

Attachment A – Property Economics (2024) Timaru District Residential Capacity Report

PROPERTY ECONOMICS



TIMARU DISTRICT

RESIDENTIAL CAPACITY

ECONOMIC ASSESSMENT

Client: Timaru District Council

Project No: 52440

Date: October 2024



SCHEDULE

Code	Date	Information / Comments	Project Leader
52440.3	October 2024	Draft Report	Tim Heath / Phil Osborne

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1. INTRODUCTION

Property Economics has been commissioned by Timaru District Council (**TDC**) to undertake an economic assessment of the theoretical and commercially feasible residential capacity (supply) of the Timaru District.

The purpose of this report is to provide TDC with robust market intelligence to understand the capacity for growth in light of their Future Development Strategy (**FDS**) and Proposed District Plan (**PDP**) processes. Specifically, TDC has received multiple submissions on the timing of Future Development Areas (**FDA**) as well as submitters proposing new areas to be rezoned. Consequently, it is important that TDC understands the existing balance of zoned residential supply and future demand in the housing market to inform the appropriate release of additional residential land.

This report discusses the work undertaken by Property Economics in developing both a Theoretical Capacity model and a Commercially Feasible Capacity model for the Timaru District. This will inform policymakers on the feasible level of housing supply, and the geospatial distribution of areas that can accommodate future residential development based on current zonings, policy settings and market parameters.

It should be noted that this work represents a more detailed update on the previous capacity assessment undertaken for the Draft District Plan. For this assessment, the underlying Theoretical Capacity Model has been updated with added intricacy to account for key site-specific constraints.

1.1. INFORMATION & DATA SOURCES

Property Economics was provided with several geospatial files by TDC to develop the capacity models. These included:

- Proposed District Plan zones and planning layers
- Building outlines as estimated by LINZ from satellite images
- Property parcels and the associated property valuations
- Building Consents

Additional Information has been obtained from a variety of reliable data sources and publications available to Property Economics, including:

- Census of Population and Dwellings 2018 and 2023 - Statistics NZ
- Household and Population Projections – Statistics NZ
- Recent Property Sales – CoreLogic

1.2. GLOSSARY

- **Theoretical Yield / Plan Enabled Capacity** – The total number of properties that could be developed according to the current Timaru District Plan provisions, irrelevant of market conditions.
- **Comprehensive Redevelopment** – Development option that assumes the removal of all existing buildings to develop across the entire site with less restrictions.
- **Infill** - Development option that assumes the existing building is retained, and the new residential houses are developed on balance of the site (i.e. the backyard).
- **Standalone House** – Single detached dwelling.
- **Terraced** – Dwelling that is attached horizontally to other dwellings but not vertically. Is always built to the ground floor (i.e. does not include homes built above retail stores).
- **Apartments** – Dwelling that is attached vertically and potentially horizontally. both horizontally and vertically.
- **Total Yield**- The number of dwellings constructed.
- **Net Yield** – The number of dwellings constructed net of any existing dwellings removed. For infill, the total yield is equal to the net yield while for Comprehensive, the net yield is equal to the total yield less the existing dwellings.

2. THEORETICAL CAPACITY

A Theoretical Capacity Model is an assessment of what could theoretically be built within the given district plan regulations (i.e. Plan Enabled Capacity). For Property Economics' previous assessment, Property Economics applied a simplified theoretical capacity model that was primarily driven by the minimum site size regulations, height and site coverage standards.

The updated model applies a more rigorous assessment of capacity by taking into account the above plus the geospatial placement of existing buildings, the relevant planning constraint overlays, and the recession planes extruding from the site boundaries.

Only the Residential, Commercial, Settlement Zone and Rural Lifestyle areas have been included in the model. Industrial and Open Space zones are excluded as they do not allow for residential activity, while the wider general Rural Zones are also excluded from this assessment.

The following sections outline the process and key assumptions applied in developing the theoretical capacity model.

2.1. GEOSPATIAL MAPPING

The data is imported into a geospatial mapping software where the buildable area of each site is calculated simultaneously based on the difference between the site area and area which cannot be developed due to the district plan rules (e.g. setback requirements, maximum site coverages) or practical considerations (e.g. areas of high slope).

From this buildable footprint, the floorspace of each subsequent storey is calculated by assuming each storey has a set height and calculating the setbacks required at the highest point of that storey to fit within the prescribed recession planes. These recession planes are calculated from the boundaries between properties which take into account any zone change (e.g., Buildings in the Commercial Zones are only subject to Recession Planes along the residential boundary).

The procedural modelling is designed to assess the potential floorspace under two different development scenarios, Infill (retaining the existing dwelling) and a Comprehensive Redevelopment (where the existing dwelling is removed). The potential dwelling yield is then calculated for upwards of nine different size and typology options. The sizes and assumptions applied to each of the development options are shown in Table 1 below.

It is important to note that these are the minimums applied across the district based on the typology and size but that the zoning rules still apply. The 70sqm minimum ground floor area requirement for Large Houses for example only applies in the Medium Density Residential Zone where you can get three stories.

In the General Residential Zone, the 40% maximum site coverage and 9m height limit applies which reduces the maximum achievable density.

In addition, both high-rise and walk-up apartment options are tested in the model. The key difference is that walk-up apartments have a maximum of three stories and are considerably

cheaper to build than high-rise apartments (which for the purposes of this assessment is anything above four stories). In the case of Timaru, there are only two zones where four or more stories are enabled which are the City Centre Zone and Mixed-Use Zone.

TABLE 1: DWELLING TYPOLOGY AND SIZE ASSUMPTIONS

Typology	Dwelling Size (sqm)	Ground Floor Area Requirement	Land Area Requirements
Small Houses	80-100	50	150
Medium Houses	140-160	70	150
Large Houses	190-210	70	150
Small Units	60-70	40	100
Medium Units	90-110	50	100
Large Units	140-160	50	100
Small Apartments	50-55	-	1
Medium Apartments	65-70	-	1
Large Apartments	90-95	-	1

Source: Property Economics

2.2. KEY ASSUMPTIONS

Some of the key assumptions applied in the model are as follows:

- To avoid unrealistic developments the setback required from existing dwellings for infill development is set to 5m and for all developments the minimum building width is 6m. The minimum floor areas depend on the typology and size and are shown in Table 1 above.
- Within the General Residential Zone, a subdivision is only enabled where allotments can accommodate a 15m diameter circle and allotments must have a 450sqm site size. Technically, it is possible to circumnavigate this requirement as it does not apply to an existing residential unit. Two dwellings are permitted per site which allows a landowner to build a second dwelling and then subdivide around it. However, for the purposes of this modelling, we have stuck to a 450sqm minimum site size and applied the 15m diameter requirement.

Likewise, in the Medium Density Zone the same rules apply except that the requirements are reduced to a 300sqm site size and at 13m diameter circle. The difference is that subdivision can also occur around proposed residential units that are part of a consent application (i.e. essentially if you can show that residential units can practically be built on the new allotments then you are not restricted by the site size).

Unlike the General Residential Zone, we anticipate landowners to seek to maximise the potential yield in the Medium Density Zone and have allowed for this unconstrained subdivision to occur in this zone.

- Furthermore, as a practical extension of the above restriction on subdivision generally, infill subdivision is only allowed where there is road access to the rear of the site (defined as being sufficient distance between the side boundary and the existing property).
- Infill development options have been excluded on sites with more than three existing dwellings.
- Each storey is assumed to be an average of 3.5m in height for the purposes of assessing the Height in Relation to Boundary Standards.
- School sites have been removed from development as have sites marked in the valuation dataset as being used for community land uses or recreation.
- Although there are no district plan rules that control what can be built on sloped areas, there are practical considerations that need to be considered. For the purposes of this assessment, Property Economics has resolved to remove from the buildable floorspace area, land that exceeds a 25-degree slope for greater than 4m in diameter.

For sites with over 10 degrees of slope additional costs have been added to the construction and the minimum site sizes have been increased proportional to the extent which slope affects the site.

- Thirty percent of the total land area on Greenfield sites has been removed to accommodate roads and reserves. On sites larger than 2,500sqm, 15% of the site has been removed to accommodate two-way vehicle access.

2.3. MODELLING OF CONSTRAINT OVERLAYS

The constraint overlays in which development was removed include:

- High Hazard
- Coastal High Natural Character
- Designations
- Significant Natural Areas
- Heritage Items
- Notable Trees
- Coastal Erosion

In addition, the following overlays had the following impact on modelling:

- **Sites and Areas of Significance to Māori:** Within the Wāhi Tapu and Wai Tapu overlays, earthworks and new buildings are a restricted discretionary activity. However, in the Wāhi

Taoka, Wāhi Tapu, Wai Taoka and Wai Tapu areas, subdivision is a Discretionary Activity. That means on most of these sites, development is limited to a single additional dwelling.

- **Historical Heritage Area (excluding Heritage Items):** Development is enabled as a Restricted Discretionary Activity.
- **Noise Cost Overlay:** Any new building within certain areas (e.g. 40m of State Highway with a 50km/hr or less speed limit or certain commercial zones) have noise standards which may result in additional cost depending on its relative proximity to the noise-generating activity. For this modelling, a mitigation cost of 10% increase in baseline construction costs has been included for affected properties.
- **Coastal Inundation:** For sites within the Coastal Inundation overlay an additional cost of 10% has been applied.

2.4. ZONE STANDARDS

Tables 2 shows the key zone rules for the PDP including the activity status of residential (where relevant), the site coverage, the number of units per site and minimum site size. These standards are combined with the previously displayed dwelling minimum sizes to calculate the net yield.

Although there is no maximum site coverage in commercial sites, a practical limit of 80% site coverage has been applied. Furthermore, several of the commercial zones only permit residential dwellings above grade. For these zones, only apartment options have been considered (which assumes retail / commercial will be built at grade and residential on top).

TABLE 2 PROPOSED DISTRICT PLAN ZONE RULES

Zone	Notes	Height Limit	Max Site Coverage	Min Site Size (sqm)	Dwellings per Site
Town Centre Zone	Ground floor Residential is D	10	80%	80	1
City Centre Zone	Ground floor Residential is D, except Southern Centre Area	20	80%	80	1
Local Centre Zone	Residential Units are D	10	80%	80	1
Mixed Use Zone	New Residential Units are RD	16	80%	80	1
Neighbourhood Centre Zone	Ground floor Residential is D	10	80%	80	1
General Residential Zone		9	40%	450	2
Medium Density Residential Zone		12	50%	100	3
Rural Lifestyle Zone	2ha and 10ha lot size SCA	10	35%	5,000	1
Settlement Zone		10	35%	1,000	1
Gleniti Low Density Residential		9	40%	750	1

Source: Property Economics

2.5. THEORETICAL CAPACITY RESULTS

Tables 3 show the maximum possible Theoretical Capacity for the PDP respectively. This is based on taking the option with the highest possible yield for each site, which is typically the higher density Terraced and Apartment typologies.

Combined, Timaru theoretically can develop 75,869 new dwellings under the PDP, three-quarters of which are in Timaru City itself.

TABLE 3: TIMARU PDP THEORETICAL CAPACITY

Theoretical Capacity - Proposed District Plan						
Suburbs	Commercial	Greenfield	Residential	Settlement / RLZ	Theoretical Capacity	
Gleniti	21	550	1,687	-	2,258	
Glenwood	35	94	959	-	1,088	
Highfield	28	227	6,280	-	6,535	
Kensington	0	507	1,347	-	1,854	
Maori Hill	10	-	4,827	-	4,837	
Marchwiell	32	183	2,430	-	2,645	
Oceanview	0	1,518	584	-	2,102	
Otipua Creek	0	-	-	10	10	
Parkside	689	136	12,225	-	13,050	
Redruth	0	-	129	-	129	
Seaview	4	-	8,431	-	8,435	
Smithfield	0	-	7	-	7	
Timaru	3,237	60	2,393	-	5,690	
Timaru Port	135	-	104	-	239	
Waimataitai	22	15	4,593	-	4,630	
Washdyke	58	15	175	4	252	
Watlington	0	324	1,332	-	1,656	
West End	0	-	1,713	-	1,713	
Timaru Town	4,271	3,629	49,216	14	57,130	
Geraldine	592	462	8,803	123	9,980	
Pleasant Point	304	531	1,754	-	2,589	
Temuka	787	935	4,038	22	5,782	
Rural Settlements	0	143	-	245	388	
Total	5,954	5,700	63,811	404	75,869	

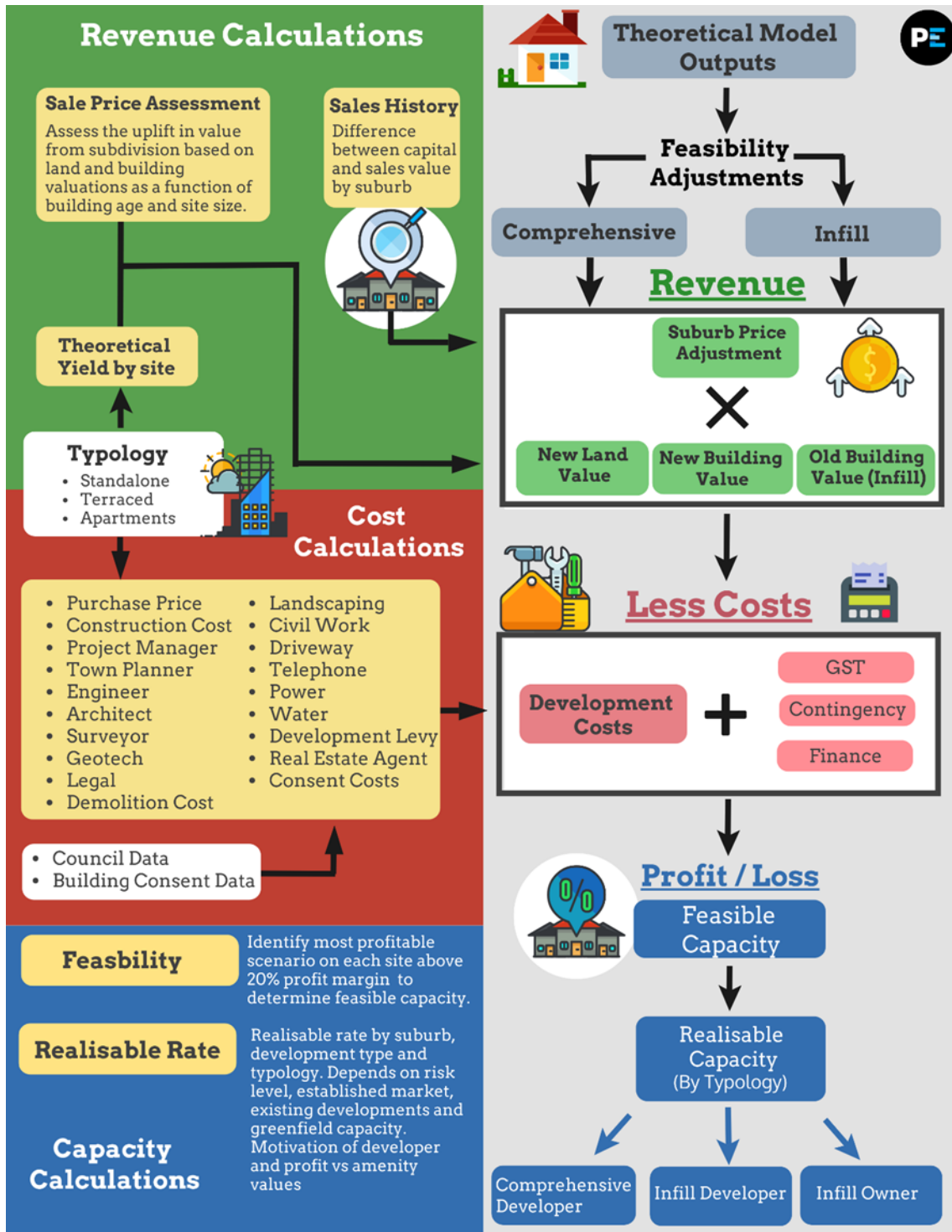
Source: Property Economics

Table 3 has been split into four categories, Commercial, Greenfield, Residential and Settlement. The Greenfield sites are residentially zoned sites larger than 5,000sqm or sites over 2,500sqm which are part of a wider development area.

3. RESIDENTIAL FEASIBILITY MODELLING

A high-level overview of the model utilised by Property Economics in determining the feasible residential capacity for Timaru District is outlined in the flow chart in Figure 2 below, with detailed descriptions of each stage of the process given following.

FIGURE 1: PROPERTY ECONOMICS RESIDENTIAL FEASIBILITY MODEL OVERVIEW



Improvement Value per SQM

Using the ratings database provided by TDC, the land value per sqm and improvement value per sqm is calculated. This is then summarised by suburb, size and typology to give the average per sqm value for various types of dwellings.

By splitting the valuation into land and improvement value, it accounts for variations of both sizes, e.g., a large dwelling on a small piece of land compared to the same size dwelling on a larger piece of land.

Values are not the same across each suburb (due to differing structures and quality), and thus it is required to give the per sqm value for each suburb individually. Also, the per sqm rate for land and improvement value are shown not to be consistent across all sizes. For example, a larger dwelling has on average a lower per sqm improvement value than a smaller one. This inverse relationship between size and per sqm value is the same for both land value per sqm and building value per sqm.

Table 4 demonstrates how a subdivision primarily makes it profit through an increase in land value. Note that this is a generic example, (i.e., does not represent a specific site in Timaru) that is simply included for demonstration purposes).

TABLE 4: EXAMPLE OF HOW BUILDING VALUE AND LAND VALUE CAN VARY BETWEEN STANDALONE AND TERRACED DEVELOPMENT OPTIONS

Development Option on 500sqm site	Building Value per dwelling	Site Size per dwelling	Land Value per dwelling	Sale Price per dwelling	Land Value Per SQM	Total Land Value
One 100sqm Standalone	\$ 400,000	500	\$ 500,000	\$900,000	\$ 1,000	\$ 500,000
Two 100sqm Standalone	\$ 400,000	250	\$ 400,000	\$800,000	\$ 1,600	\$ 800,000
Three 100sqm Terraces	\$ 400,000	167	\$ 360,000	\$760,000	\$ 2,160	\$ 1,080,000

Source: Property Economics,

As this table shows, the value of each individual 100sqm building does not change. Rather the value in building more terraces is inherent in the increase in land value from \$1,600 per sqm to \$2,160 per sqm, which is the result of being able to build more homes on the same site.

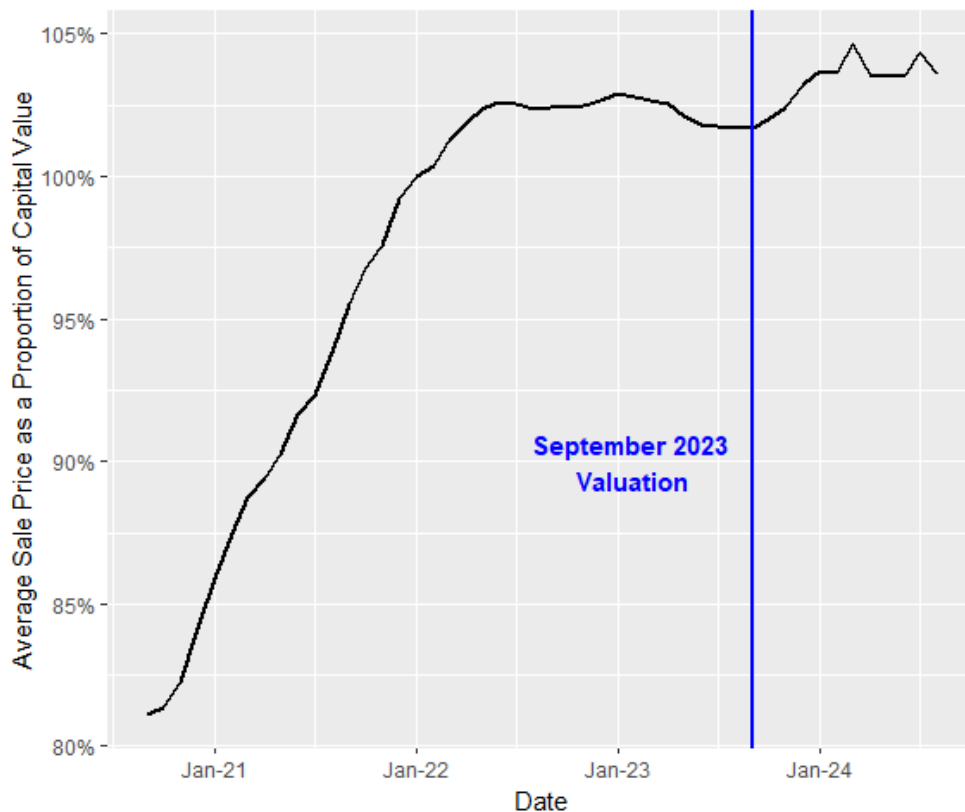
If building terraces did not result in a greater yield (i.e., only two terraces or two standalone options) then the Feasible Capacity Model results would likely show the standalone to be the preferred option.

Timaru Sales Price

Figure 2 shows how the average sales price compares to the September 2023 valuations between late 2020 and August 2024. This provides an indication of how sales prices have changed over the past few years and highlights that since late 2020, house prices in Timaru have increased by about 20%.

Unusually, the September 2023 valuation data point does not coincide with a 1:1 ratio between average sales price and valuations. Rather, the dataset would suggest that Timaru properties were selling for about 2% higher than their valuation on average at this point. In the past year, the average price has increased to about 4% above the underlying valuations.

FIGURE 2: ROLLING AVERAGE RATIO OF SALES PRICE TO CAPITAL VALUE BETWEEN JANUARY 2020 AND FEBRUARY



Source: Property Economics, Core Logic

Property Economics previous assessment of capacity was undertaken in early 2020 and based on the sales data from 2021. Since then, the average house price in Timaru has increased by about 10%. Although this increase would typically coincide with an increase in development feasibility, it is offset by an even greater increase in construction costs. Specifically, the construction costs have risen by about 13% since late 2021. Consequently, the net effect on development feasibilities is a slight decrease in the feasible capacity since the previous assessment.

4. MODEL CAPACITY RESULTS

4.1. FEASIBLE CAPACITY OUTPUTS

Property Economics has assessed the variables outlined above in the Timaru market and run feasible capacity models across the range of locations, land values, improvement values, and land value changes. A key component of the market's willingness to develop infill is the relationship between a site's land value, fixed subdivision costs and the identifiable 'uptake' in value (sqm) through subdivision.

Table 5 shows the total feasible capacity number of potential sections on sites where the ratios meet a profit level suitable to meet market expectations (20% profit for the purpose of this analysis) for the PDP. Table 6 breaks down this feasible capacity by suburb.

The tables represent the subdivision undertaken by either an owner occupier or a developer, with the capacity representing the most profitable. This is an important difference as motivations and capital outlay are often different. These figures have removed all 'double ups' i.e., where multiple instances were tested on a specific site and represent the most profitable scenario for that site.

TABLE 5: TIMARU PDP THEORETICAL AND FEASIBLE CAPACITY

Feasible (Max Profit)	Theoretical	Standalone	Terraced	Apartment / Walkups	Total	% of Theoretical
Commercial	5,954	65	153	102	320	5%
Greenfield	5,700	1,593	525	0	2,118	37%
Residential	63,811	850	2,946	198	3,994	6%
Settlement / RLZ	404	48	0	0	48	12%
Total	75,869	2,556	3,624	300	6,480	9%

Source: Property Economics

If developments were to be undertaken by either a developer or owner occupier, then there is the potential for 6,480 additional units within the Timaru market including both urban and greenfield sites. As all development options have been considered in Table 5, this represents the total feasible capacity in the market. This level of feasible capacity represents a 9% feasibility rate on the theoretical capacity.

Unsurprisingly, a large quantum of the Feasible Capacity is on Greenfield sites. This area also has a significantly higher feasibility rate. Note that the feasibility rate is not the percentage of sites which are feasible but rather the percentage of total potential yield. The lower feasibility number is also a reflection of larger average sites than the PDP would allow.

A key difference between this assessment and the previous assessment is that there are now 300 feasible apartments in Timaru as opposed to our previous assessment which estimated there were none. The key point to note however is that all of these apartments are two-three storey walk-ups as they are cheaper to build due to the lower structural engineering requirements.

TABLE 6: FEASIBLE CAPACITY IN THE PDP BY SUBURB

Feasible Capacity - Proposed District Plan						
Suburbs	Theoretical Capacity	Feasible Standalone	Feasible Terraced	Feasible Apartments	Total Feasible Capacity	Feasibility Rate
Gleniti	2,258	415	293	-	708	31%
Glenwood	1,088	96	9	-	105	10%
Highfield	6,535	22	539	37	598	9%
Kensington	1,854	41	50	-	91	5%
Maori Hill	4,837	20	246	55	321	7%
Marchwiel	2,645	52	101	-	153	6%
Oceanview	2,102	509	259	-	768	37%
Otipua Creek	10	5	-	-	5	50%
Parkside	13,050	49	160	43	252	2%
Redruth	129	1	-	-	1	1%
Seaview	8,435	28	216	41	285	3%
Smithfield	7	-	-	-	-	0%
Timaru	5,690	44	308	118	470	8%
Timaru Port	239	1	-	-	1	0%
Waimataitai	4,630	23	111	6	140	3%
Washdyke	252	1	4	-	5	2%
Watlington	1,656	94	59	-	153	9%
West End	1,713	10	101	-	111	6%
Timaru Town	57,130	1,411	2,456	300	4,167	7%
Geraldine	9,980	359	761	-	1,120	11%
Pleasant Point	2,589	242	265	-	507	20%
Temuka	5,782	508	137	-	645	11%
Rural Settlements	388	36	5	-	41	11%
Total	75,869	2,556	3,624	300	6,480	9%

Source: Property Economics

4.2. REALISABLE CAPACITY OUTPUTS

On top of the feasible capacity modelling, practical considerations must be taken into account as to what is likely to be developed in the real world. While this section is separated from the sensitivities above the realisation rates essentially provide for 'development chance' given the propensity for development variances.

These considerations are based on:

- Dwelling typology
- Development option
- Greenfield competition

The identification of these variables not only provides for sensitivities but also addresses the relativity between typologies. While all three typologies may be feasible the development model identifies the site scenario with the highest profit margin. However, practically while the model assesses the standard 20% profit margin, there is greater risk in some typologies. The assessment below endeavours to consider these risks and motivation differentials.

Risk has been accounted for developments undertaken by developers by increasing the required profit level for a development to be classified as 'realisable', on top of being feasible.

Table 7 below shows the profit levels required for each combination of typology and development options to be considered realisable by the model.

TABLE 7 – DEVELOPER REALISABLE PROFIT RATES

	Comprehensive Developer	Infill Developer	Infill Owner
Standalone	20%	17%	25%
Terraced	23%	20%	28%
Walkups	26%	23%	32%
Apartment	32%	28%	39%

Source: Property Economics

This reflects the market practicality that developments taken on by a developer have relatively lower risk if they are an infill development, rather than a comprehensive development. It also shows the increasing risk of development as the typology increases in scale from standalone dwellings, through to terraced product, and finally apartments.

For an owner occupier, the model considers the profit level of the development relative to the capital value of the existing dwelling(s). This is because motivations for an owner to subdivide their property are inherently linked with the relative profit they can achieve against the value of their own home e.g., a \$100,000 profit on a \$1,000,000 site will be less likely to be developed by the owner, compared to a \$100,000 profit on a \$500,000 site, assuming similar fixed costs.

Therefore, as a methodology for this, the model considers that the lowest quartile of feasible infill developments in terms of the relative profit / CV ratio will not be realised by the market.

The other conservative adjustment we make in assessing the Realisable Capacity is to assume that only one dwelling per site will be built in the General Residential Zone as opposed to the two that is permitted by the PDP. Although there are likely to be some sites which do build down to this lower density, this conservative assumption reflects a possible market scenario where the majority of demand for higher density housing is accommodated in the Medium Density Residential Zone and the General Residential Zone is limited to 450sqm or larger sites per dwelling.

Taking these market practicalities into consideration, Table 8 show a summary of the realisable capacity within Timaru under the PDP assuming only one dwelling per site is built in the GRZ.

TABLE 8: PDP REALISABLE CAPACITY – ONE DWELLING PER SITE IN GRZ

Realisable	Theoretical	Standalone	Terraced	Apartment / Walkups	Total	% of Theoretical
Commercial	5,954	55	27	47	129	2%
Greenfield	3,445	1,868	118	0	1,986	58%
Residential	48,005	1,445	372	22	1,839	4%
Settlement / RLZ	404	44	0	0	44	11%
Total	57,808	3,412	517	69	3,998	7%

Source: Property Economics

Table 8 shows that under these modelling assumptions, the realisable capacity across Timaru is 3,998 new dwellings, representing a 7% realisation rate across the district (noting that the one dwelling per 450sqm in GRZ assumption also affects the Theoretical Capacity number). In essence, this represents a 62% realisation rate of the already calculated feasible capacity outlined in Table 5.

As expected, the realisation on standalone developments is higher than terraced or apartments, with realisable capacity for standalone developments higher than feasible capacity, due to the higher 'margin' of profit levels over the realisable profit rate. That is, there is a shift in the expected development profile to building standalone typologies over the higher density typologies in instances where the difference in the estimated profit margins is small.

It should be noted that in the previous assessment, the model did allow for multiple dwellings per site in the GRZ. However, we also applied higher profit rates to those shown in Table 7 which resulted in a 65% realisation rate on the total Feasible Capacity.

In comparison, by lowering the required profit margins but excluding the sites with more than one dwelling per site we get a 62% realisation rate on feasible capacity as outlined above. Consequently, this approach has been taken as a more nuanced way of estimating the realisable capacity based on a combination of drivers as opposed to entirely based on profitability.

It should be noted that if instead we retain the two dwellings per site in GRZ, we end up with a realisable capacity of just over 5,200 dwellings.

Table 9 shows the realisable capacity by suburb with one dwelling per 450sqm in GRZ.

TABLE 9: REALISABLE CAPACITY BY SUBURB – PROPOSED DISTRICT PLAN – ONE DWELLING PER SITE IN GRZ

Realisable Capacity - Proposed District Plan						
Suburbs	Theoretical Capacity	Realisable Standalone	Realisable Terraced	Realisable Apartments	Total Realisable Capacity	Realisation Rate
Gleniti	923	489	33	-	522	57%
Glenwood	234	96	-	-	96	41%
Highfield	4,894	211	115	-	326	7%
Kensington	1,102	43	-	-	43	4%
Maori Hill	4,837	52	150	9	211	4%
Marchwiell	594	87	-	-	87	15%
Oceanview	875	579	57	-	636	73%
Otipua Creek	10	5	-	-	5	50%
Parkside	13,029	88	-	-	88	1%
Redruth	35	-	-	-	-	0%
Seaview	8,430	124	33	-	157	2%
Smithfield	3	-	-	-	-	0%
Timaru	5,690	86	107	60	253	4%
Timaru Port	239	-	-	-	-	0%
Waimataitai	4,087	38	5	-	43	1%
Washdyke	104	1	-	-	1	1%
Watlington	397	93	-	-	93	23%
West End	624	14	7	-	21	3%
Timaru Town	46,107	2,006	507	69	2,582	6%
Geraldine	7,732	589	4	-	593	8%
Pleasant Point	1,173	301	-	-	301	26%
Temuka	2,408	475	6	-	481	20%
Rural Settlements	388	41	-	-	41	11%
Total	57,808	3,412	517	69	3,998	7%

Source: Property Economics

4.3. FUTURE DEVELOPMENT AREAS

In addition to the existing urban area, the Council has identified several different areas to accommodate future growth as part of the FDS. TDC has also received submissions on this strategy seeking either a change in the timeframe of the proposed rezoning for these areas or additional areas to be included in the growth strategy.

Property Economics has assessed at a high level the potential capacity of Council's proposed growth areas to inform Council decisions on the proposed submissions. For the purposes of this assessment, Property Economics has assessed the residential capacity at a 450sqm site size and a 40% reduction in developable area to accommodate roading, reserves and unmapped constraints.

The areas proposed to be zoned for Rural Lifestyle have been assessed at a 5,000 sqm site size with a 15% allocation for roading. Unlike residential areas, rural lifestyle properties can accommodate potential constraints such as rivers and notable trees without reducing the buildable footprint and parks are not required.

Table 10 breaks down the size, potential capacity and proposed timeline for each of the Council proposed FDAs. It should be noted that this does not include any additional areas proposed by submissions, but it does include a column indicating those with a submission to change the timeframe or, in the case of FDA11, change the proposed zoning.

This shows that the FDAs proposed by Council are anticipated to accommodate upwards of 3,456 dwellings. This is on top of the almost 4,000 dwellings (rounded) considered realisable within the existing urban areas.

TABLE 10: FUTURE DEVELOPMENT AREAS

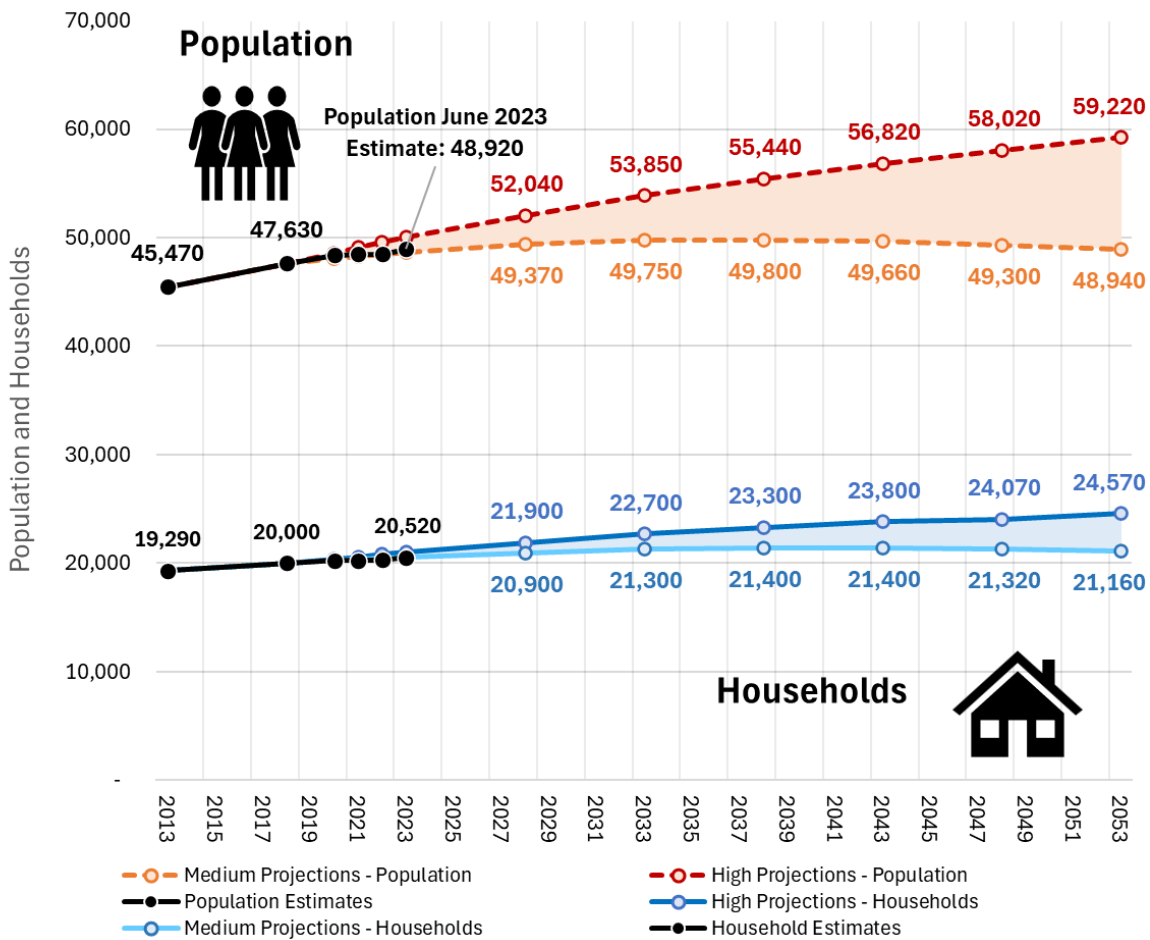
Code	Timaru District	Area (ha)	Zone	Potential Capacity	DAP Timeframe	Submission
FDA1	Elloughton South Future Development Area	50	R	664	2 years	Immediate
FDA2	Kellands Heights East Future Development Area	37	R	490	5 years	Reduce to 2 years
FDA10	Kellands Heights West Future Development Area	44	RL	75	5 years	Reduce to 2 years
FDA4	Elloughton Road North Future Development Area	45	R	603	Beyond 10 years	Immediate / 5- 10 years
FDA9	Gleniti North Future Development Area	51	RL	87	5 years	Reduce to 2 years
FDA14	Kennel Road Future Development Area	54	R	718	Beyond 10 years	Reduce to 5 - 10 years
	Total Timaru	281		2,637		
FDA5	Young Farm Future Development Area	14	R	185	Beyond 10 years	Reduce to 5 - 10 years
FDA3	Scotts Farm Future Development Area	11	R	147	5 years	-
FDA11	Templer Street Future Development Area	56	RL	96	Beyond 10 years	Immediate / 5- 10 years / Mix with Residential
	Total Geraldine	81		428		
FDA6	Factory Road Future Development Area	18	R	238	Beyond 10 years	Immediate / 5 -10 years
FDA7	Thompson Future Development Area	43	RL	73	2 years	-
	Total Temuka	61		312		
FDA8	Manse Road Future Development Area	47	RL	79	5 years	-
	Total Pleasant Point	47		79		
	Total Future Urban Zone Potential	470		3,456		

Source: Property Economics, TDC

5. DEMAND / SUPPLY RECONCILIATION

Figure 3 displays the population and household growth projections within the Timaru District. These projections are derived from the latest available Statistics NZ population growth projections for both the Medium and High growth scenarios. Note that as the current population projections only go until 2048, Property Economics has extrapolated forward the projected growth to 2053.

FIGURE 3: TIMARU DISTRICT POPULATION AND HOUSEHOLD GROWTH PROJECTIONS



Source: Property Economics, StatsNZ

The population estimates show that since the 2018 projection baseline, Timaru has been growing in-line with its Medium Growth projection. Between 2020 and 2022 Timaru grew by only 120 residents but the growth between 2023 and 2022 increased to an additional 430 residents. This trend could be the result of the border closures due to COVID-19, which has since been removed and the net migration figures have reached record high levels.

Under this projection series, Timaru's population will reach a peak of 49,800 in 2033, and then slowly decline. Consequently, the net growth over the next 30 years is only an additional 20 residents.



Under the more optimistic High Growth projection, Timaru has the potential to grow by over 10,000 residents to 59,220 by 2053. These two projections paint a very different picture for Timaru's future with the former indicative of an ageing population and an inability to generate employment opportunities and retain families and workers.

Economic factors like the recently announced potential closure of a major Timaru meatworks operation which employs upwards of 600 people at peak season could temper the level of dwelling growth. The ability for Timaru to reach its high growth projection is dependent on both its ability to accommodate the housing growth but also its ability to grow economic activity and jobs.

According to the latest 2023 Census results, Timaru's dwelling count increased 21,090 dwellings in 2018 to 21,579 in 2023. This is an increase of almost 500 dwellings or an average of around 100 dwellings per annum. Unusually, this does not align with new dwelling consents as reported by StatsNZ. According to StatsNZ there have been over 1,000 new dwellings consents over the 2018 – 2022 period. This indicates that there are potentially a larger number of unactioned dwelling consents in Timaru.

Historically, the number of households under the projections series was forecast to increase at a faster proportional rate than the population due to a projected fall in the person per household ratio over the forecast period. This anticipated trend was not isolated to the Timaru District but projected to occur across the whole country due to an ageing population, smaller families, and a higher proportion of 'split' or single households.

However, between the 2013 and 2018 Census period, this trend reversed with a national increase in the population per household ratio from 2.69 to 2.75. Unlike many larger cities, however, Timaru did not face the same housing pressures and consequently experienced a marginal decrease in housing density. Since then, between the 2018 and 2023 Census the population density has remained largely constant, having not decreased quite to the same extent anticipated by the projections.

If the Medium growth projections are correct in assuming that Timaru's population will age and eventually shrink, this will likely coincide with a decrease in the average household size. An ageing population resulting from the younger generation leaving home would result in a greater number of two-person households (e.g. empty nesters). Under the Medium Growth projection, there is the potential demand for an additional 800 households over the next 15 years to 2038. After this, the declining population projected under this growth projection is anticipated to result in negative household growth as well.

Conversely, if Timaru can generate business activity to create jobs and grow, the High Growth projection suggests that there is the potential for material growth. If over the long term, Timaru reaches its High Growth projection, then the district could grow by just over 4,000 households.

5.1. DWELLING DEMAND AND SUFFICIENCY

In addition to household growth, approximately 4%-5% of dwellings in Timaru are unoccupied. Assuming that this occupancy rate will remain constant over the long term, then the dwelling projections need to include this additional demand.

Table 11 breaks down the projected dwelling growth over the short-, medium- and long-term. It also shows the competitiveness margin required by the NPS-UD for Tier 1 and 2 districts. Although it is not strictly required for Timaru as a Tier 3 district, it is appropriate to include capacity over and above the projected demand to ensure a competitive land market.

Table 11 shows that accounting for unoccupied dwellings there is potentially net demand for 670 dwellings under the Medium Growth projections. This, however, includes the projected decrease in population over the Long Term. Considering only the Medium Term in which growth is anticipated to occur, there is demand for around 840 dwellings. Applying the requisite competitiveness margin shows the need to provide capacity for around 1,035 dwellings over the long term.

In contrast, under the High Growth projections, there is demand for 4,246 dwellings with a need to supply just under 5,000 dwellings over the long term.

TABLE 11: DWELLING DEMAND IN TIMARU DISTRICT OVER SHORT, MEDIUM AND LONG-TERM

Capacity Requirements		Short Term (2023 - 2026)	Medium Term (2026 - 2033)	Long Term (2033 - 2053)	Total Increase
Medium Growth	Dwellings	215	622	-167	670
	NPS Buffer	20%	20%	15%	-
	Total	258	746	0	1,005
High Growth	Dwellings	641	1,377	2,228	4,246
	NPS Buffer	20%	20%	15%	-
	Total	769	1,652	2,562	4,984

Source: Property Economics, StatsNZ

As the Medium growth projections show comparatively little growth, the existing dwelling capacity is more than sufficient to accommodate the anticipated demand with an almost 300% buffer. In comparison, the realisable capacity in the existing urban zone is sufficient to meet 80% of the projected demand over the next 30 years under the High Growth. This means that even if Timaru does manage to achieve consistent high growth, it will be more than two decades before additional land is strictly required.

Tables 12 and 13 break down the projected dwelling demand / capacity requirements under the Medium and High Growth scenarios respectively by location for the main urban centres. It then compares this demand to the dwelling supply potential with and without the FDAs. Note that this excludes demand outside of these main centres as the capacity assessment has not directly assessed the potential capacity of rural farms etc.

As expected, under the Medium Growth projection there is no requirement for additional capacity outside of the existing zoned land provision.

TABLE 12: DWELLING CAPACITY REQUIREMENTS – MEDIUM GROWTH

Location	Capacity Required	Urban Capacity	Sufficiency without FDA	Future Development Areas	Sufficiency With FDA
Timaru	512	2,582	+ 2,070	2,637	+ 4,707
Temuka	91	481	+ 390	312	+ 702
Pleasant Point	64	301	+ 237	79	+ 316
Geraldine	115	593	+ 478	428	+ 906
Total Urban	+ 781	+ 3,957	+ 3,176	+ 3,456	+ 6,632

Source: Property Economics, StatsNZ

Under the High Growth projection, if we continue to exclude the demand / supply outside of the main urban centres we see that Timaru requires an additional 400 dwellings over and above the capacity in the existing urban area. As the FDAs have the capacity for nearly 3,500 dwellings, the future growth areas proposed by TDC are more than sufficient to accommodate potential growth.

TABLE 13: DWELLING CAPACITY REQUIREMENTS – HIGH GROWTH

Location	Capacity Required	Urban Capacity	Sufficiency without FDA	Future Development Areas	Sufficiency With FDA
Timaru	3,047	2,582	-465	2,637	+ 2,172
Temuka	545	481	-64	312	+ 248
Pleasant Point	254	301	+ 47	79	+ 126
Geraldine	511	593	+ 82	428	+ 510
Total Urban	+ 4,358	+ 3,957	-401	+ 3,456	+ 3,055

Source: Property Economics, StatsNZ

6. ECONOMIC BENEFITS OF CONSOLIDATION

From an economic perspective, residential zoning (and the intensity of land use enabled by the provisions) is a crucial tool in directing residential growth and development to achieve greater degrees of efficiency and certainty in terms of public and private investment. The level of flexibility and capacity indicated by zoning also impacts upon housing fundamentals such as choice and affordability.

The enablement of higher residential densities in the PDP, has the potential to encourage the redevelopment of the existing urban area. This will invariably deliver significant economic benefits to all of Timaru's existing commercial centres, and the economic and social wellbeing of the communities it primarily services. This is in relation to:

- increased sales performance
- larger population base in surrounding centre locales
- increased local employment opportunities
- increased accessibility to public transport infrastructure
- increased market efficiencies
- increased return on investment on public expenditure (particular upcoming public transport initiatives), etc.

Additional to this is the increased market flexibility of the dwelling typologies that are likely to be developed, and increased opportunity and certainty for the market, to deliver higher residential densities close to the district's centre and public transport networks.

Ultimately, the realisability of the residential capacity in the existing urban areas is dependent on the overall supply and demand balance. A potential risk of providing surplus greenfield capacity therefore is undermining the potential redevelopment of Timaru's existing urban areas. This outcome will likely result in a more dispersed development pattern which is associated with several economic costs and inefficiencies.

In comparison, having a greater certainty around the volume of medium-density dwellings (and therefore people) within close proximity to centres represents a significantly better economic outcome for the Council, developers, the community and the centres themselves.

7. CONCLUSION

Property Economics has assessed the potential residential capacity within Timaru for both the existing urban area and, at a high level, the potential capacity enabled by Council proposed growth areas.

Under the modelling assumptions directed by the PDP and Timaru's market variables, Property Economics estimates that the existing PDP zones could supply approximately 4,000 new dwellings to the Timaru market. In addition, the growth areas proposed by TDC have the potential to deliver 3,456 additional dwellings to the market.

The Timaru District has two very different growth scenarios that it needs to consider. The first one is shown by the Medium Growth projection and indicates that Timaru faces a possibility of negative population growth over the long term. This possibility is the likely result of adverse economic conditions leading to poor employment retention and an ageing population without the ability to retain and replenish the younger generation. Under this projection, Timaru will only require approximately 1,000 dwellings which is a quarter of the current assessed realisable capacity.

In contrast, the High Growth anticipates significant long-term growth for Timaru. If Timaru were to reach its long-term high growth projection of 24,570 households, the Council would need to ensure there is capacity for almost 5,000 dwellings over the long term. This means that the current realisable capacity is sufficient to supply 80% of the requisite capacity to the market, with the potential shortfall being covered by Council's proposed growth areas.

In assessing the appropriate timing of new growth areas and rezoning, it is important to recognise that firstly, none of the areas are strictly required for two decades and that there is a possibility that none of the areas need to be rezoned at all. Timaru has several large sites that have yet to be developed despite having a residential zone and there are existing greenfield areas that still have significant capacity potential.

Although the delivery of housing supply is vital to ensuring the long-term growth potential of Timaru, there are other market factors such as employment growth and an ageing population base that could constrain Timaru's growth potential.