PROPERTY ECONOMICS

HOROWHENUA COMMERCIALLY FEASIBLE RESIDENTIAL CAPACITY ASSESSMENT

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SCHEDULE

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1. INTRODUCTION

Property Economics has been engaged by Horowhenua District Council (HDC) as part of a wider Wellington region residential capacity project to undertake an assessment of the commercially feasible residential capacity (supply) of the Horowhenua District within the context of Council's obligations under the National Policy Statement on Urban Development (NPS-UD).

The purpose of this report is to provide HDC with robust market intelligence to assist in making more informed and economically justified decisions in regard to the design and implementation of a residential policy framework for the District Plan and other strategic planning documents.

This report discusses the work undertaken by Property Economics in analysing the existing theoretical residential capacity of Horowhenua District and developing a capacity model for calculating the level of feasible development within the district. This will inform policymakers on the feasible level of housing supply, and which areas can accommodate future residential development based on current zonings, policy settings and market parameters.

1.1. GLOSSARY

- Theoretical Yield / Plan Enabled Capacity – The total number of properties that could be developed under the proposed Medium Density Residential Standards provisions within the permitted building envelope, irrelevant of market conditions.

- Comprehensive Development – A development option that assumes the removal of all existing buildings for a comprehensive redevelopment of the entire site with less restrictions.
- Infill Development - A development option that assumes the existing building is retained, and new residential house(s) are developed on balance of the site (i.e., the backyard).
- Standalone House – Single detached dwelling.
- Greenfield – Defined as sites larger than 5ha.
- Terraced – Dwellings that are attached horizontally to other dwellings but not vertically. This typology is always built to the ground floor (i.e., does not include homes built above retail stores).
- Apartments – Dwellings that are attached vertically and potentially horizontally. Usually in multi-storey developments of higher density.
- Total Yield- The total number of dwellings developed.
- Net Yield – The total number of dwellings constructed net of any existing dwellings removed. For Infill development, the total yield is equal to the net yield, while for Comprehensive development the net yield is equal to the total yield less the existing dwellings.

2. THEORETICAL CAPACITY

Property Economics have been provided with GIS layers containing the sites within Horowhenua that provided for infill, or comprehensive redevelopment. Theoretical residential capacity was calculated by HDC utilising the District Plan policy settings, algorithmic, GIS and 3D modelling. The information contained several different scenarios, based on housing typology and quantum, that were identified as theoretically viable to develop.

Table 1 below outlines the theoretical capacity outputs by suburb based on the model provided to Property Economics.

TABLE 1 – HOROWHENUA DISRICT THEORETICAL RESIDENTIAL DEVELOPMENT CAPACITY BY SUBURB

Theoretical Capacity							
Suburbs	**Residential**	**Deferred**	**Low Denisty / Greenbelt**	**Total Residential**	**Unadjusted Commercial**	**Adjusted Commercial**	**Total Capacity**
Foxton	2,361	81	20	2,462	310	109	2,571
Foxton Beach	1,845	-	19	1,864	131	52	1,916
Foxton/Himatangi	515	110	135	760	22	9	769
Hokio Beach	272	27	-	299	-	-	299
Levin	9,151	633	40	9,824	757	370	10,194
Levin Rural	1,786	798	650	3,234	5	2	3,236
Manakau Township	396	-	12	408	21	10	418
NA	28	33	-	61	-	-	61
Ohau Township	973	122	89	1,184	-	-	1,184
Shannon	1,965	-	69	2,034	77	22	2,056
Tokomaru Rural	234	34	27	295	-	-	295
Tokomaru Township	462	-	-	462	-	-	462
Waikawa Beach	278	-	19	297	-	-	297
Waitarere Beach	1,278	231	261	1,770	51	27	1,797
Total	**21,544**	**2,069**	**1,341**	**24,954**	**1,374**	**601**	**25,555**

Source: Property Economics, HDC

Table 1 shows that there is Theoretical Capacity for 25,555 dwellings within Horowhenua. The residential areas are split into Residential, Deferred (Future Growth Areas) and Low Density / Greenbelt Residential.

It is important to note that Table 1 represents the sum of the maximum attainable yield of any typology on an individual site basis. The theoretical model outputs provided to Property Economics contained several different development scenarios on each site, therefore the theoretical yield represents the scenarios on each site where the development potential is the highest. It should also be noted that the capacity within the Deferred Zones has been assessed under its future zoning rules although this capacity is not currently available.

Horowhenua has, for the purposes of this modelling, defined all sites greater than 5 ha as Greenfield, the theoretical capacity of which is shown on Table 2 below.

For the most part, these greenfield sites are treated the same as the smaller urban sites. The only adjustment applied is to assume 30% of each site is required for internal roading. In total, there is the capacity for 3,662 dwellings on these greenfield (over 5ha sites) or about 15% of the total residential capacity shown in Table 1.

It should also be noted that the new greenfield subdivision in Tara-Ika has been excluded from this model with the sufficiency calculations instead relying upon the 3,500 dwelling capacity estimate for this area. That capacity is in addition to the Theoretical Capacity shown in Table 1.

Table 1 shows the Commercial Capacity both before and after adjustments. The adjustments this refers to is to reduce the residential capacity by the proportion of that zone which is expected to be business as provided to Property Economics by HDC. These ratios are shown in Table 2 below.

TABLE 2: PROPORTION OF COMMERCIAL ZONE RESERVED FOR COMMERCIAL LAND USES

Zone	% Business
COMMERCIAL	50%
COMMERCIAL DEFERRED	70%
COMMERCIAL, FOXTON TOURISM	70%
COMMERCIAL, TOWN CENTRE HERITAGE/CHARACTER	70%
COMMERCIAL, MEDIUM DENSITY RESIDENTIAL	50%

Source: Property Economics, HDC

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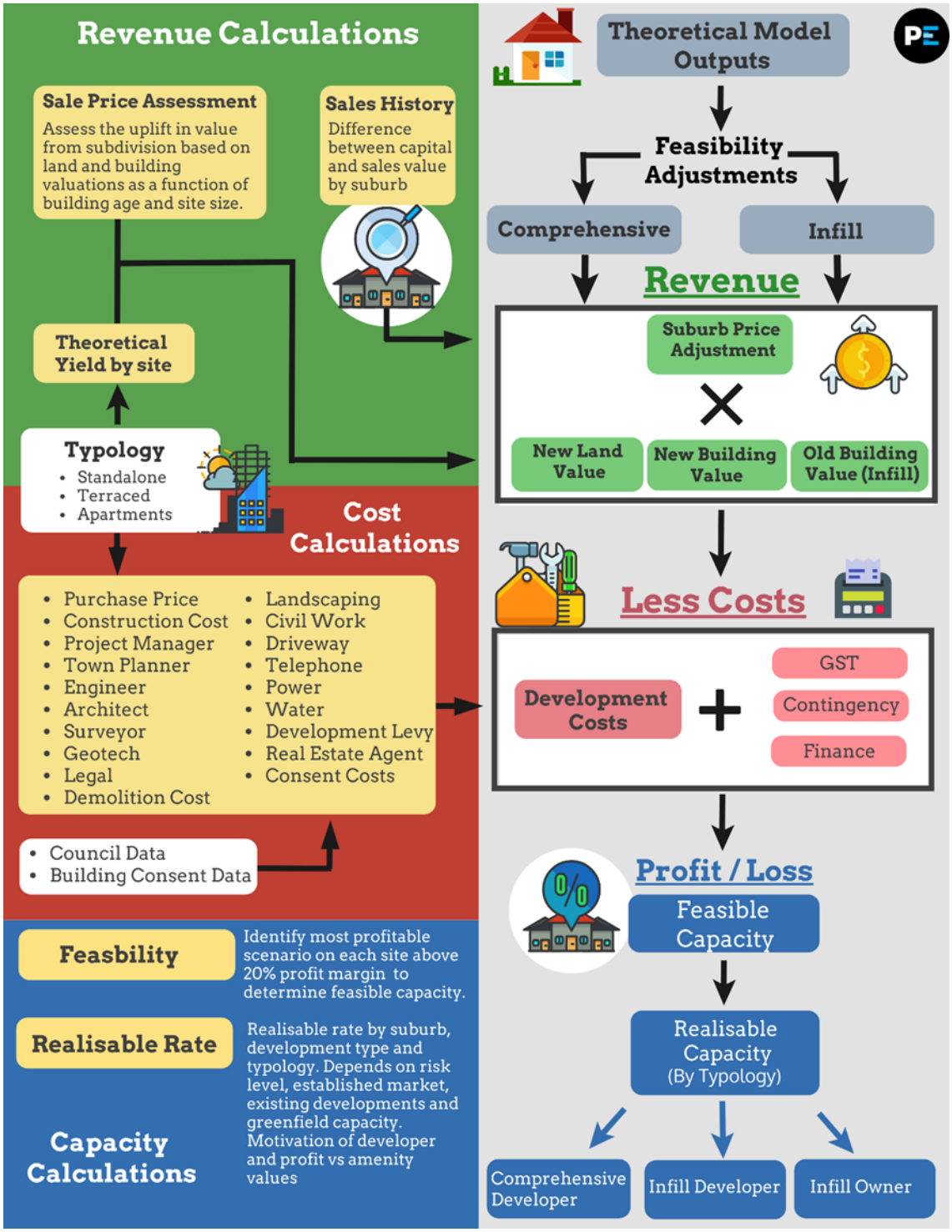
3. FEASIBLE CAPACITY MODELLING

A high-level overview of the model utilised by Property Economics in determining the feasible residential capacity for the Horowhenua is outlined in the flow chart in Figure 1 below, with detailed descriptions of each stage of the process given following.

FIGURE 1: PROPERTY ECONOMICS RESIDENTIAL FEASIBILITY MODEL OVERVIEW



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

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

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

Table 3 demonstrates how a subdivision primarily makes it profit through an increase in land value. Note that this is a generic example, (i.e., does not represent a specific site in the district) that is simply included for demonstration purposes.

TABLE 3: EXAMPLE OF HOW BUILDING VALUE AND LAND VALUE CAN VARY BETWEEN STANDALONE AND TERRACED DEVELOPMENT OPTIONS

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

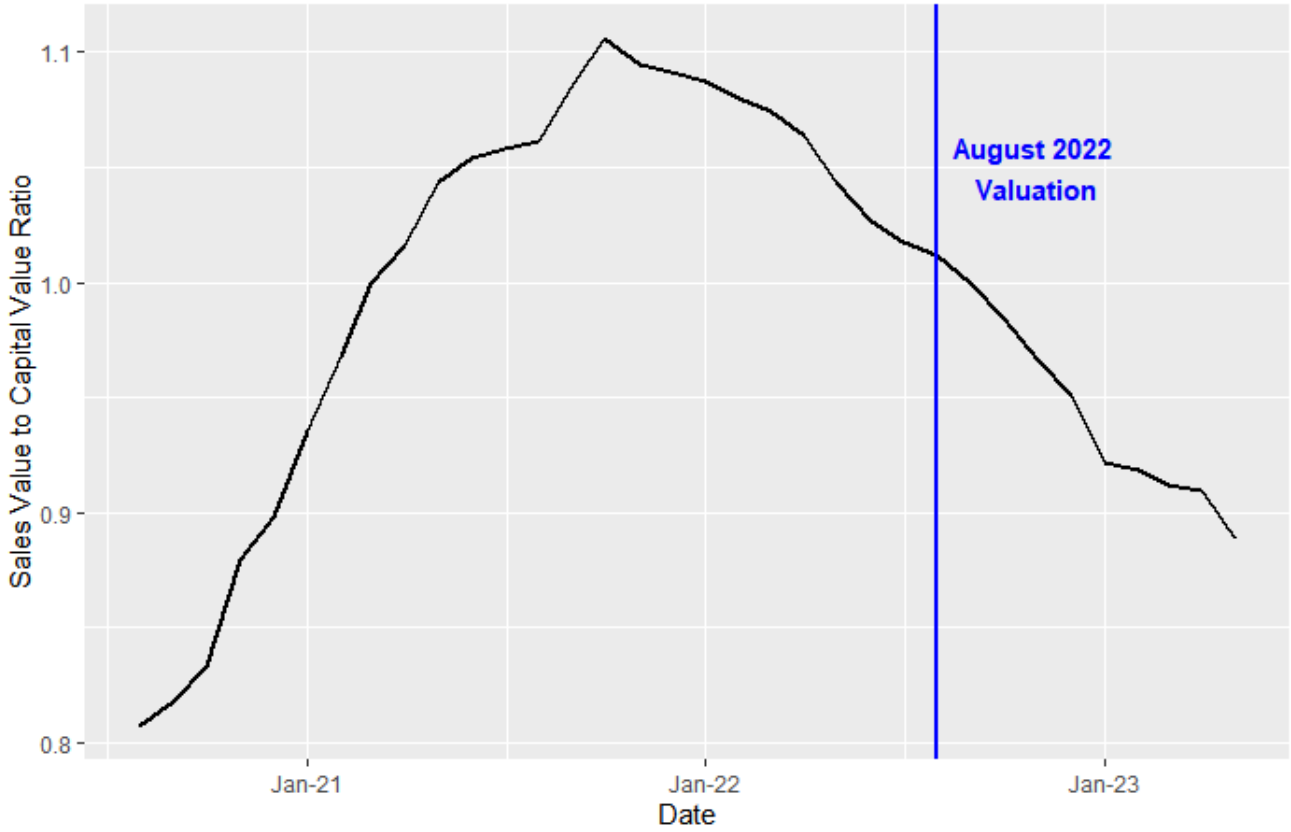
Source: Property Economics,

As this table shows, the value of each individual 100sqm building does not change. Rather the value in building more terraces is inherit in the increase in land value from $1,600 per sqm to $2,160 per sqm, which is the result of being able to build more homes on the same site. If building terraces did not result in a greater yield (i.e., only two terraces or two standalone options) then the Feasible Capacity Model results would likely show the standalone to be the preferred option.

Horowhenua Sales Price

Figure 2 shows how the average sales price compares to capital valuation between July 2020 and May 2023. This provides an indication of how sales price has changed over the past few years. It also highlights when the underlying valuations were undertaken in August 2022 which, as Figure 2 shows, coincides roughly with an average 1.0 ratio of Sales Price to Valuation. At its peak at the end of 2021, properties in Horowhenua were selling for 11% higher than their current valuations on average.

FIGURE 2: AVERAGE HOUSE PRICE IN HOROWHENUA DISTRICT BETWEEN 2019 AND 2023



Source: Property Economics, Core Logic

The point in time used for all of the Feasibility Assessments undertaken in the Wellington Region is September 2022 as this was the point at which the sales data was provided, which is just after the valuations for Horowhenua were undertaken. The difference in the average sale price between August and September 2022 is only approximately 1%.

Further sales data obtained from Core Logic show that the market as continued to drop during 2023. As Figure 2 shows, the average sales price has dropped by just over 11% between September 2022 and May 2023 to an average sale-to-capital value ratio of 0.89.

Furthermore, the Construction Cost Index indicates the costs have risen by 10% in the last year and by 20% since 2020.

This shift in the balance between the underlying land values and the large increase in construction costs has a significant impact on the financial feasibility of housing development. This report provides an indication of the potential feasible capacity under this lower price level.

4. FEASIBILITY MODELLING OUTPUTS

4.1. FEASIBLE CAPACITY OUTPUTS

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

Table 4 below outlines a summary of the number of potential sections on sites where the ratios meet a profit level suitable to meet market expectations (20% for the purpose of this analysis).

TABLE 4- HOROWHENUA FEASIBLE RESIDENTIAL DEVELOPMENT CAPACITY BY ZONE– OWNER AND DEVELOPER

Feasible (Max Profit)	Theoretical	Standalone	Terraced	Total	% of Theoretical
Commercial	628	1	96	97	15%
Deferred	1,799	688	943	1,631	91%
LDR / Greenbelt	1,341	1,107	0	1,107	83%
Residential	21,301	924	6,832	7,756	36%
Total Modelled Capacity	**25,069**	**2,720**	**7,871**	**10,591**	**42%**
Tara-Ika Development	3,500	2,800	700	3,500	
Total Capacity	**28,569**	**5,520**	**8,571**	**14,091**	

Source: Property Economics

Table 4 represents the subdivision undertaken by either an owner occupier or a developer, with the capacity representing the most profitable. This is an important difference as motivations and capital outlay are often different. These figures have removed all 'double ups' i.e., where multiple instances were tested on a specific site and represent the most profitable scenario for that site.

If developments were to be undertaken by either a developer or owner occupier, there is then potential for just under 14,100 additional units within the Horowhenua market including the 3,500 dwellings in Tara-Ika. As all development options have been considered in Table 4, this represents the total feasible capacity in the market. This level of feasible capacity represents a 42% feasibility rate on the theoretical capacity for the modelled sites.

Terraces are the most profitable development typology, making up over three-quarters of the total feasible capacity. This is because they are often cheaper and the most efficient to build when maximising the development potential of a site. That being said, the household demand in Horowhenua is predominately for Standalone houses and therefore the actual development profile will likely favour standalone typologies.

Table 4 also shows that 1,851 of the Feasible Capacity is located within the Deferred Zones. This capacity will not be available until a plan change is actioned. Most of the capacity however exists within the existing Table 6 below shows how the feasible capacity is distributed across the suburbs.

TABLE 5 –HOROWHENUA FEASIBLE RESIDENTIAL DEVELOPMENT CAPACITY BY SUBURB– OWNER AND DEVELOPER

Feasible Capacity					
Suburbs	**Theoretical Capacity**	**Feasible Standalone**	**Feasible Terraced**	**Total Feasible Capacity**	**Feasibility Rate**
Foxton	2,893	137	770	907	31%
Foxton Beach	2,509	118	763	881	35%
Foxton/Himatangi	775	209	387	596	77%
Hokio Beach	64	54	-	54	84%
Levin	12,276	543	2,995	3,538	29%
Levin Rural	3,250	901	2,060	2,961	91%
Manakau Township	43	12	-	12	28%
NA	66	-	-	-	0%
Ohau Township	179	128	-	128	72%
Shannon	2,252	113	885	998	44%
Tokomaru Rural	143	-	-	-	0%
Tokomaru Township	105	60	-	60	57%
Waikawa Beach	46	35	-	35	76%
Waitarere Beach	468	410	11	421	90%
Total	**25,069**	**2,720**	**7,871**	**10,591**	**42%**

Source: Property Economics

4.2. REALISABLE CAPACITY OUTPUTS

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

These considerations are based on:

- Dwelling typology
- Development option
- Greenfield competition

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

On top of greenfield consideration, the relative risk of each development type must be considered in quantifying what will practically be developed by the market. The risk is not homogenous across typology or development type, and thus a matrix of 'risk factors' have been applied across each combination of typology and development type.

Risk has been accounted for developments undertaking by developers by increasing the required profit level for a development to be classified as 'realisable', on top of being feasible. Table 6 below shows the profit levels required for each combination of typology and development option to be considered realisable by the model.

TABLE 6 – DEVELOPER REALISABLE PROFIT RATES

	Comprehensive Developer	Infill Developer	Infill Owner
House	24%	20%	29%
Terraced	27%	24%	33%
Apartment	38%	33%	46%

Source: Property Economics,

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

For an owner-occupier, the model considers the profit level of the development relative to the capital value of the existing dwelling(s). This is because motivations for an owner to subdivide

their property are inherently linked with the relative profit they can achieve against the value of their own home e.g., a $100,000 profit on a $1,000,000 site will be less likely to be developed by the owner, compared to a $100,000 profit on a $500,000 site, assuming similar fixed costs. Therefore, as a methodology for this, the model considers that the lowest quartile of feasible infill developments in terms of the relative profit / CV ratio will not be realised by the market.4

Furthermore, the Horowhenua District Plan allows for Medium Density Development within the overlay as a Restricted Discretionary Activity (down to 225sqm site size) and an infill development down to 250sqm in certain towns as a Restricted Discretionary activity for sites between 500sqm – 900sqm.

Although these Restricted Discretionary activities are still enabled by the plan, the additional consenting requirements represent an additional barrier that is likely to reduce their realisation rates. The model therefore adds to the required realisation profit margins indicated in Table 6 an additional 5% for Restricted Discretionary Consents.

Taking these market practicalities into consideration, Table 7 shows the realisable capacity within the Horowhenua District

TABLE 7: HOROWHENUA REALISABLE RESIDENTIAL DEVELOPMENT CAPACITY BY ZONE

Realisable	Theoretical	Standalone	Terraced	Total	% of Theoretical
Commercial	628	14	19	33	5%
Deferred	1,799	676	927	1,603	89%
LDR / Greenbelt	1,341	1,094	0	1,094	82%
Residential	21,301	1,320	4,417	5,737	27%
Total Modelled Capacity	**25,069**	**3,104**	**5,363**	**8,467**	**34%**
Tara-Ika Development	3,500	2,800	700	3,500	
Total Capacity	**28,569**	**5,904**	**6,063**	**11,967**	

Source: Property Economics,

Table 7 shows that the Realisable Capacity across Horowhenua is just under 12,000 dwellings including the 3,500 dwellings in Tara-Ika. Of the modelled capacity, the 8,467 realisable dwellings represent a 34% realisation rate across the district. In essence, this represents an 80% realisation rate of the already calculated feasible capacity outlined in Table 5 above.

As expected, there is a significant reduction in the number of terraces that is expected to be realised in favour of standalone typologies.

Table 8 disaggregates the realisable capacity by Suburb.

TABLE 8 –HDC DISTRICT REALISABLE RESIDENTIAL DEVELOPMENT CAPACITY BY SUBURB – ALL ZONES

Realisable Capacity					
Suburbs	**Theoretical Capacity**	**Realisable Standalone**	**Realisable Terraced**	**Total Realisable Capacity**	**Feasibility Rate**
Foxton	2,893	186	380	566	20%
Foxton Beach	2,509	97	476	573	23%
Foxton/Himatangi	775	208	355	563	73%
Hokio Beach	64	50	-	50	78%
Levin	12,276	656	2,028	2,684	22%
Levin Rural	3,250	1,028	1,855	2,883	89%
Manakau Township	43	12	-	12	28%
NA	66	-	-	-	0%
Ohau Township	179	111	-	111	62%
Shannon	2,252	263	265	528	23%
Tokomaru Rural	143	-	-	-	0%
Tokomaru Township	105	55	-	55	52%
Waikawa Beach	46	34	-	34	74%
Waitarere Beach	468	404	4	408	87%
Total	**25,069**	**3,104**	**5,363**	**8,467**	**34%**

Source: Property Economics

4.3. GREENFIELD

Table 9 shows the Feasible and Realisable Greenfield Capacity for each suburb. Note that this capacity was included in the preceding tables and is not additional to the capacity outlined in Tables4,5,7, and 8.

TABLE 9: GREENFIELD FEASIBLE AND REALISABLE CAPACITY

Suburbs	Theoretical Capacity	Feasible	Feasible Ratio	Realisable	Realisable Ratio
Foxton	18	18	100%	18	100%
Foxton Beach	187	185	99%	185	99%
Foxton/Himatangi	438	430	98%	430	98%
Hokio Beach	23	23	100%	23	100%
Levin	608	576	95%	575	95%
Levin Rural	1,948	1,920	99%	1,920	99%
Waikawa Beach	19	19	100%	19	100%
Waitarere Beach	286	272	95%	272	95%
Total	**3,572**	**3,443**	**96%**	**3,442**	**96%**

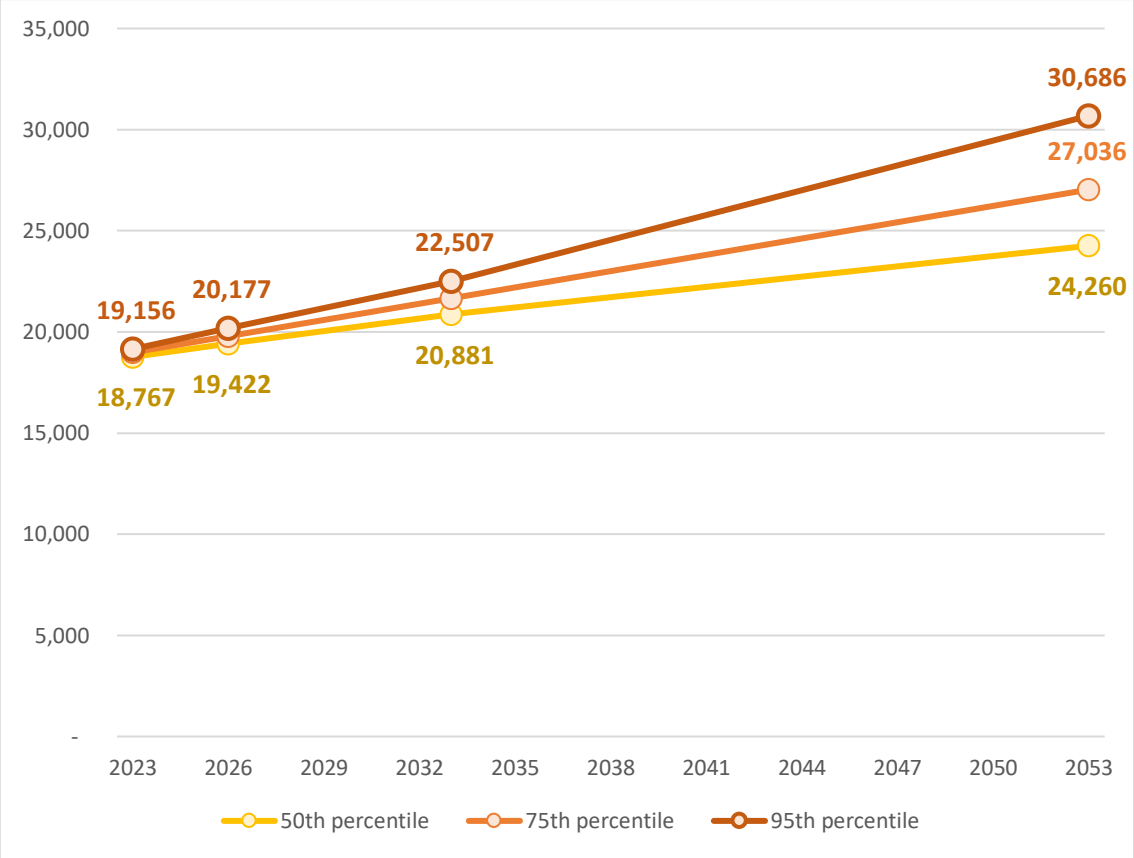
Source: Property Economics

All of the Greenfield Sites put through the feasibility model (i.e. excluding sites completely covered by constraints) had feasible and realisable development options. The difference between the Theoretical and Feasible Capacity represents the difference between what could be built under the plan and what is likely to be built. For example, it may be theoretically possible to build smaller dwellings, but the model may suggest that large Standalone houses are the most profitable option.

5. DEMAND RECONCILIATION

Figure 3 below shows the dwelling projections according to the projections developed by Sense Partners for the Horowhenua District. It shows growth according to their 50th, 75th and 95th percentile projections showing the medium, medium high and high growth scenarios. Under these scenarios, the projected 30-year growth between 2023 and 2053 ranges from 5,500 dwellings under the medium, just over 8,000 dwellings under the medium-high and over 11,500 dwellings under the high projection.

FIGURE 3: SENSE PARTNERS PROJECTED DWELLINGS HOROWHENUA DISTRICT



Source: Property Economics

Based on this assumption, it is clear that has more than sufficient realisable capacity (of circa 12,000) to meet its projected demand under even the higher 95th percentile growth scenario albeit, the capacity does not meet the NPS margin requirements of the 95th percentile growth scenario. (15,153 households or 17,691 including the NPS UD 15% margin).

The question remains, however, as to whether this capacity is suitable to meet the needs and desires of the Horowhenua housing market. It is therefore important to reconcile this capacity with the demand by systematically allocating sites to be built for specific development options.

Sense Partners projections breaks down the household demand by household type (i.e. couple without kids, single-parent family etc) which we can use to estimate the typology and size demanded by the population in each location over the next 30 years.

Based on Sense Partners' breakdown of Standalone and Attached Dwellings and their projected household demographic changes, Property Economics has estimated the number of small, medium and large dwellings of each typology that will be required.

The model then reconciles the feasible capacity against this demand by sorting each of the sites by profit and systematically allocating each of them to be "Realised" as one of the nine typologies/sizes.

Table 11 shows the split by size across each of the Standalone, Terraces and Apartment typologies and the capacity to meet that demand. Notably, this does not include the 3,500 dwellings in Tara-Ika. Table 11 shows that even without the Tara-Ika development, Horowhenua has more than enough capacity of each typology to meet demand by typology under the Medium Projection. Almost three quarters of the demand is projected to be for Standalone dwellings which is a significant shift from the Realisable Capacity results. Even though there is only a limited amount of Residual Large Standalone capacity, the Tara-Ika development provides enough capacity to compensate for any potential deficit.

TABLE 10: DEMAND RECONCILIATION BY TYPOLOGY AND SIZE FOR MEDIUM PROJECTION

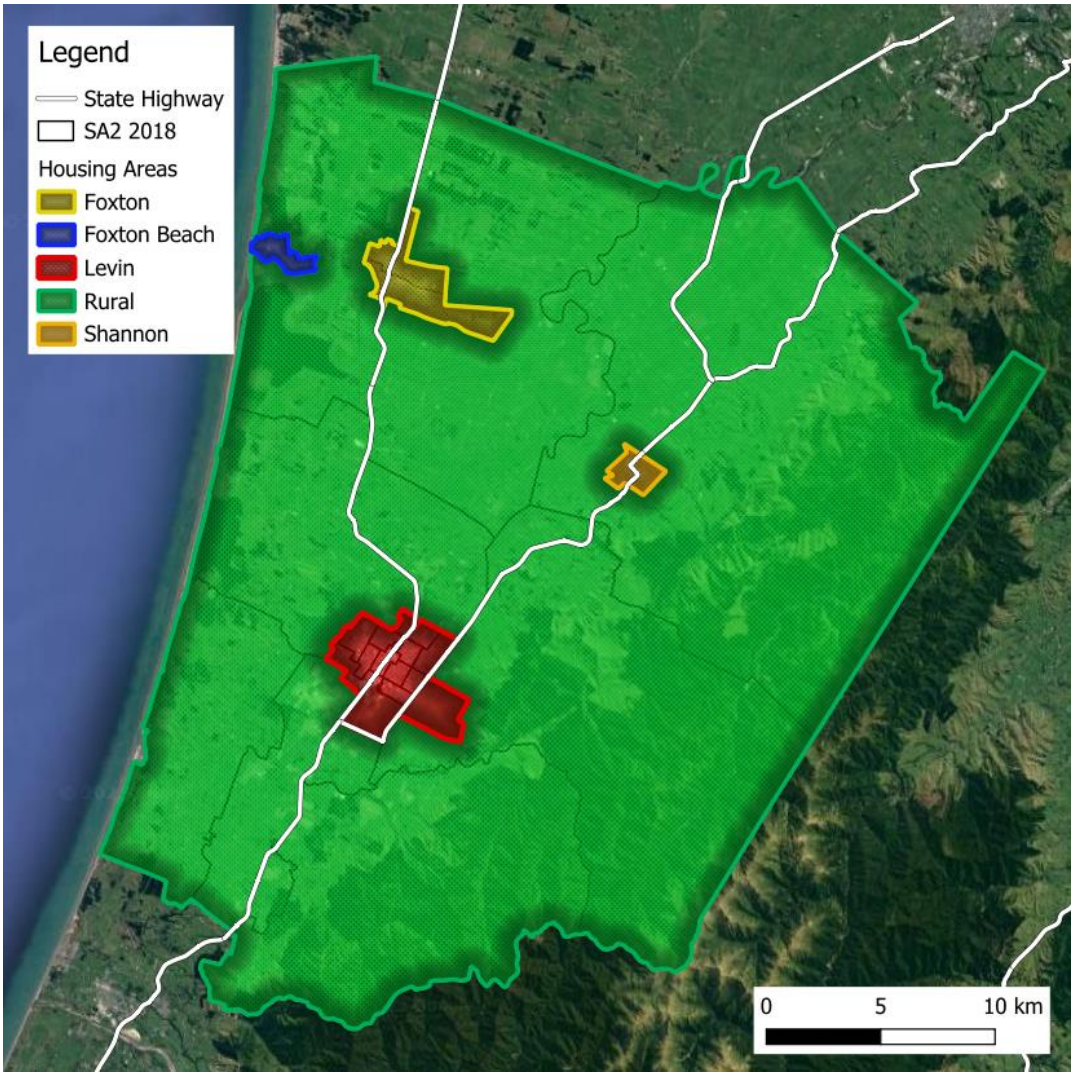
Typology	Size	Demand	Reconciled Capacity	Sufficiency	Residual Capacity
Standalone	Large	798	798	100%	62
	Medium	1,440	1,440	100%	439
	Small	1,777	1,777	100%	921
Terraced	Large	67	67	100%	193
	Medium	447	447	100%	213
	Small	964	964	100%	455
Total		5,493	5,493	100%	2,282

Source: Property Economics

If Horowhenua were to grow to meet its highest 95th growth projection, then the model suggests that there is the potential for an undersupply of Large Standalone dwellings and Terraced dwellings to meet the demand. Meeting capacity under this scenario will likely require a shift in the demand preferences to more space efficient options (i.e., smaller dwelling sizes or more terraces) and / or more greenfield expansion. However, as this is the 95th percentile growth projection, it should be considered relatively unlikely, and it is not necessary to plan for growth of this magnitude at this time.

As well as ensuring there is sufficient capacity to support the likely demand by typology, it is also important to ensure there is sufficient capacity in each location. Sense Partners dwelling projections included a breakdown by Statistical Area 2 (SA2). Property Economics have split the district into the four main urban areas and the remaining rural our key housing areas as shown on Figure 4 below.

FIGURE 4: RESIDENTIAL CATCHMENTS



Source: Property Economics

Table 12 shows that although there is sufficient capacity at a district level, there is a potential undersupply of terraced dwellings in Shannon, albeit there is more than sufficient standalone capacity to meet this demand. Similarly, there is the potential undersupply of standalone dwellings in the Rural area which could be accommodated with Attached Dwellings or Standalone capacity in the urban areas. It should also be noted that it is not clear how much of the demand allocated to the SA2 areas within the Rural area is an expectation of greenfield growth for the Townships.

Under the highest 95th percentile growth projection we see that Levin has sufficient capacity (due to the Tara-Ika growth area providing 3,500 dwellings) but there is a significant shortfall in capacity for Foxton, Shannon and the Rural area. The shortfall in Foxton can be supported by supply in Foxton Beach. However, under this higher growth scenario, it is likely that most of the growth allocated to Shannon and the wider Rural SA2's would have to be accommodated in Levin unless further capacity is provided elsewhere.

TABLE 11: DEMAND RECONCILIATION UNDER THE SENSE PARTNERS MEDIUM PROJECTION BY TYPOLOGY AND SIZE AND LOCATION

Catchment	Type	Demand	Reconciled Capacity	Sufficiency	Residual Capacity
Foxton	Standalone	255	255	100%	182
	Attached	47	47	100%	62
Foxton Beach	Standalone	180	180	100%	297
	Attached	0	0	0%	44
Levin	Standalone	1,322	1,322	100%	879
	Attached	878	878	100%	321
Rural	Standalone	2,172	1,938	89%	0
	Attached	398	398	100%	476
Shannon	Standalone	86	86	100%	297
	Attached	155	113	73%	0
Total		**5,493**	**5,217**	**100%**	**2,558**

Source: Property Economics

For comparison with the other estimates of capacity, Table 13 breaks down the Demand Reconciled Capacity by Typology and Zone. Note that this includes both the capacity required to meet demand and the Residual Capacity shown in Table 12 above.

TABLE 12: HOROWHENUA DEMAND RECONCILED CAPACITY BY ZONE

Demand Reconciled	Theoretical	Standalone	Terraced	Total	% of Theoretical
Commercial	628	19	11	30	5%
Deferred	1,799	1,221	316	1,537	85%
LDR / Greenbelt	1,341	1,098	0	1,098	82%
Residential	21,301	3,098	2,012	5,110	24%
Total Modelled Capacity	**25,069**	**5,437**	**2,339**	**7,775**	**31%**
Tara-Ika Development	3,500	2,800	700	3,500	
Total Capacity	**28,569**	**8,237**	**3,039**	**11,275**	

Source: Property Economics

6. ALTERNATIVE SCENARIOS

Up till this point, the Feasibility Assessment has been undertaken as of September 2022. However, as Figure 2 shows, the average sale price in the Horowhenua District has declined further from this point, as it has done across the country. Based on our analysis of early 2023 property sales, this corresponds to a 15% reduction in land values. Table 14 shows the impact of this change on the feasibility and realisable capacity with all other variables held constant.

This change has a roughly equal impact on both the Feasible and Realisable capacity, with a 23% reduction in Feasible (2,400 fewer dwellings) and a 22% decrease in the Realisable Capacity (1,800 dwellings). Most of the lost capacity is in the Residential Zone, with only a minor loss in the undeveloped Greenbelt or Deferred sites.

TABLE 13: FEASIBLE AND REALISABLE CAPACITY WITH A 14% REDUCTION IN LAND VALUES

		Theoretical	Standalone	Terraced	Total	% of Theoretical
Feasible (Max Profit)	Commercial	628	0	56	56	9%
	Deferred	1,799	649	941	1,590	88%
	LDR / Greenbelt	1,341	1,063	0	1,063	79%
	Residential	21,301	382	5,057	5,439	26%
	Total	**25,069**	**2,094**	**6,054**	**8,148**	**33%**
	Baseline Total	**25,069**	**2,720**	**7,871**	**10,591**	
Realisable Capacity	Commercial	628	6	14	20	3%
	Deferred	1,799	714	833	1,547	86%
	LDR / Greenbelt	1,341	1,055	0	1,055	79%
	Residential	21,301	1,003	3,015	4,018	19%
	Total	**25,069**	**2,778**	**3,862**	**6,640**	**26%**
	Baseline Total	**25,069**	**3,104**	**5,363**	**8,467**	

Source: Property Economics

7. SUMMARY

Table 16 shows the projected dwelling demand under the Sense Partners 50th and 75th percentile forecast and the NPS-UD[1] uplift requirement for the Horowhenua District. This shows that over the next 30 years (2023 – 2053), the Horowhenua District requires a capacity of 6,420 dwellings under the medium 50th percentile projection, capacity of 9,380 dwellings under the 75th percentile and a capacity of 13,430 dwellings under the highest 95th percentile projection.

TABLE 14: HOROWHENUA HOUSEHOLD PROJECTIONS OVER SHORT, MEDIUM, AND LONG TERM

Capacity Requirements		Short Term (2023 - 2026)	Medium Term (2026 - 2033)	Long Term (2033 - 2053)	Total Increase
50th Percentile	Dwellings	660	1,460	3,380	5,490
	NPS Buffer	*20%*	*20%*	*15%*	-
	Total	**790**	**1,750**	**3,890**	**6,420**
75th Percentile	Dwellings	810	1,860	5,380	8,040
	NPS Buffer	*20%*	*20%*	*15%*	-
	Total	**970**	**2,230**	**6,180**	**9,380**
95th Percentile	Dwellings	1,020	2,330	8,180	11,530
	NPS Buffer	*20%*	*20%*	*15%*	-
	Total	**1,230**	**2,800**	**9,410**	**13,430**

Source: Property Economics, Sense Partners

Table 17 shows the summary of the four different measures of capacity for both Zoned and Deferred Sites.

TABLE 15: HOROWHENUA CAPACITY OVERVIEW

Capacity Overview	Zoned	Deferred	Tara-Ika	Total
Theoretical Capacity	23,270	1,799	3,500	**28,569**
Feasible	8,960	1,631		**14,091**
Realisable	6,864	1,603		**11,967**
Demand Reconciled	6,238	1,537		**11,275**

Source: Property Economics

[1] *The National Policy Statement for Urban Development requires Councils to provide sufficient capacity to meet projected demand with a 20% competitiveness margin / buffer over the Short to Medium Term and a 15% buffer over the Long Term.*

Finally, Table 18 shows a comparison of the Realisable Capacity (being the lowest capacity estimate) against total Demand including the NPS Buffer. This shows that under the 50th and 75th demand projections, the Horowhenua district has more than sufficient capacity to meet the projected demand. However, under the highest 95th percentile projection, there is a shortfall (after accounting for the required capacity margin) of 2,155 dwellings.

TABLE 16: HOROWHENUA COAST SUFFICIENCY

Sufficiency	50th Percentile	75th Percentile	95th Percentile
Demand + NPS Buffer	6,420	9,380	13,430
Demand Reconciled Capacity		11,275	
Difference	**+ 4,855**	**+ 1,895**	**-2,155**

Source: Property Economics