

Before an Independent Hearings Panel appointed by the Waimakariri District Council under: the Resource Management Act 1991 in the matter of: Hearing Stream Seven

Statement of Evidence of Ken Fletcher (Economist)

Introduction:

1. My full name is Kenneth (Ken) Donald Fyfe Fletcher. I am an economist, an independent resource management commissioner and a submitter on both the PDP (#99) and Variation 1.

Qualifications and Experience

2. I have a BA and BCom from Auckland University, with additional economics papers from Canterbury University. I worked for 22 years as a Research Economist for Statistics NZ. As an economist I was appointed as a Deputy Commissioner of the Environment Court in 2007. I have been an accredited independent RMA commissioner since 2013.

Disclosures and Disclaimers

3. I live in Oxford and last year my wife and I bought a 1.15ha block of land on the outskirts of Oxford, zoned Res 4A in the ODP and LLR in the PDP. We have since applied for and been granted a non-complying resource consent to subdivide it into 4 lots of 2800m², and we are in the process of implementing this consent. We are not seeking to have our site rezoned, to the best of my knowledge there are no submissions affecting our site, and there is no scope for it to be rezoned through these proceedings. We will be including no-subdivision covenants on our subdivision.
4. I have prepared this evidence on my own behalf, in my own time, unpaid by any party, and solely to assist the Panel to get the best outcome for the district. As such I have been limited to publicly available data and my own knowledge and resources.
5. Due to the demands of a Hearing in Queenstown from 26 Feb to 15 March, I have had to prepare this evidence intermittently and well in advance of the Stream Seven hearing. As such it has been prepared before the s42A reports for this stream are available.
6. With the above qualifications, I confirm that I am familiar with the Environment Court Code of Conduct and that I have complied with it in preparing this evidence. All my evidence is within my expertise and I have considered all relevant material known to me.

Summary of Evidence

7. In summary, my evidence is that both the current and proposed residential zone structure, and the way they interact with the realities of the residential land market distorts the market for residential land and results in a skewed supply of residential sections. This results in a significant segment of the residential land market being under supplied (perhaps even unsupplied). This in turn unnecessarily concentrates demand into certain market segments, placing undue upward pressure on prices in those segments of the market. As one of those market segments is the more affordable end of the market, this acts against the objectives to provide affordable housing.

Scope and Terms

8. This evidence is restricted to residential land and the proposed zone structure for residential land – General Residential (GRZ) ,Medium Density Residential (MRZ), Settlement (SETZ) and Large Lot Residential (LLRZ) – within urban areas. As such it does not relate LLRZ areas set within the rural zones, which I consider to be more lifestyle developments rather than residential. It does not relate to Rural Lifestyle zones.
9. While the evidence presented here is true of most districts with a significant urban population, it is focused on the Waimakariri, and references zones and plan provisions from within the District.
10. Throughout this statement I am using the term **demand** in the economic sense – what those seeking residential land would like, as tempered by their financial ability to pay the market price, Many prospective purchasers may desire a larger section, but it remains just a desire unless it is backed by the appropriate level of financial wherewithal. Only with the financial resources to support the desire does it become demand in the economic sense.

Supply of Residential Land

11. The zone structure of the ODP and the way it interacts with the market and the economics of land development are concentrating the supply of new residential sections in o discrete lumps. The table below sets out the ODP residential zones and the requirements that apply in each zone, omitting location specific requirements.
12. Although there is scope for larger size sections in Res 2, Res 3 and Res 6, the economics of subdivision and land development, and market forces will drive effective lot size down towards the minimum available to the zone. This is the result of the developers acting rationally, and seeking to maximise their returns. The more lots a developer can spread the infrastructure and other costs over, the greater the return.
13. This can be seen most clearly at Ravenswood, where all but a small piece of the residential land is zoned Res 6. (See the attached Ravenswood Masterplan from 2020).

To the best of my knowledge there are no density requirements applying to the Res 6 zone, and the zone is to “...enable a variety of housing environments of differing densities, from single storey detached dwellings on spacious sections...”¹. Despite this the 1250-lot subdivision is comprised almost entirely of lots in a tight range of 400-600m², with only a few in the range of 600-800m² along the stream².

14. More recently developed, the Townsend Fields subdivision is now selling lots 119- 169 (stage 4) of what will be a 400-lot subdivision on the western edge of Rangiora. It is zoned Res 2, and is providing sections in the 700-900m² range.³

15. In Oxford, a township still largely made up of traditional ¼-1/2-acre sections despite significant infill subdivision over the last decade or so, the most recent subdivision, the Three Peaks Estate on the south-east corner of the town, provided sections in the 700-900m² range.

Zone	ODP Minimum area (M²)	ODP Maximum area (m²)	Other relevant ODP requirements	Size sections will converge towards (m²)
Res 1	300			300
Res 2	600			600
Res 3	600			600
Res 4A	2500	10,000	Average of 0.5 ha	5,000
Res 4B	5000	20,000	Average of 1 ha	10,000
Res 6	400			400
Res 6A		412.5		Less than 412
Res 7	Area A 150 Area B 300 Area C 500		Average of 200 Average of 365 Average of 540	200 365 540

16. The right-hand column in the table above shows the section size that developments will tend to produce under the operative residential zonings. It is apparent from this that

¹ ODP Explanation to Obj 17.1.1 and policies 17.1.1.1 and 17.1.1.12

² Lots 490-528.

³ <chrome-extension://efaidnbnmnnibpcajpcglclefindmkaj/https://townsendfields.co.nz/wp-content/uploads/Section-sizes-and-prices-4.pdf>

sections in the range 1000-2500m² will not be provided unless local topography requires it, and that sections in the range 2500-5000m² are likely to be rare.

Demand for Residential Land

17. The demand for residential land is a multi-dimensional continuum. It has many dimensions, including location, lot shape and size, services, neighbourhood, zoning characteristics and many others. Of relevance to the zone structure of the proposed plan is lot size.
18. Most demand for residential land is focused towards smaller section sizes, for obvious reasons of affordability and the financial capacity of purchasers. In generations gone by this would have been for the classic 1/4-acre range (approx. 1000m²), as this was what the zoning provisions created. This was generally affordable and what was considered appropriate for an urban section. These days a standard urban section (in Waimakariri) would be in the range of 400-800m². This can be seen in the uptake of lots in Ravenswood which are generally in the 400-500m² range. Or at the Three Peaks Estate subdivision on the south eastern edge of Oxford, where the lot size is tightly converged to around 800m².
19. However, there has always been significant levels of demand for larger urban sections. This has largely been supplied to date by the legacy of larger sections of ½-acre 1/2-acre sections, and larger dimensions, from historic subdivisions. More recently this demand has been evidenced by the uptake of larger lots in the Res4A and Res4B zones. This can be seen in the uptake of the Res4A and Res4B sections around Mandeville and Ohoka.
20. While the constraints of the zonings are forcing this demand into apparently discrete lumps (400-900m² of Res 2 and Res 6/6A, and 5000/10000m² of Res 4A and 4B), it is in fact spread along a continuum. There will be demand for sections ranging greater than 1000 m² but less than 5000m², but it cannot be seen because the market is not supplying sections in these sizes. The best indication of the demand for sections in this price range would be in the demand for existing dwellings on sections within this range, adjusted for the quality of the building. Assessing the demand for larger residential lots would require data that is not available to me (and probably not available at all), and exceeds the time resource I have available for this submission.
21. The essential point is that the current and proposed residential zone structures do not match the supply of residential sections to the demand for sections. The zonings do and will result in section supply being concentrated towards the minimum sizes enabled (600m² and 5000m² in the ODP and 500m² and 5000m² in the PDP). Demand is spread across the continuum, with a concentration in the more affordable ranges.

Mis-matched supply and demand – is that a bad thing?

22. The mis-match of supply and demand forces those buyers who would prefer something in the range of 1000-4000 m², and have financial ability to support their demand, to either buy in smaller 600-1000 m² range, or if their financial ability supports it, in the larger 5000 m² range. The effect of this is to inflate the apparent demand in these segments of the market. This has two negative effects.
- I. It puts upward pressure on prices in both segments. This has negative impact on affordability, particularly in the smaller end of the market. All those buyers who could afford to buy in the 1000-4000m² range will be able to buy in the smaller range, but significantly less will be able to buy in the more expensive larger section range. This will tend to push up prices for the smaller range sections, with consequential effects on affordability.
 - II. It increases the pressure to rezone rural land to Res 4 A/B (Large Lot Residential (LLR) in the PDP). Those who don't want a small residential section, and have the financial capacity will be forced into the Large Lot/Rural residential markets, pushing up demand for further subdivision of the rural area and potentially pushing up prices in this market, making further conversions more attractive to developers.

The market will not supply larger residential sections in response to demand.

23. Larger residential sections are enabled within the operative Res2 and proposed GRZ zones, and the argument is made in the Stream 8 s42A report that the market will supply larger sections if the demand is there for them⁴. The market will not supply larger residential sections if there still unmet demand smaller sections which produce greater return for the developer.
24. More, smaller sections out of the same land area and on the same or proportionate infrastructure costs, will provide a greater return to the developer. Regardless of there being unmet demand for larger residential sections, the market will not supply these until the demand for smaller sections is satisfied. Given the nationwide and local shortage of housing, this has not been the situation for at least two decades, and will not occur for the foreseeable future.
25. The currently advertised Townsend Fields Stage 4 subdivision is being marketed as a premium product "Sized and priced to suit ... designed to provide you with complete flexibility"⁵, yet is only providing lots within the 600-900m² range⁶, although at prices

⁴ S42A Report: Subdivision – Urban at 343

⁵ <https://townsendfields.co.nz/>

⁶ <chrome-extension://efaidnbnmnnibpcajpcglclefindmkaj/https://townsendfields.co.nz/wp-content/uploads/Section-sizes-and-prices-4.pdf>

that are comparable to currently available rural residential offerings⁷. There is nothing provided in the 1000-2500m² range. Nelson King⁸, a property developer in and around Oxford, has a subdivision nearly completed at 100 Bay Rd. Out of the 5446m² section he is developing seven lots of around 770m² each. When approached in the early planning stages in 2021 about providing a larger lot of 1200-1400m², he was not interested, suggesting only that two adjoining lots could be purchased.

Conclusions

26. Both the operative and proposed residential zoning structure leave a hole in the supply of residential sections in the 1000-2500m² range, and probably up to 5000m². This distorts market with potentially adverse effects on the price of what are meant to be more affordable, smaller sections, and on the demand for development of rural land into Large Lot Residential and rural lifestyle developments.
27. An obvious solution is to introduce a zoning aimed at this size range, but other possibilities include adjusting the minimums and/or the status of non-compliance with the minimums, but these are more a planning matter than an economic one.



Ken Fletcher

12 April 2024

⁷ <https://www.bayleys.co.nz/listings/lifestyle/canterbury/waimakariri/lots-2-and-10--barracks-road-oxford-5521351>

⁸ Recently deceased

Masterplan

May 2020



Phone 03 375 0010 | Email live@ravenswood.co.nz
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Subject to final approval of the Waimakariri District Council and the developer, subject to survey. Dimensions, details and timing of the development are all subject to change. Prices and availability are subject to change at any time.



KEY

- Sold
- Under offer
- Expression of interest
- Commercial for lease
- Retail for lease
- Under construction with Stage 2

RAVENSWOOD SALES OFFICE
69 Tara Crescent

Retirement Village
5.3382ha
(5.9638ha)

Proposed plan change
203
7.2045ha

Reserve 5985m²
Lot 11
1.5657ha



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