



Date: 1/12/2025

To: Sarah Trinder
Senior Policy Planner – District Plan
Far North District Council
via e-mail: sarah.trinder@fndc.govt.nz

Written Right of Reply (Economics)

Introduction and Scope

1. My name is Lawrence Ryan McIlrath. I am a director of Market Economics Limited (M.E). I have presented my qualifications and relevant experience in earlier evidence¹. I confirm that I have read, and agree to comply with, the Environment Court's Code of Conduct.
2. I appeared in front of the hearing panel on 6 October 2025. I also virtually attended the hearing sessions while some submitters presented their evidence, specifically Mr. Thompson for the Kiwi Fresh Orange (KFO) site, and Mr. Foy appearing on behalf of Mrs Campbell-Frear.
3. In this memorandum, I provide a written response to the matters raised during the hearing, specifically:
 - a. The points raised by Mr Thompson;
 - b. The distribution effects associated with the commercial development associated with the KFO submission;
 - c. Other points.
4. In Minute 37, the Panel invited me to provide further information relating to the price points of the enabled capacity. I understand that the invitation is in response to the Memorandum of Counsel for KFO dated 22 October 2025. I provide the requested information in Appendix 1. The appendix includes additional information in the form of intermediate outputs showing the feasible development options across all options (detached or attached), pathways (redevelopment, infill or vacant) as well as price points.

Points raised by Mr Thompson

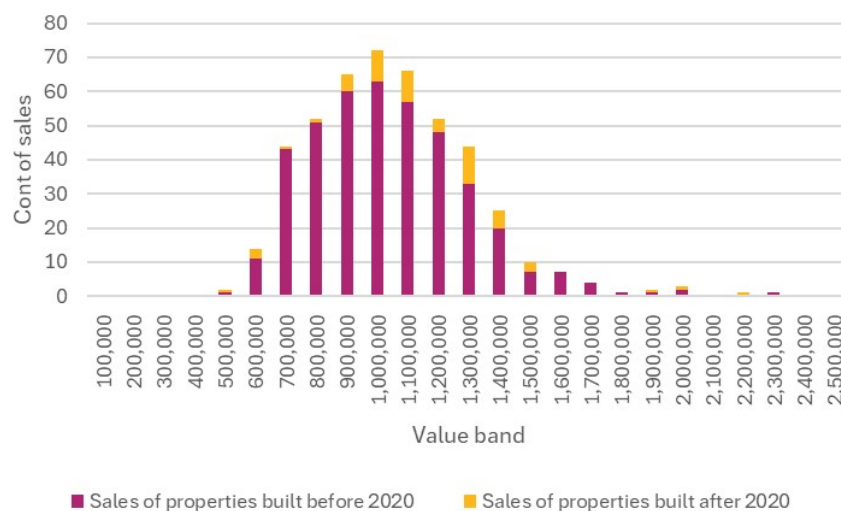
5. Mr Thompson raised several points during the hearing but there is limited new information or data. I have provided comprehensive evidence regarding Mr Thompson's positions in my evidence, and I do not repeat the evidence. Regardless, there are several matters that necessitate clarification and emphasis, especially:
 - a. The role of new dwellings to accommodate growth;

¹ Statement of Evidence in support of the Section 42A report. 10 September 2025.

- b. The price points;
- c. The development typologies.

Role of new dwellings and existing estimate to accommodate growth

6. A key thrust of Mr Thompson's analysis and critique regarding the Proposed District Plan (PDP) and Proposed District Plan-Recommended version (PDP-R) is that all growth in households must be accommodated via new dwellings. This position is evident in his comparison of the household affordability and the dwelling prices (price points) of new dwellings. This position, however is not based on how the residential market interacts with households, and how households' life stages/cycles drive dwelling demand patterns. In addition, the role of the existing residential estate in addressing demand is not captured.
7. Households' demand for housing changes as they move through lifecycle stages by engaging with the real estate market (through buying existing dwellings) and/or buying new dwellings. Buying existing stock is referred to as churn. Market churn is the main avenue through which households satisfy their dwelling needs.
8. A review of property sales² in Kerikeri³ shows that 89% of the properties⁴ that sold were built before 2020. This shows that existing dwellings fulfil a key role in accommodating households' dwelling demands.



9. The sales data shows that the existing estate has more opportunities that are in the lower priced-value bands. Over the past five years, 40% of sales in the existing estate were in the sub-\$900,000 band. In contrast, less than 20% of new property sales were in this value band. Since 2020, 60% of new dwellings

² This sales information is based on Cotality's Property Gury dataset – the same data that Mr Thomson uses in his analysis case studies.

³ Selected SA2 around Kerikeri (Central and Southern)

⁴ Calculations based on Cotality data (previously CoreLogic)

that sold were concentrated in the \$900,000 to \$1.3m band. Eighteen per cent of new property sales were less than \$900,000.

10. The sales data supports the position that imply focusing on new dwellings to supply affordable dwelling is inappropriate because it ignores market dynamics and 89% of transactions.
11. **I remain of the view that Mr Thompson's analysis and narrow focus on new developments as the sole way to address affordability is inappropriate and does not capture how the residential market interacts with demand patterns.**

Price points

12. There is a material difference between Mr Thompson's and my assessment of the potential price points at which dwellings could be delivered on the KFO site. I show my calculations regarding the KFO site in Appendix 6 of my evidence.
13. Mr Thompson provides a sample of new standalone dwellings and their price points (Figure 1 in his summary statement). It is noteworthy that all the examples are priced well beyond Mr Thompson's estimated price of \$670,000 for the KFO opportunities – even the lowest priced comparator is 25% higher than Mr Thompson's estimates. The examples show the lowest price options in the developments. These lowest price options do not show the average price across the projects. It is misleading to draw on one example per location and to represent that example as the general price. For example the Mangawhai example is located in an area that has seen consistent growth over the past decade and is adjacent to a property that is listed as 'under application', and a vacant site. The neighbouring property with similar attributes as the example Mr Thompson lists recently (August 2025) sold for \$860,000.
14. The same pattern is observed for the other examples Mr Thompson lists i.e., the sales prices for neighbouring properties are higher than those listed, and in excess of the \$670,000 Mr Thompson asserts is the construction price:
 - a. North Estate, Wellsford: sales price of neighbouring dwellings - \$870,000;
 - b. North Estate, Warkworth: sales price of neighbouring dwellings - \$1.08m;
 - c. Nga Roto, Taupo: sales price of dwelling in the same development - \$965,000;
 - d. Longview, Lake Hawea: I could not find an equivalent example (i.e., similar land area and building size) as the option Mr Thompson provides. A similar option (smaller building but similar land area) is listed as \$1.0m, and the recent sale (September 2025) of a dwelling with a slightly smaller dwelling and a larger site was in excess of \$1m.
15. In my view, using a more appropriate context shows the true development costs and sales prices in other locations. The observed sales prices in Kerikeri over the past five years reveal similar pricing. The weighted average price point of new dwellings (< 5years old) was \$1.1m.



16. I remain of the view that Mr Thompson's sales price analysis is flawed and that his estimates of the realisable sales price for the KFO site are unrealistic. The true costs must reflect realities such as flood mitigation and roading infrastructure (e.g., bridges).

Development typologies

17. The development typologies, detached and attached, used in the analysis shows how the market could respond to potential growth. The Kerikeri Waipapa market has historically shown a preference for detached dwellings.
18. The context of the enabled capacity, and the potential uptake of high(er) density options must be seen in the context of affordability challenges. The change in dwelling preferences to higher density options is evident consent data for larger economies such as Auckland. This shift is in response to the enabled capacity associated with the Auckland Unitary Plan as well as the resulting improvements in affordability. Household preferences adjust slowly and take time to manifest but the affordability challenges of the Far North means that a preference shift can be expected over the medium to long term. This shift is expected as a direct response to affordability challenges.
19. I remain of the view that the PDP-R and the Spatial Plan enables sufficient capacity to accommodate future growth. The sufficiency is across dwelling typologies and locations that will support the development community to respond to housing needs in a way that contributes towards a well-functioning urban environment.
20. Taking a view that future growth can only be accommodated through detached dwellings means that the status quo will remain, without addressing household affordability challenges.
21. I remain of the view that my analysis accurately reflects the anticipated development trends, potential market responses and the sufficiency situation.

Other points

22. Mr Thompsons raised several other points during the hearing. While this right of reply does not respond to all of these points, the main points that I disagree with are:
- a. That the KFO site would generate \$503m of GDP with 1740 jobs. The methodology used is flawed because it does not show the 'net additional' effects, and does not have an appropriate counterfactual. The economic impacts could be generated through a development occurring elsewhere, including developments occurring via intensification.
 - b. That the KFO development would generate higher population growth. The stimulatory effects that KFO would deliver are, in my view, unproven and unrealistic.
 - c. The KFO development would generate greater 'revenue'. The development costs are associated with infrastructure investment and dwelling growth. It is not a 'revenue' and should not be seen as such.



- d. The KFO site provides an alternative to ongoing rural lifestyle development. This is the case, but the same is argued for intensification and other greenfield (Spatial Plan) options.
 - e. The only economic cost that developing the KFO site will generate is the opportunity cost associated with displacing agricultural activity. I consider that the scale of the KFO activity will displace growth from other, more appropriate, locations and dilute the potential benefits of growth occurring elsewhere.
23. The potential effects of enabling the commercial activity associated with the KFO site did not feature strongly during the hearing. During the hearing the potential distribution effects that establishing a third centre would have on the Kerikeri town centre. I remain of the view that the scale and location of the commercial area as proposed would have adverse effects on the Kerikeri centre. For comparison and drawing on the analysis by Mr Colegrave (relating to the Turnstone site), the effects are likely to be in the order of 20% - 30% diversion of demand.
24. I remain of the view that Mr Thompson's assessment of the economic effects associated with the commercial and business components of the KFO site are inaccurate⁵. For context, the scale of the proposed development would capture in the order to 60% of some sectoral growth. Enabling growth in the Turnstone site that is located much closer to the Kerikeri town centre is significantly more appropriate because it would not dilute current or future synergies.
25. In contrast, the scale of the proposed commercial activity in the KFO is out of proportion with the residential development associated with the KFO site and highly likely to undermine the functioning of the Kerikeri urban environment.

Concluding remarks

26. To my mind, the economic analysis supporting the KFO submission is flawed. I remain of the view that my analysis accurately reflects the anticipated development trends, potential market responses and the sufficiency situation.
27. Enabling the KFO site will generate a range of adverse effects, and it will undermine the economic functioning of the Kerikeri-Waipapa area.

⁵ As outlined in the evidence, dated 23 June 2025.



Appendix 1: Breakdown of Capacity by Value Band

	3 Year			10 Years			30 Years		
	Market-led approach			Market-led approach			Market-led approach		
	Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total
\$0-\$300k	-	-	-	-	-	-	-	-	-
\$301k-\$500k	-	-	-	-	-	-	-	-	-
\$501k-\$700k	-	150	150	-	-	-	-	-	-
\$701k-\$1m	-	240	240	-	720	720	-	15	15
\$1m-\$1.2m	-	-	-	-	-	-	-	1,125	1,125
\$1.2m-\$1.5m	1,430	10	1,440	-	55	55	-	895	895
\$1.5m-\$2m	200	190	390	1,980	260	2,240	110	290	400
\$2m+	-	-	-	-	-	-	2,480	85	2,565
TOTAL	1,630	590	2,220	1,980	1,035	3,015	2,590	2,410	5,000

Additional information: Intermediate output of modelling – the count of opportunities available, across value bands and across development pathways (no differentiation or selection of potential development preference).

3 Year	Redevelopment (net)		Infill		Vacant	
	Detached	Attached	Detached	Attached	Detached	Attached
\$0-\$300k	-	-	-	-	-	-
\$301k-\$500k	-	-	-	-	-	-
\$501k-\$700k	-	-	60	-	-	-
\$701k-\$1m	380	1,710	1,180	515	965	-
\$1m-\$1.2m	275	375	665	-	355	-
\$1.2m-\$1.5m	340	940	1,260	125	90	195
\$1.5m-\$2m	495	275	385	285	-	15
\$2m+	245	75	160	5	-	-
TOTAL	1,735	3,375	3,710	930	1,410	210

10 year	Redevelopment (net)		Infill		Vacant	
	Detached	Attached	Detached	Attached	Detached	Attached
\$0-\$300k	-	-	-	-	-	-
\$301k-\$500k	-	-	-	-	-	-
\$501k-\$700k	-	-	-	-	-	-
\$701k-\$1m	90	1,635	1,175	515	965	-
\$1m-\$1.2m	545	340	610	-	330	-
\$1.2m-\$1.5m	315	955	1,310	125	115	195
\$1.5m-\$2m	510	355	400	285	5	15
\$2m+	275	90	210	5	-	-
TOTAL	1,735	3,375	3,705	930	1,415	210

30 year	Redevelopment (net)		Infill		Vacant	
	Detached	Attached	Detached	Attached	Detached	Attached
\$0-\$300k	-	-	-	-	-	-
\$301k-\$500k	-	-	-	-	-	-
\$501k-\$700k	-	-	-	-	-	-
\$701k-\$1m	-	1,370	1,015	515	920	-
\$1m-\$1.2m	500	310	450	-	155	-
\$1.2m-\$1.5m	295	855	1,520	105	330	190
\$1.5m-\$2m	415	655	275	295	10	20
\$2m+	490	145	320	5	-	-
TOTAL	1,700	3,335	3,580	920	1,415	210