

Adam Thompson Hearing Summary Statement, 6.10.2025

Hearing 15D: Rezoning Kerikeri-Waipapa

For Kiwi Fresh Orange Company Limited

The main economic issue facing Kerikeri-Waipapa is the price of housing, both currently and under the PDP.

At present, a new stand-alone house costs \$1.16 million. This is unaffordable for the average household, which earns \$71,600 p.a.. This is lower than the national average of \$97,000. Over the medium term, around 35% of new households will be first home buyers, and around 40% will be retirees. These are both sectors that require affordable housing.

The PDP-R does not rezone any additional land and relies on more intensive development to meet future growth. This is an unconventional approach for a town that is expected to double in size in the next two decades.

I estimate that under the PDP-R the average cost of a new house will be \$1.1 million, and only 33% of dwellings will be less than \$1.0 million (\$900,000 - \$1.0 million). However, I estimate that 87% of future demand will be for dwellings of less than \$1.0 million, and on average, households will demand houses for \$620,000. The PDP-R therefore does not meet future housing demand in terms of the type and price of housing that is in demand. It therefore also does not meet the NPS-UD and will result in a worsening of social and economic conditions for the community.

Mr McIlrath has also completed an analysis of the price of housing under the PDP and PDP-R for the Council. He concludes that the price of a new stand-alone dwelling under the PDP-R will be \$1.28 million and will increase to \$1.68 million by 2035. I would suggest to the Panel that these average house prices confirm that the PDP-R will not meet demand. He concludes that the PDP-R does not provide a solution to the towns housing affordability issue, which does not meet the NPS-UD requirements:

“The HBA identified sufficiency challenges in the short and medium terms due to affordability. The PDP-R changes the price points (lower), but affordability challenges remain evident. The PDP-R will support an improvement in dwelling affordability, but the timeline associated with this process is over the long term.”
(para 3.22).

Under the ODP, the price of a new stand alone dwelling has been on average \$1.16 million. This confirms Mr McIlrath’s and my estimates are correct.

All trend data and estimates therefore confirm that under the ODP and PDP the average cost of a stand-alone house is over \$ 1 million and that this will get worse under the PDP-R.

Mr McIlrath's suggestion that the high price of housing will be resolved over the long term, by implementing the greenfield land recommended in the Spatial Plan, does not provide a solution to this problem. By 2035, Mr McIlrath estimates the price of houses under the PDP-R will increase to \$1.68 million. If this occurs, the housing issue will become more intractable and difficult to fix.

I estimate 85% of demand in Kerikeri-Waipapa will be for stand alone dwellings. Similarly, Mr McIlrath concludes 90% of demand will be for stand alone dwellings, however he considers if housing affordability worsens, a higher proportion of people will choose terrace houses and apartments. I note that in the comparable towns assessed (Wanaka, Morrinsville, Marsden Cove, Mangawhai) the average size of new lots being developed is 520m²-680m², and 91% of new dwellings are stand alone, confirming small rural lifestyle towns are largely focused on a suburban rather than an intensive urban scale of development. There is agreement therefore that the large majority of demand will be for stand alone dwellings. It is therefore only possible to rely on terrace houses and apartments to meet a very small fraction of future demand.

The KFO site is a large scale mixed-use master-planned development. The land has a low value, as it is largely in pastoral use. This means a new house would have a 'raw land price' of less than \$5,000 and this will be passed onto the end user. The scale of the development also allows economies of scale, with lower costs, in both lot and dwelling construction. I estimate stand-alone dwellings priced in this development for \$670,000 will be achievable, however more generally dwellings would be in the \$600,000 - \$1.0 million. As confirmation of my estimates, the following examples are from medium-large scale developments in similar towns:

Figure 1: Sample of New Stand Alone Dwellings by Location, Size and Price

Property ID	Development/Subdivision	Dwelling Type	Lot Size (m ²)	GFA (m ²)	Price
1	The Sands, Mangawhai	Stand Alone	600	110	\$930,000
2	North Estate, Wellsford	Stand Alone	320	150	\$835,000
3	Warkworth Ridge, Warkworth	Stand Alone	320	120	\$900,000
4	Nga Roto Estate, Taupo	Stand Alone	450	150	\$880,000
5	Longview, Lake Hawea	Stand Alone	400	180	\$900,000

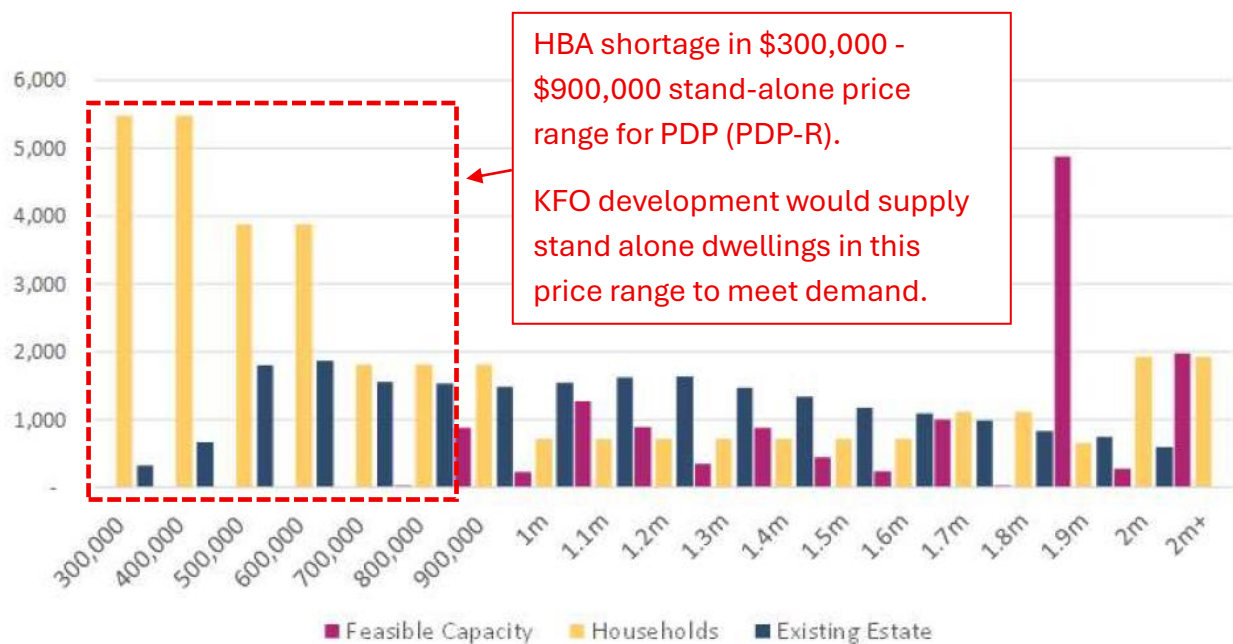
Source: TradeMe, Developer Websites



I have asked Mr McIlrath if he has estimated the number of feasible dwellings across each price band for the PDP-R. Mr McIlrath has advised me that he has not undertaken this analysis. This is the key output from any housing market assessment, and is required to understand whether the supply of stand alone houses aligns with the price that is demanded.

Mr McIlrath did undertake this analysis for the PDP in the HBA report. This is presented below. There is no practical different between the PDP and PDP-R for stand-alone dwellings, as they both have a minimum lot size of 300m² for the relevant residential zones. Future supply is shown in yellow and future demand is shown in pink. There is clearly a large shortage of stand-alone dwellings in the \$300,000 - \$900,000 price range. This is precisely the price range that the KFO site is able to supply a large quantity of stand-alone dwellings to the market. As I understand, there are no other significant sites, that can now be potentially rezoned in Kerikeri, to provide stand alone dwellings within these price ranges.

Figure 2: HBA Sufficiency Estimate by Dwelling Price



A second key economic issue is that Kerikeri-Waipapa has a long run trend of growth being dominated by rural lifestyle properties. Under the ODP, 59% of all growth has been rural lifestyle, with greenfield representing 36% and infill representing only 4%. I would highlight to the panel here that infill has been possible under the ODP, with small lots of 300m² being permitted and lots of less than 300m² being discretionary. Despite the ODP supports smaller lots and more intensive housing, it has not occurred, confirming no or practically no market demand exists.

The historic trend shows that aside from house prices, the big challenge facing the District Plan, is providing land use policy that incentivises urban rather than rural

development. This is a matter of offering stand alone houses that can compete on price. At present, a rural lifestyle property with a good house can be purchased of \$1.0-\$1.5 million, which is the same as the price of a stand alone dwelling under the PDP-R (\$1.26 million as estimated by Council). Presented with this choice, most buyers will continue to choose the larger lifestyle property. I note that there are 500-1,000 lifestyle properties that remain undeveloped around Kerikeri-Waipapa. By contrast, KFO offers stand-alone dwellings that will be more attractive to many buyers, given the lower price. As such, the fundamental trade-off is between the KFO site and continued rural lifestyle development. I do not see the PDP-R materially changing the historical growth patterns, as it is fundamentally predicated on the hypothesis that people will accept terrace housing and apartments, however all evidence indicates there is no or little demand for this type of housing.

Another key issue is the rate of growth. The HBA adopts 3,260 over 30 years (110 p.a.). The Spatial Plan adopts a Blue Sky rate of growth of 4,690 over 30 years (160 p.a.). I consider a growth rate of 6,000 over 30 year (200 p.a.). These are all high growth rates that will double or triple the size of the town over the next two decades.

I have undertaken a study of whether greenfield developments increase the rate of growth in Kerikeri-Waipapa. This is included as Attachment 1. This is based on a regression analysis of historic annual infill and greenfield growth. It concludes that greenfield developments result in a 108% addition to growth. If the KFO site is developed, this means it would result in 1,980 net additional dwellings, that would not otherwise occur ($1,830 \times 108\% = 1,980$). I have completed a similar analysis for Queenstown which concluded new greenfield developments result in a net addition of 124%. This has important implications for the rate of growth that can be achieved in Kerikeri-Waipapa, as the development of the KFO site itself, will foster additional growth, of 1,980 dwellings, and would not impact the rate of infill growth that is achieved.

The KFO site would enable a \$1.4 billion development project. The economic impact on GDP is \$503 million and this would support 1,740 jobs. Because the development is additive, or a net addition, these economic benefits are also a net addition.

In summary, I consider the KFO development has clear economic benefits, in summary:

- It is required to provide affordable stand-alone housing,
- It provides a type and price of housing that is aligned with market demand,
- It supports for a higher rate of population growth as sought by the Spatial Plan,
- It supports growth in economic activity and jobs (net \$503 million in GDP and 1,740 jobs),
- It provides greater revenue to support new infrastructure investment,

- It provides a real alternative to ongoing rural lifestyle development, also providing greater revenue to support new infrastructure investment,
- It provides a greenfield development that is of a size and quality that would allow Kerikeri-Waipapa to compete nationally for households seeking to relocate to lifestyle locations.

With regard to economic costs, the only material cost is the displacement of pastoral farming land, which is a negligible cost relative to the benefits, of \$2.1 million in lost GDP.

Adam Thompson

06.10.25

Attachment 1: Kerikeri-Waipapa Greenfield Development Additive vs Substitutive Demand Analysis

The purpose of this memo is to address the question of whether large-scale greenfield development represents an addition or substitution to the housing market, i.e. whether it results in a net increase to total supply and demand for housing in the region, or whether it redistributes supply and demand from other locations within the town.

The analysis below provides a quantitative assessment to determine whether greenfield development is additive or substitutive in Kerikeri-Waipapa.

Methodology

A dataset of dwellings built after 2010 was derived using Cotality property data for the 2010 - 2025 period, referred to as dwelling uptake. This was disaggregated into greenfield (GF) and infill (IF) locations. Appendix 1 provides a map highlighting the historical greenfield and infill locations.

From this dataset the year-over-year changes were calculated:

- ΔGF = change in greenfield dwelling uptake
- ΔIF = change in infill dwelling uptake
- $\Delta Total$ = change in total dwelling uptake

The following regression was then estimated:

$$\Delta IF_y = a + b \cdot \Delta GF_y + \varepsilon_y$$

This was estimated using Ordinary Least Squares (OLS), a widely used statistical method in economic analysis. OLS identifies the best-fit linear relationship between variables and is the standard framework for evaluating how changes in one factor are associated with changes in another.

From this regression, the impact of greenfield development on total development is

$$\Delta Total = \Delta GF + \Delta IF \approx (1 + b) \Delta GF$$

The additivity factor $(1 + b)$ indicates the extent to which greenfield development contributes to total growth, and can be interpreted as follows:

- $0 < 1 + b < 1$: partially additive
- $1 + b = 1$: fully additive (one-for-one)
- $1 + b > 1$: more than fully additive (i.e. greenfield stimulates additional growth beyond its own contribution)

The regression tests how changes in greenfield construction influence infill activity. This relationship determines whether the overall increase in total dwelling uptake is less than, equal to, or greater than the greenfield contribution.

To ensure reliability, robust standard errors (HC1) were applied within the regression, adjusting for irregularities in the annual dwelling data. In addition, annual additivity ratios ($\Delta\text{Total} / \Delta\text{GF}$) were calculated as a separate diagnostic check, allowing consistency to be assessed across individual years.

Results

The analysis shows that greenfield dwelling uptake in Kerikeri-Waipapa is associated with a 'more than additive' increase in total dwelling uptake. In other words, new greenfield development is linked to the greenfield dwellings and additional dwellings, being delivered across Kerikeri-Waipapa. The statistical results and key interpretations are as follows:

- Estimated additivity factor = 1.08
- $R^2 = 0.96$ (strong explanatory power - i.e. 96% explanatory power)
- This means that on average, an additional 100 greenfield dwellings are associated with a net additional 108 dwellings in Kerikeri-Waipapa.
- Applied to the Kiwi Fresh Orange (KFO) 1,830 dwelling development, this equates to an estimated 1,980 additional total dwellings in Kerikeri-Waipapa (i.e. the 1,830 dwellings in the KFO development would result in a 108% increase in the total dwellings supplied and demand in Kerikeri-Waipapa: $1,830 \times 108\% = 1,980$ net additional dwellings).

UE has undertaken a similar analysis in the Queenstown-Lakes District. That analysis found an estimated additivity factor of 1.24. This means that every 100 additional greenfield dwellings are associated with a net additional 124 total dwellings, i.e. new greenfield developments are 'more than additive', as they also stimulate further housing activity beyond the development itself.

Housing Market Context: Elasticity of Supply in the Far North District

Research by Grimes and Aitken, cited in the Reserve Bank of New Zealand's Analytical Note 2022 provides empirical estimates of the price elasticity of housing supply across New Zealand. Their analysis, based on TA-level data, shows how responsive housing supply is to changes in house prices.

The results highlight significant variation across TA's. The Far North District (FND) is classified as having an estimated supply elasticity of around 0.031. This places FND in the lower-middle range nationally, well below other main urban centres like Tauranga

(0.138), Hamilton (0.118) and Wellington (0.103) which are considered highly elastic/responsive.

The implication is that FND has a highly constrained housing supply market, where demand increases are not being fully met through incremental development. In such a setting, large-scale greenfield development is more likely to act as a catalyst, enabling latent demand to be realised. In this regard, a new greenfield development in Kerikeri-Waipapa is likely to induce additional demand. This induced effect is also observed in the Queenstown-Lakes housing market, which has a similar price elasticity to FND.

Conclusion

The empirical results demonstrate that greenfield activity in Kerikeri-Waipapa is demonstrably additive rather substitutive. This means the proposed development of approximately 1,830 dwellings is likely to generate a net addition of 1,980 dwellings over the medium-long term. This represents a material contribution to easing housing pressures and indicates that a new greenfield development will increase total growth, i.e. leads to additional growth rather than spreading existing growth more thinly. Additionally, findings from the Queenstown analysis show that in similarly constrained housing markets, large-scale greenfield developments act as a catalyst for additional growth beyond their direct contribution.

The housing elasticity analysis from RBNZ confirms that FND is a constrained supply market, meaning that new developments meet unmet demand rather than crowd out other existing growth areas or projects.

Based on this analysis, new greenfield developments are estimated to support higher rates of growth, and be a catalyst for additional growth, increasing housing supply, reducing prices and increasing total economic activity and employment.