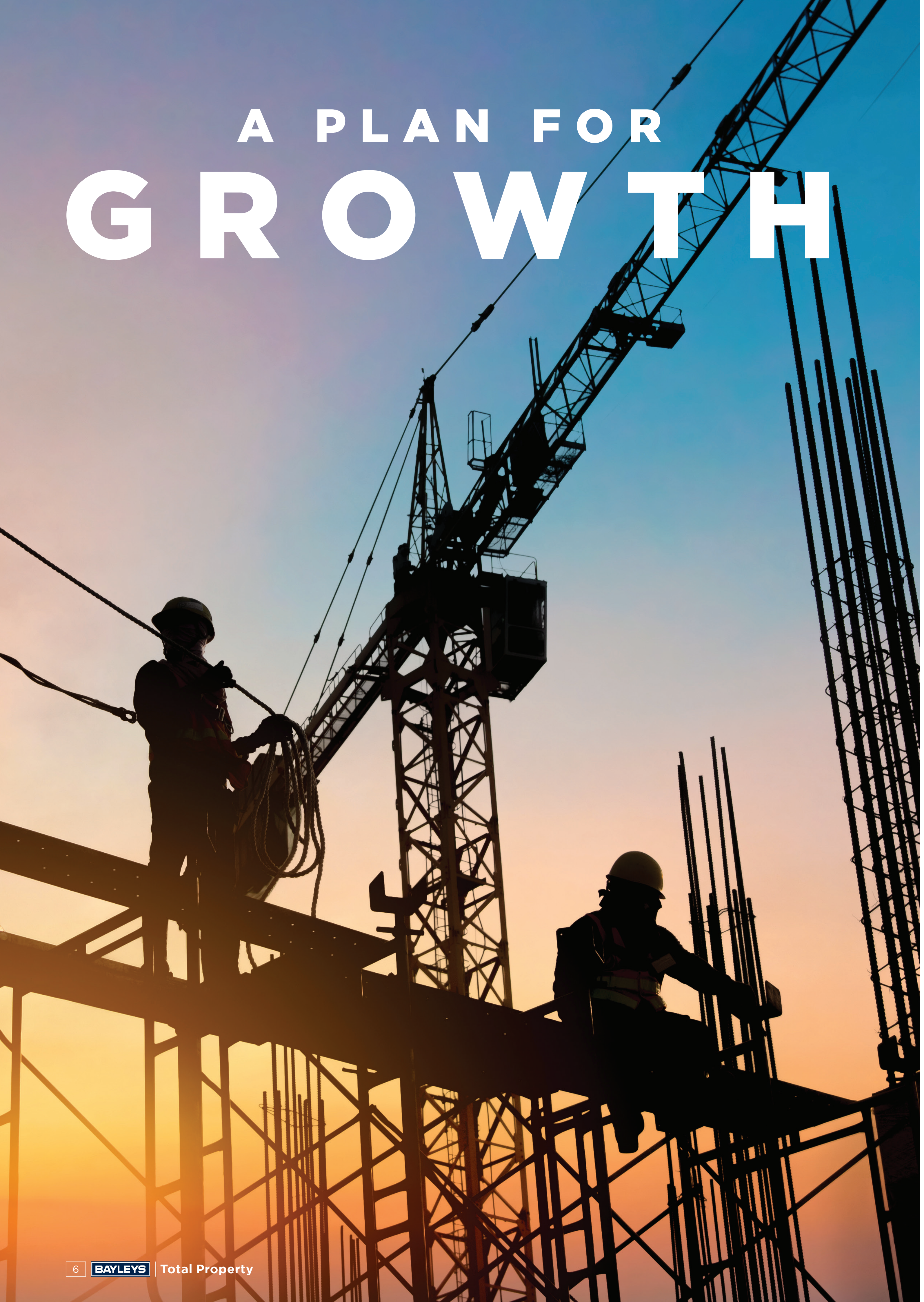

A PLAN FOR GROWTH

HOUSE BUILDERS ARE BUSIER THAN EVER KEEPING UP WITH BUYER DEMAND AMID HOPES THAT GOVERNMENT CHANGES TO THE RESOURCE MANAGEMENT ACT (RMA) AND NEW INFRASTRUCTURE FUNDING WILL SPEED UP THE BUILDING PROCESS.

THE NATIONAL POLICY STATEMENT on Urban Development 2020 (NPS-UD) came into effect in August 2020 and guides council decision-making on the growth and development of New Zealand's urban environments.

Its key objectives are to increase the development capacity for houses and business, address housing affordability and ensure New Zealand communities are "well-functioning urban environments that enable all people and communities to provide for their social, economic, and cultural wellbeing, and for their health and safety, now and into the future."

Bayleys national director commercial & industrial Ryan Johnson says it's already influencing many councils to allow more intensification of residential development.

"According to the reports we're hearing it seems likely the Government is going to speed up the consenting process before the larger reforms of the RMA that will be fully rolled out in 2024."

The aim of these reforms is to cool the hot housing market by increasing the supply of homes as strong buyer demand pushes prices up.

Prices hit new records across most of the country in March, according to Real Estate Institute of New Zealand (REINZ) figures.

The nationwide median price was $826,300, up 24.3 percent from March 2020, while inflation during the same period has been about one to two percent (although inflation would have been higher if house prices were included in the inflation rate measure).

One of the "engine room" businesses that has experienced the strong market and keeps a pulse on changes is Vega Lend, whose business includes providing mortgages to buyers, investors and developers in the residential and commercial market.

Vega Lend chief executive Harry Ferreira says the residential market has been "on fire" over the past eight months, cooling slightly after the recent tax changes aimed at investors.

"At the same time, the commercial investor market has benefitted as some residential market investors have seen the attraction. So we've seen a slight residential cooling but the opposite in commercial," Ferreira says.

The future of house prices is anyone's guess but global financial ratings agency Standard and Poor estimates that prices will grow more slowly as a result of the Government's latest moves to take the heat out of the market, Johnson says.

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Those recent Government measures mean residential property investors will be liable to pay tax on any capital gains accrued on the property if sold within 10 years and will no longer be able to offset mortgage interest costs against rental income.

The Government has also lifted price and income caps on first home buyer grants and loans.

In addition, the Reserve Bank changed loan-to-value ratio restrictions (LVRs), requiring residential investors to have deposits of at least 30 percent for a loan from March 1st, with this set to increase to 40 percent from May 1st.

Johnson says that while it is unclear how some of the changes will affect the market, property professionals believe that increasing the supply of homes will be most effective way to curb house price inflation.

"In Auckland, peripheral urban areas are being developed faster thanks to the Unitary Plan which took effect in 2016. The benefits of development have taken several years to materialise, so we can expect a similar lag before a change in policy frees up further available land.

"New subdivision developments that are under way, or soon to be launched, should benefit from any speeding up of planning and building consents," Johnson says.

However, Hamish Glenn, policy director at Infrastructure NZ says the problem of funding infrastructure is complex and unlikely to deliver desired results under New Zealand's current structures.

Councils are often reluctant or unable to contribute sufficiently or quickly because existing ratepayers must pay for new pipes, roads, and other networks required for housing, he says.

And ironically, council planners contribute to the rising price of land through zoning processes – farmland values are low but as soon as it is zoned, or about to be zoned, it increases in value ten-fold, and the addition of infrastructure boosts values ten-fold again.

This is why developers often look beyond city boundaries such as in the

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cases of Pokeno and Pegasus Town where rural councils are more receptive.

Glenn recently took part in a debate organised by the Property Foundation, where participants discussed the findings of a Property Foundation-sponsored research report that presented alternative private methods of funding infrastructure.

The research highlighted the case study of Milldale, north of Auckland where the cost of infrastructure was shared between Auckland Council, Crown Infrastructure Partners, and the developer Fulton Hogan.

The debt finance will be repaid over the next 30 years, initially by Fulton Hogan Land Development, and subsequently by the section owners who choose to buy property within the Milldale development.

The Milldale example was negotiated between the parties, but the Government hopes that similar structures will become more common.

"In New Zealand, the Government passed the Infrastructure Funding Act last year but we haven't seen any projects from it yet. Part of it is the slowness of our processes," Glenn says.

Glenn says that another common method in the US is bond investment to fund infrastructure, and it has proved a stimulus to housing and economic development.

"There can be problems years down the track when the developments are sold down and the income stream stops," Glenn says.

These alternative methods separate the financing decisions for infrastructure from councils' usual long-term planning and rating processes.

The Infrastructure Funding Act would ring-fence debt away from council balance sheets so that the costs of infrastructure becomes more transparent and borne by communities and homeowners over many years.

The first requirement for councils under the NPS-UD will be to complete a housing assessment in their area; within 18 months remove provisions for car parking from district plans; and notify plan changes enabling intensification by 2024.

Councils will need to remove minimum car parking requirements for developments except for accessible car parks, leaving developers to determine the number of car parks – if any – required for their project.

Some councils are already adopting changes to their long-term plans ahead of the required timeframes set out in the NPS-UD.

Nelson City Council has fast-tracked the removal of minimum car parking requirements for new developments from January 1st, and other main cities are also looking at waiving their parking requirements.

The national policy statement is aimed at intensifying housing development in town centres, allowing taller buildings on smaller land footprints.

To maximise the benefits of intensification, Tier 1 urban environments including Auckland, Hamilton, Tauranga, Wellington and Christchurch will be required to allow building heights of at least six storeys in areas within a walkable distance to "existing and planned rapid transport stops, the edge of city centre zones and the edge of metropolitan centre zones."

The NPS-UD has understandably found favour with climate change advocates.

Green Party MP Julie Anne Genter says it should stimulate better parking management and public transport options by local authorities and the Waka Kotahi NZ Transport Agency.

Urban planners view the NPS-UD as another step towards a society less reliant on cars and more focused on community.

In its recent housing announcements, the Government also unveiled plans to contribute $3.8 billion towards funding much-needed infrastructure for housing developments in its Housing Acceleration Fund.

"Residential developers have long-cited issues around funding as a central impediment to increasing supply. It's a step in the right direction to facilitate more affordable housing options in locations most in need," Johnson says.

Johnson, along with Bayley Corporation managing director Mike Bayley and Bayleys Tauranga salespeople Mark Walton and Simon Maxwell are currently marketing for sale Ferncliffe Farm, a parcel of land in Tauriko West near Tauranga that is likely to become one of New Zealand's biggest new housing developments.

Johnson says this development could become a regional version of the mixed density development at Hobsonville in Auckland. It overlooks the Wairoa River and is close to the Tauranga Crossing retail centre.

The 95 hectares has been owned by the Hopping family since 1927 and the sale of the land is expected to attract large-scale housing developers.

The sale of Ferncliffe Farm near Tauranga is expected to attract large-scale housing developers.

"The Tauranga area has an estimated 5,000-house shortage, so anything that speeds up development will be great for home buyers," Johnson says.

Two other large developers have nearby blocks of land at Tauriko West – one of them is significant housing development company, Classic Builders, which owns 136ha of nearby rolling farmland earmarked for subdivision. Its director Peter Cooney is concerned about the slow speed of consenting that potentially pushes up the prices of land and buildings.

Classic Builders has been one of the more active developers at Papamoa, Tauranga, but it has a range of developments under way in nearly every region of New Zealand.

Templeton is another residential development and investment company with a New Zealand-wide perspective.

Templeton founder, chairman and CEO Nigel McKenna has over 25 years' experience in the property industry and is one of the most accomplished developers in New Zealand.

He was responsible for managing the master planning process for Viaduct Harbour in Auckland and has undertaken a vast number of projects including many of those in the Viaduct, Stonefields in east Auckland, Pegasus Town north of Christchurch, and Long Bay on Auckland's North Shore.

Winton is another privately owned developer of note, with many large-scale projects currently in progress in New Zealand and Australia.

Winton specialises in developing integrated and fully master-planned communities. By the end of 2023, Winton will have delivered more than 7,000 residential lots and apartments across its portfolio.

Its latest townhouse offering is at Launch Bay, Hobsonville, a 4.2-hectare estate that also features apartments and free-standing homes.

The Launch Bay townhouses are targeted at families and downsizers that want to live near the water with access to walkways and the ferry and the Catalina Bay precinct.

The townhouses include a combination of two and three-storey homes designed to maximise views, so each one has a varying water view from the six different floor plans.

The three and four-bedroom Launch Bay townhouses are centred around the open-plan living spaces and views, ranging from 156 to 191 square metres, with two bathrooms, internal access double garaging, specified kitchens with stone benches, integrated Liebherr fridge-freezers, and accompanying Miele appliances.

They are priced off the plans from $1.47 million with construction beginning soon and due to be completed by early 2022.

Winton has also developed other properties that are selling at Coromandel, Arrowtown, Queenstown and Wanaka.

Williams Corporation is one of the smaller to medium-sized apartment and townhouse developers that has completed a number of low and medium-rise buildings with fewer car parks or none at all. The Christchurch-based company has become a player in the Auckland and Wellington markets, and also offers opportunities for investors.

When introducing the company's 100-year plan, Williams Corporation managing director Matthew Horncastle said: "One of the key issues we need to face is affordable housing. Housing that's affordable to buy, affordable to live in and affordable to maintain, located where you can live, work and play."

Another significant market player is Kainga Ora, the Crown agency for rental properties and for developing affordable homes. It has developments under way across New Zealand.

At Northcote just to the north of the Auckland harbour bridge, Kainga Ora is replacing 380 existing state homes with about 470 new state homes and constructing 1,000 more affordable homes.

Around 10,000 new, high-quality, healthy homes will be built in the Roskill Development over the next 10 to 15 years as part of the Auckland Housing Programme. This will include approximately 3,000 state homes, 3,500 "affordable" homes and 3,500 homes for the open market.

Mangere is another significant Kainga Ora development for Auckland, replacing approximately 2,700 state houses with up to 10,000 new homes over the next decade. Other similar developments are under way at Hobsonville Point and Porirua, as well as the Tamaki Development covering the Auckland suburbs of Glen Innes, Panmure and Point England.

However, the speed of New Zealand residential developments and the affordability of new homes will depend on the success of the raft of the tax changes, zoning rules, and new infrastructure financing structures.