

Proposed Waikanae North Residential Development, Kapiti Coast

Fast-Track Approval Act 2024
Economic Assessment



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1. Executive Summary

The proposal is for a subdivision creating a mixture of standard residential lots as well as medium-high density residential lots which will provide for approximately 1,200 residential dwellings. This will deliver a combination of standalone houses, townhouses and terrace houses.

It is estimated that the proposal will supply dwellings to the market at an average price of \$935,000 (ranging from \$750,000 - \$1,180,000 on average). This is approximately \$280,000 - \$370,000 (20-30%) less expensive than the average sale prices of the surrounding key developments in the study area. As such, the proposal is considered to meet the needs of a market segment that is currently underrepresented (i.e. low-middle income households). This demonstrates the proposal's ability to provide comparatively affordable new housing in the Kapiti Coast and the wider region.

Additionally, the proposal will deliver number dwellings on larger sections, with elevated outlooks and desirable site characteristics. These are considered a higher-end offering within the development and are estimated to be delivered in the order of \$1,090,000 - \$1,180,000. This product diversity supports a broader spectrum of household preferences, contributing positively to housing choice, enhancing the overall appeal and resilience of the development.

Recent sales in the Kapiti Coast District (January 2023 - December 2024) totalled approximately 2,360 dwellings, or 1,180 per annum. The majority of dwellings (1,865 or 79%) were priced between \$600,000 and \$1,400,000.

Over the medium-term (10 years), there is greenfield capacity of 1,405 dwellings in the study area. This equates to approximately 6.0 years of greenfield dwelling capacity based on annual greenfield demand for 236 dwellings. This is not sufficient to meet the medium-term requirements of Policy 2 of the NPS-UD. At 1,200 dwellings, the proposal represents an 85% increase to the current and pipeline greenfield supply and increases the number of years of capacity to 11.1 years. This demonstrates the scale and significance of the proposal to the future function of the study area's greenfield development market.

The proposal is considered to make a significant contribution towards a well-functioning urban environment by supplying a major greenfield development to the study area, which would contribute towards ensuring there is a wider range of housing available to the market at more affordable prices.

Since 2020, the annual average house price in the Kapiti Coast District increased from \$657,000 to \$823,000, or by 5% p.a.. The Kapiti Coast District 2023 Housing and Business Capacity Assessment highlights significant housing affordability challenges in the Kapiti Coast District, noting that the district has some of the worst levels of affordable housing and rent regionally and nationally and that the vast majority of renters are unable to afford to buy a house within the district. This indicates a shortage of dwellings supplied to the market relative to demand, in particular for greenfield dwellings, which generally enables a greater supply of lower-priced dwellings to the market. The proposal will, therefore, represent a net addition to the greenfield market in the study area.

As a result, the proposal is considered to make a significant contribution towards retaining population that would otherwise likely be forced to relocate to other regions across the country as a result of the ongoing high housing prices. This will contribute towards the Kapiti Coast District's long-term social and economic resilience, which will rely on attracting and retaining younger households. This, however, is not expected to be achieved under current market conditions.

The proposal would result in significant economic benefits to the Kapiti Coast District and the wider Wellington Region by contributing approximately 1,200 additional dwellings to a supply constrained market, providing affordable dwellings and putting downward pressure on housing prices. The proposal would enable a \$1.1 billion development, that would result in net additional construction sector GDP and employment of \$261.2 million, and 1,600 FTE jobs. It would in addition enable ongoing population growth, leading to significant net additional GDP and employment, of \$35.9 million and 326 FTE jobs. The proposal is considered to meet the economic requirements of the Fast-track Approvals Act and is recommended for approval.

2. Introduction

This report evaluates a proposed residential and commercial development located at 169-171 Peka Peka Road, Kapiti Coast, against the Act's purpose, as outlined in Section 3 of the Act.

2.1 Qualifications and Experience

The authors of this report (the "authors") are Adam Thompson and Conor Whyte.

Adam Thompson is the Director of Urban Economics (UE) Limited, who has over 25 years of experience providing consulting services in urban economics, property market analysis, and property development advisory. Over the past 23 years, Adam Thompson has owned and managed two consulting firms operating in these fields and holds a Bachelor of Resource Studies from Lincoln University, a Master of Planning from the University of Auckland, and a Dissertation in Urban Economics from the London School of Economics and Political Science. Adam Thompson has undertaken more than 2,500 economic and property market assessments for a wide range of private and public sector clients, and notably, was a primary developer of the Auckland Council Development Capacity Model (2016) on request of the AUP IHP Chair (Judge Kirkpatrick) and conducted a review of all Housing and Business Assessments under the National Policy Statement on Urban Development for the Ministry for the Environment (2021).

Conor Whyte is a senior economic and property researcher at UE, with over 5 years of experience providing consulting services in urban economics, property market analysis, and property development advisory. Conor Whyte holds a Bachelor of Commerce from the University of Auckland, with majors in Economics and Management. During his time at UE, Conor Whyte has undertaken over 250 economic and property market assessments for a wide range of private and public sector clients.

As a company, UE has delivered insightful economic analysis and property research to property developers, industry partners and government agencies across New Zealand for over 20 years, ensuring they are well-informed with the necessary knowledge and evidence for the present and future. UE has a proven track record of providing advisory services for:

- Expert evidence for over 200 Local Government, Environment Court, and High Court hearings,
- ~100+ New Housing Developments,
- ~50+ New Retirement Villages,
- ~2000+ New Retail Stores,
- ~100+ New Mixed-use Commercial Developments,
- ~50+ Fast-track Economic Assessments under the COVID-19 Recovery (Fast-track Consenting) Act 2020, and
- ~10 Fast-track Economic Assessments under the Fast-track Approvals Act 2024.

2.2 Code of Conduct

Although this is not a hearing before the Environment Court, the authors records that they have read the Code of Conduct for Expert Witnesses contained in the Environment Court Practice Note 2023 and agrees to comply with it.

The authors confirm that the issues addressed in this report are within the authors area of expertise, except where the authors state they have relied on the information of other persons. The authors have not omitted to consider material facts known to them that might alter or detract from the opinions the author has expressed.

2.3 The Proposal

A concept plan is shown in Figure 1. As outlined in Figure 2, the proposal is for the subdivision of residential lots expected to accommodate approximately 1,200 dwellings¹ at relatively affordable price points, and approximately one hectare of commercial land, which would yield approximately 3,500m² of retail and commercial floorspace².

The proposal is anticipated to supply dwellings to the market at an average price of \$935,000 (ranging from \$750,000 - \$1,180,000 on average). This is approximately \$280,000 - \$370,000 (20-30%) less expensive than the average sale prices of the surrounding key developments in the study area. As such, the proposal is considered to meet the needs of a market segment that is currently underrepresented (e.g. low-middle income households). This demonstrates the proposal's ability to provide comparatively affordable new housing in the Kapiti Coast and the wider region.

Additionally, the proposal will deliver a number of dwellings on larger sections, with elevated outlooks and desirable site characteristics. These are considered a higher-end offering within the development and are estimated to be delivered in the order of \$1,090,000 - \$1,180,000. This product diversity supports a broader spectrum of household preferences, contributing positively to housing choice, enhancing the overall appeal and resilience of the development.

Figure 1:
Waikanae North Residential Development Masterplan



Source: McIndoe Urban

¹ While the proposal is for the subdivision of residential lots, this assessment expresses the supply impact in terms of dwellings expected to be built on those lots, as this better reflects how the market absorbs new housing capacity.

² This estimate is corroborated by Urbacity's report, "Waikanae North Review of Local Centre Potential & School Age Demand by School Type" (December 2024).

Figure 2:
Indicative Dwelling Yield & Price

Activity	Lot Density	Dwelling Type / Industry Type	Total Dwellings/ GFA (m ²)	Avg Lot Size (m ²)	Avg GFA Estimate (m ²)	Estimated Sale Price		
						Lower Quartile	Average	Upper Quartile
Residential	Standard	Premium Stand Alone	135	880	230	\$1,090,000	\$1,160,000	\$1,180,000
		Stand Alone	828	540	180	\$910,000	\$930,000	\$960,000
	Medium	Terrace	201	290	140	\$780,000	\$820,000	\$860,000
		Terrace/Apartment	35	160	120	\$750,000	\$750,000	\$750,000
	Total	-	1,200	490	170	\$890,000	\$935,000	\$965,000
Commercial	-	Retail	3,500m ² *	-	-	-	-	-

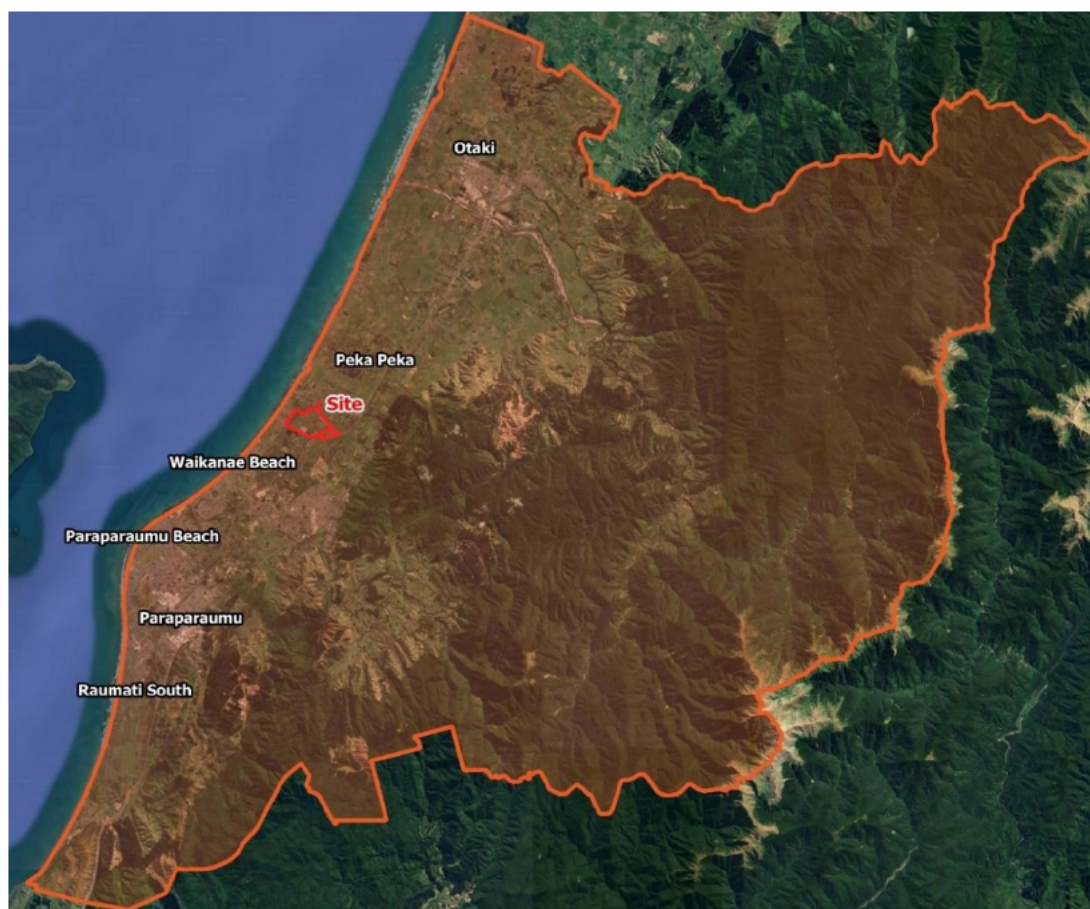
*Across a total commercial land area of 1.0 ha approx.

Source: McIndoe Urban, UE

3. Study Area

Figure 3 outlines the study area adopted in this report. The study area includes all SA2's (Statistical Area Unit 2) that make up the Kapiti Coast District, encompassing suburbs such as Peka Peka, Paraparaumu, Waikanae Beach, Raumati South and Otaki. The proposal site is located in the Peka Peka/Waikanae area.

Figure 3:
Study Area (Kapiti District)



Source: LINZ, UE

4. Greenfield Residential Capacity Analysis

This section profiles the existing and pipeline medium-large scale (50+ lots/dwellings) greenfield developments with remaining capacity in the study area.

Figures 4-5 provide a profile of the existing and pipeline greenfield developments within the study area. This reflects the medium-term (10 year) 'reasonably expected to be realised' greenfield capacity in the study area as it relates to the developments that are zoned, serviced and expected to occur over this period. The medium-term capacity is considered to be the most relevant period, when determining whether the housing market will function efficiently, and meet demand in terms of dwelling type, price and location. The main points are:

- There are currently three greenfield developments supplying dwellings/lots within the study area.
- In total, these developments will supply approximately 314 dwellings/lots, of which, 133 remain to be developed/sold.
- There are six pipeline greenfield developments in the study area. These are expected to provide approximately 1,272 dwellings to the market.
- The current and pipeline greenfield developments are expected to provide approximately 1,586 dwellings to the market in total.
- All current and pipeline greenfield developments are small to moderate in scale (typically between 100-500 dwellings) and as a result, do not generally deliver broader amenities due to limited economies of scale.
- The proposal is significant by comparison, being one of the largest greenfield developments the district has seen in recent decades.

Figure 4:
Study Area Current & Pipeline Greenfield Development Dwelling Supply

Status	Development	Total Dwellings/ Lots	Sold	% Sold	Currently Selling	Remaining Supply
Current	Manu Park	162	96	59%	11	66
	Otaki Gardens	90	40	44%	50	50
	Anderson Park	62	45	73%	17	17
Current Subtotal		314	181	58%	78	133
Pipeline*	Otaki Maori Racecourse	500	-	-	-	500
	Mansell Subdivision	370	-	-	-	370
	Moy Estate	137	-	-	-	137
	Harakeke Heights (Stages 1-3)**	110	-	-	-	110
	99 & 103 State Highway 1***	101	-	-	-	101
	Kauri Street Subdivision	54	-	-	-	54
Pipeline Subtotal		1,272	-	-	-	1,272
Total Current + Pipeline		1,586	181	11%	78	1,405
The Proposal		1,200	-	-	-	1,200
Total + Proposal		2,786	181	6%	78	2,605

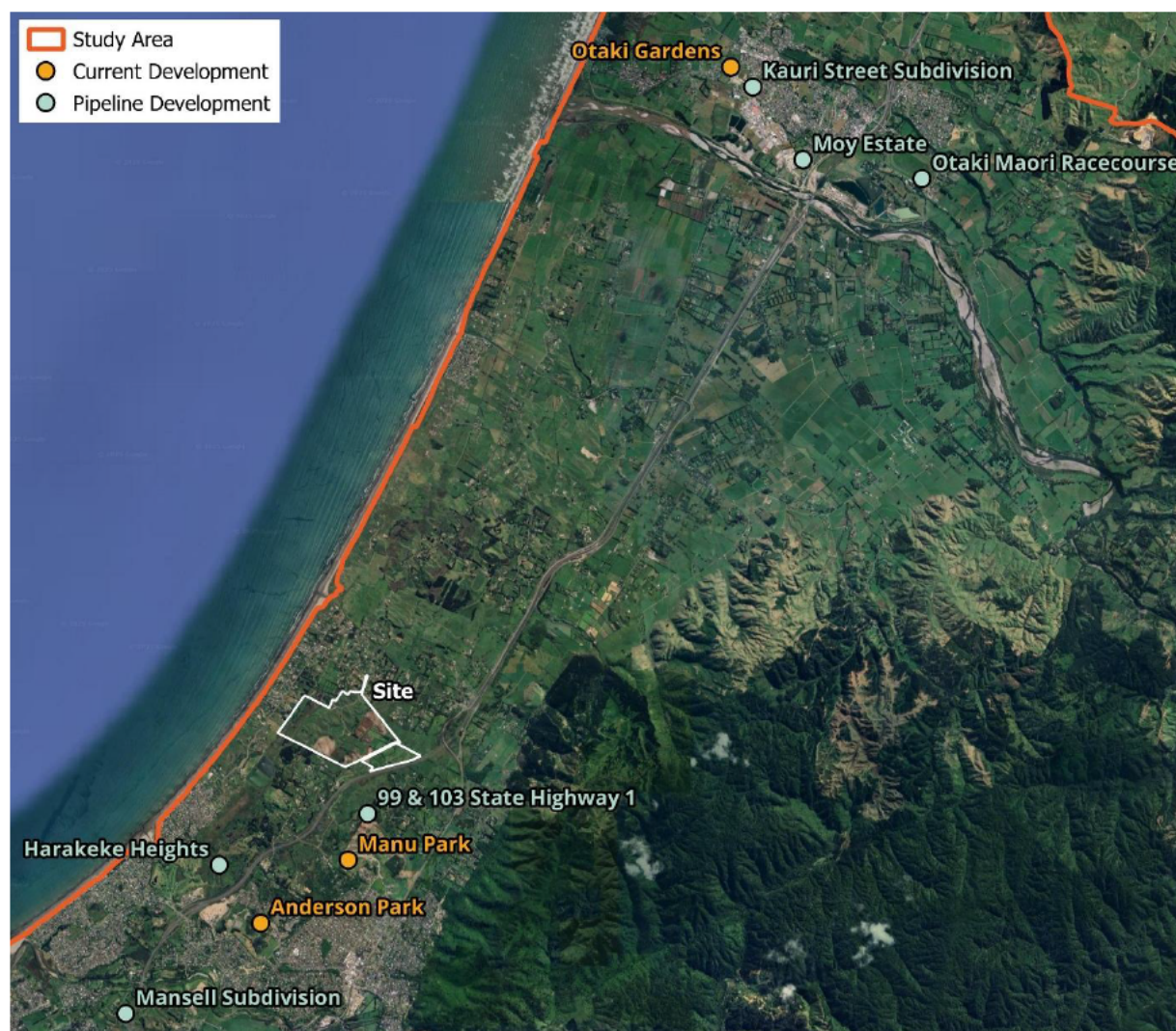
*Developments zoned/consented but not yet brought to market.

**Stages 4-7 (circa 320 lots) are not yet consented and have not been included in the pipeline supply.

***Lots granted consent under Stage 1.

Source: CoreLogic, Developer Website, TradeMe, KCDC

Figure 5:
Location of Current & Pipeline Greenfield Developments



Source: LINZ, CoreLogic, Developer Websites, KCDC, UE

5. Greenfield Residential Demand & Sufficiency Analysis

The following section provides an assessment of greenfield residential demand, in terms of quantity and price, within the study area.

5.1 Dwelling Sales

Figure 6 displays the recent dwelling sales (January 2023 - December 2024) by price bracket and type. The main points to note are:

- Stand alone dwellings accounted for the majority of dwelling sales (87%), followed by terrace houses (12%) and apartments (1%).

- The majority (64%) of stand alone dwellings were sold within the \$600,000 - \$1,000,000 price range. In addition, a considerable proportion (24%) of stand alone dwellings were sold for above \$1,000,000.
- By comparison, the majority of terrace houses were sold for below \$700,000 (75%), and all apartments for below \$800,000.
- Over this period, a total of 2,360 dwellings were sold. This equates to annual sales of approximately 1,180. Of these sales, approximately 15% (or 360 dwellings) were new dwellings (built after 2010).
- Terrace houses were the most affordable housing type in the study area, with an average sale price of \$655,000 slightly below apartments, with an average sale price of \$735,000. By comparison, stand alone dwellings achieved the highest average sale price of \$875,000.

Figure 6:
Recent Sales by Price Bracket January 2023 - December 2024

Price Bracket (\$000)	Number of Properties				Percentage Distribution			
	Stand Alone	Terrace	Apartment	Total	Stand Alone	Terrace	Apartment	Total
<\$400	10	5	0	15	0%	2%	0%	1%
\$400 - 500	60	25	0	85	3%	9%	0%	4%
\$500 - 600	190	80	5	275	9%	28%	33%	12%
\$600 - 700	310	105	5	420	15%	36%	33%	18%
\$700 - 800	395	35	5	435	19%	12%	33%	18%
\$800 - 900	360	20	0	380	18%	7%	0%	16%
\$900 - 1,000	245	10	0	255	12%	3%	0%	11%
\$1,000 - 1,100	130	0	0	130	6%	0%	0%	6%
\$1,100 - 1,200	105	5	0	110	5%	2%	0%	5%
\$1,200 - 1,300	75	5	0	80	4%	2%	0%	3%
\$1,300 - 1,400	55	0	0	55	3%	0%	0%	2%
\$1,400 - 1,500	50	0	0	50	2%	0%	0%	2%
\$1,500 - 1,600	25	0	0	25	1%	0%	0%	1%
\$1,600 - 1,700	15	0	0	15	1%	0%	0%	1%
\$1,700 - 1,800	5	0	0	5	0%	0%	0%	0%
\$1,800 - 1,900	5	0	0	5	0%	0%	0%	0%
\$1,900 - 2,000	0	0	0	0	0%	0%	0%	0%
\$2,000 - 2,100	0	0	0	0	0%	0%	0%	0%
\$2,100 - 2,200	5	0	0	5	0%	0%	0%	0%
\$2,200 - 2,300	10	0	0	10	0%	0%	0%	0%
\$2,300 - 2,400	0	0	0	0	0%	0%	0%	0%
\$2,400 - 2,500	0	0	0	0	0%	0%	0%	0%
\$2,500 +	5	0	0	5	0%	0%	0%	0%
Total	2,055	290	15	2,360	87%	12%	1%	100%
Average Sale Price	875,000	655,000	735,000	845,000	-	-	-	-

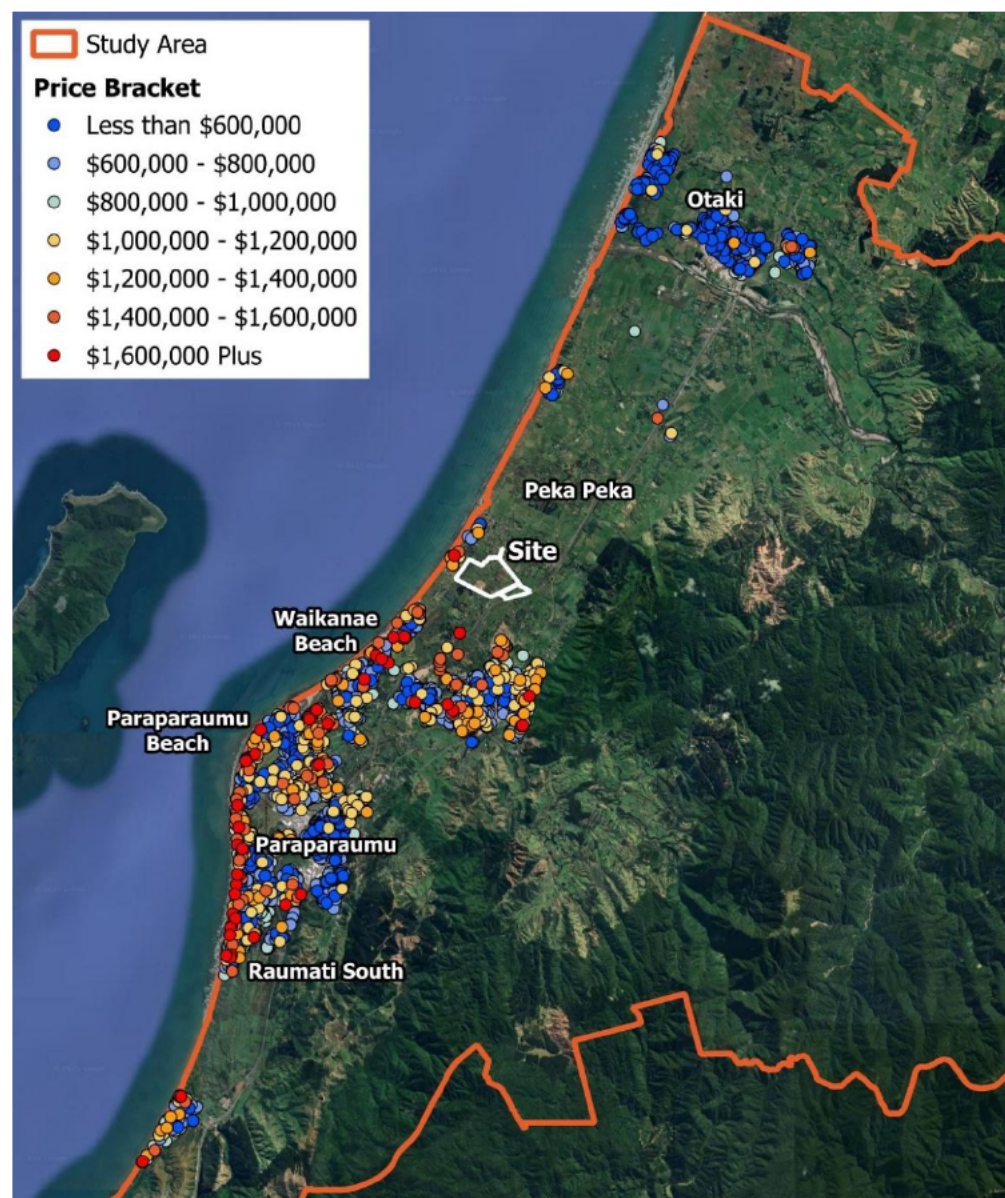
Source: CoreLogic, UE

Figure 7 shows the distribution of dwelling sales by price over the January 2023 - December 2024 period. The highest priced properties are located along the beach/coast, such as in Paekākāriki Beach, Paraparaumu Beach and Waikanae Beach. These properties predominantly achieve prices of above \$1,600,000. Conversely, dwellings sold at the northern end of the district, such as Otaki, generally achieve prices at the lower end of the range, selling for less than \$800,000 on average, with a small number of properties selling for \$800,000 - \$1,200,000.

The proposal site is located in the Peka Peka/Waikanae area, where there have been relatively few recent property sales. However, in general, inland properties in the area display a varied price profile, typically ranging from \$600,000 to \$1,400,000, with a small number of sales exceeding

\$1,400,000. This indicates there is potential for the proposal to support a diverse mix of dwelling types and price points to meet different market needs, from low-priced terrace houses to larger 4-5 bedroom standalone dwellings.

Figure 7:
Study Area Recent Sales by Location January 2023 - December 2024



Source: CoreLogic, LINZ

5.2 Kapiti Coast District Dwelling Demand

Figure 8 summarises the Kapiti Coast District's projected dwelling demand over the short (1-3 years), medium (4-10 years) and long term (11-30 years), as reported in the 2023 Housing and Business Capacity Assessment (HBA). It reflects estimated demand for additional dwellings after applying the National Policy Statement on Urban Development (NPS-UD) buffer of 20% for short and medium-term demand and 15% for the long-term. On an annualised basis, the HBA forecasts annual demand for approximately 516 dwellings in the short term and 655 dwellings in the medium term. This equates to total medium-term (1-10 years) demand of 548 dwellings per annum.

The HBA highlights significant housing affordability challenges in the Kapiti Coast district. It notes that the district has “some of the worst levels of affordable housing and rent regionally and nationally” (page 199) and that “95% of renters are unable to afford to buy a house within the Kapiti district” (page 206). The HBA identifies that approximately 85% of future housing capacity is expected to come from infill and redevelopment. However, infill housing is typically more expensive to deliver than greenfield development and may not effectively address the district’s housing affordability challenges into the future. It should be noted that the HBA does not consider/provide price points in its housing sufficiency analysis.

Figure 8:
Kapiti Coast District 2023 HBA Total Dwelling Demand

Total Dwelling Demand*	Additional Dwellings			
	Short Term (Years 1-3)	Medium Term (Years 4-10)	Long Term (Years 11-30)	Total Short + Medium-Term
Annualised	516	655	421	548
Total	1,549	3,928	8,411	5,477

*Including NPS-UD demand buffer of 20% for short/medium-term and 15% for long-term.

Source: Kapiti Coast District 2023 HBA

5.3 Dwelling Consents by Location

Figure 9 provides a breakdown of the location of new dwellings consented in the study area over the 2015 - 2024 period. It shows that on average, over the 2022 - 2024 period, approximately 49% of all new dwellings consented occurred within infill locations, 43% occurred within new greenfield areas, and 8% occurred within rural areas.

The recent Environment Court decision on Private Plan Change 73³ identified several key areas where the Auckland HBA does not meet the requirements of the NPS-UD. The decision noted that “The Court would question the relevance of such data sets [household and population growth data], if they do not identify and distinguish greenfield-based trends and patterns over time from infill-based trends and patterns over time. In this regard, the practice of averaging household growth data over periods of time can mask relevant detail.”[208]. This is directly relevant to the Kapiti HBA, which does not consider dwelling demand in terms of the infill-greenfield split.

To inform greenfield demand in the study area, the share of recent consents occurring in greenfield locations (43%) is applied to total medium-term dwelling demand, resulting in an estimated annual greenfield demand of approximately **236 dwellings over the short to medium-term**.

In many other urban centres across the country (and historically), greenfield housing typically accounts for 60-70% of demand, reflecting the ability of greenfield developments to provide dwellings at more affordable price points. The lower greenfield share in Kapiti reflects constrained land availability rather than underlying demand preferences. As such, the adopted 43% greenfield demand is considered to be a conservative estimate.

³ Gardon Trust v Auckland Council [2023] NZEnvC 058.

Figure 9:
Study Area New Dwellings Consented by Location (2015 - 2024)

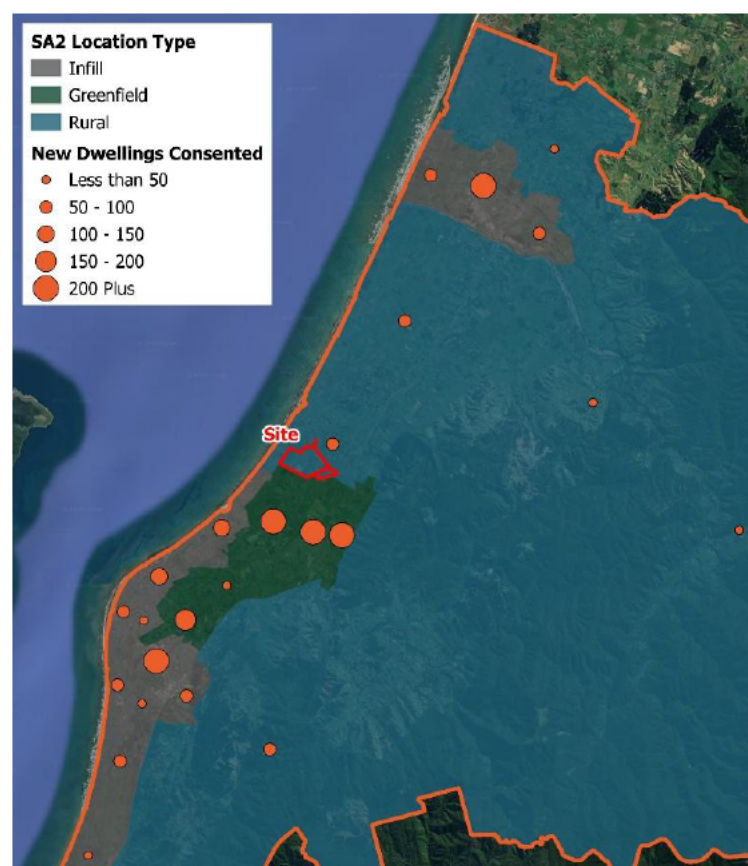
Year	New Dwellings Consented			
	Infill	Greenfield*	Rural**	Total
2015	65	90	30	185
2016	100	110	30	240
2017	125	115	30	270
2018	105	120	30	255
2019	125	75	25	225
2020	100	90	20	210
2021	215	110	35	360
2022	175	70	30	275
2023	205	175	35	415
2024	100	175	10	285
Total	1,315	1,130	275	2,720
3-Yr Average	160	140	25	325
3-Yr Average (%)	49%	43%	8%	100%

*SA2's where residential growth has predominantly occurred through greenfield developments.

**SA2's that are predominantly rural in character.

Source: Statistics NZ, LINZ, UE

Figure 10:
Location of New Dwelling Consents in the Study Area (2015 - 2024)



Source: Statistics NZ, LINZ, UE

5.4 Study Area Greenfield Dwelling Sufficiency

Based on the above, Figure 11 estimates the remaining years of greenfield capacity in the study area. The main points to note are:

- In total, there is estimated to be a fundamental annual greenfield dwelling demand of 236 dwellings including the NPS-UD demand buffer of 20% over the medium term, as informed by the 2023 HBA and recent building consents by location.
- The proposal would increase total medium term capacity to 2,605 dwellings.
- Based on the expected rates of greenfield demand, there is an estimated 6.0 years of greenfield capacity remaining. This is not sufficient to meet the medium-term requirements of Policy 2 of the NPS-UD.
- If the proposed development is approved, the remaining greenfield capacity would increase to 11.1 years and therefore, meeting the short to medium-term capacity in the study area.

Figure 11:
Study Area Estimated Greenfield Dwelling Sufficiency

Greenfield Areas	Total
Annual Demand Dwelling Demand (incl. NPS-UD Demand Buffer)	236
Remaining Medium-Term Capacity (Current + Pipeline Developments)	1,405
Remaining Medium Term Capacity (Current + Pipeline + Proposal)	2,605
Remaining Years of Capacity (Current + Pipeline)	6.0
Remaining Years of Capacity (Current + Pipeline + Proposal)	11.1

Source: Kapiti Coast District 2023 HBA, UE

The 'Wairarapa-Wellington-Horowhenua Future Development Strategy' (FDS) adopts a growth approach that relies mostly on infill and to a lesser extent on new greenfield capacity to meet future housing demand. As shown in Figure 13, since 2020, the annual average house price in the Kapiti Coast District increased from \$657,000 to \$823,000, or by 5% p.a.. This has meant housing has become less affordable which has significant economic and social costs. The proposal is anticipated to supply dwellings to the market at an average price of \$935,000 (ranging from \$750,000 - \$1,000,000 on average). This is approximately \$280,000 - \$370,000 (20-30%) less expensive than the average sale prices of the surrounding key developments in the study area (when like-for-like dwellings, in terms of lot size and GFA, are compared). As such, the proposal is considered to meet the needs of a market segment that is currently underrepresented (e.g. low-middle income households). This demonstrates the proposal's ability to provide comparatively affordable new housing in the Kapiti Coast and the wider region, which has significant economic and social benefits. To this extent, the proposal is considered to meet the purpose of the FTAA and provisions of the NPS-UD relating to housing capacity, and ensure a 'competitive land and development market'.

6. Waikanae Infrastructure Provision

This section provides an overview of planned Council infrastructure investment in Waikanae and outlines how the proposal will connect to and support the delivery of infrastructure within the existing network.

Over the next 10 years, the Kapiti Coast District Council (KCDC) has planned a number of infrastructure upgrades in Waikanae to support future growth. These include over \$50 million in stormwater improvements, a \$24 million upgrade to the Waikanae Water Treatment Plant, and a \$3 million upgrade for the Waikanae River Recharge Bore to improve water supply. These projects are identified in KCDC's 'Infrastructure Strategy 2024-54' and are intended to increase network capacity to accommodate future growth over the short to medium-term. It should be noted that the proposal site has been identified as a funding service area in the KCDC Development Contributions Policy 2024.

The proposal will extend water and wastewater infrastructure in the Waikanae area, supporting local servicing and integration with the existing network. By delivering a significant number of new dwellings, the proposal adds critical mass that supports the timing of planned Council upgrades, such as for example the Waikanae reservoir which is a key asset.

The proposal will deliver a substantial number of new dwellings over the medium-term. This will support a more efficient cost recovery period through increased development contributions and rateable units, improving the financial efficiency of infrastructure delivery and reducing the risk of delayed uptake.

7. Affordability of New Greenfield & Infill Housing

Housing in new greenfield developments is typically able to be brought to the market at lower prices than new infill housing. This is due to greenfield developments offering greater economies of scale for land development and house construction and lower raw land prices.

Figure 12 shows the sale price/m² of GFA of new greenfield and infill dwellings in the study area. Overall, greenfield dwellings are brought to the market for 92% of the price of infill dwellings on a per square metre basis (i.e. greenfield dwellings 8 percentage points more affordable). For example, a house that has a price/m² of \$6,500 in an infill location could be brought to the market at a price of \$5,960 /m² in a greenfield location. The lower cost of greenfield dwellings is a trend seen in other major cities, including Auckland.

In addition, several studies confirm that greenfield housing can be produced at more affordable prices than infill housing. For example, a study completed by Urbis Ltd in 2011 found that greenfield housing was significantly less expensive than infill housing (32% cheaper in Brisbane, 10% cheaper in Adelaide, 5% cheaper in Sydney, 22% cheaper in Melbourne and 32% cheaper in Perth).

Figure 12:
Average Sale Price/m² of New Build Properties Jan 2024 - Dec 2024 (Study Area)

Location Type	Sale Price/m ² GFA			
	Stand Alone	Terrace	Apartment	Average
Greenfield	5,840	7,000	-	5,960
Infill	6,020	7,200	11,060	6,500
Greenfield % Infill	97%	97%	-	92%

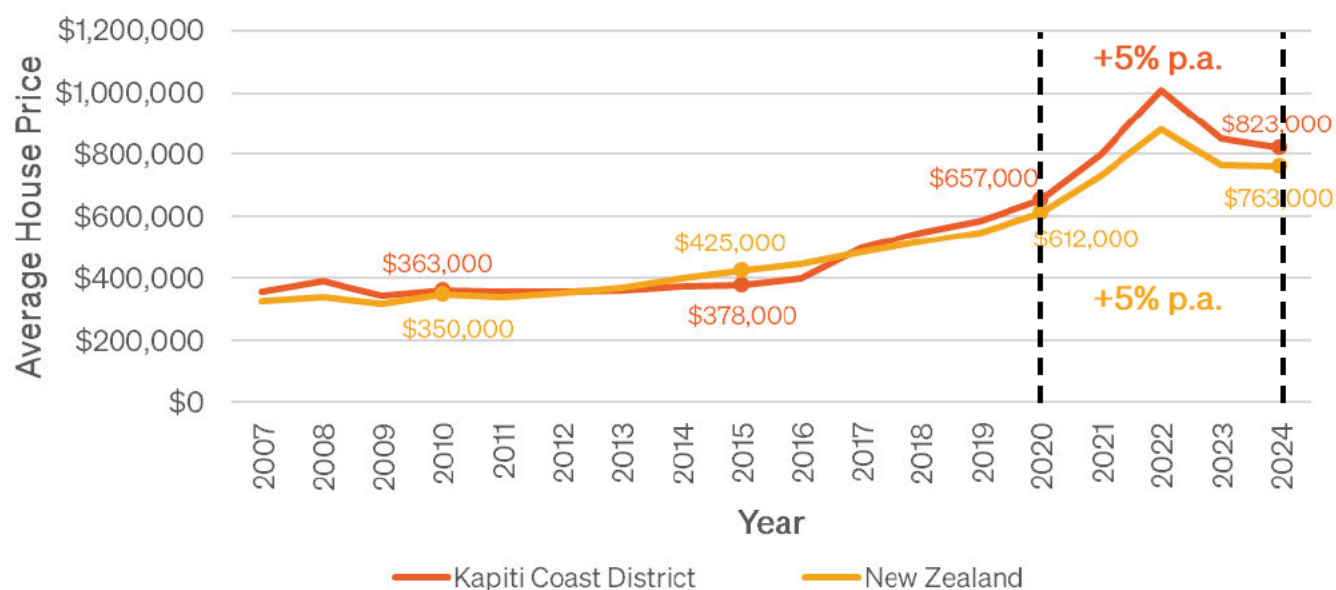
Source: CoreLogic, LINZ, UE

7.1 Kapiti Coast District Average House Price Growth 2007 – 2024

Figure 13 shows that the average house price in the Kapiti Coast District has increased since 2007 and is now approximately \$823,000.

Since 2020, the annual average house price in the Kapiti Coast District increased from \$657,000 to \$823,000, or by 5% p.a.. This aligns with the rate of price growth seen at the national level of 5% p.a. (increase from \$612,000 to \$763,000).

Figure 13:
Kapiti Coast District Average House Price Growth 2007 - 2024



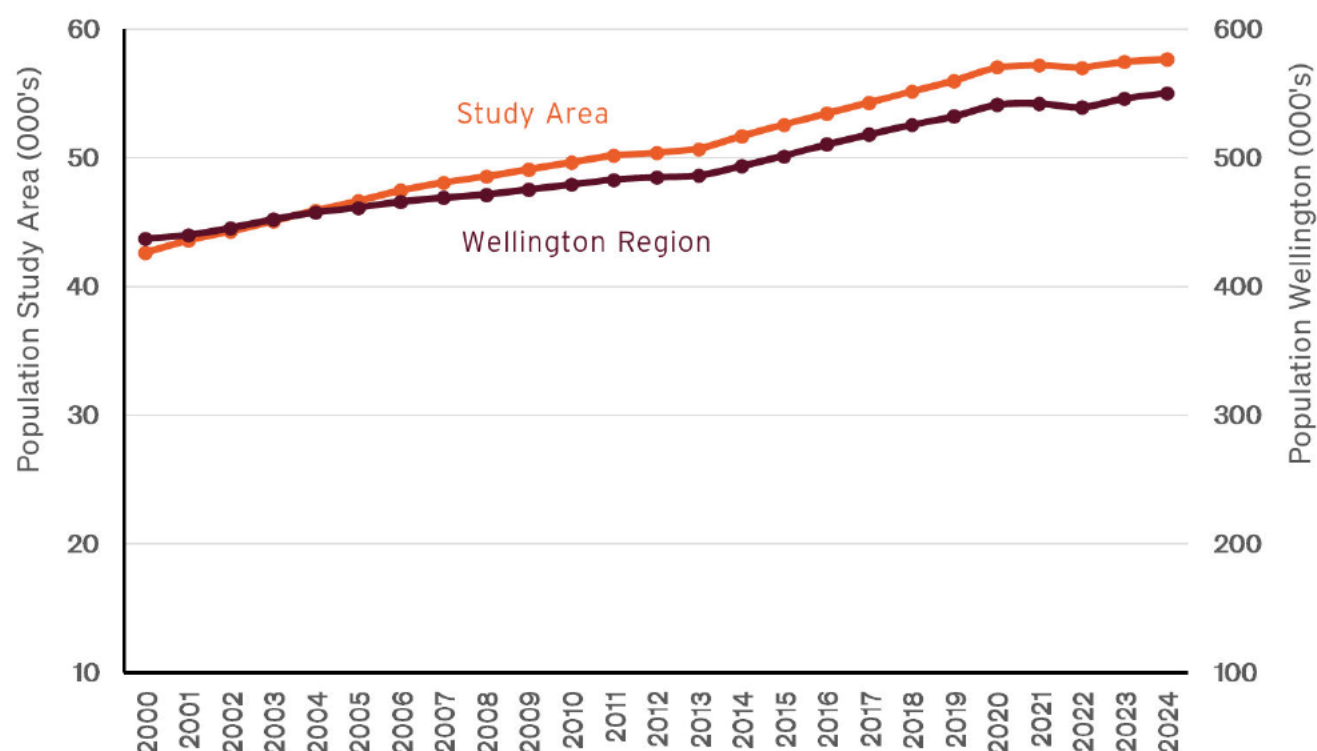
Source: CoreLogic, REINZ

8. Study Area Population Growth

Figure 14 compares the population growth in the Study Area and the Wellington region. The study area's population has grown steadily from 42,700 in 2000 to 57,700 in 2024, representing a net increase of 15,000 people (35%) over this period. Over the same period, the Wellington Region grew from 438,000 to 551,000 (26%). This highlights the relatively strong growth achieved in the study area compared to the rates of growth achieved regionally.

This is a strong indicator of the study area's overall attractiveness as a place to live within the wider region and nationally, suggesting that demand for housing is expected to remain strong.

Figure 14:
Study Area and Wellington Region Population Growth 2000 - 2024



Source: Statistics NZ

9. Access to Employment Nodes & Services

This section evaluates the access to employment for the future residents of the proposed development.

The study area has experienced significant employment growth over the 2015 – 2024 period. As shown in Figure 15, employment over this period has increased by 25%. This is considerably higher than the population growth of 10% over the same period, indicating an increase in the self-sufficiency of the study area, which currently has approximately 0.3 jobs per capita. This is slightly below the regional average of 0.5 jobs per capita, which reflects the large employment within the CBD, the peripheral location within the region and the high number of retiree households within the population.

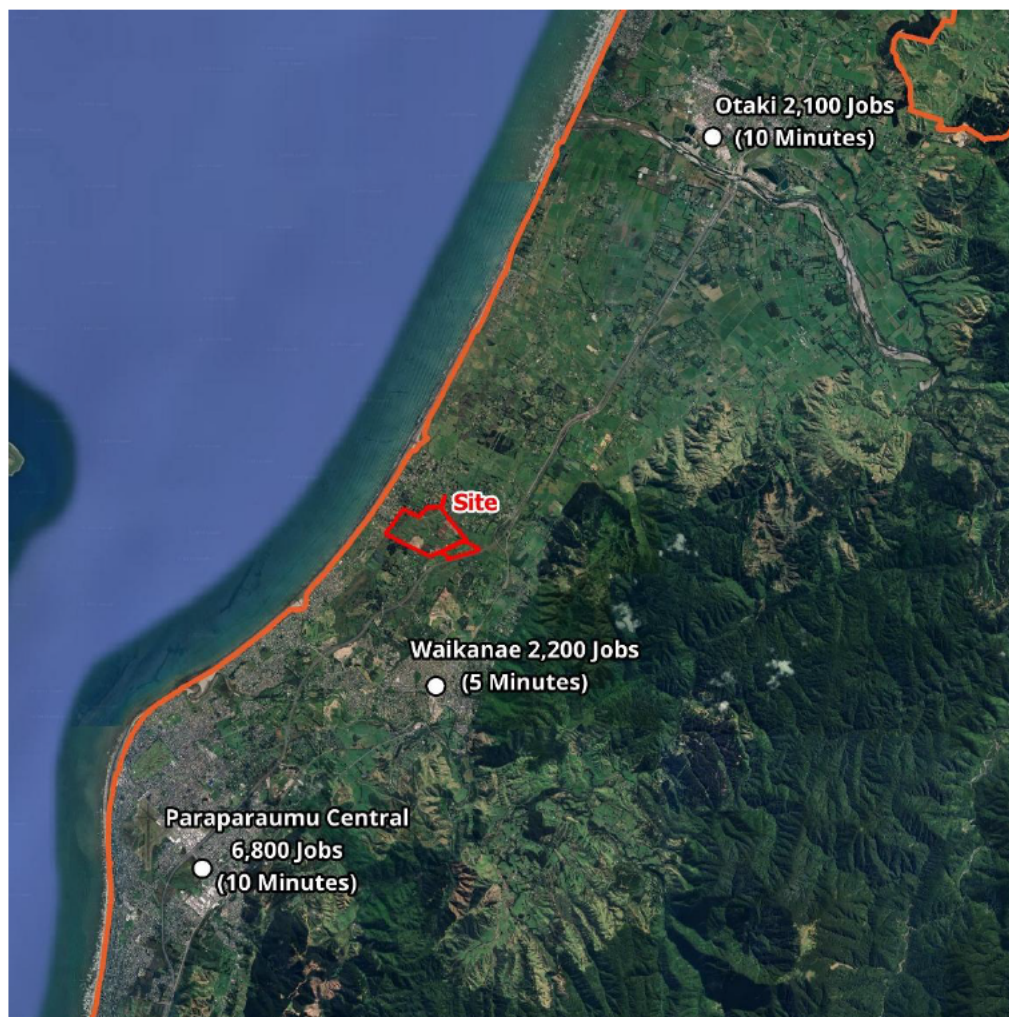
Figure 15:
Study Area Employment and Population Growth (2015 - 2024)

Study Area	2015	2024	Growth (2015-2024)	
			Nominal	%
Employment	12,450	15,535	3,085	25%
Population	52,600	57,700	5,100	10%

Source: Statistics NZ, UE

Figure 16 demonstrates that there is significant employment in close proximity to the proposal site, with future residents having access to more than 11,000 jobs within a 20-minute drive time. This includes the major employment nodes of Paraparaumu central, the Otaki industrial area and town centre, and the Waikanae industrial area and town centre.

Figure 16:
Employment Within a 20-Minute Drivetime



Source: Statistics NZ

10. Economic Contribution to GDP & Employment

This section assesses the impact of the project and the proposed shift to urban use on employment and GDP. This assessment confirms that the proposal will “deliver significant economic benefits” for the Wellington region and the study area and is consistent with the economic requirements of the Fast-track Approvals Act.

10.1 Employment & GDP Contribution from Construction

The national 'value-added per employee' for each sector has been used to estimate the full-time equivalent (FTE) employment for the proposal. This methodology includes both direct and indirect impacts of the proposal.

Figure 17 outlines the FTEs and value-added to the construction sector GDP that the proposal would generate. It is estimated that the development of the site would support/generate approximately 1,600 FTE jobs and contribute \$261.2 million to the construction sector's GDP.

The employment number can be interpreted as the number of FTE jobs created on an annual basis, i.e. if construction takes 10 years and is split evenly between the years then approximately 160 FTE jobs would be supported in each year.

Figure 17:
Value-Added GDP & FTE Employee Estimates

Development Component	Count	Value (\$M)	Value Added GDP (\$M)	FTE Employees
Residential - Standard Density (Premium)	135	\$125.7	\$36.3	220
Residential - Standard Density	828	\$616.0	\$177.8	1,090
Residential - Medium Density	201	\$132.0	\$38.1	230
Residential - High Density	35	\$21.2	\$6.1	40
Residential Total	1,200	\$894.9	\$258.4	1,580
Commercial Total	3,500m²	\$9.8	\$2.8	20
Project Total	-	\$904.7	\$261.2	1,600

Source: UE, Statistics NZ

Figure 18 compares the economic impact of the existing use (the 'Base Case' scenario) and the proposal. The Base Case value is derived from the average capital value per hectare of approximately \$14,500 (excluding homesteads) from the Taranaki-Manawātū Class 3 land Beef and Lamb Survey, reflecting beef and sheep farming as the most likely productive use for the site⁴. An additional \$500,000 has been added to reflect the ability for residential occupation on the site. With a site size of approximately 139 hectares, this equates to a total economic value of approximately \$2.5 million.

The Base Case scenario evaluates the economic value of the existing rural activity. The existing use is estimated to contribute approximately \$1.0 million to GDP and support approximately 10 FTE jobs.

The proposal would supply approximately 1,200 dwellings and 3,500m² of retail, which would contribute an estimated \$261.2 million to GDP and support 1,600 FTE jobs.

Overall, the proposal would result in a net additional contribution of \$260.2 million to GDP and support 1,590 additional FTEs, when compared to the Base Case.

⁴ As concluded in the Soil and Land Use Assessment prepared by AgFirst, April 2025.

Figure 18:
GDP and FTE Comparison Base Case vs The Proposal

Scenario	Value (\$M)	Value Added GDP (\$M)	FTE Employees
The Proposal	\$904.7	\$261.2	1,600
Rural Base Case	\$2.5	\$1.0	10
Net Benefit	\$902.2	\$260.2	1,590

Source: UE, CoreLogic, Statistics NZ

Figure 19 shows the estimated national 'value-added per FTE employee'. These figures are used to estimate the FTE employees created by the construction of the proposal.

Figure 19:
Industry GDP and Value Added per Employee

Sector	Value Added GDP (\$M)	FTE Workers	Value Added GDP Per Employee
Construction	\$29,159	179,300	\$163,000
Agriculture	\$13,252	78,900	\$168,000

Source: Statistics NZ

10.2 Flow-on Effect of the Proposal on the Primary Industries

The contribution of the proposal to GDP and FTE employment is estimated using the value-added approach⁵. This is further refined to estimate the direct and indirect contributions to GDP based on an evaluation of the interrelationship between different sectors of the economy (using input-output tables sourced from Statistics NZ), with a particular focus on the proposal's impact on primary industries.

Figure 20 outlines the value-added GDP and breaks this down into direct and indirect impacts and FTE employment. Some of the key points to note are:

- The proposal's direct impact on the construction sector is estimated to be \$122.7 million in GDP and will support approximately 750 FTE jobs. This includes building construction and related services.
- The indirect (flow-on) impact of the construction of the development on primary industries is estimated to be \$58.0 million in GDP and will support approximately 355 FTE jobs. This includes, for example, jobs in the 'Agriculture, forestry and logging' sector resulting from the purchasing of raw materials to construct the proposed dwellings (e.g. timber).

⁵The value added of an industry, also referred to as gross domestic product (GDP)-by-industry, is the contribution of a private industry or government sector to overall GDP. The components of value added consist of compensation of employees, taxes on production and imports less subsidies, and gross operating surplus. Value added equals the difference between an industry's gross output (consisting of sales or receipts and other operating income, commodity taxes, and inventory change) and the cost of its intermediate inputs (including energy, raw materials, semi-finished goods, and services that are purchased from all sources).

Figure 20:
Economic Impact of The Proposal on Primary Industries

Impact	Sector	Multiplier	Project Value (\$M)	GDP (\$M)	FTE
Direct	Construction	1.00	\$425.1	\$122.7	750
Indirect	Primary	0.47	\$201.0	\$58.0	355
	Other	0.66	\$278.7	\$80.5	495
Total Impact	-	2.13	\$904.7	\$261.2	1,600

Source: Statistics NZ, UE

10.3 Employment & GDP Generation from Ongoing Expenditure

Figure 21 shows the estimated national 'value-added per FTE employee'. These value-added per employee figures are used to estimate the FTE employees created from the ongoing household expenditure from future residents of the proposed development and spend at the proposed retail centre. The sectors that have been included contribute approximately \$26 billion to national GDP and employ approximately 268,000 FTEs. This results in a value-added of \$97,000 per employee.

Figure 21:
Industry GDP and Value-added per Employee

Sector	Value Added GDP (\$M)	FTE Workers	Value Added GDP Per Employee
Retail Trade	17,400	166,000	\$105,000
Accommodation and Food Services	8,600	102,000	\$84,000
Total	26,000	268,000	\$97,000

Source: Statistics NZ

Figure 22 outlines the national retail sector GFA and total retail sector contribution to GDP. In total, there are approximately 13.2 million m² of retail GFA across NZ and a total retail sector contribution to GDP of \$26 billion. This equates to a total retail sector contribution to GDP of \$1,970/m². When this rate is applied to the proposed 3,500m² retail centre this equates to a total contribution of \$6.9 million to GDP p.a..

Figure 22:
Retail Sector GDP Contribution per GFA (m²)

Retail Sector	Total
GFA Total (m ²)	13,180,000
Total GDP Contribution (\$m)	\$26,000
GDP Contribution/GFA	\$1,970
Proposed Retail GFA (m ²)	3,500
Estimated GDP Contribution (\$m)	\$6.9

Source: Statistics NZ, Property Council NZ, Data Insight, UE

Figure 23 provides an estimate of the ongoing household expenditure expected upon completion of the proposal (i.e. 2036). The main points to note are:

- Upon completion, the average household expenditure is forecast to be approximately \$45,100 per annum. This generates a value-added contribution to GDP of approximately \$24,200 per annum.
- The total ongoing household expenditure from the residents is estimated to be approximately \$54.1 million per annum. This generates a value-added contribution to GDP of approximately \$29.0 million per annum, supporting approximately 255 FTE jobs (based on a value-added per employee ratio of \$113,000).

Figure 23:
Employment & GDP Generation from Ongoing Household Expenditure

Ongoing Household Expenditure	Number of Households	Average HH Spend (\$p.a.)*	Value Added GDP (p.a.)	HH Expenditure Per Annum (\$M)	Value Added GDP Per Annum (\$M)	FTE Employees (p.a.)
Proposal	1,200	\$45,100	\$24,200	\$54.1	\$29.0	255

Source: UE, Statistics NZ

*Upon completion of proposed development (approximately 2036).

11. Market Positioning Analysis

This section provides an analysis of the market positioning of other key developments within the study area in terms of price, lot size and dwelling type. This is to determine whether the proposal would add additional supply to the market, that would not otherwise be available.

Figure 24 provides a summary of dwelling sales by price, type, lot size and floor area in these key developments over their recent sales. The main points to note are:

- During this period, Manu Park achieved an average sale price of \$1,305,000, Otaki Gardens achieved an average sale price of \$800,000 and Anderson Park achieved an average sale price of \$1,215,000.
- Otaki Gardens is relatively more affordable, where 100% of their sales occurred below \$1,000,000. Conversely, Manu Park and Anderson Park are significantly more expensive, where 100% and 70% of sales occurred over \$1,000,000, respectively.
- During this period, Manu Park supplied the largest product across the developments assessed, with average floor areas of 225m² and section sizes of 900m².
- By comparison, Otaki Gardens and Anderson Park provided slightly smaller product, with average floor areas of 145m² and 200m² respectively, and section sizes of 520m² and 610m².
- It should be noted that the key developments have supplied only stand alone dwellings, with no terrace/apartment typologies provided.

Figure 24:
Key Development Benchmark Summary Table (Recent Sales)

Manu Park	Stand Alone	Terrace	Total
Average Sale Price	\$1,305,000	-	\$1,305,000
Average Lot Size (m ²)	900	-	900
Average Floor Area (m ²)	225	-	225
% Sold Below \$1m	0%	-	0%
% Sold Above \$1m	100%	-	100%
Otaki Gardens	Stand Alone	Terrace	Total
Average Sale Price	\$800,000	-	\$800,000
Average Lot Size (m ²)	520	-	520
Average Floor Area (m ²)	145	-	145
% Sold Below \$1m	100%	-	100%
% Sold Above \$1m	0%	-	0%
Anderson Park	Stand Alone	Terrace	Total
Average Sale Price	\$1,215,000	-	\$1,215,000
Average Lot Size (m ²)	610	-	610
Average Floor Area (m ²)	200	-	200
% Sold Below \$1m	20%	-	20%
% Sold Above \$1m	80%	-	80%

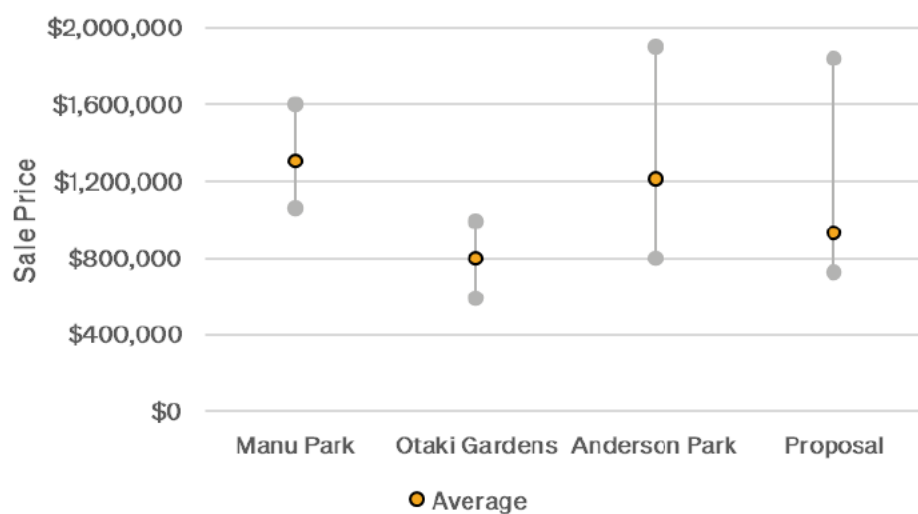
Source: CoreLogic

Figure 25 provides a comparison of the price composition of the key developments over their recent sales against the proposed development.

As shown, the proposal is anticipated to supply new dwellings at the lower end of the new-build market, in terms of price, when compared against the surrounding key developments. As such, the proposal is considered to meet the needs of a market segment that is currently underrepresented (e.g. housing for low-middle income households). This confirms the proposed development will offer economic benefits relating to the type and price of dwellings available in the market and would reflect a net addition to current supply (i.e. supply that would not otherwise occur overall).

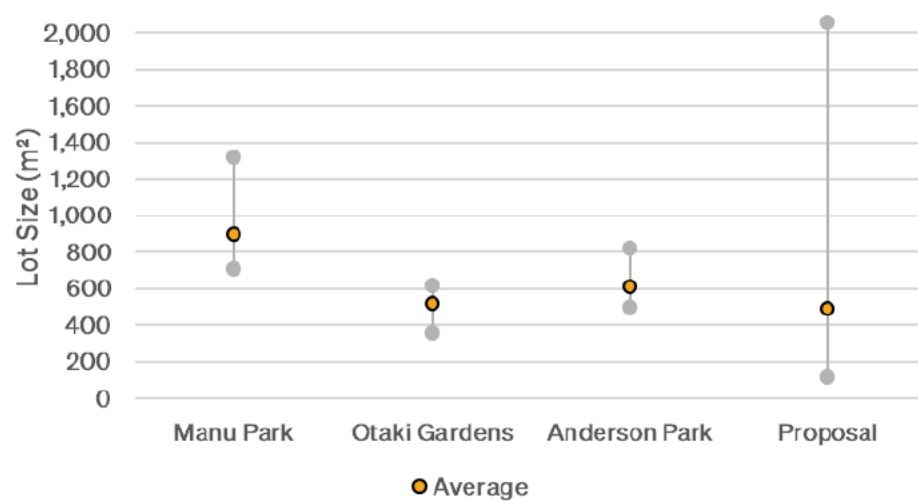
The proposal offers a broad range of lot sizes when compared to surrounding key developments, from approximately 120m² to 2,060m². This diversity of lot sizes enables a variety of dwelling types, including smaller, more affordable homes. While some of the larger sections may be partially constrained, the overall range supports greater housing choice and flexibility in meeting different market segments.

Figure 25:
Key Development Price Range



Source: CoreLogic

Figure 26:
Key Developments Lot Size Range (m²)



Source: CoreLogic

12. Fast-track Approvals Act Economic Considerations

This section assesses the proposal against the relevant economic matters related to regional or national significance in the Fast-track Approvals Act.

The relevant section for an economic analysis is outlined as follows.

Section 3: *“The purpose of this Act is to facilitate the delivery of infrastructure and development projects with significant regional or national benefits.”*

The following sections may provide some guidance on how to determine significant regional or national economic benefits.

Section 22(1): “The criteria for accepting a referral application are that-

(a) the project is an infrastructure or development project that would have significant regional or national benefits...”

Section 22(2): “For the purposed of subsection (1)(a), the minister may consider-

(a) whether the project-

...

(iii) will increase the supply of housing, address housing needs, or contribute to a well-functioning urban environment (within the meaning of policy 1 of the National Policy Statement on Urban Development 2020)

(iv) will deliver significant economic benefits

(v) will support primary industries, including aquaculture:

Each of the subsections outlined above are addressed below.

Section 22(2)(a)(iii): Housing Supply and Contribution towards Well-Functioning Urban Environment

The proposal would make a significant contribution to the supply of housing and contribute towards a well-functioning urban environment. The reasons for this are summarised below.

Policy 1 of the National Policy Statement on Urban Development (NPS-UD) reads as follows:

Policy 1: *“Planning decisions contribute to well-functioning urban environments, which are urban environments that, as a minimum:*

(a) have or enable a variety of homes that:

(i) meet the needs, in terms of type, price, and location, of different households...

(c) have good accessibility for all people between housing, jobs, community services, natural spaces, and open spaces, including by way of public or active transport; and

(d) support, and limit as much as possible adverse impacts on, the competitive operation of land and development markets;”

The proposal would make a substantial contribution to the operation of the greenfield residential land and development market within the study area, which is currently undersupplied relative to future demand.

Currently there is approximately 6.0 years of greenfield dwelling capacity remaining in the study area. This is not sufficient to meet the medium-term requirements of Policy 2 of the NPS-UD, which states that:

“Tier 1, 2, and 3 local authorities, at all times, provide at least sufficient development capacity to meet expected demand for housing and for business land over the short term, medium term, and long term.”

The proposal would increase greenfield capacity to an estimated 11.1 years, meeting the medium-term capacity requirements of the study area.

The proposal is considered to meet Section 22(2)(a)(iii) of the Fast-track Approvals Act.

Section 22(2)(a)(iv): Significant Economic Benefits

This proposal is estimated to contribute \$261.2 million to GDP and support 1,600 FTE jobs. This is considered to be a significant economic benefit.

The proposal would supply a significant number of new dwellings to a supply constrained market, ensuring there is sufficient housing to meet demand, and that housing becomes more affordable over time.

The proposed project is therefore considered to meet Section 22(2)(a)(iv) of the Fast-track Approvals Act.

Section 22(2)(a)(v): Contribution towards Supporting Primary Industries

The proposal is estimated to result in a total contribution to primary sector GDP of \$58.0 million, which would support an estimated 355 FTE jobs. This is considered to be a significant contribution to primary sector industries.

The proposal is considered to meet Section 22(2)(a)(v) of the Fast-track Approvals Act.

In conclusion, the proposal is considered to meet Section 3 of the Fast-track Approvals Act as it offers significant regional benefits, including a significant contribution to GDP, significant additional employment opportunities and supports a well-functioning urban environment, by providing a large quantity of relatively affordable housing in a market that has faced ongoing house price increases.

13. Conclusion

The proposal would result in significant economic benefits to the Kapiti Coast District and the wider Wellington region. In particular it would:

- contribute approximately 1,200 additional dwellings to a supply constrained market,
- provide affordable dwellings and put downward pressure on housing prices generally,
- provide a local centre designed to serve onsite and nearby residents, acting as a social focal point for residents and enhancing local amenity through walkable access to high-quality commercial and community uses,
- support net additional construction sector GDP and employment, of \$261.2 million and 1,600 FTE jobs, and
- enable ongoing population growth, leading to significant net additional GDP and employment, of \$35.9 million and 326 FTE jobs.

The proposal is considered to meet the economic requirements of the Fast-track Approvals Act and is recommended for approval.



Memorandum

To: Waikanae North Developments Ltd

From: Adam Thompson

Date: 18 December 2025

Re: Waikanae North Fast Track Response to Economic Peer Review (16 October 2025)

This memorandum provides a brief response to the Waikanae North Fast Track Economic Peer Review (the “peer review”) prepared by Mr Derek Foy and Mr Michael Gordon of Formative (the “authors”) dated 16 October 2025. The peer review outlines five key conclusions (page 17). Each of these are addressed.

Legal Opinion of Mr Bal Matheson KC Regarding the Scope of an Economic Assessment

I have reviewed the legal opinion on the scope of an economic assessment for an application under the FTAA, provided by Mr Bal Matheson KC (dated 12 November 2025). His concluding paragraph [28] provides a useful summary, from which I understand that an assessment of the economic benefits of a project should include:

- An assessment of the costs and benefits relating to the delivery of the proposed project, however not extending to the relative costs and benefits of other housing options or locations (e.g. existing residential zoned land).
- An assessment of whether the proposed housing would result in a net addition to the regional housing stock, i.e. whether it would be additive or redistributive.
- An assessment of any related infrastructure benefits from the proposed housing.
- An assessment of any related employment benefits from the proposed housing.
- Consideration of relevant factual context, including the relevant housing market, in this case Kapiti District.

My initial assessment, and the further assessment in this memo, address the economic matters identified by Mr Matheson KC.

I note the Formative review has suggested that the proposed housing development needs to be weighed up against other housing locations and options, specifically other zoned greenfield and infill capacity identified in the HBA. This matter is addressed by the opinion provided by Mr Matheson and appears to be a fundamental point of disagreement between ourselves and the Formative review regarding the proper scope of an economic assessment in the context of the FTAA.

Housing Capacity

With regard to housing capacity the authors conclude:

“Residential capacity is materially understated, because significant capacity that meets the NPS-UD criteria of development capacity is excluded from the Assessment, including smaller greenfield developments, ‘unconsented’ (but plan-enabled) capacity, and infill capacity (which constitutes a very large proportion of future capacity in Kāpiti). (page 17)

The peer review authors conclusions that some areas of development capacity have been excluded is incorrect. UE has approached development capacity in terms of the infill-greenfield split. This is typically required to understand supply and demand, particularly when preparing a Future Development Strategy or reviewing a District Plan. Each needs to be assessed separately as supply is needed to meet demand for each.

The Kapiti Coast HBA does not identify the infill-greenfield demand split, rather it reports on demand purely based on a distinction between stand-alone and joined housing. In the absence of this information, the UE assessment includes an estimate of the infill-greenfield demand split. UE has reviewed the historical trends and patterns and has determined that 43% of historical growth has been greenfield and 49% has been infill, with the remaining 8% being rural. As such, it is considered reasonable to conclude that 43% of future demand will be in greenfield locations. This approach is supported by a recent Environment Court decision:

“The Court would question the relevance of such data sets [household and population growth data], if they do not identify and distinguish greenfield-based trends and patterns over time from infill-based trends and patterns over time. In this regard, the practice of averaging household growth data over periods of time can mask relevant detail.” [208, Gardon Trust v Auckland Council [2023] NZEnvC 058. Gardon Trust v Auckland Council [2023] NZEnvC 058, emphasis added].

For this reason, the UE approach, of estimating the infill-greenfield demand split, and subsequently the housing capacity requirements, is considered appropriate.

UE does not agree with the authors’ suggestion that infill capacity is available to make up any greenfield shortfall. The need to separately assess these is particularly important when the current rate of infill development, at 49%, is already relatively high. This is equally true to the Future Development Strategy which seeks to provide for housing growth to be primarily delivered through infill and redevelopment.

With regard to smaller greenfield developments, due to their scale, these are accounted for in the infill capacity assessment, as is commonly the case.

Housing Sufficiency

With regard to housing sufficiency the authors conclude:

Demand/sufficiency results are sensitive to assumptions, and the assumptions made tend to overstate demand, understate supply, and therefore indicate a future insufficiency of residential dwelling capacity arising in the medium-term. We consider that the HBA provides more reasonable assumptions, and under those assumptions there is a very large amount of residential land supply, and no insufficiency in the NPS-UD long-term (or short-medium term).” (page 17)



The authors' essential conclusion is that they prefer the HBA¹ estimates of sufficiency and consider the proposal would not have a significant benefit because there is already a large quantity of housing enabled elsewhere.

UE does not agree with this approach for several reasons. The purpose of the FTAA is to facilitate delivery of projects with 'significant regional or national benefits'. The project is a listed project, so it can and should be assumed it has such benefits. For a listed project the question for a decision maker is whether there are 'adverse impacts' that are 'out of proportion' to the benefits of the project (s 85(3)(b)). The FTAA does not explicitly require consideration of the proposal against other growth options or locations, such as other infill or greenfield locations, as suggested by the authors, rather the FTAA simply requires the benefits of a project to exceed any adverse impacts. By contrast, in a plan change context, the RMA requires a broader assessment, including appropriate consideration of other growth options or locations for a plan change (s32(1)(b)).

The authors rely on the HBA, however this research has been prepared by another firm. It includes a range of data, calculations and assumptions that are not fully available for peer review. As such, UE considers only limited weight should be placed on the HBA.

The HBA does not consider the price of housing that is in demand and able to be supplied. This is a significant oversight, as the economic law of supply and demand states that supply and demand is a function of quantity and price, i.e. if prices are lower demand increases, and vice versa. I note that notwithstanding the analytical shortcomings of the HBA, it reaches the general conclusion that Kapiti Coast has "*...an ongoing mismatch of market housing against local demand, limiting choices, affordability and ability to meet the needs of the community*" (page 228, Section 5.5, Wairarapa-Wellington Horowhenua Region – Housing and Business Development Capacity Assessment – August 2023).

If the proposed development increases total supply it will place downward pressure on prices, which in turn will address the affordability issues identified in the HBA. UE has completed a quantitative assessment to determine the extent to which greenfield development is additive or substitutive (or redistributive) in the Wellington Region. This informs the extent to which the proposed development will increase the total supply of new dwellings in the district, which in turn results in net additional benefits to the Wellington Region. The full 'additive or redistributive' analysis is provided in Appendix 1 of this memorandum.

The 'additive or redistributive' analysis shows that greenfield dwelling uptake in the Wellington Region is associated with a 'more than additive' increase in total dwelling uptake, to a factor of 1.76. This means that on average, an additional 100 greenfield dwellings are associated with a net additional 176 dwellings in the Wellington region (i.e. an additional 76 infill dwellings over and above the 100 greenfield dwellings). Applied to the proposed Waikanae North development (1,200 dwellings), this equates to an estimated 2,110 additional dwellings across the region. This represents a material contribution to easing housing pressures and indicates that a new greenfield development is demonstrably additive rather than redistributive, and will increase total growth, i.e. leads to additional growth rather than spreading existing growth more thinly.

The results of this are consistent with the findings of the research undertaken by Grimes and Aitken, cited in the Reserve Bank of New Zealand's Analytical Note 2022² which provides empirical estimates of the price

¹ Chapter 5 Wairarapa-Wellington Horowhenua Region - Housing and Business Development Capacity Assessment – August 2023, Property Economics

² Housing Supply, House Prices, and Monetary Policy - AN2022/08



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 districts. Kapiti Coast is classified as having an estimated supply elasticity of around 0.0833. This places Kapiti Coast in the middle-upper range nationally, slightly below other main urban centres like Tauranga (0.138), Hamilton (0.118) and Wellington City (0.103) which are considered highly elastic/responsive in the New Zealand context.

The implication is that Kapiti Coast has a 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 rather than displaced. In this regard, a new greenfield development induces additional demand, or more specifically, allows latent demand to be partly or fully realised. As such, the proposed development would represent a net addition to the Kapiti Coast housing market and allow unmet demand across the region to be more effectively addressed. This is a significant economic benefit.

The greenfield capacity presented in the UE report is considered a reasonable estimate of short to early medium-term capacity (circa 3-5 years) that is reasonably expected to be realised. UE focused on the 3-5 years capacity, in terms of consented and planned developments, as this provides a reliable basis for estimating the number of developments operating in the market over this period. While additional projects may start over this period, it is not certain that there will be other developments, and the purpose of the FTAA is to facilitate delivery of development, which is firmly at odds with the author's assumption that these houses would otherwise occur elsewhere, in the locations identified in the HBA.

Infrastructure

With regard to housing infrastructure the authors conclude:

"Infrastructure analysis in the Economic Assessment is very high-level and does not recognise the fact that the proposed development will generate the need for new additional infrastructure to service the development, rather than contributing to efficient cost-recovery through development contributions and rates. In our opinion no increased efficiency is demonstrated from the information provided."
(page 17)

As identified in the UE report, the proposal site is located within an infrastructure funding service area (Kapiti Coast District Development Contributions Policy 2024, page 49–62³). This suggests that the site is anticipated to accommodate housing growth within the Waikanae infrastructure catchment area and that growth-related infrastructure costs have been accounted for through the Council's development contributions framework. More generally, the development would contribute to more efficient infrastructure cost recovery, as it would increase the rate of growth and new connections fees (a net addition of 2,110 dwellings based on the 'additive or redistributive' analysis). Further, any additional infrastructure costs are recoverable under the Local Government Act.

³ <https://www.kapiticoast.govt.nz/media/qusjrj1e/development-contributions-policy-2024-2.pdf>



Housing Affordability

With regard to housing affordability the authors conclude:

“Affordability analysis is partial and excludes consideration of household incomes and total living costs (such as travel), and the claimed affordability benefits are uncertain given the range of sales prices in the area.” (page 17)

The authors claim that the affordability benefits of the proposal are uncertain given the range of sales prices in the area. UE considers the proposed development would make a significant contribution towards increasing competition between developments and therefore promote more competitive pricing in the surrounding area. This is consistent with the law of supply which states that increased supply places downward pressure on price. In turn lower prices result in increased demand.

Objective 2 of the NPS-UD seeks to “...improve housing affordability by supporting competitive land and development markets” (page 10). By introducing additional greenfield supply, the development increases competition and contributes towards more affordable pricing. In competitive housing markets, prices tend towards the fundamental cost of production, and as such, improve housing affordability.

The UE assessment finds that the proposal, and new greenfield dwellings in general, typically sell for around 92% of the price per square metre of new infill dwellings. This places downward pressure on prices.

Overall, the proposed development represents a significant addition to the Kapiti Coast housing market over the medium-term, by increasing market competition and supply, thereby placing downward pressure on house prices and helping to alleviate the future housing affordability pressures identified in the HBA.

Economic Impact

With regard to the economic impact the authors conclude:

“Economic impacts are presented as gross, not net. The IO approach does not address the displacement/transfer of construction and spending from other district projects; multipliers appear national while benefits are claimed for the district/region; phasing and discounting of benefits over build-out are absent; and no cost–benefit analysis is provided to weigh benefits against infrastructure and external costs. The EIA provided does not provide a reliable basis from which to draw conclusions about the economic significance of the proposed development.” (Page 17)

As concluded in the Wellington Region Greenfield Development Additive vs Redistributive Demand Analysis (Appendix 1), large greenfield developments in the Wellington Region are additive rather than redistributive. Therefore, the construction of the proposed development is considered to result in a net addition to the regional construction sector, beyond the development itself (the UE report adopts a conservative 100% additive rate, however the estimated rate is 176%).

Most of the labour and materials required for the construction of the development are expected to be sourced locally, and as such the project represents a net addition to regional construction activity. Notwithstanding, the purpose of the FTAA is to facilitate the delivery of developments with significant regional or national benefits, and any benefits that accrue nationally are equally relevant.

The legal opinion from Mr Matheson considers that the position taken by the peer review regarding the displacement or transfer of construction activity and associated spending from other projects is flawed. The purpose is to assess the benefits resulting from the delivery of this project. The approach taken by the peer-review, as noted by Mr Matheson, would lead to a conclusion that no project could demonstrate employment benefits as there would always be another project with which it can be contrasted.

The review authors consider that the *“assessment’s most significant limitation is its focus on gross economic impacts without adequately accounting for costs and opportunity costs”* (page 13), and that *“without analysis of these substitution effects, we cannot determine how much of the cited economic activity represents true net additions versus activity shifted from one location to another”* (page 13). As mentioned previously, the test established by the FTAA is to first determine whether there are ‘significant regional or national benefits’ (s 3) and whether there are ‘adverse impacts’ that are ‘out of proportion’ with those benefits (s 85(3)(b)). The provisions do not explicitly require consideration of the proposal against other growth options or locations, such as infill or other greenfield locations, as suggested by the authors, rather simply require the benefits to exceed any adverse impacts. By contrast, the RMA requires a broader assessment, including consideration of other growth options or locations for a plan change (s32(1)(b)). In addition, the proposal is estimated to be 176% additive, and the analysis finds that it does not ‘shift activity from one location to another’.

Conclusion

Having reviewed the comments from the Formative authors, and based on the additional analysis and commentary in this memo, I continue to hold the opinion that the proposal would have benefits that significantly exceed the costs. Regarding the matters covered in this memo, these include:

Benefits:

- New greenfield developments are estimated to be 176% additive. The proposed development would therefore not only result in a net addition of the proposed 1,200 dwellings, it would in turn act as a catalyst for a further 910 dwellings, resulting in a total net addition of 2,110 additional dwellings across the region.
- Because the proposed development would increase the total housing stock, all associated GDP and employment benefits are a net addition to the regional economy. The economic impacts are larger than estimated, given the project would catalyse additional development and growth in the region.
- The project would also result in additional funding being available to support the efficient cost recovery of infrastructure.
- The project would contribute to the housing affordability by supporting a ‘competitive land and development market’ which would place downward pressure on housing prices, improving affordability (the economic law of supply and demand).

Costs:

- The only cost presented by the proposal relates to the loss of rural production on the land, which has a nominal economic cost when compared to the benefits.



Appendix 1: Wellington Region Greenfield Development Additive vs Redistributive Demand Analysis

The following assessment provides a quantitative assessment to determine whether greenfield development is additive or substitutive (i.e. redistributive) in the Wellington Region. This informs whether the proposed development would result in net additional benefits to the Wellington Region.

Methodology

A 'Statistical Area 2' (SA2) dataset of annual dwelling building consents from 2010 - 2024 (excluding COVID-19 period) was prepared for the Wellington region. This was disaggregated into greenfield (GF) and infill (IF) locations. Appendix 2 provides a map highlighting these 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 inferred as:

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

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 ($\Delta Total / \Delta GF$) were calculated as a separate diagnostic check, allowing consistency to be assessed across individual years.

Results

The analysis shows that greenfield dwelling uptake in the Wellington Region 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 the Wellington Region. The statistical results and key interpretations are as follows:



Estimated additivity factor = 1.76

$R^2 = 0.65$ (strong explanatory power - i.e. 65% explanatory power)

This means that on average, an additional 100 greenfield dwellings are associated with a net additional 176 dwellings in the Wellington region (i.e. an additional 76 infill dwellings over and above the 100 greenfield dwellings).

Applied to the Waikanae North residential development of 1,200 dwellings, this equates to an estimated 2,110 additional total dwellings in the region (i.e. the 1,200 dwellings in the development would result in a 176% increase in the total dwellings supplied and demanded in the region: $1,200 \times 176\% = 2,110$ 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 Kapiti Coast District

Research by Grimes and Aitken, cited in the Reserve Bank of New Zealand's Analytical Note 2022⁴ 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. Kapiti Coast is classified as having an estimated supply elasticity of around 0.0833. This places Kapiti Coast in the middle-upper range nationally, slightly below other main urban centres like Tauranga (0.138), Hamilton (0.118) and Wellington City (0.103) which are considered highly elastic/responsive in the New Zealand Context.

The implication is that Kapiti Coast 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 rather than displaced. In this regard, a new greenfield development induces additional demand, or more specifically, allows latent demand to be realised.

Conclusion

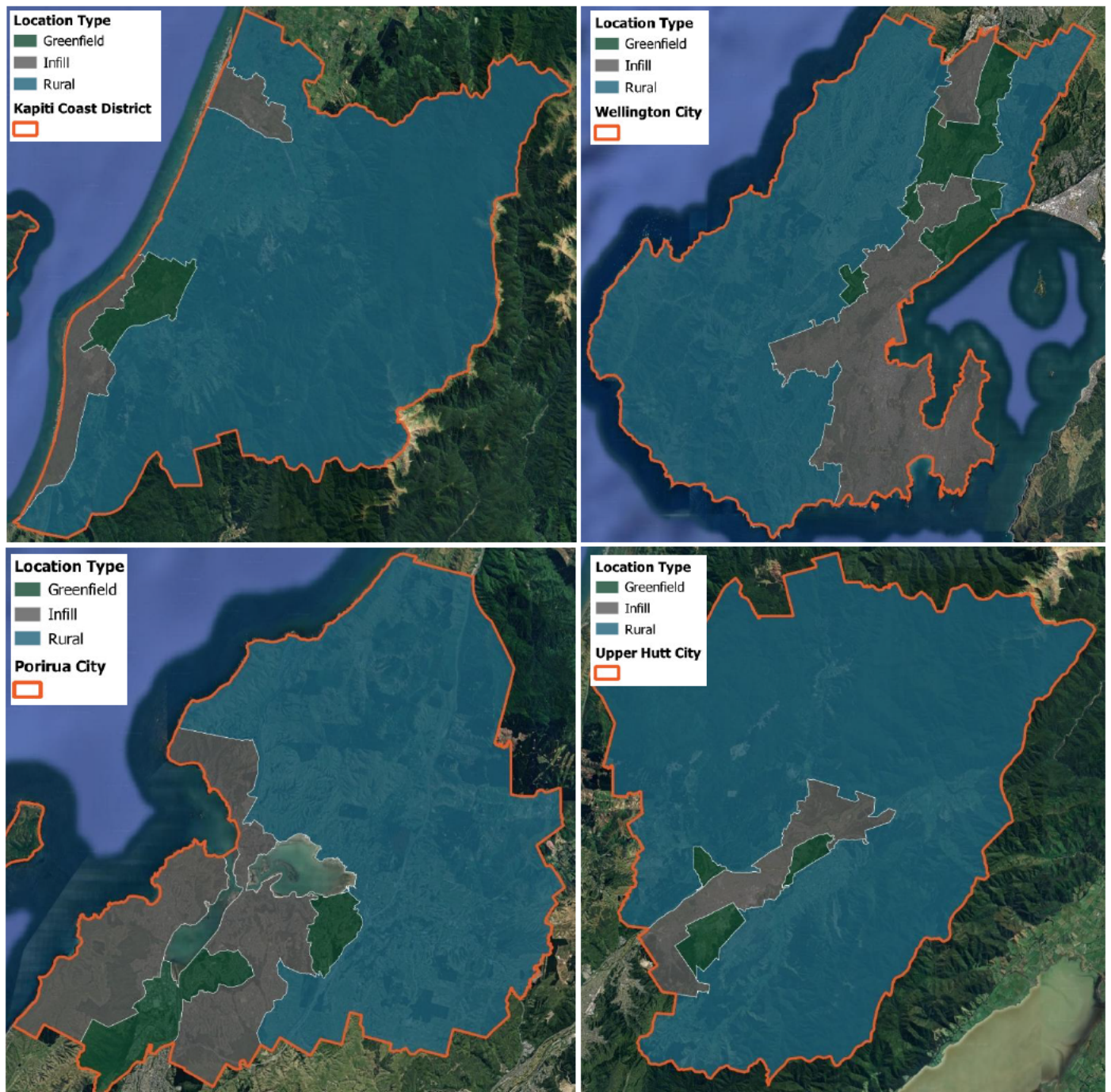
The empirical results demonstrate that greenfield activity in the Wellington Region is demonstrably additive rather than substitutive. **This means the proposed Waikanae North 1,200 dwelling greenfield development is likely to generate a net addition of 2,110 dwellings over the medium-long term across the region.** 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 a Queenstown analysis undertaken by UE show that in similarly constrained housing markets, large-scale greenfield developments act as a catalyst for additional growth beyond their direct contribution.

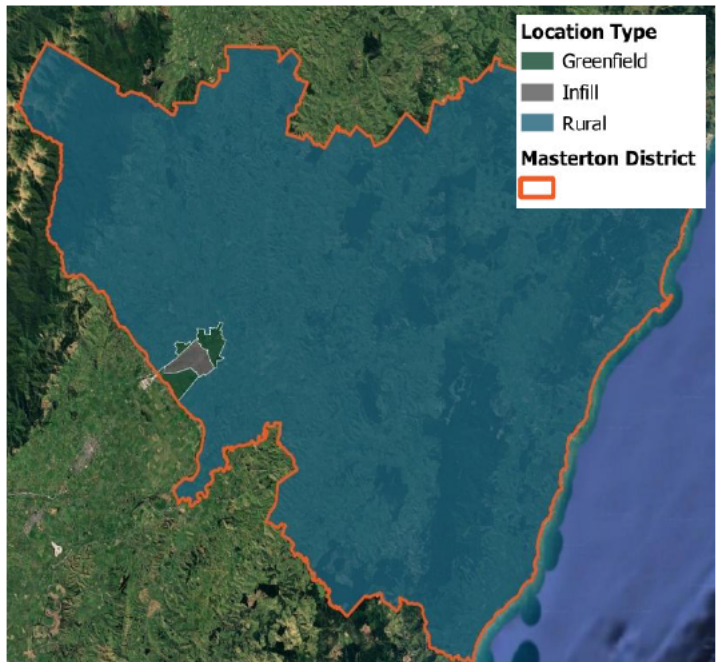
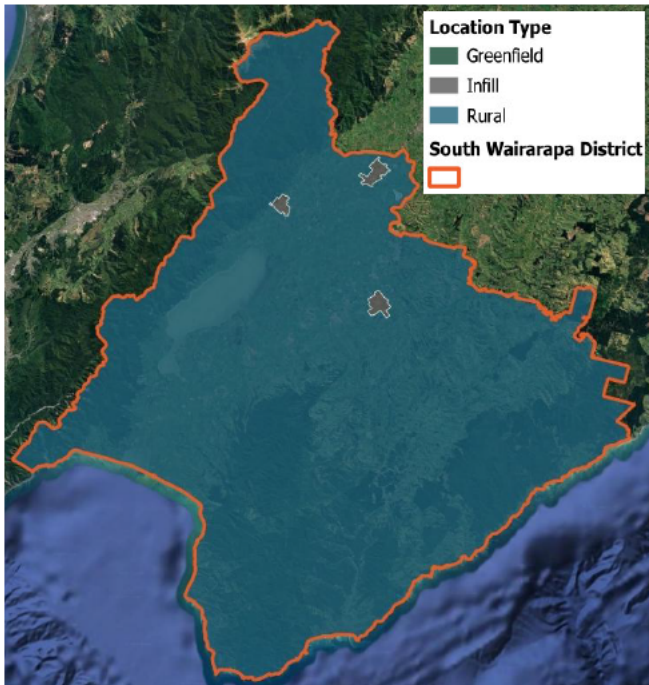
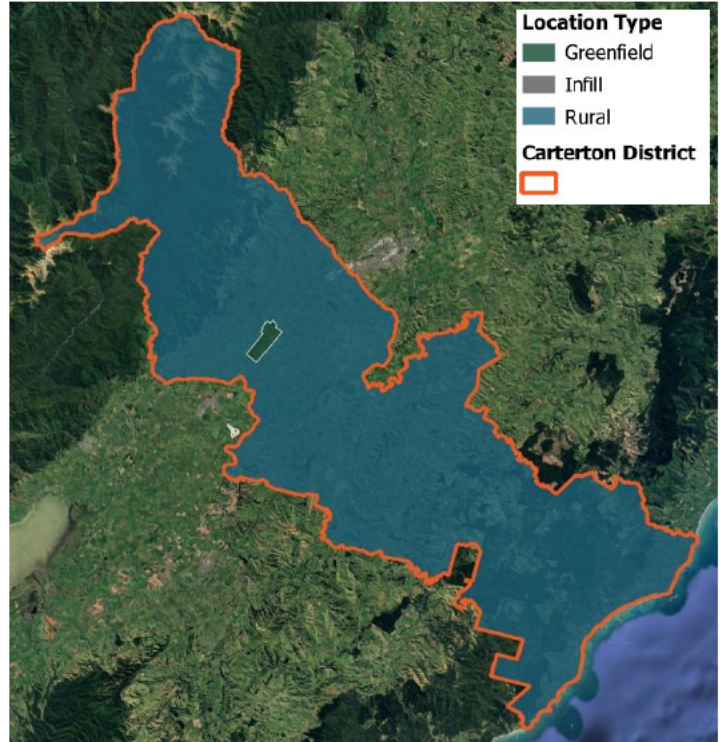
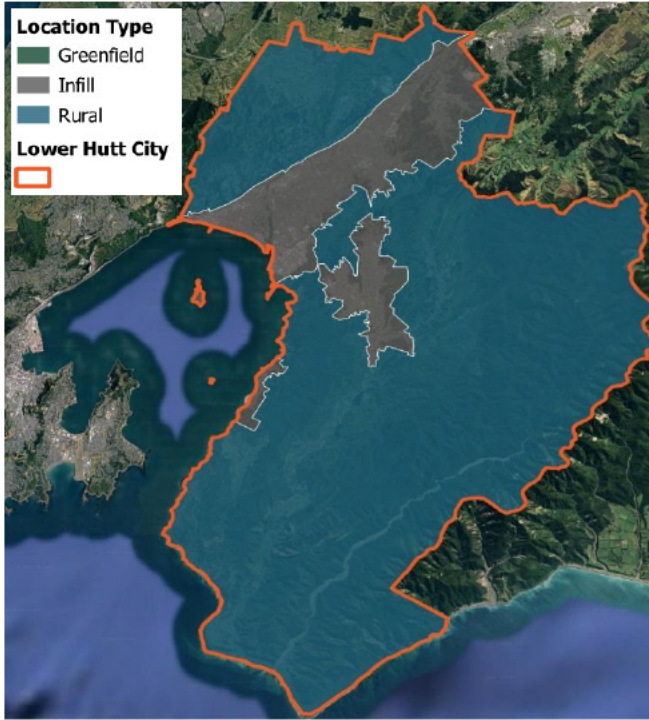
⁴ Housing Supply, House Prices, and Monetary Policy - AN2022/08

Based on this analysis, new greenfield developments, such as the proposal, 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.

Appendix 2: Wellington Region Territorial Authority Areas

Figure 1:
Greenfield and Infill Locations - Wellington Region by Territorial Authority Area





Source: LINZ, Statistics NZ

Waikanae North Fast Track

Economic peer review

Prepared for Kāpiti Coast District Council

16 October 2025

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Disclaimer

Although every effort has been made to ensure accuracy and reliability of the information provided in this report, Formative Limited and its employees accepts no liability for any actions or inactions taken based on its contents.

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1 Introduction

1.1 Scope

Formative Limited was commissioned by Kāpiti Coast District Council (“KCDC”) to undertake an economic review of the “Waikanae North”, resource consent application FTAA-106 under the Fast-track Approvals Act 2024, lodged by Waikanae North Developments Limited (“the applicant” or “WNDL”). This report reviews the application from an economics perspective.

1.2 Documents reviewed

We have reviewed the following documents in the course of preparing this review:

- ❖ “Proposed Waikanae North Residential Development, Kapiti Coast, Fast-Track Approval Act 2024, Economic Assessment”, Urban Economics, 6 August 2025 (“Economic Assessment”).
- ❖ “Waikanae North Consultation Booklet”, Waikanae North Developments Limited, 2 April 2025.
- ❖ “Wairarapa-Wellington Horowhenua Region - Housing and Business Development Capacity Assessment – Chapter 5: Kāpiti Coast District”, Property Economics, August 2023
- ❖ “Waikanae North Review of Local Centre Potential & School Age Demand by School Type”, Urbacity, December 2024 (“Urbacity report”).

1.3 Structure of this review

This review is structured to address in section 3 seven key subject areas:

- ❖ Section 3.1 reviews the introduction and study area
- ❖ Sections 3.2 and 3.3 respond to the residential demand, capacity and sufficiency assessment
- ❖ Section 3.4 relates to infrastructure provision
- ❖ Section 3.5 reviews housing affordability
- ❖ Section 3.6 reviews the economic contribution of the proposed development
- ❖ Section 3.7 reviews the Urbacity assessment of local centre and school demand.

2 Waikanae North proposed development

As outlined in the Consultation Booklet, the Waikanae North development site (“the Site”) is located 3.5km north of Waikanae, at 169-171 Waikanae North Road (Figure 2.1).¹ The Site is expected to accommodate approximately 1,200 dwellings² (stated as 1,187 dwellings in the Economic Assessment) and one hectare of commercial land (an approximate yield of 3500m² of retail and commercial floorspace). The Economic Assessment states that the dwellings in the proposed development are estimated to have sale prices ranging between \$750,000 and \$1,180,000.³

Figure 2.1: Location of the Site



¹ sourced from Consultation Booklet page 6

² Consultation Booklet page 3

³ Economic Assessment page 4

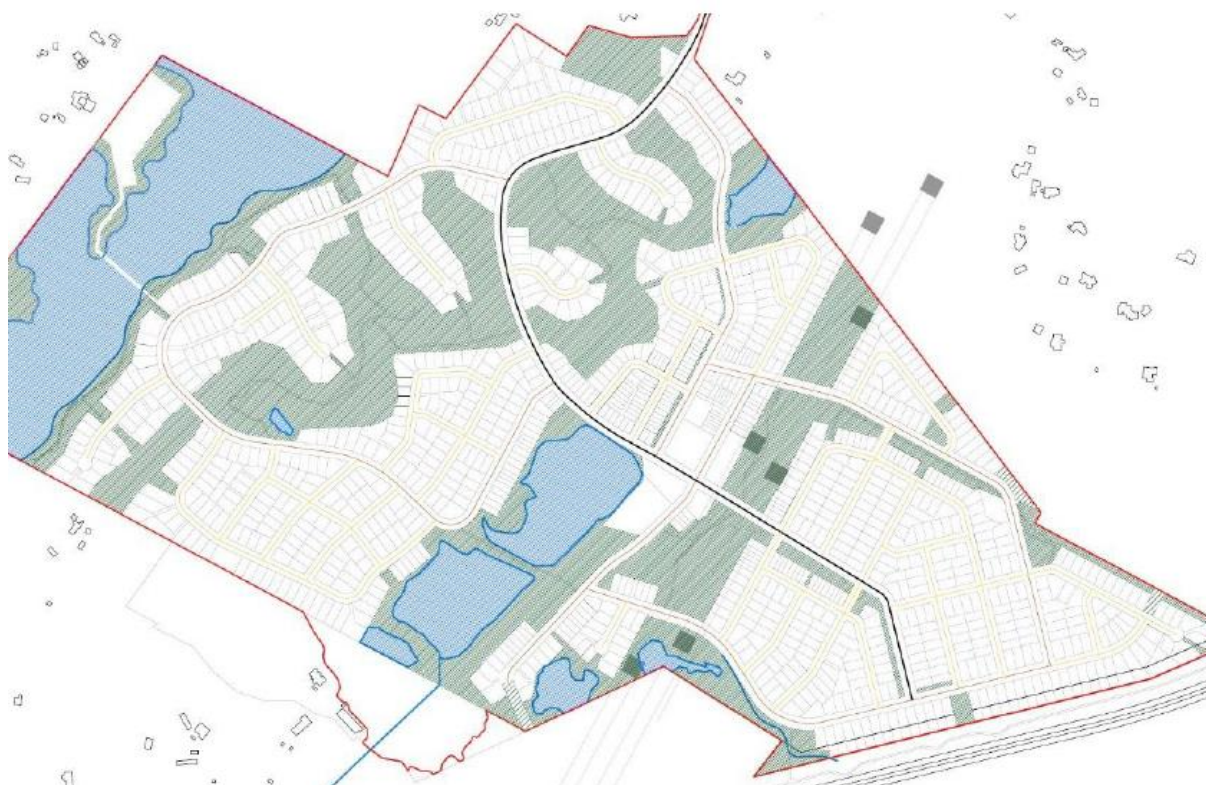
3 Economic review

This section summarises the content and findings of, and responds to, the Economic Assessment, and the Urbacity report.

3.1 Introduction and Study Area (sections 2, 3, 8 and 9)

These sections provide the purpose of the report, which is to assess the economic impacts of the Waikanae North development within the context of the Fast-Track Approvals process. It outlines the scope of the analysis, the types of impacts considered (such as GDP, employment, and housing supply), and briefly introduces the development proposal (1,187 dwellings plus supporting infrastructure and services, as shown in the masterplan reproduced as Figure 3.1 below).

Figure 3.1: Waikanae North Residential Development Masterplan



The Economic Assessment defines the study area to be Kapiti Coast District and bases its analysis on that study area, including population and employment projections, residential land capacity and sales prices. The study area contains both rural and urban areas, including Paraparaumu, Waikanae, Peka Peka and Ōtaki. That is an appropriate study area for the assessment, given the geography, transport linkages, and location of the proposed development.

The Economic Assessment shows (in section 8) the study area's population has grown substantially, increasing by 35% between 2000 and 2024. This is notably larger than the growth rate for Wellington

Region (25%)⁴. The study area also experienced high growth in employment (section 9), growing by 25% from 2015 to 2024⁵.

3.2 Greenfield residential capacity analysis (Section 4)

3.2.1 Coverage in the Economic Assessment

Section 4 of the Economic Assessment profiles the existing and pipeline residential capacity in the study area. It inventories current greenfield housing developments and those in the pipeline (zoned or consented but not yet completed) in the Waikanae/Kāpiti area. The report presents data on several developments – for example, Manu Park, Ōtaki Gardens, Anderson Park – including the number of lots, how many have sold to date, and how many remain. It then compares the total current and pipeline supply of greenfield lots in the area (1,405) to the addition of the proposed Waikanae North development (1,187 dwellings). This section frames the future housing supply market in the study area and shows how the proposal would contribute to total housing capacity.

Identifying current subdivisions (with their size and sales progress) and known future projects offers important context for understanding market supply. However, it would be helpful to understand timing and absorption rates, as understanding how quickly those lots are being taken up or when they will be delivered has an effect on the impact of the proposed development.

3.2.2 Review of the Economic Assessment

In our opinion there are three reasons that the Economic Assessment understates potential future residential dwelling capacity.

First, the Economic Assessment estimates capacity based on “the existing and pipeline medium-large scale (50+ lots/dwellings) greenfield developments”.⁶ The Assessment does not explain why it excludes greenfield developments smaller than that arbitrary threshold and does not attempt to understand the implication of imposing this cut-off. That is, it is not stated how many greenfield developments have been excluded, nor the potential dwelling capacity of the excluded developments.

Second, the Economic Assessment has omitted large parts of some greenfield developments, apparently because they are not “consented”. For example, the Assessment notes that stages 4-7 of the existing Harakeke Heights development were not included because they are not yet fully consented, as subdivision consent has been issued for only 78 lots. In addition, other planned (zoned - but stated to be not consented) future developments are ignored completely. The Ngārara

⁴ Economic Assessment, page 17

⁵ Economic Assessment, page 18

⁶ Economic Assessment, page 8

Development Area in which Harakeke Heights is located is a key example of this. While zoned Ngārara Development Area, it is considered in the District Plan to be part of the District’s ‘Residential Zones’,⁷ and could potentially house 900 dwellings.^{8 9} Including only a small part (i.e. Harakeke Heights) of the total development area understates total residential capacity in the study area, and by a significant amount.

While inclusion of potential future developments should be mindful of not including potential developments that are uncertain or speculative, an appropriate framework for which developments to include is provided in clauses 3.3 and 3.4 of the NPS-UD. Clause 3.3 requires that for assessment of future housing and business land sufficiency, development capacity can only be considered if it is plan-enabled, infrastructure-ready, and suitable. Clause 3.4 defines plan-enabled to be land that is zoned for housing or business or, in the long-term, identified by the local authority for future urban use or intensification.

The Economic Assessment’s exclusion of the parts of the identified developments that are not “consented” is inconsistent with the type of development capacity that should be included in this sort of sufficiency analysis, and means that the Economic Assessment significantly understates future residential development capacity in the study area, and therefore is not able to draw accurate conclusions about residential land sufficiency. At the very least the Economic Assessment should have included all residential capacity that meets the criteria in clauses 3.3 and 3.4 of the NPD-UD as part of a scenario or sensitivity analysis, but more properly should have adopted a similar approach to that taken in Kāpiti Coast District Council’s 2023 Housing and Business Assessment (HBA)¹⁰, where all of that capacity was identified and included. For that reason, we consider that the HBA provides a more fulsome and accurate estimate of the study area’s residential land capacity.

Finally, the Economic Assessment’s analysis focuses on greenfield supply and excludes infill capacity. This decision has a substantial effect on estimated capacity, because the HBA identifies that “approximately 85% of future housing capacity is expected to come from infill and redevelopment”.¹¹ Throughout the assessment, greenfield supply, demand and sufficiency are discussed while infill supply is largely set aside. The assessment notes that “infill housing is typically more expensive to

⁷ https://www.kapiticoast.govt.nz/media/oklady2v/pc1_ngararadevelopmentarea_222_13-feb-2024.pdf

⁸ <https://www.bayleys.co.nz/news/commercial/major-residential-development-site-for-sale-set-to-drive-kpiti-housing-supply>

⁹ <https://dcmurban.com/projects/ngarara-masterplan-kapiti>

¹⁰ *Chapter 5 Wairarapa-Wellington Horowhenua Region - Housing and Business Development Capacity Assessment – August 2023*, Property Economics

¹¹ Economic Assessment, page 12

deliver than greenfield development and may not effectively address the district's housing affordability challenges into the future".¹²

We acknowledge that identifying trends across different housing types is important, and that house buyers have varied preferences that may increase demand for specific housing types, including greenfield developments. However, we consider the complete exclusion of infill capacity to be overly conservative. In practice, demand for housing is not entirely segmented—at least some portion of greenfield demand would be transferrable to infill dwellings if greenfield options were constrained. By treating greenfield as a completely separate market, the assessment likely understates the district's overall capacity to meet housing demand.

3.3 Greenfield residential demand and sufficiency analysis (Section 5)

3.3.1 Coverage in the Economic Assessment

Section 5 of the Economics Assessment assesses study area (District) housing demand and the sufficiency of greenfield capacity relative to that demand. It draws on the HBA to estimate the number of new dwellings required over the short, medium, and long-term, including the required competitiveness margins. The assessment estimates an annual greenfield dwelling demand of roughly 236 units for the Kāpiti district (including the competitiveness margin). It then compares this demand to the existing supply capacity identified in Section 4.

The analysis contends that current plus pipeline developments (without the proposal) provide roughly 1,405 dwellings worth of capacity, equating to an estimated 6 years of demand. When the proposal's 1,187 dwellings are added, the total capacity rises to 2,592 dwellings, or about 11 years of demand. From this, the Economic Assessment concludes that without the project the district may face a medium-term shortfall in greenfield housing supply (a shortage of residential dwelling capacity within the next ten years), whereas the proposal would extend capacity to meet medium-term needs (a shortfall arise just after 10 years), thereby helping achieve medium-term sufficiency targets. This section also includes a discussion of past sales prices and dwelling consents in the study area.

3.3.2 Review of the Economic Assessment

The demand and sufficiency analysis is a key part of the economic rationale, and we agree with the decision to rely on the Council's HBA data as the basis for demand. Demand is estimated based on total dwelling demand split out to greenfield using building consent data. Consent data presents an 'on the ground' measure of recent trends, especially when applying it a spatially detailed resolution,

¹² Economic Assessment, page 12

such as the Economic Assessment does.¹³ Using the last three years' building consent data of greenfield vs infill and rural areas, the Economic Assessment shows a greenfield demand share of 43% which it calls a 'conservative estimate'.¹⁴ This figure however is sensitive to the time period considered, and changing the demand reference period makes not insignificant changes to overall demand. If greenfield consents as a share of total were sourced from the previous four years as opposed to three years (2021-2024 instead of 2022-2024), the total greenfield demand projections would be for an additional 2,175 dwellings in the medium term, as opposed to the 2,360 the Economic Assessment calculated. No 2025 consents are included. This share of greenfield is assumed to remain constant in the short and medium term, with no exploration of the sensitivity of the assessment to this greenfield vs infill assumption.

While demand is derived from the 2023 HBA, the sufficiency analysis does not rely on the HBA for capacity in the short or medium term, and instead uses the very low estimates of capacity discussed above in section 3.2 of this review. The 2023 HBA demonstrates sufficiency under all housing types and timelines for the study area.

In the short-medium term, the HBA expects total 10-year demand (including margin) in the study area of an additional 5,477 dwellings (1,549 in years 1-3 and 3,928 in years 4-10) (Figure 3.2). The HBA calculates realisable¹⁵ capacity for all housing types in Kāpiti District to be 32,673, which far exceeds medium and even long-term demand (which totals 13,888 dwellings). Accordingly, the HBA assessment concludes that there is sufficient residential capacity available for all of the next 30 years, and in fact there is more than twice as much capacity as is required to meet demand.

Figure 3.2: 2023 HBA residential dwelling sufficiency for Kāpiti District¹⁶

Type	2021-2024	2024-2031	2031-2051	TOTAL
Demand (inflated with 20%/15% buffer)	1,549	3,928	8,411	13,888
Development capacity (realisable)	32,673			
Balance	+31,124	+27,196	+18,785	+18,785
Sufficiency	Yes	Yes	Yes	Yes

The HBA's sufficiency assessment shows greenfield capacity of 4,738 dwellings (4,074 stand-alone dwellings and 664 terrace houses and flats), which far exceeds the estimated greenfield dwelling

¹³ The Economic Assessment's demand assessment is undertaken at a Statistical Area 2 level

¹⁴ Economic Assessment, Page 13

¹⁵ Which according to the 2023 HBA is also tested for commercial feasibility, can be supplied by infrastructure and is enabled under current district plan zoning

¹⁶ Table 5.9, Chapter 5 Wairarapa-Wellington Horowhenua Region - Housing and Business Development Capacity Assessment – August 2023, Property Economics

demand from the Economic Assessment (approximately 2,360 dwellings¹⁷), indicating no shortage of greenfield residential capacity at a study area level.

Figure 3.3: 2023 HBA Greenfield Capacity¹⁸

Housing Area	Redevelopment and Infill			Greenfield			Total
	Stand-alone Housing	Terraced housing, flats	Aptmnts	Stand-alone Housing	Terraced housing, flats	Aptmnts	
Paekākāriki	854	592	-	-	-	-	1,446
Raumati	3,691	1,948	42	239	-	-	5,920
Paraparaumu	5,105	2,942	471	69	288	-	8,875
Waikanae	5,014	3,401	-	2,003	376	-	10,794
Ōtaki	983	882	-	1,584	-	-	3,449
Other	570	1,440	-	179	-	-	2,189
Total	16,217	11,205	513	4,074	664	-	32,673

The Economic Assessment however assesses residential dwelling sufficiency using its own estimates of capacity (1,405, much lower than the HBA's 32,000) and greenfield demand of 2,360 dwellings. The Economic Assessment therefore expects a shortfall over the medium term of 955 dwellings, resulting in only enough supply for six years.¹⁹ If the greenfield capacity presented in the HBA was applied instead, there would be a surplus of 2,378 dwellings. This shows that the Economic Assessment is very sensitive to the assumptions it makes about residential capacity.

In our opinion the sufficiency analysis is critically flawed due to significantly understating residential dwelling capacity, and that adopting capacity as stated in the 2023 HBA would be a better reflection of the housing sufficiency in the district. If the Economic Assessment did adopt HBA capacity, it would have concluded there to be no shortfall of housing demand without the proposed Waikanae North development, even out to a long-term (30-year) horizon.

3.4 Waikanae infrastructure provision (Section 6)

Section 6 provides a brief overview of infrastructure provision in Waikanae. The Economic Assessment does not reference the infrastructure assessment²⁰ so caution needs to be exercised when interpreting this section of the Economic Assessment, given it is not clear how much the authors of

¹⁷ Economic Assessment, Figure 11

¹⁸ Table 5.6, Chapter 5 Wairarapa-Wellington Horowhenua Region - Housing and Business Development Capacity Assessment – August 2023, Property Economics

¹⁹ Economic Assessment, Page 14

²⁰ The Cuttriss report referenced in "Memorandum Revised Final Proposal Details and Resource Consent Requirements", 10 June 2024, Scope Planning

the Economic Assessment understand the engineering and network functionality of the infrastructure discussed.

The Economic Assessment identifies planned infrastructure upgrades to water and stormwater in Waikanae, although it is not clear whether those upgrades as planned would be able to service the proposed Waikanae North development area. The Scope Planning memo of 10 June 2024 notes that significant upgrades to existing water networks would be required to service the Waikanae North development:

Potable water demand and supply modelling has been recently carried out by Stantec on behalf of KCDC and the report outlining the modelling results is included in Appendix D of the Infrastructure Report. The report details that KCDC's existing water network will require an upgrade to service the proposed development and identifies a new 200mm watermain is required at the eastern boundary of the development, connecting to the 375mm main at the intersection of Elizabeth Street and State Highway 1. There is no existing water supply infrastructure that extends down the State Highway 1 past Hemi Street. The project engineers consider the recommended upgrade to be significant given that it would consist of 1.8km of new 200m being laid through the Waikanae township as illustrated in the figure below.²¹

As such, the relevance of the Economic Assessment referring to the value of waters infrastructure upgrades in Waikanae is unclear, because the proposed development would require additional upgrades, rather than using planned upgrades.

Our understanding is that the Waikanae North development is not anticipated in KCDC's infrastructure strategy, and as such additional (unanticipated) development will come at additional (unanticipated) cost. While the Scope Planning memo of 10 June 2024 notes that a developer's agreement is planned in order to cover costs associated with the required works, the need for such an agreement is not consistent with the Economic Assessment's conclusion that

The proposal will deliver a substantial number of new dwellings over the medium-term. This will support a more efficient cost-recovery period through increased development contributions and rateable units, improving the financial efficiency of infrastructure delivery and reducing the risk of delayed uptake.²²

Our understanding of the infrastructure requirements of the proposed development are that the additional dwellings that the proposed development would enable would require additional works, rather than leveraging greater efficiency from existing planned works.

²¹ Scope Planning memo of 10 June 2024, page 6

²² Economic Assessment, page 15

3.5 Housing affordability and marketing positioning analysis (sections 7 and 11)

3.5.1 Coverage in the Economic Assessment

Section 7 discusses the affordability of new housing in greenfield developments versus infill (higher density) housing. It presents analysis comparing the cost metrics of greenfield stand-alone houses to more dense housing types, likely using measures such as sale price per square metre. The report notes, for example, that the sale price per square metre of floor area is generally lower in greenfield developments than for infill or apartment housing. The assessment indicates a house in a greenfield subdivision typically could be built for around \$550 less per m² than in an infill location.

By this comparison, the section argues that greenfield development produces housing that offers better value for money in terms of space and potentially is more affordable for families. It also highlights the distribution of new house prices in the district, showing that greenfield projects deliver a range of price points (with many houses in mid-price brackets rather than luxury levels). Overall, Section 7 concludes that the proposed development will contribute to housing affordability by providing reasonably priced, spacious homes that would be difficult to achieve through infill alone.

Section 11 analyses the market positioning of the proposed development relative to other residential offerings in the area. It examines comparable subdivisions (e.g., Manu Park, Ōtaki Gardens, Anderson Park, etc.) in terms of lot sizes, house sizes, and sale prices. The report presents data on these developments – for instance, noting that Manu Park’s homes have large lots (averaging 900m²) with 100% selling above \$1 million, whereas Ōtaki Gardens has smaller lots (averaging 520m²) with all sales below \$1 million, and Anderson Park somewhere in between.

By comparing such metrics, the Economic Assessment identifies where Waikanae North might sit in the market spectrum (likely offering a mix of typologies that span medium to large lot sizes, with prices perhaps in the mid-range for the district). The assessment seeks to demonstrate that the proposal will fill a market gap or complement the existing supply rather than simply duplicate what’s already abundant.

3.5.2 Review of the Economic Assessment

Our understanding is that there are no conditions or other elements of the proposed development that would ensure that the affordability outcomes identified in the Economic Assessment will eventuate, and as such Waikanae North dwellings might sell for much different price points. As identified in the Economic Assessment, new developments in the area can sell for a range of price points (house and land), such as more than \$1million (Manu Park), or less than that (Ōtaki Gardens), indicating the variability that can be achieved in greenfields developments in close proximity to each other.

The outcome in Waikanae North, if it is approved, is difficult to predict, and while the development would increase housing supply, it is difficult to state with much confidence that Waikanae North will fill any particular market gap or reach any affordability point, particularly when, as we understand it, the developers would be selling land, and have no influence over what type of dwelling is built on each lot, and therefore have minimal influence over the average sale price of properties once dwellings are built on them.

We understand there are no conditions on the proposed developments ensuring the affordability outcomes identified in the Economic Assessment will eventuate, and the planned dwelling price points at Waikanae North can be changed at any time. The Economic Assessment itself notes that nearby new developments vary considerably—Manu Park lots sold for over \$1 million while Ōtaki Gardens sold for less—demonstrating the variability achievable in proximate greenfield developments. While the development would increase housing supply, we cannot state with confidence that Waikanae North would definitely fill any particular market gap or reach any specific affordability point.

That being said, it is appropriate to include the affordability analysis, especially with the HBA highlighting housing affordability as a key issue for the district. The Economic Assessment recognises that housing affordability is not just about supply quantity, but also the type and price-point of housing delivered. The Economic Assessment observes that new greenfield houses often have a lower price per square metre than infill units, however this is not necessarily always the case as is shown in the assessment's own analysis of local greenfield developments with many dwellings being sold at high price points²³.

In our opinion the affordability analysis could have gone further than it did. Affordability is a complex issue, and price per square metre is only one lens. Many first-home buyers or those on lower incomes are concerned with the absolute purchase price, not just the size-relative cost. A large house at \$800,000 may be good “value” per square metre, but still be out of reach for a household that can only spend, say, \$600,000 total. While providing houses at a lower rate than other developments does provide options at different levels prices, it is not clear how this will impact households looking to live and buy in the study area.

In other words, the project may improve affordability at the margin (by supplying more mid-priced homes) but may not directly address lower-income housing needs. There is no analysis of household incomes or other factors which play into affordability. Further, the affordability discussion focuses on purchase price, but total living costs are not considered. Additional costs will be incurred on an ongoing basis by many Waikanae North property owners, many of whom will have to commute further to work and accessing retail goods and other services. Those costs are one of the reasons why

²³ Economic Assessment, Page 2

residential lots in locations such as Waikanae North can be sold at lower price points than in areas closer to larger urban markets, a factor not acknowledged in the Economic Assessment.

In summary, providing expected dwelling prices for the proposed development does not establish the degree to which affordability is impacted in the study area, and presents only a partial assessment of affordability issues.

3.6 Economic contribution to GDP and employment

3.6.1 Coverage in the Economic Assessment

Section 10 of the Economic Assessment quantifies the project's contribution to GDP and employment using an economic impact assessment (EIA). Using input-output modelling with a multiplier of approximately 2.13, the Assessment projects that the construction phase will generate around \$258 million in value added and 1,590 full-time-equivalent (FTE) job-years. Once operational, the development is estimated to contribute \$330 million in GDP annually and support 2,770 jobs through resident spending and commercial activity.

The assessment appropriately includes a "Rural Base Case" as a counterfactual, showing that the land in its current rural use would generate minimal economic output (approximately \$1 million GDP and a few jobs). This comparison suggests a net economic benefit of approximately \$257 million in GDP and 1,580 FTEs from the development. We consider that the methodology for estimating forgone farm income is reasonable, and agree that losing this rural output would not materially harm the broader Wellington/Kāpiti agricultural economy.

The EIA employs a standard input-output (IO) multiplier approach that is appropriate for estimating gross economic stimulus. The inclusion of a counterfactual scenario is sound practice and demonstrates that without the project, economic output from the land would remain minimal. The scale of projected impacts—both during construction and ongoing operation—underscores that Waikanae North represents a significant economic undertaking for the Kāpiti Coast region. We concur qualitatively that the construction phase will provide jobs in the regional economy and that the new community will contribute to the local consumer base.

While these methodological choices are reasonable for capturing the scale of economic activity the project would generate, several fundamental limitations in the analysis mean the figures presented should be interpreted with considerable caution. The most critical issue is that the assessment measures gross economic impacts—the total activity generated—rather than net economic benefits, which account for what would have happened anyway and what costs the project imposes. The limitations of the economic contribution analysis in the Economic Assessment are further explained below.

3.6.2 Review of the Economic Assessment

We review the Economic Assessment's analysis of the economic contribution of the proposed development under four headings:

- ❖ Gross versus Net Economic Benefits
- ❖ Regional vs National Multiplier Specification
- ❖ Timing and Discounting
- ❖ Absence of Cost-Benefit Analysis.

Gross versus Net Economic Benefits

The Assessment's most significant limitation is its focus on gross economic impacts without adequately accounting for costs and opportunity costs. Input-output multiplier analyses typically assume idle resources and no displacement, which tends to overstate net impacts. In this case, the EIA assumes the construction activity generated by Waikanae North would not otherwise occur in the district or region without fast-track approval. We consider this assumption overly simplistic and unrealistic.

In practice, if Waikanae North is not developed, much of this construction would likely occur in other local developments in sites already identified in the 2023 Housing and Business Assessment. The true benefit of fast-tracking may be earlier realisation of some housing and economic benefits, or a redistribution of those benefits within the district or region, rather than creation of entirely new benefits. However, the EIA treats all projected activity as if it would not occur elsewhere or at another time.

The Economic Assessment does not discuss transfer effects, that is, the possibility that economic activity is redirected rather than created. Many of the jobs and GDP gains are likely not entirely "new" to the district and regional economy. Construction workers and materials would likely be deployed on other projects if Waikanae North did not proceed, and many eventual residents would otherwise live and spend money in other housing developments in Kāpiti or Wellington. Similarly, retail spending in the new commercial centre would be directed to existing centres such as Waikanae or Paraparaumu if no new local centre was developed in Waikanae North, and so spending generated by Waikanae North residents is also likely to be (at least mostly) a transfer from elsewhere in the district or region.

Without analysis of these substitution effects, we cannot determine how much of the cited economic activity represents true net additions versus activity shifted from one location to another. At a local (town) level, Waikanae North will create activity that would not have occurred in that specific locale, but at the regional level the net boost is much smaller. This distinction is crucial: a project with large gross output can still have small to no net benefit if it largely displaces other development, and

evaluating whether benefits are "significant" under the Fast-track Act requires understanding net rather than gross impacts.

Regional vs national multiplier specification

The Economic Assessment does not specify whether the IO multipliers are regional, district-specific, or national, but given the source is Statistics NZ's Input Output table, they are likely to be national multipliers. Applying national multipliers to estimate local impacts is problematic because national models capture supply-chain linkages extending far beyond the Kāpiti Coast, including manufacturing, professional services, and imports, which do not translate directly into district-level value added.

For example, if the national model assumes that construction spending generates demand for steel, concrete, and professional design services, it will attribute economic activity to all those sectors. However, if those goods and services are supplied from outside Kāpiti district, the associated GDP and employment occur in other districts or regions, not locally. A district or regional input-output model (also known as a multi-regional input output table or MRIO) would yield smaller, more realistic effects by explicitly accounting for this economic leakage to other areas.

The Economic Assessment states that the proposed development will “deliver significant economic benefits for the Wellington region and the study area”²⁴, however no economic benefits for the region or study area is actually identified in the report – the figures are national only. In essence the Economic Assessment should not claim regional benefits, when none are measured.

Timing and discounting

The assessment presents ongoing annual GDP and employment contributions as if they begin immediately upon approval of the proposed development. In reality, those benefits will phase in over the build-out period through to the end of the development phase. The Economic Assessment does not discount future benefits or acknowledge that fast-tracking primarily brings benefits forward in time. Assuming housing demand will be met in the long term (as indicated in the 2023 HBA, which shows capacity far exceeding demand), earlier delivery improves current housing shortages sooner, but those advantages should be measured using time-adjusted analysis and net present value approaches.

Absence of Cost-Benefit analysis

The Economic Assessment does not address several potential costs or negative impacts in economic terms. There is no analysis of infrastructure costs required to service over 1,000 new homes and a

²⁴ Economic Assessment, Page 20

commercial centre, including roading, water supply, wastewater, and stormwater. While the applicant will cover some costs through development contributions, direct works, and potentially also through developer agreements (which we understand are proposed but yet to be confirmed), additional public expenditure may be required. The assessment does not discuss whether incremental rates revenue and development contributions will fully cover infrastructure and ongoing service costs, or whether cross-subsidies by the wider community might occur.

The Assessment also does not address transport outcomes. Enabling more housing on the fringe of Waikanae may increase traffic volumes, imposing time and environmental costs, particularly if residents commute to out of the district. Conversely, the new local centre could reduce some travel needs for existing nearby residents (such as from Peka Peka and surrounding rural areas). However, travel reduction is likely to be small in scale when compared to outbound travel, given the large size of the proposed development relative to the existing population. These considerations have not been quantified or even recognised qualitatively.

Cost-Benefit Analysis is the Treasury-recommended approach for major developments, as it measures benefits and costs in a consistent framework including opportunity costs. The use of an economic impact approach (input-output multipliers) without a complementary net benefit analysis or consideration of costs and opportunity costs is insufficient to determine whether the project's benefits outweigh its costs, and is insufficient to enable an accurate conclusion as to significance of the project as required in the Fast-track Act .

3.7 Local centre and school age demand

The Urbacity report assesses the potential for a local centre in the Waikanae North development, and the potential size of such a centre, based on a high-level overview of an indicative catchment of the potential centre, and dwelling yield of 1,400 dwellings in the proposed Waikanae North development.

As noted above, other indications in the application are that the development might yield 1,200 dwellings, and accordingly in our opinion the Urbacity report overstates the potential size of a local centre within the development. From our internal assessment, the Urbacity report also slightly overstates the amount of space that would be sustainable in the centre, and it is unlikely that all of the 200m² of community centre space and 500m² for professional services would be required for what will be a relatively small number of households, particularly when alternative supply is easily accessible in Waikanae. A 1,000m² supermarket is also unlikely to be sustainable in the centre, given proximity to supermarkets in Waikanae, and any supermarket presence in Waikanae would be more likely to be closer to a Four Square format, and say around 500m² in size, rather than 1,000m².

These factors considered, in our opinion the potential size of a centre in the Waikanae North development would likely be closer to 2,000m² than the 3,000m² concluded at in the Urbacity report.

Nevertheless, we agree that some commercial presence in the form of a local centre would be sustainable in the development, and if well designed and attractive to a slightly larger catchment, the Urbacity estimate is not inconceivable. We agree that if the residential component of the development were approved, it would be an efficient outcome to include a local centre within the development to provide for a share of spending by residents of the development, and also by residents of immediately surrounding areas (such as Peka Peka and nearby rural areas).

At the scale identified in the Urbacity report, and particularly at the smaller scale we have identified, there would be a high level of certainty that the local centre would not generate retail distribution effects on existing centres, but rather would be sustained by the new population.

On the issue of the need for a school in the proposed development, we question whether the median school size is an appropriate metric to understand whether a primary school would be required in the development. That median is influenced by many small schools in rural areas, and the Ministry of Education is likely to have different criteria to assess the need for a primary school in areas such as Waikanae North. Ultimately the need for a school in the area is a matter for the Ministry to assess, and as the Urbacity report notes there will be a range of criteria considered in that assessment, and the conclusions of any such assessment may be relevant to considering the merits of the application from the perspective of social wellbeing, but have little relevance to this economic assessment.

4 Conclusion

Overall, the Economic Assessment provides a useful set of inputs, including the description of the proposal, identification of current greenfield projects, a district-level study area, and appropriately uses HBA demand, and identifies a range of matters that are relevant to assessing the economic merits of the proposal (housing supply, affordability, and headline GDP/employment effects).

There are, however, some gaps in the Economic Assessment, which does not provide a robust basis for conclusions about housing sufficiency, affordability outcomes, infrastructure efficiency, or the significance of economic effects. In our view, the following shortcomings are material:

- ❖ Residential capacity is materially understated, because significant capacity that meets the NPS-UD criteria of development capacity is excluded from the Assessment, including smaller greenfield developments, ‘unconsented’ (but plan-enabled) capacity, and infill capacity (which constitutes a very large proportion of future capacity in Kāpiti).
- ❖ Demand/sufficiency results are sensitive to assumptions, and the assumptions made tend to overstate demand, understate supply, and therefore indicate a future insufficiency of residential dwelling capacity arising in the medium-term. We consider that the HBA provides more reasonable assumptions, and under those assumptions there is a very large amount of residential land supply, and no insufficiency in the NPS-UD long-term (or short-medium term).
- ❖ Infrastructure analysis in the Economic Assessment is very high-level and does not recognise the fact that the proposed development will generate the need for new additional infrastructure to service the development, rather than contributing to efficient cost-recovery through development contributions and rates. In our opinion no increased efficiency is demonstrated from the information provided.
- ❖ Affordability analysis is partial and excludes consideration of household incomes and total living costs (such as travel), and the claimed affordability benefits are uncertain given the range of sales prices in the area.
- ❖ Economic impacts are presented as gross, not net. The IO approach does not address the displacement/transfer of construction and spending from other district projects; multipliers appear national while benefits are claimed for the district/region; phasing and discounting of benefits over build-out are absent; and no cost–benefit analysis is provided to weigh benefits against infrastructure and external costs. The EIA provided does not provide a reliable basis from which to draw conclusions about the economic significance of the proposed development.

- ❖ Local centre sizing relies on optimistic inputs. The Urbacity work appears to over-state dwellings and sustainable floorspace, and while a local centre would be supportable if the residential development proceeds, the current case over-states the appropriate size of that centre.