Mr Philip Osborne for QLDC – Summary of Evidence, 21 July 2017
Dwelling Capacity, Queenstown - Hearing Stream 13

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1. I have provided evidence for Queenstown Lakes District Council (**QLDC**) in relation to economic matters regarding rezoning and dwelling capacity in the Queenstown area of the District, and in relation to commercial office activities (being commercial activities that take place in professional offices) and industrial activities.

Dwelling capacity

2. The Queenstown Lakes housing market has seen significant and rapid changes over the past 15 years. These changes have resulted in substantial shifts in the affordability of homes in the District as well as important impacts on community well-being and the cost of living and working here.

3. The District currently has the highest nominal average house price and the highest growth rate in the country. While the residential housing growth rates in Auckland have subdued over the past 12 months, the District has not experienced the same tempering of growth. With an average price of over $1,050,000, the level of affordability has resulted in home ownership levels across all households of only 35% and only 8% for those under 40 years old.

4. It is estimated that over the past 15 years, residential housing demand in the District rose by nearly 7,000 homes while the corresponding supply fell short by over 1,000 homes. This latent demand is currently playing its role in the ongoing pressure on house prices and affordability.

5. Since 2006 the District has experienced the largest fall in home ownership rates across the country, with an average mortgage accounting for over 50% of the average after tax income.

6. A key component of the property market in the District is the number of vacant site transactions. These are not only high in terms of quantum but also in terms of the number of transaction per property. This would indicate a significant market in land speculation.

7. Queenstown (ie. the 'Wakatipu Ward') makes up approximately 62% of the District's existing dwellings with 10,631 in 2015.[1] As indicated by the changing home ownership and affordability rates, an increasing proportion of this demand will be required in the lower price and income brackets.

8. It is fundamental in terms of economic well-being that the PDP consider the changing residential environment in the District. The District has the opportunity to address the issues of affordability and built supply through the increased provision for medium and high density residential development in central locations.

9. Property Economics have undertaken development of a feasibility model to advance the enabled capacity for residential dwellings provided by QLDC. This feasibility modelling was undertaken to understand if there is sufficient enabled capacity for sites in the district plan, when considering the likelihood of the market to undertake development at a given profit margin.

10. Several assumptions and market variables were considered in this model and these are outlined in my evidence for both this hearing and the Upper Clutha Hearing Stream.

11. In total, the 'plan enabled' capacity resulted in 27,159 dwellings (excluding SHAs) within the Wakatipu area with 20,494[2] of these being deemed 'feasible'.[3] It was important to reflect in the final numbers the potential for variances from the market 'averages' that were applied at a site-by-site basis, given the 'development chance' that would factor into the realisation of built form from the feasible development potential. As indicated above, the land market in which Wakatipu operates has factors associated with it that would indicate a proportionately high level of land speculation. This factor, coupled with the level of areas with identified capacity, would alter this development chance (especially in the short to medium term) and so a high rate was applied of 50%[4] for the modelled capacity.

12. The final capacity resulting from the model parameters for Wakatipu was 15,100.

1 Second Statement of Evidence of Mr Osborne, at Table 1.
2 Prior to the 50% development chance on modelled capacity.
3 This included a 30% reduction in land area within Greenfield areas for the development of infrastructure.
4 Note this factor is identified, in part, within the requirements of the NPS (PC1) which identifies 20% short to medium term and 15% long term ‘buffers’. This ‘averages’ to 22% the ‘buffer’ across all properties.

13. The table below from my second statement of evidence identifies the areas in which this capacity lies.

Zone Areas	Zone Name	Enabled	Feasible	Realisable*
Low Density Residential	Low Density Residential	9,500	5,700	3,040
Medium Density Residential	Medium Density Residential	1,565	689	310
High Density Residential	High Density Residential	2,395	1,090	491
Business Mixed Use	Business Mixed Use	747	556	278
Rural Residential	Rural Residential	267	164	74
Rural Lifestyle Zone	Rural Lifestyle Zone	359	215	97
Local Shopping Centre	Local Shopping Centre	162	162	73
Queenstown Town centre	Queenstown Town centre	196	146	66
Arrowtown Town Centre	Arrowtown Town Centre	32	21	9
Township	Township	293	157	70
Subtotal		**15,516**	**8,900**	**3,507**
Zone Areas	**Zone Name**	**Enabled**	**Feasible**	
R.G. Glenorchy	Rural General	37	37	
R.G. Wakatipu	Rural General	371	371	
Gibbston Character	Gibbston Character	160	160	
Ferry Hill RR Sub-Zone	Rural Residential	7	7	
Bobs Cove RR Sub-Zone	Rural Residential	32	32	
TC Queenstown (PC50)	Queenstown Town centre PC50	647	647	
SP Remarkables Park	Special Purpose	4,500	4,500	
Jacks Point	Urban Special	3,700	3,700	
Quail Rise	Quail Rise	13	13	
Bendemeer	Special	38	38	
Millbrook	Special	251	251	
Waterfall Creek	Special	98	49	
Meadow Park	Special	28	28	
Shotover Country	Special	248	248	
Kingston Village	Special	550	550	
Arrowtown South	Special	13	13	
Arthurs Point	Rural Visitor	200	200	
Frankton Flats B	Special	750	750	
Subtotal		**11,643**	**11,594**	
Total		**27,159**	**20,494**	**15,101**

14. In considering the sufficiency of this capacity, it is appropriate to have regard for future residential dwelling demand within the Wakatipu area beyond the period of the PDP (which requires capacity for 3,300 dwellings). As identified, the projected dwelling demand for Wakatipu to 2048 is expected to be approximately 9,500 dwellings (including a latent demand of 800 dwellings). When considering the 'modelled' areas and areas identified by QLDC, it is expected that even with a modelled development chance of 50%, there is more than sufficient capacity at 15,100 dwellings.

15. Additionally, if the model applied a 15% (long term) margin as directed by the National Policy Statement on Urban Development Capacity 2016 (**NPS-UDC**), it

would result in a realisable capacity of a further 1,400 dwellings (or nearly a 10% increase in overall capacity).

Commercial office and industrial land

16. I have also provided evidence in relation to commercial office activities (being commercial activities that take place in professional offices) and industrial activities, specifically in relation to medium and long term (ie, 3 to 10, 20 and 30 years, 30 being to 2048) land requirements.

17. One correction I would like to make to my evidence in chief is the exclusion of the NPS-UDC long-term buffer of 15% to the industrial land capacity. My evidence outlined that there was sufficient vacant industrial land to 2030, with an overall District demand for 47 hectares of land and a supply of 52 hectares. When considering the 15% buffer these numbers converge with an overall demand of 54 ha and a current supply of 52 ha. This would suggest that the District has sufficient industrial land capacity to the beginning of 2030.

18. Over the past 16 years the District's commercial and industrial environment has seen substantial changes. As the District matures a greater level of business activity generated within the District is retained. This has led to substantial levels of growth (150%) in employment, far exceeding the national average (31%) over the same period. This has also led to a changing composition as the economy, increasingly, provides the activities to service its own population and visitors. This has collectively resulted in a 200% increase in industrial and commercial office employment.

19. These changes have placed pressure on the District's business land supply and have resulted in rapidly increasing business land prices and inappropriate levels of competition within zones. Over the past decade prices for industrial land have exceeded $1,000sqm due in part to increasing industrial demand and the fact that 40% of the District’s commercial office consents over the past 5 years have occurred in industrial zones.

20. While the Wakatipu Ward accommodates a greater proportion (to population) of employment, the Wanaka Ward has seen increased retention over the 15 years (especially pre-2008) and continues to expand as a business location as well as residential base.

21. The Queenstown Town Centre, Frankton and Wanaka Town Centre continue to accommodate the majority of commercial office activity and growth, with Frankton also experiencing the vast majority of industrial growth.

22. Existing capacity for projected growth requirements are based on the availability of vacant business land. Under the PDP it is estimated that vacant commercial land makes up over 70ha (47ha in Wakatipu and 25ha in Wanaka), while there is 51.5ha of vacant industrial land (approximately 30ha Wakatipu and 20 in Wanaka).

23. Looking forward, employment projections would suggest a 100% increase in commercial office and industrial employment over the 30 years with a need to accommodate 10,000 additional employees in the District's business environment.

24. Taking into account changing employment to land ratios by sector (and a latent demand of 11ha), it is expected that the District will require 92 hectares of industrial land by 2048 to accommodate the expected growth and changes to sector land requirements.

25. Similarly, commercial office activity will require 18 ha of commercial land (at an average of 2 storeys across the District) by 2048, this also takes into consideration a minimal degree of intensification of existing activity).

26. When considering the level of vacant business land (not considering any potential redevelopment of existing premises), and allowing for the 15% long-term buffer under the NPS as outlined above, it is expected that while both activities will have sufficient capacity for the life of the PDP:

(a) industrial land capacity is likely to be absorbed by the beginning of 2030; and

(b) the level of commercial land (with the total demand for commercial land outlined in the evidence of Mr Tim Heath) will be sufficient through the 20 year period to 2038, with a potential shortfall in the latter 10 years to 2048 of just over 17 ha.

27. It is important to note that while the under-provision of business land represents significant risks to the District's economy and its efficient operation, so too does a significant over supply. Rezoning material levels of business land not required for significant periods can led to inappropriate market signals and responses as well as uncompetitive business environments and reduced propensities for private investment.