

Understanding the relationship between social amenity, wellbeing and land values: Hobsonville Point case study

March 2020

FRESH INFO



Summary of findings

Kāinga Ora has been tasked with delivering major urban regeneration projects in Auckland and Wellington. Within these projects Kāinga Ora intends to make targeted investments in social amenity that build strong communities and enhance the wellbeing of their residents.

This needs to be achieved within a sustainable financial model, which depends on the price Kāinga Ora can achieve for superlots. Kāinga Ora is therefore interested in understanding the relationship between social amenity, wellbeing, and superlot land values so that it can evaluate the costs and benefits of targeted investments in social amenity within future development projects.

Kāinga Ora would like to learn from the Hobsonville Point experience and use this knowledge to inform its investment decisions in other areas.

Fresh Information Limited (Fresh Info) has been commissioned by Kāinga Ora to evaluate the impact of the investments in social amenity at Hobsonville Point on superlot values and resident wellbeing. A three-pronged approach was co-designed with Kāinga Ora to achieve this objective:

1. **Resident perspective:** Survey Hobsonville Point residents to understand the features they value most highly.
2. **Builder perspective:** Interview the building companies operating at Hobsonville Point to identify the features they consider most valuable in terms of selling houses and achieving good prices.
3. **Empirical analysis:** Econometric modelling to estimate the impact of social amenity on land values in Hobsonville Point.

This approach seeks to exploit all available information to reach evidence-based conclusions that Kāinga Ora can reference in future urban regeneration projects.

Resident perspective

Residents assign high value to most features in Hobsonville Point but the coastal walkway is the clear favourite. The three most valued features were all parks and greenspaces, and all were used frequently by residents. The three least valued features were the community garden, community events and art installations.

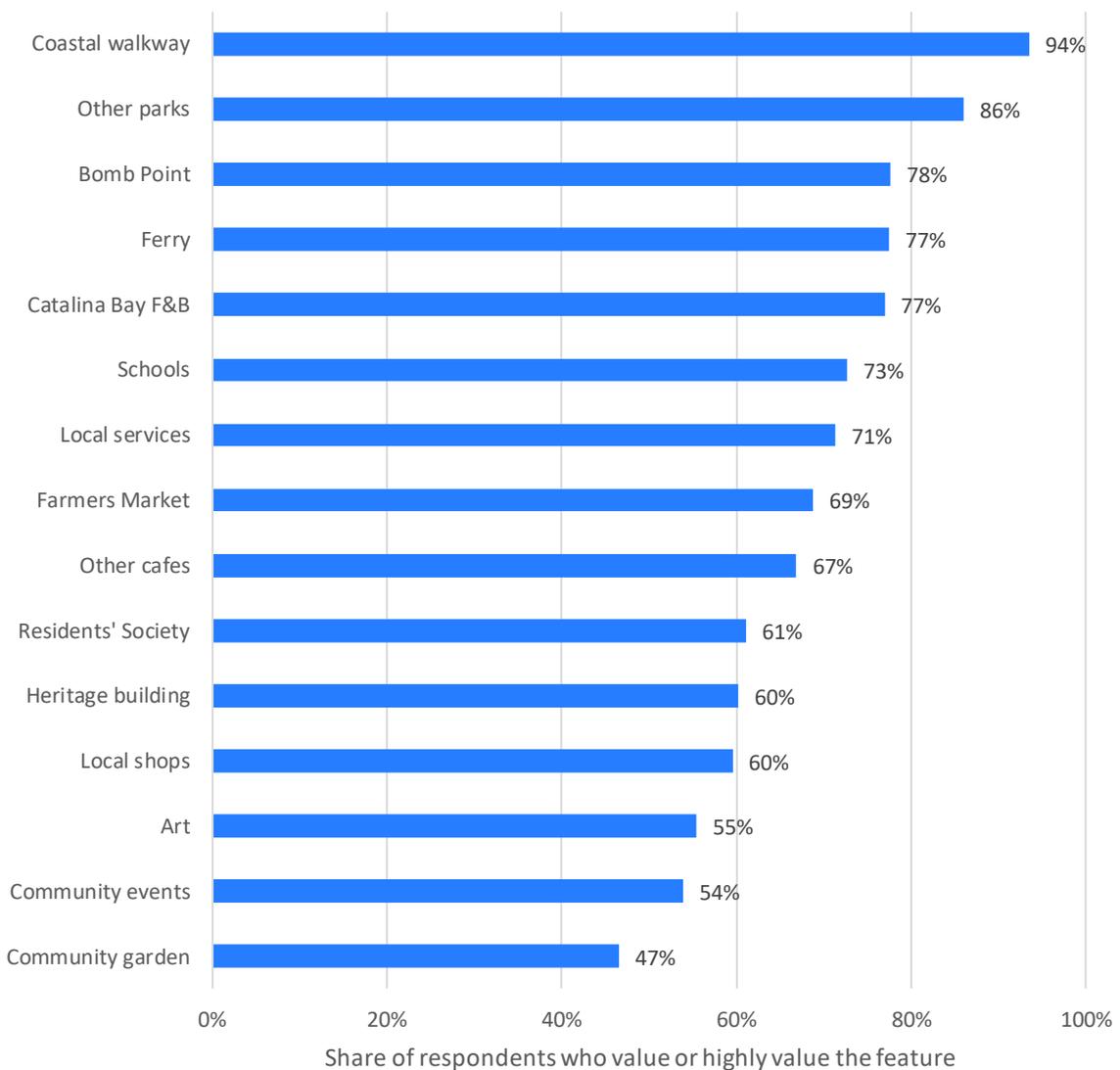
Further segmentation of the data revealed several interesting insights that could be applicable to other urban redevelopment projects:

- Females value all features more highly than males with only one exception – schools;
- Residents in the 50-69 age cohort assign the highest value to all features except schools, the Residents' Society, heritage buildings and community events. Interestingly, residents in the 70+ age cohort place the highest value on these four features.
- The coastal walkway is used daily or weekly by 69% of residents, making it the most frequently used feature in Hobsonville Point. Only 3% of residents haven't used the coastal walkway yet.
- The least frequently used features are the Residents' Society, ferry, other community groups and art installations.



- There is a strong positive relationship between the perceived value of features in Hobsonville Point and their frequency of use. This is an intuitive result, although the direction of causality is unclear i.e. does greater value lead to greater use, or does greater use lead to greater value?
- A reasonable percentage of people who haven't used features yet still assign high or very high values to them. This may mean that people value the option of using these features in the future (option value), or simply knowing that they exist (existence value).
- Proximity to a feature is a positive driver of value in some, but not all cases. For example, residents living closest to the ferry assign it the lowest value, and this is also the case for the Catalina Bay food & beverage precinct and the community garden.
- There is a strong positive relationship between proximity to a feature and use of recreational assets such as the coastal walkway, art installations, Bomb Point and other parks and greenspaces.
- Usage of other features in Hobsonville Point does not appear to be strongly influenced by proximity, possibly due to need and various drivers that may outweigh convenience and ease of access.

Figure 1 Share of respondents who value or highly value the feature





Builder perspective

Building companies emphasised the commercial realities of property development in their interviews, particularly the budget constraints of home buyers. In their view the social amenity in Hobsonville Point is an important consideration when buying a home, but price is the dominant factor in most cases. All developers have found it difficult to sell high-end homes in Hobsonville Point (\$1m plus) and are instead focussing on homes in the lower price brackets where demand is much stronger.

There is consensus among the building companies that the social amenity at Hobsonville Point has made houses easier to market and sell than in other areas. They felt that proximity to schools and transport corridors (including the ferry terminal) were the major selling points, but also acknowledged the importance of features like green spaces, walkways and cafes as key differentiators that made Hobsonville Point more attractive to home buyers and created a price premium in the market. This makes Hobsonville Point an attractive commercial proposition for the building companies and has led several of them to purchase additional superlots.

The time required to sell a house is similar to other areas due to the higher prices that can be commanded in Hobsonville Point relative to comparable areas. This makes sense from a commercial perspective because building companies will increase prices if houses are selling too quickly, and decrease them if they're selling too slowly.

While there is consensus that the social amenity in Hobsonville Point had flowed through to sales prices, it is important to understand who captures the additional value. Our learnings from the interviews suggest that the additional value will only be reflected in superlot prices if the social amenity is established or at least started prior to the superlot tendering process. Building companies will not pay a premium for things that may not be delivered. If the social amenity is delivered later in the development process, the additional value this creates will flow primarily to the building companies and/or the home buyers. The key learning for future projects is therefore to implement key social amenity projects prior to the superlot tendering process to ensure that Kāinga Ora is able to capture some of the resulting value uplift.

Empirical analysis

We analysed a large dataset of residential land values in Hobsonville Point and other recent greenfields developments to look for empirical evidence of whether social amenity investments increase residential land values, and if so, by how much. Our analysis suggests that:

- Greater investment in social amenity in Hobsonville Point relative to “baseline” amenity investment caused a 10.8% premium in residential land values, after adjusting for other factors that affect land values.
- Around 57% of this value uplift was reflected in superlot selling prices in Hobsonville Point, with the remaining value shared by property developers and homeowners.

Based on these results we estimate that each additional dollar of “above baseline” amenity investment in Hobsonville Point delivered somewhere between \$0.82 and \$2.85 of additional superlot sales revenues, with \$1.87 being our best estimate of this return.