27 November 2025

ECONOMIC MEMORANDUM

To: Expert Panel Ashbourne FTA
c/- Matamata Piako District Council
Attn: Marius Rademeyer
Resource Management Consultancy Limited
Email: [redacted]

RE: MINUTE 3 OF THE EXPERT PANEL – RESIDENTIAL CAPACITY SUFFICIENCY RESPONSE

INTRODUCTION

Minute 3 of the Expert Panel dated 21 November 2025 has invited MPDC to provide an evidence-based response to Mr Colgrave's second memorandum on the Ashbourne Fast Track project. Mr Colegrave provided two memoranda dated 18 November 2025. The first of which covered my Economic Evidence and the second directly targeted at the Property Economics Residential Capacity Assessment.

As this Residential Capacity Assessment feeds directly into my response to Residential Capacity Sufficiency, this memorandum seeks to provide a more detailed technical response to Mr Colegrave's critiques.

At a high level, most of Mr Colegrave's criticisms are either baseless or reflect a misunderstanding of how a residential capacity assessment process is undertaken to meet the NPS-UD requirements. Having reviewed each matter raised, none of Mr Colegrave's comments raise concerns or change the position expressed in my evidence.

RESIDENTIAL CAPACITY SUFFICIENCY

LACK OF TRANSPARENCY IN MODEL STRUCTURE AND INPUTS

Mr Colegrave asserts that the Property Economics assessment of residential capacity is "wholly deficient" on the basis that it operates as a black box and does not disclose specific model inputs. It should firstly be noted that arguing over specific inputs is often unproductive as it is the combined effect of the full suite of inputs, and their internal consistency, that drives the results, not any single input in isolation.

As it currently stands, the only quantifiable comprehensive capacity assessment before the IHP is by Property Economics. Mr Colegrave, in comparison, provides a rudimentary analysis in his original review of the 2021 HBA. He provides no more detail in his response.

IMPACT OF KEY ASSUMPTIONS ON CAPACITY ESTIMATES

According to Mr Colegrave, our assessment has several "*troubling, unvalidated assumptions*", which I respond to as follows:

1. Infrastructure Servicing: Due to time constraints, we were unable to fold this directly into our assessment. However, Council has indicated that they have sufficient existing and planned infrastructure capacity (in their long-term plan) to service household demand and therefore do not consider this to be significant issue in Matamata.

2. All greenfield, rural, and large vacant sites are 100% feasible and likely realisable today: The misunderstanding around how realisable capacity works is addressed in response to point 6 below, but in terms of feasible: Greenfield: Many of the greenfield areas identified within Matamata are already in various stages of development, with active subdivision works underway. This provides a high degree of confidence that the market considers these locations viable and that the development pipeline is functioning as intended.

   In addition, our review of the remaining greenfield areas did not identify any significant physical or environmental constraints (e.g. slope, flooding, or servicing limitations) that would make greenfield development unfeasible.

   Rural Lifestyle: From an economic perspective, subdivision typically becomes unfeasible where the underlying site-development costs exceed what the market is willing to pay for the resulting sections. Rural Lifestyle zoning, by its definition, yields large lot sizes and correspondingly higher sale prices, meaning that in a similar respect to greenfield, there would have to be significant constraints in place before subdivision becomes unfeasible.

   Furthermore, the minimum site size is significantly smaller than the minimum average density, which affords a landowner significant flexibility in how lots are delivered. This, for example, enables a farmer to retain the bulk of their site, if desired, without compromising on their potential yield.

   Vacant Sites: Vacant sites are treated as feasible, at a minimum, for the development of a single dwelling. There is consistently a market for vacant sections among purchasers seeking to design and build their own homes, as reflected in the take-up of empty lots within Matamata's greenfield subdivisions.

   Where the Property Economics model identifies that additional subdivision of a vacant site is economically feasible, this capacity is included. However, the assessment does not assume that further subdivision of vacant sites will be feasible in all cases.

3. All sites with feasible and likely realisable capacity will maximise their plan-enabled yields irrespective of market demands or preferences. Firstly, it is important to note that the Property Economics model assesses different typologies and dwelling sizes across every site. However, as was addressed in the report, the minimum site size of 450sqm in the General Residential Zone and 325sqm in the Infill Precinct allows for the full range of house sizes.

For example, the 45% site coverage on 325sqm allows for at least a 280sqm two-storey building, recession plane constraints notwithstanding. Therefore, the range in dwelling sizes and budgets is independent of the yield that can be achieved. As with most housing capacity assessments throughout the country the key driver is a maximum profit not maximum yield (i.e. the model is not driven by the maximum plan enabled yield but the maximum profit).

4. Likelihood of development between developers and everyday people, and
5. Developers requiring a lower rate of return than everyday people.

Our report clearly discusses the lower development propensity among owner-developers as opposed to developers and in order to reflect this we have applied a higher profit margin to feasible owner-occupier development to be considered and reasonably expected to be realised. It is not the case that owners actually require a higher profit margin for development to occur, but simply a modelling approach to representing the relative likelihood of development between these two groups.

6. Greenfields being available today:

Reasonably Expected to be Realised (RER) Capacity reflects the amount of residential capacity that could be developed. This is an important distinction because actual construction depends entirely on market demand, whereas indications of development capacity, as we assess it, are independent of demand. Our assessment shows that Matamata has capacity for 1,121 dwellings to be realised within the existing zoned area under current market conditions.

However, with demand for only about 50 new homes a year, this capacity will be absorbed slowly. By contrast, if the same level of capacity were located in Hamilton for example (which has demand for over 1,000 homes per year), then it would be reasonable to expect all of this capacity to be developed over the short term. Put simply, greenfield development can accelerate or decelerate subdivision land release in response to demand.

RELIABILITY AND ROBUSTNESS OF CAPACITY ESTIMATES

"there was no feasible and realisable capacity for any typologies other than standalone homes"

As addressed in response to point 3 above, this is not correct. Our assessment considered both standalone and terraced options. The simple reality is that yields in Matamata are driven by minimum site size, and even the 325 m^2 minimum in the Infill Area is still large enough to accommodate a standalone dwelling.

It is fair to say that, in practice, some attached typologies may be built in Matamata. However, this does not change the feasible or realisable capacity, as the maximum yield remains determined by the site size rather than the specific housing form chosen. For that reason, the fact that the model does not capture the nuances that might lead someone to build a terrace instead of a standalone has no bearing on the overall conclusions.

Calculation Error

Mr Colegrave correctly identified a single error in the reported Theoretical Yield for Rural Residential dwellings in Matamata. The table in the report showed a yield of 74, when the correct figure is 118 (as reflected in the subsequent Feasible and Realisable Tables). This occurred as a result of a test to reflect the effect of removing the Ashbourne Rural Residential area from the capacity calculations, and the interim table from that sensitivity test was mistakenly inserted into the final report.

Importantly, this was a reporting error, not a mathematical one, limited only to the Theoretical Capacity table. The underlying modelling, feasible capacity analysis, and the conclusions drawn throughout the assessment all relied on the correct figure of 118. As such, the error does not affect any of the capacity calculations or change the outcome of our assessment in any way.

Feasible Capacity

"The model also concludes that there is feasible capacity for 161 additional homes in Matamata today, but a comprehensive review of numerous property websites revealed no new sections in the existing urban area"

It appears Mr Colegrave has misunderstood how residential capacity assessments are undertaken under the NPS-UD. Our assessment identifies that there are 161 dwellings that could feasibly be developed within Matamata's existing urban area under current market conditions. This does not imply that these dwellings are currently for sale, being actively constructed, or available on the market today. Feasible capacity represents the potential supply that the market can commercially deliver (consistent with the NPS-UD methodology), it is not a measure of listings currently advertised on websites.

"Related to this, the model assumes that there will be a rush of demand for sections of only 325 sqm"

I am uncertain as to how Mr Colegrave got this impression, as the only sites our model allows to be developed down to 325sqm are those in the Residential Infill Zone. The majority of capacity is located in the General Residential Zone which has a minimum site size of 450sqm.

UNDERESTIMATION OF FUTURE HOUSING DEMAND

As Mr Colegrave has noted, StatsNZ has recently released updated district-level projections that are higher than the latest WISE projections. However, WISE undertook bespoke projection work specifically for the Waikato Region, including the Matamata–Piako District. Given this tailored approach and the level of local calibration involved, Council has chosen to rely upon these projections instead of StatsNZ's. I have no reason to believe that StatsNZ's higher level projections are any more reliable than a locale specific WISE assessment and, therefore, I am comfortable with the demand projections relied upon.

However, even if the higher StatsNZ projections are adopted, the High Growth scenario only indicates a potential shortfall emerging well into the third decade. This could be mitigated in two ways. First,

the capacity uplift from Minor Dwellings would offset a significant portion of any future shortfall[1]. Secondly, if Matamata were to grow at the upper end of the StatsNZ projections, the Council would still have ample time (more than two decades) to consider alternative capacity options, including additional rezonings.

Following this, Mr Colegrave raises concerns around our assumptions on household size, concluding that:

> *"their translation from population to households also looks flawed. For example, PE calculated that the 3,150 extra people over the next 30 years under the medium scenario creates a demand for 3,135 extra homes …. I cannot think of any logical reason for the average household sizes implied by PE's analysis to vary so much between the medium and high scenarios, or for either to depart so markedly from the current district average of about 2.5. In my view, this is just further evidence that the entire modelling exercise is riddled with errors and simply cannot be relied upon."*

Had Mr Colegrave examined any household projection (including StatsNZ) in any detail, the "logical reason" they seek would have been clear. It is anticipated amongst demographers that the average household size (across all households, existing and growth) will decline over time across New Zealand, driven by structural demographic trends such as an ageing population, smaller families, and a rising share of single-person and 'split' households.

This is clearly demonstrated, by way of example, in StatsNZ's household projections for Gore District, which is projected to shrink in the number of residents (from 12,800 to 12,700), but to grow in the number of households (from 5,400 to 5,500).

Therefore, the household projection of 3,135 extra homes is not simply a reflection of projected population growth but changing demand patterns of the existing population base. Unsurprisingly, the latter represents a larger proportion of total household demand under the Medium Projection than the High, resulting in a smaller household size if you were to inappropriately compare the projected population growth against the projected dwelling demand as Mr Colegrave has done.

NEED FOR MORE GRANULAR ASSESSMENT

Mr Colegrave argues that our assessment should have examined whether there is sufficient capacity across a wider range of dwelling types and price points. While this type of analysis is typical of a comprehensive HBA for Tier 1 and Tier 2 urban environments, in my view it is not required for a Tier 3 district such as Matamata–Piako.

More fundamentally, I do not consider that Ashbourne is proposing to deliver anything that the market is not already capable of providing. Their proposal offers additional sections or "ready-to-market" lots across a range of sizes, something that is already offered by existing greenfield developments. Based on the material made available, Ashbourne is not proposing terraced housing

[1] *My capacity analysis does not include any additional capacity provided by recently announced government changes for minor dwellings. This is likely to make my capacity numbers conservative.*

or other alternative typologies (retirement village aside), nor is it offering housing at below-market price points.

Consequently, I do not consider that a more granular assessment of typologies or price points would materially assist the Panel or alter my economic conclusions

Kind Regards

Tim Heath

Director