

**BEFORE THE HEARINGS COMMISSIONERS FOR THE WAIKATO DISTRICT
COUNCIL**

UNDER the Resource Management Act 1991

AND
IN THE MATTER of hearing submissions and further submissions on
the Proposed Waikato District Plan

PARTIES REPRESENTED **BUCKLAND LANDOWNERS GROUP**

ZONING TOPIC – HEARING 25

**STATEMENT OF ECONOMIC EVIDENCE FROM ADAM THOMPSON FOR
THE BUCKLAND LANDOWNERS GROUP**

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INTRODUCTION

1. My full name is Adam Jeffrey Thompson. For the past 20 years I have provided consulting services in the fields of urban economics, property market analysis and property development advisory. For the past 16 years I have owned and managed two consulting firms that have provided services in these fields. I am presently the director of Urban Economics Limited.
2. I have a Bachelor of Resource Studies from Lincoln University (1998), a Master of Planning from Auckland University (2000) and a Dissertation in Urban Economics from the London School of Economics (2014). I have studied urban economics at Auckland University and environmental economics at Lincoln University.
3. I have undertaken over 600 economic and property market assessments for a range of private and public sector clients.

SCOPE OF EVIDENCE

4. I outline the costs and benefits for the Waikato District of the Buckland Submission for CL zone land in Buckland as shown on the plan attached to the surveying evidence of Mr Forrester. The main property market and economic considerations are:
 - The demand for rural lifestyle properties in the Waikato.
 - The substitutability between small rural lots (1-20 hectares) and rural lifestyle lots (minimum of 4,000m² and average of 6,000m²).
 - The economic costs and benefits of new households moving into the Waikato residing on 1-20 hectare small rural lots instead of smaller rural lifestyle lots with a minimum area of 4000 m² and an average area of 6000 m² (refer to the evidence and proposed relief of Mr Hartley for the Rural Hearings and the planning evidence of Ms Nairn in this Hearing).
5. I have read the following reports in preparation of this evidence.
 - “Economic Aspects of Rural Subdivision”, 24 August 2020, Dr Douglas Fairgray, Market Economics Consulting Limited (“the ME report”).
 - “Rural subdivision in the Waikato District”, 23 August 2020, Professor Frank Scrimgeour, NZIBR, University of Waikato (“the UW report”).
 - “Section 42a Report: Hearing18: Rural Subdivision”, 25 August 2020, Ms Katherine Overwater, Waikato District Council.

LIFESTYLE BLOCK DEMAND

6. There has been an increase of around 210 new residential dwellings consented per annum in rural areas of the Waikato District over the past 10 years. This provides an indication of the annual demand for lifestyle blocks across the district, of which a small fraction will be near Pokeno.

SUBSTITUTABILITY BETWEEN SMALLER AND LARGER RURAL LIFESTYLE PROPERTIES

7. One of the central economic questions raised by the proposed zoning is whether new households moving into the Waikato District seeking a rural lifestyle would accept a smaller 4,000m² minimum (6,000m² average) lot over a larger 1-20 hectare rural block. This is a difficult question to answer accurately, however it is reasonable to assume that at least a small fraction, in the order of 10-20%, would accept a small lot if given the option. This would equate to demand of 20-40 smaller 4,000m² minimum (6,000m² average) lots per annum.
8. Over a ten year period, this would equate to 200 - 400 smaller 4,000m² minimum (6,000m² average) lots being taken up by new residents that would otherwise have purchased a 0.4-20 hectares lot. Based on an average lot size of 5 hectares, this would equate to 880 – 1,760 hectares of rural land being retained in rural use.
9. It is important to note that many buyers relocating to the Waikato District are seeking a rural lifestyle property, and that the majority of this market segment would not choose a conventional suburban property (i.e. a house on a 500m²-600m² lot). For this reason, the core trade-off for the Waikato District is whether all of these new residents take up large lifestyle blocks and smaller rural blocks (i.e. 1-20 hectares), or whether a small fraction of these new residents are given the option to take up smaller lots, of around 6,000m².

CAPACITY FOR ADDITIONAL LIFESTYLE BLOCKS

10. The Proposed Waikato District Plan would enable 7,800 additional lifestyle blocks. In addition, there are 2,800 existing lots that are between 0.4 and 10 hectares that do not have a dwelling (i.e. they form part of an existing farm) and could be used for a lifestyle block. In total, Waikato District has potential for 10,600 additional lifestyle blocks. This confirms that there are a large number of rural properties that would be available for new residents seeking a rural lifestyle.

11. However, while there may appear to be sufficient capacity to meet the demand for lifestyle blocks over the life of the Plan, the following factors need to be considered;
- Just because a title may exist on paper does not mean it is “available” in the sense that it can be purchased to meet the undeniable demand for this type of living;
 - Many of these titles will be in parts of the District that it is undesirable (e.g. reverse sensitivity on rural production or long commutes) or unattractive to live;
 - Many may be held together by a single owner and managed as a single productive unit meaning they are either unavailable, or at risk of being broken up, sold to meet demand, and no longer being a productive unit;
 - It is better to meet the demand for countryside living on as smaller blocks as possible, to better maintain primary production, than for this demand to be provided on larger existing blocks;
 - Being located in an accessible area, Buckland rural residential can take pressure of other more productive parts of the District; and
 - As per the relief being sought with TDRs for amalgamation of elite soils and enhancement, the Buckland area could make a valuable economic and environmental contribution to the management of the District’s resources.

IMPACT OF 4,000m² MINIMUM (6,000m² AVERAGE) SMALL RURAL LOTS

12. The following figure shows the net present value (NPV) generated from the construction and habitation of 20 to 40 4,000m² minimum (6,000m² average) small rural lots per annum, for each year out to 2060. This pattern represents the estimated demand for these lots of 20 – 40 per annum (refer paragraph 21).

Figure 7: NPV of Small Rural Lot Development

Period (year)	NPV (\$m)	
	Low (20 p.a.)	High (40 p.a.)
10	\$112	\$224
20	\$239	\$477
30	\$361	\$722
40	\$471	\$943

13. The calculation assumes that the construction value starts at \$400,000 per dwelling in 2021 and increases by 1% per annum (a conservative estimate). The average household expenditure is \$52,000 in 2019 and is assumed to increase by 1% p.a.

(also a conservative estimate). Household expenditure is assumed to begin the year after construction (i.e. with a lag). The discount rate applied is 5%.

14. The NPV of the construction and operation of new lifestyle blocks is substantial. Over a 10-year period the NPV is \$112 – \$224 million. Over a 20-year period this increases to \$239 - \$477 million, and over a 40-year period this increases to \$471 - \$943 million. This is a significant economic benefit.
15. The proposal would enable a limited number of smaller rural lots to be provided to the market. This would provide additional dwelling types in terms of type, price and location, and therefore help to address housing needs in this particular market segment. The proposed location is near a rural township and this would indirectly support the function of this urban environment, by enabling additional population to reside in close proximity to the services and amenities available in Pokeno.

SUMMARY OF ECONOMIC COSTS AND BENEFITS

16. The submission would enable several significant economic benefits. In particular:
 - The proposal would enable new households moving into the Waikato seeking a rural lifestyle to have the option to purchase a relatively small rural property.
 - The proposal would result in 880 – 1,760 fewer hectares of rural land being utilised for rural lifestyle activity.
 - The proposal would result in a net present value (NPV) generated from the construction and habitation (from a net addition of rural residents) of \$471 - 943 million over a 40 year period.
 - The proposal would enable a limited number of smaller rural lots to be provided to the market, which would meet the undeniable demand for this residential/lifestyle market segment.

CONCLUSIONS & RECOMMENDATIONS

17. The proposal would provide notable economic benefits, in respect of diverting some demand from larger rural properties to small rural properties, resulting in a net reduction in rural land use, and providing a greater diversity of housing that meets the needs of a wider range of residents looking to relocate into the Waikato District. The proposal would also provide a rural housing option for residents in close proximity to a small town, providing more efficient access to goods and services.

18. The proposal is recommended for approval in respect of economic effects and overall benefits.

Adam Thompson

17.02.2020