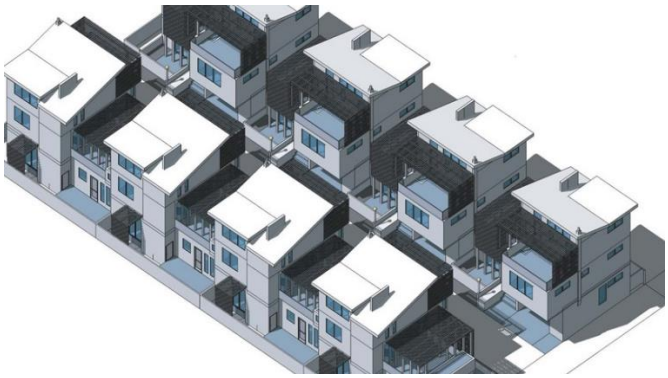
Commercial Drivers for Medium-Density Residential Development in Selected Wellington Suburbs



Prepared by Gray Partners Limited for the District Plan Team,
City Planning and Design Group, Wellington City Council

August 2014

Gray
Partners Limited

Disclaimer

This background research report has been prepared expressly for the City Planning and Design Group within Wellington City Council. The report may not be distributed, cited or reproduced without the author's express permission. Any views expressed in the report are those of the author, and should not be taken to reflect the policies or intentions of Wellington City Council or Gray Partners Limited. All cost and yield estimates, and conclusions about commercial viability, are derived from the author's own research (E&OE). Gray Partners accepts no responsibility for non-authorised uses of this report.

Gray Partners Limited strongly recommends that the City Planning and Design Group carries out more detailed concept planning and development feasibility analysis for each of the study areas prior to committing to an MDRA zoning. This should be based on detailed design and quantities for specific sites, which would provide Council with a more comprehensive understanding of the costs and potential yields available.

We also strongly recommend also that Council seeks professional valuation advice based on these projects.

Contents

Disclaimer i
1. Introduction 1
1.1 Purpose and Scope 1
1.2 What is Medium Density Housing? 1
1.3 Objectives and Rules for WCC Medium Density Residential Housing Area Zones 2
2 Drivers for Medium Density Development in Wellington's Suburbs 5
2.1 Drivers for Medium Density Housing - Supply and Demand 5
2.2 Considerations for Developers 6
3 The Case Studies 9
3.1 Our Approach 9
3.2 Assumptions 10
Case Study 1: Newlands 13
Case Study 2: Crofton Downs 21
Case Study 3: Khandallah 26
Case Study 4: Berhampore 33
Case Study 5: Island Bay 43
Case Study 6: Miramar 50
Case Study 7: Karori 59
Case Study 8: Tawa 69
Comment: Kilbirnie MDRA Area 81
4 Summary and Conclusions 88

1. Introduction

1.1 Purpose and Scope

This paper has been prepared at the request of the Wellington City Council's (WCC) District Plan team, which has been charged with investigating the further roll-out of Medium Density Residential Area Zone (MDRA) rules in selected suburbs.

MDRA zones were originally adopted in 2010 as part of District Plan Change 72 (Residential Review), with the aim of creating more and better medium density housing around suburban centres, while also ensuring that new housing development does not compromise surrounding residential areas. At present, only two suburbs (Johnsonville and Kilbirnie) have an operative MDRA zoning, but Council staff are considering a number of other suburbs, including:

- Tawa
- Khandallah
- Karori
- Island Bay
- Newlands
- Crofton Downs
- Berhampore
- Miramar

Each of these potential new MDRA zones features a commercial 'core' surrounded by an established residential community. Council officers have mapped out a set of walkable catchments within each of these areas - three, five, seven and ten minutes from the centre.
Our task in this paper is to comment on the commercial viability of building new medium density housing in the areas currently under consideration for an MDRA zoning. We also provide a brief comment on the commercial viability of development within the existing Kilbirnie MDRA.

1.2 What is Medium Density Housing?

Although the Wellington District Plan does not explicitly define medium density housing, we understand the term to mean (in the New Zealand context) any multi-unit development with an average site density of less than (say) 250 m2 per dwelling unit[1]. Medium density housing can take a number of forms, including:

- Stand-alone housing on small lots.
- Semi-detached or duplex housing unit sharing a common wall.
- Terraced or row housing, where a line of identical or very similar houses are joined on both sides by other houses.
- Two or more dwellings contained in a single house-like structure, each of which generally has its own discrete entrance.
- Apartments, generally built over 3-4 levels, where occupants share a common entryway, stairwell and lift(s). As a general rule, each level will contain multiple apartment units, with private open space being provided

[1] This definition was adopted by the Ministry for the Environment for its 2012 *Medium Density Case Study Assessment Methodology, although* MoE's definition uses 350 m2 per dwelling unit as the upper threshold. Our own view is that 350 m2 per dwelling unit is too high in the Wellington context. Lots of this size (and smaller) are common in our older suburbs, for instance, Rongotai, Kilbirnie, Newtown and Berhampore.

via small courtyards on the ground floor and balconies for upper-level residents.

Medium density housing units are generally more compact than contemporary suburban housing, and place less emphasis on non-essential amenities. For example, there is generally less space devoted to garaging, with traditional double garages giving way to a single garage or covered park, plus shared visitor parking spaces. The upshot is that medium density housing is expected to be more affordable than standard contemporary dwellings in the same general area.

For this study, we have adopted a set of standard housing typologies to establish the expected yield and profitability of different housing forms in each of the study areas. Price points are based on recent sale prices (and current asking prices) for similar types of housing in each area. The tables overleaf summarise our assumptions on dwelling type and price.

In the interests of good urban design we have adopted a minimum average lot size of 125 m2 for duplex and townhouse developments on smaller sites, and 100 m2 for larger townhouse developments where garaging is included within the building footprint. It is assumed that site coverage for multi-level buildings in both suburban centres and surrounding walkable catchments will be no more than 50% unless car parking is provided for within the building envelope.

As the examples below suggest, good urban design can be a powerful tool in securing market acceptance for medium density housing. Conversely, poor quality developments can make it hard to win political acceptance for planning tools that favour intensification.

Recent medium density housing in Berhampore study area – quantity versus quality?

1.3 Objectives and Rules for WCC Medium Density Residential Housing Area Zones

As outlined in the District Plan, the main objectives of the MDRA zoning rules are to:

- *Encourage residential intensification and comprehensive redevelopment in designated areas*
- *Discourage piecemeal development in these areas when this would inhibit later comprehensive redevelopment*
- *Promote the provision of a variety of household types and sizes; and*
- *Improve housing quality and urban design outcomes around Wellington's suburban centres*

These objectives may prove difficult to achieve as many suburbs within Wellington city have experienced significant infill development over the past 20 years As our case studies will illustrate, there are few contiguous sites in the areas being considered for MDRA zoning that have not already been affected by second-wave development.

Current MDRA rules that have the biggest impact on yield (and commerciality) are as follows:

Minimum site area:	Currently no minimum for Kilbirnie, but Johnsonville's MDRA *rules require a site to have a minimum radius of 11 metres for multi-unit development. For the purposes of this paper, we have assumed no minimum site size requirement for new MDRA areas beyond that required to meet other DP standards.*
Yards	*MRDA zones currently have a 3 metre front yard minimum. There is no specific requirement for front and rear yards beyond normal accessibility requirements.*
Site Coverage:	*Maximum 50% of total site area. Residential development within Centre and Business 1-zoned areas has no coverage limits, although car parking requirements are likely to limit building footprints in all but higher-cost areas (i.e. areas where unit prices can support dedicated car parking levels within the building itself).*
On-ground open space:	*As we understand it, MDRA rules are flexible on the quantum ground-level open space required per unit, which can be a mix of private or shared space[2].*
Maximum height:	*10 metres for Kilbirnie MDRA, 8 metres for Johnsonville. For this paper, we have assumed a mix depending on the site and surrounding streetscape.*
Recession Planes:	*More liberal building recession planes in MDRA-zoned areas allow for developers to build 2-3 stories closer to the boundary than comparable outer residential developments development sites*
Building Orientation:	*Building orientation and separation rules include a requirement for units at the front of a development site to face the street, and for some sort of separation between buildings at the front and rear of the site[3].*

Although the current MDRA rules should make it easier to develop at greater densities, the rules themselves do not guarantee that intensification will occur in the selected areas. In common with

[2] Johnsonville AC 2 area requires 20sqm of open space, but Kilbirnie and Johnsonville AC1 area have no requirement.

[3] This currently only applies to Johnsonville MDRA, where 7 metres separation is required between street front units and those behind.

much of the rest of Wellington, the biggest challenge to new housing development in MDRA areas is the City's topography. Study areas like Newlands, for instance, are largely made up of hillside plots, as are a significant proportion of the outer walkable catchments in valley suburbs like Berhampore and Island Bay.

Also, the opportunity of building at higher densities will not automatically make a project more attractive to developers. Higher costs per-square-metre (psm) may cancel out any financial benefit. Market acceptance may also be an issue – especially in areas where there has been little medium density development to date – for which developers would need to make allowance (market absorption rate, time to market and price points).

2 Drivers for Medium Density Development in Wellington's Suburbs

2.1 Drivers for Medium Density Housing - Supply and Demand

To understand the commercial parameters for medium density development in MDRA-zoned areas, we must first understand the drivers behind demand for new forms of suburban housing, and what commercial conditions will need to be met for Wellington's development community to respond to that demand.

Demand Side Drivers

Based on recent research[4], Wellington's housing consumers are beginning to eschew traditional suburban housing in favour of more compact housing forms. This is due to a combination of factors, for instance:

- Over the next 20 years, more than two-thirds of new housing demand will come from single person and couple-only households, many of whom are older people looking to move from a family home into smaller, more manageable housing.
- Amongst younger new home purchasers, changing lifestyle preferences have begun to have a significant impact on housing choice, with more and more households favouring smaller dwellings located in areas of high public amenity.

Housing affordability issues are causing consumers to rethink their housing aspirations. For modest income home-seekers, medium density housing is seen as a lower-cost opportunity to get on the property ladder.

More Wellington households are also opting to rent long-term, which means that residential investors are having a greater influence on urban and suburban housing markets than ever before. Between 2001 and 2013, for instance, renting households made up 60% of all net housing growth and upwards of 50% of all new multi-unit housing was sold to residential investors.

Supply Side drivers

Notwithstanding these shifts, multi-unit developers in the suburbs make up only up a small subset of Wellington's residential development community. – especially in comparison to (say) multi-unit developers in the CBD and Te Aro, or standalone housing developers in newer suburbs like Churton Park and Grenada. Some larger players have initiated multi-unit projects in suburban areas, for instance Stratum Management (Altair), and Andrew Fawcett's Luxta (the Boundary in Karori, currently in liquidation).

Most of the players, however, are small trusts, companies, builder/developers and individual investors who manage their risks and cash-flows by focusing on smaller projects. Based on WCC's

[4] A detailed discussion of the forces driving Wellington's housing future can be found in *The Housing Forces Report* compiled by Gray Partners Limited on behalf of The Property Group Limited for WCC in April 2014

consents database, there appears to be a core of such developers with several decades experience of infill and smaller projects development.
Our experience in suburban areas is that larger housing units (3 bedrooms or more) are generally preferred for their greater flexibility and perceived higher future resale value, unless units are being purpose-built as long-term rentals. What is changing, however, is suburban buyers' preferences around section size.

The primacy of this class of developer is illustrated in the table below, which summarises consents for multi-unit housing in and around the selected study areas between 2003 and mid-2013.

Table 2.1: Wellington City – Consents Issued for New Housing in Selected Areas 2003-2013

	No Projects by units constructed					Total Projects
	2 units	3 - 5 units	6 - 10 units	11 - 20 units	20+ units	
Tawa	18	3	3	0	0	24
Newlands	22	4	0	0	0	26
Khandallah	22	2	2	0	0	26
Crofton Downs	0	0	0	0	0	0
Karori*	13	2	1	1	0	17
Berhampore	3	2	2	0	1	8
Island Bay	7	5	1	1	0	14
Miramar	24	12	2	0	0	38
Total Projects	**109**	**30**	**11**	**2**	**1**	**153**

* excludes consents associated with "The Boundary" and other developments outside catchment areas

Most medium density projects completed over the past 10 years have been based on single section or dual house lot (say 600 – 1,400 m2), although there are a few more substantial projects, including:

- Large sites being developed by corporate entities over a longer timeframe, for instance the retirement complexes at Futuna Close (Karori) and Athletic Park.
- Recently-completed apartment-style buildings on amalgamated lots such as Palm Avenue and 464 Adelaide Road (Berhampore).
- Large townhouse developments on surplus Crown land, for example, the 28 unit townhouse complex on ex-New Zealand Fire Service land at Dee Street (Island Bay).

2.2 Considerations for Developers

Whether large or small, most successful multi-unit developers go through a similar assessment process before committing to a development project.

Quantifying the Development Opportunity:

The starting point for all development projects is land. In particular, is land available at a scale and cost that matches prospective developer's procurement approach and appetite for risk? Key considerations are:

- Is the site big (or small) enough to accommodate the developers preferred scale and built form?
- Can the site be developed in the short term, or is development contingent on future market improvements or District Plan changes?

- Are there topographical or geotechnical issues are likely to add cost or prevent full site utilisation?
- How much of the site's present value is tied up in improvements that will be removed during the course of redevelopment?
- What yields can be achieved from the site? Is the yield high enough to justify removing existing improvements and carrying out other work needed to ready the site for multi-unit development

In our experience, few developers are prepared to accept the risks associated with amalgamating single house lots over time to create a bigger development site, which suggests that the main suppliers of medium density housing in future MDRA-zoned areas are likely to be single lot developers.

Managing Risks

Once the costs of creating a development-ready site are known, the next step is to quantify actual development costs and develop a strategy for managing key risk areas, including:

Market Risks:

- Is there a proven market for medium density housing in the location?
- Is demand strong enough to absorb the number of new medium density dwellings proposed for this location within the expected timeframe?
- How stable are prices for medium density housing in this location?
- What is the competition doing? And how will this affect sales volumes and prices?

Compliance Risks:

- Will the project be notifiable? How much will potential planning delays cost?
- How stable is the planning environment?
- How much will council charges like development contributions and fees impact on profitability?

Political and community risks?

- Strong and organised opposition to higher density housing in the area?
- High concentrations of social housing in the immediate vicinity?

Development risks?

- Is the cost of tapping into sewer and stormwater reasonable given the scale of proposed development?
- Can building costs be controlled over the total development period?
- What liquidity levels will need to be maintained to satisfy bank and other funder requirements?

Longer-term risks?

- What provision should be made for 'making good' issues arising during the warranty period?
- Provision also for potential longer-term liabilities?

Development Feasibility Assessment

The final step in the process is to determine whether the financial rewards are worth the costs and risks of undertaking any development. There are no rules for calculating development margin, beyond the general principle that profit expectations tend to rise in accordance with the scale and complexity of each project.

Based on our own recent project experience and feedback from the development community, we have adopted the following development margins for the case studies:

- Target margin of 25 - 30% plus on net realisations for developments of 20 units or more, or apartment-style buildings.
- Target margin of 20 - 25% plus on net realisations or developments of 10-20 units.
- Average margin of 20% on cost for developments of less than ten units.

Developers of smaller-scale projects (say 2-5 units) might work on lesser margins if they can accrue other benefits. A builder-developer, for instance, might trade margin for a solid forward work programme, while a home owner might use infill housing as a means of reducing mortgage debt.

At the end of the day, it all comes down to inputs and outputs. A competent developer will normally back themselves to control such inputs as build costs, site quality and development timeframe, which means the key risks are the input cost of development land, and whether the market is strong enough to absorb new housing product.

3 The Case Studies

The balance of this paper is devoted to commentary on the commercial realities of applying MDRA rules in and around nine suburban centres.

3.1 Our Approach

Our approach to each case study is based loosely on the decision-making process outlined above.

1. *Create A context:*

   The first step is to create a context by profiling the local community and housing market (demand and supply). Is there a market for new medium density housing product within the designated area, and at what price?

   Commentary is largely based on WCC's property sales and consents databases, and recent releases of 2013 census data, augmented by site visits.

2. *Quantify the opportunity:*

   The next step is to identify sites suitable for redevelopment or infill, at a price that would generate a reasonable return based on different developers' scale of operation. Information is largely drawn from WCC's property database.

   The database is filtered to take out those properties that we regard as too small for 'sensible' redevelopment and/or priced too high to support commercial redevelopment activity of any kind in the short term (i.e. infill or removal of the existing asset to create a townhouse, apartment or mixed use complex). .

3. *Development feasibility assessment:*

   Capital value and land thresholds have been established by carrying out high-level analyses (ref. sample overleaf) for each study area, based on three scenarios:

   - Infill housing projects where new housing is built around the existing improvement
   - Comprehensive redevelopment based on removing existing improvements
   - Mixed use development or apartment-style housing on Centre-zoned land

   This analysis helps to paint a picture of potential yields under an MDRA zoning, and what types of housing are likely to deliver the best commercial return. The model can be adapted to suit different developers' cost structure and profit expectations.

Finally, we comment briefly on whether an MDRA zoning for each of the study areas is likely to have a positive impact on commercial development.

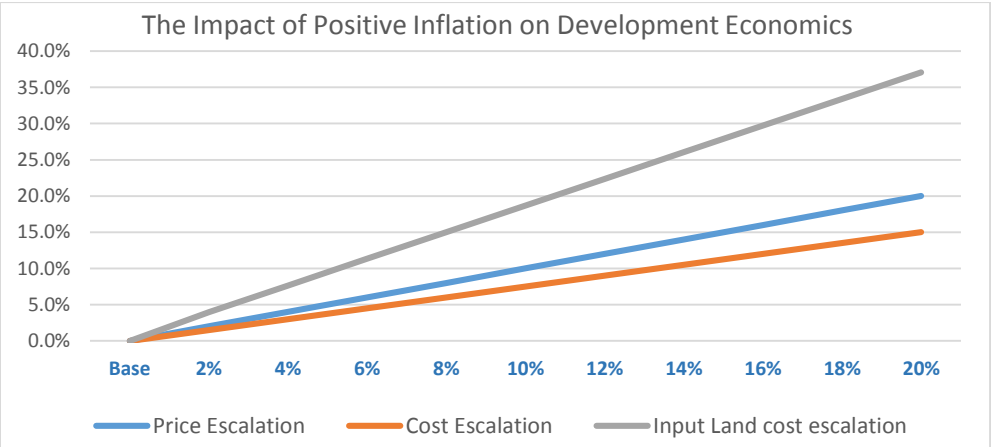
3.2 Assumptions

Because each case study covers (on average) more than 1,000 dwellings, our analysis is necessarily 'broad brush', designed to illustrate trends within each study area, rather than represent actual returns a developer could expect from a specific project.

- Each analysis is based on a standard set of housing typologies (ref table 2.2 overleaf)
- Estimates of the completed value of housing are based on recent sales and rateable values for contemporary housing in the same area.
- Estimates of civil works and construction costs are based on a relatively flat site with easy access to the street and to services.
- Construction costs are based on our understanding of what is being paid by developers for similar housing forms, for instance:
    - Stick and slab construction for townhouses and duplex-style housing up to three levels (about $1,750 psm base build cost excluding fees and decks).
    - Concrete and steel frame construction for apartments and mixed-use complexes over three or four levels ($2-2,200 psm base cost).
- Professional fees, selling fees etc are include a level of discount that a developer would normally negotiate for a multi-unit project.
- We have adopted a one or two year development timeframe, depending on project size and complexity, plus additional time to sell-down.
- Other costs (including development contributions, consents and finance costs) are nominal based on current practice.

Our base feasibility analysis does not provide for price and cost inflation, although these can have a significant impact on a future MDRA area's longer-term development potential. This is illustrated in the figure below, which summarises the impact of net positive inflation for a single-lot redevelopment of five units. The figure is based on price inflation increments of 2% and cost inflation increments of 1.5%. In summary:

- An increase of 10% in the base realisation rate over time (alongside cost increases of 7.5%), would enable a developer to pay almost 20% more for a redevelopment site
- An increase of 20% in base realisation rates (alongside cost increases of 15%) would support enable a developer to pay almost 40% more for their development site while still achieving their original target margin.
- Conversely, a flat or negative inflation environment would reduce the input land threshol



Sample Feasibility Analysis

Study Area Kilbirnie MDRA
Option Single Lot Redevelopment

1 Target Return

	20%	on net realisations		
Actual return	$ 406,674	or	18%	on net realisations
			22%	on costs

1 Site purchase strategy

		Target psm incl GST	m2 land		Price		
1	Existing house lot(s)	$ 600	750	@ Current RV of	$ 450,000		
		$ 600	750	m2	$ 450,000	or $ 522	psm excl GST

2 Building typologies

	3 bdr base thse	3 bdr Exec Thse	1 bdr 1 level unit	2 bdr 2 level unit
Average living area	100	110	48	64
Garages	0	20	0	0
Multiplier for non-living area	0%	0%	10%	10%
Total area (excl decks)	100	130	53	70
External Parks	1	0	1	1
Decks	8	10	6	8
Total area (incl decks)	108	140	59	78
Building Levels	2.5	3	2	3

2 Site Yield & Expected Sale Value

3 bdr base thse	0	for sale @	$ 475,000	$ 4,750	psm (excl. decks)
3 bdr Exec Thse	5	for sale @	$ 552,500	$ 4,750	psm (excl. decks)
1 bdr 1 level unit	0	for sale @	$ 228,000	$ 4,750	psm (excl. decks)
2 bdr 2 level unit	0	for sale @	$ 304,000	$ 4,750	psm (excl. decks)
	5				

Total built area	650	m2 plus	50	m2 decks
Total Accessway requirement	70	m2 based on	20	lm of 3.5 metre wide carriageway
Total car parking requirement	0	m2		
Total ground level open space requirement	60	m2 based on	12	m2 per unit
Total building footprint	217	m2		
Site coverage	35%	equates to	749	m2 minimum lot requirement
		or	100%	of available land
Average lot size p/unit	150	m2		

2 Realisations & Other Income

					1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	Sumtots
2.1 Realisations on Sale																				
3 bdr base thse	$ 475,000	3 bdr base thse	0	$ -													$ -	$ -	$ -	$ -
3 bdr Exec Thse	$ 552,500	3 bdr Exec Thse	5	$ 2,762,500													$ 920,833	$ 920,833	$ 920,833	$ 2,762,500
1 bdr 1 level unit	$ 228,000	1 bdr 1 level unit	0	$ -													$ -	$ -	$ -	$ -
2 bdr 2 level unit	$ 304,000	2 bdr 2 level unit	0	$ -													$ -	$ -	$ -	$ -
			Gross	$ 2,762,500	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 920,833	$ 920,833	$ 920,833	$ 2,762,500
				$ 4,250.00 psm																
2.2 Less:																				
- GST	15%			$ 414,375	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 138,125	$ 138,125	$ 138,125	$ 414,375
- Selling costs	3%			$ 82,875	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 27,625	$ 27,625	$ 27,625	$ 82,875
- Legal etc for transfer	$ 1,000		5	$ 5,000													$ 1,667	$ 1,667	$ 1,667	$ 5,000
				$ 502,250	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 167,417	$ 167,417	$ 167,417	$ 502,250
			Net	$ 2,260,250	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 753,417	$ 753,417	$ 753,417	$ 2,260,250
2.3 Income from rents	$ 1,000	for mths	6		$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 8,000
					$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ -	$ -	$ -	$ -	$ 753,417	$ 753,417	$ 753,417	$ 2,268,250

3 Land

					1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
3.1 Purchase																				
- Purchase site Price	$ 450,000	less GST		$ 391,304	$ 391,304															$ 391,304
3.2 Prepare																				
- Demolition/Site clearance	$ 10,000	for units	1	$ 10,000									$ 10,000							$ 10,000
3.3 Subdivide																				
- Survey/subdivision plan/title	$ 2,000	for units	5	$ 10,000			$ 5,000	$ 5,000												$ 10,000
- Development Contributions	$ 4,951	for units	4	$ 19,804					$ 19,804											$ 19,804
- LINZ checking & lodgement fees	$ 250	for units	5	$ 1,250					$ 1,250											$ 1,250
3.4 Service																				$ -
- earthworks/retaining	$ 2,500	for units	5	$ 12,500						$ 6,250	$ 6,250									$ 12,500
- Driveways & services	$ 50	for m2	70	$ 3,500						$ 1,750	$ 1,750									$ 3,500
- Connect to services	$ 3,000	for units	5	$ 15,000							$ 15,000									$ 15,000
- Power & telecom	$ 2,000	for units	5	$ 10,000												$ 10,000				$ 10,000
				$ 473,358	$ 391,304	$ -	$ 5,000	$ 5,000	$ 21,054	$ 8,000	$ 23,000	$ -	$ 10,000	$ -	$ -	$ 10,000	$ -	$ -	$ -	$ 473,358

4 Construction

4.1 Preliminary & General	$ 2,000	for units	5	$ 10,000							$ 10,000									$ 10,000
4.2 Design & engineering	$ 10,000	for units	5	$ 50,000					$ 16,667	$ 16,667	$ 16,667									$ 50,000
4.3 Consents	$ 5,000	for consents	3	$ 15,000							$ 15,000									$ 15,000
4.4 Construction (turn key)																				$ -
- Base construction	$ 1,750	for m2	650	$ 1,137,500										$ 379,167	$ 379,167	$ 379,167				$ 1,137,500
- Decks	$ 600	for m2	50	$ 30,000										$ 10,000	$ 10,000	$ 10,000				$ 30,000
- Other incl carports	$ 2,500	For units	0	$ -										$ -	$ -	$ -				$ -
4.6 Landscaping	$ 1,000	for units	0	$ -											$ -	$ -	$ -			$ -
4.7 Contingency	Total construction cost @		10%	$ 124,250		0 $ -	$ -	$ -	$ 1,667	$ 1,667	$ 4,167	$ -	$ -	$ 38,917	$ 38,917	$ 38,917	$ -	$ -	$ -	$ 124,250
				$ 1,366,750	$ -	$ -	$ -	$ -	$ 18,333	$ 18,333	$ 45,833	$ -	$ -	$ 428,083	$ 428,083	$ 428,083	$ -	$ -	$ -	$ 1,366,750

5 Interest

			8%									$ 26	$ 19	$ 86	$ 2,940	$ 5,814	$ 8,773	$ 3,809		$ 21,468

6 Cash flows

				$ 390,304	$ 389,304	$ 393,304	$ 397,304	$ 435,692	$ 461,025	$ 528,858	$ 527,884	$ 537,903	$ 966,073	$ 1,397,096	$ 1,840,994	$ 1,096,350	$ 346,743	-$ 406,674	$ 406,674	22% Margin on cost

7 Funded by

			Equity	$ 525,000	$ 525,000	$ 525,000	$ 525,000	$ 525,000	$ 525,000	$ 525,000	$ 525,000	$ 525,000	$ 525,000	$ 525,000	$ 525,000	$ 525,000	$ 525,000	$ 525,000	$ 525,000	$ -	
			Capital charge	8%	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 49,000	55% ROI
			Debt		-$ 134,696	-$ 135,696	-$ 131,696	-$ 127,696	-$ 89,308	-$ 63,975	$ 3,858	$ 2,884	$ 12,903	$ 441,073	$ 872,096	$ 1,315,994	$ 571,350	-$ 178,257	-$ 406,674	

Table 2.2: Wellington City Suburban Centres Study - Typical Medium Density Housing Typologies for MDRA Areas

			Levels per dwelling unit	Levels per building	Net living area per unit	Stairs & common areas	Garage	Gross area p/unit	Decks	Average footprint p/unit	Maximum height	Building Description	Unit spec	Parking/garaging
			No.	No.	m2	Multiplier	m2	m2	m2	m2	m			
1	Bdr	Apartment in mixed use (2-3 stories above ground floor retail)	1	3 - 4	48	15%	0	55	10	15 - 20	12	Street frontage retail, apartments above	1 bath , open plan plus small study/store space	External park only unless parking level added to structure
2	Bdr	Apartment in mixed use (2-3 stories above ground floor retail)	1	3 - 4	64	15%	0	74	10	20 - 25	12			
1	Bdr	Residential apartment (3-4 storey)	1	3 - 4	48	15%	0	55	10	15 - 20	12	4 Stories Individual access for ground floor units	1 bath , open plan plus small study/store space	External park only unless parking level added to structure
2	Bdr	Residential apartment (3-4 storey)	1	3 - 4	64	15%	0	74	10	20 - 25	12			
1	Bdr	Unit (single level in 2 storey)	1	2	48	10%	0	53	8	26	8	Rear infill or standard lot cleared for redevelopment	1 bath , open plan plus small study/store space	Car pad or carport only
2	Bdr	Mini townhouse/unit (2 storey)	2	1	64	10%	0	70	8	35	8			
2	Bdr	Economy Townhouse (2 level)	2	2	80	0%	0	80	8	36	8	Rear infill or standard lot cleared for redevelopment	1 bath , open plan incl. small study area/store space	Car pad or carport only
3	Bdr	Economy Townhouse (2.5 level) - No Garage	2.5	2.5	100	0%	0	100	8	37	9			
3	Bdr	Economy Townhouse (2.5 level) - Garage	2.5	2.5	100	0%	20	120	8	45	9	Rear infill or standard lot cleared for redevelopment	2 baths, open plan	Single garage plus some provision for 2nd car on common area
3	Bdr	Executive Townhouse (3 level)	3	3	110	0%	20	130	10	40	9			
3	Bdr	Standalone on small lot/infill (2 level)	2	2	110	0%	20	130	25	53	8	Rear infill or standard lot cleared for redevelopment	2 baths, open plan	Single or double garage plus onsite outside park
3- 4	Bdr	Standalone on small lot/infill (3 level)	2	2	120	0%	35	155	25	65	8			

Table 2.3: Wellington City Suburban Centres Study - Nominal Price Points by Study Area*

For illustrative purposes only. PSM rate is base with variations for location and additional/lesser amenity/market risk

Base Rate per Square Metre of Built Area	Tawa	Newlands	Khandallah	Crofton Downs	Karori	Berhampore	Island Bay	Miramar	Kilbirnie
- Apartment in Centre	$3,750	$3,750	$5,000	$4,750	$5,000	$4,500	$5,000	$5,000	$5,000
- Units	$4,500	$4,500	$5,500	$5,000	$5,000	$4,750	$5,000	$4,750	$4,750
- Townhouse & standalone base	$4,000	$4,000	$5,000	$4,500	$4,500	$4,750	$4,625	$4,625	$4,750

Nominal Value by Type and Area

1	Bdr	Residential apartment in Centre (3-4 storey)	$180,000	$180,000	$240,000	$228,000	$240,000	$216,000	$240,000	$240,000	$240,000
2	Bdr	Residential apartment in Centre (3-4 storey)	$240,000	$240,000	$320,000	$304,000	$320,000	$288,000	$320,000	$320,000	$320,000
1	Bdr	Unit (single level in 2 storey)	$237,600	$237,600	$290,400	$264,000	$264,000	$250,800	$264,000	$250,800	$250,800
2	Bdr	Mini townhouse/unit (2 storey)	$288,000	$316,800	$387,200	$352,000	$352,000	$334,400	$352,000	$334,400	$334,400
2	Bdr	Economy Townhouse (1 or 2 level)	$360,000	$360,000	$440,000	$400,000	$400,000	$420,000	$410,000	$410,000	$420,000
3	Bdr	Economy Townhouse (2.5 level) - No Garage	$420,000	$420,000	$520,000	$470,000	$470,000	$495,000	$482,500	$482,500	$495,000
3	Bdr	Executive Townhouse (3 level) - Garage	$460,000	$460,000	$570,000	$515,000	$515,000	$542,500	$543,750	$543,750	$557,500
3	Bdr	Standalone on small lot/infill (2 level)	$470,000	$470,000	$600,000	$525,000	$525,000	$552,500	$538,750	$538,750	$552,500
4	Bdr	Standalone on small lot/infill (3 level)	$490,000	$490,000	$620,000	$545,000	$545,000	$572,500	$558,750	$558,750	$572,500

Case Study 1: Newlands

Community Profile

Newlands lies approximately 10 kilometres north of the Wellington CBD, and runs along a valley stretching from Ngauranga in the South, to Paparangi and Grenada in the North.

The area was originally known as Pukehuia, prior to being partitioned into 40-ha (100-acre) farm lots and sold to New Zealand Company settlers in the early 1840's. For the next 100 years, Newlands was the main source of Wellington's milk supply before being opened up for residential development in the 1950's and 60's.

Today, Newlands has a population of about 9,000 living in 3,000 dwelling units.

Housing Profile

Detached housing makes up about 80% of all dwellings in Newlands, mostly three and four bedroom. Fewer than 500 households are currently living in multi-unit dwellings, of which about 300 are one and two bedroom units – about 50% of which are social rentals (WCC and HNZC). Around 70% of all housing in Newlands is owner-occupied although rental housing numbers are growing as a proportion of total stock.

By Wellington standards, Newlands is relatively affordable as a rental and owner occupier location, with standard market rentals[5] averaging about $350 per week for a three bedroom dwelling, and $250 for two bedrooms.

Prices for new and nearly-new housing have averaged about $3,500 psm over the past four years, which equates to a selling price of about $400-450,000 for a contemporary three-bedroom duplex or infill housing units.

Future Housing demand

The total number of households living in Newlands is expected to grow by 15% over the next 30 years, or about 500 households. 70% of net household growth is expected to be single person and couple-only households, although this should not be taken as a proxy for demand for one and two-bedroom housing.

Recent redevelopment activity in Newlands supports our view that larger housing units are preferred by developers, even if the target market is non-family households.

Recent New Housing Development

Based on WCC's rating and consents database, it would appear that 'greenfields' development capacity within the Newlands study area was exhausted by the late 1990's, although there is ongoing subdivision on the suburban fringe[6].

[5] Excluding executive-style rentals.

[6] Ring Lane and Pelorous Street appear to be the last substantial 'standalone' housing developments in the study area.

In the walkable catchments, recent developments have mainly been single dwelling construction on residual sections, or infill housing developments yielding one to three units, on sites ranging in size from 600 to 1,500m2.

Two recent developments have achieved higher yields:

16 Black Rock Road comprises eight 110 m2 (including single garage) duplex units, each built over two levels on a 1,410 m2 site in the outer walkable catchment. The average rateable value for each unit is $385,000 ($3,500 psm) including land at about $95,000 per lot.

12-18 Ted Gilberd Place comprises four larger (130-135 m2) duplex-style townhouses on a rear lot, valued $440,000 to $460,000 ($3,400 psm).

There is also a 10 unit development currently under construction at ***61 Black Rock Road*** on a 2,260 m2 site that previously contained a single large dwelling. The new housing units are mainly standalone two-level ranging from 107 m2 (no garages) to about 140 m2 (with garages). Prices start from $435000, or $4,000 psm (gross).

On average, about five new units per year have been constructed in the study area over the past two decades, which suggests that the market absorption rate for new housing is low.

Redevelopment Assessment

Overview

Unlike potential MDRA areas closer to the CBD, Newlands appears to have plenty of land suitable for redevelopment within each of the walkable catchments. The main constraints on new housing development are the input cost of land (including improvements to be removed during development) and low sale prices compared to areas closer to the CBD.

Based on recent sales, we have adopted $4,000 psm (incl. GST) as the base realisation level for new housing product in the Newlands study area, with an allowance for incremental increases for additional amenity.

Newlands Centre

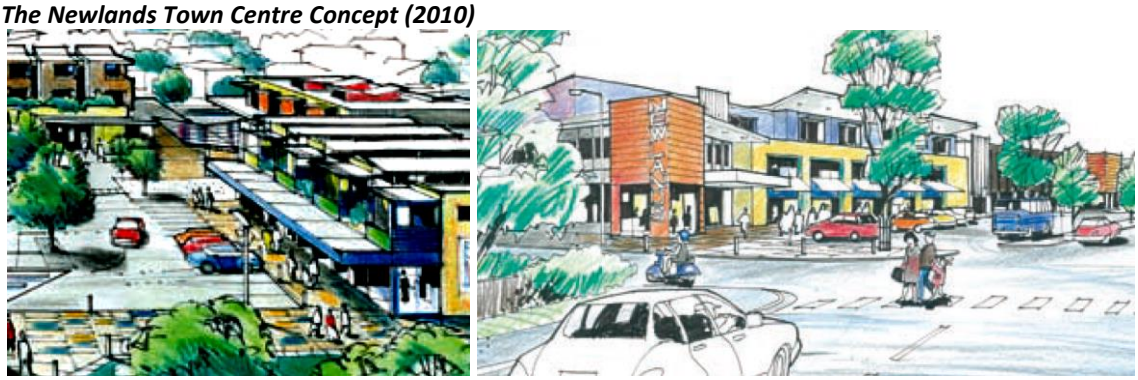
The current Newlands Centre comprises almost 1.7 ha of Centre-zoned land, bounded by Newlands Road, Bracken Road, Batchelor Street and Atkinson Street. The centre currently comprises:

- A new supermarket on Bracken Road.
- A recently-constructed community centre on Batchelor Street.
- The original 'MacMillan Court' retail complex.
- Low value commercial and retail activities along Newlands Road including a timber yard, trade bases and takeaway outlets.
- Low value uses on Batchelor Street including childcare centre and Hindu temple.
- A tavern and medical centre.
- Centre-zoned open space at 23 Batchelor Street (1331 m2 vacant lot).

In April 2010, Council adopted the 'Newlands Centre Plan' which sets out a 20 year vision for the centre and two adjoining Council-owned properties at 2 Batchelor Street (33 single level one bedroom units on 3,907 m2) and 23 Batchelor Street. In brief, the plan calls for a "…vibrant, functional, attractive and pedestrian-friendly mixed-use urban village, including:

- Increasing building scale in the centre to 3-4 levels
- A wider range of retail and commercial activities, including commercial office suites and home offices
- Residential apartments above retail and office spaces
- Comprehensive residential redevelopment of adjacent council-owned land.

The Newlands Town Centre Concept (2010)



Our initial impression is that Council's vision is unlikely to be commercially realistic within the plan's 20 year timeframe. There is no evidence of burgeoning demand for commercial offices, except for one or two instances of vacant retail spaces being used as offices along Newlands Road and Stewart Drive. There is also no evidence of Newland's capacity to support local retail growth, perhaps best illustrated by a number of vacant units within the current complex[7]. Existing land-hungry activities (such as the timber yard) would also need to be relocated if Council's vision is to be realised.

In short, there is no evidence that Newlands current or future population would support the level of commercial expansion anticipated by the plan. We doubt also that the market can absorb the number of apartment-style units suggested by the concept within the next 20 years. To test this

[7] It is too early to tell whether the supermarket will have an even greater effect on existing food and general retail businesses.

view, we have carried out a number of high-level development feasibility analyses for different land parcels within embraced by the Newlands Centre Plan. The analyses suggest that:

- The current rateable value for centre land on Newlands Road (203-221 Newlands Road) is about $950 psm. As a proxy for the input cost of development land, a comprehensive, four-level mixed use development would not cover costs, let alone generate a margin commensurate with the risk of delivering an unproven product.
- Assuming three levels of apartments above retail space (plus provision for parking outside the building envelope), the market would need to absorb about 60 apartment units over a development timeframe of (say) three to four years.
- Redevelopment of shops in MacMillan Place (currently valued at an average of $1200 psm) is also unlikely.
- In our view, a residential or mixed use developer could afford to pay no more than about $300 psm for Centre-zoned land in the current market, which would effectively rule out any new development with a residential component.

Newlands Town Centre: existing uses along Newlands Road

Council's holdings at 2 and 23 Batchelor Street appear to be the best short term redevelopment options. Our analysis suggests that the highest and best use for the vacant site at 23 Batchelor Street (current rateable value $141 psm) would be two and three level townhouses pitched below current market offerings (i.e. more compact and no garages). We estimate that the site could accommodate at least 15 low-cost units under MDRA zoning rule, and generate a commercially acceptable return based on the following yields and asking prices:

- Two bedroom 8 at say $360,000 p/unit
- Three bedroom 8 at say $400-420,000 p/unit

Under MDRA rules, the council's pensioner housing site at 2 Batchelor Street would also yield a return at the margins of commercial acceptability if developed as a mix of apartments and townhouses over three levels, perhaps in a joint venture with a developer partner who would be responsible for selling units not required by Council. Estimated yields and price points for a development along these lines are:

- One bedroom unit 30 at say $180,000 p/unit
- Two bedroom unit 30 at say $240,000 p/unit
- Three bedroom townhouses along edge 12 at say $380-400,0000 p/unit

Outer Residential Areas

The table overleaf summarises residential property data for the walkable catchments within the Newlands MDRA study area. In summary:

- The average capital value across all walkable catchments is $376,000 for standalone housing and $221,000 per unit for multi-unit housing.
- The value of improvements is substantially the same in all catchments (about $2,650 per m2 of built area).
- Average site coverage across all walkable catchments is about 20%, which suggests plenty of scope for infill housing and/or redevelopment.
- When capital values are expressed on a per square metre of land basis, average values range from $650 per square metre of land in outer areas, to $750 or more for multi-unit housing lots and standalone housing in the inner catchments.

Commercially-viable redevelopment would be difficult at these levels, even under MDRA rules. This is mainly due to the fact that Newlands is one of Wellington's most affordable housing markets, with prices about $100-200,000 lower than locations closer to the CBD. Our analysis suggests that (at most) a prudent developer could afford to pay no more than $300 per m2 for brownfields development land, depending on site configuration and location. This rises to about $4-500 per m2 for infill sites, if the existing improvement can be retained, refreshed and on-sold along with new infill housing product

Previous development activity has taken out many of the 'easy' infill and redevelopment sites, as illustrated in the image below, which captures streets to the immediate south of the Suburban Centre. We estimate that about half of all suburban lots suitable for redevelopment have already gone.

Infill close to the Newlands Centre (top left)

Recent infill projects reflect the realities of escalating land values. To be commercially successful, developers need to add least two (preferably three) new units per standard lot, as well as retaining the original dwelling. To generate the same return, comprehensive redevelopment projects require a yield of four or five.

As a proxy for remaining redevelopment capacity, we have filtered the property database for each catchment area to include only those properties with an input value (including improvements) of less than $600 psm, and a total land area of 500 m2, which we believe is the minimum land area required within a suburban context to deliver a sensible and compatible development – even under MDRA rules.

Three Minute Walkable Catchment:

There are only about 20 residential properties within the inner catchment that meet our commercial criteria (or about 20% of properties in the catchment) capable of yielding about 100 new medium density housing units (townhouse-style or duplex) under an MDRA zoning.

Privately-owned properties with future development potential include clusters of large lots in Newlands Road (187–195 Newlands Road) Gahagan Way (adjacent to WCC's pensioner complex), and single or dual lots along Stewart Drive and Bracken Road.

Non-residential property with future development potential includes a large (3000 m2) underutilised church hall site a 2 Oswald Street, and Council-owned land on Newlands Road and Batchelor Streets.

Five Minute Walkable Catchment:

About 40 properties within the five-minute catchment (25% of current housing stock) could meet our criteria for commercial development, in particular Warrington Grove, Newlands Road and a number of properties in Pritchard Street.

Seven Minute Walkable Catchment:

About 50 properties (20% of current housing stock) meet our commercial development criteria, including residual lots in Pinkerton and Warrington Groves, Horokiwi and Newlands Roads, and a smattering of individual lots in Trebann Street, Loasby Crescent and Westleigh Way.

Ten Minute Walkable Catchment

About 100 properties in the outer catchment have commercial redevelopment potential, although probably only 30-40 of these would be viable as comprehensive redevelopment sites. Lowest-cost properties (on a value psm basis) are generally located along main arterial roads, which will impact on end-values.

Summary and Conclusions

In total, we estimate that about 20% of the 1,000+ properties within the walkable catchments have future redevelopment potential, mostly as infill housing sites or for townhouse-style redevelopment, which will continue as the domain form of medium density housing for the foreseeable future.

We remain unconvinced about the prospect of apartments becoming part of the Newlands housing landscape within the next 30 years, unless they are for social housing purposes, or built by niche private providers (older persons housing).

In our view, rental investors will favour less intensive forms of compact housing (townhouse and duplex) because they are more amenable to moving between rental and ownership markets.

There may be scope for some mixed development around the periphery of the suburban centre – especially on WCC-owned land. The quantum of demand will depend on whether public amenity levels in the town centre increase to a point where singles and couples, or social housing providers, are attracted to the inner catchment area.

Opportunities for commercially-viable multi-lot housing development are being eroded by ongoing infill – especially on lowest-cost sites and in the more attractive side streets.

Table CS1.1: Newlands Study Area – Summary by Walkable Catchment

Walking Catchment	Unit Type	No. Properties	Units of Use	Land Area (m2)	Avge Area per Use Unit	Floor Area (m2)	Building Footprint (m2)	Site overage	Capital Value	Average Value per use unit	capital Value per m2 Building	Capital Value per m2 Land	Land Value	Land as % of Capital Value
3 mins	Single unit	71	71	36,428	513	9,466	7,272	20%	$26,340,000	$370,986	$2,783	$723	$10,524,000	40%
3 mins	Multi-unit	28	106	23,478	221	6,700	5,521	24%	$17,732,000	$167,283	$2,647	$755	$7,229,000	41%
5 mins	Single unit	155	155	84,696	546	20,742	16,845	20%	$56,690,000	$365,742	$2,733	$669	$23,070,000	41%
5 mins	Multi-unit	20	54	18,499	343	4,077	3,276	18%	$13,175,000	$243,981	$3,232	$712	$4,754,000	36%
7 mins	Single unit	201	202	112,705	558	27,934	22,375	20%	$74,200,000	$367,327	$2,656	$658	$30,308,000	41%
7 mins	Multi-unit	25	62	18,911	305	5,497	4,102	22%	$13,465,000	$217,177	$2,450	$712	$4,547,000	34%
10 mins	Single unit	340	341	206,674	606	51,203	39,507	19%	$132,425,000	$388,343	$2,586	$641	$52,021,000	39%
10 mins	Multi-unit	69	158	53,108	336	15,570	11,268	21%	$39,690,000	$251,203	$2,549	$747	$13,699,000	35%
All	Vacant Land	8	8	4,899	612	-	-	0%	$1,310,000	$163,750	$0	$267	$1,306,000	100%
		917	**1157**	**559,397**	**483**	**141,189**	**110,166**	**20%**	**$375,027,000**	**$324,137**	**$2,656**	**$670**	**$147,458,000**	**39%**

Walking Catchment	Unit Type	No. Properties	Units of Use	Land Area (m2)	Avge Area per Use Unit	Floor Area (m2)	Building Footprint (m2)	Site overage	Capital Value	Average Value per use unit	capital Value per m2 Building	Capital Value per m2 Land	Land Value	Land as % of Capital Value
All	Single unit	767	769	440,503	573	109,345	85,999	20%	$289,655,000	$376,664.50	$3,368	$658	$115,923,000	40%
All	Multi-unit	142	380	113,996	300	31,844	24,167	21%	$84,062,000	$ 221,216	$3,478	$737	$30,229,000	36%
All	Vacant Land	8	8	4,899	612	-	-	0%	$1,310,000	$163,750	-	$267	$1,306,000	100%
		917	**1157**	**559,397**	**483**	**141,189**	**110,166**	**20%**	**$375,027,000**	**$324,137**	**$2,656**	**$670**	**$147,458,000**	**39%**

Case Study 2: Crofton Downs

Community Profile

Crofton Downs is a small hillside suburb sandwiched between Ngaio in the North and Wadestown and Orari to the South. Settlement dates from the mid 1800's with most land used for farming until being opened up for residential subdivision in the 1960's and 1970's. Lesser subdivisions have continued to add to the housing stock, Ridvan Garden being the latest in a long line of small greenfields developments snaking along the ridgelines above Churchill Drive.

Today, Crofton Downs has a total population of 1,500, living in 600 private dwellings. 20% of all households are single people, 30% are couples and about 45% are family households. Unlike areas closer to town, group households make up only a small portion (3%) of resident households in the location.

The Crofton Downs Centre serves a wider catchment that takes in Ngaio, Wadestown and Wilton. The Centre comprises a recently-rebuilt and expanded Countdown supermarket, a Mitre 10 hardware/garden centre, a service station and large parking areas for shoppers and commuters. To the South, a large church hall on 8000 m2 of land has recently been purchased by a property company associated with BUPA retirement villages.

Housing Profile within the Study Area

The table overleaf summarises WCC's rating data on housing within the catchment areas by type and location. In total, there are 309 residential properties in the Crofton Downs part of the study area, including 69 multi-unit dwellings[8].

About 75% of all housing is owner-occupied. The bulk of rental housing is privately-owned, with social housing being restricted to five WCC-owned units close to the suburban centre, and HNZ housing in the Chartwell Drive and Winston Street area.

Capital values for stand-alone housing range from $350-500,000 for housing developed in the 1960's and 70's, to $600,000 to $1 million plus for later housing, which tends to be. Multi-unit housing values range from about $400,000 for an older two-unit, two bedroom rental property, to upwards of $600-700,000 for larger, newer duplex housing units.

Apart from WCC's Thatcher Crescent Property, and a handful of 3-4 unit properties built in the 1970's, all multi-unit housing units are either duplexes or two units contained within a single standalone dwelling (for instance a downstairs granny flat).

Future Housing Demand

According to WCC's latest forecasts for Ngaio/Crofton Downs, household numbers are expected to increase by only 2% between 2013 and 2043. There will be a reduction in family households and a corresponding increase in couple-only and single person households.

[8] Note that Ngaio properties in Waikowhai, Heke and Kenya Streets, Hewett way and Jacobsen lane also fall within the catchment areas, but have been excluded because their logical transport and retail destination is Ngaio Centre. This also applies to three properties in Blackbridge Road (Wadestown).

These projections suggest that demand for new housing within the study area will be minimal – perhaps as low as 20 units over the next 30 years – unless development of the Crofton Downs Centre stimulates a transfer of demand from other areas.

Recent New Housing Development

About 45 new dwelling units have been constructed in Crofton Downs over the past 10 years, all of which have been standalone or duplex housing located on marginal sloping land within the existing built area (for instance Chartwell drive), or in boutique subdivisions on the edge of the study area (Downing Street and Calgary Close).

Once the current supply of land at Ridvan Gardens (Downing Street) runs out, opportunities for new greenfields development appear to be limited unless rural land at the top of Silverstream Road is brought into the Outer Residential zone.

To our knowledge, there has been no infill or multi-unit development within the study area for at least 20 years, although a resource consent application has been recently been lodged by Stratum Management Ltd for a 22-unit townhouse development at 4 Thatcher Crescent (the old Palmers Garden Centre).

The units are to be built over 2-3 levels, ranging in size from 95 m2 (car pad only) to 135 m2 (single garage) each of which contains three bedrooms. We understand the developer is aiming to sell the base units for about $450,000. This suggests a realisation rate of (say) $4,500 per m2 for compact new housing in the study area.

Proposed new Batchelor Street townhouse development (image courtesy Stratum Management Ltd)

Redevelopment Assessment

Overview

Compared to other potential MDRA zones, the Crofton Downs study area's residential content is small, containing fewer than 400 households. By contrast, the Centre is disproportionately large, mostly because it targets consumers from adjoining suburbs. At present, the centre is dominated by two businesses (Countdown and Mitre 10), and lacks the range and type of services needed to attract people to live on its edge.

The catchments themselves offer a range of moderately-priced 1970's housing stock, and more expensive housing built since the early 1980's. Based on recent sales, there is a steady market for medium density housing already in the study area, but only at the lower end of the market, and for duplex-type housing.

The Centre

The centre itself comprises five lots in separate ownership:

- WCC's commuter car park at 140 Churchill Drive (1836 m2.)
- The current Mitre 10 site at 124 Churchill Drive (5,343 m2) owned by Te Roto Properties Ltd. We understand that WCC has previously had discussions with the owner medium density housing development.
- Z Energy's service station area (1223 m2).
- The new Countdown supermarket and parking areas (7973 m2).
- The old religious hall at 122 Churchill Drive now owned by BUPA (8455m2).

In our view, 124 Churchill Drive is the most likely future redevelopment location. Our analysis suggests that, at the right price, the site could deliver a commercial return on any of the following medium-density housing projects:

- 50 unit townhouse development, along similar lines to the proposed Stratum development in Thatcher Crescent.
- 60 more compact units in a mixed development of (say) one two and three bedroom units built over two to three levels, along similar lines to "Monterrey" in Johnsonville. This sort of development would be targeted mostly at modest income home-seekers, and rental investors.
- A 3-4 level apartment development with a similar streetscape to the Malvina Major complex. This would be on the margins of profitability due to higher multi-level building costs, and would need to attract singles and couples in the mid-higher end of the housing market.

In each case, market risk would be a significant factor. The task of selling down 50 units within a (say) two to three year development timeframe would be a challenge for the most experienced developer. Apartment-style developments in particular would struggle to cross the commercial line because there would be more units to sell down, and because the market has yet to embrace apartment living in suburban areas.

Looking at the other sites, we do not believe that either the Z or Countdown properties will become available for residential development in the next 20-30 years – even in part. Corporate entities like supermarket chains are unlikely to permit activities that would compromise their long term control over future retail redevelopment.

122 Churchill Drive, however, is likely to be used for residential development in the longer term, even if the current owner decides not to proceed with a retirement village. We expect that the highest and best alternative use of the 8,455 m2 site would be a mixed development along the lines of Monterrey in Middleton Road, Johnsonville

Outer Residential Areas

In our view, the capital value of properties in the four catchment areas will make it difficult to promote comprehensive redevelopment. This is exacerbated by the study area's topography and underlying subdivision pattern.

Our analysis suggests that it would be difficult to achieve a commercial return unless development land could be purchased under $3-400 per square metre of useable land. This rises to about $4-500 psm for more modest infill projects of (say) 2-3 additional units.

Three and five minute walkable catchments:

Within the inner catchment, the most commercially viable redevelopment sites are at the base of Thatcher Street and Silverstream Road, and the lower reaches of Churchill Drive, in particular:

- In Thatcher Street, the proposed 22-unit townhouse development could accommodate another 4-6 units under MDRA rules.
- WCC's 5-unit pensioner housing site at 2 Thatcher Crescent could accommodate 8-10 townhouses or 12-16 one and two bedroom units built over 2 levels.
- 8-16 Silverstream Road is the best opportunity for site consolidation although topographical constraints will make it unlikely that site coverage would be able to exceed the existing outer residential maxima of 35%

In all, we estimate that fewer than 20 properties would benefit from MDRA site coverage rules, although more could take advantage of height maxima – especially for infill housing below and at road level.

Seven and ten minute catchment areas:

Although there are 20-30 properties in the outer catchments that meet price and size criteria, their redevelopment potential is compromised in almost all cases by the layout of existing buildings and by topography.

Summary and Conclusions

In the final analysis, demand growth in Crofton Downs will rest heavily on what happens to the suburban centre. Outside of the centre and one or two large lots (for instance the old garden centre), an MDRA zoning may have a small incremental effect, but will not substantially change the balance of housing available within the study area.

Table CS2.1: Crofton Downs Study Area – Summary by Walkable Catchment

Walking Catchment	Unit Type	No. Properties	Units of Use	Land Area (m2)	Average Area per Use Unit	Floor Area (m2)	Building Footprint (m2)	Site coverage	Capital Value	Average value per use unit	capital value per m2 building	Capital Value per m2 land	Land Value	Land as % of Capital Value
3 mins	Single unit	28	29	16,965	585	5,931	3,760	22%	$15,085,000	**$520,172**	$2,543	$889	$5,335,000	35%
3 mins	Multi-unit	10	23	7,001	304	2,460	1,690	24%	$7,040,000	**$306,087**	$2,862	$1,006	$2,596,000	37%
5 mins	Single unit	40	40	27,552	689	6,759	4,855	18%	$20,290,000	**$507,250**	$3,002	$736	$7,437,000	37%
5 mins	Multi-unit	7	14	4,607	329	1,440	880	19%	$3,695,000	**$263,929**	$2,566	$802	$1,240,000	34%
7 mins	Single unit	81	81	60,639	749	15,123	10,116	17%	$42,335,000	**$522,654**	$2,799	$698	$14,809,000	35%
7 mins	Multi-unit	20	43	15,866	369	4,497	2,680	17%	$12,945,000	**$301,047**	$2,879	$816	$4,327,000	33%
10 mins	Single unit	90	90	71,184	791	16,019	11,202	16%	$45,895,000	**$509,944**	$2,865	$645	$15,754,000	34%
10 mins	Multi-unit	32	66	28,688	435	5,768	3,785	13%	$18,220,000	**$276,061**	$3,159	$635	$6,883,000	38%
All	Vacant Land	1	1	822	822	0	0	0%	$170,000	**$170,000**	$0	$207	$170,000	100%
		309	**387**	**233,323**	**603**	**57,997**	**38,968**	**17%**	**$165,675,000**	**$428,101**	**$2,857**	**$710**	**$58,551,000**	**35%**

Walking Catchment	Unit Type	No. Properties	Units of Use	Land Area (m2)	Average Area per Use Unit	Floor Area (m2)	Building Footprint (m2)	Site coverage	Capital Value	Average value per use unit	capital value per m2 building	Capital Value per m2 land	Land Value	Land as % of Capital Value
All	Single unit	239	240	176,340	735	43,832	29,933	0%	$123,605,000	**$515,021**	$4,129	$701	$43,335,000	35%
All	Multi-unit	69	146	56,161	385	14,165	9,035	0%	$41,900,000	**$286,986**	$4,638	$746	$15,046,000	36%
All	Vacant Land	1	1	822	822	0	0	0%	$170,000	**$170,000**	$0	$207	$170,000	100%
		309	**387**	**233,323**	**603**	**57,997**	**38,968**	**0%**	**$165,675,000**	**$428,101**	**$2,857**	**$710**	**$58,551,000**	**35%**

Case Study 3: Khandallah

Community Profile

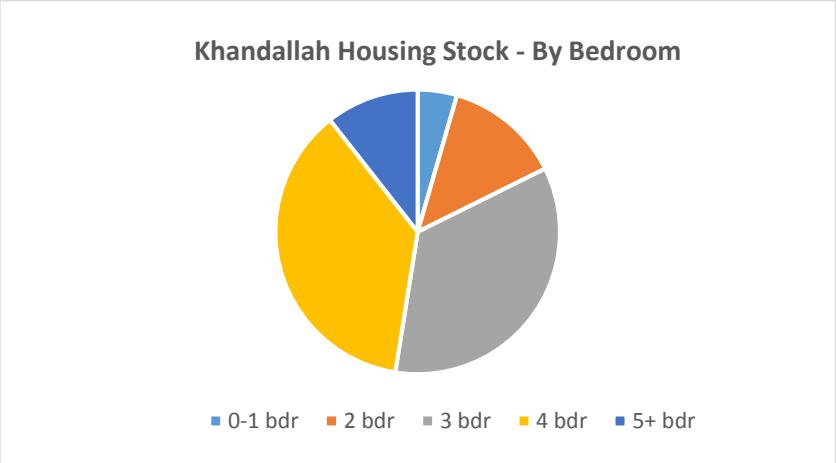
Like its neighbouring suburbs, Khandallah was originally a farming area. The completion of the Johnsonville line in the 1880's opened the area up for residential subdivision, which continued through to the 1980's as the suburb expanded southward into Kaiwharawhara and Broadmeadows.

Today, Khandallah is home to about 8,000 people living in 3,000 dwellings, 950 of which are within the study area. The suburb is anchored by an established suburban centre on Ganges Road, which features a small supermarket, retail outlets, medical practices and a range of other commercial and office uses.

Housing Profile within the Study Area

Table CS 3.1 overleaf summarises WCC's rating data on housing within the study area by type and location. 90% of all housing is standalone, while only 10% is multi-unit. Prices reflect Khandallah's status as one of Wellington's more affluent suburbs, and also the relatively high percentage (almost 80%) of owner occupiers.

Size-wise, Khandallah is dominated by larger dwellings, with more than 80% of all stock being three bedrooms or more. Average values for standalone housing range from $750,000 in outer catchments, to $850,000 close to the Khandallah Centre. In the inner catchments, several properties on standard-sized lots have sold for in excess of $1 million over the past three years.

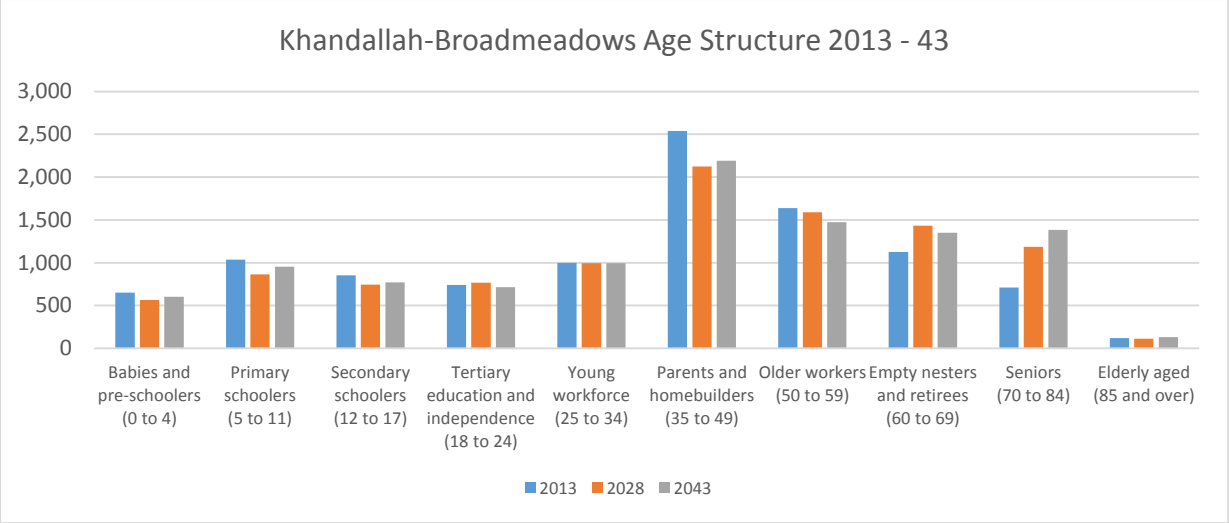


Although small in number, there is a good selection of attractive, recently-built, multi-unit housing in the study area – especially in the inner catchment. The images below are of units at ***12 and 40 Agra Crescent***, completed in the early 2000's and containing a mix of two to four bedroom dwellings ranging from 120 to 140 m2. Recent sale prices for these units have been in excess of $600,000, or about $5,500 psm.

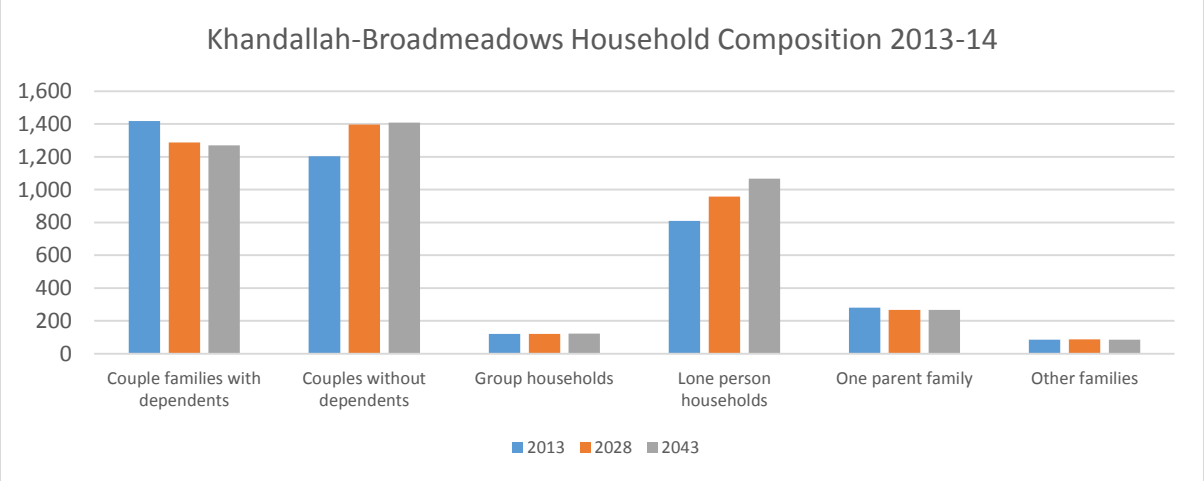
Earlier multi-unit developments appear to have been pitched at the lower-middle market, and at rental investors. ***26 Agra Crescent*** pictured below was completed in the 1960's and comprises eight two-bedroom units of 60-65 m2, with an average value of about $240,000 (or $4,000 psm).

Future Housing Demand

According to WCC's latest forecasts for the combined Khandallah/Kaiwharawhara/Broadmeadows area, total household numbers are expected to grow by around 300 households in the thirty years to 2043. Net household growth is expected to occur almost exclusively in older age cohorts, and amongst singles and couple-only households. The number of households living with the study area is expected to increase by an average of about 5 households annually, or 150 new households over the next thirty years



Based on current trends, high sale values for family housing in the area (combined with an aging resident base) should feed demand for more compact housing in the study area – provided that those selling down their larger family homes have a desire to stay in Khandallah.



Recent New Housing Development

New housing development over the past ten years has primarily been standalone housing in new subdivisions (Lakshmi, Mandalay and Nicholson) or on newly-created infill housing sites – generally on sites larger than our medium density maximum of 250 m2. Recent consents data suggests that all developments of more than three units constructed since 2010 were initiated prior to the Adoption of DP56, which suggests that this has had a marked inhibiting effect on intensification in the catchment areas.

Exemplar projects completed in the last 10 years include:

- Nine unit mews-style development on two amalgamated lots at 38-40 Agra Crescent (pic above)
- Six unit executive townhouse development on a single lot at 12 Agra Crescent (pic above)

Based on recent sale values for these and similar units, we believe that $5,000+ (gross) psm is a reasonable base realisation level for inner walkable catchments, reducing to $4,500 for outer catchments, in keeping with property value trends across all housing types.

Redevelopment Assessment

Overview

On the surface, the Khandallah study area appears to have the potential to become one of Wellington's most successful medium density housing markets:

- It surrounds an established and diverse suburban Centre, and offers ready access to the CBD and public transport
- There are a high number of single and couple households within the area, with an age and wealth profile that supports 'trading down' into smaller housing
- High standalone housing values should mean that developers can deliver new medium density housing at price points that sit below local average prices for standalone family housing, without sacrificing quality or amenity values.

The key issue is whether there is enough land available within the study to justify an MDRA zoning, and also whether the comparatively high value attached of uses can be absorbed.

The Centre

Table CS 3.3 overleaf summarises property information for Khandallah Centre, including 7 Burma Road. We have divided the properties into contiguous development 'blocks' based on location and underlying value. In brief, there are potential development blocks on centre-zoned land, ranging in size from about 1,000 to 3,000 m2.

As an amalgamated redevelopment site, our analysis suggests that 2-6 Dekka Street would be on the margins of commercial viability under MDRA zoning, and (based on LV/CV ratio), and is more likely to be redeveloped in the medium term than other Centre properties. Highest and best use appears to be a mixed development of retail and commercial units along the northern road frontages with (say) two levels of apartments above, with the balance of the site devoted to 3 level apartments. Our modelling suggests that the site could accommodate up to 50 use units, based on:

- Up to 30 two and three bedroom townhouses, with or without garaging
- 10-12 apartment units above retail/commercial modules along the street front.

The 1030 m2 Centre-zoned site at 7 Burma Road has immediate potential for residential development. We have modelled two developments, which could potentially deliver a commercial margin at current capital value ($825 psm):

- A 10 unit townhouse development, all three bedrooms over two or three level, with a mix of garages and car ports
- A 16-unit development comprising one and two bedroom units ranging in size from 48 to 70 m2, spread over two levels.

Outer Residential Area

Based on expected realisations for new housing in the study area, we estimate that a prudent developer would pay no more than $7-800 psm for redevelopment land in the inner catchment areas in the current market, and about $600-$700 psm in outer catchments. This assumes a fully utilisable site with minimum earthworks and retaining required to create building platforms.

Under MDRA rules, an average 800 m2 site could yield up to seven townhouse-style units, or (say) 10-12 one or two-bedroom units built over two levels.

Infill developments could potentially sustain higher input land values, provided that the existing improvement could be retained, and development margins adjusted to reflect lower risk and return expectations of smaller developers.

As a proxy for short-medium development capacity under MDRA zoning rules, we have filtered property data for the four catchment areas by applying a maximum input land value ($800 per m2 gross) and minimum site size (500 m2). The results are summarised in Table CS 3.2 overleaf.

Three and five minute walkable catchments:

There are only a handful of sites left in the innermost catchment that could support a development of (say) six units or more - probably no more than 20 throughout the inner catchments. The last 'easy' development opportunities are along Agra Crescent

There is more scope for infill projects, which (under MDRA rules) could be expected to ield at least one more dwelling per site than under current Outer residential infill rules.

Seven and ten minute walkable catchments:

About 150 properties in the outer catchments meet our criteria for commercially-successful redevelopment (25% of all properties in the seven and tem minute walkable catchments), although this number is likely to come down when topographical considerations are added to the mix.

There are a handful of adjoining properties within the filtered selection that show potential for multi-lot development, in Dehli Street, Cashmere Avenue, Simla Crescent, Baroda Street and Kamla Way.

Summary and Conclusions

Our summary conclusion is that, as demand from older non-family households' increases, medium density housing will become increasingly popular. Land availability will constrain the pace of development however, especially around the Ganges Street suburban centre, where most sites have already been subjected to some form of redevelopment.

Strong demand from higher-income family households will also push prices for existing housing beyond the comfort zone of many 'professional developers', leaving builder-developers and smaller investor-developers to drive supply.

Table CS3.1: Khandallah Study Area – Summary by Walkable Catchment

Walking Catchment	Unit Type	No. Properties	Units of Use	Land Area (m2)	Average Area per Use Unit	Floor Area (m2)	Building Footprint (m2)	Site coverage	Capital Value	Average value per use unit	capital value per m2 building	Capital Value per m2 land	Land Value	Land as % of Capital Value
3 mins	Single unit	126	126	78,345	622	26,977	18,725	24%	$106,060,000	$841,746	$3,931	$1,354	$62,485,000	59%
3 mins	Multi-unit	18	52	12,911	248	5,525	3,650	28%	$19,350,000	$372,115	$3,502	$1,499	$11,581,000	60%
5 mins	Single unit	153	153	100,501	657	33,109	22,564	22%	$118,385,000	$773,758	$3,576	$1,178	$65,445,000	55%
5 mins	Multi-unit	13	27	10,740	398	3,470	2,440	23%	$11,625,000	$430,556	$3,350	$1,082	$6,721,000	58%
7 mins	Single unit	179	181	122,725	678	36,497	26,473	22%	$141,098,000	$779,547	$3,866	$1,150	$76,467,000	54%
7 mins	Multi-unit	17	48	18,946	395	6,110	4,567	24%	$22,925,000	$477,604	$3,752	$1,210	$11,275,000	49%
10 mins	Single unit	395	395	292,010	739	81,529	56,843	19%	$295,340,000	$747,696	$3,623	$1,011	$154,762,000	52%
10 mins	Multi-unit	44	93	34,162	367	12,152	8,197	24%	$39,880,000	$428,817	$3,282	$1,167	$18,735,000	47%
All	Vacant Land	11	11	5,723	520	0	0	0%	$3,576,000	$325,091	$0	$625	$3,516,000	98%
		956	**1086**	**676,063**	**623**	**205,369**	**143,459**	**21%**	**$758,239,000**	**$698,194**	**$3,692**	**$1,122**	**$410,987,000**	**54%**

Walking Catchment	Unit Type	No. Properties	Units of Use	Land Area (m2)	Average Area per Use Unit	Floor Area (m2)	Building Footprint (m2)	Site coverage	Capital Value	Average value per use unit	capital value per m2 building	Capital Value per m2 land	Land Value	Land as % of Capital Value
All	Single unit	853	855	593,581	694	178,112	124,605	21%	$660,883,000	$772,963	$3,710	$1,113	$359,159,000	54%
All	Multi-unit	92	220	76,759	349	27,257	18,854	25%	$93,780,000	$426,273	$3,441	$1,222	$48,312,000	52%
All	Vacant Land	11	11	5,723	520	0	0	0%	$3,576,000	$325,091	$0	$625	$3,516,000	98%
		956	**1086**	**676,063**	**623**	**205,369**	**143,459**	**21%**	**$758,239,000**	**$698,194**	**$3,692**	**$1,122**	**$410,987,000**	**54%**

Table CS3.2: Khandallah Study Area – Indicative Redevelopment Potential by Walkable Catchment

Walking Catchment	Unit Type	No. Properties	Units of Use	Land Area (m2)	Average Area per Use Unit	Floor Area (m2)	Building Footprint (m2)	Site coverage	Capital Value	Average value per use unit	capital value per m2 building	Capital Value per m2 land	Land Value	Land as % of Capital Value
3 mins	Single unit	6	6	5317	886	1065	788	15%	$4,095,000	$682,500	$3,845	$585	$3,110,000	76%
3 mins	Multi-unit	1	2	1264	632	210	150	12%	$740,000	$370,000	$3,524	$384	$485,000	66%
5 mins	Single unit	8	8	8427	1053	1520	1220	14%	$5,795,000	$724,375	$3,813	$475	$4,000,000	69%
5 mins	Multi-unit	3	6	2541	423	590	320	13%	$1,920,000	$320,000	$3,254	$584	$1,485,000	77%
7 mins	Single unit	25	25	29607	1184	5005	3965	13%	$18,980,000	$759,200	$3,792	$437	$12,925,000	68%
7 mins	Multi-unit	5	15	7460	497	1420	1310	18%	$5,265,000	$351,000	$3,708	$380	$2,835,000	54%
10 mins	Single unit	88	88	100780	1145	16895	15200	15%	$61,705,000	$701,193	$3,652	$387	$38,952,000	63%
10 mins	Multi-unit	10	20	8605	430	1820	1270	15%	$5,785,000	$289,250	$3,179	$400	$3,440,000	59%
All	Vacant Land	4	4	3073	768	0	0	0%	$1,725,000	$431,250	-	$548	$1,685,000	98%
		150	**174**	**167,074**	**960**	**28,525**	**24,223**	**14%**	**$106,010,000**	**$609,253**	**$3,716**	**$635**	**$68,917,000**	**65%**

Table CS3.3: Khandallah Centre – Summary by Walkable Catchment (highest potential redevelopment areas shaded)

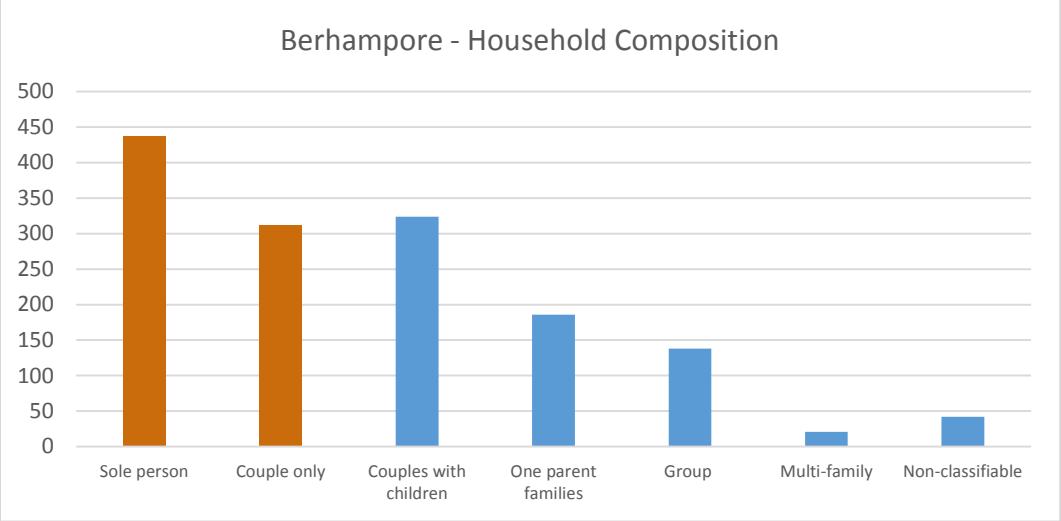
Address	Current Use	Land Area m2	Built Area m2	Building Footprint m2	Site coverage	Capital Value	Capital Value per m2 land	Land Value	Land Value per m2 Land	land as % of Capital value
1-5 Ganges Road	Retail	788	620	350	44%	$1,740,000	$2,208	$815,000	$1,034	47%
2-8 Ganges Road	Mixed incl. WCC library	2,240	930	640	29%	$3,080,000	$1,375	$2,010,000	$897	65%
7-9 Ganges Road	Mixed retail & yards	1,011	470	310	31%	$1,370,000	$1,355	$750,000	$742	55%
11 Ganges Road	Community hall	1,012	600	400	40%	$2,050,000	$2,026	$810,000	$801	40%
15-21 Ganges Road	Mixed retail & commercial	2,023	1,260	650	32%	$2,760,000	$1,364	$1,445,000	$714	52%
26 Ganges Road	Supermarket	2,519	970	970	39%	$3,050,000	$1,211	$1,725,000	$685	57%
2-8 Dekka Street	Mixed comm/indust/medical/retail	3,228	1,340	1,260	39%	$3,580,000	$1,109	$2,690,000	$833	75%
7 Burma Road	Industrial - ex service station site	1,030	310	180	17%	$850,000	$825	$690,000	$670	81%
		13,850	**6,500**	**4,760**	**34%**	**$18,480,000**	**$1,334**	**$10,935,000**	**$790**	**59%**

Case Study 4: Berhampore

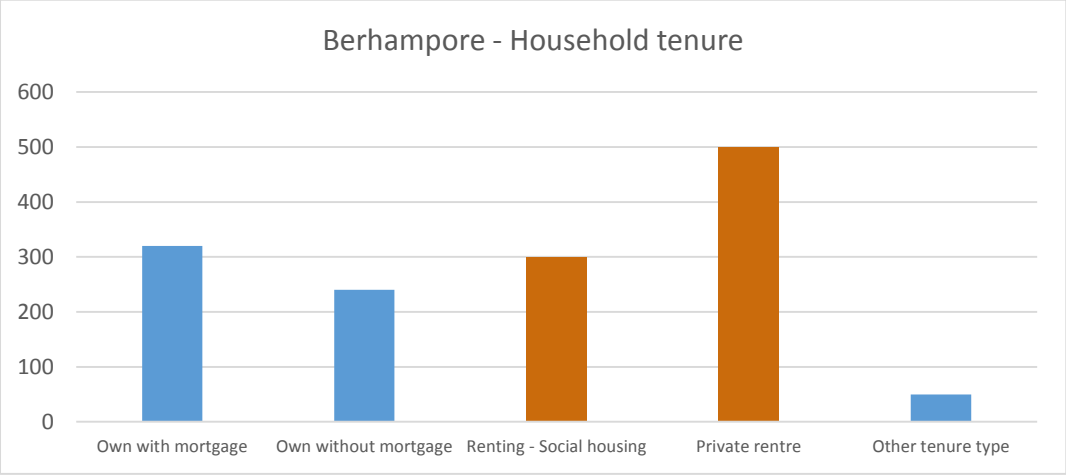
Community Profile

Berhampore was originally surveyed for subdivision by the New Zealand Company in the 1840's but remained largely farmland until the 1880's and 1890's, when Wellington's population more than doubled in the wake of Government expansion.

Today, Berhampore hosts a resident population of about 3,600 living in about 1,400 households. Single person and couple households comprise about 55% of all households, families (including sole parent families) about 35%, and group households about 10%.



About 800 Berhampore households rent their homes, including about 300 social rental dwellings – one of the highest levels in Wellington City. As a result, the suburb is quite polarised between home owners and renters, with some streets marked by recent gentrification and others by low levels of investment by long-term rental investors.



The community itself is bisected by Adelaide Road and (to a lesser extent) Rintoul Street. Historically, there has been a comparatively high proportion of residentially-zoned land devoted to non-residential purposes, for instance light industry along Britomart Street and Adelaide Roads, and

the looming presence of Athletic Park near the suburban centre – now given over to an intensive residential redevelopment complex.

The local bowling club and urban golf course still function but we understand that the bowling club struggles for membership and has recently been placed on the market.

The Berhampore Centre itself has suffered in comparison to neighbouring suburbs like Newtown and Island Bay, and has largely ceased to act as a community hub. What commercial activities remain are mostly food-related, along with one or two small retail outlets and a service station on the corner of Adelaide Road and Luxford Street.

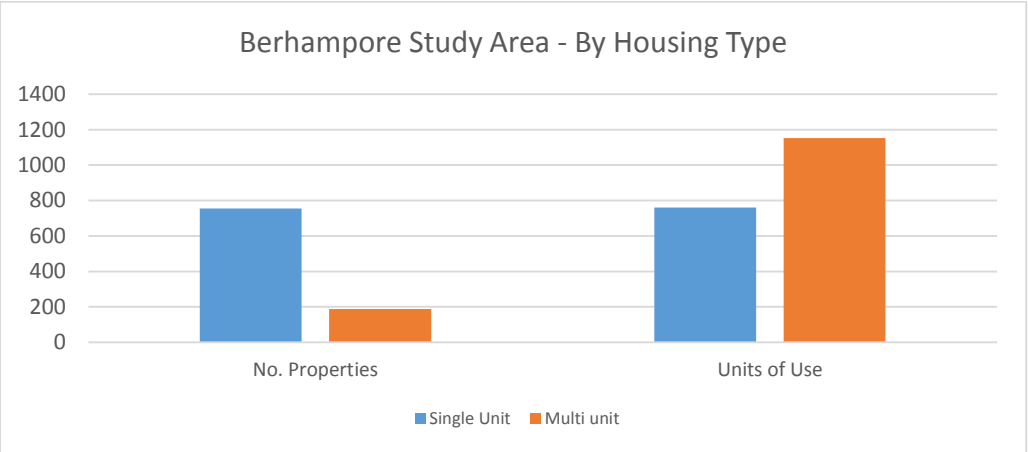
Housing Profile within the Study Area

The study area itself extends beyond Berhampore's boundaries and into southern areas of Newtown and the fringes of Mornington. Almost all housing in the four walkable catchment areas has an inner-residential zoning.

Table CS 4.1 overleaf summarises WCC's rating data on housing within the study area by type and location. In summary, there are about 1,000 properties in the study area containing almost 2,000 units of use. More than two-thirds of all properties contain land parcels of 400 m2 or less, reflecting Berhampore's original purpose – low cost housing for working families.

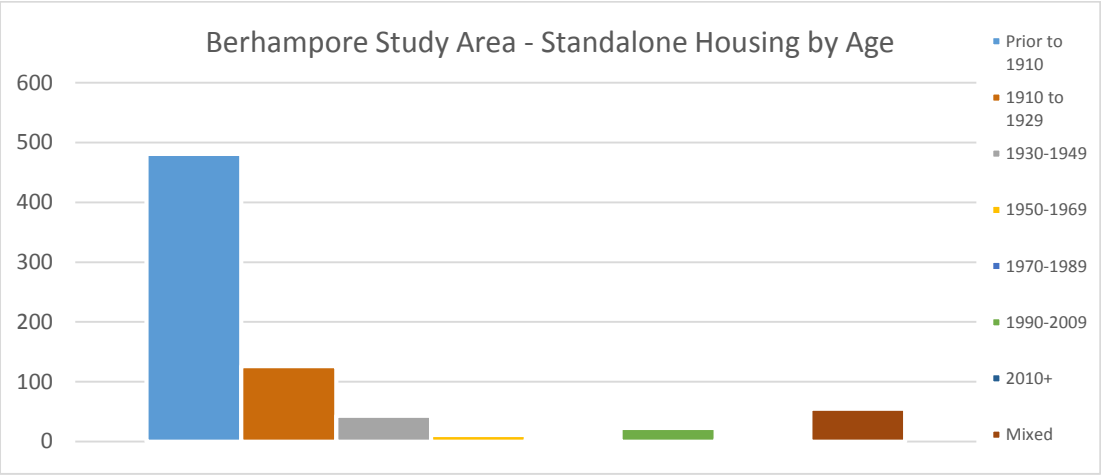
Berhampore remains one of the most affordable housing locations within the inner residential area, with capital values for standalone housing averaging about $450,000 (band late 300's to late 500's depending on location floor and land area). Multi-unit housing averages about $200,000, although there is a wide variance with standalone dwellings containing two or more units averaging about $500,000, and single bedroom units in older complexes averaging about $150,000.

Multi-unit housing makes up 60% of all dwelling units in the study area, including substantial social housing complexes on Adelaide Road, Mansfield, Rintoul and Britomart Streets. Comparatively low property values, combined with the demise of suburban industry and residual blocks of bare land, provided scope for construction of larger projects than possible elsewhere, targeted at low income working singles and others displaced by urban redevelopment around the CBD.



There are about 20 properties within the study area that contain forty or more or more dwellings, but the bulk of multi-unit properties (about 160 or 85%) contains only two to four dwelling units, mostly privately-owned rental housing.

The shape and character of standalone housing reflects Berhampore's early years, with more than 85% of all standalone housing units built before 1929. New standalone housing construction over the past 25 years has averaged about one unit per year.



Recent Housing Development

Although new standalone housing is rare, Berhampore currently has a dynamic multi-unit development scene. At the heart of recent redevelopment activity is the Athletic park retirement village, which will comprise at least 200 villa and apartment-style dwellings by the time the site is fully built out.

Village at the Park

Other developments within the Berhampore study area reflect the best and worst of Wellington's multi-unit housing scene.

- Luxford Villas (40 two-bedroom units) was built in the early late 1990's to a design and standard that was poor from the outset. After a protracted mediation process, the owners accepted a $5 million compensation, and the block was re-clad and remodelled in 2010. Sales average about $250,000 per unit, at an average psm rate of $3,500.

- ***13 Palm Avenue*** (below right) comprises 61 one and two bedroom units averaging about 50m2, built over three and four levels and completed in 2000. Recladding and other extensive remediation works were completed in 2009
- ***The Altair*** at 108-126 Rintoul Street (below left) is regarded as one of Wellington's best-designed medium density housing complexes. The 9,500 m2 site was formerly used for light industry and adjoins Athletic Park. Each of the 45 three-bedroom townhouse units completed to date is built over three levels (total area 122-147m2) and includes garaging and a small courtyard. Recently completed units have a capital value of about $5,000 psm.

The Altair (left) and Palm Avenue Apartments

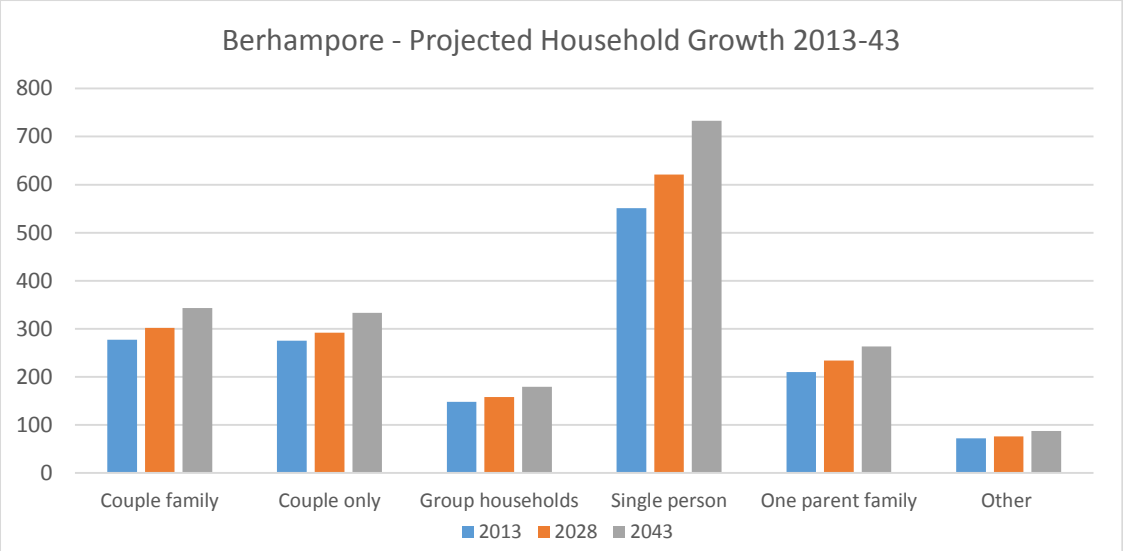
Other projects include six three-level townhouses at 464 Adelaide Road (110-141 m2) set atop street level retail and covered parking area to the rear. Recent sales suggest a capital value of about $4,000 psm. 65 and 67 Lavaud Street comprise seven three-bedroom Townhouses with Garages (119-129 m2) that have sold for similar levels. 43-45 Edinburgh Terrace is a two-unit infill (101 m2 each) housing project completed in 2011 and sold in early 2012 for an average of $460,000 per unit.

Lavaud Street (left) and Edinburgh Terrace

Based on sale values, we have adopted $4,500 – 5,000 as the base realisation rate for the Berhampore study area, with the higher rate applying to outer catchments and smaller townhouse projects.

Future Housing Demand

Based on WCC's in-house forecasts[9], Berhampore's population is expected to increase by about 25% over the next 30 years. The area is expected to accommodate another 400 households, of which 60% will be single person and group households. Current planning is based on 5-10 new units being added in the short term, rising to about 15-20 in the longer term.



Redevelopment Assessment

Overview

While Berhampore is well located and well-priced, future multi-unit redevelopment is likely to be constrained by the original pattern of subdivision. With a few exceptions, properties on large land parcels have already been redeveloped, or strategically purchased by adjoining landowners to allow for expansion of non-residential uses (for instance hospitals, rest homes or retail).

There are some large land areas on the periphery that could become available for housing if the current uses fail or are relocated (for instance the Bowling Club and WCC nursery), but political pressures may prevent these from being offered up for intensive development.

Future values may also be constrained by a perception that Berhampore's multi-unit housing is of poor quality and targeted mainly at low income renters (including social renters). This would dampen developer enthusiasm for the area, at least until more profitable opportunities closer to the CBD are exhausted.

The Berhampore Centre

As noted above, the Berhampore Centre comprises 18 parcels of land totalling 8619 m2 located on the corner of Adelaide Road and Luxford Street, with a smaller block of shops on the corner of Rintoul and Luxford Streets. Compared to other study areas, the centre appears to have limited amenity value and is affected by high noise and traffic volumes along Adelaide Road.

[9] Ref Forecast ID area projections, available on WCC website

Berhampore Centre

Table CS 4.2 overleaf looks at the Centre's residential redevelopment potential. In our view, the centre should ideally be developed in blocks of contiguous lots averaging (say) 1,000 m2. This would create five development opportunities, all of which (at current capital values) are on the cusp of commercial viability id redeveloped to provide a mix of commercial and/or residential uses over 3-4 levels (12 metres).

To test this view, we have modelled a number of redevelopment scenarios, including one for 466-476 Adelaide Road based loosely on 464 Adelaide Road. The scenario calls for:

- A four level building at the front of the site containing four street-level retail modules and 12 two-bedroom apartments above
- Under cover parking for all units to the rear of the retail module, with a landscaped open space built on the top of the parking area. This would separate the apartments from ten three-bedroom townhouses built over two and a half levels to the rear of the site.

Total yield would be 26 new units (including 4 retail modules), with an average land area of about 50m2 per unit. If similar yields could be achieved on other underutilised sites within the centre, we estimate that upwards of 100 new dwellings could be profitably developed on centre-zoned land over the medium to long term.

Residential Areas

With the exception of a few houses in Mornington, all residential property within the Berhampore study area is zoned Inner Residential and (apart from a small cluster between Britomart Street and Palm Grove) covered by the pre-1930 demolition rule.

This places a substantial constraint on redevelopment because most house lots (especially within the inner catchments) are long and narrow, and require the removal of the existing improvement to

open up land at the rear for redevelopment. Herald Terrace, Milton and Stirling Streets are well-preserved examples of this.

Our reading of the District Plan suggests that an MDRA zoning in Berhampore would offer limited benefit to developers, beyond more liberal open space requirements and some changes to recession planes. The main constraints on small-lot redevelopment however (site coverage, maximum height and yard requirements) are largely the same.

In our view, current low levels of redevelopment may have more to do with demand than rules – except of course the demolition controls. We have modelled a number of infill and small lot redevelopment scenarios for Berhampore, which suggest that lots as small as 400 m2 could be redeveloped under the current inner-residential rules, provided that the frontage was sufficient to allow vehicle access to rear lots.

In the current market, single lot redevelopments (if and when available) could sustain an input land cost of about $6-700 psm gross and, for infill sites, perhaps as much as $900.

Inner walkable catchments:

Within the three and five minute walkable catchments, there are a handful properties along Luxford Street and Palm Grove/Britomart Street that could potentially be merged for larger development. Outside of these areas, opportunities are largely limited to single lots and infill.

In total, we estimate that about 50 properties within the inner walkable catchments could accommodate future redevelopment, with potential yields of 100-200 new units.

Outer walkable catchments:

Within the outer catchments, a number of properties in the lower reaches of Akatea and Duppa Streets meet our redevelopment criteria, along with Edinburgh and upper Rintoul Streets. There are isolated redevelopment opportunities throughout the rest of the outer catchment area, but most are constrained by small frontages and relatively high improvement values.

In total, there are probably no more than 40-50 sites that could be profitably developed within the short-medium term, with a total potential yield of 100-150 new units.

There are some larger properties with immediate redevelopment potential (for instance 81 Rintoul Street and industrial lots adjoining Athletic Park), but we understand that most of these have been strategically purchased to provide for expansion of adjoining uses.

Summary and Conclusions

There has been an upsurge in higher-density housing construction in the Berhampore study area in recent years, including a handful of larger projects like Luxford Villas, Palm Grove apartments, and ongoing projects at Altair and Village at the Park. Once the final stages of these projects has been completed, future redevelopment is likely to be piecemeal unless some effort is made to consolidate lower-cost land around the Berhampore suburban entre, particularly larger lots within the vicinity of Palm Avenue and Luxford Streets.

The suburban centre itself has the capacity to deliver (say) 100 more housing units, but only if some of the current commercial uses are displaced, or mixed development is encouraged over consolidated lots.
Outside of the inner walkable catchments, there are few opportunities for larger-scale development, so new housing provision will most likely be the domain of smaller investor-developers and developer-builders – as well as owner-occupiers looking to reduce debt levels through infill.

Our summary conclusion is that an MDRA zoning will not in itself improve the quantum or commercial viability of housing development in the Berhampore study area. Historical subdivision patterns and 'old house' protections will continue to constrain development.

Table CS4.1: Berhampore Study Area – Summary by Walkable Catchment

Walking Catchment	Unit Type	No. Properties	Units of Use	Land Area (m2)	Avge area per use unit (m2)	Floor Area (m2)	Building Footprint (m2)	Site coverage	Capital Value	Average value per use unit	capital value per m2 building	Capital Value per m2 land	Land Value	Land as % of Capital Value
3 mins	Single unit	129	135	46,304	343	15,988	14,146	31%	$57,420,000	$425,333	$3,591	$1,240	$30,296,000	53%
3 mins	Multi-unit	31	174	21,720	125	13,356	6,952	32%	$36,270,000	$208,448	$2,716	$1,670	$15,800,000	44%
5 mins	Single unit	191	191	61,548	322	20,458	19,396	32%	$85,409,000	$447,168	$4,175	$1,388	$41,928,000	49%
5 mins	Multi-unit	37	189	27,239	144	13,263	6,987	26%	$32,215,000	$170,450	$2,429	$1,183	$16,856,000	52%
7 mins	Single unit	228	228	72,762	319	25,149	22,727	31%	$103,715,000	$454,890	$4,124	$1,425	$48,476,000	47%
7 mins	Multi-unit	54	161	27,055	168	11,807	7,094	26%	$41,570,000	$258,199	$3,521	$1,536	$19,490,000	47%
10 mins	Single unit	207	207	68,533	331	24,381	20,757	30%	$99,940,000	$482,802	$4,099	$1,458	$48,577,000	49%
10 mins	Multi-unit	67	629	66,128	105	43,904	16,001	24%	$90,495,000	$143,871	$2,061	$1,368	$35,863,000	40%
All	Vacant Land	5	6	1,904	317	0	0	0%	$870,000	$145,000	-	$457	$845,000	97%
		949	**1920**	**393,193**	**2175**	**168,306**	**114,060**	**29%**	**$547,904,000**	**$285,367**	**$3,255**	**$1,393**	**$258,131,000**	**47%**

Walking Catchment	Unit Type	No. Properties	Units of Use	Land Area (m2)	Avge area per use unit (m2)	Floor Area (m2)	Building Footprint (m2)	Site coverage	Capital Value	Average value per use unit	capital value per m2 building	Capital Value per m2 land	Land Value	Land as % of Capital Value
All	Single unit	755	761	249,146	327	85,976	77,026	31%	$346,484,000	$455,301	$4,030	$1,391	$169,277,000	49%
All	Multi-unit	189	1153	142,142	123	82,330	37,034	26%	$200,550,000	$173,938	$2,436	$1,411	$88,009,000	44%
All	Vacant Land	5	6	1,904	317	0	0	0%	$870,000	$145,000	-	$457	$845,000	97%
		949	**1920**	**393,193**	**768**	**168,306**	**114,060**	**29%**	**$547,904,000**	**$285,367**	**$3,255**	**$1,393**	**$258,131,000**	**47%**

Table CS4.2: Berhampore Centre – Potential Redevelopment Sites

Address	Current Use	Age	Land Area (m2)	Built Area (m2)	Building Footprint	Site Coverage (%)	Capital Value	Capital Value per m2 Land	Land Value	Land v as % of Capital Value
29 Luxford Street	Service Station	Mixed	1,174	320	320	27%	$1,100,000	$937	$900,000	82%
458-462 Adelaide Road	Commercial	1900's	868	590	340	39%	$1,455,000	$1,676	$606,000	42%
466-476 Adelaide Road	Mixed Residential/Commercial	1900's	1,143	480	480	42%	$1,752,000	$1,533	$878,000	50%
461-465 Adelaide Road	Retail	Mixed	1,108	763	689	62%	$1,597,000	$1,441	$834,000	52%
195-205 Rintoul Street	Mixed Residential/Commercial	1900's	1,041	640	470	45%	$1,625,000	$1,561	$744,000	46%
			5,334	**2,793**	**2,299**	**43%**	**$7,529,000**	**$1,411.51**	**$3,962,000**	**53%**

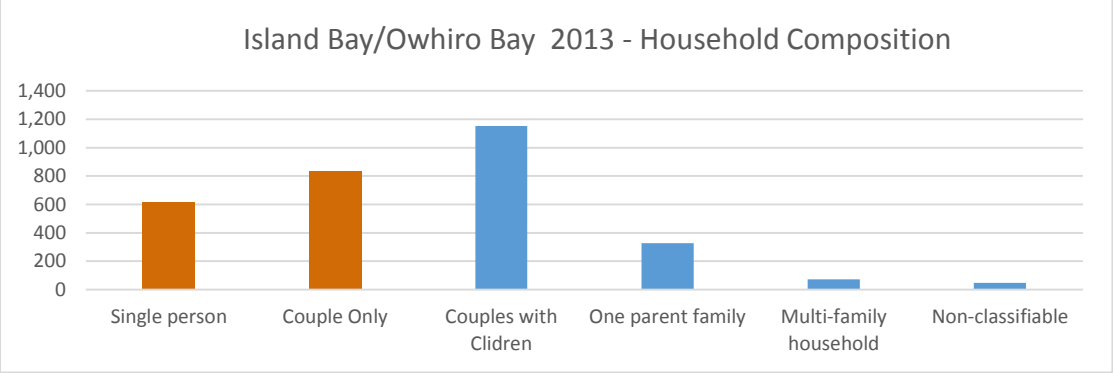
Case Study 5: Island Bay

Community Profile

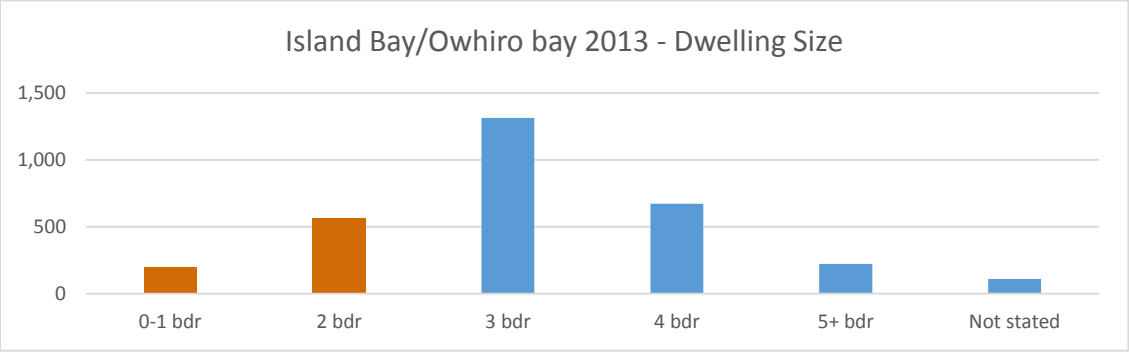
Island Bay's history mirrors that of other liveable locations along Wellington's South Coast, with a history of occupation prior to European settlement and subdivision[10] in the mid 1800's. The most substantial early colonist was George Hunter, whose stud farm and race course were popular destinations until they were partitioned for housing in the early 1900's.

In the latter part of the 1800's, Island Bay became home to a growing community of fishermen newly arrived from Italy and the Shetland Islands. In 1905, Wellington's tramline was extended to Island Bay, increasing its popularity as a place of permanent residence, and steadily transforming it into a seaside suburb. Between 1905 and the late 1920's, Island Bay experienced rapid housing growth and many of the suburb's finer villas, bungalows and shops date from this period.

Today, the wider Island Bay/Owhiro bay area hosts a population of 8,500, living in 3,100 households. About 50% of all households are single people or couples. 70% of all households are owner occupiers. Rental housing is almost exclusively private, with fewer than 20 social housing units (WCC or HNZC) available to low or fixed income households.



Housing stock within the wider community is largely standalone housing of three bedrooms or more. Smaller housing units (two bedrooms or less) make up about 25% of all stock, and are a mix of purpose-built units and house conversions.



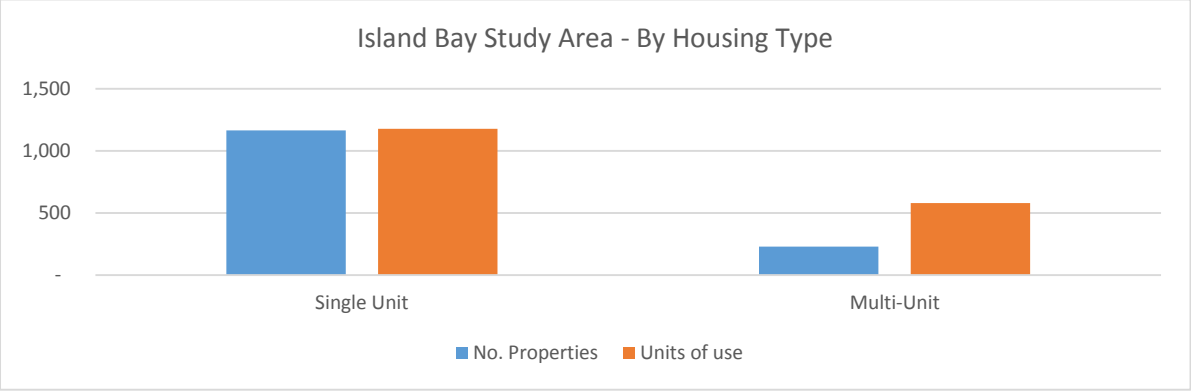
[10] Tapu te Ranga Island is said to be Patawa, a point from which Kupe sighted the giant octopus Te Wheke-a-Muturangi, which he pursued across Cook Strait

The Island Bay Centre is located at the intersection of the Parade and Medway Street, and provides residents with a range of services including a supermarket, food and beverage outlets, and boutique retail. Subsidiary commercial areas cater for low-grade industrial activity, motor vehicle servicing and general retail.

Housing Profile within the Study Area

Table CS5.1 overleaf summarises WCC's rating data on housing within the Island Bay study area by type and location. In summary, there are approximately 1,400 residential properties within study area, containing in excess of 1,750 household units. There are also about 50 residential use units in centre-zoned property, including flats above shops and newer townhouses and apartments built on back lots.

About two thirds of all dwellings within the study area (1178 units) are standalone housing units. The balance are multi-units (229 properties containing 580 residential use units) including a mix of standalone house conversions and purpose-built attached housing.



The table below summarises WCC data on each housing type by age of construction and walkable catchment. In summary, two-thirds of all housing stock in the area was built before 1939. Recent construction favours multi-units.

Table CS5.2: Island Bay Study Area – Average Age of Residential Housing – By Housing Type & Catchment

Walking Catchment	Unit Type	Building Age							Tots	% of catch - ment
		Before 1920	1920-39	1940-59	1960-79	1980-99	2000-2014	Mixed Age		
3 mins	Single unit	106	107	8	3	10	9	8	**251**	77%
3 mins	Multi-unit	6	27	2	4	14	0	23	**76**	23%
5 mins	Single unit	55	99	10	7	12	8	10	**201**	65%
5 mins	Multi-unit	39	21	0	6	8	2	31	**107**	35%
7 mins	Single unit	92	128	16	13	8	6	9	**272**	72%
7 mins	Multi-unit	25	41	0	13	2	2	21	**104**	28%
10 mins	Single unit	85	215	41	50	21	21	21	**454**	60%
10 mins	Multi-unit	50	51	22	51	14	51	64	**303**	40%
		458	**689**	**99**	**147**	**89**	**99**	**187**	**1768**	
		26%	**39%**	**6%**	**8%**	**5%**	**6%**	**11%**		

House and lot size varies considerably within each catchment area, with bigger lots being more prevalent in topographically-challenging outer-catchments. Multi-unit lots average about 300 m2 per unit of use.

Table CS5.3: Island Bay Study Area – Average Land Area per Property – By Housing Type & Catchment

Walking Catchment	Unit Type	Property by Area (m2)							Totals
		1000+	800-999	700-799	600-699	500-599	400-499	Less than 400	
3 mins	Single unit	4	7	42	34	48	44	70	**249**
3 mins	Multi-unit	4	5	10	8	2	2	2	**33**
5 mins	Single unit	7	22	22	23	48	43	36	**201**
5 mins	Multi-unit	5	5	6	11	11	3	6	**47**
7 mins	Single unit	14	15	24	30	56	61	71	**271**
7 mins	Multi-unit	7	4	9	6	10	7	1	**44**
10 mins	Single unit	51	29	36	52	82	110	91	**451**
10 mins	Multi-unit	19	13	14	19	15	17	9	**106**
		111	**100**	**163**	**183**	**272**	**287**	**286**	**1402**
		8%	**7%**	**12%**	**13%**	**19%**	**20%**	**20%**	

Property values vary widely within each catchment, with standalone housing within the inner walkable catchments averaging about $625,000 (range $500,000 to $1.5 million, reducing to $568,000 in the outer walkable catchment. Multi-unit values average around $325,000 to 375,000 per use unit, with newer purpose-built townhouses).catchment areas within the study area.

Recent Housing Development

Multi-unit housing developments in the study area over the past five years include:

123 The Parade, a nine-unit development behind one of the original three-bay retail buildings in the heart of the commercial centre. The development includes two-bedroom apartments (70 m2) and three-bedroom townhouses (116-121 m2). Sale values averaged about $4,000 psm for townhouse units and $5,500 per square metre of living area for apartments.

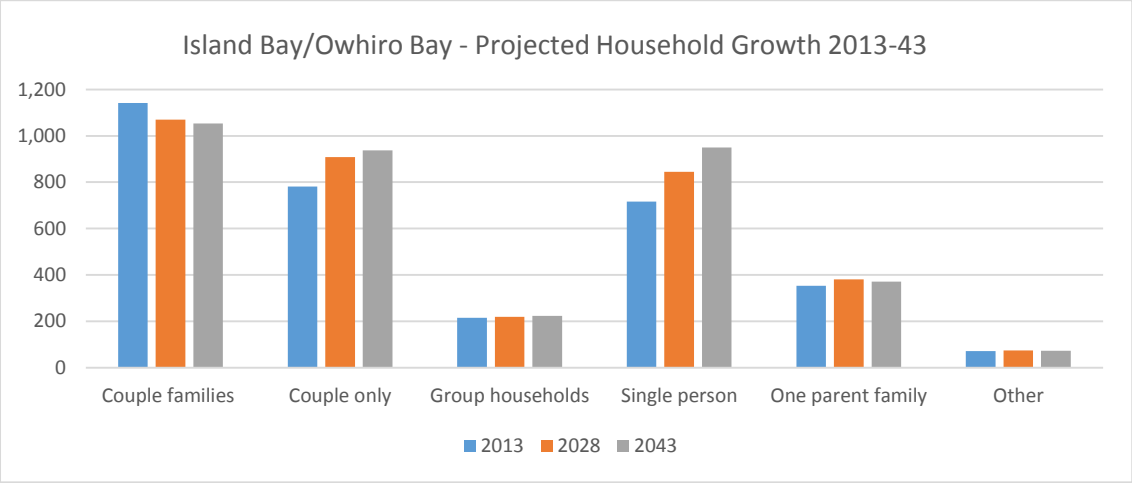
3 Severn Street, which comprises 17 townhouse units (three levels and 109 – 185 m2) plus three apartments in a substantial period building on the 4,800 m2 site. The project was completed in 2009, and fully sold down by end 2010/early 2011. Subsequent sales have ranged from $510,000 to $640,000, suggesting an average value of $4,500 psm for similarly-sized townhouses in the outer catchment, and $5,000 psm for apartments.

12 Murray Street, on the edge of the outer catchment. This is a four-unit, single lot development completed in 2010. The townhouse-style units range from 85 to 120 m2 are built over two levels and have sold for about $5,000 psm.

Other developments within the study area include four-level townhouses behind 129 The Parade, built over three levels in 2009, and selling for about $4,000 psm, and a number of mixed quality one and two-bedroom infill projects yielding one or two new dwellings in Clyde Street.

Future Housing Demand

WCC is currently forecasting a three percent population increase for Island Bay/Owhiro Bay in the thirty years to 2043. Total household numbers are expected to increase by about 330 over the same period, with family household numbers falling by about 100. By contrast, Island Bay's aging population will see an increase of at least 400 in the number of single person and couple-only households.



This equates to an average new housing requirement of about 11 units over the next 30 years, which WCC expects will be met primarily through small-scale infill once residual land is used up (6 units per year rising to 14 units in later years). We understand that WCC's assumptions do not currently include the Wellington Company's redevelopment plans for the old Erskine College site at 31 Avon Street (1.8 ha) - which could yield at least 50 units if fully-developed along medium density lines.

Housing Assessment

Overview

Compared to study areas closer to the CBD (Berhampore, Miramar and Khandallah), Island Bay has witnessed low levels of redevelopment activity in recent years. This is due partly to slower growth and therefore lower levels of demand for compact housing. This is changing, however, as evidenced by the market's response to (and prices achieved for) medium density developments in Severn Street and The Parade.

On the surface, there appears to be ample land available to meet future demand. Unlike its nearest neighbour Berhampore, Island Bay is not burdened with rules that prevent demolition of early housing stock. Nor is the underlying pattern of subdivision particularly onerous, for instance:

- 60% of the 520 residential properties in the inner walkable catchments (three and five minutes) are in excess of 500 m2[11].

[11] As noted earlier we believe that 500 m2 is the minimum land requirement for sensible multi-unit development in suburban areas (say 125 m2 per unit), unless the underlying pattern of subdivision is consistent with higher densities (e.g. Berhampore)

- This drops to about 50% in the outer walkable catchments, but still suggests that as many as 700 properties have could potentially be redeveloped along medium density lines.

The key constraint is price. Housing values in Island Bay reflect both the size and quality of its older housing stock, and high amenity values within the study area.

We have modelled a number of scenarios for both Centre-zoned properties with redevelopment potential, and a sample of residential properties within the inner and outer walkable catchments. The results suggest that a prudent developer could afford to pay no more than $6-700 psm for a redevelopment site, depending on location, civil works costs, and how much of the site could be used for housing. Infill housing projects could work at higher values (as high as $900 psm) provided that the capital value of the existing improvement can be largely maintained.

Island Bay Centre

Excluding WCC-owned properties[12] within on Centre-zoned land, there are at total of 40 properties within the Island Bay Centre zone, containing a total of about 100 units of use:

- 30 properties already contain at least one residential unit (47 dwelling units in total)
- Only ten properties are exclusively devoted to non-residential uses (16 use units), including the supermarket in Medway Street.

As these numbers suggest, the Centre zone is already substantially-used for residential purposes, Buildings like, Zinos, Clarkes, Howard & Tillyard feature accommodation units on the upper levels, and older single-level shops have generally been grafted onto the front a corner dwelling. More recently, developers have exploited the 'free' space at the rear of historic retail buildings for multi-unit housing projects.

In the short term, we expect to see more infill-type housing behind the Centre's more historic eastern side, plus redevelopment of Centre-zoned standalone housing, especially 117-119 The Parade. We looked at a number of redevelopment scenarios for this site, which suggest that a forward-thinking developer could achieve a good return from either intensive townhouse development, mixed use or as apartments built over three levels with external parking.

Other sites with immediate residential development potential include a block of contiguous properties including WCC's community centre, motor vehicle repair facility and tavern. On the Western side, 130-134 The Parade could also produce a commercially-viable higher-density in the longer-term.

Outer Residential Area

Table CS 5.3 overleaf summarises WCC data for properties within each catchment area that meet our nominal minimum size (500 m2) and upper value ($900 psm) thresholds. In summary:

[12] We note, however that both 2a The Parade and 254 the Esplanade are ideally-located for residential development. Both sites could potentially deliver 20-30 townhouse units if adjacent open space areas met local recreational requirements.

- There are about 60-70 properties in the inner walkable catchments that meet out minimum redevelopment criteria, including a number of properties in Clyde and Tiber Streets, and along the Parade, and individual properties scattered through most streets
- Opportunities for dual lot redevelopment are largely limited to western-side streets (Freeling Derwent Aranoni, Travancore) where topographical considerations need to be taken into account. Travancore Street, for instance, would require vehicle access to be constructed over the current raised footpath to open up southern-side properties for redevelopment.
- Although more than 250 properties meet our criteria, many of these are in low value areas at the margins of Island Bay (for instance Carlisle, Melrose and Eden Streets) and/or the cost of creating access would rule out successful redevelopment (for instance, Volga Street and parts of Melbourne Road).

Summary and Conclusions.

Although Island Bay has the land (and potential demand) to support intensification, we believe that a finer-grained planning approach will be required if medium density housing is to sit comfortably within the suburban landscape. In our view, there is little commercial merit in promoting medium density housing in lower value areas on the suburban periphery, or with difficult terrain. Rather, it would be better to focus on streets on the valley floor and lower slopes, including areas South of Humber Street with potentially higher public amenity values.

The redevelopment potential of Centre-zoned land should also not be underestimated, especially if a market for medium-rise apartments develops over time, perhaps encouraged as part of a coordinated approach to the commercial centre and fringe dwellings.

Table CS5.1: Island Bay Study Area – Summary by Walkable Catchment

Walking Catchment	Unit Type	No. Properties	Units of Use	Land Area (m2)	Avge area per use unit (m2)	Floor Area (m2)	Building Footprint (m2)	Site coverage	Capital Value	Average value per use unit	capital value per m2 building	Capital Value per m2 land	Land Value	Land as % of Capital Value
3 mins	Single unit	249	251	131544	524	37082	33490	25%	$156,305,000	$622,729	$4,215	$1,188	$67,052,000	43%
3 mins	Multi-unit	32	76	23669	311	8272	6121	26%	$28,710,000	$377,763	$3,471	$1,213	$12,268,000	43%
5 mins	Single unit	192	201	108905	542	31068	25518	23%	$125,855,000	$626,144	$4,051	$1,156	$53,423,000	42%
5 mins	Multi-unit	47	107	30790	288	10337	7891	26%	$36,235,000	$338,645	$3,505	$1,177	$14,939,000	41%
7 mins	Single unit	271	272	149423	549	40186	34481	23%	$164,125,000	$603,401	$4,084	$1,098	$69,081,000	42%
7 mins	Multi-unit	44	104	31679	305	9521	7848	25%	$33,155,000	$318,798	$3,482	$1,047	$14,556,000	44%
10 mins	Single unit	452	454	279555	616	66261	53398	19%	$257,840,000	$567,930	$3,891	$922	$106,848,000	41%
10 mins	Multi-unit	106	293	93499	319	29423	19523	21%	$95,000,000	$324,232	$3,229	$1,016	$39,481,000	42%
All	Vacant Land	15	16	45774	2861	6480	1780	4%	$4,037,400	$252,338	-	$88	$4,026,400	100%
		1408	**1774**	**894837**	**6315**	**238630**	**190050**	**21%**	**$901,262,400**	**$508,040**	**$3,777**	**$1,007.18**	**$381,674,400**	**42%**

Walking Catchment	Unit Type	No. Properties	Units of Use	Land Area (m2)	Avge area per use unit (m2)	Floor Area (m2)	Building Footprint (m2)	Site coverage	Capital Value	Average value per use unit	capital value per m2 building	Capital Value per m2 land	Land Value	Land as % of Capital Value
All	Single unit	1,164	1,178	669,427	568	174,597	146,887	**22%**	$704,125,000	**$597,729**	**$4,033**	**$443**	$296,404,000	**42%**
All	Multi-unit	229	580	179,636	310	57,553	41,383	**23%**	$193,100,000	**$332,931**	**$3,355**	**$452**	$81,244,000	**42%**
All	Vacant Land	15	16	45,774	2861	6,480	1,780	**4%**	$4,037,400	**$252,338**	-	**$88**	$4,026,400	**100%**
		1,408	**1,774**	**894,837**	**3739**	**238630**	**190,050**	**21%**	**$901,262,400**	**$508,040**	**$3,776.82**	**$1,007**	**$381,674,400**	**42%**

Table CS5.3: Island Bay Study Area – Indicative Redevelopment Potential - By Walkable Catchment

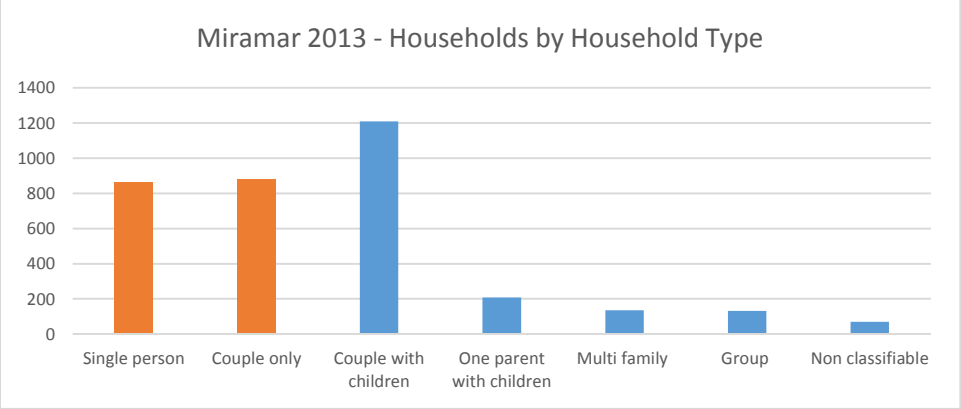
Walking Catchment	Unit Type	No. Properties	Units of Use	Land Area (m2)	Avge area per use unit (m2)	Floor Area (m2)	Building Footprint (m2)	Site coverage	Capital Value	Average value per use unit	capital Value per m2 Building	Capital Value per m2 land	Land Value	Land as % of Capital Value
3 mins	All	33	42	25563	609	5592	5064	20%	$20,175,000	$480,357	$3,608	$789	$10,210,000	51%
5 mins	All	41	52	31148	599	6462	5212	17%	$24,480,000	$470,769	$3,788	$786	$11,885,000	49%
7 mins	All	70	86	58872	685	10876	9660	16%	$40,500,000	$470,930	$3,724	$688	$19,785,000	49%
10 mins	All	207	278	194532	700	32592	25401	13%	$116,795,000	$420,126	$3,584	$600	$55,130,000	47%
		351	**458**	**310116**	**2592**	**55522**	**45337**	**15%**	**$201,950,000**	**$440,939**	**$3,637**	**$651**	**$97,010,000**	**48%**

Case Study 6: Miramar

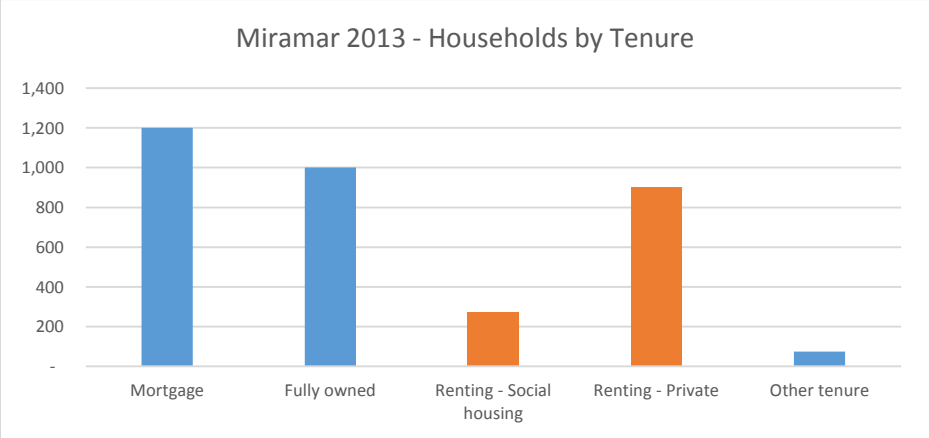
Community Profile

Miramar's wide streets and green spaces (including the 'Polo Ground') give some indication of the genteel expectations the Borough's planners originally had for the Crawford Estate, which ran along the valley floor and beyond to Seatoun.

Today Miramar has a resident population of 9,500, living in 3,500 household units – about 1,600 of which are in the Miramar MDRA study area. 50% of all households comprise two people or less, while about 46% are families with dependent or adult children. Only 4% are group households.



About 35% of all dwellings in Miramar are rented, including a relatively high proportion of social housing (WCC and HNZC-owned housing makes up a quarter of all rental housing in the study area).



Housing Profile within the Study Area

The bulk of housing in the study area is standalone housing, built in the 1920's and 30's. Older sections on the flat were generally large (commonly 35-50 metres deep by 12-20 metres wide) opening onto wide streets.

Table CS6.1: Miramar Study Area – Average Age of Residential Housing – By Housing Type & Catchment

Walking Catchment	Unit Type	Building Age (by household use unit)							Totals
		Before 1920	1920-39	1940-59	1960-79	1980-99	2000-2014	Mixed Age	
3 mins	Single unit	4	37	4	11	4	6	3	**69**
3 mins	Multi-unit	4	14	72	25	6	5	36	**162**
5 mins	Single unit	10	64	9	10	11	10	0	**114**
5 mins	Multi-unit	6	8	0	75	6	46	16	**157**
7 mins	Single unit	16	170	24	19	9	21	12	**271**
7 mins	Multi-unit	6	20	2	110	2	11	50	**201**
10 mins	Single unit	9	282	53	23	23	41	17	**448**
10 mins	Multi-unit	2	41	10	35	6	43	82	**219**
		57	**636**	**174**	**308**	**67**	**183**	**216**	**1641**
	Ages a % of tot	**3%**	**39%**	**11%**	**19%**	**4%**	**11%**	**13%**	

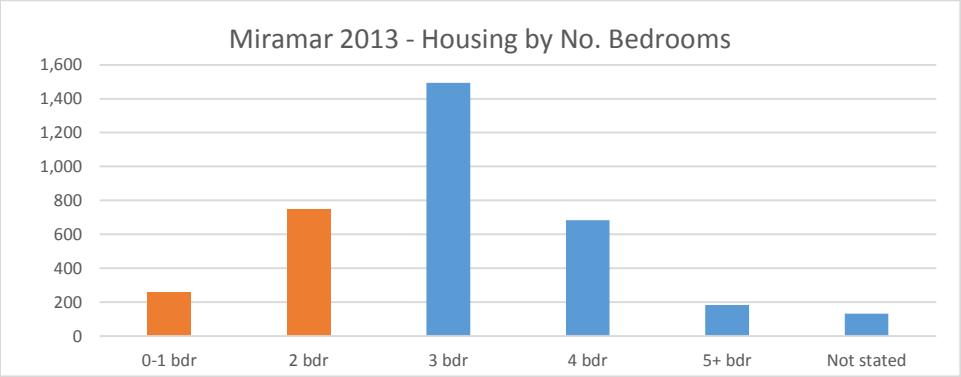
The 1930's 40's and 50's saw the creation of extensive state housing to the south, on smaller lots (5-600m2) along with duplex-style and low-rise multi-unit housing for non-family households. The 1960's and 1970's saw incremental growth in standalone housing numbers, but perhaps more importantly a surge in smaller multi-unit housing built by WCC, the Housing Corporation and private sector investors. Infill housing has been to the fore since the late 1980's, particularly in the original streets close to Miramar town centre. As a result, there are few sites in the streets closest to the town centre that have not been subject to some form of redevelopment

There are a number of successful intensive land uses built in the 2000's but, since the introduction of DP 56, the domain form of infill and redevelopment has been single level standalone or duplex housing. While there are a few households still enjoying the benefits of larger land areas, many households have adapted to smaller space, with almost 40% of all dwellings sit on 400 m2 or less.

Table CS6.2: Miramar Study Area – Average Land Area per Property – By Housing Type & Catchment

Walking Catchment	Unit Type	Average Area per Residential Unit of Use (m2)									Totals
		1000+	800-999	700-799	600-699	500-599	400-499	300-399	200-299	Less than 200	
3 mins	Single unit	1	1	2	12	18	12	13	6	2	**67**
3 mins	Multi-unit	0	0	0	0	1	0	13	16	9	**39**
5 mins	Single unit	1	1	3	10	39	29	17	11	2	**113**
5 mins	Multi-unit	0	0	0	0	1	0	8	18	13	**40**
7 mins	Single unit	2	2	10	39	110	51	24	23	6	**267**
7 mins	Multi-unit	0	0	0	0	1	4	24	16	10	**55**
10 mins	Single unit	7	13	15	56	198	58	42	49	8	**446**
10 mins	Multi-unit				1	2	3	19	35	11	**71**
		11	**17**	**30**	**118**	**370**	**157**	**160**	**174**	**61**	**1098**
		1%	**2%**	**3%**	**11%**	**34%**	**14%**	**15%**	**16%**	**6%**	

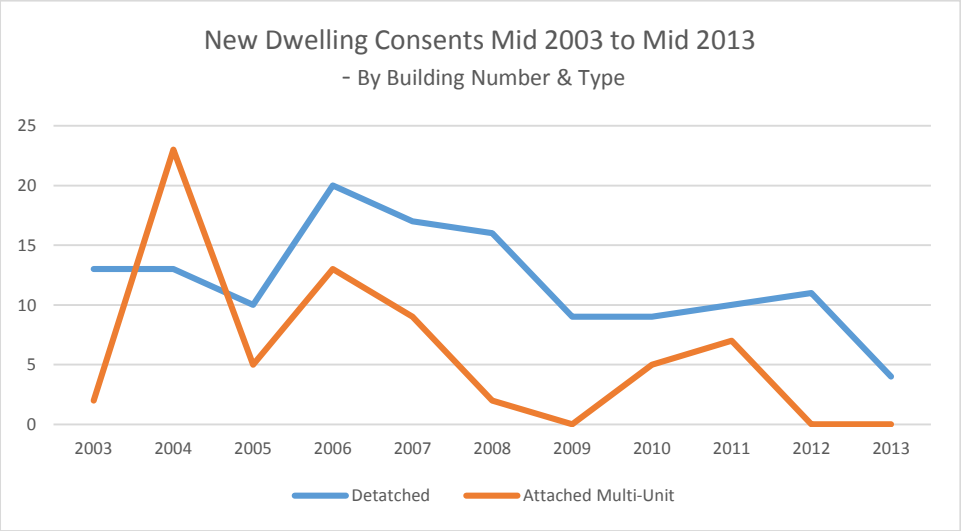
In part due to higher levels of infill and multi-unit social housing, Miramar has a higher proportion (about 30%) of one and two bedroom housing than most suburban locations, although most new-build housing continues to be three bedrooms or more.



The housing market within the study area is quite active, with property sales averaging in excess of 100 units annually over the past three and a half years. Average prices have increased from about $475,000 in 2011 to $520,000 for the period January to May 2014.

Recent Housing Projects

Based on recent consents data, new housing activity levels have been gradually declining as redevelopment opportunities dry up, and also perhaps in response to tighter infill criteria imposed by DP72.



To our knowledge, there has only been one new build project of four or more units that meet our medium density criteria since DP 56 was adopted, although there are a number of earlier projects that could be exemplars for future development under an MDRA zoning.

137 Miramar Road comprises five three bedroom units over two levels (98 m2 each) with external parking and a small courtyard

17 Argentine Avenue: Six architecturally-designed two-level, three bedroom townhouses (118 m2 each including single garage), built on a 1011 m2 single lot. Last sale value for a unit in the complex was $525,000 (about $4,500 psm)

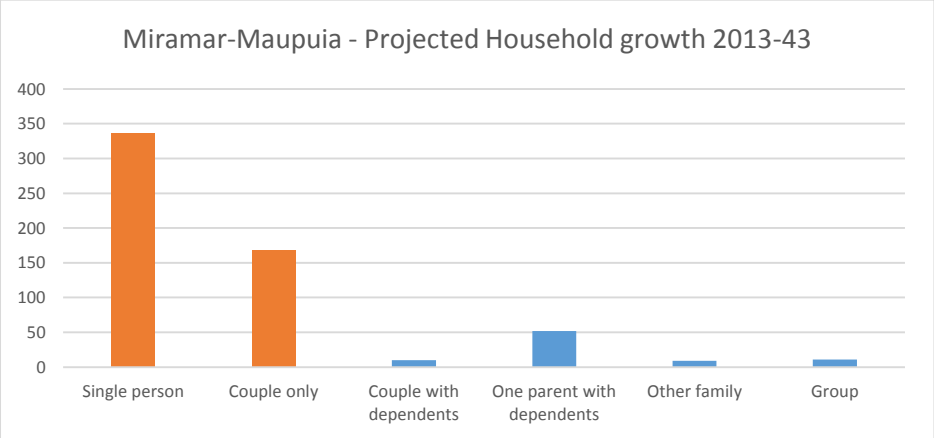
389 Broadway: 12 two-level duplex townhouses averaging around 90 m2 built over a triple lot and completed in the mid 2000's with an average capital value of $400,000 ($4,200 psm).

27 Maupuia Road: Industrial conversion to create four apartment-style dwellings

65 and 87 Darlington Road, 42 Stone Street and 26 Ellsemenre Avenue are all recent projects involving standalone housing of 2-3 levels built over one or two lots. Dwellings are generally three bedrooms with living areas (excluding garages) of about 100-120 m2, and land area ranging from 150-250 m2

Future Housing Demand

According to recent WCC forecasts, the number of households living in the wider Miramar-Maupuia area is expected to grow by 10% (about 600 households) in the next 30 years. More than 85% of net growth will be single people and couple-only households.



WCC's current planning assumptions are that demand growth will largely be met via infill housing (4-28 dwellings annually over the planning period), along with some redevelopment of centre-zoned land (10-12 units per year). In the short term, a new development at Booth Street will deliver 28 new townhouse units ranging between two and four bedrooms.

Housing Assessment

Overview

As a medium density housing market, Miramar is mature by Wellington suburban standards. There is a wide range of medium density housing dating back to the 1960's, at prices that reflect both age and character – or lack of character as the case may be.

Like other Wellington suburbs, Miramar's population is aging, so singles and couples will make up an increasing proportion of new housing demand. Unlike many other suburbs, however, Miramar is also growing as an employment centre. Many jobs in the Miramar employment catchment are associated with film and other creative industries, which has a relatively high wage structure and high levels of labour force mobility. It also has a younger work force, many of whom rent their housing. This should support higher investor participation in the new housing market, which should also favour more compact and low maintenance housing.

In short, Miramar is well-placed to absorb more medium density housing. The key challenge is supply. There are only a handful of large sites in the study area that have not already experienced some form of subdivision or redevelopment, which means that:

- We can expect increased competition for remaining large sites (say over 700 m2); and
- There should also be increasing interest from developers in next-tier properties (500-700 m2).

Business Land

There are about 16 hectares of Business-zoned land within the Miramar study area, of which about one hectare is used exclusively for residential purposes. This includes a handful of individual properties in Tauhinu and Park Roads that come under our redevelopment threshold.

Other industrial land that could support commercially viable development includes Aranui Street and Ropa Lane (along the Maupuia Ridge), and outer catchment industrial buildings in Park Road (127-133).

The jewel in the crown for residential development would most likely be the 5,040 m2 garden centre site at 61 Miramar road which (based on its current capital value) should yield a commercial margin if developed as either townhouses or mixed apartment/townhouse under an MDRA zoning. Future residential use could be thwarted, however, if the site was acquired by a supermarket holding company, who would probably also pay a premium to acquire adjoining land on Tahi Street and Park Road.

Despite their relatively low land values, we doubt whether industrial land closer to the centre (for instance Stone Street and Portsmouth Road) could realistically be developed as medium density housing, because of current ownership and uses.

The Miramar Centre

Centre-zoned land in Miramar totals about 2.5 hectares, including small clusters of shops further along Park Road. We have carried out development feasibility analyses for two potential redevelopment sites, and conclude that commercially successful redevelopment is unlikely in the short term, at least for apartment-type developments:

- 18-22 Park Road, comprises three standalone housing units on 1,700 m2 of land, with a combined capital value of $1.34 million ($800 psm). We have modelled two developments:
    - A four level apartment complex (12 metre height) comprising 48 one and two bedroom apartments. Total development cost (including land) would be about $12 million, with a potential margin of about 15% (on net realisations). This is probably half the level required to attract an experienced multi-level developer to the area
    - Conversely, a compact townhouse development of about 20 units could deliver a development margin at the cusp of commercial acceptability (say 25% on costs). Our modelling is based on a mix of two and three-level units spread over two or three levels, selling for between $375,000 and $475,000 per unit.

- 9-17 Park Road (including 38 Tahi Street) is a square 2,800 m2 lot in multiple ownership including shops and church hall alongside the Roxy picture theatre. The site has an average capital value of $1,000 per square metre - 9-17 Park Road (including 38 Tahi Street) is a square 2,800 m2 lot in multiple ownership including shops and church hall alongside the Roxy picture theatre. The site has an average capital value of $1,000 per square metre, above the threshold for commercially-viable development in today's market.

In our view, the risks of multi-level residential development will outweigh the rewards for the next (say) 10-20 years – unless a lack of alternative uses for centre-zoned land brings down property values to the point where mixed use development (retail/apartment/townhouse) is commercially feasible.

Outer Residential Areas

As a proxy for future redevelopment potential under an MDRA zoning, we have modelled a number of infill and redevelopment scenarios for projects in the inner and outer catchments. The analysis suggests that values for most properties have crept past the point of commercially-viable redevelopment and/or have been subdivided into small parcels that are unsuitable for sensible redevelopment under MDRA rules.

As a an illustration of short to medium term redevelopment potential, we have filtered the outer residential property database for each catchment, and eliminated those properties with less than 500 m2 of land, and valued higher than $900 psm - which appears to be the upper limit for any form of redevelopment (including infill) in the current market.

Inner walkable catchments:

There are about 40 properties with short-medium term redevelopment potential within five minutes' walk of the suburban centre including single-lot opportunities in areas already subject to considerable infill, for instance, along Tahi, Tauhinu, Hobart and Brussels Streets, Miramar Avenue and Park Road

Potential multi-lot redevelopment opportunities appear limited to 18-22 Park Road and 92-110 Miramar Avenue.

Table CS6.3: Miramar – Redevelopment Potential – Inner Walkable Catchments

	No Properties	Units of Use	Land Area	Avge area per property	Capital Value	Capital Value psm Land	Land Value	LV as % of CV
Miramar Avenue	5	5	3220	644	$2,555,000	$793	$1,380,000	54%
Tahi Street	3	4	1751	584	$1,300,000	$742	$885,000	68%
Byron Street	2	2	1230	615	$920,000	$748	$645,000	70%
Brussels Street	6	7	3652	609	$2,775,000	$760	$1,880,000	68%
Park Road	8	12	4693	587	$3,995,000	$851	$2,365,000	59%
Tauhinu Road	3	3	2865	955	$1,245,000	$435	$765,000	61%
Stone Street	5	12	3388	678	$2,230,000	$658	$1,170,000	52%
Hobart Street	7	9	4874	696	$3,990,000	$819	$2,170,000	54%
Chelsea Street	4	5	2904	726	$2,135,000	$735	$1,200,000	56%
Argentine Ave	2	3	1531	766	$1,225,000	$800	$565,000	46%
	45	**62**	**30108**	**669**	**$22,370,000**	**$743**	**$13,025,000**	**58%**

There is scope for 120-160 new housing units to be developed over the next (say) 20 years if an MDRA zoning were in place, and probably half that number under existing rules.

Outer walkable catchments:

There are about 160 properties in outer catchments with scope for infill or total redevelopment.[13] To the north of Miramar Avenue, there are a handful of lots in streets already subject to high levels of intensification (e.g. Puriri, Rex and Brussels Streets, Park Road). Tauhinu Road and Rotherham Terrace look most likely to benefit from any future rule changes. Each has more than 20 sites that meet our potential criteria, including dual or multi-lot development sites.

To the south of Miramar Avenue, most streets contain at least five redevelopment opportunities. Potential multi-lot redevelopment sites can be found in Devonshire Road, Strathavon Crescent, Chelsea and Ira Street, Aparima and Ellesmere Avenues.

Assuming at least three new dwelling units per project, we estimate that the outer walkable catchments could deliver a total of about 4-500 new dwellings if its redevelopment potential was fully-realised under an MDRA zoning – 2-300 more than would be likely under the current outer residential infill rules.

[13] …not including 49 lots on steeper-sloping sites, for instance, Maupuia and Wexford Road, Athens Street and Ashleigh Crescent.

Table CS 6.4: Miramar – Redevelopment Potential –Outer Walkable Catchments

	No Properties	Units of Use	Land Area	Avge area per property	Capital Value	Capital Value psm Land	Land Value	LV as % of CV
Para Street	5	6	3637	727	$2,895,000	$796	$1,435,000	50%
Park Road	5	5	3010	602	$2,310,000	$767	$1,265,000	55%
Tauhinu Road	19	20	12352	650	$8,245,000	$668	$4,035,000	49%
Puriri Street	6	6	4032	672	$3,120,000	$774	$1,610,000	52%
Rotherham Terrace	23	25	14686	639	$10,750,000	$732	$5,820,000	54%
Rex Street	9	9	5993	666	$4,345,000	$725	$2,375,000	55%
Brussels Street	5	5	2873	575	$2,450,000	$853	$1,190,000	49%
Hobart Street	6	6	3701	617	$3,070,000	$830	$1,680,000	55%
Caledonia Street	3	3	1525	508	$1,305,000	$856	$715,000	55%
Ellesmere Avenue	11	11	6947	632	$5,705,000	$821	$2,940,000	52%
Aparima Avenue	9	10	5845	649	$3,980,000	$681	$2,310,000	58%
Torridon Road	3	3	1582	527	$1,360,000	$860	$725,000	53%
Argentine Avenue	8	8	4956	619	$3,925,000	$792	$2,030,000	52%
Ira Street	12	13	8694	725	$6,085,000	$700	$3,430,000	56%
Chelsea Street	3	3	1932	644	$1,540,000	$797	$840,000	55%
Devonshire Road	17	18	10266	604	$7,800,000	$760	$4,790,000	61%
Strathavon Road	6	6	3279	546	$2,735,000	$834	$1,465,000	54%
Liverpool Street	2	2	1050	525	$915,000	$871	$510,000	56%
Miro Street	4	4	2108	527	$1,845,000	$875	$865,000	47%
Kauri Street	6	6	3034	506	$2,605,000	$859	$1,260,000	48%
Hillside Streets	49	58	36044	736	$23,775,000	$660	$9,991,000	42%
	211	**227**	**137544**	**652**	**$100,760,000**	**$733**	**$51,281,000**	**51%**

Summary and Conclusions

Based on expected levels of demand (10% household growth over the next 30 years) reasonably high existing levels of market acceptance, the outlook for medium density housing in the Miramar study area appears bright.

As we see it, there is ample scope for townhouse-style developments (and smaller one and two-bedroom units in townhouse style complexes) built over 2-3 levels, provided that these can continue to compete price-wise with comparable standalone fare. The study area is likely to remain the domain of small-medium sized suburban developers willing to accept lower margins from lower-risk housing forms and project sizes.

Opportunities for higher-density housing (e.g. apartments) appear limited. In our view, competing uses will conspire to keep Centre-zoned land values high enough to dissuade more experienced multi-level developers from entering the Miramar market – at least until opportunities closer to the CBD are exhausted.

Our experience is that bigger players need an incentive to move outside their central city comfort zones – generally unencumbered access to a large block of land, and confidence that there will be a market for suburban apartments in this location.

Table CS 6.5: Miramar Study Area – Summary by Walkable Catchment

Walking Catchment	Unit Type	No. Properties	Units of Use	Land Area (m2)	Avge area per use unit (m2)	Floor Area (m2)	Building Footprint (m2)	Site coverage	Capital Value	Average value per use unit	capital value per m2 building	Capital Value per m2 land	Land Value	Land as % of Capital Value
3 mins	Single unit	67	69	33,117	480	9,357	8,310	25%	$34,635,000	$501,957	$3,702	$519	$17,185,000	50%
3 mins	Multi-unit	39	162	28,619	177	11,001	8,268	29%	$38,787,000	$239,426	$3,526	$570	$16,311,000	42%
5 mins	Single unit	113	114	54,299	476	15,855	14,302	26%	$61,475,000	$539,254	$3,877	$515	$27,953,000	45%
5 mins	Multi-unit	40	157	33,250	212	12,845	10,728	32%	$49,825,000	$317,357	$3,879	$611	$20,312,000	41%
7 mins	Single unit	267	271	132,568	489	35,802	32,829	25%	$141,180,000	$520,959	$3,943	$476	$63,165,000	45%
7 mins	Multi-unit	55	201	52,787	263	15,679	12,410	24%	$53,825,000	$267,786	$3,433	$379	$19,991,000	37%
10 mins	Single unit	446	448	226,183	505	60,822	53,467	24%	$232,015,000	$517,891	$3,815	$454	$102,591,000	44%
10 mins	Multi-unit	71	219	55,198	252	19,831	14,591	26%	$75,900,000	$346,575	$3,827	$502	$27,725,000	37%
All	Vacant Land	8	8	4,412	551	-	-	0%	$2,102,000	$262,750	-	$470	$2,072,000	99%
		1,106	**1,649**	**620,433**	**3405**	**181,192**	**154,905**	**25%**	**$689,744,000**	**$418,280**	**$3,807**	**$1,112**	**$297,305,000**	**43%**

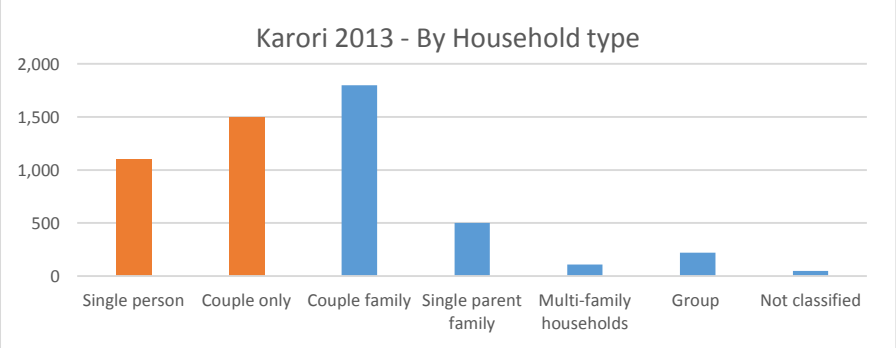
Walking Catchment	Unit Type	No. Properties	Units of Use	Land Area (m2)	Avge area per use unit (m2)	Floor Area (m2)	Building Footprint (m2)	Site coverage	Capital Value	Average value per use unit	capital value per m2 building	Capital Value per m2 land	Land Value	Land as % of Capital Value
All	Single unit	893	902	446,167	495	121,836	108,908	24%	$469,305,000	$520,294	$3,852	$473	$210,894,000	45%
All	Multi-unit	205	739	169,854	230	59,356	45,997	27%	$218,337,000	$295,449	$3,678	$497	$84,339,000	39%
All	Vacant Land	8	8	4,412	551	-	-	0%	$2,102,000	$262,750	-	$470	$2,072,000	99%
		1,106	**1,649**	**620,433**	**1276**	**181192**	**154,905**	**25%**	**$689,744,000**	**$418,280**	**$3,806.70**	**$1,112**	**$297,305,000**	**43%**

Case Study 7: Karori

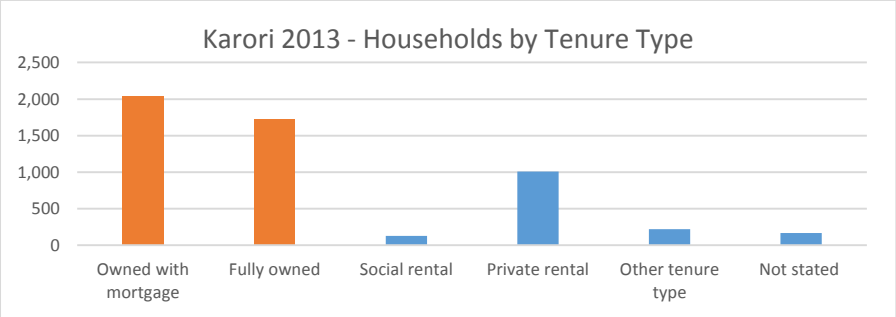
Community Profile

Karori's housing history dates back to the 1840's, but it was not until the completion of the Karori Tunnel in 1901 that the area became a significant residential location. Much of the housing within East Karori dates from this period through to the 1930's – a period of rapid growth for Wellington.

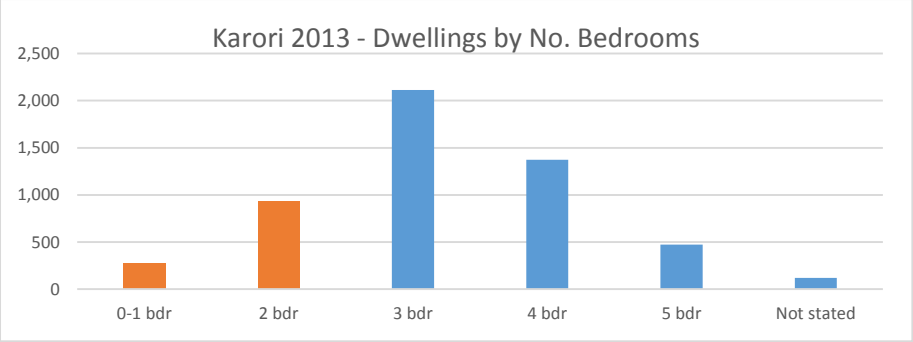
Today, Karori hosts a population of almost 15,000 people, living in 5,800 dwelling units, 2,000 of which are in the Karori study area. About 20% of all Karori households are single person households, and 28% are couple-only households. Families with dependent children (including single parent families) make up less than 40%. The number of group households is relatively low compared to areas closer to the CBD, reflecting Karori's essentially suburban character.



More than 70% of Karori households are owner-occupiers, while rental housing makes up less than 25% of all housing stock.



Housing within the wider Karori area is largely standalone (76%) and comprising three bedrooms of more. The proportion of multi-unit housing (about 20% of all housing stock) is low by Wellington standards, and is a 1960-90's mix of duplex and sausage-style units, retirement housing (Futuna Close, Huntleigh) social housing and recent townhouse developments outside the study area (e.g. Allington, Boundary).

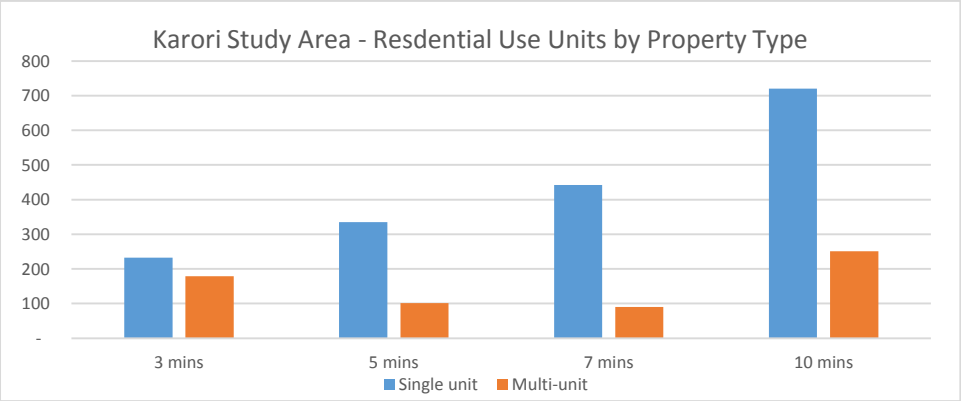


Retail and business activity is split between two Centre-zoned locations, a 'village' shopping centre to the East (139-161 Karori Road) which contains a number of smaller retail and service activities, and a larger area at 232-282 Karori Road, containing a supermarket, service stations, a wider range of retail and business activities, and WCC functions including a library and community centre.

Housing Profile within the Study Area

Table CS7.1 overleaf summarises WCC's rating data on housing within the Karori study area by type and location. In summary, there are approximately 2,000 residential properties within the study area, containing 2,360 household units. There are also about 10 residential use units in centre-zoned property.

88% of all residential properties within the study area are standalone housing units. On average, each multi-unit property contains 2.6 households (229 properties containing 580 residential use units) including a mix of standalone house conversions and purpose-built attached housing.

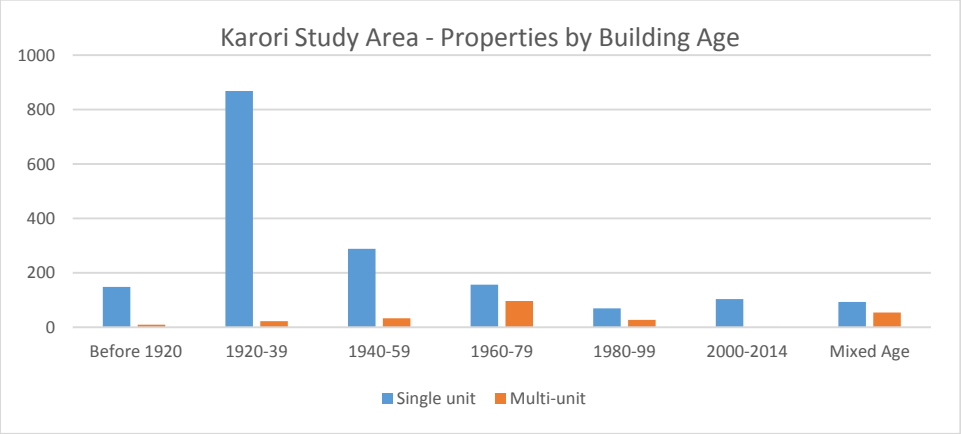


The table below summarises section size data by property type for each catchment. There are about 250 properties with more than 800 m2 of land, including 102 in the inner walkable catchments. This does not, however, mean that Karori has more redevelopment potential than other study areas. We note that substantial properties in the inner catchments are generally located in premium housing areas (embassies, long-held family homes etc). In outer areas, topographical considerations are to the fore.

Table CS7.2: Karori Study Area – Average Land Area per Property – By Housing Type & Catchment

Walking Catchment	Unit Type	Average Area per Residential Property (m2)									Totals
		1000+	800-999	700-799	600-699	500-599	400-499	300-399	200-299	Less than 200	
3 mins	Single unit	26	20	19	34	85	29	13	5	1	**232**
3 mins	Multi-unit	0	0	0	0	0	2	32	24	6	**64**
5 mins	Single unit	36	20	26	59	128	28	13	6	18	**334**
5 mins	Multi-unit	0	0	0	1	2	7	14	9	1	**34**
7 mins	Single unit	33	20	32	70	214	22	14	18	18	**441**
7 mins	Multi-unit	4	0	0	0	4	3	15	14	2	**42**
10 mins	Single unit	47	45	49	93	386	43	17	10	29	**719**
10 mins	Multi-unit	1	0	2	2	4	21	22	43	7	**102**
		147	**105**	**128**	**259**	**823**	**155**	**140**	**129**	**82**	**1968**
		7%	**5%**	**7%**	**13%**	**42%**	**8%**	**7%**	**7%**	**4%**	

The figure below looks at building age by housing type. Based on WCC's property database, only 10% of all standalone housing is less than 35 years old. There has also been minimal multi-unit construction activity in the study area over the past 15 years, suggesting perhaps that standalone housing remains the domain preference of new home seekers. It may also be that high property values for redevelopment land within Central Karori have persuaded multi-unit developers to focus on new subdivision and lower-cost periphery areas?



Recent Housing Projects

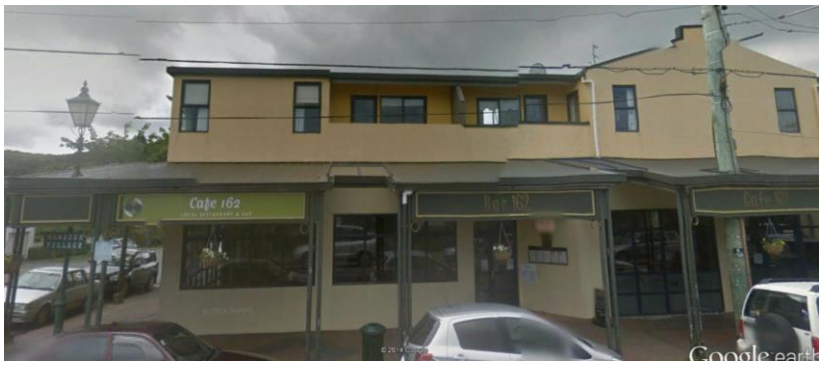
As noted above, there are few recent examples of medium density housing projects in the study area:

54 Cooper Street is a standard single lot three-unit redevelopment initiated in 2007. Each unit is about 120 m2 built over two levels with a single garage.

Futuna Close is a substantial medium density development comprising 'post-family dwellings on unit title ranging from 120 to 180 m2. The last major stage comprised 13 attached units, and was completed in about 2005. Recent sale prices suggest a PSM rate of between $4,500 and $5,000 depending on unit size and condition.

20 Standen Street is a substantial lodge building converted to apartments in 2007. Units range from 83 to 158 m2. A recent sale of one of the smaller units (2012) achieved more than $5,000 psm.

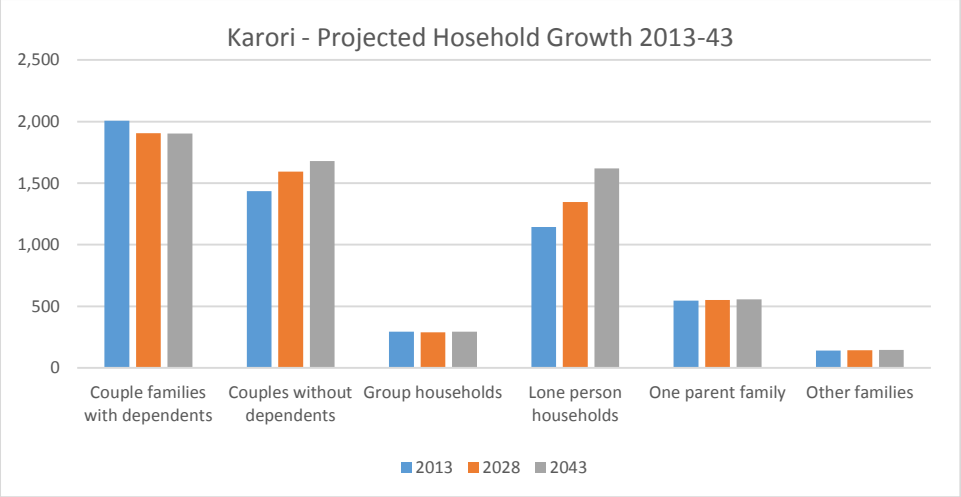
Also worthy of note is a mixed commercial/residential development at ***156 Karori Road*** built over two levels in the 1990's. The development comprises five retail units on the ground floor with six apartments above, plus two townhouses at the rear of the site



Based on recent sales of these and older multi-unit housing units in the study area, we have adopted a gross realisation rate of $5000 psm for units and apartments in the centre and inner areas, centre and higher-value pockets of the study area, and $4,500-5,000 psm for townhouses, depending on location.

Future Housing Demand

Between 2013 and 2043, Karori's population is expected to *decrease* by about 40 people. Household numbers, however, are expected to *increase* by about 600 (10%). WCC expects 100 fewer family households, 250 more couple-only households, and 450 more single person households will be living in Karori in thirty years' time.



The profile is similar to most of Wellington's mature suburbs, where the impact of aging will be most keenly felt. This is illustrated in the table below, and highlights the significance of the 'active post-retirement' generation in determining the direction of new suburban housing in Karori over the next 20 years. Will they look to move to smaller housing? Or move out of the community altogether?

Table CS 7.3: Karori – Projected Population Growth 2013-43 – By Service Group

	2013	2028	2043	Change 2013 to 2043	
Babies and pre-schoolers (0 to 4)	1,024	833	917	-108	-11%
Primary schoolers (5 to 11)	1,477	1,272	1,426	-51	-3%
Secondary schoolers (12 to 17)	1,378	1,204	1,182	-195	-14%
Tertiary educ./independence (18 to 24)	1,413	1,387	1,304	-109	-8%
Young workforce (25 to 34)	1,839	1,725	1,816	-23	-1%
Parents and homebuilders (35 to 49)	3,705	3,349	3,618	-87	-2%
Older workers(50 to 59)	2,005	2,102	2,096	92	5%
Empty nesters and retirees (60 to 69)	1,392	1,638	1,668	276	20%
Seniors (70 to 84)	910	1,503	1,748	838	92%
Elderly aged (85 and over)	243	323	372	129	53%
Total persons	**15,385**	**15,336**	**16,146**	**761**	**5%**

The future housing role of the 'oldest old' is also evident. This age group is most likely to move into supported living environments like retirement villages, rest homes etc.

At present, WCC expects new housing built between 2013 and 2043 to be a combination of infill development (townhouses and units) and construction of apartments within the Centre. Supply is expected to average about 12 units per year over the next 10 years, rising to 24 units for the balance of the forecast period. No new subdivisions or major housing projects are anticipated.

Medium Density Housing Assessment

Overview

The Karori Study Area is best viewed as two discrete markets. To the eastern end of Karori Road is Marsden Village, surrounded by housing of a generally higher value than other parts of the study area. Many properties sit on substantial parcels of land, ideally suited for redevelopment udder an MDRA rule. Their redevelopment potential is, however, likely to be constrained by high underlying land values, and long-term ownership.

Because of these factors, the eastern end has experienced comparatively low levels of intensification. In recent years, most new development has been standalone housing on single infill lots, and some small back-property subdivisions.

The bulk of recent multi-unit construction has been in two locations – Futuna and the more recent Huntleigh retirement complex. Built in the mid 2000's Futuna has maintained high resale values, with recent sales averaging $4-5,000 psm for a mix of two, three and four bedroom attached dwellings on 120-253 m2 of land. Huntleigh apartments are selling at similar psm rates (compact one and two bedroom apartments) but on a license to occupy basis.

To the West lies the balance of Karori Centre, which contains the larger service and retail functions (supermarket, services stations and WCC community facilities). Housing in this area is generally more affordable, especially in streets immediately to the north and West of the main shopping area (e.g. Parkvale, Chamberlain and Eagle Street).

The western end of our study area also features a higher proportion of medium density and multi-unit housing. There are some comparatively recent t most appear to have been built between 1960 and 1980, including WCC's social housing complex on the edge of the study area.

Medium density housing in the western sector

Centre and Business Zone

As outlined above, The Karori Centre is split between two clusters, with the western cluster housing, land hungry activities like supermarkets and service stations.

Table CS7.4: Karori Study Area – Centre Summary – By Location

	No. Properties	Units of use	Land Area	Avge Area per Use Unit	Built Area	Building Footprint	Capital Value	CV per m2 Land	Land Value	LV as % of CV
Centre East	21	64	14929	**233**	7148	5657	$23,760,000	$1,591	$12,348,000	**52%**
Centre West	19	63	26394	**419**	15228	10109	$36,674,000	$1,389	$16,991,000	**46%**
	40	127	41324	**325**	22376	15766	$60,434,000	$1,389	$29,339,000	**49%**

Both areas have higher underlying values than adjoining housing, which suggest that existing commercial uses are strong enough to compete with residential uses – even at higher densities allowed for under Centre and MDRA zoning. To test this, we have modelled potential mixed use redevelopment scenarios on lower-cost land in each centre:

- A three level development at 146-152 Karori Road on 2685 m2 at a current capital value of $2.7 million. The development is based on two levels of apartments (32 units) above 8-10 retail modules, with six townhouses along the rear boundary. To save costs, the building is based on block construction in the ground level, with timber frame above.

  Total development cost (including land) would be about $12 million which would provide a return of about 5% in today's market – well below acceptable returns for a development of this scale and risk profile.

- A more ambitious project in the west would also struggle in the current market. This scenario, is based on assembling a 5,000 m2 block of land on the corner of Karori and Parkvale Road with a current capital value of $6 million. The scenario involves constructing a four-level building along Karori Road (262-270) and Parkvale Road (3-13) containing about 50 apartments, and a mix of retail and commercial uses on the ground and part of the first floor. 40 townhouse units would be located at the back of the block to minimise the impact of higher density at street level.

  Total development cost for a project this size would be about $30 million, with an expected return of less than 5% in today's market. This is because of the higher cost of building the additional level (concrete and steel).

Outer Residential Areas

Because of sheer size of the Karori study area, we have confined our detailed review of residential areas to the inner walkable catchments (i.e. within five minutes' walk of either centre).

Inner Walkable Catchments:

The table overleaf summarises information on residential properties in the inner catchments that have at least 500 m2 of land, and a capital value of less than $1,000 psm. This is probably outside of sensible redevelopment parameters in the current market, but used here to capture at least some of the eastern-end properties that might support higher-value compact housing in the short to medium term.

To illustrate, our analysis suggests that a developer would need to sell an executive-specification (minimum 110 m2 plus single garage) for in excess of $700,000 to generate a commercial return at this level. With one or two exceptions, the market has yet to test this level, but we believe that market acceptance of developments like Futuna will help to stimulate the supply of higher-end medium density housing - provided that product can consistently be pitched below the average price of standalone housing in the same location.

At the western end of the study area, lower average property values, along with more 'old' multi-unit and social rental housing, will require new medium density housing to be pitched at a different level. In our analysis, we have used a base of $450-475,000 for three bedroom 100 m2 townhouse (without garage), which is regarded as a market 'sweet spot' for developers working in Wellington's middle income suburbs.

At these prices, our analysis suggests that the current value ceiling for development land is probably about $5-600 (incl. GST), subject to MDRA zoning, which would enable townhouse-style developments of 5-6 units on a standard 700-800 m2 house lot, built over two to three levels.

The largest clusters of land with redevelopment potential are in streets immediately adjacent to the western centre, east of Parkvale Road and extending through to WCC's complex in Ranelagh Street. There are numerous dual or multi-lot development opportunities available within the inner catchments, including Homewood and Monoghan Avenue, Karori, Parkvale and Chamberlain Road, Darwin, Cook, Eagle, Beauchamp, Campbell and Monoghan Streets.

Table CS7.5: Medium Density Redevelopment Potential – Karori Inner Walkable Catchments

	No Properties	Units of Use	Land Area	Avge area per property	Capital Value	Avge Capital value	Capital Value psm Land	Land Value	LV as % of CV
Nottingham Street	5	6	3463	693	$3,035,000	$607,000	$876	$2,060,000	68%
Aylesbury Way	3	3	3859	1286	$2,400,000	$800,000	$622	$1,205,000	50%
Newcombe Crescent	2	2	1584	792	$1,240,000	$620,000	$783	$785,000	63%
Fancourt Street	2	2	3672	1836	$2,900,000	$1,450,000	$790	$2,000,000	69%
Hatton Street	3	3	6052	2017	$4,100,000	$1,366,667	$678	$3,085,000	75%
Homewood Avenue	9	9	9310	1034	$7,865,000	$873,889	$845	$6,260,000	80%
Friend Street	4	4	2820	705	$2,545,000	$636,250	$902	$1,675,000	66%
Karori Road	22	22	17195	782	$14,560,000	$661,818	$847	$8,515,000	58%
Eagle Street	4	4	2948	737	$1,645,000	$411,250	$558	$945,000	57%
Darwin Street	10	12	7833	783	$4,575,000	$457,500	$584	$2,021,000	44%
Chamberlain Road	24	27	16617	692	$12,805,000	$533,542	$771	$6,100,000	48%
Parkvale Road	27	31	21727	805	$14,780,000	$547,407	$680	$7,463,000	50%
Flers Street	2	2	1745	873	$1,400,000	$700,000	$802	$720,000	51%
Marsden Avenue	3	3	2169	723	$1,960,000	$653,333	$904	$1,350,000	69%
Campbell Street	8	8	5580	698	$4,630,000	$578,750	$830	$2,665,000	58%
Lewer Street	2	2	1288	644	$1,130,000	$565,000	$877	$570,000	50%
Cargill Street	3	3	1998	666	$1,730,000	$576,667	$866	$855,000	49%
Beauchamp Street	6	6	3950	658	$3,460,000	$576,667	$876	$1,790,000	52%
Cook Street	5	5	4307	861	$3,300,000	$660,000	$766	$1,835,000	56%
Spiers Street	4	7	2880	720	$2,430,000	$607,500	$844	$1,205,000	50%
Dasent Street	2	2	1366	683	$1,210,000	$605,000	$886	$595,000	49%
Monoghan Avenue	8	11	5062	633	$4,300,000	$537,500	$849	$2,625,000	61%
Other (one property)	5	5	7172	1434	$5,930,000	$1,186,000	$827	$3,495,000	59%
	163	**179**	**134594**	**826**	**$103,930,000**	**$637,607**	**$772**	**$59,819,000**	**58%**

Outer Walkable Catchments

In the outer catchments, about 40% of all properties meet our medium density redevelopment criteria, but this does not take into account topographical considerations, or the generally lower values of properties to in the western parts of the study area. Or base estimate is that there are about 100-200 properties in the outer walkable catchments with short term redevelopment potential under an MDRA zoning, with potential to yield upwards of 400 new dwelling units at a price point and general configuration that would attract developers.

Current property values suggest that the most likely redevelopment areas will be on the outer reaches of the streets highlighted in the above table, along with (in the west) David Crescent, Ranelagh and Cornford Street, and (in the east) Fancourt, Hatton, Nottingham and Standen Streets.

Summary and Conclusions

On the surface, Karori has plenty of land to meet projected future housing demand, and a market that is becoming more amenable to living in compact housing. The key issues are price and (for developers) opportunity.

In eastern areas, high underlying property values reflect strong local demand from higher income households (also reflected by prices paid for townhouses in bespoke developments like Futuna). We have no doubt that the area will see more medium density housing in the medium to long term, as developers come to terms with paying $1 million plus for a development site, and gain more confidence in the strength of an emerging for high-priced compact housing.

Even if an MDRA zoning was adopted, WCC should not expect development to follow a logical pattern of (say) more intensification closer to the village, with lesser levels in the outer catchments. Future redevelopment opportunities are scattered throughout the inner and outer catchments, and will be exploited as and when they become available, and when the market is ready.

Our analysis suggests that things could be different in the western part of the study area. Values and section sizes close to the Centre (e.g. around Parkvale Road), make this area a logical destination for developers in a post MDRA environment.

Although beyond the scope of this paper, we believe there would be merit in taking a more *urban design-driven* approach to this area, to determine whether it would be possible to amalgamate lots and promote a more transformative approach in those areas closest to the centre.

The Centre itself may have some residential potential, but our analysis suggests that this will be subsidiary to commercial uses, such as infill in old parking areas or conversion of upper level office space.

As a consequence, we cannot see any opportunities for substantial new residential development projects (say more than 10-20 units) unless land currently used for other purposes becomes surplus to requirements, for instance, if the Wellington Teachers College were relocated or WCC land in lower Karori Road (by currently used as a transport hub and for social housing) were to be sold.

Table CS 7.1: Karori Study Area – Summary by Walkable Catchment

Walking Catchment	Unit Type	No. Properties	Units of Use	Land Area (m2)	Avge area per use unit (m2)	Floor Area (m2)	Building Footprint (m2)	Site coverage	Capital Value	Average value per use unit	capital value per m2 building	Capital Value per m2 land	Land Value	Land as % of Capital Value
3 mins	Single unit	232	232	149,818	646	43,996	35,326	24%	$176,855,000	$762,306	$4,020	$1,180	$88,785,000	50%
	Multi-unit	64	179	48,962	274	21,057	15,947	33%	$76,130,000	$425,307	$3,615	$1,555	$32,595,000	43%
	Catchment Total	**296**	**411**	**198,780**	**484**	**65,053**	**51,273**	**26%**	**$252,985,000**	**$615,535**	**$3,889**	**$1,273**	**$121,380,000**	**48%**
	Redevelopment Potential?	67	70	55,223	789	12026	10205	18%	$44,475,000	$635,357	$3,698	$805	$26,370,000	59%
		23%	**17%**	**28%**		**18%**	**20%**		**18%**				**22%**	
5 mins	Single unit	334	335	214,667	641	63,180	48,389	23%	$259,360,000	$774,209	$4,105	$1,208	$123,252,000	48%
	Multi-unit	34	101	28,987	287	9,995	8,365	29%	$36,330,000	$359,703	$3,635	$1,253	$16,173,000	45%
	Catchment Total	**368**	**436**	**243,653**	**559**	**73,175**	**56,754**	**23%**	**$295,690,000**	**$678,188**	**$4,041**	**$1,214**	**$139,425,000**	**47%**
	Redevelopment Potential?	98	111	82,408	742	16418	14430	18%	$60,855,000	$548,243	$3,707	$738	$34,134,000	56%
		27%	**25%**	**34%**		**22%**	**25%**		**21%**				**24%**	
7 mins	Single unit	441	442	266,706	603	79,343	60,985	23%	$310,315,000	$702,070	$3,911	$1,164	$146,570,000	47%
	Multi-unit	42	90	47,656	530	11,894	8,081	17%	$45,940,000	$510,444	$3,862	$964	$21,550,000	47%
	Catchment Total	**483**	**532**	**314,362**	**591**	**91,237**	**69,066**	**22%**	**$356,255,000**	**$669,652**	**$3,905**	**$1,133**	**$168,120,000**	**47%**
	Redevelopment Potential?	159	173	129,680	750	26948	21357	16%	$98,110,000	$567,110	$3,641	$757	$51,678,000	53%
		33%	**33%**	**41%**		**30%**	**31%**		**28%**				**31%**	
10 mins	Single unit	719	720	442,564	615	118,957	92,514	21%	$440,713,000	$612,101	$3,705	$996	$199,727,000	45%
	Multi-unit	102	251	78,911	314	23,777	15,351	19%	$80,290,000	$319,880	$3,377	$1,017	$33,482,000	42%
	Catchment Total	**821**	**971**	**521,475**	**537**	**142,734**	**107,865**	**21%**	**$521,003,000**	**$536,563**	**$3,650**	**$999**	**$233,209,000**	**45%**
	Redevelopment Potential?	362	419	278,323	664	56823	44642	16%	$200,520,000	$478,568	$3,529	$720	$97,035,000	48%
		44%	**43%**	**53%**		**40%**	**41%**		**38%**				**42%**	
	Study Area Total	**1,968**	**2,350**	**1,278,271**	**544**	**372,199**	**284,958**	**22%**	**$1,425,933,000**	**$606,780**	**$3,831**	**$1,116**	**$662,134,000**	**46%**
	Redevelopment Potential?	686	773	545,634	706	112,215	90,634	17%	$403,960,000	$522,587	$3,600	$740	$209,217,000	52%
		35%	**33%**	**43%**		**30%**	**32%**		**28%**				**32%**	

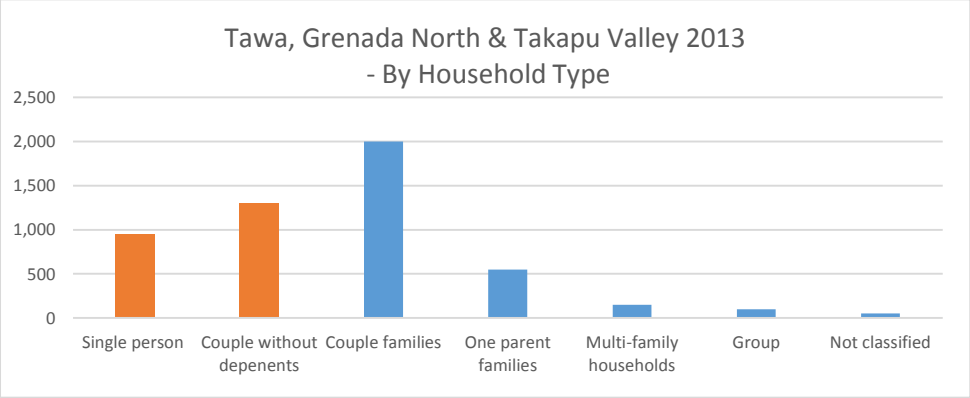
Case Study 8: Tawa

Community Profile

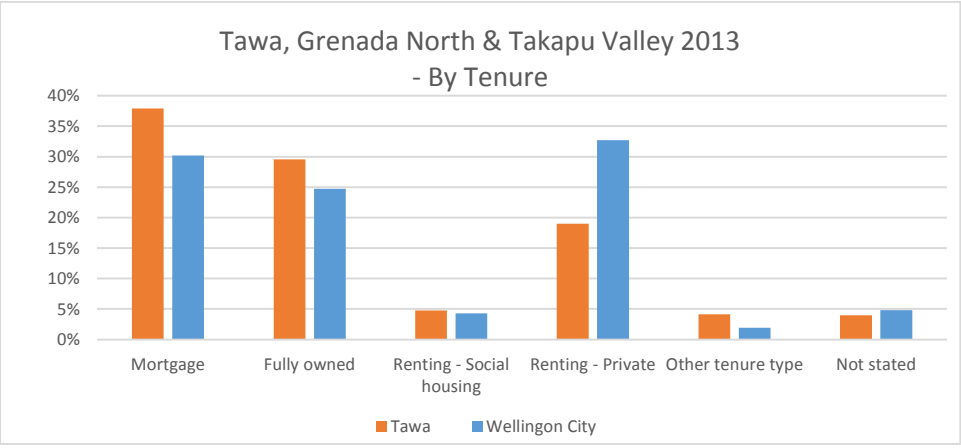
Officially known as 'Tawa Flat' until 1959, the old Borough of Tawa lies along a five kilometre stretch of valley floor that runs from the Porirua Basin to Churton Park.

Tawa shares a common history with many of Wellington's other outlying suburbs, being primarily farmaland until its residential potential was tapped in the 1930's by rail, then fully opened up in the 1960's by the Wellington to Porirua motorway system.

Today, Tawa and its smaller neighbours (Genada North and Takapu Valley) host a population of 14,800 people living in 5,100 dwelling. Single person and couple-only households comprise 40% of all households, with family-based household units still to the fore at 45%. Only about 4% of all household units are unrelated groups, which highlihts the preference of this market segment to live closer to work and urban centres.

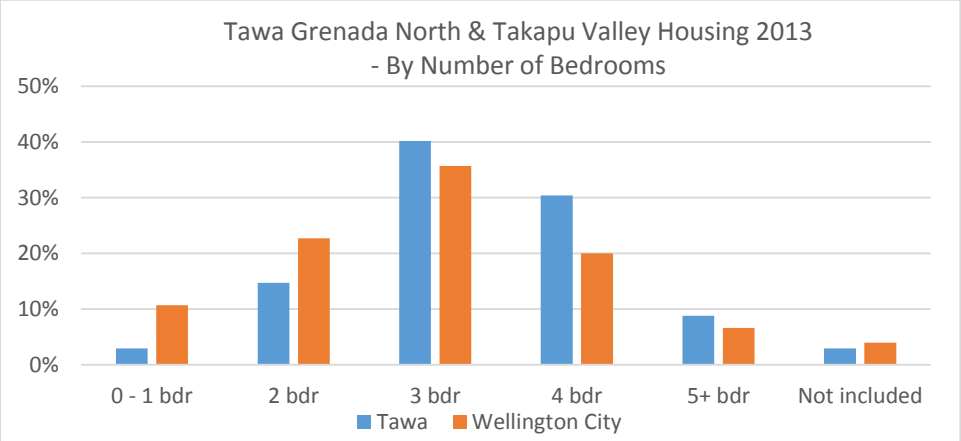


Tawa has a higher owner-occupier rate than Wellington City as a whole[14], in part because it has long been seen as an affordable home ownership destinaton. This is changing, and rental housing numbers are now increasing at the same pace as owner-occupied housing in response to changes in the wider housing market.



[14] …also in part because the City's overall rate is distorted by higher rental levels in the CBD and youth-centred inner suburbs

Betraying its 1950's and 60's origins, Tawa's has a higher proportion of family-size housing units than Wellington City as a whole. Only 18% of all stock is two bedrooms or less, compared to 33% for Wellington City. Standalone housing comprises about 80% of all housing stock.



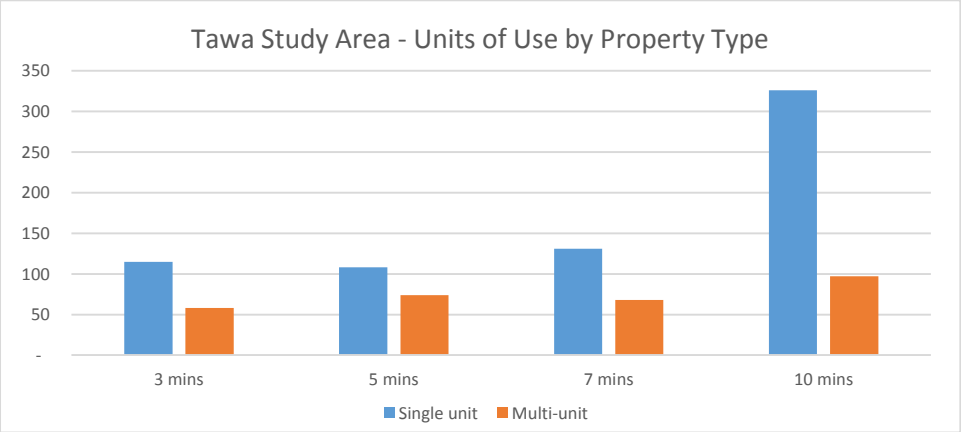
Housing Profile Within the Study Area

Table CS8.1 overleaf summarises WCC's rating data on housing within the Tawa study area by type and location. In brief, there are 810 residential properties within the study area, containing 1,020 household units, including 20 properties (40 residential units of use) on Centre-zoned land.

The area is one of Wellington's most affordable residential locations, with property values averaging less than $350,000 per dwelling unit. Standalone housing commands a slight premium at an average $377,000 per unit.

The study area appears to have a higher concentration of medium density housing than other parts of Tawa, although 80% of all multi-unit properties in the study area are duplex-style units containing two or sometimes three units. Many of these sit on an average land parcel greater than 250 m2, so arguably fall outside the definition adopted for this review.

Only six multi-unit properties in the study area contain more than four units, and only two of these have more than ten units – WCC's pensioner complex at Lyndhurst Road (11 units) and a privately-owned rental ex-motel complex at 8 Oxford Street (24 units).



The table below provides an indication of how Tawa's historical subdivision patterns are driving the form of residential intensification within the study area. More than 80% residential lots in the study area were 800 m2 or more at the time of original subdivision.

Table CS8.2: Tawa Study Area – Average Land Area per Property – By Housing Type & Catchment

Walking Catchment	Unit Type	Average Area per Property (m2)									Totals
		1000+	800-999	700-799	600-699	500-599	400-499	300-399	200-299	Less than 200	
3 mins	Single unit	10	36	4	7	23	13	10	10	2	**115**
3 mins	Multi-unit	7	11	2	0	3	0	0	0	0	**23**
5 mins	Single unit	23	60	5	2	5	3	6	3	0	**107**
5 mins	Multi-unit	5	13	0	1	0	0	0	0	0	**19**
7 mins	Single unit	9	53	5	8	12	24	12	6	1	**130**
7 mins	Multi-unit	6	11	3	2	2	3	0	0	0	**27**
10 mins	Single unit	32	133	21	40	29	33	23	12	3	**326**
10 mins	Multi-unit	9	29	2	2	0	0	0	0	0	**42**
		101	**346**	**42**	**62**	**74**	**76**	**51**	**31**	**6**	**789**
		13%	**44%**	**5%**	**8%**	**9%**	**10%**	**6%**	**4%**	**1%**	

Based on WCC's property database, suburban inensification has been occuring in Tawa since the 1980's, reaching a peak in the late 1990's/early 2000's. The availability of large lots at comparably cheap prices favoured standalone housing and duplex-style housing development, and this remains the preferred form of new housing development within the study area. Only two projects initiated between mid 2003 and mid 2013 delivered more than two units.

Alongside new housing, there has been a recent surge in residential converion where one or more units are added to an existing dwelling (including sleepouts and granny flats) – generally for rental purposes. Of note are two conversions of ex-commercial property (an old motel and first floor office space) to create six residential apartment units in each property.

Table CS8.3: Tawa – New dwelling Consents Issues between Mid-2003 ans Mid-2013

	1 unit	2 units	3 units	4+ units		
Standalone	232	3		0	**235**	**76%**
New Townhouse or Unit	4	32	1	1	**38**	**12%**
Convert existing to 2+ units	22			2	**24**	**8%**
Relocation	14				**14**	**5%**
	272	**35**	**1**	**3**	**311**	
	87%	**11%**	**0%**	**1%**		

Recent Housing Projects

In line with the above comments, we have struggled to find examples of developments completed over the past five years that meet our medium density housing criteria. The small amount of development that is occuring appears to be driven by two discrete classes of developer:

- Builder developers and small specialist small-scale developers supplying the home ownership market
- Local rental investor/developers

9 Linden Avenue was completed in 2013, and comprises five three-bedroom standalone townhouses (95m2) with a carport built on a vacant 1,265 m2 site.

19 RanuiTerrace comprises two three bedroom units with single carports built as rentals on a front infill lot in 2009/10. Units are about 95 m2 with a capital value of $290,00 each ($3,000 per m2)

4 Melville Street a 2011 subdsubdivision to create two 160 m2 infill lots. Improvements are single level, two bedroom housing units (62 m2) with a capital value of $300,000 each.

53 A-C Oxford Street, a standard singlelot redevelopment yielding three 150 m2 (incuding garaging) standalone houses. Two sales in excess of $450,000 over the past two years (average $3,100 psm)

A recently consented project will see three two-bedroom rental units (about 65 m2 each plus carpad) built on a topographically-challenging 1,382 m2 site at ***16 Lincoln Avenue***, of which only about 3-400 m2 is buildable. The developer is a local rental investor who was also responsible for 4 Melville Street. The site has a current RV of $125,000.

Future Demand for Medium Density Housing

Based on recent WCC projections, the population of the wider Tawa/Grenada North/takapu Valley area is expected to increase by 26% over the next 30 years, to almost 19,000.

About 50% of all net growth will be in the older age groups (65+), about 300 more of whom are expected to be living in newly-created non-residential accommodation (retirement villages, rest homes, prisons etc. Unlike suburbs closer to the City, Tawa will also experience growth in family household numbers, and an overall increase in working-age residents.

Table CS8.4: Tawa – Projected Population Growth 2013-43 – By Service Group

	2013	2028	2043	Change 2013 to 2043	
Babies and pre-schoolers (0 to 4)	980	949	1,193	213	22%
Primary schoolers (5 to 11)	1,416	1,486	1,844	427	30%
Secondary schoolers (12 to 17)	1,374	1,334	1,614	240	17%
Tertiary educ./independence (18 to 24)	1,422	1,255	1,468	46	3%
Young workforce (25 to 34)	1,640	1,741	2,125	485	30%
Parents and homebuilders (35 to 49)	3,403	3,315	4,034	631	19%
Older workers(50 to 59)	2,012	2,046	2,311	299	15%
Empty nesters and retirees (60 to 69)	1,260	1,703	1,768	508	40%
Seniors (70 to 84)	1,053	1,476	1,934	881	84%
Elderly aged (85 and over)	290	264	350	60	21%
Total persons	**14,850**	**15,568**	**18,642**	**3,792**	26%

Household and dwelling numbers are expected to increase by about 28%, with a net new dwelling requirement of around 1,400 units. About 50% of net growth will be single person and couple households, although this will not necessarily translatedirectly into more local demand for smaller housing units. Other options for older households are available, for instance, staying longer in their homes ('aging in place'), migrating to other retirement destimations (including the inner city if trends continue) or moving into local retirement village-type accommodation.

Table CS8.5: Tawa – Projected Household Growth 2013-43 – By Type

	2013	2028	2043	Change 2013 - 43	
Couple families with dependents	2,001	2,029	2,411	410	20%
Couples without dependents	1,307	1,547	1,793	486	37%
Group households	184	183	216	32	17%
Lone person households	953	1,041	1,313	360	38%
One parent family	550	564	667	117	21%
Other families	165	172	186	21	13%
	5,160	5,536	6,586	1,426	

Currently, WCC expects to meet demand via a combination of new greenfields development and redevelopment within the existing business, centre and outer residential zoned land:

- About 900 new housing units on existing and proposed greenfields subdivisions.
- Centre development is expected to yield 5-20 new units annually.
- Infill and residential redevelopment is expected to yield 5-15 units per year.
- Increases in non-residential accommodation provision

Housing Assessment

Overview

As we see it, about 500 new housing units will need to be built in the study area over the next 30 years to support WCC's assumptions about brownfields development. This is because land futher out is a more challenging redevelopment proposition, and there is likely to be less scope for infill development beause of less potential for in Potential for infill in outying areas is also likely to be compromised by smaller sites and relatively high inprovement values.

The study area may also need to yield at least one large retirement village site if current assumptions about non-residential accommodation are to be upheld.

Recent sales data suggests that standalone and duplex-style townhouses alreadyhave a high level of market acceptance in the study area, often selling for higher prices than older standalone housing in the same location. We have no doubt that increased demand for new housing, coupled with an MDRA zoning, will stimulate single lot and infill development beyond pre-DP 56 levels.

Densities higher than (say) 1:150 m2 may be a 'harder sell' in the Tawa marketplace. There is no precedent for multi-level apartment style housing outside of retirement villages and (in our view) the key drivers for multi-unit development are not yet present in the tawa study area:

- Land prices are not high enough to incentivise developers to go upward.
- The centre does not offer sufficiently-hih levels of public amenity to encourage people to sacrifice non-essential amenity values like garaging and private open space.
- Older age group concerns about personal security are not high enough to drive a preference for 'gated' or controlled entry-point living.

There may be small amounts of residential redevelopment ancillary to existing commercial uses (for instance converting underutilised office space, or back lot infill) but major redevelopment is unlikely unless:

- Rising prices for redevelop-able house and land packages make it difficult for developers to generate a commercial margin through their current procurement strategies.
- Unit prices are discounted below standard compact housing to incentivise the singles and couple-only market to forego open space and other benefits associated with townhouses and/or retiremetn villages.
- Rental investors play a greater role in directing the new housing market. Their drivers are different to owner-occupiers, and more likely to favour single and two bedroom units with basic amenity levels.

Recent sale values for contemporary standalone and duplex housing built on a partial site range from about $3,500 to $4,500 m2 of built area, depending on layout and covenant[15]. For feasibility

[15] Melville Street has achieved a higher level, but has the benefit of an ideal location for commuters. It is also built over a single level, which increases its marketability.

purposes, we have adopted a base realisation rate of $4,000 psm (incl GST) for townhouse-type housing, and $4,500 for smaller units. For apartments, we have assumed these would need to be sold at a discount on accepted housing to be competitive in the Tawa marketplace.

Business and Centre Zone

In the short term, there appears little prospect of residential redevelopment displacing existing uses in the Business zone unless Tawa's future as an employment cetre proves unsustainable. If there is some retrenchment, 76-92 main road are likely to become future residential sites, as the bulk of properies within this cluster already come under our medium density development threshold for t h study area (ref. discussion below).

In our view, the most significant business site is 10 Surrey Street (2.8 ha). At almost three hectares, the site already has resource consent for a retirement village. As we understad it, the property was sold for $5.25 million ($565 psm) in 2012. The new owner is renovating the building for retail and warehousing – at least for the time being.

10 Surrey Street

As noted above, Centre-zoned land already contains about 20 residential use units, including six recent duplex-style units built over 2-3 levels pn built on marginal commercial land at 105-113 Main Road. This adjoins low value commercial land around the intersection of Oxford Street and Main Road, which may be of longer term interest to the development community if there is further retrenchment in the local retail sector.

105-13 Main Road

Outer Residential Areas

Based on our summary of residential property data for the walkable catchments within the Tawa study area:

- The average capital value across all walkable catchments is $378,000 for standalone housing and $267,000 per unit for multi-unit housing.

- Housing values in the inner catchments average about $400,000 compared to $367,000 in outer catchments .
- The average value per square metre of improvements value ranges from about $3,000 psm in the innermost area to $2,500 in outer catchments, reflecting higher levels of recent redevelopment closer to the centre.
- Average site coverage across all walkable catchments is 18%. Even in the innermost catchment, the average site coverage for all housing types is only 21%, which suggests plenty of scope for infill housing and/or redevelopment.
- When capital values are expressed on a per square metre of land basis, average values range from an average of about $500 per square metre for single lot housing in the outer walkable outer areas, to $650 in the innermost catchment.

Input land costs at these levels make commercially-viable redevelopment difficult. Our analysis suggests that the upper limit under current rules is probably about $300 psm, which partly explains why there has been little new housing construction in recent years. Recent WCC consents data also suggests that developers have focused on using up residual land, infill housing, and initiating small redevelopment projects only when input land costs are low.

The input land threshold would increase to (say) $400-$450 psm under an MDRA zoning, and about $500 for infill projects where the existing improvement can be retained, refreshed and on-sold along with new infill housing product. The threshold should also rise over time in line with rises in overall property values - provided that contemporary townhouses continue to command a price premium over older standalone housing.

For infill projects, developers would need to add least two (preferably three) new units per standard lot, as well as retaining the original dwelling. To generate the same return, comprehensive redevelopment projects require a yield of four or five.

It is worth noting that an MDRA zoning may bring more properties to the market, but will not guarantee a sensible urban design outcome. In logical redevelopment precincts like Cambridge and Oxford Streets for instance, some properties are on the cusp of being commercially viable, while others fall outside our criteria because of higher improvement values, which may limit their future redevelopment potential.

The result under MDRA would be a pepper-potting of higher density single lot developments within a larger, mostly single lot streetscape. Our own view is that juxtaposition need not be seen as a negative, provided that higher density outputs are well designed and of good quality.

Commercial Redevelopment Potential of the Outer Residential Catchments

To illustrate medium term redevelopment potential within each catchment the study area, we have filtered the WCC property database to include only those properties with an input value (including improvements) of less than $600 psm, and a total land area of 500 m2, which we believe is the minimum land area required within a suburban context to deliver a sensible and compatible development.[16]

[16] A standard 508 m2 lot can support about four townhouses under an MDRA zoning, and up to six smaller units, built over 2-3 levels– based on a total building footprint 160 m2 or less.

In summary, almost 60% of properties within the study meet our 'future redevelopment potential' criteria, which strongly suggests that infill and small scale redevelopment will remain the domain form of residential intensification for the foreseeable future.

Three Minute Walkable Catchment:

55 residential properties within the innermost catchment meet our commercial criteria (40% of all residential properties in the catchment), which suggests a net increase of upwards of 100 townhouse-style or units under an MDRA zoning.

Table CS8.6: Tawa – Redevelopment Potential – Five Minute Catchment

	No Properties	Units of Use	Land Area	Avge Area per Property	Capital Value	Average Capital Value per Property	CV per m2 Land	Land Value	LV as % of CV
Oxford Street	18	19	15,930	**885**	$7,095,000	**$394,167**	**$445**	$4,440,000	**63%**
Main Road	7	8	5986	**855**	$2,390,000	**$341,429**	**$399**	$1,790,000	**75%**
Melville Street	1	1	625	**625**	$335,000	**$335,000**	**$536**	$210,000	**63%**
Cambridge Street	1	1	506	**506**	$305,000	**$305,000**	**$603**	$180,000	**59%**
Rewa Terrace	9	13	9,396	**1044**	$4,160,000	**$462,222**	**$443**	$2,079,000	**50%**
Surrey Street	1	1	816	**816**	$435,000	**$435,000**	**$533**	$280,000	**64%**
Lincoln Avenue	11	13	9,225	**839**	$4,210,000	**$382,727**	**$456**	$1,972,000	**47%**
Lyndhurst Road	5	5	4,185	**837**	$1,955,000	**$391,000**	**$467**	$940,000	**48%**
Ngatitoa Street	2	2	1,622	**811**	$585,000	**$292,500**	**$361**	$320,000	**55%**
	55	**63**	**48,288**	**878**	**$21,470,000**	**$390,364**	**$445**	**$12,211,000**	**57%**

The sample includes contiguous lots in Oxford Street, main Road, Lincoln Terrace and Lyndhurst Street that could support dual lot development. Cambridge Street includes a number of lots just outside our value cut-off point, and should also be included in any future residential intensification study.

Non-residential property with development potential includes a WCC-owned car park at 41 Oxford Street, and 4,750 m2 21 Oxford Street (crèche and open space) which, if developed in conjunction with Cambridge Terrace, could provide an area for potential redevelopment as a retirement village or comprehensive compact housing community.

Five Minute Walkable Catchment:

89 properties within the five-minute catchment (71% of current housing stock) could meet our criteria for commercial development, in particular Lincoln, the balance of Oxford Street and Main Road.

Table CS8.7: Tawa – Redevelopment Potential – Seven Minute Catchment

	No Properties	Units of Use	Land Area	Avge area per property	Capital Value	Average capital value per property	Capital Value psm Land	Land Value	LV as % of CV
Main Road	12	12	9520	**793**	$3,885,000	**$323,750**	**$408**	$2,207,000	**57%**
Oxford Street	13	13	11968	**921**	$5,540,000	**$426,154**	**$463**	$3,375,000	**61%**
Lyndhurst Road	2	13	2988	**1494**	$1,255,000	**$627,500**	**$420**	$565,000	**45%**
Elena Place	2	2	1987	**994**	$670,000	**$335,000**	**$337**	$460,000	**69%**
Victory Crescent	7	7	5964	**852**	$2,365,000	**$337,857**	**$397**	$932,000	**39%**
Hampton Hill Road	6	6	6386	**1064**	$2,650,000	**$441,667**	**$415**	$913,000	**34%**
Lincoln Avenue	23	26	24408	**1061**	$7,640,000	**$332,174**	**$313**	$2,908,000	**38%**
Romney Square	7	7	6202	**886**	$2,915,000	**$416,429**	**$470**	$1,230,000	**42%**
Roy Street	9	9	7721	**858**	$3,490,000	**$387,778**	**$452**	$1,655,000	**47%**
Ngatitoa Street	8	9	7702	**963**	$3,710,000	**$463,750**	**$482**	$1,390,000	**37%**
	89	**104**	**84847**	**953**	**$34,120,000**	**$383,371**	**$402**	**$15,635,000**	**46%**

There are a number of contiguous lots throughout the catchment, which opens up opportunities for dual or multi-lot development. WCC's social housing complex at Lyndhurst Road also meets our medium density redevelopment criteria, with only 11 units on 2168 m2 of land (200 m2 average), especially if the adjacent 1,750 m2 fire services site (also owned by WCC) and underutilised recreation land (1651 m2)[17] were amalgamated to form a larger development block .

The five minute catchment also brings HNZC's Tawa portfolio into play, opening up the possibility of partnering with HNZC to unlock the redevelopment potential of the Victory/Hampton Hill area.

Outer Walkable Catchments:

About 300 residential properties in the outer catchment meet our medium term redevelopment criteria (60% of all housing in these catchments), although probably only half of these would be viable as comprehensive redevelopment sites. Lower cost sites are largely located to the south and west of the town centre, although Duncan Terrace has a range of development opportunities – including WCC's land at 1 Duncan Terrace, which could ideally be developed as townhouses within easy walk of the station.

Developable property currently used for non-residential includes WCC-owned land at 253 Main Road (5418 m2 with about 1,500 m2 developable content). 95 Main Road may also be of long term interest to a larger developer, because of its size (5202 m2) and relatively low capital value ($1.2 million or $232 psm).

Summary and Conclusions

Our summary conclusion is that Tawa has plenty of redevelopment land at prices that could support medium density residential development in the short to medium term.

However, there is not enough pressure on land prices to drive developers and future purchasers towards higher density multi-unit housing. Rather, a future MDRA zoning would enable the current crop of developers to generate better yields from single lot and infill redevelopment, but would be unlikely to change their current procurement approach.

We doubt whether Wellington's larger developers will look towards Tawa in the short to medium term. Low values in the area, and higher risks associated with delivering larger projects, will keep margins too skinny to support their referred procurement approaches.

There are exceptions, for instance retirement village operators and developers of 'crossover' product like Monterrey. To secure their participation will require larger land parcels, either calved from Business or Cetre-zoned areas, or created by the amalgamation of residential lots adjacent to a larger site. We doubt, however, that any of the major players have the patience or the balance sheet to do this, so Council may have to take more of a lead if current opportunties evaporate – a case for a WCC-owned land company perhaps.

[17] We make this statement with some confidence given the fact that the Tawa rugby grounds and other recreational space is immediately opposite.

Lastly, there appears to be a considerable amount of underutilised Council land in the Tawa study area, along with significant redevelpment potential on HNZC land at the edge of the study area. Both present an opportunity to increase yields, and show leadership. A case perhaps for Crown/Commercial development partnerships?

Table CS8.1: Tawa Study Area – Summary by Walkable Catchment

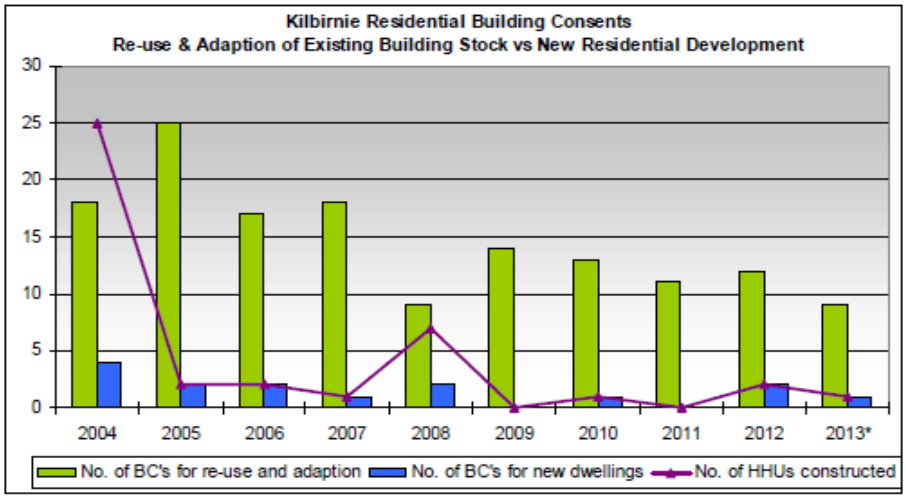
Walking Catchment	Unit Type	No. Properties	Units of Use	Land Area (m2)	Avge area per use unit (m2)	Floor Area (m2)	Building Footprint (m2)	Site coverage	Capital Value	Average value per use unit	capital value per m2 building	Capital Value per m2 land	Land Value	Land as % of Capital Value
3 mins	Single unit	115	115	73,361	638	16,080	14,437	20%	$47,370,000	$411,913	$2,946	$302	$22,140,000	47%
3 mins	Multi-unit	23	58	20,799	359	6,369	5,658	27%	$17,835,000	$307,500	$2,800	$349	$7,260,000	41%
3 mins	Catchment Total	**138**	**173**	**94,160**	**544**	**22,449**	**20,095**	**21%**	**$65,205,000**	**$376,908**	**$2,905**	**$312**	**$29,400,000**	**45%**
	Redevelopment Potential?	55	63	48,288	766	8550	7216	15%	$21,470,000	$340,794	$2,511	$253	$12,211,000	57%
	As % of Catchment Total	40%	36%	51%		38%	36%		33%				42%	
5 mins	Single unit	107	108	90,815	841	15,599	13,364	15%	$41,695,000	$386,065	$2,673	$202	$18,314,000	44%
5 mins	Multi-unit	19	74	20,023	271	6,770	5,180	26%	$16,620,000	$224,595	$2,455	$286	$5,728,000	34%
5 mins	Catchment Total	**126**	**182**	**110,839**	**609**	**22,369**	**18,544**	**17%**	**$58,315,000**	**$320,412**	**$2,607**	**$217**	**$24,042,000**	**41%**
	Redevelopment Potential?	89	104	84,847	816	13217	11386	13%	$34,120,000	$328,077	$2,582	$184	$15,635,000	46%
	As % of Catchment Total	71%	57%	77%		59%	61%		59%				65%	
7 mins	Single unit	130	131	87,942	671	18,952	15,460	18%	$47,940,000	$365,954	$2,530	$207	$18,162,000	38%
7 mins	Multi-unit	27	68	23,845	351	7,101	5,692	24%	$18,005,000	$264,779	$2,536	$274	$6,542,000	36%
7 mins	Catchment Total	**157**	**199**	**111,787**	**562**	**26,053**	**21,152**	**19%**	**$65,945,000**	**$331,382**	**$2,531**	**$221**	**$24,704,000**	**37%**
	Redevelopment Potential?	82	91	72,805	800	12544	10773	15%	$30,415,000	$334,231	$2,425	$171	$12,422,000	41%
	As % of Catchment Total	52%	46%	65%		48%	51%		46%				50%	
10 mins	Single unit	326	326	239,015	733	48,124	37,845	16%	$119,800,000	$367,485	$2,489	$194	$46,316,000	39%
10 mins	Multi-unit	42	97	39,301	405	10,319	7,783	20%	$26,880,000	$277,113	$2,605	$222	$8,715,000	32%
10 mins	Catchment Total	**368**	**423**	**278,316**	**658**	**58,443**	**45,628**	**16%**	**$146,680,000**	**$346,761**	**$2,510**	**$198**	**$55,031,000**	**38%**
	Redevelopment Potential?	243	267	212,124	794	36898	29606	14%	$87,495,000	$327,697	$2,371	$171	$36,336,000	42%
	As % of Catchment Total	66%	63%	76%		63%	65%		60%				66%	
All	Land	8	8	20,547	2568	-	-	0%	$1,143,000	$142,875		$56	$1,138,000	100%
	Redevelopment Potential?	8	8	20,547	2568	-	-	0%	$1,143,000	$142,875		$55	$1,138,000	100%
	As % of Vacant Land	100%	100%	100%					100%				100%	
All	**Single unit**	**678**	**680**	**491,134**	**722**	**98,755**	**81,106**	**17%**	**$256,805,000**	**$377,654**	**$2,600**	**$214**	**$104,932,000**	**41%**
All	**Multi-unit**	**111**	**297**	**103,968**	**350**	**30,559**	**24,313**	**23%**	**$79,340,000**	**$267,138**	**$2,596**	**$272**	**$28,245,000**	**36%**
All	Study Area Total	**789**	**977**	**595,102**	**609**	**129,314**	**105,419**	**18%**	**$336,145,000**	**$344,058**	**$2,599**	**$224**	**$133,177,000**	**40%**
	Redevelopment Potential?	469	525	418,065	796	71209	58981	14%	$173,500,000	$330,476	$2,436	$415	$76,604,000	44%
	As % of Study Area	59%	54%	70%		55%	56%		52%				58%	

Comment: Kilbirnie MDRA Area

The Kilbirnie MDRA zone became operative in 2010, and covers the Kilbirnie Centre, WCC-owned bus workshops at 66 Ross Street and about 180 surrounding residential properties in Kemp Street, Tacy Street, Rongotai Road, Childers Terrace, Onepu Road, Mahora Street, Cruickshank and Cockburn Streets.

The tables overleaf contains a summary of WCC's property database for the MDRA zone.

Even though the Kilbirnie MDRA provisions have been operative for more than three years, very little new residential development has occurred since then or indeed over the past 10 years. This applies to both the MDRA area and the wider Kilbirnie suburb. The majority of building activity has focused on refurbishing existing housing stock, rather than new residential development – as illustrated in the figure below, taken from a recent report to WCC's Transport and Urban Development Committee (May 2014).



* NB: 2013 data only covers a 6 month period.

In that report, Council officers noted that the lack of action since 2010 was probably due to a combination of wrongly-configured sites, a lack of vacant development land, GFC-related impacts on demand, and high values of existing properties – all of which make commercially-sensible development difficult at this time.

Comment

As Council officers noted in their May report, WCC's consents database confirms a substantial slowdown in redevelopment activity in the Kilbirnie MDRA area since the 1990's. There has been some infill housing development along Kemp Street and Rongotai Road, but only two multi-unit developments:

105 Rongotai Road is the only recent example of multi-level housing in the MDRA area. The project was completed in 209/10, and is built over three levels on a 42 by 15 metre lot (639 m2). There are three 90 m2 three-bedroom units on the upper levels, and three 60 m2 units at ground level. The property is held in single ownership and has a current capital value of about $1.8 million ($4,000 psm)

3-7 Tacy Street is a more traditional infill redevelopment with two standalone units (98 and 144 m2 each) flanking the original 1940's dwelling. 7 Tacy Street last sold in August 2011 for $575,000 ($4,000 psm), and 3 Tacy Street is currently on the market for offers over $625,000 ($6,000+ psm) - although recent sales suggest a CMV of closer to $5,000.

Notwithstanding a lack of new-build activity, there has been a steady stream of sales of both standalone and multi-unit housing in the study area over the past three years. Sale prices for standalone housing have ranged from the low 300,000's for older units in poor condition and on smaller (less than 400 m2) sections, to $600-700,000 for larger modernised dwellings on potentially subdivisible sites (500 m2 or more).

Sales of multi-units include four sales at 45 Childers Terrace, which comprises 22 units ranging from 50 m2 (one bedroom, through to 99m2 (three bedroom). The complex is a mix of rental and owner-occupied dwellings. Sales prices have ranged from $310,000 for a 60m2 unit (December 2011) to $420,000 for a 94 m2 unit, supporting a value of $4-5,000 psm depending on size and condition.

Sales of older multi-units include 8 A and B Childers Terrace, front and back units built in the 1970's (70 m2 each) each of which sold for about $320,000 ($4,500 psm). Also:

6 Cockburn Street, Flats 3 and 5 (50-60 m2) in a 1970's complex recently sold for about $230,000 ($4,500 psm)

4 Tully Street: Two-flat 1960's rental property (310 m2 on 349 m2 of land) sold for $700k in 2013 (say $3,000 psm)

Flats 2, 3 and 7 in ***103 Rongotai Rd***, a seven-unit complex built in the mid 1970's (average 50 m2) sold for $180-250,000 (average about $4,000 psm).

21 A-D Mahora Street was built in 2000 and comprises four 62 m2 units each built over two levels on a back lot behind the Kilbirnie Medical Centre. Recent sales have averaged about $260,000 ($4,200 psm)

Based on these sales, the market for multi-unit housing appears to have been reasonably constant over the past three years, at around $4-5,000 per square metre of built area. This suggests a market value for new hosing product (depending on size and amenity or, say $4,500 to $5,500. Buyers have been a mix of owner-occupiers and rental investors, which suggests a healthy rental market - and greater potential for rental investors to play a leading redevelopment role.

From a commercial development perspective, the key questions are whether the market is deep enough to support a fresh supply of compact housing, whether the costs of development can generate an appropriate commercial return, and whether there is sufficient opportunity remaining in the MDRA.

Redevelopemt Assessment

To test the commercial viability of redevelopment in the current market, we have reprised the development feasibility model used for the eight case studies above. Our analysis suggests that an input land cost of about $600-700 is probably the most a smaller developer could afford in today's market – at least based on the assumptions used in this paper. Infill housing projects could support a higher input land cost (say $7-800 psm), provided that the improvement could be retained, refreshed and resold, and at least two townhouse units could be added.

More comprehensive multi-unit development – along the lines of 105 Rongotai Road above – would also be commercially feasible at these levels, but higher density development (say four levels with a concrete/steel frame) would be difficult unless a developer could acquire contiguous lots, at a discounted price.

Future Redevelopment Potential

As a proxy for future redevelopment potential, we have filtered residential-zoned properties in the Kilbirnie MDRA area to exclude those properties with a land area less than 450 m2, and a capital value of more than $1,200 per square metre of land. This is 50% higher than current feasibility limits, but could be sustained if property values in the area were to rise by more than 20% over the next (say) five-1i years.

Residential Zone

In summary, about 33% of all properties in the residential portion of Kilbirnie MDRA meet our medium term redevelopment criteria. The greatest concentrations of land with redevelopment potential are in the precinct bounded by Kemp Street, Rongotai Road and Evans Bay Road.

Table CK 3: Medium-Term Redevelopment Potential – Kilbirnie MDRA Residential Area[18]

	No. Properties	Units of Use	Land Area (m2)	Average Area per Property	Capital Value	Average Value per use unit	CV per m2 Land	Land Value	LV as % of CV
Brentwood Hotel	1	1	12,322	12,322	$6,750,000	$6,750,000	$548	$1,475,000	22%
Kemp Street	25	32	15,295	612	$14,790,000	$591,600	$967	$9,000,000	61%
Evans Bay Parade	9	30	9,698	1,078	$8,235,000	$915,000	$849	$3,725,000	45%
Rongotai Road	12	12	7,605	634	$6,105,000	$508,750	$803	$4,055,000	66%
Onepu Road	4	5	2,147	537	$2,005,000	$501,250	$861	$1,020,000	55%
Kilbirnie Crescent	2	2	956	478	$1,025,000	$512,500	$1,072	$570,000	56%
Tully Street	2	2	956	478	$1,025,000	$512,500	$1,072	$570,000	56%
Coutts Street	1	1	492	492	$450,000	$450,000	$915	$215,000	48%
Mahora Street	1	1	979	979	$520,000	$520,000	$531	$315,000	61%
Crawford Road	1	1	840	840	$380,000	$380,000	$452	$310,000	82%
	58	**87**	**51,290**	**884**	**$41,285,000**	**$711,810**	**$803**	**$21,255,000**	**49%**

Based on WCC's current capital values, the most attractive immediate redevelopment prospect is the 12,000 m2 Brentwood Hotel site. There are also multiple opportunities for contiguous lot redevelopment within the Kemp Street precinct - which are likely to be diluted in the short term by infill unless there is some attempt to amalgamate properties for longer-term redevelopment.

Outside of the Kemp Street precinct, there are isolated properties in the current MDRA zone that meet our criteria but (in our view) not enough to justify a special zoning. The next ring of streets and properties appear to have more untapped potential, based on lot sizes and (compared to properties closer to the centre) current levels of infill.

[18] We have excluded church land that falls within our criteria, including 6,000 m2 attached to St Patricks and 2,000 m2 on Onepu Road

Kilbirnie Centre

The Kilbirnie Centre already contains a high proportion of residential uses - mostly due to the inclusion of the Rita Angus retirement complex at 66 Coutts Street (100 units) and 45 Childers Terrace. In total, about half of the 320 units of use within the Centre zone are residential.

The logical location for any future residential expansion within the Centre is a block of contiguous housing at 47-59 Childers terrace totalling 3,000 m2 with a combined capital value of $2.7 million ($913 psm). We have looked at two scenarios for this block using Centre zone rules:

- A 60 unit apartment development built in concrete and steel over four levels with under-croft parking.
- A 40 unit mixed development including one/ two bedroom units and three bedroom townhouses, built over three levels in lower-cost materials.

Based on our earlier assumptions, neither scenario would be commercially viable in the short-medium term market, especially given the risks associated with selling down such a big project. Lesser developments would also find it difficult to generate a reasonable margin.

Outside of this block, there are a handful of older properties in Coutts Street and Onepu Road that are on the cusp of profitability. The balance of the Centre, however, is likely to remain out of reach of residential development unless housing is part of future commercial redevelopment along Bay Road and Rongotai Road.

These opportunities pale in comparison to the formerly WCC owned 'bus barn' located between Onepu Road and Ross Streets. At its current capital value, this site has immediate redevelopment potential, is suitable for a range of residential uses (including retirement village expansion), and could absorb large project risks through staging etc.

Our overall assessment is that the current use will give over to medium density residential uses in time – unless acquired by a supermarket or bulk retailer. The concern for Council should be how to maximise the local benefits, and minimise the risks to the Kilbirnie Centre if foot traffic associated with the current use is lost.

Summary and Conclusions

In summary, the sluggish property market has probably had some impact on redevelopment activity within the Kilbirnie MDRA zone, but sales activity suggests there is demand for medium density housing, at price points that should support new development. There are a number of properties with redevelopment potential and that could be suitable for development in the short term – albeit at the lower end of commercial acceptability (infill and small developer territory) – in the Kemp Street Precinct and isolated run-down residential lots elsewhere.

The fact that these lots are not being developed is probably more to do with the intentions of current owners – a property needs to on the market before it can be considered a real redevelopment opportunity.

Developer awareness may also be an issue. Based on recent conversations with industry professionals, many developers appear to be unaware of the operative MDRA zoning in Kilbirnie – although that would soon change once the first projects were successfully delivered and sold down.

Looking to the medium term, the area's redevelopment potential is mainly around Kemp Street precinct and one or two sites within the Centre large enough to accommodate a multi-level project when the market picks up.

We doubt, however, whether Wellington's larger developers will move quickly to secure a position in the Centre before more profitable opportunities closer to the CBD have been exhausted – unless there is a game-changer in the area such as relocation of the bus fleet and subsequent sale of Ross Street.

There is a danger that the future redevelopment potential of Kemp Street, Rongotai Road and Evans Bay Road could be diluted in the short term by infill and single lot projects. The solution would be to buy and hold properties as they come to market, but we know of few smaller developers willing (or with the financial capacity) to take such a long term view.

Table CK1: Residential Land within the Kilbirnie MDRA Zone – Summary

Property Type	No. Properties	Units of Use	Land Area	Land Area per Use Unit	Floor Area	Avge Floor Area per Use Unit	Building Footprint	Site Coverage	Capital Value	Average Value per Use Unit	CV per m2 Land Area	CN per m2 Floor Area	Land Value	Land as % of CV	LV per m2
Single Unit	124	124	53,454	431	15,562	126	14,560	27%	$59,555,000	$480,282	$1,114	$3,827	$31,721,000	53%	$593
Multi-unit	44	382	38,399	101	20,690	54	10,828	28%	$60,285,000	$157,814	$1,570	$2,914	$23,203,000	38%	$604
Multi or Other Use	13	28	24,449	873	11,268	402	8,618	35%	$19,352,000	$691,143	$792	$1,717	$5,650,000	29%	$231
Vacant	2	2	793	397	-	0	-	0%	$395,000	$197,500	$498	$0	$395,000	100%	$498
	183	**536**	**117,095**	**218**	**47,520**	**89**	**34,006**	**29%**	**$139,587,000**	**$260,424**	**$1,192**	**$2,937**	**$60,969,000**	**44%**	**$521**
Medium-term	**61**	**92**	**59027**	**642**	**18671**	**203**	**15036**	**25%**	**$47,415,000**	**$515,380**	**$803**	**$2,539**	**$23,205,000**	**49%**	**$393**
Redev. Potential	**33%**	**17%**	**50%**		**39%**		**44%**		**34%**				**38%**		

Table CK2: Centre Land within the MDRA Zone - Summary

	No. Properties	Units of Use	Land Area	Land Area per Use Unit	Floor Area	Avge Floor Area per Use Unit	Building Footprint	Site Coverage	Capital Value	Average Value per Use Unit	CV per m2 Land Area	CN per m2 Floor Area	Land Value	Land as % of CV	LV per m2
Residential Uses*	21	153	18,010	**118**	19,774	**129**	7,365	**41%**	$63,240,000	$413,333	**$3,511**	**$3,198**	$24,634,000	**39%**	**$1,368**
Non-Residential Uses	64	169	8,6317	**511**	60,835	**360**	47,431	**55%**	$112,467,000	$665,485	**$1,303**	**$1,849**	$75,257,000	**67%**	**$872**
	85	**322**	**10,4327**	**324**	**80,609**	**250**	**54,796**	**53%**	**$175,707,000**	**$545,674**	**$1,684**	**$2,180**	**$99,891,000**	**57%**	**$957**

*Incl. retirement village

4 Summary and Conclusions

Despite their differences, each of the study areas covered in this review share some common themes:

- Over the past 5-10 years, we have seen comparatively low levels of medium density house construction in the selected MDRA study areas – at least compared to the preceding 30 years.
- Some medium density housing redevelopment has occurred in and around suburban centres but under, current DP settings, projects are generally low yield and disparately-located.
- The rules now tend to encourage lower-density redevelopment (say 3 dwellings or less on a standard house lot) or sub-optimal infill housing.

Exceptions are larger projects on big lots formerly used for non-residential purposes. There are also occasional examples of redevelopment projects over two or more contiguous lots adjoining lots, but these are rare because few developers are willing to take on time-based risks associated with assembling large redevelopment sites in residential areas.

Even under an MDRA zoning, our case studies suggest that it will be difficult to achieve a coherent medium density urban landscape around the selected suburban centres through planning mechanisms alone. Apart from in outermost suburbs:

- Most of the 'easy' redevelopment options within our walkable catchments (especially those closest to the centres) have been used up.
- There are few non-residential lots available in the case study areas big enough to attract large-scale developers
- In the current market, rising property values and fragmented ownership patterns are making it difficult to deliver more than single lout (or occasionally dual back lot) developments.
- Under such conditions, the market is largely left to smaller, single-lot developers, who are willing to accept smaller margin for the lower risks associated with townhouse-type developments.
- Other planning rules will continue to constrain redevelopment, for instance:
- Sunlight access planes on smaller and or narrow sites.
- Historic protection rules that prohibit demolition.

Our case studies have identified some residential and non-residential lots close to suburban centres that could be suitable for apartment–style and mixed-use redevelopment (three of four levels), but these are not common, and unlikely to generate a the same returns as opportunities closer to the CBD – at least not in the short-medium term.

Our summary conclusion is that extending the MDRA zoning to selected areas should enable the existing crop of small developers to increase yields – and may encourage more investors and developers into the game. However, it is unlikely to result in a substantial change in the type or form of residential density that has been occurring in in each of our study areas over the past 20 years.

If WCC wishes to promote higher density housing forms (especially closer to the urban centre) and better quality urban design outcomes, it should consider becoming an active participant in the property development process within MDRA-zoned areas.

In particular WCC could play a role in amalgamating land parcels over time in strategic locations, which could then be developed by the private sector on a shared risk/reward basis – a case for a WCC property company perhaps?

At the very least, active promotion of the MDRA concept, coupled with positive incentives for increasing yields and quality, should help any prospective new MDRA area on its way.