

**UNDER**

the Resource Management Act  
1991 ("**RMA**")

**IN THE MATTER**

of the Proposed Waikato District  
Plan: Hearing 25 – Zone Extents

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**STATEMENT OF EVIDENCE OF PHILIP MARK OSBORNE ON  
BEHALF OF KĀINGA ORA-HOMES AND COMMUNITIES**

**ECONOMICS**

**17 FEBRUARY 2021**

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## 1. EXECUTIVE SUMMARY

1.1 My full name is Philip Mark Osborne. I am an economic consultant for the company Property Economics Ltd, based in Auckland. I am providing economic evidence on behalf of Kāinga Ora-Homes and Communities (“**Kāinga Ora**”) (formerly Housing New Zealand Corporation) in relation to the submissions it made on the Proposed Waikato District Plan (“**PDP**” or “**Plan**”) insofar as they relate to this hearing.

1.2 In summary, it is my economic opinion that the zone extents sought in Kāinga Ora’s submission represents an improved position to meet the objectives of the District due to:

- (a) The potential inability for the market to supply sufficient intensified feasible capacity and diversity under the current PDP provisions and zones;
- (b) The provision of greater residential diversity within the lower sectors of the Waikato housing market;
- (c) Providing increased certainty regarding the long-term urban form outcome;
- (d) Provides greater confidence and certainty within the market and overall investment, regarding the effectiveness of the consolidated form direction;
- (e) Reduces marginal infrastructure costs;
- (f) Lower overall site costs; and
- (g) Provides economic impetus and support for the centres network.

## 2. INTRODUCTION

2.1 My full name is Philip Mark Osborne. I am an economic consultant for the company Property Economics Ltd, based in Auckland.

**Experience**

- 2.2 My qualifications include Bachelor of Arts (History/Economics) (1994), Masters in Commerce (1997), a Masters in Planning Practice (2002) from the University of Auckland and I have provisionally completed my doctoral thesis in developmental economics.
- 2.3 I have 17 years' experience advising councils and the central government in relation to economic impacts, industrial and business land use issues as well as strategic forward planning. I also provide consultancy services to a number of private sector clients in respect of a wide range of property issues, including economic impact assessments, commercial and industrial market assessments, and forecasting market growth and land requirements across all property sectors.

**Involvement in the Proposal**

- 2.4 I have been commissioned by Kāinga Ora to prepare this statement of evidence to address matters raised in reference to Kāinga Ora's primary and further submissions relating to the residential zoning aspects of the PDP.

**Code of Conduct**

- 2.5 I confirm that I have read the Expert Witness Code of Conduct set out in the Environment Court's Practice Note 2014. I have complied with the Code of Conduct in preparing this evidence and agree to comply with it while giving evidence. Except where I state that I am relying on the evidence of another person, this written evidence is within my area of expertise. I have not omitted to consider material facts known to me that might alter or detract from the opinions expressed in this evidence.

**Scope of Evidence**

- 2.6 My evidence will address the following:
- (a) General observations regarding growth in the Waikato District;

- (b) The economic rationale for the Medium Density Residential Zone (“**MDRZ**”) proposed by Kāinga Ora (including references to previous economic evidence);
- (c) Assessing sufficient housing development capacity;
- (d) The relative capacities associated with Kāinga Ora’s submission.

### **3. GENERAL OBSERVATIONS REGARDING GROWTH**

- 3.1 Recent Waikato District dwelling growth projections highlight both the extent of growth anticipated (in excess of 25,000 new longterm dwellings between 2018 and 2048<sup>1</sup> with the National Policy Statement-Urban Development (“**NPS UD**”) 15% buffer) and significant variations in growth rates anticipated by local government and academic sources. What is, however, generally accepted is that the District is likely to experience significant and sustained growth over the next 30 years that will present the community with both challenges and opportunities. The Council report citing these growth figures<sup>2</sup> found that, ‘*A larger proportion of future growth in the district is likely to occur in urban areas.*’
- 3.2 Moreover, this growth is likely to see a material change in household structure, with significant growth in single and couple households accompanied by the associated changes in dwelling preferences and locations.
- 3.3 It is necessary that capacity to meet this longer-term demand is provided for in the PDP to deliver appropriate levels of certainty to the housing market. The application of a MDRZ within appropriately specified areas to meet long-term demand is necessary for the market to effectively consider and deliver a more land efficient housing product in competitive locations.

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<sup>1</sup> University of Waikato ‘2020 Update of Population, and Family and Household, Projections for Waikato District, 2013-2063’ (August 2020), Table A3: Medium variant household projections.

<sup>2</sup> Waikato District Council *Population, Household and Land Capacity Report GOV1301/2962422* (December 2020), Page 8

- 3.4 A failure to provide certainty for this market through the PDP is likely to result in outcomes that are contrary to providing for the community's economic wellbeing. Along with the potential for this medium density product to be 'pepper potted' throughout the District, opportunities that are foregone now in appropriate locations are likely to be rendered unfeasible in the future as new lower density product is developed, increasing the financial costs of medium density redevelopment.
- 3.5 Accordingly, from an economic perspective the MDRZ should be applied now to the area that is appropriate in the long-term. That will: enable landowners to develop as and when it is right for them to do so; allow development to occur without artificial constraints that add cost and delay; provide choice to developers and incoming residents; and avoid unnecessary and costly applications for private plan changes resource consents that might otherwise be required.

#### **4. ECONOMIC RATIONALE FOR THE MEDIUM DENSITY RESIDENTIAL ZONE**

- 4.1 From an economic perspective I support the overall strategic direction of the PDP, namely the integration of land use activities and infrastructure, as well as the provision of sufficient feasible capacity of residential development to support market growth.
- 4.2 The PDP identifies the need to provide for housing choice, not only in terms of typology, but also in terms of location. Alongside being a key social objective for the community, providing for choice and location is important from an economic perspective because it allows for affordable housing as well as access to employment and amenities and is supported on this basis.
- 4.3 My economic evidence presented for Hearing 10 (Residential Zoning) identified a range of significant economic benefits associated with the zoning submission of Kāinga Ora. These benefits, for the most part, are reiterated in paragraph 204 of the section 42A RMA report addressing the MDRZ dated 26 January 2021 prepared by Jonathan Clease ("**42A MDRZ Report**") including:

- Limiting the loss of productive farmland;
- Providing housing choice through a range of different housing typologies;
- Potentially assisting with housing affordability;
- Enabling more people to live in close proximity to a range of employment and services available in town centres;
- Supporting the viability and vitality of town centres:
- Reducing congestion and carbon emissions.

4.4 From an economic perspective, without clear guidance to the market (i.e.: zoning provisions and maps that indicate where and to what extent different housing typologies are enabled), the potential for intensified residential development is significantly reduced. By way of example, the General Residential Zone (“**GRZ**”) provides for multi-unit development but includes rules and standards that impose constraints on consenting requirements on potential developers. This generates increased costs relating to consent applications which gives rise to the likelihood of private developers declining to utilise the multi-unit development opportunity in favour of much lower risk development options in greenfield and lower density development scenarios.

4.5 Additionally, without clear demarcation regarding the geographic extent of the primary areas earmarked for these more intensive development typologies, the risks<sup>3</sup> associated with such applications are increased. While the provisions proposed by Council arguably provide increased flexibility for the Council to approve multi-unit residential development, they do not provide the market with certainty about where such developments will be considered appropriate. The result of that is increased risk and costs that will ultimately reduce the level of intensified residential development and

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<sup>3</sup> These risks are typically associated with a lack of certainty pertaining to councils processing of applications as well as acceptance into the existing environment. Also, without the consolidated activity generated within a smaller area the associated amenity is generally lower increasing the risk of acceptance (by buyers) in the market.

lead to greater economic costs as outlined in the supporting Council s32 RMA analysis.

- 4.6 The likely market response to this uncertainty is that the GRZ is unlikely to be redeveloped in the short-term to the future assessed capacity given that:
- (a) Development will need to be of an appropriate scale to meet the market at the time of development (i.e. the land resource will not be developed to satisfy the future market potential, but rather to simply satisfy the need for short term confidence in the viability of development).
  - (b) Commercial economic realities around the 'life' of such residential development (i.e. probably 50 years plus as a minimum) means that such development would remove the site's ability to be redeveloped within this timeframe. The implication of this is that the theoretical capacity would be undermined and have no real potential for the market to deliver efficient residential densities beyond the life of the PDP. This could have the longterm effect of actually amplifying residential demand and capacity in areas outside these efficient locations (primarily greenfield sites) due to lack of supply and residential opportunities in and around centres and the transport network.
  - (c) It is therefore appropriate that intensified zones that meet future growth requirements are zoned now, to allow the market to operate more efficiently with greater certainty.
- 4.7 The ability for the PDP to accommodate future residential growth in the existing urban areas hinges on its ability to function as a catalyst for residential development of greater density. In order for the market to accept this product (residential development of greater density) there needs to be several overt factors in play. The driving force behind the market's acceptance is clarity over future demand and the certainty of development potential. In order to achieve this clarity over demand it is important that the intensified product attains a

competitive advantage in the market through high quality product and associated amenity in appropriate locations.

- 4.8 The rezoning of medium density residential areas in Waikato must therefore consider the accessibility and associated amenity of the locations and the development viability relating to the market variables that are likely to exist. The evidence of Mr Wallace, for Kāinga Ora, identifies some of the key criteria (paragraph 6.4) utilised to evaluate the spatial extent of the proposed MDRZ, this includes access to essential economic resources both in and out of centres within the Waikato network.
- 4.9 In terms of the potential for the extent of a zoning to operate as an economic catalyst, spreading the potential for residential growth throughout the GRZ (i.e.: allowing intensification throughout the GRZ) will spread that development around a large area, with the consequence that it will not contribute to a meaningful intensification around the town centre or any other facility (e.g.: sports or cultural facilities). That is, the dispersed development is unlikely to enable any one centre to experience a population boost to a level where sufficient critical mass is created to provide a material economic benefit to the centre. This in turn is likely to impact, negatively, upon the amenity associated with higher density residential product and lower the community's economic well-being.
- 4.10 The Kāinga Ora proposal identifying concise catchments for medium density residential development opportunities provides additional capacity closer to areas with the highest levels of amenity, services and infrastructure (centres) rather than semi-urban environs. This provides increased certainty for investment, as well as investment and residential development outcomes.

## **5. ASSESSING SUFFICIENT HOUSING DEVELOPMENT CAPACITY (AS DEFINED BY THE NPS UD)**

- 5.1 While it is important to understand the benefits of well defined and located MDRZ within the Waikato District, it is also important to evaluate the likely nature and extent of development within these

zones, both in terms of their ability to meet NPS UD requirements and also their capacity to provide residential choice at appropriate price points.

- 5.2 The section 32 RMA report provided by WDC to support the PDP provides a capacity assessment for housing through the Housing and Business Assessment assembled in 2017 for the Future Proof Area (“**HBA Report**”).<sup>4</sup> The HBA Report finalised in 2018 indicated future long-term (30 years) housing demand projections of some 19,500 dwellings by 2046<sup>5</sup> for the District, this projection included the 15% ‘confidence buffer’ required by the NPS UDC (and subsequently the NPS UD) as well as including demand for permanently occupied and unoccupied dwellings. This level of demand has been adopted for the purposes of the assessment that underpins this evidence.
- 5.3 The growth estimates are necessarily approximate and more recent high demand estimates indicate potential growth in excess of 25,000 houses (by 2048). Importantly, all relevant growth projections illustrate substantial residential and housing demand through the medium and long terms in the Waikato District. Both historical and expected growth rates have contributed to increases in house prices across the District, with the median value increasing by over \$60,000 in the last 12 months.
- 5.4 The counterpart of this demand is providing understanding regarding the level of capacity facilitated in the market through the District Plan residential planning policies and provisions. This requires the identification of ‘plan enabled capacity’<sup>6</sup>, ‘commercial feasible capacity’<sup>7</sup>, as well as some understanding of the potential ‘take up’<sup>8</sup> by the market, of this capacity. There are a significant level of assumptions that contribute especially to the assessment of feasible

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<sup>4</sup> ME Consulting ‘*Housing Development Capacity Assessment 2017, Future Proof Area – Waikato District*’ (July 2018).

<sup>5</sup> ME Consulting ‘*Housing Development Capacity Assessment 2017, Future Proof Area – Waikato District*’ (July 2018) at Figure 17, Page 45.

<sup>6</sup> Capacity that is theoretically possible through the plan.

<sup>7</sup> Capacity that meets a profitable threshold given all costs and the theoretical capacity by site.

<sup>8</sup> The level and form of feasible development likely to be undertaken by the market.

capacity that could ultimately be debated, however the 2017 capacity assessment provided by Waikato District Council found that:

- (a) Long term enabled capacity<sup>9</sup> (with constraints) was made up of an additional 5,200<sup>10</sup> through redeveloped sites and 11,000 additional dwellings in greenfield areas.<sup>11</sup>
- (b) It was assessed<sup>12</sup> through the HBA Report that the current 'commercially feasible' capacity in 2017 was 1,700<sup>13</sup> infill/redevelopment dwellings (a feasibility rate of approximately 40%) and 3,747 greenfield dwellings (a feasibility rate of approximately 34%).
- (c) Over time two key factors were presumed to change, with property prices escalating and the assumed provision of infrastructure necessary to enable development to occur. The result of these changes to the market resulted in the Waikato District having a level of total feasible capacity, by 2046, of just over 13,000 dwellings<sup>14</sup>.
- (d) Figure 79 of the HBA Report reconciles the dwelling demand, of nearly 19,500, with the 'commercially feasible' capacity from above. This figure illustrates a significant long run (30 years) shortfall within the Waikato District of nearly 6,400 dwellings.

5.5 Following on from the HBA Report, the Future Proof partnership provided a further report 'Housing and Business Development Capacity Assessment 2017, Summary Report' ("**HBA Summary Report**"). The HBA Summary Report was also referenced in the

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<sup>9</sup> This relates to capacity overtime considering changes to infrastructure availability and a 2% increase in sales price and a 1% increase in costs.

<sup>10</sup> Infill development of the same sites resulted in 4,300 additional dwellings.

<sup>11</sup> ME Consulting '*Housing Development Capacity Assessment 2017, Future Proof Area – Waikato District*', (July 2018) at Figures 21 and 23, Pages 50 and 52.

<sup>12</sup> The information provided within the report would suggest that the approach to commercial feasible capacity modelling is, at a high level, consistent with the property Economic methodology (notwithstanding the addition of increasing property prices through time).

<sup>13</sup> Based on the highest of infill and redevelopment capacity.

<sup>14</sup> ME Consulting '*Housing Development Capacity Assessment 2017, Future Proof Area – Waikato District*' (July 2018) at Figure 34, Page 63.

section 32 RMA Report for Waikato Council. The HBA Summary Report added to the original commercially feasible assessment of dwelling capacity to include what was termed 'anticipated capacity'. This capacity subsequently includes a number of proposed plan changes<sup>15</sup> as well as anticipated changes through the Waikato PDP review.

5.6 While the existing feasible capacity of 13,000 identified in the HBA Summary Report has been well documented in the HBA Report, the addition of between 12,000 and 15,000 'anticipated' dwellings, presumably within identified growth nodes, has not. As such it is difficult to ascertain whether or these represent commercial feasible dwellings. It is important to note that even when assessing the existing areas of development around two thirds of the development potential lies within greenfield areas.

5.7 As part of the economic assessment of the Kāinga Ora submission, Property Economics has undertaken feasibility modelling. Included in this modelling is the extent of dwellings that are commercially feasible under the notified PDP<sup>16</sup>. It is important to note that the Property Economics model does not include the potential escalation of property prices<sup>17</sup>, but assumes a base scenario in which costs and revenues remain relative to one another. This assessment found that under the notified PDP provisions a total of 16,150 dwellings would be feasible (Figure 1). This figure is comparable Table 7 in the HBA Summary Report indicating capacity for a total of between 20,690 and 23,190 new dwellings.

## **6. FEASIBLE CAPACITY UNDER THE KĀINGA ORA SUBMISSION**

6.1 As identified in Section 4 above, Property Economics has sought to provide context to the Waikato District's feasible dwelling capacity resulting from the Kāinga Ora submission.

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<sup>15</sup> Te Kauwhata and Pokeno.

<sup>16</sup> Note that theoretical or enabled capacity has been provided by Beca.

<sup>17</sup> This is due to an underlying aim of the modelling to influence property prices through sufficient capacity thereby providing a position in which prices are not required to increase to meet this capacity.

- 6.2 Appendix 1 summarises the methodology carried out by Property Economics at a high level. While there are a number of differences within the process, to that undertaken by the Council, these are likely to be largely inconsequential (especially when comparing the changes to capacity from the notified position to that enabled through the proposed submission zone changes). The key difference is the inclusion of the escalation of property prices over time provided for in the Council assessment. While prices are unlikely to remain static over the long run, Property Economics considers that relying on price escalation to justify feasibility, as a starting point, is likely to diminish the benefits of sufficient capacity in assisting with housing affordability.
- 6.3 An important focus of the Kāinga Ora submission is the establishment of the MDRZ in close proximity to activity centres and transport hubs. Table 1 summarises the resulting changes to feasible dwelling levels in this zone. Under the notified Plan (i.e.: the GRZ zoning on the land now proposed by Kāinga Ora to be zoned MDRZ) it is expected that just over 1,320 of the dwellings enabled by the Plan are feasible. In comparison, the same area subject to the Kāinga Ora MDRZ provisions would allow for over 3,500 additional commercially feasible dwellings. Additionally, the average property sales value under the notified plan is expected to be nearly \$700,000 on average, while the dwellings resulting from the MDRZ provisions are on average over 25% cheaper at \$550,000.

**Table 1: Medium Density Zone Feasibility and Average Development Price**

Proposed Medium Density Zone	Theoretical Capacity	Feasibility %	Feasible Capacity	Average Price
<b>Kāinga Ora Submission</b>				
<b>Total</b>	<b>11,578</b>	<b>31%</b>	<b>3,546</b>	<b>\$550,778</b>
<b>Notified</b>				
<b>Total</b>	<b>3,154</b>	<b>42%</b>	<b>1,323</b>	

- 6.4 While the following section outlines some of the additional economic benefits pertaining to the increased density provisions within the Kāinga Ora submission, it is important to consider the commercial feasibility of such an approach and whether the market is likely to

react to the changes favourably. In my opinion the Kāinga Ora submission has the potential to provide considerably more feasible dwelling capacity to the market at a lower average price point with a larger degree of product within the lower price bands, than does the notified plan.

- 6.5 While these results may in part be a function of the methodology and will be affected by market conditions at the time, in my opinion the relativity between the Council position and the Kāinga Ora submission will remain constant. As such it is important to note the relative benefits of the MDRZ in terms of feasible development capacity (160% higher under the Kāinga Ora submission) and the average price point (25% lower under the Kāinga Ora submission).

## 7. CONCLUSION

- 7.1 The recent Council s42A MDRZ Report has acknowledged that ‘a MDRZ more effectively gives affect to the WRPS and NPS-UD<sup>18</sup>, rather than a consent based approach throughout the residential Zone.
- 7.2 The extent of the MDRZ identified by Kāinga Ora follows criteria that are directly related to the economics benefits associated with medium density residential provision. These seek to maximise community resources such as infrastructure and activity centres that improve efficiency and accessibility for the community and district economy.
- 7.3 Importantly, the zone extents identified by Kāinga Ora provide for commercial feasible residential capacity that is likely to meet future residential demand preferences while still providing a significant level of lower density housing options.
- 7.4 Within the MDRZ it is expected that the zone will provide for over 2,000 additional, feasible, dwellings with an average price point that is 20% lower than the permitted baseline.

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<sup>18</sup> Waikato District Council *Hearing 25 Zone Extents - Section 42A Report, Future Urban Zone and Residential Medium Density Zone* (26 January 2021) at Page 60, Paragraph 221 (l)

7.5 It is my economic opinion that the zone extents sought in Kāinga Ora's submission represents an improved position to meet the objectives of the District due to:

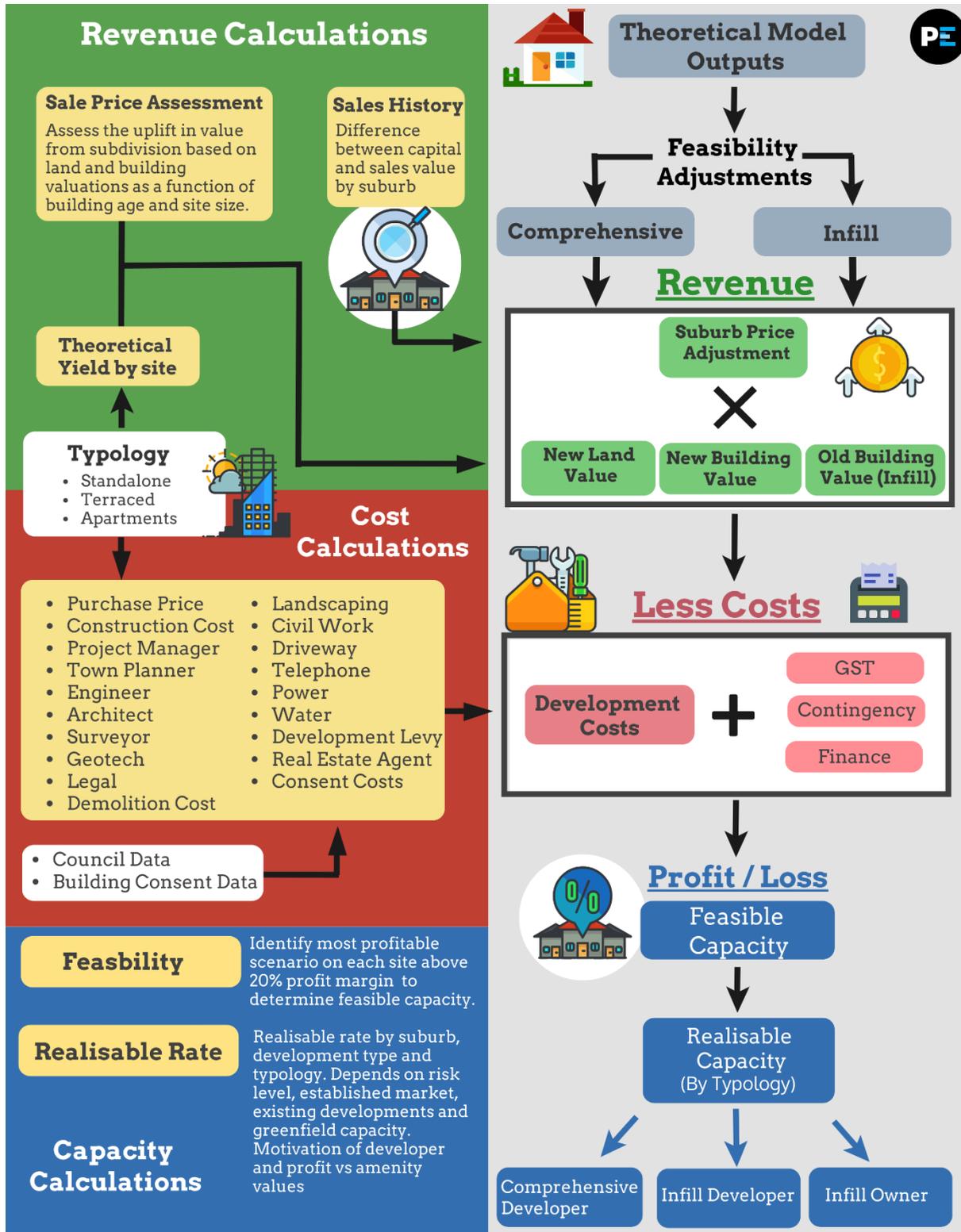
- (a) The potential inability for the market to supply sufficient intensified feasible capacity and diversity under the current PDP provisions and zones;
- (b) The provision of greater residential diversity within the lower sectors of the Waikato housing market;
- (c) Providing increased certainty regarding the long-term urban form outcome;
- (d) Provides greater confidence and certainty within the market and overall investment, regarding the effectiveness of the consolidated form direction;
- (e) Reduces marginal infrastructure costs;
- (f) Lower overall site costs; and
- (g) Provides economic impetus and support for the centres network.

**17 FEBRUARY 2021**

**PHILIP OSBORNE**

APPENDIX 1: PROPERTY ECONOMICS WAIKATO DISTRICT RESIDENTIAL COMMERCIAL FEASIBILITY MODELLING

Figure 1: PROPERTY FEASIBILITY MODELLING OUTLINE



1. Table 2 below summarises some of the high-level results of the enabled modelling for the MDRZ<sup>19</sup>. The results from this assessment illustrate the broad level of theoretically enabled housing choices under the proposed Kāinga Ora submission zone. With reference to the “Kāinga Ora Submission”, the figures in the right hand column represent the number of dwellings that would be enabled under the MDRZ provisions if all of the land now proposed to be zoned MDRZ were used for the corresponding housing typologies in the left hand column. The figure of 3,154 in the “Notified” row represents the numbers of dwellings that would be enabled on that land under the GRZ based on the minimum permitted site size.

**Table 2: MDRZ Enabled Capacity Notified and Kāinga Ora Submission**

<b>Proposed Medium Density Zone</b>	<b>Theoretical Capacity</b>
<b>Kainga Ora Submission</b>	
<b>1 Bed - House</b>	<b>12,293</b>
<b>2 Bed - House</b>	<b>9,665</b>
<b>3 Bed - House</b>	<b>7,107</b>
<b>4 Bed - House</b>	<b>5,824</b>
<b>1 Bed - Duplex/Terrace</b>	<b>14,378</b>
<b>2 Bed - Duplex/Terrace</b>	<b>16,192</b>
<b>3 Bed - Duplex/Terrace</b>	<b>12,581</b>
<b>4 Bed - Duplex/Terrace</b>	<b>9,378</b>
<b>1 Bed - Walkup</b>	<b>26,420</b>
<b>2 Bed - Walkup</b>	<b>21,003</b>
<b>Notified</b>	<b>3,154</b>

2. Table 3 illustrates the potential level of commercially feasible development specially for the proposed MDRZ. With reference to the “Kāinga Ora Submission”, the figures in the right hand column represent the maximum number of dwellings in the specified housing typologies that would be commercially feasible on the land proposed to be zoned as MDRZ under the MDRZ provisions. The figure of 1,323 in the “Notified” row represents the numbers of dwellings that would be commercially feasible on that land under the GRZ. The potential 1,323 feasible dwellings estimated under the notified plan is significantly less than the potential feasible outcome through the Kāinga Ora submission. It is important to note that the Kāinga Ora submission is likely to result in a mix of the dwelling typologies

<sup>19</sup> This includes the highest profitability from both infill and redevelopment or comprehensive dwellings.

outlined in the tables<sup>20</sup>. This is explored later in this evidence when considering the likely 'uptake' by typology based on the expected demand.

**Table 3: MDRZ Feasible Capacity Notified and Kāinga Ora Submission**

Proposed Medium Density Zone	Feasible Capacity
<b>Kainga Ora Submission</b>	
1 Bed - House	2,462
2 Bed - House	1,747
3 Bed - House	1,907
4 Bed - House	2,189
1 Bed - Duplex/Terrace	4,298
2 Bed - Duplex/Terrace	3,010
3 Bed - Duplex/Terrace	2,804
4 Bed - Duplex/Terrace	3,005
1 Bed - Walkup	693
2 Bed - Walkup	3,856
<b>Notified</b>	<b>1,323</b>

3. It is clear from the assessment that the dwelling typologies facilitated through the Kāinga Ora submission do in fact exhibit a degree of commercial feasibility. Additionally, this feasibility is likely to improve over time with improvements to centralised amenity, as well as proportional reductions in improvement values<sup>21</sup>. It is of interest to note that market conditions do not necessarily need to shift considerably for this zone to cater for a significant level of future demand (as they currently exhibit strong feasibility rates and high nominal outcomes).
4. Given that it is not possible that each site scenario results in differing typologies (and capacity) it is important to understand which outcome is most likely within the market. Intensive development options such as apartments are likely to result in high levels of possible development capacity however market conditions may result in lower density options that markedly reduce overall capacity. It is therefore important to understand what the market is likely to be developed. In assessing this realised capacity projected demand is reconciled with the capacity options.
5. Table 4 illustrates the level of demand (19,500 dwellings) by household structure. Each household structure has a preference composition that relates to housing

<sup>20</sup> Note that the 'walkup' typology, as defined by Kāinga Ora is comparable to apartments.

<sup>21</sup> Through time the value of existing buildings falls, reducing the overall costs of redevelopment and intensification.

typologies expressed through the market<sup>22</sup>. This shows a clear preference for stand alone product within the District that is likely to persist through the NPS UD 30-year period. While an increasing proportion of future trended demand, attached dwellings are likely to make up 23% of additional demand for housing in the Waikato District.

**Table 4: Expected Housing Typology Preferences by Household Structure (District)**

DEMAND	Typology / Bedrooms	Couple-without-children	Two-parent	One-parent	Other Multi-person	One-person	Total
	Total	8,405	2,690	1,681	336	6,388	19,500
<b>PREFERENCE</b>	Typology						
	Standalone	79%	93%	94%	79%	61%	77%
	Terraced	16%	4%	4%	21%	34%	19%
	Apartment	4%	3%	2%	0%	4%	4%
Standalone	1	1,320	0	0	0	1,743	3,063
	2	4,620	249	628	66	1,937	7,500
	3	660	2,238	628	132	194	3,852
	4	0	267	314	66	0	647
Terraced	1	267	0	0	0	971	1,239
	2	936	11	27	18	1,079	2,070
	3	134	81	27	35	108	384
	4	0	21	13	18	0	52
Apartment	1	220	0	0	0	201	421
	2	112	81	34	0	54	280

6. The final stage of assessment is to reconcile this demand, over time, by the feasible capacity over the same periods. In terms of the process, for reasons of conservatism, the first dwellings assessed and subsequently removed from further analysis are the more land extensive standalone and larger dwellings. For example, the removal of the top feasible 650 4bedroom dwellings removes thousands of feasible apartments and terraced homes.
7. The following assessment apportions the demand, by typology in the table above with the capacity across the district under the Kāinga Ora submission to better understand the likely 'up-take' of feasible development. This allows the

<sup>22</sup> This is assessed overtime through census data, indicating the changes in preferences for household groups in given areas. This trend is then extrapolated and reconciled with other markets.

identification of a potential development composition and greater understanding of the resulting development and over sufficiency of capacity. Reconciling the demand with feasible capacity, with this systematic approach, and apportioning the remaining demand through the same composition, results in the following table. This indicates that the feasible dwelling capacity modelled from the Kāinga Ora submission not only meets the level of expected demand by typology but provides for further growth than that expected over this period. The 27,000 dwellings represents the total feasible dwelling, by typology, with the highest profit margins that meets the districts demand profile. The Kāinga Ora submission not only meets this but conservatively results in an excess of capacity under the Councils previous demand projections, while still meeting the more recent updated estimates.

**Table 5: Demand Reconciled Feasible Capacity ('Uptake Rate' 30 years)**

Proposed Medium Density Zone	Total Capacity*	Demand	Expected Residue**
1 Bed - House	4,504	3,063	1,441
2 Bed - House	10,694	7,500	3,194
3 Bed - House	5,223	3,852	1,371
4 Bed - House	1,020	647	373
1 Bed - Duplex/Terrace	1,576	1,239	337
2 Bed - Duplex/Terrace	2,633	2,070	563
3 Bed - Duplex/Terrace	492	384	108
4 Bed - Duplex/Terrace	67	52	15
1 Bed - Walkup	538	426	112
2 Bed - Walkup	354	280	74
<b>Total</b>	<b>27,100</b>	<b>19,508</b>	<b>7,592</b>

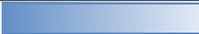
\*Based on expected demand composition

\*\*Based on 19,500 longterm demand

8. A key factor of the Kāinga Ora submission is the provision of this capacity within a less extensive geographic area (while retaining the associated levels of amenity), the result of this approach is smaller sites. While this approach may increase the value of land per square metre the smaller sites size typically result in lower overall site costs. Table 6 outlines the property pricing resulting from the feasible capacity (by reconciled typology) within the model, for both the Kāinga Ora submission and the standardised notified plan outputs. Across the Waikato District the adoption of the Kāinga Ora submission is likely to drop the average feasible development price from \$630,000 to just under \$560,000. These prices represent current values at a sales value that not only mirrors the current market but also provides for a feasible level of profit. The price reduction reflects reductions in costs and in the short term

it may be developers who benefit through increased profit margins. In the long-term, however, the improved feasibilities are likely to result in those cost reductions being passed on to buyers through a competitive market and more affordable housing choices for the Waikato community.

**Table 6: Estimated Feasible Development Capacity Price Bands**

	Kainga Ora		Notified Plan	
Less than \$500,000		35%		15%
\$500,000 - \$750,000		39%		45%
\$750,000 - \$1m		21%		29%
Greater than \$1m		5%		10%