



Ferncliffe Farm, Tauriko, Bay of Plenty

THE NATIONAL POLICY STATEMENT on Urban Development 2020 (NPS-UD) offers developers an opportunity to increase the density of urban projects, but the jury is still out on how cost, infrastructure and demand will impact the uptake.

The NPS-UD sets stronger density requirements in Tier 1 urban areas which include the main centres and larger regional hubs such as Hawke’s Bay.

The Ministry of Environment describes the NPS-UD as being “about ensuring New Zealand’s towns and cities are well-functioning urban environments that meet the changing

needs of our diverse communities. It removes overly restrictive barriers to development to allow growth ‘up’ and ‘out’ in locations that have good access to existing services, public transport networks and infrastructure”.

As well as increasing the number of residential units on brownfield and greenfield development sites, the policy statement also allows for larger builds on smaller sites, and frees developers from car parking requirements.

Bayleys land sales specialists say that at first glance the NPS-UD offers greater scope for developers to intensify their projects and potentially maximise their

value. However, they say an immediate development free-for-all is unlikely as developers and investors test the practical application of the new rules against market demand, the availability of investment and infrastructure pressures such as transport and wastewater.

Bayleys director – Development Land Sales, Gerald Rundle says developers will certainly see the potential in increasing the intensification of their existing or planned sites within urban boundaries, but decisions will still need to be market driven.

“Just because you can provide higher density housing, doesn’t mean

the market wants it. Good examples are the areas around Auckland that are zoned for terraced housing and apartment buildings (THAB) where the preference is still to build three-level terraced houses,” Rundle says.

He adds that many sites, particularly brownfield areas, won’t have the services necessary to allow for higher density in the short term. “Developers are looking at the opportunity from the NPS-UD against things like will the pipes be good enough? Will there be issues that come from everybody parking on side streets?

“It sounds great, but there is a lot to consider and the advantages could be very site specific.”

The planning changes have motivated Bayleys to put together dedicated Development Land Sales and New Builds teams with representatives around the country to help buyers and developers navigate the new rules. The Development Land Sales team works with Bayleys’ residential specialists, to ensure developers are fully supported from the start of their land search to the sale of finished units.

“It’s important to have a specialist team for new builds in this environment. It helps owners and developers understand the opportunities their properties may have.

“We can advise them on how to add the most value without over-investing trying to achieve it.”

Total Property has asked some of Bayleys’ land development specialists what’s happening in their region, and how the NPS-UD might impact it.

WEST AUCKLAND

Wesley Gerber

Associate director - Development Land Sales, Bayleys Northwest

The NPS-UD will allow for better utilisation of land not just in allowing more homes, but in how it impacts things like height in relation to boundary, site coverage and bedroom outlook.

It is still quite early days, so it’s hard to predict exactly how things will play out, but developers will definitely be factoring it in as they look to acquire land for developments.

Auckland’s Hobsonville Point is a good example of the types of high-density development that will be increasingly possible and aimed at urban families looking for low-maintenance homes with communal public areas that they don’t have to maintain themselves.

The way we live is changing. These types of development reflect that and there is a huge push from the government for increased density, but developers will still be having conversations about just what the market is for it.

The urban development policy changes will probably be seen most notably around Auckland’s NorthWest shopping centre. That is where the huge growth is, in an area that is a natural extension to Auckland’s urban limits.

SOUTH AUCKLAND

Shane Snijder

Associate director – Commercial and Industrial, Bayleys Pukekohe

The rapidly growing region south of Auckland has unique challenges as the NPS-UD promotes intensification, while both local and central governments take steps to protect prime food producing land.

That has an impact on the land available for dense urban development. Everything west of Pukekohe is going to be very hard to develop to protect that horticultural land. The eastern side is not as productive.

Successfully intensifying those tracts of land able to be developed will also need support with additional investment in infrastructure and transportation. The capacity of water and wastewater systems and transport routes are the biggest challenges to intensified development around Pukekohe.

The developers take on enough risk, without making them responsible for that investment as well.

Having access to a dedicated land development team such as the one Bayleys has put together will be hugely helpful in assisting developers navigate the challenges to get those intensive projects off the ground.

BAYLEYS DEVELOPMENT LAND SALES NUMBERS

	SALES VALUE	# DEALS	LAND AREA
COMMERCIAL	\$1,056,871,512	257	4,834ha
RESIDENTIAL	\$1,276,489,957	2,195	23,291ha

Bayleys data for period 1 March 2021 – 31 March 2022.



The Bayleys Development Land Sales team is proud to be nominated for the RICS New Zealand 2022 Real Estate Agency Team of the Year award.

NPS-UD AT A GLANCE

- Implementation of the NPS-UD is being considered by impacted councils now. The planning changes are due to come into effect in 2023.
- The NPS-UD is a new National Policy Statement under the Resource Management Act 1991.
- Developers can determine the number of car parks in their projects, allowing space to be allocated for other uses.
- Buildings within walking distance of city centres and rapid transit stops may now be six storeys or higher.
- Development may occur on greenfield and brownfield sites where it is not planned for.
- Developments of up to three dwellings and up to three storeys will not require resource consent.

Note there will be some exemptions and variations to the NPS-UD within individual councils.

DEVELOPMENT FUNDING

As well as market demand and infrastructure capacity, the other factor constraining growth in intensive development projects will always be funding.

Kevin Miles, commercial finance specialist for Vega, Bayleys' preferred and 50-percent-owned mortgage broking business, says one of the biggest challenges for residential developers in the immediate future is not density but securing presales that meet the development funder's requirements in a much softer market where the 'fear of missing out' has disappeared and well-designed and well-built, complete or almost-complete stock, is readily available.

Added to this, there is a lack of available development funds.

While banks will be more likely to lend to small "mum and dad" backyard development projects or large-scale developers like Fletchers, they're more reluctant with the wide, mainly private developer-led, middle of the market. This forces these entities to turn to the second-tier market

"One of the biggest issues right now is the lack of funds in New Zealand's domestically funded second-tier lending market.

"We don't have many domestically grown lenders here, and a lot of them are nearing or at capacity, and have been for some time" says Miles, adding that a rush of developments off the back of NPS-UD could stretch those funding sources further.

On a more positive note, more second-tier investors are entering the market, particularly via Australia. "Where previously those Australian

investors were only interested in the mega deals, they are increasingly considered smaller projects because they see New Zealand as a less competitive option than the hugely competitive Australian market."

Right now, it's actually easier to find \$20 million for a development than it is to find \$2 million as this is the floor level for many of the international funders with a presence in New Zealand," Miles says.

The other hurdle to overcome for many developers is almost all funders are demanding presales to ensure the project will be sold down to buyers successfully and the funder's money returned without delay. "Where once you might have had people queuing round the block to buy off the plans, now they're hard to find. Plus, some funders are now looking closely at the designs to determine whether they are going to appeal to a broad market where there is choice."

He adds that whilst the ability to make developments denser, with more units to sell, through the NPS-UD could make some projects more financially viable at least on paper, this has to be balanced with any loss of amenity and therefore attractiveness of the end product to buyers in a soft market. At the end of the day the acid test is whether the product sells at the expected price in a reasonable timeframe.

All of these moving pieces make it really important for developers to do their research and get good market advice when building and funding a development.

"I EXPECT LOCAL COUNCILS WILL WANT TO MITIGATE HIGHER DENSITY DEVELOPMENT TO SOME EXTENT, USING OTHER CRITERIA LIKE STORMWATER, OVERLAYS AND SITE COVERAGE"

DAVID CASHMORE, DIRECTOR,
BAYLEYS WAIKATO COMMERCIAL

HAMILTON

David Cashmore
Director, Bayleys Waikato Commercial

The consensus from most developers in this region is that removing some of the restrictions and constraints is a positive thing, but we are also seeing local councils make countermoves.

Developers are very much doing a lot of watching. The market has been softer, so they're waiting to see how things play out. There could be some concerns about creating an oversupply.

There have been some well-publicised objections from Hamilton City Council to the NPS-UD blanket approach by the government.

I expect local councils will want to mitigate higher density development to some extent, using other criteria like stormwater, overlays and site coverage.

Things will change but maybe not across all suburbs and not as dramatically as first thought. I don't think we'll see three-by-threes going up everywhere.

HAWKE'S BAY

Kerry Geange
Commercial manager, Bayleys Napier and Havelock North

The NPS-UD will drive the long-term planning for residential living in Hawke's Bay, increasing density, and changing the "feel" of living in regional New Zealand.

This is not a bad thing but will take some time for people to adjust – especially those who have lived here for long periods of time. The type of housing stock will vary and give people more choice, and people will have more time to be living in the community, rather than at home looking after their larger or older properties.

With both Napier and Hastings falling into the Tier 1 category in respect of the NPS-UD, developers and residents are closely watching what impact the changes will have on larger metropolitan areas.

We are already seeing more build-to-rent developments, medium-density first home and smaller residential investor buyer-specific stock.



I expect we'll see fewer "mum and dad" investors owning one or two residential investment properties and more specialist professional residential property investors.

Bayleys' Development Land Sales team and New Build Team will add significant value to the development market, as well as provide market dynamics into councils' policy process. This will ensure that market demands and concerns can be provided for early.

In addition, we can work with developers to ensure they are building what the market wants and will want at the right time, rather than just replicating what sold last month or last quarter.

CHRISTCHURCH

William Wallace
Bayleys general manager Commercial and Industrial – South Island

While the NPS-UD is aimed at intensifying residential developments, in Christchurch there is also a pressing need to free up land for commercial and industrial developments.

Large tracts of land owned by the likes of Calder Stewart and other significant landowners have been ear-marked for multi-use developments including industrial. Planning policy changes could see them consider how to make the best use of those sites and where the best opportunities lie.

The issue here isn't so much about the need to intensify developments but the fact that we just don't have enough land available so there's hope that new policies might help address that by freeing up some of the constraints.

Christchurch, particularly, is unique in that post-earthquake we have some of the best infrastructure in the country, particularly for transportation routes. Areas like Rolleston are really gearing up for large growth in population as well as in commercial and residential development.

RECENT LAND DEVELOPMENT OPPORTUNITIES



- 1. Warkworth Ridge, Claydon Road, Warkworth:** 53ha greenfield development site for approximately 670 mixed residential units and limited commercial.
- 2. Longburn Farm, Wainui:** 191-hectare landholding in 12 parcels located 1.6km west of Auckland's northern motorway, zoned Future Urban and Rural Production. Located adjacent to Milldale subdivision and minutes from Silverdale shopping centre.
- 3. 6 Dyke Road, Karaka:** 2.5ha of rare developable land south of Auckland, zoned Commercial and Mixed Residential. Close to other recent developments Karaka North Village, Paerata Rise, and Bremner Road.
- 4. Te Awa Lakes, Lots 1-4, Horotiu, Waikato:** 100ha in a three-phase master-planned subdivision expected to include 1,800 new homes.
- 5. Ferncliffe Farm, Tauriko, Bay of Plenty:** 95ha farm positioned within the Tauriko West Future Urban Growth Area with potential to yield between 900 to 1,000 residential lots (subject to consents).
- 6. Iona Terraces, Iona Road, Havelock North:** 69ha predominantly residential subdivision of up to 400 sections of mixed density. A further 350-400 lots are possible pending stormwater management and council approvals. Multiple industrial-zoned sites available.