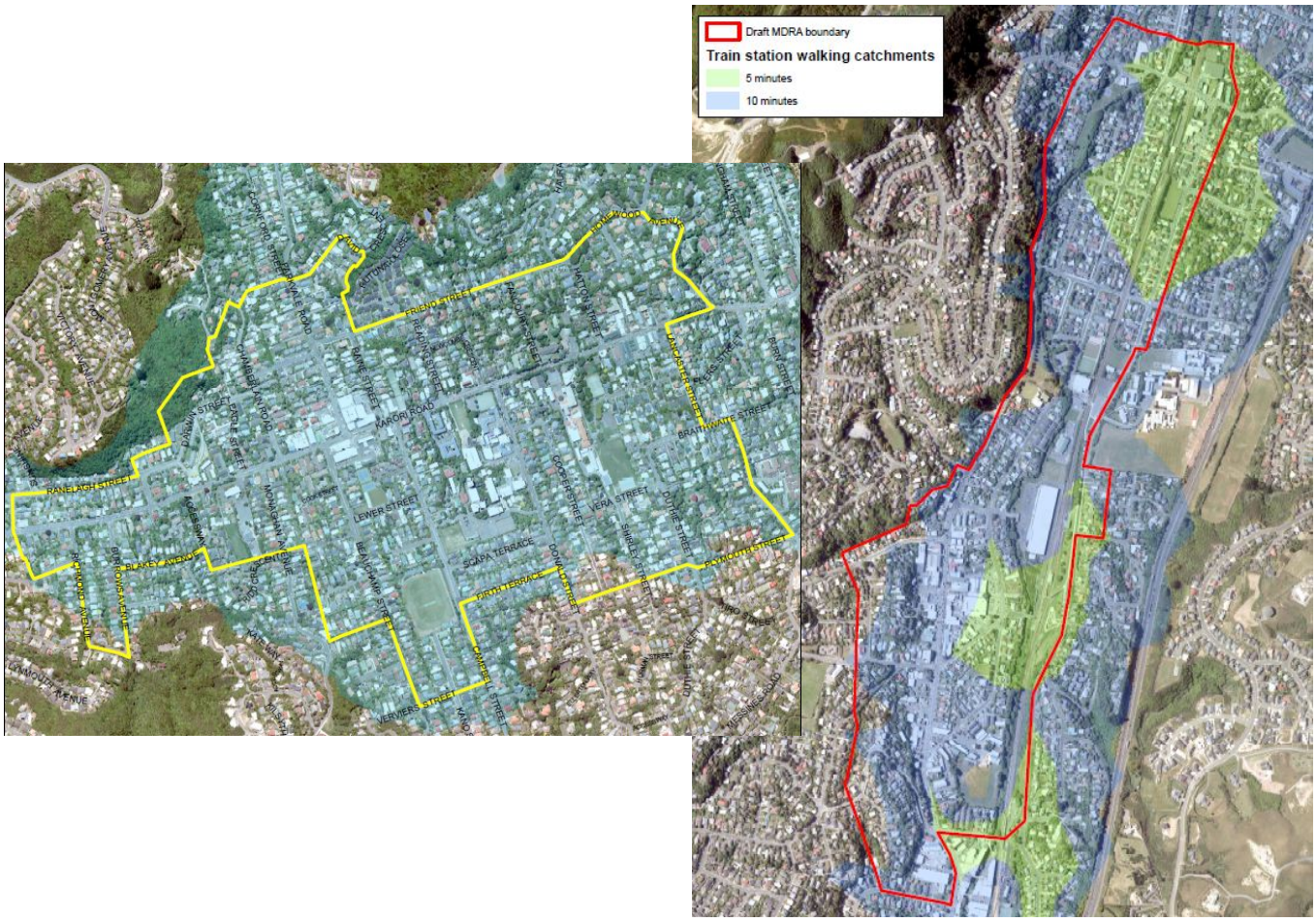
darroch
independence without compromise

Consulting Report

Valuation Impact Study on Medium Density Development

Tawa and Karori
Wellington



Valuation Impact Study On Medium Density Development

Tawa and Karori
Wellington

Prepared for	**Wellington City Council** PO Box 2199 Wellington 6140
Attention	**Elizabeth Moncrieff**
Date of valuation	17 July 2015

Contents

1.0 Executive summary

The introduction of Medium Density Residential Areas (MDRA) is seen as a positive step in promoting good quality medium density housing in suburbs where land supply is tightly constrained.

The report prepared by Gray Partners Limited provides a key basis for the current proposal and appears soundly based. The proposed MDRA areas within Karori and Tawa are generally on flatter land centred around commercial hubs or major transportation nodes such as train stations.

The proposed boundaries within Karori are relatively wide and include premium streets where the introduction of MDRAs is unlikely to encourage multi-unit housing as the high land cost, superior quality of housing and strong demand from families would tend to discount these areas as suitable for multi-unit housing.

Areas such as Nottingham Street, to the east of Marsden Village which currently sit outside the proposed MDRA, may however be better suited particularly at the southern end close to Karori Road and in small pockets where current housing is more modest.

Within Karori the greatest opportunity for medium density housing are considered to be at the western end of the suburb of Karori around the main commercial area on Karori Road and in small pockets where current housing is more modest.

Within Tawa the proposed boundaries appear well reasoned and cover a significant proportion of the flat area close to the commercial area and transportation hubs. We envisage good demand for medium density housing within those identified areas of Tawa so long as the price point is high enough to encourage development and appropriately priced to meet buyer expectations within this location.

Opportunity exists for infill housing with higher scale likely on flat land around Tawa Junction or close to the commercial area and railway stations. Tawa is traditionally a popular suburb for first time buyers and retirees given the low cost of single family housing. Opportunities for medium density housing, particularly for properties in close proximity to the various train stations, will provide a good alternative for home buyers.

Medium Density housing development in Flood Management Areas (FMAs) should not be necessarily excluded though will need to be carefully managed to ensure that future risks are appropriately mitigated.

The constrained land supply within the defined areas both in Karori and Tawa naturally tends to promote infill development rather than comprehensive residential development on larger greenfields sites.

Limited opportunities for “greenfields” development, however, do exist in both locations though are dependent upon land being made surplus to requirements by the Crown or WCC.

The greater the incentives to developers, the higher the likelihood that medium density redevelopment will occur. Higher site coverage and height limits (up to three storeys, 10 m) should provide greater flexibility of design and scale. This aspect would need to be carefully managed by ensuring appropriate separation and reduced scale close to site boundaries. In some ways the market will dictate which height is appropriate; young families versus retirees.

2.0 Introduction

2.1 Instructions

Darroch has been requested by Wellington City Council to provide consultancy/valuation advice regarding the valuation impacts and commercial drivers for medium density development in the Tawa and Karori suburbs of Wellington.

The Council is considering the 'roll-out' of the Medium Density Residential Area (MDRA) zoning for Tawa and Karori. This Plan Change was implemented in Johnsonville and Kilbirnie in 2009.

The Council is seeking information on the likely property and economic impacts of proceeding with an MDRA style zoning in these two areas.

WCC also seek to understand the possible economic impact of the planning tools being considered for these areas.

A copy of the detailed brief is set out in **Appendix 2**.

2.2 Background information

The Council commissioned a report in 2014 from Gray Partners Ltd which studied the commercial drivers supporting medium density housing development in various Wellington suburbs. The report, *"Commercial drivers for multi-density Residential Development in selected Suburban Areas"* includes Tawa and Karori and provides commentary on the following questions for both suburbs:

- *"How will land and improvement values affect the commercial viability of redevelopment in each study area?*
- *What locations within each study area are most likely to have the right commercial conditions for redevelopment within the next (say) 10-20 years?*
- *What housing typologies are most likely to result from redevelopment in each area based on an understanding of the likely market for dwellings in the area?*
- *What are the main 'economic based' barriers to redevelopment likely to be in each study area, for instance: high improvement values? Existing patterns of subdivision resulting in land fragmentation? Low market values for new housing? Topographical considerations result in need for expensive engineered earthworks solutions?"*

2.3 Research objective

To ensure Council better understands the property and economic impacts of introducing a MDRA style zone (and specific planning provisions) on identified land in Tawa and Karori.

2.4 Scope of work

We have been instructed to review the draft planning provisions attached at **Appendix 3** and proposed boundary areas being considered for the Tawa and Karori areas attached at **Appendix 4**. We have further been asked to answer some specific questions in relation to those provisions and boundary areas as set out within this report.

2.5 Information received

We have been provided with the following information from Elizabeth Moncrieff and Daniel Batley of WCC which has been considered as part of our report.

- Work specification dated May 2015.
- Draft bulk and location requirements for the proposed MDRA zoning in Tawa and Karori.
- Report titled *"Commercial drivers for medium density research and development in selected residential suburbs"* dated August 2014 prepared by Gray Partners Limited.

- Proposed boundary areas for Tawa and Karori's potential MDRA Plan Change.
- Recent resource consent information in selected areas over the past three years.
- Identification of flood risk areas in Karori and Tawa.

3.0 Valuation principles

Before considering the valuation impact on property values in the Tawa and Karori areas if an MDRA style zoning is introduced it is useful to reflect on the key considerations that impact on property values as follows:

3.1 Market value

Market value is defined as:

> *"the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion."*

This definition of value is consistent with the international definition of market value as advocated by the New Zealand Institute of Valuers.

3.2 Willing buyer/willing seller

The market value is the estimation of the likely price that would be paid by a prudent or well informed buyer from a prudent or well informed seller under "normal" market conditions.

3.3 Highest and best use

The *"highest and best"* use of a property is a key factor in determining a property's value. This is generally considered to be the most profitable, legal and probable use of the property. For example, the *"highest and best"* use of a dwelling situated on commercial inner city land may conceivably be as a vacant site for redevelopment rather the existing use as a residential house. The concept of *"highest and best"* use is very reliant on the zoning and permitted use of the property.

In some cases, depending upon zoning, the *"highest and best"* use may in fact be for multiple uses, ie retail on the ground floor with residential apartments above.

Over time, depending upon market conditions the "highest and best" use can change. For example, in a weak economic climate often a fall-off in land prices can occur as a result of very limited demand for redevelopment sites. The reverse occurs where strong demand for housing can have a flow on effect to land prices.

3.4 Zoning

Zoning provides a mechanism which attempts to manage the use; development and protection of natural and physical resources in a way and a rate which enables positive outcomes to communities from a social economic and cultural viewpoint.

Left purely to market forces, the resulting development would tend to be a "hotch potch" of different and sometimes incompatible uses without necessarily allocating sufficient quantity or distribution of the different classes of use.

In its usual form, zoning therefore aims to:

- Allocate land in efficient quantities.
- Provide effective spatial distribution of uses ie between residential, commercial and community uses.

Within this process standards specified within each zone produce a hierarchy of land use. These standards control the permitted uses, together with the scale and intensity of development within each zone aimed at ensuring compatibility within particular areas or where different uses merge.

3.4.1 Value Impact on Zoning and Use

The relative ranking of land values tends to follow this hierarchy whereby zoning which permits a wider range of uses as of right and a higher scale of intensity tend to yield the highest land values.

For different classes of land in general terms the ranking or hierarchy in terms of value is shown below:

Value	Land Class	Description
Highest Value	Inner City Commercial	High intensity high rise development.
	Suburban Commercial	Medium to high intensity low rise development. Good pedestrian flows.
	Inner City Residential	Medium to high density. Sought after locations.
	Industrial	Lower intensity. Manufacturing and distribution base.
	Suburban (Outer) Residential	Low to medium density. More affordable.
	Community Use Land	Lower intensity, non-profit groups.
	Lifestyle	Low density. Generally Rural zoning.
Lowest Value	Rural (pastoral land)	Economic pastoral and fattening land.

This matrix summarises the *"highest and best"* use of the land which in turn determines what a purchaser is prepared to pay. In general terms the greater the intensity of use the higher the value.

For example, within the Central Area and Suburban Centre zones both commercial and residential uses are permitted uses. Within the inner city this has promoted development of high rise retail/apartment buildings which provide for retailing at the street level and residential living above. The scale of this development is also determined by various guidelines with respect to height limits and site coverage.

During the mid to late 1990s as vacancies for office space increased this coincided with an ever increasing demand for inner city apartments with apartment numbers increasing significantly during this period. This trend continued through until 2006/2007. In turn, as developers scrambled to acquire redevelopment sites land values escalated three to four fold over a relatively short time period. Arguably a shift in demand coupled with limited supply of vacant land played a major role in this trend.

The scale and permitted heights ranging from 12 metres to 90 metres play a key part in determining the style of development and relative prices paid for development land in different parts of the inner city. Land prices typically range from $1,250 to $2,200 per square metre in parts of Te Aro where development from 3-6 storeys (10-27 metres) is permitted. Higher prices ranging from $2,000-$5,000 per square metre are evident in more central parts of the city where high rise up to 20 storeys (40 metres to 90 metres) is permitted.

Similarly, in suburban areas residential development occurs on land zoned Outer or Inner Residential. Within the Outer Residential zone the maximum site coverage is limited to 35% with a maximum height of 8 metres increasing to 50% in

Inner residential areas with a 10 metre height limit. Looking at inner city land value evidence over recent years, clearly there is a correlation between land prices per square metre and permitted height and site coverage as set out above.

The Suburban Centre (Centres) zone which also permits residential use but a greater site coverage and a maximum building height of 12 metres has consequently higher land prices. Over time this has encouraged higher intensity development in suburban areas over and above the scale permitted within the surrounding residential areas. Good examples of this can be seen in parts of Kilbirnie, Miramar and Newtown.

3.4.2 Value levels in Wellington City

The table below illustrates the general sale value ranges per square metre for land suited to residential development including both Outer and Inner Residential zone sections, Suburban Commercial land (Centres zone) and Central Area zoned properties. These values reflect the 'highest and best' use of land in these locations. Generally this provides for land values in the outer suburbs relating to single residential unit use with land prices in the inner suburb catering for a mix of single and medium density residential use. The values presented are on the basis of generally flat, fully useable land, assuming a typical section size.

		Low Value Range	Medium Value Range	High Value Range
Outer Suburban (Residential)	Value ($psm)	**$200 to $300**	**$300 to $500**	**$500 to $1,250**
	Value ($)	**$150,000 to $250,000**	**$200,000 to $350,000**	**$350,000 to $600,000**
	Land Area (sq m)	500 to 800	500 to 800	250 to 500
	Height	8m	8m	8m
	Suburb	Tawa, Takapu Valley, Grenada North, Grenada, Outer Johnsonville, Newlands, Paparangi	Karori West, Inner Johnsonville, Churton Park, Ngaio, Wilton, Crofton Downs, Kilbirnie, Strathmore	Seatoun, Miramar, the Bays, Hataitai, Brooklyn, Karori East, Khandallah, Northland
Inner Suburban (Residential)	Value ($psm)	**N/A**	**$700 to $1,000**	**$1,250 to $2,500**
	Value ($)		**$250,000 to $450,000**	**$500,000 to $1,000,000**
	Land Area (sq m)	250 to 500	250 to 500	250 to 500
	Height	8m to 10m	8m to 10m	8m to 10m
	Suburb	N/A	Mt Cook, Newtown, Aro Valley, Wadestown	Mt Victoria, Kelburn, Thorndon, Roseneath
Suburban Commercial (Mixed Use)	Value ($psm)	**$400 to $800**	**$800 to $1,250**	**$1,250 to $2,000**
	Land Area (sq m)	500 to 1000	500 to 1000	500 to 1000
	Height	10m to 12m	10m to 18m	10m to 18m
	Area	Outer Suburb	Inner Suburb	Kilbirne, Newtown, Mt Cook, Johnsonville
Inner City (Mixed Use)	Value ($psm)	**$1,250 to $1,750**	**$1,750 to $2,500**	**$2,000 to $5,000**
	Land Area (sq m)	250 to 1000	250 to 1000	500 to 1,500
	Height	10m to 14.4m	18.6m to 35.4m	40m to 95m
			Te Aro, Thorndon, Pipitea, CBD	

By way of comparison to the table above in areas such as Johnsonville, where Outer Residential zoned land near the Sub-regional/Commercial Centre has been rezoned MD1 and MD2 for medium density housing, land prices have generally increased and range from $600 to $800 per square metre which is close to prices paid for inner residential land in inner city areas such Newtown and Mt Cook

4.0 Market data

4.1 Local Karori market

4.1.1 Overview

Karori is the western-most of Wellington's residential suburbs and occupies generally rolling ground approximately five kilometres from the central city. The current population of Karori as recorded in the 2013 census was nearly 15,000. A large number of households in Karori are made of single or couple-only households, though a large portion is made up of family households.

The main arterial road through the area is Karori Road which extends from east to west. The suburb is primarily accessed through the Karori Tunnel and public transportation though Karori is provided via a regular bus service to and from the central city.

Karori is well serviced with amenities including two shopping areas situated along Karori Road. The main shopping centre is situated at the Parkvale Road intersection with Karori Road. Centred around Karori Mall major occupiers include Countdown and New World supermarkets, a library, community centre, service station and various other services and amenities. Marsden Village is situated at the eastern end of Karori Road close to Hatton Street. It is a smaller shopping area providing local services and amenities.

The suburb is serviced by three primary schools including St Teresa's School, Karori West Normal School and Karori Normal School and Samuel Marsden Collegiate School (a private Anglican girls' secondary school). There are also several preschools in the area. The area is within the enrolment zones for Wellington College, Wellington Girls College, Wellington High School and St Oran's Collage. The Karori Campus of Victoria University of Wellington which is home to the Faculty of Education is situated on Donald Street.

Karori is well endowed with recreational facilities. This includes Zealandia Bird Sanctuary which is situated on the southeast of the suburb. Karori Park is situated on the north side of Karori Road towards the eastern end of the suburb providing football and cricket sports grounds, all-weather track, changing rooms and a children's play area. Ben Burn Park on Campbell Street and the end of Kano Street is used for football and cricket.

Wrights Hill Reserve and Makara Peak Mountain Bike Park area are situated to the south-eastern end of Karori.

4.1.2 Housing Stock

Properties within the Karori area are bungalows and villas of generally variable age and style but there are a significant number of pre-war superior quality homes, most of which are situated towards the more sought after city or eastern end of Karori. The area was originally developed after the construction of the Karori Tunnel in 1901 and most of the housing at the City end or east side comprise early 1900s to 1930s housing with more recent housing, 1940s to 1970s occurring further towards the west along Karori Road.

There is a relatively limited supply of newer standalone housing or infill development. This may be reflective of the suburban nature of the neighbourhood where standalone housing is preferred or due to the high property values for redevelopment and lack of vacant land. In general the housing stock in Karori has been maintained to a good standard with a high degree of modernisation evident.

That said, there have been a small number of new developments over the last 5 to 10 years. The most recent development included a 9 unit two storey townhouse development contained within three blocks off Makara Road overlooking Karori Park. Others include a comprehensive site development of 84 townhouses off Saddleback Grove, two smaller developments of 7 and 10 units at Arlington Road and South Karori Road and the 63 unit townhouse development off Futuna Close built in 2003. With the exception of the Futuna Close development, most of this new multi-unit development has occurred on the western side of Karori.

36 Makara Road, Karori

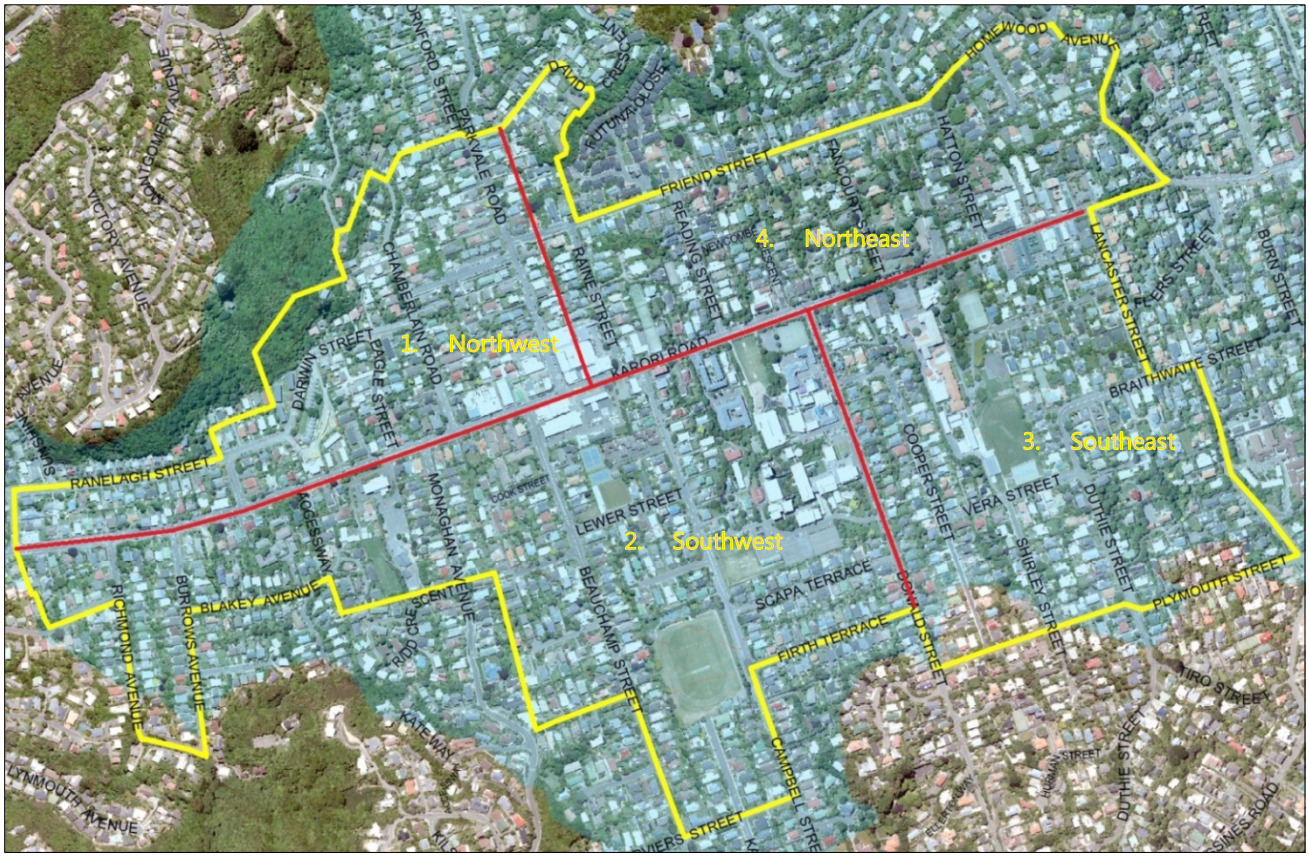
Futuna Close, Friend Street, Karori

Further development has occurred on 'greenfield sites' rather than on existing single family sections. A new single family subdivision has also recently been constructed off Makara Road at the suburbs eastern end.

The median price in the Karori area according to QV for the 3 months to May 2015 is $526,500 for all dwellings, $587,000 for houses, $306,000 for flats, and $221,000 for sections.

4.1.3 Karori Proposed MDRA Boundary

We have been provided a copy of the proposed draft MDRA boundary line in Karori as illustrated below.



Within these boundaries we have identified four distinct sectors:

1. **Northeast Sector.** North side of Karori Road east of Parkvale Road (Homewood/Friend Street Block).
2. **Northwest Sector**. North side of Karori Road including Parkvale Road and lands to the west (centred around Parkvale Road, Chamberlain Road and Eagle Street).
3. **Southwest Sector**. South side of Karori Road (centred around Beauchamp Street, Monaghan Avenue extending through to Richmond Avenue).

4. **Southeast Sector**. South side of Karori Road (extending from Donald Street through to Lancaster Street).

Below is a more detailed description of each area.

1. Northeast Sector (Homewood Avenue/Friend Street Block)

The northeast sector is situated on the north side of Karori Road including those properties to the east of Parkvale Road and includes David Crescent. The boundary line follows Homewood Avenue and Friend Street which are two of the most sought after streets within Karori. This zone is characterised by modernised pre-war dwellings and quality housing on larger easy to moderate sloping sections. Section prices are in excess of $500,000 for a typical 500 square metre section or $1,000 per square metre. Homes in this area often exceed the $1,000,000 mark. Some of Karori's premium housing is located in Homewood Avenue, Hatton Street and the eastern end of Friend Street.

Larger sites within this sector include the tennis club site at 226 Karori Road and the Karori Anglican Church, offices and hall at 168-170 Karori Road. The Marsden Village shopping area is also located within this sector. All of the land within the village is built on with the most recent building, 156 Karori Road being constructed in the 1990s with retail at grade, residential apartments above and townhouses to the rear.

Within this sector, there are little to no vacant sections available for immediate redevelopment. That said there may be some opportunities for infill development scattered throughout the area.

2. Northwest Sector

This sector comprises the area situated on the west side of Parkvale Road, and the north side of Karori Road. This area is characterised by more modest homes built from the 1950s and 1960s, infill housing from the 1970s, and some pre-war bungalows. Land tends to be generally smaller flat sections. Samuel Parnell Road, Chamberlain Road, Eagle Street, Darwin and Ranelagh Streets are characterised by more modest homes with some infill development having already occurred.

The Karori Bus Barn owned by Wellington City Council on the south side of Darwin Street offers a large site within this area. Pockets of ex State housing are also prevalent which, due to their generally lower improvements value, provide good opportunity for redevelopment.

The main commercial area of Karori is also located within this sector including Karori Mall with Countdown and New World supermarkets, a service station and many other shops and amenities.

Within this sector, there are little or no vacant sections land available for immediate redevelopment, but there is opportunity for infill housing or redevelopment for medium density development through amalgamation. Should the Karori Bus Barn be deemed surplus there would be an opportunity for more intensive development on this site.

3. Southwest Sector

This sector is situated on the south side of Karori Road and to the west of Donald Street. This area mainly comprises 1920s and 1930s homes of good quality. Sections in the area vary from steeper sections along Richmond Avenue, easy sloping sections along Blakey Avenue, to more flat sections along Burrows and Monaghan Avenues. Over the past 5 to 10 years, this area has become more popular as housing in those areas to the east have become less affordable.

Flatter sections are located along Monaghan Avenue towards Karori Road and sections along Lewer Street which comprise more modest or average quality constructed in the 1940s or 1950s.

Major occupiers in the area other than single family homes include the Victoria University student housing at Helen Lowry Hall situated between Karori Road and Blakey Street and St Teresa's School on Karori Road, just west of Monaghan Avenue. Also within the main commercial node of Karori are the Karori library and community centre and a Mobil petrol station. The Karori Bowling Club on the south side of Lewer Street and the adjacent and the Karori United Lawn Tennis Club accessible from the west side of Campbell Street offer two large parcels of land which are currently underutilised. Ben Burn Park on the east side of Campbell Street also comprises a large reserve site.

Other large institutional occupiers include the Victoria University of Wellington College of Education situated between Campbell and Donald Street and the Karori Normal School on the southeast side of Karori Road and Donald Street.

There is very little land available for immediate development within this sector. Redevelopment opportunities however may exist along the lower sections of Monaghan Avenue and along Lewer Street where house values are lower given their quality and condition. Further, scattered infill development may also be possible where houses are not centred within the existing section. Further, there may be opportunities for development should large blocks of land such as the bowling club at 14 Lewer Street or the tennis club at 16 Campbell Street become surplus to current requirements.

There appears to be large grassy park on the east side of Campbell Street as part of the Victoria University of Wellington site which also appears to be underutilised.

Land currently owned by Wellington City Council around the community centre and adjacent to the Mobil petrol station along Karori Road appears to be under developed and would be suited to higher density residential development.

4. Southeast Sector

This sector comprises the land to the east of Donald Street and south of Karori Road. Similar to the Northeast Sector this area is characterised by modernised pre-war dwellings and quality housing on larger easy to moderate sloping sections. Homes in this area are typically priced above the $1,000,000 mark especially in the premium streets such as Lancaster Street, Braithwaite Street, Vera Street and Duthie Street.

Larger occupiers in the area include the Samuel Marsden Collegiate School on the south side of Karori Road and the Russian Government own a large parcel at 21 Duthie Street.

There are little to no land sections available for immediate redevelopment within this sector. Similar to the northeast sector there may be opportunities for infill development should existing single family occupiers deem some land on larger sections surplus.

4.1.4 Existing Value Ranges

The table below illustrates section values and house values within each sector. Similar to the northeast sector there may be opportunities for infill development should existing simple family occupiers deem some land on larger sections surplus.

Sector	1. Northeast	2. Northwest	3. Southwest	4. Southeast
Section Price	**$500,000 to $1,000,000**	**$250,000 to $325,000**	**$225,000 to $350,000**	**$350,000 to $600,000**
Land area (sm)	600 to 900	500 to 700	500 to 700	500 to 900
Land value ($psm)*	$800 to $1,200	$400 to $600	$400 to $600	$700 to $900
Existing Houses	**$800,000 to $1,500,000**	**$450,000 to $650,000**	**$550,000 to $850,000**	**$600,000 to $1,000,000**
Value ($psm)	$4,500 to $7,000	$3,750 to $4,750	$4,000 to $5,000	$3,500 to $5,500
House size (sm)	200 to 300	100 to 175	120 to 250	150 to 250
Equivalent land value $psm	**$1,500 to $2,000**	**$600 to $1,200**	**$750 to $1,500**	**$1,000 to $2,000**

*Assumes a flat useable site

Within the Karori proposed MDRA, section sizes generally range from 500 to 900 square metres and sections prices, vary widely in value from $250,000 to in excess of $1,000,000. On a price per square metre basis this range is between $400 to $600 per square metre in the western sectors and between $700 to $1,200 per square metre in the more popular city end of Karori.

Given the lack of vacant land available for redevelopment within the proposed MDRA, it is anticipated that redevelopment will occur on sections which are already built on. As illustrated in the table above housing generally ranges from $450,000 to $850,000 in the western sectors and between $600,000 to in excess of $1,500,000 in the eastern sectors.

On this basis the value of the improved properties equate to an '**equivalent land price'** ranging from $600 to $1,500 per square metre in the western sectors and between $1,000 and $2,000 per square metre in the eastern sectors.

Ultimately what this table highlights is the high cost of redevelopment within each sector where land is principally used for good quality single family residential purposes. The impact of this is discussed further within this report.

4.2 Local Tawa market

4.2.1 Overview

Tawa is a north Wellington suburb occupying a flat valley floor and surrounding hill slopes, situated approximately 15 kilometres north of Wellington City. The current population of Tawa recorded in the 2013 census was nearly 15,000 people including Grenada North and Takapu Valley. Population in Tawa has been projected to grow by 26% over the next 30 years to 19,000 by Wellington City Council. A large portion of the growth is expected from those aged 70+ as well as empty nesters, retirees and those aged 25 to 34 with young children.

The suburb is accessed via State Highway 1 and the main trunk railway line. The main arterial road through Tawa is Main Road which transverses in a north-south direction through the flatter valley floor of the neighbourhood connecting the suburb to State Highway 1 to the south and Porirua City to the north. A good range of commercial services and amenities are focused along Main Road including banking and postal facilities, supermarkets and a variety of retailing.

Public transport is via bus route and/or City Rail links. Tawa is serviced by five suburban passenger railway stations including Kenepuru, Linden, Tawa, Redwood and Takapu Road. A proportion of residents in Tawa travel to Wellington CBD daily for work. The area is also serviced by a bus route travelling between Porirua to the north and Johnsonville to the south. All of the public transport facilities are focussed on the flat areas and those areas situated on the hills to the west are underserviced by public transportation.

The suburb is serviced by six primary schools including Greenacres, Hampton Hill, Linden, Redwood, St Francis Xavier and Tawa Schools, as well as Tawa College and Tawa Intermediate School. Tawa has a number of community facilities including the Mervyn Kemp Library, Tawa Community College, Tawa Recreation Centre, and Tawa Pool. Tawa is also serviced by a large number of parks and sporting facilities.

4.2.2 Housing Stock

Tawa originally developed from the 1930s to 1940s following construction of the rail network and more significantly during the 1950s and 1960s upon construction of the urban motorway. Homes during this era provided for standard three-bedroom family dwellings of a modest size and quality. Development has continued through the decades to now provide a mixture of property types. More recent subdivisions within the suburbs such as Redwood have developed from the 1960s to the present day, providing superior four bedroom homes.

In terms of multi-unit housing, there are various older 1970s apartment blocks dotted around the flatter areas of Tawa as well as State housing situated to the north in the Linden area. Infill housing development has occurred on various larger blocks of land providing smaller 2 bedroom single unit standalone or semi-detached units, most appear to have been constructed in the 1990s. There have been relatively few new housing developments in the area over the past 5 to 10 years.

Existing Infill Development – Oxford Street

Existing Infill Development – Oxford Street

The Tawa Junction retail development situated at the eastern end of Surrey Street and backing onto the rail line was purchased in 2005 for the development of a large scale retirement home, however, development did not proceed. It is our understanding that a 3,500 square metre site at the northern end of this property has recently been sold to a local developer for the construction of up to 20 three storey townhouse units. This is situated on Business 1 zoned land.

Our own research and discussions with agents familiar with the local Tawa market indicate that a standard flat section with a three bedroom would sell for between high $300,000 to the high $400,000s. The outlying areas of Linden provide lower priced homes in the low $300,000 price bracket, increasing in the Redwood suburb with homes around the $500,000 mark.

Given these average price points, the Tawa area generally attracts first time home buyers, young families and the elderly. A common trend is that more retired or semi-retired people who are downsizing are moving to the flatter areas surrounding the neighbourhood shops and transportation, while the hills tend to attract young families. The Redwood area specifically is attracting young families seeking access to the higher decile school within the area.

The median price in the Tawa area according to QV for the 3 months to May 2015 is $406,000 for all dwellings, $419,000 for houses and $235,500 for flats.

4.2.3 Tawa Proposed MDRA Boundary

We have been provided a copy of the proposed draft MDRA boundary line in Tawa as illustrated on the following page.

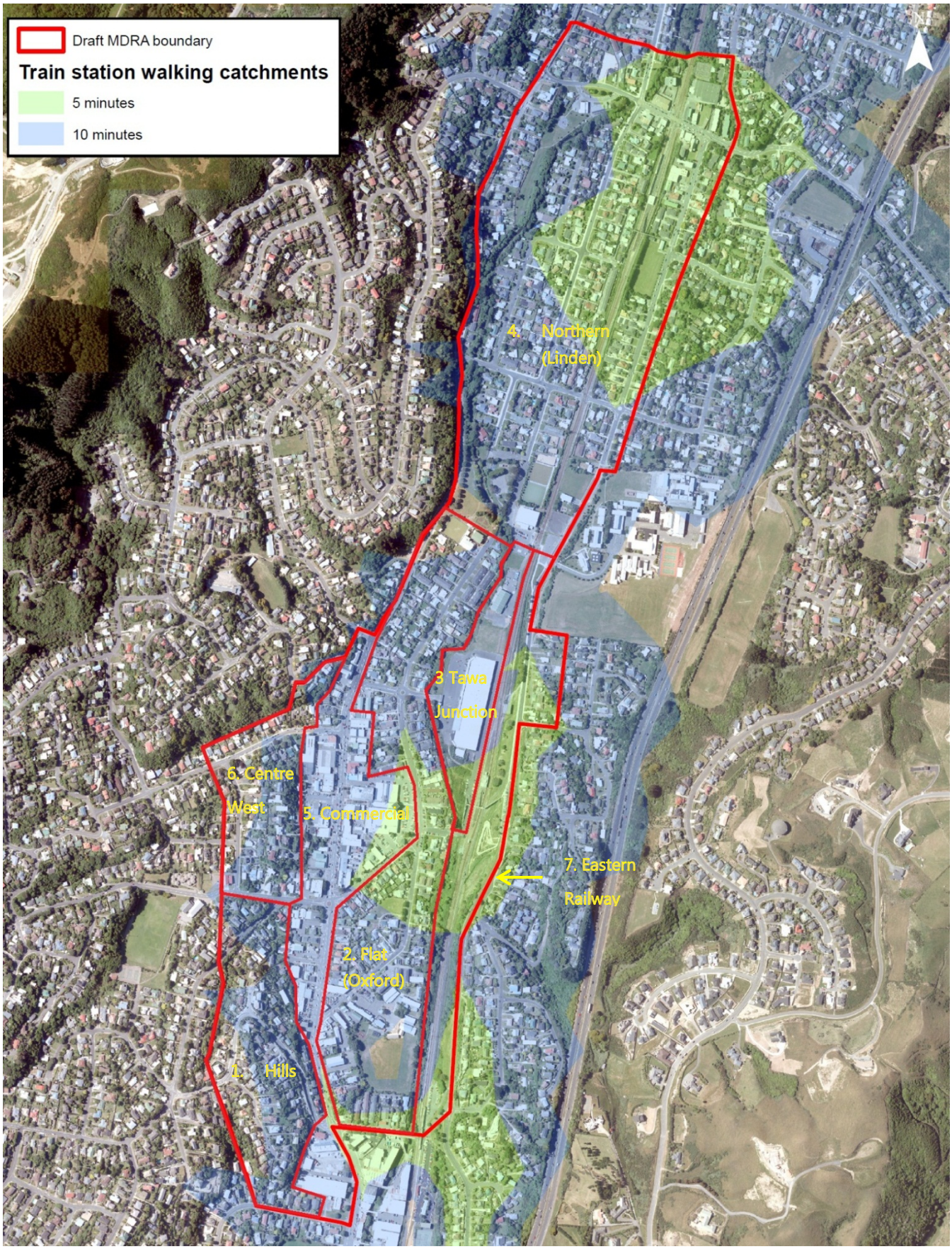
Within these boundaries we have identified seven distinct sectors, albeit some are relatively small:

1. Hills Sector
2. Flat Sector (Oxford Street)
3. Tawa Junction Sector
4. Northern Sector (Linden)
5. Commercial Sector
6. West Sector
7. Eastern Railway Sector

1. Hills Sector

This sector comprises a portion of the hills situated above and to the east of the flatter commercial area of Tawa. The area is predominantly 1940s to 1950s homes with a proportion of the housing stock built in the 1970s and 1980s with the odd newer home. Streets in this area include The Drive, Kereru Bend, Te Reinga View, and the lower sections of Lyndhurst Road and Ngatitoa Street. Some sections within this area are elevated and are relatively flat with good views however a majority of the sections in this area are steep and fall away from the road.

There are no vacant sections available for redevelopment in this area and given the steeper topography in this area would generally be less conducive to multi-unit development. There are however some isolated sites within the area which would be more suitable given there easier topography however these lots are generally improved with more modern substantial homes.



More detail of each area is described below:

2. Flat Sector (Oxford)

This sector primarily follows Oxford Street through the flatter area of Tawa situated between the main commercial node along Main Road to the west and the railway line to the east. Housing in this area is predominately 1940s and 1950s with infill housing occurring from the 1970s to the 1990s. Most development is single level and infill housing is typically 2 or 3 standalone or semi-detached units on existing lots averaging around 800 square metres.

Large occupiers in this sector include Tawa School, Coronation Park, childcare centres, the RSA and a bowling green. This sector is strategically situated between the Redwood train station to the south and Tawa station of the centre with the main commercial services and amenities, including a New World shopping centre situated immediately to the west.

The topography of the land as well as the age and condition of the existing housing stock in this area, being primarily modest housing lends itself to redevelopment. Flatter sections in Tawa are in high demand with retirees and elderly people given the proximity to shops and transportation.

3. Tawa Junction Sector

This sector comprises the land situated between the Porirua Stream to the west and the railway to the east with the Tawa Station to the south and the Pool to the northern boundary. This sector is accessible via Surrey Street. There are currently only three property owners in the sector including Wellington City Council, Wakefield Property Holdings and the Greater Wellington Regional Council (GWRC).

The GWRC recently purchased 3,433 square metres from Wakefield Property Holdings for the construction of a parking lot for the Tawa railway station. The Wakefield Property Holdings site known as Tawa Junction includes a former warehouse/trade centre which has been refurbished and subdivided into several retailers. We understand that approximately 3,400 square metres of land immediately north of Tawa Junction is under contract. The purchaser is intending on construction a 20 unit three storey townhouse development.

The Wellington City Council land to the north is improved with a warehouse building, access to this site is from Oxford Street.

This area offers greenfield land which would be suitable for comprehensive development, such as that planned on the 3,400 square metre block to the north of Tawa Junction. Should the WCC land be deemed surplus to their requirements it is our opinion that medium density housing would be an appropriate alternative use given its proximity to shops and the railway. Further, this sector is physically separated from existing housing stock lending itself to higher density development.

4. Northern Sector (Linden)

This sector comprises the land to the north of the Flat and Tawa Junction Sectors and its boundary lines are Main Road to the west, lands just on the north side of Linden/Collins Avenue to the north, and lands to the east of Duncan Street. This area is predominately made up of 1950s and 1960s homes on relatively flat sections with wider frontages. Some 1980s and 1990s infill has already occurred similar to the Flat Sector with smaller single family homes either as standalone or semi-detached with 2 or 3 units together on a single section.

This area has a physical separation from the main Tawa Centre due to the Porirua Stream which runs along its western and southern boundary and a buffer zone to its south which includes the Grasslees Reserve, Tawa Pool and Wellington City Council owned bowling greens. Linden train station is centrally located within this sector.

A small suburban commercial area is situated along Linden/Collins Avenue to the north centred around the rail line between Beauchamp and Hinau Streets. A small two storey residential development is currently being constructed on the south side of Collins Avenue.

Various reserves are located in this sector including Kowhai Park situated between the railway on the west side of Hinau Street and Duncan Park situated on the west side of the Porirua Stream.

There are limited vacant sections available for immediate development within this sector, however the modest housing in this area and larger sections offer potential for infill development or land banking for development on multiple sections. House prices in this area are also typically lower than the rest of Tawa with homes averaging in the low $300,000s.

5. Commercial Sector (Main Road)

This sector comprises those properties which are identified on the proposed boundary plan for medium density housing and are situated along Main Road. These properties are generally commercial in nature and offer Tawa's main services including bank, cafes, grocery and pharmacy occupiers among others.

The area is substantially developed with existing users and there does not appear to be much land available for redevelopment. However, there may be outlying properties with poor to average quality improvements which may offer redevelopment potential throughout this area. Given the commercial nature of this area mixed use development with higher densities up to three storeys is a viable option.

6. West Sector (Lincoln/Roy Street)

This sector is characterised by single family homes constructed in 1940s, 1950s and 1960s with infill housing in the 1980s through to the current day. The land in the area is gently rising from east to west up Lincoln Avenue and is relatively level along Roy Street with elevated land further to the east.

Homes in the area are of good quality and are relatively large in size. There is limited opportunity for redevelopment within this area. However there may be opportunities for refill development.

7. Eastern Railway Sector

This sector includes all the land identified for medium density housing on the plan which is situated to the east of the railway stretching from Redwood Station (Tawa Street) to the south up through Tawa College to the north. Other than a small cluster of homes situation to the south of Tawa College to Stephen Street, all of the narrow strip of land is owned by Wellington City Council.

Should this land be deemed surplus to Council requirements the location of the land surrounding the Redwood and Tawa railway stations could offer strong potential for medium density housing. The land, however, is quite narrow in parts.

The homes situated between Tawa College and Stephen Street comprise of mainly 1940s and 1950s homes with some newer infill housing to the rear. The sections slope moderately up from Duncan Street and are all around 800 square metres. This area, while close to Tawa Station is segregated somewhat from the rest of Tawa. While this small pocket of properties is in close proximity to the station, the higher quality and value of homes in this area would generally negate redevelopment from occurring in the short to medium term.

4.2.4 Existing Value Ranges

The table below illustrates existing section values and house values within each sector as identified previously.

Sector	1. Hills	2. Flats / Oxford	4. North / Linden	6. West
Section Price	**$125,000 to $175,000**	**$175,000 to $275,000**	**$175,000 to $275,000**	**$125,000 to $250,000**
Land area (sm)	500 to 900	700 to 900	700 to 900	600 to 1,000
Land value ($psm)*	$150 to $300	$200 to $350	$200 to $350	$150 to $300
Existing Houses	**$375,000 to $550,000**	**$350,000 to $500,000**	**$300,000 to $450,000**	**$350,000 to $500,000**
Value ($psm)	$1,750 to $3,250	$2,500 to $3,250	$2,250 to $3,000	$2,500 to $4,000
House size (sm)	125 to 250	110 to 250	110 to 250	110 to 250
Equivalent land value $psm	**$400 to $700**	**$400 to $650**	**$350 to $600**	**$400 to $700**

*Assumes a flat useable site

Within the Tawa proposed MDRA, section sizes generally range from 500 to 1,000 square metres and sections widely vary in value from $125,000 to upwards of $275,000. On a price per square metre basis this range is between $150 and $350 per square metre.

Given the lack of available land for redevelopment within the proposed MDRA, it is anticipated that redevelopment will occur on sections which are already improved. As illustrated in the table above housing generally ranges from $300,000 to $550,000.

The equivalent land value of these improved sections on a per square metre basis of land area is between $350 and $700 per square metre.

Ultimately what this table highlights is the high cost of development within each sector where land is already used for single family residential purposes. This impact of this is discussed further within this report.

5.0 Case Study on the Viability of Medium Density Residential Development

A key driver for the success or otherwise of encouraging medium density housing within suburban areas of Wellington is the financial reward or profit margins available to developers.

This is dependent upon a number of inter-related factors that include:

- Pricing of end product (townhouses/apartments).
- Build costs and holding costs.
- Land purchase costs.
- Market demand and absorption rate.

Each of these areas are discussed more fully.

5.1 Development Profit Margin

The profit margin is determined by deducting the costs of construction, consultants and municipal fees, holding costs, financing costs and land purchase cost from the combined value or gross realisation for the townhouses/apartments.

These profit margins vary depending on the risk associated with development which includes a variety of things; location, market demand, costs of development, size of the project, etc. In our experience in the current market the expected profit ranges from 15% to 25%.

The table below illustrates the average sale price per unit and per square metre of a selection of recent developments in the Wellington area and deducts the land price paid and the estimated cost of construction and holding costs to provide an overall estimate for each of these developments which were completed within the last 3-4 years.

Development/Address	Suburb	No. of Units	Average Unit Sale Price	Average Sale Price $psm*	Land Price Per Unit	Cost Per Unit	Total Cost $psm*	**Profit Margin**	Time Between Land Purchase & Sellout (yrs)
36 Makara Road	Karori	9	$542,500	$4,700	$72,500	$317,500	$2,750	**25%**	7.58
8-10 Middleton Road	Johnsonville	15	$355,000	$4,550	$57,500	$220,000	$2,750	**18%**	4.00
27 Trafalger Street	Johnsonville	5	$497,500	$5,000	$80,000	$270,000	$2,850	**17%**	3.83
Avenida, 8 Thatcher Crescent	Crofton Downs	22	$475,000	$5,000	$42,500	$270,000	$2,850	**23%**	1.50
Nuovo, 21 Rugby Street	Mt Cook	54	$392,500	$6,200	$42,500	$202,500	$3,250	**19%**	3.67
26 Wright Street	Mt Cook	20	$560,000	$5,200	$102,500	$315,000	$2,900	**19%**	10.42
Detroit, 181 Tasman Street	Mt Cook	41	$467,500	$6,850	$70,000	$285,000	$4,200	**11%**	2.58
11-13 Gordon Place	Newtown	13	$447,500	$4,300	$62,500	$292,500	$2,800	**9%**	4.50
Vedado, 41 Hopper Street	Te Aro	32	$475,000	$7,400	$55,000	$255,000	$4,000	**20%**	Proposed

* The $psm price is based on saleable area

Sale prices of the units have been determined from actual sales, and land costs in most cases are derived from the actual land purchase price. Build costs are derived from, in some cases, actual costs with estimates based on our knowledge of the market for those developments where build costs are not available.

From our analysis there is a reasonably wide range of 9% to 25% for profit margin which accrues to the developer. Generally anything above 15% is acceptable whilst profit margins below 10% are considered below expected market levels.

As the above analysis assumes funding from within the development, developers who operate with a high proportion of equity are able to reduce holding costs of finance and hence increase profit. This may be the case for many of those developments.

Clearly there is a compressed price point for medium density housing ranging between $350,000 and $450,000 for two to three units/townhouses in suburban areas, increasing up to $450,000 to $550,000 in inner city locations such as Newtown and Mt Cook or for larger high quality units.

5.2 Recent medium density developments

Those projects which have recently been completed in the Wellington area provide a good indication of the type and density of medium density housing product currently being constructed and offered in the marketplace. Below is a selection of recent developments which outline the site area, building area, average unit size, type of development, number of bedrooms offered, etc.

Development/Address	Site Area	Density Per Unit	FSR	Site Coverage	No. of Units	Type of Development	Zoning	Type	Size Range (sm)	Average Unit Size (sm)	No. of Storeys
Karori											
36 Makara Road	2629	292	0.39	18%	9	Townhouse	Outer Res (8m)	3 BR	110 to 132	115	2
Futuna Close	9,244	147	0.96	7%	63	Townhouse	Outer Res (8m)	2BR, 3BR, 4BR	90 to 287	126	2
8 South Karori Road	1,288	184	0.65	50%	7	Townhouse	Outer Res (8m)	2 BR	88 to 112	104	2
1 Allington Road	1,396	140	0.65	63%	10	Townhouse	Outer Res (8m)	3 BR	80 to 99	91	2
72A Hazlewood Road	2,228	318	0.46	28%	7	Townhouse	Outer Res (8m)	3 BR	130	130	2
Saddleback Grove	21,408	261	0.58	-	82	Townhouse	Outer Res (8m)	2BR, 3BR, 4BR	93 to 159	133	2 to 3
Johnsonville											
3 Corlette Street	629	157	1.39	-	4	Townhouse	MD2 (8-10.4m)	4BR	147 to 229	219	2 to 3
8-10 Middleton Road	1,849	123	0.65	31%	15	Apt/Townhouse	Outer Res (8m)	2BR	65 to 86	80	2
27 Trafalger Street	535	107	0.92	51%	5	Townhouse	MD1 (8-10.4m)	3BR	88 to 100	95	2
Crofton Downs											
Avenida , 8 Thatcher Crescent	3,533	161	0.31	26%	22	Townhouse	Outer Res (8m)	3BR	-	-	2 to 3
Mt Cook/Newtown/Te Aro											
Nuovo, 21 Rugby Street	2,061	38	1.72	-	54	Apt/Townhouse	Centres (12m)	1BR, 2BR	51 to 91	62	5
26 Wright Street	2,810	141	1.01	44%	20	Townhouse	Inner Res (10m)	3BR	91 to 114	109	3
Cerca, 31 Princess Street	5,029	148	0.63	-	34	Townhouse	Inner Res (10m)	3BR	97 to 115	102	2 to 3
Detroit, 181 Tasman Street	1,560	40	1.76	-	41	Apartments	Centres (12m)	2BR, 3BR	0 to 0	67	3
11-13 Gordon Place	1,525	40	1.76	43%	13	Townhouse	Centres (12m)/	3BR	100 to 128	104	3
Vedado, 41 Hopper Street	1482	46	1.38	-	32	Apartments	Central Area	1BR, 1BR	37 to 82	64	4
74-86 Riddiford Street	1386			-	44	Apartments	Centres (12m)	1BR +	63 to 79	76	
Miramar											
Kairangi, 22 Booth Street	7,383	194	0.48	-	38	Townhouse	Outer Res (8m)	2BR to 4BR	92 to 155	113	2 to 3
Kilbirnie											
8 Bourke Street	478	120	0.35	35%	4	Townhouse	Outer Res (8m)	2BR, 3BR	53 to 87	-	2
Thorndon											
24 Glenmore Road	1894	100	0.627	-	19	Townhouse	Inner Res (10m)	1BR, 1BR + Studio, 2BR + 1 BR	34 to 98	62	3

As illustrated in the above table, the majority of medium density housing constructed in the Karori area over the last 15 years has been for townhouse development of 2 to 3 storeys in height. Most developments offer larger 3 bedroom, 2 storey townhouses with various larger more comprehensive development such as Futuna Close and Saddleback Grove offering a mixture of 2 bedrooms up to 4 bedrooms. Other than these two larger complexes, development has been constructed on lots from 1,288 to 2,629 square metres in size. The density on each development ranges from 140 to 318 square metre of land area per unit. This appears larger than the average being achieved in other more dense neighbourhoods such as Newtown and Mt Cook. However, this is principally due to the current Outer Residential zoning of these lots.

Newtown and Mt Cook are already established as medium density suburbs in the Wellington area as they are situated in close proximity to the CBD, the hospital and Massey University. Those developments principally of apartment buildings 3 to 4 storeys in height appear to achieve a density of around 40 square metres of land area per unit whereas those improved

with 2 to 3 storeys of townhouse development achieve density range around 100 to 150 square metres of land area per unit. This is further supported by recent development in Kilbirnie and Thorndon with the same range.

The recent developments in Johnsonville provide good examples of what potentially could be achieved in the Karori and Tawa area as medium density development is relatively new to this area as well. Notwithstanding we do note that Johnsonville provides a larger commercial base and greater level of infrastructure and associated services than either Tawa or Karori.

The recent developments on Corlette, Middleton and Trafalgar indicate a density range of 107 to 157 square metres of site area per unit. At the lower end of the range is the development at 27 Trafalgar Street which is situated within an MD1 area a medium density zone that has less restrictive zoning than that being proposed in Karori and Tawa.

This development comprises a corner site with 5 recently constructed semi-detached 2 storey townhouses ranging in size from 88 to 100 square metres and offering 3 bedrooms, 1 bathroom plus an uncovered carpark, though one unit has a single internal garage. It is our opinion that a similar development would be successful in Karori and Tawa, however, we note that recent medium density housing in Karori has been larger in size averaging between 100 and 110 square metres.

Conversely, the average detached house size in Karori is around 150 to 200 square metres while in Tawa is around 125 to 175 square metres, slightly smaller. It is anticipated that a smaller unit size would be marketable in Tawa versus Karori essentially translating to higher density development as evidenced by the recent developments above; however would be affected by site coverage, height and open space requirements.

5.3 Unit Values of Multi-unit Housing

Recently constructed medium density housing projects within Karori have typically been for two to three bedroom developments. Those two bedroom units ranged from 88 to 115 square metres in size and $4,000 to $6,000 per square metre.

More specifically, small two bedroom units from 88 to 95 square metres in size generally sold for between $400,000 and $530,000, or $4,200 to $6,000 per square metre. Larger two bedroom units of 100 to 120 square metres range in sale price from $4,400 to $4,800 or were on average $500,000.

Three bedroom units of 80 to 100 square metres generally sold for between $400,000 and $450,000 or between $4,500 and $5,000 per square metre while larger three bedroom units of 110 to 120 square metres generally ranged in sale price from $400,000 to $550,000 or between $3,750 and $4,750 per square metre.

Generally speaking, this wide value range is due to the location and quality of the development. The lower end of the range is indicated by sales of medium quality townhouses situated to the western end of Karori where values are traditionally lower. The upper end of the range is indicated by sales within the highly sought after Futuna Close development situated in close proximity to the Karori commercial area and the newly constructed medium to high quality development off Makara Road overlooking Karori Park.

Within Tawa, there is no evidence of new multi-unit housing. We are however aware of recent sales of units in older developments constructed from 1970s to 1990s. These units sold from $400,000 to $450,000 or between $3,000 and $4,000 per square metre. These tended to be larger 3 bedroom units from 120 to 150 square metres. Smaller two bedroom units from 70 to 90 square metres are selling between $275,000 to $375,000 or $3,250 to $4,000 per square metre. We note that new development within Tawa will clearly sell for higher values.

In comparison, we note values of new medium density townhouse units in other Wellington suburbs generally range as follows:

- Two bedroom (80 to 90 square metres) - $400,000 to $500,000 ($4,750 to $5,750 per square metre)
- Three bedroom (100 to 120 square metres) - $450,000 to $575,000 ($4,500 to $5,500 per square metre)

Viewing the above values the lower end of the range is reflective of sales within the northern suburbs, while the upper end of the range is typical of more central locations of Newtown and Mt Cook.

Generally speaking, we anticipate that the new housing in Tawa will be of the lower end of the range while Karori will be in the middle to upper end of the range.

We anticipate that there will be a ceiling price for medium density housing that people will be willing to pay in Tawa. However, in Karori we anticipate that higher quality housing will achieve relatively higher pricing.

5.4 Cost of Housing

5.4.1 Construction Costs

Construction costs of a development will include building costs, site preparation costs, consulting and municipal costs as well as holding and financing costs. Build costs make up a large proportion of these costs and within Wellington City typically range from $1,800 to $2,200 per square metre for average quality 2 to 3 storey, low rise development increasing to between $2,400 to $3,000 per square metre for higher density or higher quality apartment or townhouse development.

It is our experience that servicing and site preparation work generally equate to 10% of build costs, holding and finance costs are generally 5% of build costs and soft costs including consulting and municipal costs can be upwards of 15% of build costs. On this basis overall development costs, excluding land costs and any sales commissions or GST, can range from $2,300 to $3,000 for average quality low rise development and between $3,000 and $4,000 per square metre for higher density development or higher specified townhouses.

Generally speaking, two similar level sites in two different Wellington suburbs will offer the same construction cost for new development. These costs will however vary according:

- Quality of development
- Scale and density of development. High rise developments are more costly due to additional foundation and structural robustness required
- Extent and location of infrastructure affecting servicing costs.
- Council resource consent process and development contributions policy.
- Interest rates affecting financing costs.
- Market conditions in terms of holding costs

5.4.2 Land Pricing

As previously indicated, an influential factor which affects the viability for development of a project is the upfront land cost. Sales of development land in the Wellington Region for medium density residential and mixed use development are typically analysed on a per unit and sale price per square metre of land area basis. From the developments used in our case study as well as from other land purchased for redevelopment as set out in **Appendix 5**, land values range generally between $50,000 and $100,000 per unit. On a per square metre basis within the inner city land values range from $1,000 to $1,750 per square metre and within the outer suburbs between $250 and $800 per square metre.

Johnsonville sales provide good market evidence as well as the recent purchase of 8-10 Thatcher Crescent in Crofton Downs currently being constructed for the Avenida development. These sales illustrate a range from $45,000 to $100,000 per unit or between $450 and $750 per square metre of site area.

The trend in Johnsonville is that smaller development sites tend to sell for higher prices per square metre than larger development sites. Conversely, the greater the density the lower the price per unit, all other things being equal. Of course location also plays a factor. We also have noted the density proposed on these sites which ranges from 107 to 347 square metres of site area per unit. The majority range from 107 to 175 per square metre per unit.

A site at 10 Surrey Street, Tawa is currently under contract with a local developer from Tawa. The sale price is confidential but ranges from $40,000 to $45,000 per unit and between $225 and $250 per square metre based on a proposal for 20 units. The total site area is 3,440 square metres which is quite large development site. It is not surprising that the sale price

per unit is lower than the Johnsonville sales, firstly due to the larger land size of the comparable and secondly due to the inferior Tawa location. We understand the proposed density is 172 square metres per unit.

Construction costs do not tend to change across the region, developers have an expectation for the amount of profit and risk they expect to achieve for any given project and the market will typically have a ceiling on the amount they are willing to pay for multi-unit housing. This ultimately means that the land price is a key factor in determining whether a development is profitable or not.

In terms of Tawa, a value range towards the lower end of the above indicated range would be warranted, whilst Karori would be towards the middle or upper end of the range.

5.5 Summary on Viability

The combination of market factors need to be place for developments to occur.

The introduction of increased site coverage and height limits in line with inner residential standards will permit greater scale with increased density and flexibility of design, encouraging medium density housing. This trend is already apparent in Inner residential areas throughout the city and in Johnsonville where MDRAs were introduced in 2009.

A wider proposed MDRA will provide increased scope for development to occur though clearly greenfields development offers the greatest return or yield to a developer.

6.0 Review of draft planning provisions and proposed boundary

We have been requested to review the draft planning provisions and proposed boundary areas being considered for Tawa and Karori and to comment on the following specific questions.

6.1 MDRA Zoning Impact on Property Values

What are the likely impacts (positive or negative) on property values of these areas if an MDRA style zoning is introduced?

6.1.1 Principles which impact value

As previously discussed, one of the main drivers of value, other than physical characteristics, is the zoning or development potential of a specific property. It is one of the three determining factors for establishing the highest and best use of the property. Generally speaking, the more density permitted on a property the higher the market value of the land. Of course, this may change depending on the market demand.

Simply rezoning land to a "higher" permitted use does not necessarily create value. Clearly this is dependent upon a ready demand for land of that nature in that specific location.

To permit development of land to its "highest and best" use still requires the appropriate market factors to be present. For example, rezoning residential land in a suburban street to commercial may have little impact.

Where a change in zoning occurs there is often a time lag before the benefits are recognised and to allow appropriate research by buyers. As land is purchased momentum can build as more buyers recognise the opportunity, which in turn tends to push up land prices. As development occurs this is expected to build further confidence in the market generally establishing a stronger level of value.

However, in order for medium density development to occur, the "highest and best" use of the property must be for redevelopment rather than for its existing use. In other words the value of the property 'as is' as an improved residential property must be less than the value of the land as a redevelopment site.

For example, say an improved property currently zoned Outer Residential is worth $800,000 today of which $500,000 is attributable land value and $300,000 is attributable improvements value. In this case the "highest and best use" of the property is its exiting use a single residential household. Upon being rezoned to MDRA, it is anticipated that relative proportion of land value to improvement value will increase based on a higher permitted intensity for medium density housing. Redevelopment is however only likely to occur once the value of the land approaches close to $800,000 at which the improvements will hypothetically have little or no value. In other words, the highest and best use changes from single family residential to a redevelopment site for medium density housing.

This trend has been evident in the Medium density areas of Johnsonville though it has taken some time for land prices to reach this point.

6.1.2 Suitability of Designated MDRA Area

Karori

Of the four areas identified, Areas 1 and 4 (northeast and southeast sectors) are premium housing areas characterised by high priced properties on sites typically between 500-800 square metres. The majority housing stock were established pre-war and due to their design character and often substantial floor area, strong demand is evident from families and professionals seeking long term ownership. The buy in price within this location exceeds $600,000 with a relatively high proportion of properties falling in the $1 million-$1.5 million price bracket and above.

Within these areas multi-unit development is generally limited to small infill development, Futuna Close (off Friend Street) being the only large development of note. This particular development is discrete, located on a large greenfields site

backing onto natural bush and hillside. The integration of open courtyards and gardens provides surroundings which are sympathetic to its neighbours.

Based on our experiences, it is our opinion that the introduction of medium density residential housing into premium streets within these areas may be "perceived" as a negative and could be difficult to integrate into a premium quality family oriented suburban location. Examples are Braithwaite Street, Fancourt Street, Homewood Avenue, Hatton Street and Lancaster Street.

The two western sectors offer more affordable land particularly in streets immediately to the north and west of the main shopping area including Parkvale Road, Chamberlain Road, Eagle Street, Monaghan Avenue, Beauchamp Street and Lewer Street. Within these areas the housing stock tends to be generally smaller more affordable housing. Notwithstanding generally the housing stock tends to be well maintained with a high degree of modernisation, particularly pre-war bungalows. As such the ability to demolish and redevelop can be somewhat marginal and should be considered on a site by site basis.

The southwest sector does have large blocks of land which may offer more comprehensive redevelopment potential should they be deemed surplus such as the Karori Bowling Club, tennis courts off Lewer Street or the vacant land at the University on Campbell Street.

Within the northwest sector the Karori Bus Barn site on Darwin Street is a further example of a potential greenfield site.

Perhaps the most likely areas to be developed are the western end of Karori and isolated streets close to the main commercial area. The lower land cost and availability of land at the western end of Karori has promoted a number of developments in Saddleback Grove, South Karori Road and Makara Road. New residential subdivision has also occurred in Khouri Avenue and Makara Road overlooking Karori Park. In all cases, the development is limited to two storey and offer associated outdoor living spaces.

The extent to which multi-unit development occurs will rely heavily on expected margins and market demand.

Whilst we envisage a good appetite for multi-unit housing in Karori potential barriers are likely to be

- Low availability of vacant land
- High land or upfront costs relative to other parts of Wellington
- Integration of medium density housing within a well-established highly sought after suburb suited to family living

Tawa

Within Tawa the opportunity for medium density development is more likely though price points need to be considered both in terms of market pricing and costs of construction. Generally the lower existing intensity of development throughout Tawa should create a greater land supply for medium density housing.

Typically within Wellington City, Tawa is considered to be a lower cost area though is well serviced by transportation nodes (principally by train) and has a well-established commercial area. Typically the existing stock of newer infill development range in price from $300,000 to $450,000. Given current building costs, this would tend to promote modest quality development.

In terms of the seven sectors identified for development, we anticipate that medium density development is suitable for those flatter areas of Tawa which are in close proximity to commercial uses of transportation nodes. More specifically, the Flat Sector (Oxford Street), the Tawa Junction Sector and the Northern Sector (Linden) are most suited for higher density development.

The Hills Sector and Centre East Sector are less likely for medium density development due to the higher house prices, more substantial and modernised homes and topography of the land within this area. Any development in these areas is likely to be on a small number of select sites.

Within Tawa various barriers exist in that:

- Commercial services are of a lower scale than areas such as Johnsonville and the inner city suburbs
- There is only limited precedent for large scale multi-unit housing outside retirement villages
- Lower price points present challenges to generate a margin albeit land costs are generally lower
- Flatter areas more suited to medium density housing are typically occupied by retirees and elderly which prefer single level living.

Despite these barriers, given the greater surplus of redevelopment land within Tawa, the introduction of MDRA standards will provide greater flexibility for medium density development which may include the provision of retirement, Council or social housing within an area where this need is likely to exist.

6.1.3 Value impact of MDRA

In areas which are proposed for MDRA zoning we would anticipate an escalation of land prices over time for sites which are identified as being well suited for medium density housing.

An example of how the introduction the MDRA evolves can be seen in Johnsonville. Since the introduction of the MDRA zoning in 2009 (as part of Plan Change 72) a reasonable level of newer high medium density development have occurred. Examples can be seen at 27 Trafalgar Street and 8-10 Middleton Road (just outside the MDRA). A number of sites within this zone have also been purchased for land banking.

This highlights demand from young professionals and smaller families within Wellington's largest suburban centre. Further stimulus is occurring within Johnsonville through the revamp of the transportation network around the Johnsonville commercial area, recent upgrade of Keith Spry pool and proposed upgrading of the Johnsonville library.

Land prices close to the town centre are typically selling between $500 and $800 per square metre. Developers in Johnsonville have been targeting specific streets close to the shopping area, the train station and community facilities. This area generally includes the block bounded by Ironside Road to the north, Earp and Philip Streets to the west, Broderick Road to the south and Moorefield Road to the east.

Within these areas there is already an existing stock of multi-unit housing, mainly one to two storey. The original development in this area has typically been modest housing on larger sites. Overall, within this area the combination of the existing housing stock, lower contributory cost of improvements, and overall land price has provided a successful outcome for encouraging medium density housing.

Those areas to the south of Broderick Road along streets such as Bould Street while having a low contributory improvement value as old state housing, has been slower to development primarily due to the topography and high proportion of ownership by Housing New Zealand.

Whilst comprehensive development has been slow to take-off momentum is building and current development is likely to provide stimulus for further development.

In contrast, within Kilbirnie, which also had MDRA zoning introduced in 2009, medium density housing development has not occurred to the same extent, despite having a ready supply of flat land close to an established shopping area. This appears to be due to the small size of existing single family sections and the high buy in price of land. The existing stock of housing comprises pre-war bungalows and villas which have generally been modernised to a high standard and meet a strong buyer demand from families.

There are very few properties in Kilbirnie less than $500,000 which introduce a high up front "land" cost for redevelopment. The ability to amalgamate a cluster site for redevelopment is therefore difficult and costly. This appears to be directly affecting development of medium density housing.

Larger sites in and around the Kilbirnie shopping area are also already devoted to larger developments principally for community use such as St Patricks Community School and the Catholic Church of St Patrick as well as existing Council and other privately owned rental flats.

We consider that Kilbirnie suburb is an area where demand for high medium density housing does exist. Initially this may come from development of Suburban Centre land along Onepu Road, Coutts Street and Rongotai Road where greater site coverage can be achieved with potential for apartment development above retail/commercial development at ground level.

6.1.4 Summary

Karori

Based on the existing characteristics of each identified sector including section size, quality and type of existing housing stock as well as examples of what has happened in other MDRA areas we conclude the following.

Within Karori, once the proposed MDRA boundaries are introduced we anticipate that the higher density of the MDRA zoning will increase land prices as seen within other MDRA zones such as Johnsonville. However, the reality is that the existing housing stock within the area is of high value and the increase in land value will have little impact on the overall value of the improved property value. This is especially true within the Northeast and Southeast sectors. A similar affect has been seen upon the introduction of the Kilbirnie MDRA. Ultimately, the "highest and best use" in many parts of Karori will tend to remain as single family housing use rather than for redevelopment.

In prime streets such as Homewood Street, Braithwaite Street and the like, due to the existing high land costs we envisage very limited opportunity for multi-unit housing development.

The MDRA introduction is likely to have a greater positive impact as a whole within the Northwest and Southwest sectors. It is anticipated that the "highest and best use" of the more modestly improved properties will be for demolition and redevelopment. On this basis, the land prices for a medium density redevelopment site will be higher than the prices currently paid for Outer Residential sections. This may occur in areas closer to Parkvale Road or those closer to Karori Road where medium density development will be more likely.

Tawa

Similarly, within Tawa, upon the introduction of the proposed MDRA boundaries we anticipate that the higher density of the MDRA zoning will increase land prices as seen within other MDRA zones such as Johnsonville. This is especially true for those areas on flat large sections which are in close proximity to the commercial centre or transportation nodes. This will include land within the Northern (Linden) Sector, Flat (Oxford) Sector and Tawa Junction.

Those sectors which are on steeper land and which are physically separated from the commercial and transportation nodes will have less noticeable change in values upon the introduction of the MDRA boundary.

We note that within those areas which are more suited to MDRA development, an increase in land values will not occur immediately, it will occur overtime as the benefits are recognized and appropriate research is undertaken by buyers.

6.2 Developer Incentives

Are there enough incentives for developers to carry out medium density housing in general?

From our analysis we have identified margins for medium density ranging from 10% to 24%. Clearly the extent of the margin is directly influenced by the market price of the completed development, the build costs, financing costs and the upfront land price. If any of these factors are out of balance to the extent that an appropriate margin cannot be achieved then development will simply not occur. On some developments the margins appear to be relatively slim and from a financing point of view banks typically require a margin of 20% for funding.

From the information discussed in Section 5.0 we can project what land price a developer would be willing to pay to get development off the ground in both Karori and Tawa.

The average price an end user will be willing to pay and the costs to develop a project are relatively consistent. As demonstrated the required profit can range from 15% to 25%. We have undertaken a sensitivity analysis indicating what the resultant land value range would be.

Average Unit Area	Land Area Per Unit	Average Sale Price Per Unit**	Average Sale Price $psm	Cost Per Unit*	Cost $psm	Land Price Per Unit	Land Price $psm	Land Price Per Unit	Land Price $psm	Land Price Per Unit	Land Price $psm
KARORI						**15% Profit**		**20% Profit**		**25% Profit**	
110	150	$522,500	$4,750	$302,500	$2,750	$80,500	$537	$64,500	$430	$49,500	$330
3BR		**$550,000**	**$5,000**	**$302,500**	**$2,750**	**$100,500**	**$670**	**$84,000**	**$560**	**$68,500**	**$457**
		$577,500	$5,250	$302,500	$2,750	$120,500	$803	$103,000	$687	$87,000	$580
85	125	$446,250	$5,250	$255,000	$3,000	$72,000	$576	$58,000	$464	$45,500	$364
2BR		**$467,500**	**$5,500**	**$255,000**	**$3,000**	**$87,500**	**$700**	**$73,000**	**$584**	**$60,000**	**$480**
		$488,750	$5,750	$255,000	$3,000	$103,000	$824	$88,000	$704	$74,500	$596
TAWA											
110	150	$440,000	$4,000	$297,000	$2,700	$25,500	$170	$12,000	$80	-$513	-$3
3BR		**$467,500**	**$4,250**	**$297,000**	**$2,700**	**$45,500**	**$303**	**$31,000**	**$207**	**$18,000**	**$120**
		$495,000	$4,500	$297,000	$2,700	$65,500	$437	$50,500	$337	$36,500	$243
85	125	$382,500	$4,500	$250,750	$2,950	$29,500	$236	$17,500	$140	$7,000	$56
2BR		**$403,750**	**$4,750**	**$250,750**	**$2,950**	**$45,000**	**$360**	**$32,500**	**$260**	**$21,000**	**$168**
		$425,000	$5,000	$250,750	$2,950	$60,500	$484	$47,500	$380	$35,500	$284

*Cost Per Unit includes building costs, consulting and municipal fees, holding costs, and site preperation costs
**Agents fees, legal fees and GST have also been excluding when calculating Profit and Land Price

The table above illustrates how the change in the price for the units and change in profit expectation affect the affordable price that can be paid for the land and ultimately whether or not development will occur. Should higher quality or greater density be developed the sale price of end units can increase and costs may reduce to reflect economies of scale, ultimately increasing profit margins.

As the expectation of profit increases, the resulting price that a developer is prepared to pay for the land reduces. The bolded example above of a three bedroom townhouse in Karori shows an affordable land price from as low as $455 per square metre (based on a 25% profit margin) up to $670 per square metre based on a lower margin of 15%. For an 85 square metre two bedroom house the affordable land value is from $481 to $700 per square metre. Unit prices range from $60,000 to $100,000 per unit.

However, as indicated in Section 4.1.4 currently standard sized sections improved with modest homes range from $800 to $1,200 per square metre of site area. Clearly there is a mismatch which can only be overcome through increased prices for multi-unit housing or identification of greenfield or underutilised sites which offer a cheaper land cost.

Based on our analysis and market research undertaken in Karori we have concluded that in the desirable areas such as the northeast and southeast sectors, development is currently uneconomical due to the high upfront cost of acquiring land for development.

Despite the above "gap" in values in Karori, we anticipate that redevelopment of select sites in those western sectors will be economical but they will be scattered throughout the area.

Within Tawa the table above illustrates that in order for development to be economical land values must range from $120 to $359 per square metre or between $20,000 and $50,000 per unit. However, as indicated in Section 4.2.4, currently standard sized sections improved with single unit housing range in value from $350 to $600 per square metre of site area.

A smaller "gap" in values is seen in Tawa compared to Karori. This is in part due to the large size of sectors within the area and lower buy in price.

In order to allow medium density development to occur there are a number of factors which may reduce the "gap" in values. These are set out below:

- Time. Essentially land banking or waiting for sale prices of end units to increase while obtaining holding income from existing improvements.

- Reduce costs of development. Some larger developers have ways to reduce costs through economies of scale. Local or smaller developers or builders can reduce costs by doing work themselves.
- Accept a lower profit.
- Presales to reduce funding required.
- Alternative finance options to reduce costs.
- Building to a higher density increases the end yield for the development.
- Infill housing can be constructed on those larger sites which will allow existing homes to remain.

Further, we also anticipate that a higher density may be more achievable in Tawa as well as smaller unit sizes which both help reduce costs and thus increase profit margins or rather the overall upfront land price a developer will be willing to pay.

It is our opinion is that whilst there is a greater appetite for multi-unit housing in Karori the tight land supply and high land costs tend to limit opportunity to a smaller subset of areas within the proposed MDRA boundary.

Greater land supply is available in Tawa at a lower cost. Medium density housing is however a relatively new concept within Tawa and therefore poses a greater risk to developers. So whilst on paper Tawa might be seen as a likely option for medium density development to occur, it may take some time for momentum to build.

Do the incentives sufficiently counter balance the possible 'perceived' difficulty of navigating a resource consent process where good urban design outcomes will be robustly examined by the Council?

Within the proposed boundary lines in Tawa and Karori, other than some Centres zoned areas along the main commercial roads the properties are currently zoned Outer Residential. This zoning permits predominately single family dwellings of one or two storeys up to 8 metres in height with a maximum site coverage requirement of 35%. A majority of the land in the proposed boundary areas is currently improved with single family housing.

The medium density residential areas being proposed by Council will encourage development of two or more units per site with a maximum height limit of 8 metres (plus 1 metre if a pitch roof design is used) and a maximum site coverage of 50%. Discretion is provided up to 10.4 metres allowing for 2 to 3 storey development and a maximum site coverage of 60% as a Discretionary Restricted activity. Recession planes will also be increased for medium density zoning and open space requirements reduced.

Clearly, these provisions will allow for increased density housing to be developed. Densities of recent multi-unit development in Johnsonville and other suburban locations have ranged from 38 to 318 square metres of land area per unit with a majority in the 100 to 150 square metres per unit range whereas a typical Outer Residential sections in Karori and Tawa range from 600 to 900 square metre per unit for single unit development or between 150 and 300 square metres for multi-unit development on Outer Residential land.

Therefore the additional height and site coverage ratio will allow for a higher density and flexibility of development to occur.

Ignoring the height issue, which is discussed in detail below, the additional site coverage and reduced open space requirements will ultimately mean more units can be constructed on any given site. This will increase the gross realisation of a project and potentially decrease costs through economies of scale. This should result in increased profit margins or more likely will lift the land value or upfront cost a developer will be willing to pay for redevelopment sites.

This will help reduce the "gap" between existing single unit housing on large lots and infill development or redevelopment of sites.

The MDRA zoning will allow developers and property owners to apply for a resource consent through a non-notification process meaning timing around the approval process and costs associated with such applications can be significantly reduced. It is our opinion that given this increase in transparency during the resource consent process will only help developers to achieve medium density housing.

In terms of the requirement of having an 11 metre radius (ie minimum site width of 22 metres) similar to Johnsonville, it has been our experience that this will only slow down the rate at which development will occur as more than one lot will need to be acquired or development will be restricted to larger sites only.

We have also been requested to comment on the permeable surface requirement versus site coverage requirement. Ultimately these zoning requirements achieve the same outcome and the same density which is what developers will be concerned with. We are unclear what impact this will have on design and in turn costs of development.

There will need to be a balance between being too restrictive to being "flexible" on a case by case basis around design and density to help developers mitigate risk and costs.

6.3 Possibility of 3-Storey Development

Whether the commercial drivers for development in the possible MDRA areas are likely to result in three storey development (ie 9-10m) if this height was enabled in the District Plan

With the introduction of MDRAs it is important to provide sufficient development incentives to encourage multi-unit housing whilst also ensuring compatibility with existing development. The proposal introduces a higher site coverage of 50% to 60% which with potential to build 8 to 10 metres or two to three storeys, as previously indicated.

The ability to increase the building height is dependent upon:

- The likely impact on adjacent properties.
- The topography and overall design.
- The demand for medium rise development.
- The increased cost.

Within established Inner City residential areas such as Mt Cook, Thorndon and Aro Valley, it is relatively common to see three storey semi-detached or apartment development. These however tend to be on either Suburban Centre land or Inner Residential land and are often in areas where there is a mix of commercial and residential development.

It is less common for development in excess of three storeys to occur in suburban areas unless the topography and nature of the land mitigates the impact on neighbours. A good example is the recent development of land (previously Williams Garden Centre site) at 8-12 Thatcher Crescent in Crofton Downs. This development of 22, two to three storey townhouses is on a large site of 3,533 square metres. The land sits below road level and the steeper land behind forms a natural "amphitheatre".

Given the higher land prices in Karori it is expected that developers will seek to maximise density and scale in order to make any development economic. It is also likely that a non-notified consent process will be more transparent and will provide greater certainty to development.

In flat areas such as Karori mitigation with existing uses is more difficult to achieve and invariably can only be achieved by greater setbacks (separation) and reduction in scale of the upper levels. In many parts of Karori there would appear to be very limited potential for greater than two storey development to occur.

Other areas offering potential for higher development is land adjacent or close to the shopping centre or along Karori Road. Karori Road itself provides a mix of residential and commercial development together with various community uses. The topography of the land is variable with many sites falling and from the road. A number of these sites in our view are well suited to medium density development up to three storeys.

Should those larger blocks as identified be made available for redevelopment, larger three storey development could be achieved in a scaled nature where higher density is situated towards the middle or rear of a site tapering off to two storeys at the fringes.

Alternatively, more peripheral moderately contoured land outside the MDRA's boundary area offers the same opportunity. A good example is the comprehensive site development of Saddleback Grove which comprised 82 units of 2 to 3 storey townhouses. This development was spread over a large development site of 21,408 square metres.

Within Tawa, land suitable for redevelopment within the MDRA is generally flat with existing residential development in this area being single storey with the exception of some two storey developments scattered throughout. Infill and comprehensive unit development within Tawa principally provides smaller, single level low maintenance development catering to the aging population. This meets a particular market niche which exists within the Tawa area.

Three storey development could potentially meet demand in Tawa from young families and professionals though realistically is more likely to occur on larger greenfield sites which offer good separation from existing low rise housing. We understand that a vacant 3,400 square metre property situated just north of Tawa Junction has recently been purchased for such intensive development, however this is zoned Business 1 which permits up to 15 metres in height and is physically removed from the wider residential area and is situated just north of the Tawa train station.

The incremental cost of building a three storey development in some ways may also inhibit large scale development of this nature due to the lower house prices within the Tawa area, however, conversely more dense sites achieve more cost economies of development and yield more lots ultimately making profit margins more healthy. This will assist in ensuring that the upfront land costs become more affordable.

If the building height was limited to 8 metres ie the same as Outer Residential, this is likely to reduce the flexibility required when attempting to encourage medium density residential development. That said, if the height limit was raised to 10 metres any development would need to be carefully managed and treated on a case by case basis.

The additional incremental cost of building 2 vs 3 storey may also be a factor.

6.4 Comprehensive Site development versus Infill development

Commentary on whether comprehensive site redevelopment is a realistic development outcome for Karori, or whether the current (and future) market conditions are such that more intensive infill development is the most likely "highest and best" use scenario for sites here

A number of key factors tend to significantly reduce the likelihood for comprehensive site redevelopment within Karori. These include:

- The restricted supply of land.
- The high cost of acquiring, amalgamating and holding improved sites for future redevelopment.
- The generally high quality of improvement within Karori.
- The overwhelming demand for premium areas of Karori (generally city end) for single family living.
- High land costs restricting the viability of such development.

As such we consider that for some time to come more intensive infill development is most likely to be "highest and best" use scenario for sites within Karori.

There appear to be very limited immediate opportunities for multi-unit development at the city end (eastern sector) of Karori. Notwithstanding, by providing flexibility around potential development though the introduction of an MDRA and associated standards should provide incentives in cases where opportunities do arise or market demand changes.

Where land is under-utilised with modest improvements there are likely to be properties which will tend to be developed first.

Given the higher quality of development within the eastern end of Karori development in this area is likely to be of a higher quality and price point. Ultimately the market demand and economics will determine the likely development which may occur.

Comprehensive site redevelopment in the popular medium density area of Newtown and Mt Cook, development has occurred on larger greenfield sites improved with older or obsolete industrial buildings rather than by the amalgamation of several single family homes. This may be in part due to the readiness or availability of such greenfields land for development versus small single family lots. These can be tightly held and the existing improvements can substantially increase upfront costs and immediate development potential.

Similarly, we anticipate that comprehensive redevelopment could be possible in Karori but will likely occur on those 'greenfield' sites as they become available such as the Karori Bus Barn, Karori Bowling Club or on vacant land at the university though we do anticipate that comprehensive redevelopment could occur along those properties along Karori Road incorporating existing commercial use with smaller residential sections to the rear. It is therefore anticipated that infill development will be most likely to occur in the short to medium term.

6.5 Tawa Flooding Impacts

Commentary on the likely effects, if any, that recent flooding in Tawa may have on market demand for properties in low lying areas of Tawa.

The District Plan identifies various low lying areas in Tawa designated as Flood Management areas. Various properties within these areas were affected in the recent floods in July 2015 together with the main commercial area.

Within these areas specific guidelines are provided in the District Plan regarding specified floor heights for new development. The key issues are:

- How risk of flooding is likely to affect property values.
- How the additional requirements counteract or disincentivise medium density housing.

6.5.1 Value impact

Darroch have been involved with ongoing work in Christchurch city on behalf of EQC, aimed at identifying loss in value (if any) due to flood risk for flood prone areas identified following the sequence of earthquakes within Canterbury. This work has involved extensive analysis of market data throughout New Zealand together with research of international literature regarding flood risk. From this research high level findings are as follows:

- In most of the case studies and evidence considered, there was a significant short term impact on the property market in affected areas immediately following a significant flood. This stigma diminished over time, usually 2-5 years.
- The speed of recovery was dependent upon the ongoing risk of future flooding. The recovery from significant one-off events occurs over a relatively short timeframe.
- Low to moderate buyer resistance is evident in areas subject to ongoing risk of flooding. Generally the greater the perception of risk, the greater the discount in price.
- Flood mitigation works tend to have a significant positive effect on buyer perceptions and hastened recovery following flooding.
- The identification of mapped hazard areas does not in itself affect value. The imposition of what are perceived to be "unreasonable" building standards can, however, deter buyers and impact on market value.
- Even in most affected areas a permanent discount of less than 10% was seen.

In conclusion, we consider the presence within a FMA is likely to have limited impact on value so long as any new development adheres to required standards.

6.5.2 Impact on development

The introduction of medium density housing into Flood Management areas may appear incongruous. Notwithstanding, measures such as raising the land or foundation height can often mitigate the impact of potential flooding. In some cases this may however tend to limit the design options or raise the floor height to such an extent that any development above one storey may extend through the building recession plane.

Our view is that location within a FMA in itself should not deter development though the logistics and cost structure regarding medium density housing would vary on a case by case basis.

Any comprehensive development within an area potentially subject to flooding would need to be carefully managed by Council.

In these areas 8 metre height limits imposed to guide the number of storeys of development to two, may be reduced to one level to accommodate minimum floor heights and therefore higher height limits of 10 metres might be more appropriate to still facilitate two level accommodation.

Ken Blucher, Dip Val, ANZIV, SPINZ

Director

Darroch Limited

Ground Floor, South Tower, Datacom House

68 Jervois Quay, Wellington 6011, New Zealand

Tel +64 (0)4 460 3846

Fax +64 (0)4 460 3801

Licensed Real Estate Agent (REAA) 2008

Megan McFarlane, BCom, AACI, P.App

Valuer

Darroch Limited

Ground Floor, South Tower, Datacom House

68 Jervois Quay, Wellington 6011, New Zealand

Tel +64 (0)4 460 3828

Fax +64 (0)4 460 3801

Appendices

Appendix 1 – Policies

Publication

Neither the whole nor any part of this report or any reference to it may be included in any published document, circular or statement without the written approval of Darroch Limited as to the form and context in which it may appear.

Information

Information has generally been obtained from a search of records and examination of documents or by enquiry to Government Departments or Statutory Authorities. Where it is stated in the report that information has been supplied to us by another party, this information is believed to be reliable but we can accept no responsibility if this should prove to be not so.

Confidentiality

Our responsibility in connection with this report is limited to the client to whom it is addressed; we disclaim all responsibility and accept no liability to any other party.

Purpose of report

This report has been prepared for the specific purpose stated. Any party that relies upon it for an alternative purpose without reference to Darroch Limited does so at its own risk.

Forecasts

Every effort has been made to ensure the soundness and accuracy of the opinions, information and forecasts expressed in this report. Information, opinions and forecasts contained in this report should be regarded solely as a general guide. While we believe statements in the report are correct, no liability is accepted for any incorrect statement, information or forecast. Darroch Limited disclaim any liability which may arise from any person acting on the material within. Readers should take advice from a professional staff member of Darroch Limited prior to acting on any matter contained in this report.

Market movement

This report is current as at the date indicated herein only. Values assessed herein may change significantly unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value. Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this report is relied upon after the expiration of three months from the date of this report, or such earlier date if you become aware of any factors that have any effect.

Goods and Services Tax (GST)

Non-residential: Capital and rental valuations are (unless otherwise stated) carried out on the basis that the valuation is plus GST (if any).

Residential: Capital and rental valuations of residential property are (unless otherwise stated) carried out on the basis that the valuation includes GST (if any).

Appendix 2 – Project brief

Work Specification: Housing Choice and supply: Medium density development in Tawa and Karori – valuation impacts, commercial drivers for redevelopment

Date: May 2015 Prepared by: Elizabeth Moncrieff

Introduction

The Council is considering the 'roll-out' of the Medium Density Residential Area (MDRA) zoning for Tawa and Karori. This zoning has already been applied in Johnsonville and Kilbirnie.

The Council is seeking information on the likely property and economic impacts of proceeding with an MDRA style zoning in these two areas. We want to understand the possible economic impact of the planning tools we are considering for these areas. We have outlined some specific questions below, but there may be other issues that are relevant.

Background information

The Council commissioned a report in 2014 from Gray Partners Ltd which studied the commercial drivers supporting MDRA style development in several Wellington suburbs. The report, "Commercial drivers for multi-density Residential Development in selected Suburban Areas" includes Tawa and Karori and provides commentary on the following questions for both suburbs:

- *How will land and improvement values affect the commercial viability of redevelopment in each study area?*
- *What locations within each study area are most likely to have the right commercial conditions for redevelopment within the next (say) 10-20 years?*
- *What housing typologies are most likely to result from redevelopment in each area based on an understanding of the likely market for dwellings in the area?*
- *What are the main 'economic based' barriers to redevelopment likely to be in each study area, for instance: high improvement values? Existing patterns of subdivision resulting in land fragmentation? Low market values for new housing? Topographical considerations result in need for expensive engineered earthworks solutions?*

Research objective

To ensure the Council better understands the property and economic impacts of imposing a MDRA style zone (and specific planning provisions) on identified land in Tawa and Karori.

Scope of work

1. Undertake a peer review of the relevant sections of the 2014 report by Gray Partners. A short written commentary (max 5 pages) on that report is required which addresses:
    - Appropriateness of assumptions used in understanding key commercial drivers for residential development in Tawa and Karori
    - Whether the key conclusions in the report are robust and still relevant in the current housing market (ie. 12 months on) and will likely to continue to be relevant in the medium to long term (ie. 5, 10, 20 years).
    - We are interested in up to date sales data and any relevant case studies not already covered in the previous report.

2. Review the draft planning provisions and proposed boundary area being considered for Tawa and Karori (attached) and comment on the following:
    - Likely impacts (positive or negative) on property values of these areas if an MDRA style zoning is introduced
    - Are there enough incentives for developers to carry out medium density housing in general?
    - Do the incentives sufficiently counter balance the possible 'perceived' difficulty of navigating a resource consent process where good urban design outcomes will be robustly examined by the Council.
    - Whether the commercial drivers for development in the possible MDRA areas are likely to result in three storey development (ie 9-10m) if this height was enabled in the District Plan.
    - The impact on site development economics if we look to require on-site stormwater management. We will provide some information regarding engineering solutions and their costs.
    - Commentary on whether comprehensive site redevelopment is a realistic development outcome for Karori, or whether the current (and future) market conditions are such that more intensive infill development is the most likely "highest and best use" scenario for sites here.
    - Commentary on the likely effects, if any, that recent flooding in Tawa may have on market demand for properties in low lying areas of Tawa.

Timeframes and deliverables

A draft report for peer review by **Friday 19th June 2015 2014,** with the final report completed by the end of **30 June 2015.**

We commit to providing comments to you by Wednesday 24th June.

Budget

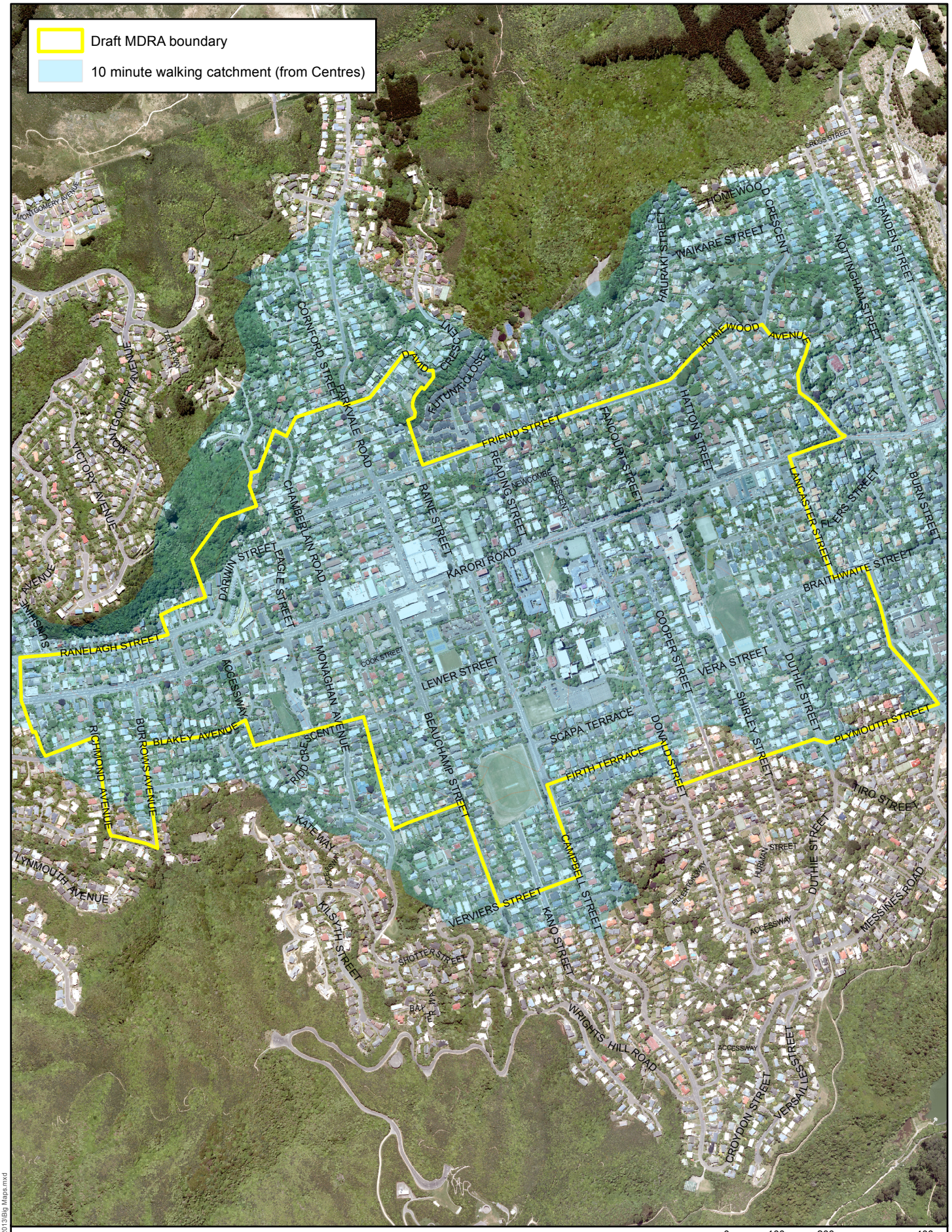
Approximately $15,000

Appendix 3 – Draft planning provisions

Draft bulk and location requirements for MDRA zoning in Tawa and Karori – 2 June 2015			
	Activity Status		
Rule	Basic Activity Stds	Discretionary Restricted	**Comments**
No. of units on site 'permitted' as of right	1		
Building Height Maximum	8m (plus 1m if a pitch roof used in house design)	10.4m	This is an area we are still investigating. We suspect there are some sites that could cope with 10m (3 storeys) and are wondering about specifying those opportunities. But majority of area likely to remain at 8m.
Site coverage	50%	60%	NB: we are wondering about removing site coverage and replacing instead with a minimum permeable surfaces requirement. Still working through the policy on this though so for now, proceed on the basis of this sit coverage. Interested though on any experience you have from a valuation perspective on permeable surface requirements v site coverage.
Front yards – minimum depth	3m		
Side and rear yards	none		
Vehicle parking	1 space per unit		Visitor parking requirements still likely to stay due to parking congestion around town centres
Recession planes	2.5m plus: • 56 degrees on east/west boundaries • 63 degrees on north boundaries • 45 degrees		NB: 45 degrees on southern boundary is a departure from existing MDRA zone requirements in place for Johnsonville and Kilbirnie. Has impact of moving development closer to northern property boundaries.

	on southern boundary		
Ground level open space	20m2 per unit. Space able to be		Minimum dimension of space is 3m. Provision of open space can be aggregated across the development site, or provided per unit.
Minimum site dimension	???		Johnsonville has 11m radius requirement (ie minimum site width of 22m). We are still working through whether this requirement is appropriate to adopt in Karori or Tawa. Interested to hear your thoughts on the likely impact adopting a similar provision in these suburbs would have on the uptake of the MDRA zoning from a valuation perspective.
Building orientation	First unit must face the street.		
Separation between first building and buildings at rear.	none		Applies in Johnsonville but at this stage we don't plan to adopt this requirement in Tawa or Karori.

Appendix 4 – Proposed boundary areas



Draft MDRA Boundary

Karori

0 100 200 400
metres
Scale 1:10,000

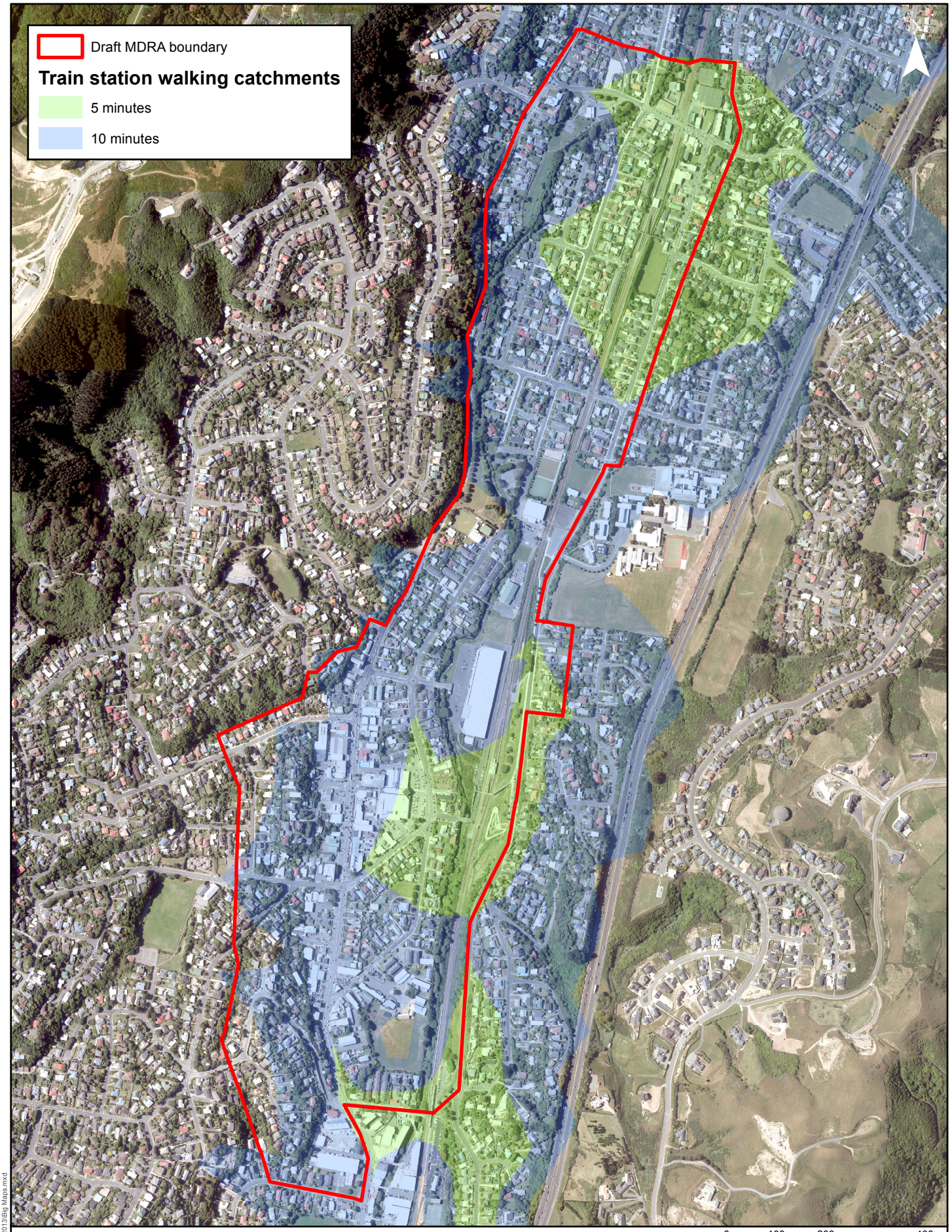
Property boundaries, 20m Contours, road names, rail line, address & title points sourced from Land Information NZ. Crown Copyright reserved. Property boundaries accuracy: +/-1m in urban areas, +/-30m in rural areas. Census data sourced from Statistics NZ. Postcodes sourced from NZ Post.
Assets, contours, water and drainage information shown is approximate and must not be used for detailed engineering design.
Other data has been compiled from a variety of sources and its accuracy may vary, but is generally +/- 1m.

MAP PRODUCED BY:
Wellington City Council
101 Wakefield Street
WELLINGTON, NZ

ORIGINAL MAP SIZE: A4
AUTHOR: stocke3n
DATE: 10/06/2015
REFERENCE:

Absolutely Positively Wellington City Council
Me Heke Ki Pōneke

Filepath: L:\DistrictPlan GIS\AoC Mapping 2013\Big Maps.mxd



Draft MDRA Boundary

Tawa

0 100 200 400
metres
Scale 1:10,000

Property boundaries, 20m Contours, road names, rail line, address & title points sourced from Land Information NZ. Crown Copyright reserved. Property boundaries accuracy: +/-1m in urban areas, +/-30m in rural areas. Census data sourced from Statistics NZ. Postcodes sourced from NZ Post.
Assets, contours, water and drainage information shown is approximate and must not be used for detailed engineering design.
Other data has been compiled from a variety of sources and its accuracy may vary, but is generally +/- 1m.

MAP PRODUCED BY:
Wellington City Council
101 Wakefield Street
WELLINGTON, NZ

ORIGINAL MAP SIZE: A4
AUTHOR: stocke3n
DATE: 10/06/2015
REFERENCE:

Absolutely Positively Wellington City Council
Me Heke Ki Pōneke

Filepath: L:\DistrictPlan GIS\AoC Mapping 2013\Big Maps.mxd

Appendix 5– Land Comparables

Address	Sale Date	Sale Price	Land Area	No. of units	No Storeys	Lot Size Avg	Land Price psm	Sale Price Per Unit	Zoning/ MDRA
Crofton Downs									
8-10 Thatcher Cres	Apr-14	$945,850	3,533	22	3	161	$268	$42,993	Outer Residential
Johnsonville									
60A Sheridan Terrace	Nov-13	$350,000	1,388	4	2	347	$252	$87,500	Outer Residential
44 Phillip Street	Feb-13	$565,000	1,012	8		127	$541	$70,600	MD2
54 Haumia Street	Feb-13	$401,000	699	4		175	$538	$100,250	Outer Residential
2 Moorefield Road	May-12	$431,000	506	4		127	$802	$107,750	MD1
32 - 38 Dr Taylor Terrace & 56 Broderick Road	Nov-11	$1,570,000	2,961	20		148	$505	$78,500	MD2
27 Trafalgar Street	Nov-11	$430,000	535	5	2	107	$757	$81,000	MD1
8 - 10 Middleton Road	Nov-11	$850,000	1,849	15	2	123	$460	$56,667	MD1
56-68 Clifford Road	May-10	$980,000	3,242	11	3	295	$302	$89,091	Outer Residential
11 Stephen Street	Apr-10	$396,000	625	4		156	$594	$99,000	MD2
Newlands									
74 Salford Street	Feb-13	$171,925	1,358	4		340	$127	$42,981	Outer Residential
Newtown/ Te Aro									
"Detroit Apartments", 181 Tasman Street, Te Aro	Mar-13	$2,900,000	1,560	39	3	40	$1,859	$74,359	Suburban Centre (12m)
"Nouvo", 7 Alfred Street (21-27 Rugby Street), Mt Cook*	May-12	$2,400,000	2,061	53	5	39	$1,104	$42,925	Suburban Centre (12m)
74-86 Riddiford Street, Newtown*	Jan-10	$1,650,000	1,386	21	4	66	$1,220	$78,571	Suburban Centre (12m)
"Vedado", 41 Hopper Street, Mt Cook*	Nov-14	$1,600,000	1,482	32	4	46	$1,173	$54,313	Central Area (10.2m)
9 Home Street*	May-14	$753,000	310	10		31	$2,300	$71,300	Central Area (18.6m)
321 The Terrace, Te Aro	Jul-12	$437,000	334	3	2	111	$1,308	$145,667	Inner Residential (10m)
11-13 Gordon Place, Newtown	Jun-10	$804,000	1,525	11		139	$527	$73,091	Inner Residential (10m)
Miramar									
135-139 Miramar Avenue	May-10	$620,000	1,378	10		138	$450	$62,000	