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Economic and Property Research

Proposed Auckland Council 2025 Development Contributions Policy Review

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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.

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

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

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1. Executive Summary

Auckland Council's Draft Development Contributions Policy 2025 document has identified substantial increases to development contribution prices across Auckland.

Within the Development Contributions (DC) model, there are several key assumptions underpinning the calculations that raise questions about whether the 2025 development contribution prices are fair, equitable and proportionate. These are summarised as follows:

- The DC model assumes a cost escalation of capital expenditure (CAPEX) of 3.1% for construction costs and 7.1% for land value over the life of the project. The cost escalation includes both inflation and any real increase that occurs over time. By contrast, the DC model assumes that DC prices have no cost escalation over the life of the project. It is incorrect to escalate CAPEX but not DC revenue over time, as it effectively means developers are paying escalated future CAPEX costs today in $2025. This causes early developers to pay more in real terms, while later developers pay less, despite benefiting from the same infrastructure. Overall, it is estimated that this results in DC overcharges of 50-60%.
- The DC model assumes a CAPEX contingency rate of 50%. This assumes costs will be 50% higher than estimated. This is substantially above the typical market contingency rate of around 10%. As a consequence, the estimated CAPEX for each project is approximately 40 percentage points above the likely cost of a project.
- The total CAPEX of projects includes land acquisition costs, which the DC model estimates at $1,300–$1,500/m². This price reflects developed residential zone land (i.e. new lots). However, there is potential, in some instances, for land to be purchased prior to zoning and development for residential use, e.g. via roading and parks being identified through structure plans or plan change processes, which would result in land having a value that reflects a road or a park. Similarly, lower value land, such as land that has geotechnical or flooding issues, can be allocated to park areas, which also has a lower market value. Under these circumstance, the land would have a market value that is significantly below that of developed residential land and would more closely reflect the underlying Future Urban Zone land value (e.g. $100–$200/m²). This indicates the DC model has significantly overestimated property acquisition prices.
- The CAPEX estimate for infrastructure projects includes a 30% contingency on land acquisition costs. This is substantially above the market rate of around 10%. As a result, the DC model overestimates property acquisition prices by around 20 percentage points.
- The DC model proposes to charge for infrastructure prior to it being built, in some cases paying 20-30 years before projects are constructed. This raises a fairness issue. As such, a HUE should receive a discount when paying for infrastructure that they do not benefit from immediately, so that they effectively pay the same amount as future HUEs that have an immediate benefit. This would account for the time-cost of money.
- A review of the distribution of HUE growth concludes that projected growth in the greenfield areas is only 47% of the growth achieved over the past five years, indicating a significant under-estimate. Conversely, projected growth in the infill locations is 155% of growth achieved in the past five years, indicating a significant over-estimate. This indicates that new dwellings in greenfield locations will be paying approximately twice the actual cost, and the infill locations will be paying approximately two-thirds of the actual cost.
- The DC model appears to underestimate growth by about 20% at the regional level, and fails to account for the proportion of houses that are unoccupied, which averages at about 10%. This indicates the proposed DC prices are approximately 30% higher than the fair price, based on HUE growth

- A more equitable approach to estimating DC prices is to adopt a market contingency rate of 10%, with all future CAPEX deflated to $2025 to ensure developers are paying equally in real terms. Adopting this approach, it is estimated that DC prices in 2025 are over-estimated by 70-80%.
- In addition to adopting a more equitable method of calculation, the DC model is likely to overestimate the DC price due to too few HUEs at the regional level, too few HUEs allocated to greenfield development, above market property price acquisition continencies and an above market price for property purchases.

A key implication of increased DC prices with regard to their effects on house prices is the long-term market effects on housing composition. This is because as development costs increase, developers are more likely to shift toward mid to higher-priced housing where margins are more favourable. This could reduce the supply of affordable homes, indirectly leading to higher house prices over time.

As a conservative estimate, given Auckland sits somewhere between a perfectly constrained and unconstrained market, approximately one-quarter of the increase in DCs could be reflected in higher house prices, with the remainder absorbed by the developers/land owners. For example, this could result in house prices in the Inner Northwest area increasing by approximately $18,000, given that DCs in this area are proposed to increase from $25,200-$98,000 per HUE ($72,800 increase).

2. Introduction

This report reviews the methodology and supporting documents that underpin the Auckland Council Draft Development Contributions Policy 2025.

3. Key Findings

This section provides a review of the assumptions and methodologies that underpin the Development Contributions model[1] ("DC model"). The assessment is to evaluate the extent to which the proposed DC charges are "fair, equitable and proportionate", as outlined in Section 197AA of the Local Government Act 2002 (see below).

> **197AA Purpose of development contributions**
>
> *"The purpose of the development contributions provisions in this Act is to enable territorial authorities to recover from those persons undertaking development a fair, equitable, and proportionate portion of the total cost of capital expenditure necessary to service growth over the long term." (Local Government Act 2002)*

3.1 CAPEX & Development Contribution Cost Escalation

The DC model assumes a cost escalation of capital expenditure (CAPEX) of 3.1% for construction costs and 7.1% for land value appreciation over the life of the project. The cost escalation includes both inflation and any real increase that occurs over time. By contrast, the DC model assumes that DC prices have no cost escalation over the life of the project.

It is incorrect to escalate CAPEX but not DC revenue over time. It effectively means developers are paying escalated future CAPEX costs today in $2025. For example, if a project has a current estimated CAPEX of $100m, however this has a cost escalation that increases it to $200m by 2040, then the developer is required to pay a DC that is twice the present cost. Conversely, if the developers was asked to pay a DC in 2040, it would be significantly higher than the current price (e.g. DCs 15 years ago in Auckland where much lower in nominal terms). Another way to think of this is a home buyer in 1995 is being asked to purchase a house in 2025 prices (e.g. a home buyer in 1995 being asked to pay over $1 million for a house, however prices at that time were around $200,000).

The DC model therefore does not correctly account for nominal and real values over time (nominal values include inflation, i.e. future prices as they will be), and real values remove inflation, (i.e. everything in today's dollars). The DC model forecasts costs in nominal terms but keeps DC revenues in today's real terms. This underestimates future income and overestimates future costs, resulting in DCs that are significantly higher than they need to be to recover costs.

An accurate DC model should either forecast everything in real terms (today's dollars) or forecast everything in nominal terms (future inflated dollars). The quantitative impact of the DC models incorrect cost escalation assumptions are assessed in section 3.10.

It should be noted that while the final model does not account for DC price escalations over time, the model has included, as a potential input, a function to account for this by increasing DC prices at the same rates as interest on CAPEX in the model (circa 5.7%). If the model accounted for this, it would result in a more fairly distributed cost for HUEs over the life of a project, however,

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[1] 'DC Consultation for 2024-2034 LTP' & 'DC Consultation IPAs beyond 2034' excel files (https://akhaveyoursay.aucklandcouncil.govt.nz/development-contributions-review-2024)

because the CAPEX inflates at a rate of 10.2% per annum, this would still result in developers paying more in real terms during the early stages of the infrastructure construction.

3.2 CAPEX Contingency

The DC model assumes a CAPEX contingency rate of 50%. This assumes costs will be 50% higher than estimated. This is substantially above the typical market contingency rate of around 10%. As a consequence, the estimated CAPEX for each project is approximately 40 percentage points above the likely cost of a project. The quantitative impact of the DC model's high contingency rate is assessed in section 3.10.

3.3 DC Charge Timing

The DC model proposes to charge for infrastructure prior to it being built, in some cases paying 10–20 years before projects are constructed. For example, a HUE may be asked to pay for a local park, however this may not be available for 10-20 years.

This raises an equity and fairness issue. As such, a HUE should receive a discount when paying for infrastructure that they do not benefit from immediately, so that they effectively pay the same amount as future HUEs that have an immediate benefit. This would account for the time-cost of money.

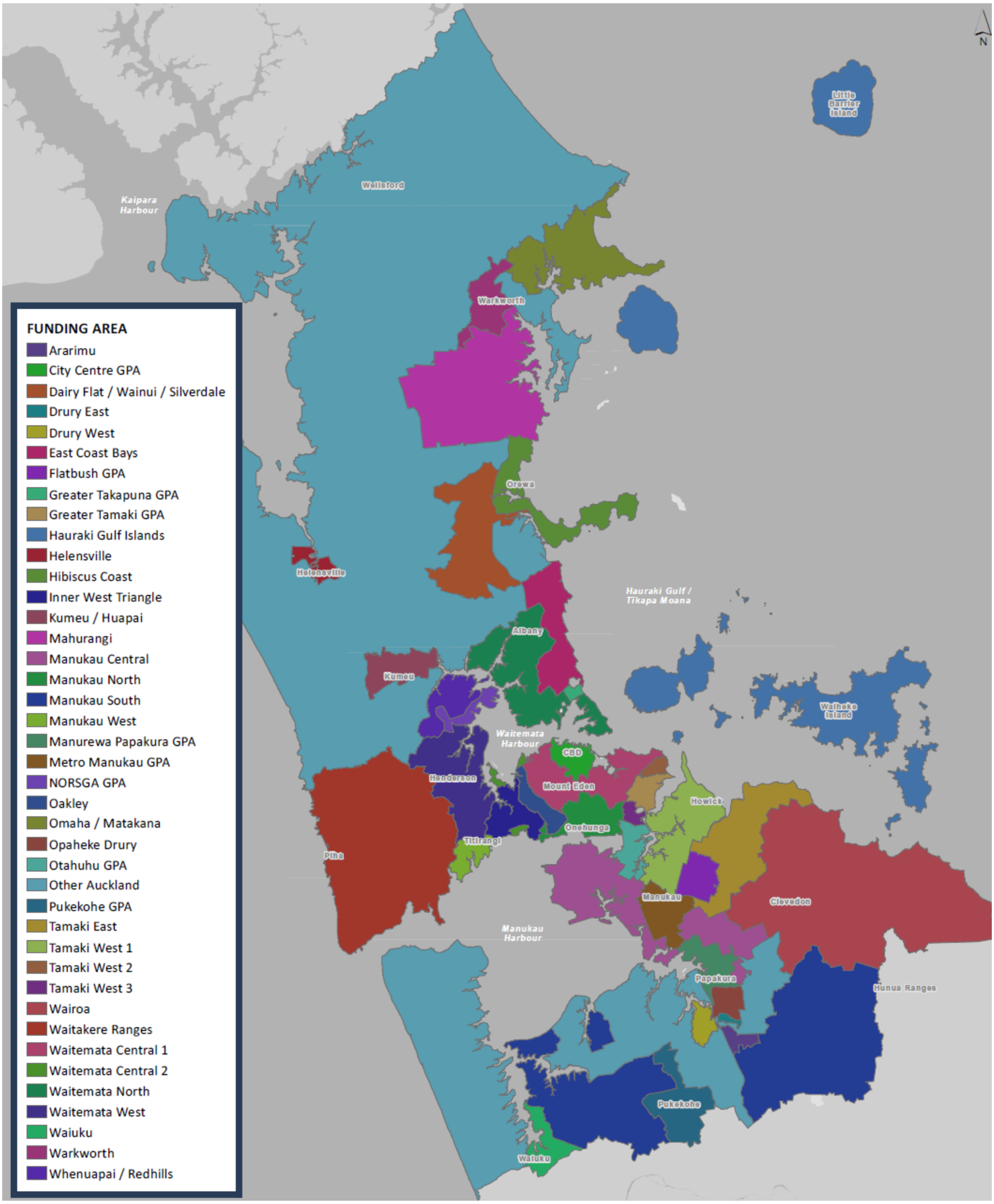
3.4 Distribution of HUE Growth Forecasts

The DC model uses the "Auckland Growth Scenario v1 Household Forecast" model to determine however many HUEs will contribute to CAPEX in each location over time, i.e. how many households or HUEs will be added to a location each year to contribute to CAPEX cost recovery. This significantly impacts the DC price, as more households or HUEs in a location share the cost between more HUEs, and vice versa.

An assessment of the distribution of the HUE growth forecast has been completed. Figure 1 outlines the 2025 DC Policy Stormwater Funding Areas. These areas have been adopted to compare the forecast residential HUEs (provided by Auckland Council on 11/03/25) with the actual rates of household growth and the Statistics New Zealand forecasts. A comparison of the historic actual household growth, versus Auckland Council HUE projections and Statistics NZ household projections for the stormwater funding areas is provided in Figures 2-4.

A key conclusion from this analysis is that projected growth in the greenfield areas is only 47% of the growth achieved over the past five years, indicating a significant under projection. Conversely, projected growth in the infill locations is 155% of growth achieved in the past five years, indicating a significant over projection. This indicates that new dwellings in greenfield locations will be paying approximately twice the actual cost, and the infill locations will be paying approximately two-thirds of the actual cost, based on this factor alone.

Figure 1:
Auckland Council Local Stormwater Funding Areas 2025



Source: Auckland Council

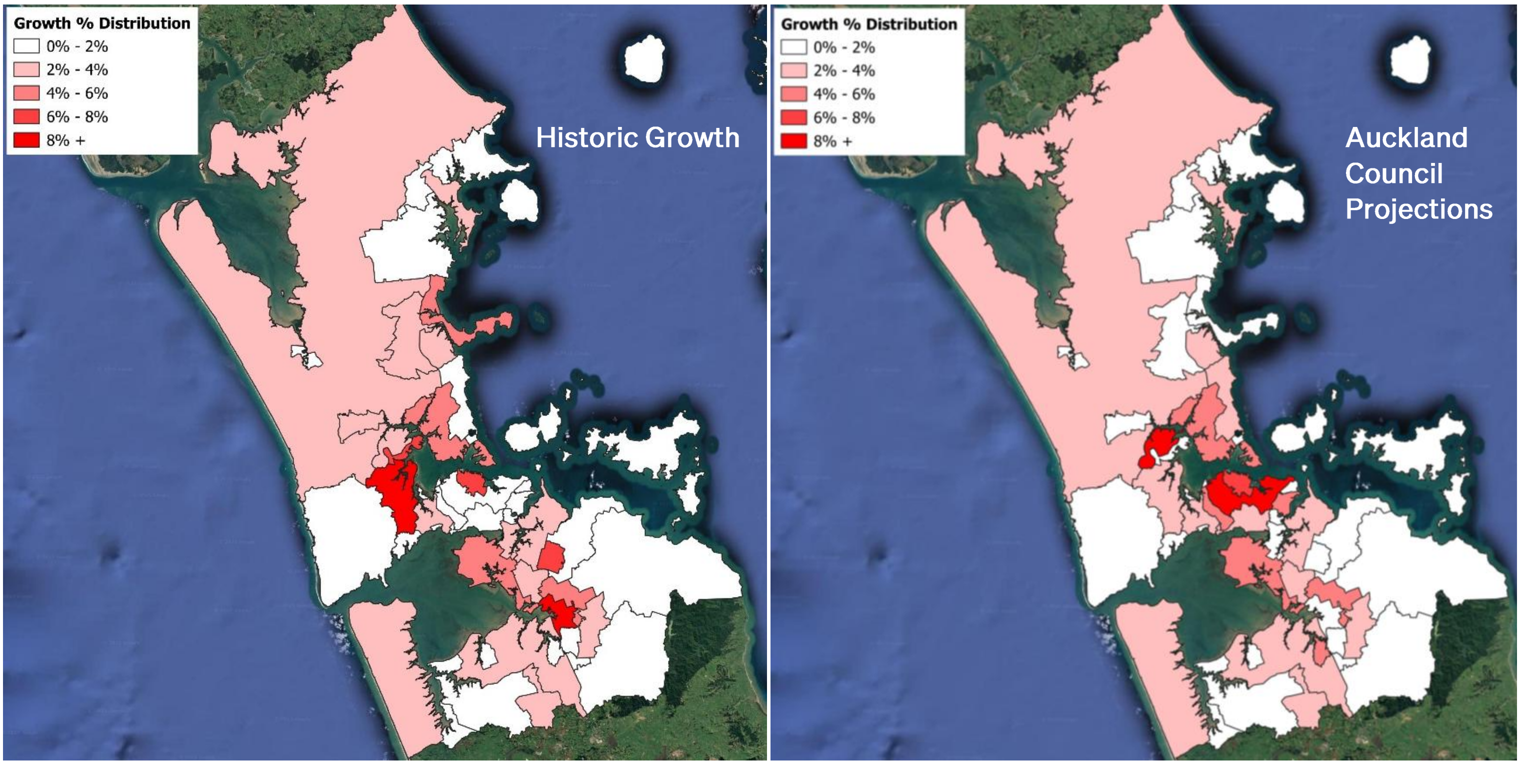
Figure 2:
Historic vs. Projected Household Growth (Stormwater Funding Areas)

Funding Area*	Growth Per Annum (Nominal)			Growth Distribution (%)		
	Historic Actual Household Growth (2018 - 2023)	Auckland Council HUE Projections (10-Year)	Statistics NZ 10-Year Household Projections	Historic Actual Household Growth (2018 - 2023)	Auckland Council HUE Projections (10-Year)	Statistics NZ 10-Year Household Projections
Ararimu	100	10	110	1%	0%	1%
City Centre GPA	565	475	725	7%	8%	9%
Dairy Flat / Wainui / Silverdale	235	135	285	3%	2%	3%
Drury West	45	280	140	1%	5%	2%
East Coast Bays	195	155	305	2%	3%	4%
Flatbush GPA	570	100	190	7%	2%	2%
Greater Takapuna GPA	20	70	50	0%	1%	1%
Greater Tamaki GPA	180	380	225	2%	6%	3%
Hauraki Gulf Islands	10	10	50	0%	0%	1%
Helensville	40	10	25	0%	0%	0%
Hibiscus Coast	400	90	185	5%	2%	2%
Inner West Triangle	300	165	420	4%	3%	5%
Kumeu / Huapai	300	10	130	3%	0%	2%
Mahurangi	25	5	70	0%	0%	1%
Manukau Central	440	360	440	5%	6%	5%
Manukau North	195	260	305	2%	4%	4%
Manukau South	105	45	150	1%	1%	2%
Manukau West	0	0	30	0%	0%	0%
Manurewa Papakura GPA	750	75	190	9%	1%	2%
Metro Manukau GPA	375	175	245	4%	3%	3%
NORSGA GPA	575	105	310	7%	2%	4%
Oakley	185	315	295	2%	5%	3%
Omaha / Matakana	20	10	40	0%	0%	0%
Opaheke Drury	25	90	145	0%	2%	2%
Otahuhu GPA	245	120	130	3%	2%	2%
Other Auckland	375	220	435	4%	4%	5%
Pukekohe GPA	235	210	185	3%	4%	2%
Tamaki East	135	35	90	2%	1%	1%
Tamaki West 1	240	215	415	3%	4%	5%
Tamaki West 2	-5	30	110	0%	0%	1%
Tamaki West 3	45	45	65	0%	1%	1%
Wairoa	40	10	60	0%	0%	1%
Waitakere Ranges	-10	5	50	0%	0%	1%
Waitemata Central 1	15	515	560	0%	9%	7%
Waitemata Central 2	10	10	25	0%	0%	0%
Waitemata North	435	265	300	5%	5%	4%
Waitemata West	750	180	385	9%	3%	5%
Waiuku	15	15	30	0%	0%	0%
Warkworth	95	20	75	1%	0%	1%
Whenuapai / Redhills	315	700	465	4%	12%	6%
Total	**8,590**	**5,925**	**8,440**	**100%**	**100%**	**100%**

*Based on stormwater funding areas

Source: Auckland Council, Statistics NZ, UE

Figure 3:
Projected HUE and Historic Household Growth (p.a.) Locational Distribution by Stormwater Funding Area



Source: Auckland Council, Statistics NZ

Figure 4:
Projected HUE vs Historic Household Growth - Key Greenfield and Infill Areas

Greenfield/ Infill	Funding Area*	Growth Per Annum (Nominal)		
		Historic Actual Household Growth (2018 - 2023)	Auckland Council HUE Projections (10-Year)	%Historic Growth to HUE Projections
Greenfield	Flatbush GPA	570	100	-
	Hibiscus Coast	400	90	
	Manurewa Papakura GPA	750	75	
	Whenuapai / Redhills	315	700	
	Greenfield Areas Total	**2,040**	**965**	**47%**
Infill	Waitemata Central 1	15	515	-
	City Centre GPA	565	475	
	Oakley	185	315	
	Greater Tamaki GPA	180	380	
	Tamaki West 1	240	215	
	Tamaki West 3	45	45	
	Manukau North	195	260	
	Infill Areas Total	**1,425**	**2,205**	**155%**

*Based on stormwater funding areas

Source: Auckland Council, Statistics NZ, UE

3.5 Total Auckland Households & HUE Growth Forecasts

The "Auckland Growth Scenario v1 Household Forecast" model forecasts a total of 8,600 additional households p.a. over the 2025-2035 period. The DC model forecasts a total of 5,900 additional HUEs p.a. over the 2025-2035 period.

This raises two potential errors. First, the total HUEs over the 2025-2035 should be closer to 7,300, i.e. accounting for terrace and apartments which have one HUE per 0.9 and 0.75 households. This indicates the regional HUE estimate is under-estimated by around 20%, which would lead to DC price that is 20% higher than the fair price.

Second, the DC model does not account for the proportion of unoccupied houses in the region, which averages about 10% according to the last 2 censuses (2018 & 2023). This is important, as HUEs are charged per dwelling rather than per household. As a result, it is estimated that the HUE forecasts are underestimated by approximately 10%, and therefore DC prices are overestimated by at least 10%.

3.6 Property Acquisition Price

The DC model provides examples that include property acquisition prices of $1,300–$1,500/m². This price reflects developed residential zone land (i.e. new lots). However, there is potential, in some instances, for land to be purchased prior to zoning and development for residential use, e.g. via roading and parks being identified through structure plans or plan change processes, which would result in land having a value that reflects a road or a park. Similarly, lower value land, such as land that has geotechnical or flooding issues, can be allocated to park areas, which also has a lower market value. Under these circumstance, the land would have a market value that is significantly below that of developed residential land and would more closely reflect the underlying Future Urban Zone land value (e.g. $100–$200/m²). This indicates the DC model has significantly overestimated property acquisition prices.

3.7 Property Acquisition Contingency Rate

The CAPEX estimate for infrastructure projects includes a 30% contingency on land acquisition costs. This is substantially above the market rate of around 10%. As a result, the DC model overestimates property acquisition costs by around 20 percentage points.

3.8 Full-Build Out Assumption

The DC model assumes a full build-out of Infrastructure Priority Areas (IPAs) (e.g., Drury, Red Hills, Whenuapai) based on projections from the Auckland Growth Scenario v1 Household Forecast model. The implication is that the 2051 and 2052 years are attributed unrealistic high rates of growth. For example, the total growth in 2051 is 14,800 residential HUEs and 2052 is 18,100 HUEs, however the annual HUE growth for the preceding decade is 5,300 HUEs p.a.

While this has a negligible impact on the DC price estimates, due to the model calculation, it is however unrealistic and may lead to subsequent errors.

3.9 CAPEX Interest Adjustment

The DC model includes an adjustment for interest payable on CAPEX, described as follows:

> *"Capex phasing adjustment assuming capex is weighted slightly to the second half of the financial year"* (Sheet: DC Price Calc, 'DC Consultation 2024-2034 LTP' & 'DC Consultation IPAs beyond 2034').

The adjustment allocates 60% of expenditure in each year to the subsequent year to account for the difference between a financial and calendar year. However, the calculation in the model does not appear to have been completed correctly, with 60% deducted from each year but not added to a subsequent year. This results in an underestimate of interest on CAPEX (i.e. only 40% of interest costs are accounted for).

3.10 Quantitative Implications

Figure 5 provides an estimate of the DC price for 20 specific projects for four alternative model calculations. The alternative model calculations are:

- CAPEX deflated to $2025,
- DC Prices inflated at 5.7% p.a.,
- A market contingency rate of 10%, and
- An 'equitable calculation' with future CAPEX deflated to $2025, DC prices in $2025, and a market contingency rate of 10%.

The alternative model 'equitable calculation' finds that DC prices are overestimated by 70–80%.

In addition, the DC model is likely to over-estimate the DC price due to too few HUEs at the regional level, too few HUEs allocated to greenfield development, above market property price acquisition continencies and an above market price for property purchases.

Figure 5:
Auckland Council DC Model Price Analysis

Funding Period	Project Name*	DC Price (2025)					DC Price Differential			
		Auckland Council	CAPEX in $2025**	DC Price Escalation ***	Market Contingency Rate (10%)	Equitable Calculation ****	CAPEX in $2025**	DC Price Escalation ***	Market Contingency Rate (10%)	Equitable Calculation ****
2024-2034 (LTP)	Eastern Busway Pakuranga to Botany	$1,450	$1,340	$960	$750	$690	8%	34%	48%	52%
	Carrington Road Improvements	$1,590	$1,380	$1,080	$880	$770	13%	32%	45%	52%
	Manukau regeneration	$1,140	$740	$630	$440	$220	35%	45%	61%	81%
	Tamaki Pipe network - Upgrades	$6,410	$4,670	$3,990	$3,420	$2,470	27%	38%	47%	61%
	Recreation Centre (Whau)	$6,620	$4,970	$4,000	$3,640	$2,730	25%	40%	45%	59%
	Park Land Acquisition - Wainui East / Milldale	$18,570	$14,440	$11,780	$10,220	$7,940	22%	37%	45%	57%
	Develop Sustainable Sports Park (Stage 1b)(Scott Point)	$10,910	$10,400	$6,400	$6,920	$6,640	5%	41%	37%	39%
	General Park Development (Hingaia)	$13,920	$9,350	$7,800	$7,570	$5,060	33%	44%	46%	64%
	City Rail Link (council's share)	$5,890	$5,830	$3,730	$5,320	$5,280	1%	37%	10%	10%
	General Park Development (Metro Park West)	$3,950	$3,090	$2,140	$1,710	$1,230	22%	46%	57%	69%
	Average	**$7,050**	**$5,620**	**$4,250**	**$4,090**	**$3,300**	**20%**	**40%**	**42%**	**53%**
IPA's Beyond 2034	Drury Option 3	$8,540	$1,600	$3,740	$2,060	$880	81%	56%	76%	90%
	CPT AHP: Maybury Reserve Integrated Stormwater(LTP)	$3,020	$970	$1,880	$1,030	$530	68%	38%	66%	82%
	Tamaki Pipe network - Upgrades	$44,790	$12,350	$27,840	$15,310	$6,790	72%	38%	66%	85%
	Park Land Acquisition - Whenuapai	$25,470	$3,180	$7,970	$4,390	$1,750	88%	69%	83%	93%
	Park Land Acquisition - Drury	$20,030	$4,230	$10,160	$5,590	$2,330	79%	49%	72%	88%
	Northwest aquatic/rec	$2,890	$740	$1,300	$720	$400	74%	55%	75%	86%
	New intersection on Waihoehoe Rd/Fitzgerald Rd	$2,140	$510	$950	$520	$280	76%	56%	76%	87%
	Brigham Creek Road - Tamatea Ave to Kauri Road	$6,310	$930	$2,710	$1,490	$510	85%	57%	76%	92%
	Dominion Road Extn upgrades to arterials	$1,290	$370	$670	$370	$200	71%	48%	71%	84%
	General Park Development (Redhills)	$3,560	$900	$2,310	$1,270	$490	75%	35%	64%	86%
	Average	**$11,810**	**$2,580**	**$5,950**	**$3,270**	**$1,420**	**78%**	**50%**	**72%**	**88%**
Total Average		**$18,850**	**$8,200**	**$10,200**	**$7,360**	**$4,720**	**56%**	**46%**	**61%**	**75%**

Source: Auckland Council, UE

*As outlined in Project_and_capex_costs tab in Auckland Council DC consultation excel files.

**Future CAPEX charges deflated to $2025.

***DC price increase of 5.7% on average, as outlined in Auckland Council DC consultation excel files.

****10% Contingency rate applied to future CAPEX in $2025.

4. Auckland Council's Economic Incidence of Developer Contributions (2022) Review

This section reviews the key findings and assumptions in the "Economic Incidence of Developer Contributions" (2022) report.

4.1 Developer Contributions in a Supply-Constrained Market

> *"The analysis here shows that the common claim that DCs are passed through to house prices and rents is not supported by theory or evidence... additional development costs cannot be passed forward to rents or prices but instead will be passed back to land in the form of lower land values."* (page1)

The report references several studies that consider the impact of DCs on housing markets with supply constraints. Raetz et al. (2019), the NSW Productivity Commissioner (2020) and The Australian Productivity Commission's Public Infrastructure inquiry (2014) all examine how DCs interact with land values and development feasibility in markets where land supply is restricted.

A relevant excerpt cited in the report from 'The Australian Productivity Commission's Public Infrastructure inquiry (2014)' concludes that:

> *"[An] often-expressed concern is that developer contributions increase the cost of housing. However, when the supply of land for housing is restricted, as is typically the case*

in Australia, developer charges are most likely to reduce the above-normal return (economic rent) captured by owners of undeveloped land." (page 12)

This conclusion is agreed with, given that in a supply constrained market, competition among developers for land means that landowners ultimately bear the cost of increased DCs. However, the extent to which landowners can absorb DCs depends on the elasticity of land supply and expectations of future development viability. If supply remains artificially constrained due to regulatory factors or infrastructure delays, the ability of DCs to be absorbed by landowners diminishes, potentially altering development feasibility and land values over time.

4.2 Developer Contributions in an Efficient Market

"Product prices are determined as an equilibrium between costs incurred in production ('supply') and the willingness-to-pay of buyers ('demand'), mediated through the competitive structure of the market. In more competitive markets, prices vary with costs, but in monopolistic environments, like the market for residing at a specific location, the price will be driven by demand." (page 5)

This statement outlines the fundamental difference between efficient and constrained markets in price determination. In an efficient market, where housing supply is perfectly elastic, house prices would reflect costs more directly, meaning:

- Increased DCs would lead to higher house prices, since developers can expand supply at the margin.
- Developers would treat DCs as an additional input cost, just like materials and labour, and adjust prices accordingly.

However, the housing market is not purely a product market. It also functions as an asset market, where prices are capitalised based on future expectations. In an efficient market, additional costs like DCs should be passed onto homebuyers. However, if supply constraints exist, price formation becomes demand driven, and the ability for DCs to be passed through diminishes, leading to cost absorption in land values instead.

Auckland Council considers Auckland not to be a supply constrained market, with the Auckland HBA (2023) concluding there are in the order of 1.9 million feasible dwellings (page iv). If this assumption is correct, then the price determination logic from the report would suggest that higher DCs should lead to higher house prices in Auckland.

In reality, Auckland is likely to sit somewhere in between a perfectly constrained and unconstrained market. While there are supply constrained areas that limit full elasticity, there are also areas where supply remains more responsive to demand. This suggests that DCs are likely to be largely absorbed by land values, but to an extent contribute to price pass-through, where the burden is also worn by home buyers.

The report itself acknowledges that:

"The NZ Productivity Commission (2019) noted: DCs are understandably not popular because they add to development costs, including the prices of residential sections." (page 5).

4.3 Long-Run Price Effects of Developer Contributions

"The neutrality of DCs with respect to house prices is confirmed by the best empirical evidence available." (Page 2)

While the report states that DCs are neutral with regard to direct effects on house prices, it does not consider the long-term market effects on housing composition. If development costs increase, developers are more likely to shift toward mid to higher-priced housing where margins are more favourable. This could reduce the supply of affordable homes, indirectly leading to higher prices over time.

Since DCs function as a relatively fixed cost, their impact is greater on lower-priced dwellings, where they represent a larger proportion of total development costs. For example, a $50,000 increase in DCs would account for:

- 17% of the cost on a $300,000 section, but
- Only 8% of the cost on a $600,000 section.

The report does not discuss in any great depth how DCs influence development viability at different price points. If lower margin projects become unfeasible, the housing supply will become skewed toward higher-cost dwellings, creating affordability issues that are not reflected in the report's conclusions.

4.4 Development Contributions and House Prices - Estimating the Impact

As a conservative estimate, approximately one-quarter of the increase in DCs in Auckland could be reflected in higher house prices, with the remainder absorbed by developers/land owners via land values.

For example, Auckland Council's proposed changes would see DCs in Drury increase by $13,000 per dwelling (from $70,000 to $83,000). Under this assumption, home buyers could face a house price increase of around $3,000 per dwelling.

In the Inner Northwest, DCs are set to rise by approximately $72,800 per dwelling (from $25,200 to $98,000), suggesting a potential house price increase of $18,000 per dwelling.

These figures illustrate the possible magnitude of DC impacts on house prices, even in constrained markets where land values absorb most of the cost.

As a second round effect, higher DCs will impact the feasibility of lower priced affordable housing, meaning developers will focus more on mid-high priced dwellings, and this will result in higher house prices over time.