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Executive Summary

This report examines the feasibility of a proposed mixed-use development at 11 Domain Road, Panmure, Auckland. The strategic location is zoned Business Town Centre (Auckland Council, 2024b), maximising flexibility for proposed uses. Through a combination of commercial and residential uses, profits can be maximised and diversified. The proximity to the Panmure transit hub maximises accessibility and ensures maximum occupancy of residential units. The development strongly aligns with the visions of the Panmure Master Plan (Eke Panuku, 2023) and Auckland Unitary Plan (Auckland Council, 2024b), which aim to increase mixed-uses and dense transit-oriented living near town centres and transit hubs. Moreover, the projected investment in the area due to the Panmure Master Plan will increase land values in the future.

Utilising the $15 million budget, a 5-storey unit consisting of 2-bedroom residential apartment units and one floor of prime office space will be created. 50% site coverage is proposed to minimise site preparation costs due to unfavourable elevation near the rear of the site. The flexible zoning of the site allows for further development opportunities later. The site will be bought, and the building will be consented to, designed, and developed over three years. Under scenario one, the property would be sold immediately upon completion of construction. Under scenario two, leases would commence in 2026 and end in 2035, with the sale of the building occurring in 2036. Feasibility analysis illustrates that, as proposed, the development meets the benchmark for a minimum 20% ROI. Scenario one provides a 22% internal rate of return, and scenario two provides a 13% internal rate of return.

Total Project Period	Discount Rate	NPV	BCR	ROI
Scenario one				
3	5%	$4,540,875	1.31	30.73%
3	7%	$3,816,479.19	1.26	26.43%
3	9%	$3,151,820	1.22	22.33%
Scenario two				
13 years	5%	$12,906,587	1.82	81.68%
13 years	7%	$8,231,467.85	1.54	53.98%
13 years	9%	$4,595,768.55	1.31	31.14%

Site Profile

11 Domain Road is in Panmure, a growing hub and town centre. The surrounding area is being heavily invested in as a part of the Panmure Masterplan, which aims to regenerate Panmure into a vital and vibrant hub (Eke Panuku, 2023). The increase in investment will help to increase land prices in the future. One of the site's most significant advantages is its proximity to the Panmure transit hub, which has been recently redeveloped to provide high levels of bus and train service to various parts of the city (Auckland Transport, n.d.). With future frequency increases due to the City Rail Link (City Rail Link, n.d.) and the completion of the Eastern Busway (Eastern Busway, 2024), the site's accessibility will increase even further, providing an unparalleled advantage in terms of connectivity. Adding the site's proximity to a nearby pool and leisure centre, Panmure Basin, and shops at Panmure Town Centre, the potential desirability of residential units at this site is exceptionally high. This high level of accessibility to both labour and job markets allows for multiple potential uses, such as commercial and residential. Moreover, high levels of accessibility and plenty of nearby parking make the provision of parking nonessential, providing more flexibility. An increase in residential offerings near Panmure Town Centre is also one of the critical objectives of the Panmure Masterplan (Eke Panuku, 2023).

The site is zoned under the Business Town Centre Zone and has a height variation control of 27 meters, under the zoning, residential dwellings, offices, and retail are permitted activities while new buildings are a restricted discretionary activity and, therefore require resource consenting (Auckland Council, 2024b). The site falls under the regionally significant volcanic view shaft W26 (Auckland Council, 2024b), however, due to the low-lying nature of the site, the proposed development would not impede views from the origin point and would not face regulatory challenges. Moreover, the site is included in the 1102 Protection of Aeronautical Functions Airspace Restriction Designation (Auckland Council, 2024b), however, the proposed development is located on the outer horizontal surface and is within the proposed height limit of other relevant planning documents and is therfore allowed.

However, the site's 1219m^2 area presents potential geographical challenges. High elevation levels near the rear of the site as seen in Figure 2, would incur costs to develop. However, the front half of the site is relatively flat and could be easily developed.

Market research indicates that prime office space nearby ranges from $365 to $375 per sqm per annum (CBRE, 2024; Colliers, 2024a; JLL, 2024). Moreover, the development would front on to back roads where footfall is low, and with it, there is potential for ground-floor retail uses. However, there is a growing demand for residential developments in Panmure as set out by the Panmure Masterplan (Eke Panuku, 2023), and the site's proximity to Panmure Transit Hub which allows for easy commutes into the CBD and other employment centres makes the potential desirably of residential units high.

During an on-site visit, suspicions were confirmed that footfall needs to be higher and cannot support retail uses, especially in competition with the nearby town centre, which provides a variety of well-established cafes and superettes. Getting to the site consisted of catching the 70 bus, which offered 10-minute frequencies, and walking from Panmure Train Station to the site, which took ten minutes. This further emphasised the high accessibility of the site and its potential desirability for residential units aimed at commuters. The nearby area consisted mostly of retail uses, suggesting low office space demand. Other observations included the site's considerable elevation changes. Specification for the site can be found below:

Address	11 Domain Road, Panmure
Legal Description	Lot 4 DP 29516 (Auckland Council, 2024a)
Size	1219m^2 (Auckland Council, 2024a)
Zone	Business – Town Centre Zone (Auckland Council, 2024b)
Height Variation Control	27m (Auckland Council, 2024b)
Overlays	• W26 Regionally Significant Volcanic Viewshaft (Auckland Council, 2024b) • 1102 Airspace Restriction Designation (Auckland Council, 2024b)
Capital Value	$2,400,000 (Auckland Council, 2024a)
Rates	$16,196.31 (Auckland Council, 2024a)
Permitted Activities	Commercial, Retail, Residential (Auckland Council, 2024b)
Discretionary Activities	New Buildings (Auckland Council, 2024b)

Proposed Development

The proposed development is a mixed-use five-storey building. Aligning with the desires of the Panmure Masterplan and higher rental rates, the development focuses primarily on residential units. However, commercial offices are included to diversify income streams. The proposed development covers the front 50% of the site to avoid high costs associated with preparing the elevated portions. Moreover, the decision has been made to provide zero parking due to the excellent transit provisions nearby and to minimise costs.

According to an analysis of market trends, which illustrated that average rents per sqm per annum for residential uses exceeds prime office space in the area, the mix of uses chosen consists of ground floor prime offices and four levels of 2-bedroom apartments. The average rent per sqm of prime offices in the area is $370 per sqm per annum (CBRE, 2024; Colliers, 2024a; JLL, 2024). In contrast, the average rent per sqm of apartment units was calculated at $502 per sqm per annum. Moreover, as discussed previously, the non-optimal frontage of the site makes retail uses unlikely and will, therefore, not be included in the proposed development.

Average rent per sqm per annum figures for residential uses in Panmure could not be found and were estimated. The median weekly rent for a two-bedroom apartment in Panmure between February and July 2024 stood at $580 (Tenancy Services, n.d.). The proposed square meterage for two-bedroom units stands at 60m2, as recommended by the New South Wales Apartment Design Guide (NSW Department of Planning and Environment, 2015). Multiplying weekly rents to reach an annual figure and dividing by the proposed 60-meter square meterage provides a figure of $502 per sqm per annum.

($580*52)/62m2= $502 per sqm per annum

A 5-storey development has been chosen merely to stay within budgetary constraints. The limited site coverage and flexible zoning allow further development in the future. A high-end office fit-out will be pursued. Average rents per sqm per annum for prime office space are $370 and rising, yields stand at 7.5% and rising, and vacancy rates stand at 10.5% and rising (Colliers, 2024a). The average rent per sqm for secondary office space stands at $256 and is stagnant; the average yields stand at 8.3% and are rising, and the average vacancy rates stand at 9.1% and are rising (Colliers, 2024a). While primary offices have higher vacancy rates and lower yields, the higher rents per sqm are advantageous and will be pursued.

The office space design is relatively small, with high-end finishes to help diversify income streams away from purely residential and appeal to small businesses, which make up most companies in Auckland (Stats NZ, 2023). Residential units are designed with two bedrooms to appeal to young professionals and families who would likely commute into the city, leveraging the area's high accessibility. Overall, the development strikes a balance between profitability and diversity through the inclusion of both offices and residential.

Specifications for the proposed building are below:

Description	Calculation	Unit
Site area	-	1219m^2
Site coverage	-	50%
Developed area	1219*0.5	609.5m^2
Number of lifts	-	1
Floors for office	-	1
Office gross floor area	609.5*1	609.5m^2
Communal space, corridors, & elevators	-	20%
Office leasable floor area	609.5*0.8	487.6m^2
Tenancies	-	2
Space per tenancy	487.6/2	243.8m^2
Floors for residential	-	4
Residential gross floor area	609.5*4	2438m^2
Corridors, & elevators	-	10%
Residential rentable floor area	2438*0.9	2194m^2
Bedrooms per unit	-	2
Units	-	36
Floor area per unit	2194/36	61m^2
Height for infastructure	5*30cm	1.5m
Total height	5*3 + 1.8m	16.5m

Cost estimation

Costs were estimated utilising QV cost builder, which provides up-to-date region-specific cost per sqm figures. Site acquisition, building costs, professional fees and all other costs are set below. However, furniture costs except kitchen, bathroom and ensuite of residential units are not included. Total costs are $14,987,533.00, utilising most of the $15 million budget.

	Unit	Rate	$ Value
Capital Value	1	-	$2,400,000
Excavation of foundation (3m deep in soft, rippable rock)	$1219m^2*3m*0.5=3657m^3$	$144 per cubic meter (QV, 2024)	$263,304.00
Construction of offices (3-5 storey with lifts & HVAC)	$609.5m^2$	$2700 per sqm (QV, 2024)	$1,645,650.00
Construction of residential (small apartment 50-100m^2, with kitchen, bathroom, WC, ensuite & small balcony.	$2438m^2$	3050 per sqm (QV, 2024)	$7,435,900.00
Office fit-out	$487.6m^2$	$1250 per sqm	$609,500.00
Allowance for market fluctuation	$13,466,246	4% (Rawlinsons Publications, 2013)	$494,174.16
Allowance for building work contingency	$13,466,246	5% (Rawlinsons Publications, 2013)	$617,717.70
Professional fees	$13,466,246	11% (Rawlinsons Publications, 2013)	$1,481,287.00

Consenting		(Auckland Council, n.d.-a)	$20,000.00
Marketing		(Rawlinsons Publications, 2013)	$20,000.00
Total			$14,987,533.00

On-going costs are calculated below.

	Unit	Rate	$ value
Maintenance & Insurance	365.7m^2	$48.12 (Rawlinsons Publications, 2013)	$17,597.48
Rates	1219m^2	(Auckland Council, 2024a)	$16,196.31
Total			

A 2.2% growth rate has been utilised for rates & maintenance growth rates. This rate is equal to the year-over-year inflation rate as of October 2024 (Reserve Bank of New Zealand, 2024). Inflation rates have been high recently but have been consistently falling and stabilising (Reserve Bank of New Zealand, 2024). Sales expenses have been calculated at 3% to cover associated costs.

CBRE indicates a vacancy rate of 10.4% for non-CBD Grade B office space as of June 2024 (CBRE, 2024). Collier's report suggests a rising 10.5% vacancy rate for prime office space in Mt Wellington as of the first half of 2024 (Colliers, 2024a). Considering the increasing vacancy rates for prime offices, a conservative 12% vacancy rate will be utilised. Double the vacancy rate will be utilised for the first two years.

Barfoot & Thompson suggest a 2.5% vacancy rate for residential units across Auckland as of Q2 2024 (Barfoot & Thompson, 2024). Vacancy rates for apartments in Auckland CBD had fallen to 10% and were continuing to fall to 2019 levels (7%) (QV, 2023). A vacancy rate of 3.8% to 2.3% as of May 2024 New Zealand wide has also been researched (Gomez & RNZ, 2024). A 5.5% vacancy rate will be utilised based on two units being vacant and conservative estimates based on figures gathered. A vacancy rate double that will be utilised for the first year.

Income estimation

An office rental rate of $370 per sqm per annum will be utilised. This is a median of values researched. CBRE indicates $375 per sqm per annum for prime non-CBD offices as of June 2024 (CBRE, 2024). Colliers indicate $370 per sqm per annum for prime offices in Mt Wellington as of the first half of 2024 (Colliers, 2024a). JLL indicates upper rents of $365 per sqm per annum in the Auckland Southern Corridor as of Q4 2023 (JLL, 2024). Based on 609m^2 of office space rental income is estimated at $180,412.00.

Figures researched indicate a variety of potential office rental growth rate scenarios; however, a conservative 2.2% will be utilised due to uncertainty in the market. CBRE forecasts a prime non-CBD office growth rate of -1.2% for 2024, 0% for 2025 and 2% after that (CBRE, 2024). Colliers indicate a 4% growth rate for prime offices in the first half of 2024 (Colliers, 2024a). The inflation rate is 2.2% year on year as of October 2024 (Reserve Bank of New Zealand, 2024). Giving a projected rental income of $229,205.63 as of 2035 before the sale.

Figures researched for office yield rate range between 5.5% to 7.5%; however, are forecasted to worsen, and therefore, 8% will be utilised. CBRE provides an optimistic scenario cap rate of 6.12% in 2025 (CBRE et al., 2024). Colliers suggest a rising yield rate of 7.5% for prime office space in Mt Wellington as of the first half of 2024 (Colliers, 2024a). Colliers also indicates a low cap rate of 5.5% and a high of 6.75% as of Q2 2024 (Colliers, 2024b). JLL suggests an average net yield of 6.8% for office space in the Southern Corridor as of Q4 2023 (JLL, 2024). Based on a projected rental income of $229,205.63 as of 2035 and an 8% cap rate, a $2,865,070.00 sales income is estimated.

Median rents for 2-bedroom residential apartments in Panmure based on 30 active bonds stand at $580, with a lower quartile of $580 and an upper quartile of $650 from February to July 2024 (Tenancy Services, n.d.). Considering a smaller square meterage per unit of 60m2 and the proximity to amenities and transportation, the median rent of $580 per week will be utilised for calculations. As per sqm per annum, figures cannot be found, they will be estimated utilising the 60m2 and $580 per week figures, giving a $502 per annum per sqm figure. Using the square meterage of the proposed development, estimated rents as of 2024 are at $1,101,488.40 per annum. A conservative 4.4% residential rental growth rate will be utilised. Figures researched indicate a growth rate of 4.55% to 6%. Barfoot & Thompson indicate a 5.59% rental growth rate as of Q2 2024, with 5.69% in Q1 2024 and 5.27% in Q4 2023; a year-on-year increase for Eastern Suburbs is calculated at 4.55% (Barfoot &

Thompson, 2024). Gomez and RNZ (2024) indicates a 6% rental growth rate as of May 2024. Projected residential rental income as of 2035 before the sale stands at $1,768,827.22. A conservative 6% residential yield rate will be utilised based on the figures gathered. Global Property Guide and Shubina (2024) suggests a yield rate of 4.67% for 2-bedroom apartments in Auckland as of June 2024. OPES Partners and McKnight (2024) estimate a gross median yield of 3.22% for Auckland as of September 2023. Intrest.co.nz and Ninness (2023) suggests a yield rate of 5.6% for 2-bedroom apartments in Maungakiekie-Tamaki Ward as of Q3 2023. Auckland Property Investors Association (2023) suggest a yield rate ranging from 5.5% to 3% for two-bedroom apartments in Auckland, depending on the suburb. Based on projected income as of 2035 and a 6% yield rate, a $29,480,453.00 sales income is expected.

Office Rental Rate	$370 per sqm per annum
Office Rental Growth Rate	2.2%
Office Cap Rate	8%
Residential Rental Rate	$502 per sqm per annum
Residential Rental Growth Rate	4.4%
Residential Cap Rate	6%

	Unit	Rate	$ Value
Residential Rental Income (2024)	$2194m^2$	$502	$1,101,488.40
Residential Rental Income (2035)	$1,101,488.40	4% per annum, 10 years	$1,768,827.22
Residential Sales Income (2036)	$1,768,827.22	6%	$29,480,453.00
Office Rental Income (2024)	$487.6m^2$	$370	$180,412.00
Office Rental Income (2035)	$180,412.00	2.2% per annum, 10 years	$229,205.63
Office Sales Income (2036)	$229,205.63	8%	$2,865,070.00

Feasibility

Multiple scenarios have been proposed alongside 5%, 7% and 9% discount rates. Current discount rates stand at 8% (The Treasury, 2024) however a variety of scenarios both in more and less favourable market conditions will be considered. In scenario one, the net present value is discounted over three years, with three years for documentation and construction, with immediate sale. In scenario two, the net present value is discounted over 13 years, with three years for documentation and construction, positive cashflows from year 4, and a 10-year lease and sale in 2036. Scenario one offers a higher internal rate of return of 22%, whereas scenario two offers a lower internal rate of return of 13%. Scenario one offers lower ROI's & NPV's but an opportunity for further reinvestment on a quick timescale. Upon completion of construction, the decision can be made whether to enter a leasing period and pursue scenario two or sell the property immediately, as seen in scenario one.

Total Project Period	Discount Rate	NPV	BCR	ROI
Scenario one				
3	5%	$4,540,875	1.31	30.73%
3	7%	$3,816,479.19	1.26	26.43%
3	9%	$3,151,820	1.22	22.33%
Scenario two				
13 years	5%	$12,906,587	1.82	81.68%
13 years	7%	$8,231,467.85	1.54	53.98%
13 years	9%	$4,595,768.55	1.31	31.14%

Conclusion

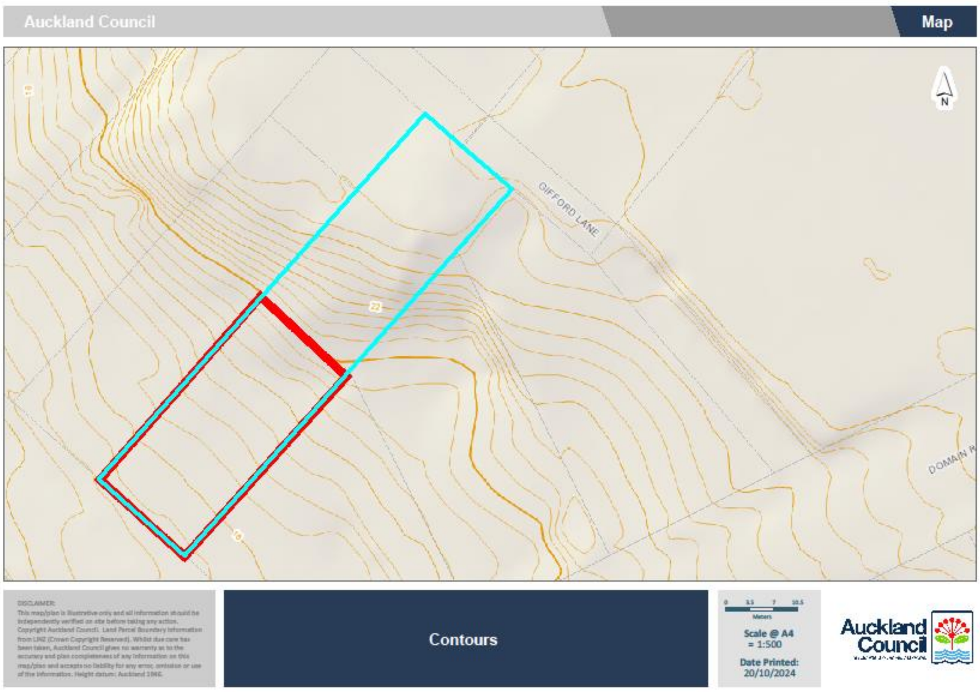
The proposed mixed-use development at 11 Domain Road is financially profitable despite a high discount rate and quick sale scenario. The development is strategically located in an area slated to receive investment and will see an increase in land values. Despite challenging topography and low foot traffic, pursuing a mix of commercial and residential uses provides a diversified income stream under a lease scenario. 11 Domain Road provides a robust ROI despite unfavourable market conditions and strongly aligns with the objectives of the Auckland Unitary Plan and Panmure Master Plan, ensuring timely construction.

Appendices

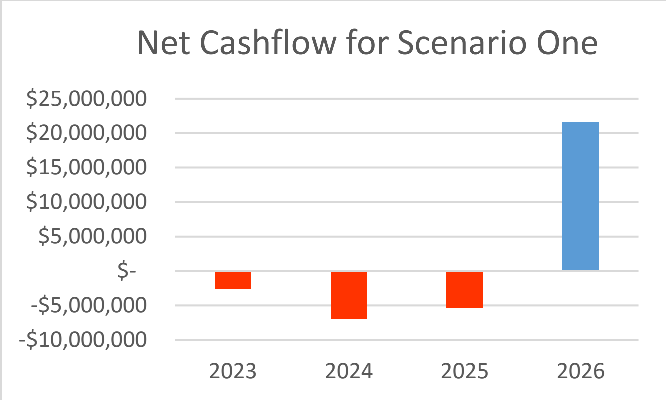
Figure 1

(Auckland Council, n.d.-b)

Figure 2



(Auckland Council, n.d.-b)


Net Cashflow for Scenario One
$25,000,000
$20,000,000
$15,000,000
$10,000,000
$5,000,000
$-
-$5,000,000
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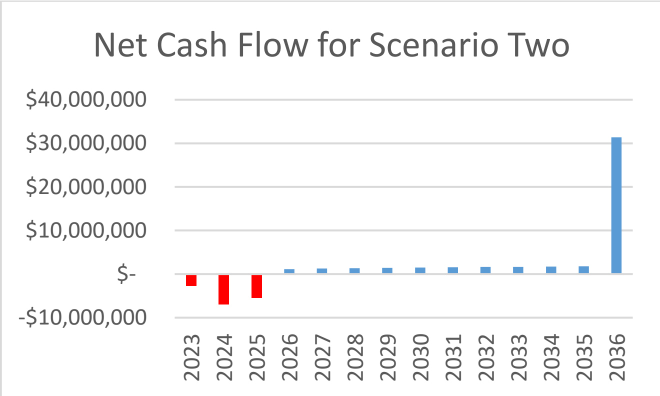
2023
2024
2025
2026

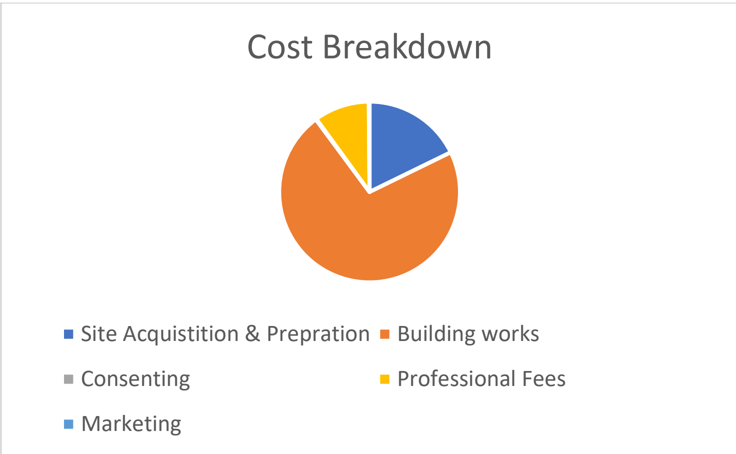

Net Cash Flow for Scenario Two
$40,000,000
$30,000,000
$20,000,000
$10,000,000
$-
-$10,000,000
2023
2024
2025
2026
2027
2028
2029
2030
2031
2032
2033
2034
2035
2036

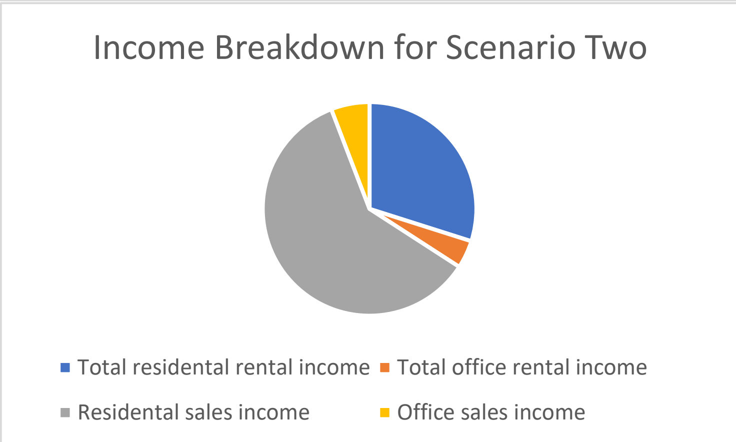

ROI per Discount Rate for Scenario One
ROI
40.00%
30.00%
20.00%
10.00%
0.00%
5%
7%
9%
Discount Rate


ROI per Discount Rate for Scenario Two
Return on Investment
100%
80%
60%
40%
20%
0%
5%
7%
9%
Discount Rate

	Years			
Development Phase	2023	2024	2025	2026
Site Acquisition & Preparation				
Building Design & Consenting				
Building Works				
Marketing				
Sale				

	Years													
Development Phase	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Site Acquisition & Preparation														
Building Design & Consenting														
Building Works														
Marketing														
Lease period														
Sale														





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