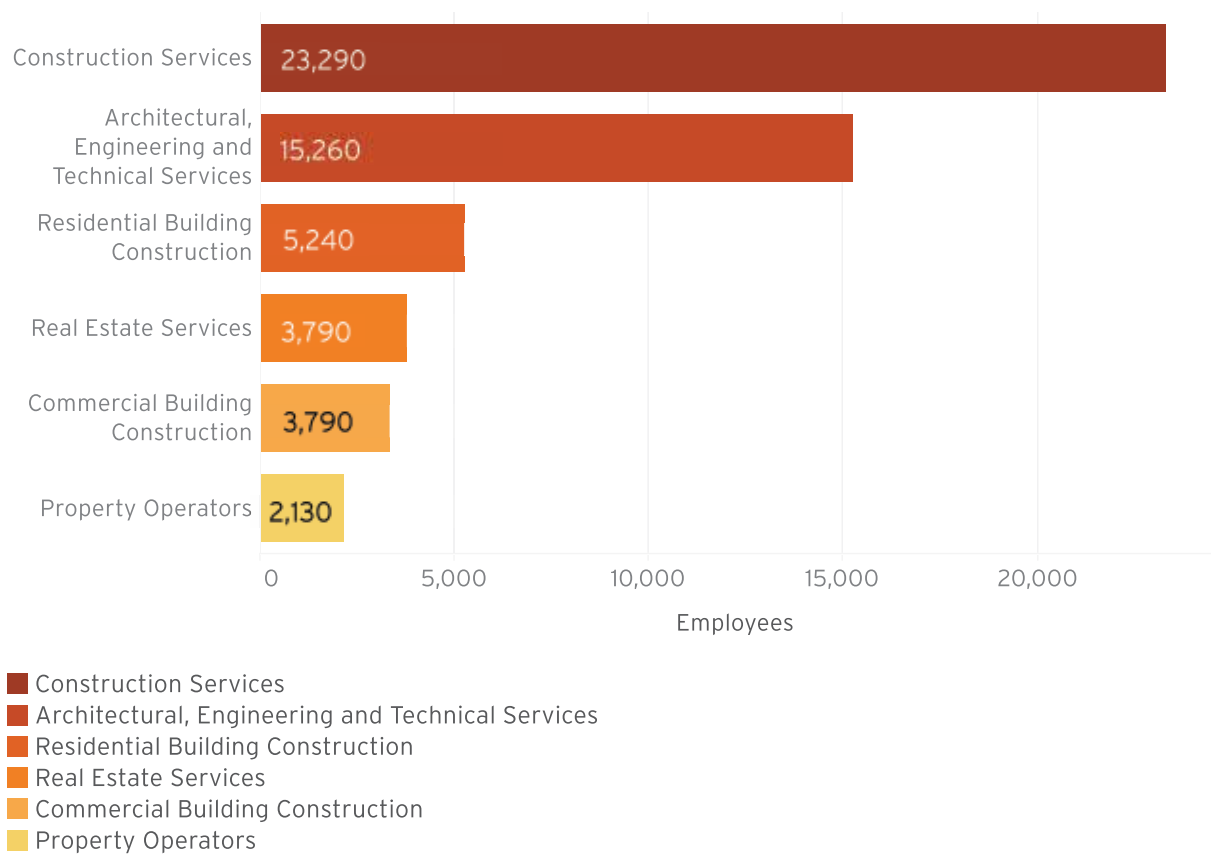
The Auckland Region has a lower proportion of Residential Building Construction and Construction Services than the National Property Industry, and a higher proportion of Architectural, Engineering and Technical Services. The average income of the Property Industry in Auckland is higher than the National average of \$60,200.

Table 4: Earnings and Employment by Property Industry Sub-Sector (March 2016)

	Employment	Employment %	Average Earnings
Residential Building Construction	5,240	10%	\$56,200
Commercial Building Construction	3,340	6%	\$79,600
Construction Services	23,290	44%	\$58,700
Property Operators	2,130	4%	\$69,100
Real Estate Services	3,790	7%	\$69,100
Architectural, Engineering and Technical Services	15,260	29%	\$84,200
<b>Total Property Industry</b>	<b>53,050</b>	<b>100%</b>	<b>\$68,000</b>

Source: Statistics NZ, Urban Economics

**Figure 5: Employment by Property Industry Sub-Sector**



**Source: Statistics NZ, Urban Economics**

Table 6 shows average earnings and employment by age. The Auckland Property Industry has higher average earnings across all age brackets, except for 15-24, than the New Zealand average. Earnings in Auckland peak at 50-54 years which is higher than the National average of 45-49 years. The age profile of Property Industry workers in Auckland is similar to the National average.

Table 5: Earnings and Employment by Age (March 2016)

Age	Auckland		New Zealand	
	Average Earnings	Percentage of Jobs	Average Earnings	Percentage of Jobs
15-24	\$37,400	17%	\$37,600	18%
25-29	\$56,200	14%	\$53,800	14%
30-34	\$64,500	13%	\$61,400	12%
35-39	\$75,600	11%	\$67,600	10%
40-44	\$81,000	11%	\$71,400	11%
45-49	\$80,800	10%	\$72,100	10%
50-54	\$81,900	9%	\$71,600	9%
55-59	\$78,700	7%	\$70,600	7%
60+	\$69,800	8%	\$60,700	9%

Source: Statistics NZ, Urban Economics

Table 7 shows earnings and employment by gender. In the order of 26% of employees in the Property Industry are female which is slightly more than the National average. Earnings for females and males are higher than the National average.

Table 6: Earnings and Employment by Gender (March 2016)

Gender	Auckland		New Zealand	
	Average Earnings	Percentage of Jobs	Average Earnings	Percentage of Jobs
Female	\$51,300	26%	\$45,800	24%
Male	\$76,400	74%	\$69,200	76%

Source: Statistics NZ, Urban Economics

## 6. MAP OF AUCKLAND REGION

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## 7. APPENDIX 2: DEFINITION OF THE PROPERTY INDUSTRY

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### 7.1. Definition for Economic Contribution

The Property Industry has been defined to include the following sub-sectors for the analysis economic contribution to GDP (Sections 2 & 3.1):

<u>Sub-Sector</u>	<u>Explanation</u>
<b>Residential Building Construction</b>	Residential dwelling construction.
<b>Commercial Building Construction</b>	Commercial building construction including retail, office, industrial and other commercial buildings.
<b>Construction Services</b>	Other activities relating to construction, including for example plumbing, electrical, tiling, glazing, roofing and bricklaying services.
<b>Residential Property Operation</b>	Renting or leasing of residential property.
<b>Commercial Property Operation</b>	Renting or leasing of commercial property.
<b>Real Estate Services</b>	Purchase, sale, valuation and management of real estate.
<b>Scientific, Architectural, Engineering and Technical Services</b>	Architectural, surveying, engineering, scientific testing and other design services.

The Scientific, Architectural, Engineering and Technical Services sub-sector includes a small number of activities which are not related to the Property Industry. Therefore, including this sub-sector in the definition of the Property Industry slightly overestimates the size of the industry.

### 7.2. Definition for Employment and Income in the Property Industry

The definition of the Property Industry for employment and income figures (Sections 3.2 and 5) is the same as the above however it excludes the Scientific sub-sector. This is because employment and income data are available for a more detailed breakdown of industry sub-sectors.

## 8. APPENDIX 3: MULTIPLIER ANALYSIS ASSUMPTIONS

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The key assumptions and limitations of Input-Output Multiplier Analysis are as follows:

### **No Supply Side Constraints**

- Extra output can be produced in one industry without taking resources away from other industries.

### **Fixed Input Structure**

- Each industry has only one production process which uses one mix of inputs to produce each unit of output.

### **Constant Returns to Scale**

- The same quantity of inputs is needed per unit of output, regardless of the level of production. I.e. if output increases by 10% input requirements will also increase by 10%;

### **Fixed Output Production**

- All products of an industry are identical or are made in fixed proportions to each other;

### **Absence of Budget Constraints**

- Household and government consumption is not subject to budget constraints.

Despite these assumptions, Input-Output Multiplier Analysis provides a solid basis for examining the direct impact of an industry and the inter-relationships of industries (indicated by the flow-on effects). This analysis differs from an economic impact assessment, which considers an impact of a “stimulus” to an industry, for example from a new policy or project. Due the limiting assumptions outlined above, in particular the lack of supply-side constraints, Multiplier Analysis may overestimate the economic impact of a “stimulus”.







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