WAIKATO DISTRICT PLAN REVIEW SUBMISSION

SUBMITTER KONING FAMILY TRUST and MARTIN KONING

TOPIC: Extent of residential zoning at Raglan

REBUTTAL EVIDENCE OF FRASER JAMES COLEGRAVE

Dated: 17 MAY 2021

Introduction

1. My full name is Fraser James Colegrave. My qualifications and experience are set out in my evidence in chief, dated 17 February 2021.

Context

2. Raglan is a popular tourist destination, whose resident population is also growing rapidly. The resulting housing pressures led to a detailed study in 2018, which confirmed that the town urgently needed more housing to meet demand.

3. In my evidence in chief, I used the latest data available – at the time of writing – to assess Raglan's likely future supply and demand for additional housing. That data, which was published by the Council under the former National Policy Statement on Urban Development Capacity 2016 (NPSUDC), confirmed that feasible dwelling capacity was less than projected demand over all timeframes. This finding was further confirmed in the section 42A report, which also identified a likely supply shortfall over all three of the current National Policy Statement on Urban Development 2020 (NPS-UD) timeframes.

4. However, the Framework Report: Supplementary Evidence dated 28 April 2021 (FRSE) now paints an entirely different picture, with it estimating supply to dwarf demand. To better understand the nature of these sudden changes, I performed a detailed examination of the underlying data and assumptions. I outline my process and findings below.

Projected Raglan Dwelling Supply/Demand Balance According to FRSE

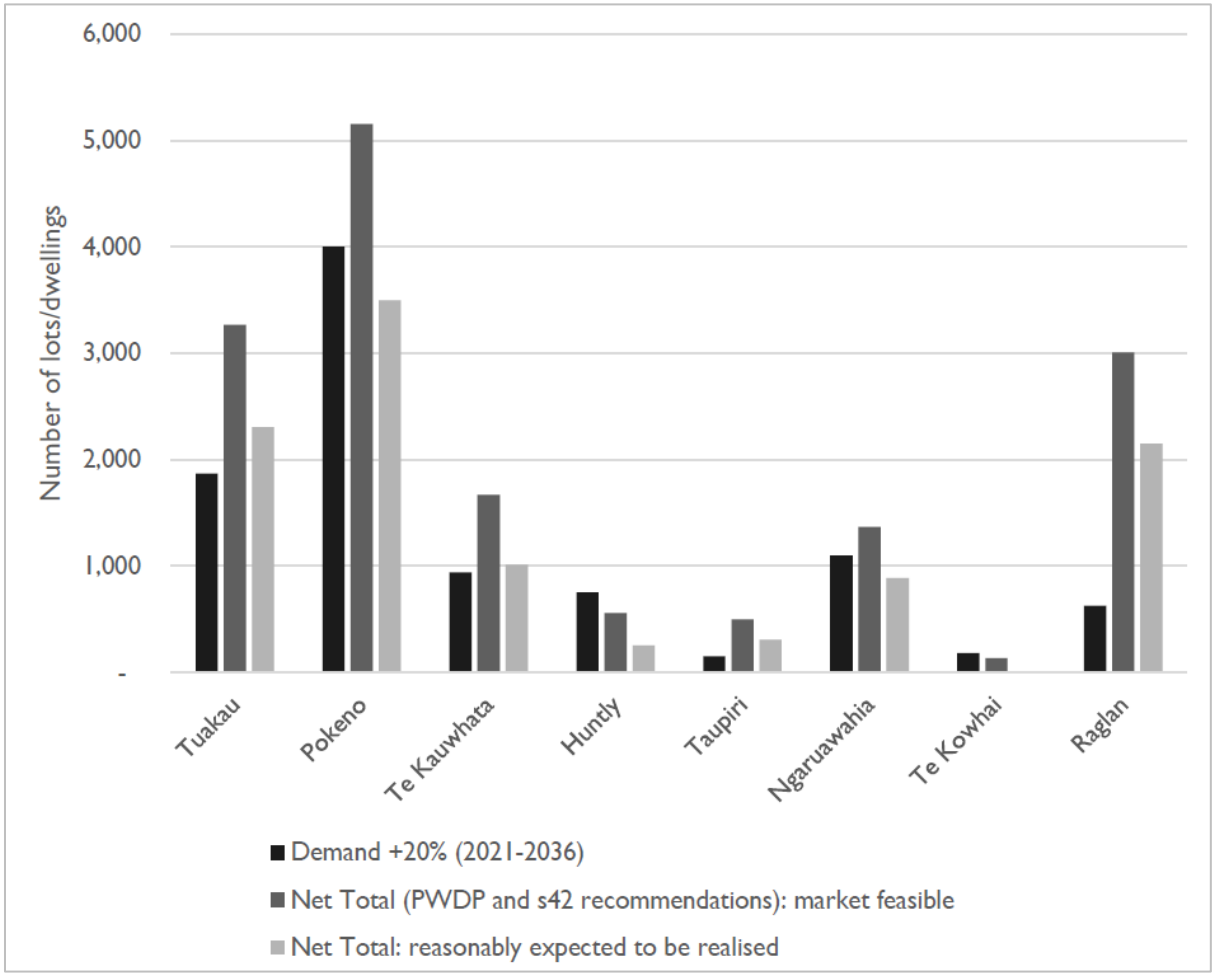
5. The stated purpose of the FRSE is to "act as a guide to assist the Panel with its decision-making with respect to giving effect to the NPS-UD."[1] Amongst other things, this report presents various graphs that depict differing perspectives on the author's estimates of the likely supply and demand for additional dwellings across the district's various townships over three timeframes – 3 years, 10 years, and 15 years.

[1] Para 6 on page 3 of the FRSE.

6. This 15-year timeframe is a departure from previous reporting, which was correctly aligned with the three timeframes mandated in the NPS-UD (i.e. 3, 10, and 30 years). This new 15-year timeframe is described in the FRSE as representing a “least regrets” planning horizon. I am unsure what this means. However, the sudden introduction of a new timeframe complicates comparisons with previous supply/demand estimates.

7. Figure 15 of the FRSE presents the author’s estimates of 15-year demand (+ 20%) along with his calculations of (i) market feasible supply, and (ii) the amount that can reasonably be expected to be realised over the next 15 years. That figure is reproduced below.

Figure 1: FRSE Figure 15 - Dwelling Supply/Demand by Township (15-year view)



8. The graph above shows that, contrary to all previous analysis, Raglan is suddenly in a position where likely dwelling supply is several times higher than

projected demand. I now work through the supply and demand figures to identify why the supply/demand balance has supposedly flipped. I start with demand.

Analysis of FRSE Demand Estimate

9. Table 9 on page 19 of the FRSE displays the 3-, 10-, and 15-yr dwelling forecasts for Raglan, with and without the 20% NPS-UD competitiveness margin. These latest demand projections are reproduced below.

Table 1: FRSE Dwelling Demand Projections for Raglan

Additional Dwellings	**3-yr**	**10-yr**	**15-yr**
Raw projections	125	408	527
Including 20% margin	150	490	632

10. According to Table 1, the latest projections anticipate demand for only an additional 527 dwellings in Raglan over the next 15 years, or 632 including the NPS-UD competitiveness margin. This equates to only 35 additional dwellings per annum (or 42 per annum including the buffer).

11. These figures seem low to me given recent housing market pressures, so I compared them to the prior corresponding projections, namely:

    a) the 2017 Housing Capacity Assessment (HCA) I relied on in my evidence in chief, and

    b) The initial Framework Report dated January 2021 (IFR).

12. The table below presents the comparison, along with the share of district growth allocated to Raglan in each projection series/time-period.[2]

[2] The two prior sets of projections did not include 15-year demand forecasts, so I linearly interpolated them from the associated 10- and 30-year projections.

Table 2: Evolution of Raglan's Dwelling Demand Projections Since 2017

2017 HCA	**3-yr**	**10-yr**	**15-yr**
Raglan	177	419	629
District Total	2,620	5,936	8904
Share of district growth	*6.8%*	*7.1%*	*7.1%*
IFR (Jan 2021)	**3-yr**	**10-yr**	**15-yr**
Raglan	187	472	708
District Total	2,263	7,386	10,610
Share of district growth	*8.3%*	*6.4%*	*6.7%*
FRSE (April 2021)	**3-yr**	**10-yr**	**15-yr**
Raglan	125	408	527
District Total	2,263	7,386	10,610
Share of district growth	*5.5%*	*5.5%*	*5.0%*

13. Table 2 shows that Raglan's demand projections have fallen considerably in the latest version, particularly the short-term numbers. These went from 177 in 2017 to 187 in the IFR, but have subsequently fallen to only 125. Evidently, this is because Raglan is forecast to now capture a much smaller proportion of district growth than previously expected. For example, in 2017, Ragan was anticipated to experience between 6.8% and 7.1% of district growth, but this has now fallen to 5% to 5.5% in the latest data.

14. Just like the sudden adoption of a 15-year ("least regrets") timeframe in the FRSE, the assumption that Raglan will now receive a significantly lower share of district growth makes no sense to me.

15. According to the FRSE, these projections were derived by allocating the latest 2020 district population/household estimates by Dr Cameron to townships based on recent growth. Email communications with Dr Davey confirmed that the projections for Raglan are based on the combined outlook for three Statistical Area 2 (SA2) locations – Raglan, Whale Bay, and Te Uku.

16. As a cross-check, I used Statistics New Zealand's latest official population estimates by SA2 to benchmark recent growth against the share of district demand allocated to Raglan in the FRSE.

17. The official population estimates show that the three SA2 areas comprising Raglan accounted for 8.5% of the district's population growth over the last 10 years, which is far higher than the 5 to 5.5% allocated to them in the FRSE.

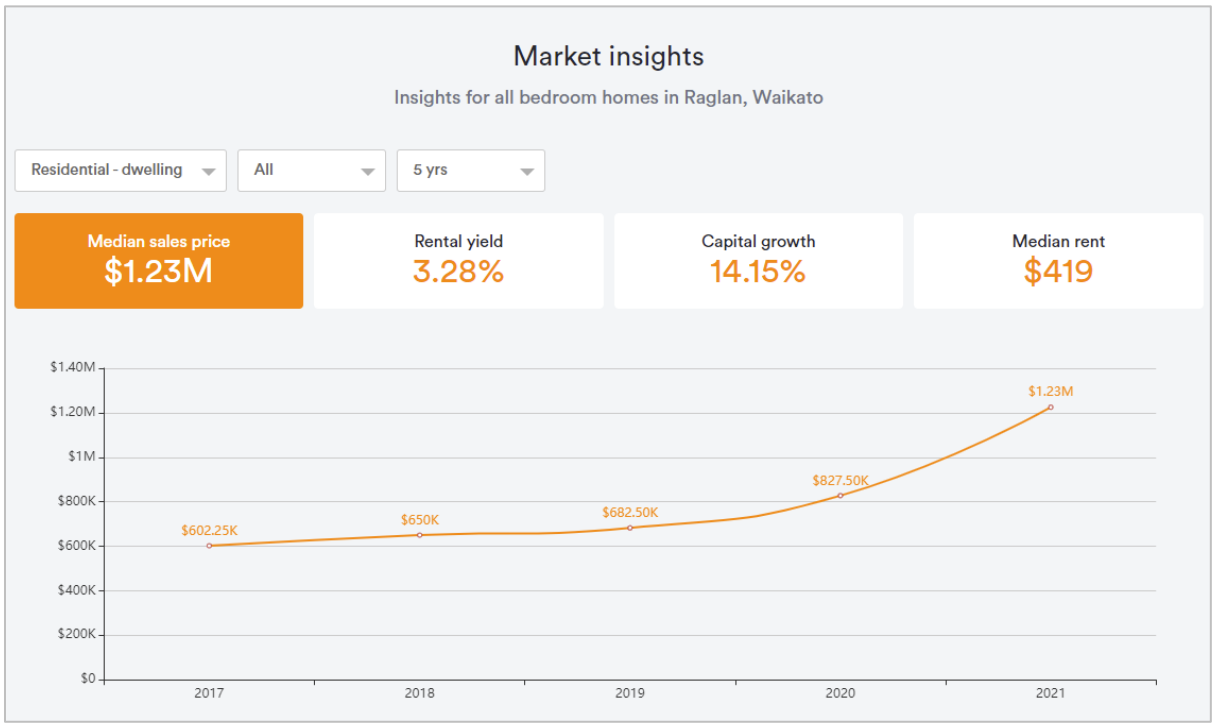
18. Not only does Raglan appear to have been allocated far less than its fair share based on the 10-year trend, but I also consider the concept of assigning growth to areas based on recent trends overly simplistic and highly misleading.

19. This approach implicitly assumes that past growth is an accurate indicator of future demand. However, in practice, recent growth reflects both demand *and* opportunity. Thus, in areas like Raglan where opportunities have been limited, recent growth understates demand. Conversely, in places like Pokeno where opportunities have been rife, recent growth may overstate future demand.

20. A simple way to account for the potential impacts of opportunity on recent growth rates is to consider the associated price changes. To that end, Figure 2 shows an overview of the Raglan housing market over the last few years according to oneroof.co.nz.[3]

[3] https://www.oneroof.co.nz/suburb/raglan-waikato-4084

Figure 2: Oneroof Statistics for Raglan Housing Market



21. Figure 2 shows that the median house price in Raglan grew from $602,250 in 2017 to $1,230,000 in 2021, which represents a compound annual growth rate of 19.6%. Moreover, between 2020 and 2021, the median house price in Raglan increased by a staggering 48%.

22. To ensure that the oneroof data doesn't contain errors or anomalies, I cross-checked it with the latest data published under the NPS-UD. The NPS-UD data indicated that dwelling prices in Raglan had grown by 38% over the last 15 months, which is lower than the oneroof data but still incredibly high over such a short period.

23. In my view, this extremely high price growth unambiguously confirms that Raglan's housing market has faced insurmountable supply constraints. As a result, recent growth has reflected a lack of opportunity and is thus an unreliable and inappropriate indicator of future demand. In other words, there is likely to be a significant amount of pent-up demand for owning a home in Raglan, which has been supressed by a lack of available land/opportunity.

24. This is simple stuff, but appears to have been completely overlooked when allocating districtwide growth to townships in the FRSE.

25. To assist the panel, I considered ways to quantify the extent of pent-up demand in the area. My research led me to the Rangitahi Peninsula website. It states that sections sales have exceeded all expectations, with demand coming from a broad cross-section of people, including Raglan locals, former residents, people seeking second/holiday homes, and others wanting to base themselves in Raglan but commute elsewhere for work from time-to-time.

26. The website also contains a journal, which provides regular updates on sales and other development-related matters. It states that the development was granted resource consent for 'Precinct A' on March 29, 2017. Seven weeks later, 70 sections had been pre-sold with the entire first stage of 88 sections selling out in less than a year. This equates to an annual run rate that is almost triple the 35 dwellings per year estimated for Raglan to 2036 in the FRSE.

27. It wasn't just the first stage that sold out quickly, either. On 2 February 2021, the website declared that "2021 is off to a great start, with 20 sections sold since the year started, and 22 sites under enquiry." Again, this points to an annual run rate that is several times higher than assumed for all of Raglan, despite being achieved by only one of its growth cells.

28. As at today (17 May 2021), I understand that approximately 300 sections have been sold in Rangitahi in just over four years, which points to a run rate of about 75 per annum. Again, this is more than double the assumed uptake for all of Raglan. Clearly, there is a strong pent-up demand for owning land/a dwelling in Raglan, which the latest forecasts have not accounted for.

29. Another issue with the FRSE approach of allocating growth based on recent population trends is that, for areas like Raglan, population growth only tells part of the story. In addition, as confirmed by the Rangitahi sales journal, there is also additional demand arising from people seeking a second/holiday home. This was clearly articulated in the 2018 study into the Raglan housing market,

which estimated that short-term rentals (such as those listed on AirBnB) accounted for about 28% of the total housing market.

30. This is also confirmed by 2018 census data, which showed that only 72% of dwellings in the Raglan SA2 were occupied on census night, with the other 28% unoccupied.

31. In my view, the latest demand projections for Raglan are inordinately low and defy logic. As a result, they mask the significant pent-up demand revealed by recent section sales rates.

32. To further assist the panel, I derived – what I consider to be – more reliable projections of future dwelling demand for Raglan to better inform rezoning decisions. My approach was to:

a) Allocate a share of the latest district population projections to Raglan based on its share of population growth over the last 10 years (8.5%);

b) Assume that population growth accounts for 75% of dwelling demand growth, with the other 25% from those seeking a second home etc; and

c) Add in the competitiveness margin to meet NPS-UD requirements.

33. The table below sets out my workings.

Table 3: Revised Dwelling Demand Projections for Raglan

Key	Step	3-yr	10-yr	15-yr	25-yr
A	District Population Growth (FRSE page 20)	2,263	7,386	10,610	16,165
B	Raglan share (based on 10-yr trend)	8.5%	8.5%	8.5%	8.5%
C = A x B	Population-based dwelling demand	192	628	902	1,374
D	Share of total demand from 2nd homes etc	25%	25%	25%	25%
E = C / (1 - D)	Total dwelling demand	256	837	1,202	1,832
F	NPS competitiveness margin	20%	20%	20%	15%
G = E x (1 + F)	**Total demand including margin**	**308**	**1,004**	**1,443**	**2,107**

34. According to my calculations, as set out above, Raglan could face demand for about an additional 1,000 dwellings over the next 10 years, which could increase to more than 2,100 over the next 25 years.

Analysis of FRSE Supply Estimate

35. I liaised with Dr Davey to confirm the figures comprising the amount of capacity that he deemed likely to be realised in Raglan over the next 15 years, as per the FRSE. The table below shows the sources of this apparent capacity.

Table 4: Sources of Capacity Comprising Likely Realisable Supply for Raglan in FRSE

Capacity Source	Likely Supply	Shares
Lorenzen Bay	22	1%
Medium Density Zone	46	2%
Flax Cove	80	4%
Infill (General Residential Zone)	399	19%
Rangitahi	1,556	74%
Total Realisable Supply	**2,103**	**100%**

36. Table 4 shows that the FRSE identified more than 2,100 dwellings of likely realisable supply in Raglan over the next 15 years to 2036. Nearly three-quarters of this is on the Rangitahi peninsula, with a further 20% or so coming from infill/redevelopment of existing sections in the general residential zone. The remaining 7% is attributed to redevelopment in the proposed medium density residential zone, plus new development at Flax Cove and Lorenzen Bay.

37. I now work through each of these apparent sources of capacity to comment on the veracity of the likely supply figures promulgated via the FRSE.

38. **Rangitahi** Peninsula is Raglan's largest source of development capacity. However, this is widely-known in the development community to yield only 500 to 550 lots at completion. For example, the initial framework report (IFR) placed this capacity at 501, with Rangitahi's own website saying that it will yield between 500 and 550 lots.

39. According to Dr Davey, the hyper-inflated estimate of 1,556 adopted in the FRSE was supplied by Market Economics during their recent work for the Council. However, I struggle to comprehend this, as Dr Fairgray – the founder of Market Economics – has been representing Rangitahi during the plan review process, and is intimately aware of the development's capacity. Something is amiss here.

40. Not only is the figure of 1,556 about three times the actual capacity of the development at completion, but more than half of its sections have already been sold. In fact, I understand that approximately 300 sections are now sold, with only about 250 left. This is the value that should have been adopted in the FRSE for this site.

41. The **Infill (General Residential Zone)** capacity of nearly 400 dwellings identified in the FRSE relates to the subdivision or redevelopment of existing sections within the general residential zone. According to the FRSE, the likely realisable figure (of 399) equals only 10% of the feasible capacity. This means that there is apparently almost 4,000 *additional* dwellings that could be feasibly provided within the existing urban area on sections that mostly already contain a dwelling.

42. According to Core Logic, there are only about 2,000 residential sections in the existing urban area, so this implies that *every* existing section could accommodate an extra two dwellings. This defies common sense and strongly suggests that not only have Market Economics miscalculated the capacity of Rangitahi, but also that their estimates of infill capacity are fundamentally flawed.

43. In fact, given the costs of subdivision/redevelopment, I would be surprised if there was feasible capacity for even an extra 400 dwellings on these sections, let alone 4,000. In short, I consider that any capacity relied on in the general residential zone should be treated with extreme caution. Whatever the true number is, it is likely to be several magnitudes lower than reported in the FRSE.

44. **Flax Cove** is a relatively new development area located about one kilometre south east of the village centre. According to the FRSE, this will yield 80 additional dwellings by 2036. This seems plausible.

45. The remaining capacity of nearly 70 lots resides in the recently-proposed **medium density zone** and the yet-to-develop **Lorenzen Bay** area. I am aware that Lorenzen Bay has been available for development since at least 2014, but with the opportunity yet to be taken up. I am unclear of the underlying reasons, but nevertheless accept the estimated realisable supply for this area and the new medium density zone.

46. To assist the panel, the table below presents my revised estimates of likely realisable supply based on the discussion above.

Table 5: Revised Estimates of Likely Realisable Supply to 2036

Capacity Source	**Likely Supply**	**Shares**
Lorenzen Bay	22	4%
Medium Density Zone	46	8%
Flax Cove	80	13%
Infill (General Residential Zone)	200	33%
Rangitahi	250	42%
Total Realisable Supply	**598**	**100%**

47. In summary, I estimate that likely realisable supply in Raglan will be nearly an additional 600 dwellings over the next 15 years. This is far less than my revised projections of demand above (of approximately 1,400 dwellings over 15 years), which strongly confirms the conclusion stated in my original evidence that additional areas for residential land development need to be identified and zoned immediately.

48. Further, as already explained in my evidence in chief, the land proposed for development by my client will provide a strong boost in supply, while also fostering competition in the underlying land market.

49. I therefore continue to strongly support the proposed rezoning of my client's land on economic grounds.

Response to Dr Fairgray

50. I have read the evidence in chief (EIC) of Dr Fairgray for Rangitahi (dated 17 February 2021) and agree with his conclusion at paragraph 45 that "the downside of providing for growth capacity 'too early' would be significantly less than providing for capacity 'too late'."

51. However, that aside, I believe that Dr Fairgray has understated the extent of future dwelling demand because he has not accounted for significant pent-up demand (as evidenced by recent housing market pressures).

52. I also consider that Dr Fairgray has likely overstated future supply because his analysis appears to ignore the various supply limits and constraints described in sections 38 to 45 of this statement.

53. Dr Fairgray also filed rebuttal evidence on behalf of Rangitahi, which addressed issues arising from my evidence in chief. Amongst other things, he criticised me for adopting his own company's demand projections as a starting point, and for not producing my own.

54. Not only has this statement of evidence presented my own, independent estimates of dwelling demand for the panel's consideration, but the "high scenario" demand projection put forward by Dr Fairgray in his EIC is considerably higher than the figure I had previously relied on (which he also derived). Given that the district's population counts have been well above the Stats NZ high projection for the last few years, I struggle to understand Dr Fairgray's comments.

55. Moreover, as noted earlier, I consider that the rate at which sections have sold in Rangitahi, coupled with extraordinary recent house price growth, clearly demonstrate an overwhelming demand for owning a home in Raglan, which Dr Fairgray has not properly considered.

56. Dr Fairgray also believes that I have overstated the potential demand for people wanting to work from home in Raglan. However, the Rangitahi website

even mentions that there has been demand from a wide cross section of people, including people wanting to base themselves in Raglan and commute to work as required. i.e. working from home.

57. The latest census data also show that people living in Raglan are more than twice as likely to work from home than the national average. If anything, I consider that this rate is likely to increase as working from home (at least some of the time) because more normalised around the world.

58. Finally, Dr Fairgray disagrees with my position on likely supply, which I distinguish from feasible capacity to reflect developer intentions, propensity to landbank, and site constraints such as topography and potential contamination. I remain very comfortable with my approach, and note that the need to now estimate the capacity that is likely to be realised over a certain timeframe confirms that such considerations are relevant and important.

59. I consider that Dr Fairgray has also overlooked the benefits of increased competition in the local land market, in which Dr Fairgray's client has a very strong influence as the dominant holder of zoned residential land.

60. Overall, I disagree with Dr Fairgray's position on the need for additional land to be rezoned, and conclude that the various factors referred to above consistently point to the need for additional Residential Zone land at Raglan in the short term.

Dated: 17 May 2021

Fraser James Colegrave