

PROPERTY ECONOMICS



KAPITI COAST

COMMERCIALLY FEASIBLE

RESIDENTIAL CAPACITY

ASSESSMENT

Client: Kapiti Coast DC

Project No: 52249

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SCHEDULE

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1. INTRODUCTION

Property Economics has been engaged by Kapiti Coast District Council (KCDC) as part of a wider Wellington region residential capacity project to undertake an assessment of the commercially feasible residential capacity (supply) of the Kapiti Coast District within the context of Council's obligations under the National Policy Statement on Urban Development (NPS-UD).

The purpose of this report is to provide KCDC with robust market intelligence to assist in making more informed and economically justified decisions in regard to the design and implementation of a residential policy framework for the District Plan and other strategic planning documents.

This report discusses the work undertaken by Property Economics in analysing the existing theoretical residential capacity of Kapiti Coast District and developing a capacity model for calculating the level of feasible development within the district. This will inform policymakers on the feasible level of housing supply, and which areas can accommodate future residential development based on current zonings, policy settings and market parameters.

1.1. GLOSSARY

- **Theoretical Yield / Plan Enabled Capacity** – The total number of properties that could be developed under the proposed Medium Density Residential Standards provisions within the permitted building envelope, irrelevant of market conditions.

- **Comprehensive Development** – A development option that assumes the removal of all existing buildings for a comprehensive redevelopment of the entire site with less restrictions.
- **Infill Development** - A development option that assumes the existing building is retained, and new residential house(s) are developed on balance of the site (i.e., the backyard).
- **Greenfield** - Defined as sites larger than 5ha.
- **Standalone House** – Single detached dwelling.
- **Terraced** – Dwellings that are attached horizontally to other dwellings but not vertically. This typology is always built to the ground floor (i.e., does not include homes built above retail stores).
- **Apartments** – Dwellings that are attached vertically and potentially horizontally. Usually in multi-storey developments of higher density. For the purposes of this model, the apartment typology option has only been included in zones that permit over three storeys.
- **Total Yield**- The total number of dwellings developed.
- **Net Yield** – The total number of dwellings constructed net of any existing dwellings removed. For Infill development, the total yield is equal to the net yield, while for Comprehensive development the net yield is equal to the total yield less the existing dwellings.

2. THEORETICAL CAPACITY

Property Economics has been provided with GIS layers containing the sites within Kapiti Coast that provided for infill, or comprehensive redevelopment. Theoretical residential capacity was calculated by KCDC utilising the District Plan policy settings, algorithmic, GIS and 3D modelling. The information contained several different scenarios, based on housing typology and quantum, that were identified as theoretically viable to develop. Although the final plan is subject to the decisions made by the hearing panel, this capacity assessment was undertaken on the Proposed Plan Change 2: Intensification (PC2).

Table 1 below outlines the theoretical capacity outputs by suburb based on the model provided to Property Economics for the Sites under 5ha.

TABLE 1 – KAPITI COAST THEORETICAL RESIDENTIAL DEVELOPMENT CAPACITY BY SUBURB – SITES UNDER 5HA

Theoretical Capacity - Sites under 5ha							
Suburbs	Intensified Residential	General Residential	Development Area	Total Residential	Unadjusted Commercial	Adjusted Commercial	Total Capacity
Forest Lakes	-	4	-	4	-	-	4
Maungakotukutuku	-	161	-	161	764	378	539
Otaihanga	-	3,607	-	3,607	-	-	3,607
Otaki	11,700	8,157	-	19,857	3,511	1,661	21,518
Otaki Beach	-	9,857	-	9,857	-	-	9,857
Paekakariki	5,287	2,846	-	8,133	881	424	8,557
Paraparaumu Beach East	722	7,671	-	8,393	-	-	8,393
Paraparaumu Beach North	1,964	11,018	-	12,982	343	167	13,149
Paraparaumu Beach West	4,797	4,847	-	9,644	2,582	1,163	10,807
Paraparaumu Central	16,301	5,564	-	21,865	17,701	5,155	27,020
Paraparaumu East	10,646	5,245	-	15,891	495	238	16,129
Paraparaumu North	922	10,428	-	11,350	1,837	917	12,267
Peka Peka	-	2,639	-	2,639	-	-	2,639
Raumati Beach East	12,773	4,569	-	17,342	-	-	17,342
Raumati Beach West	5,571	4,503	-	10,074	1,239	585	10,659
Raumati South	865	11,898	-	12,763	26	10	12,773
Te Horo	-	2,639	-	2,639	-	-	2,639
Waikanae Beach	1,400	15,775	-	17,175	36	16	17,191
Waikanae East	10,360	8,425	-	18,785	356	173	18,958
Waikanae Park	-	11,522	123	11,645	-	-	11,645
Waikanae West	14,585	10,411	1,966	26,962	2,179	1,059	28,021
Waitohu	-	6,328	-	6,328	-	-	6,328
Total	97,893	148,114	2,089	248,096	31,950	11,946	260,042

Source: Property Economics, KCDC

Table 1 shows that there is Theoretical Capacity for 260,042 new dwellings with Kapiti's sites under 5ha. The residential areas are split into Intensified Residential (which covers all of the Intensification Precincts A and B within the General Residential Zone), and General Residential and Development Area (Waikanae North Development Area and Ngarara Development Area).

It is important to note that Table 1 represents the sum of the maximum attainable yield of any typology on an individual site basis. The theoretical model outputs provided to Property Economics contained several different development scenarios on each site, therefore the theoretical yield represents the scenarios on each site where the development potential is the highest.

It should also be noted that infrastructure constraints have not been taken into account in this model. This is particularly relevant to Paekākāriki where the Medium Density Residential Standards have been applied but the lack of waste-water infrastructure means septic tanks are required.

In Kapiti's previous Housing and Business Capacity Assessment, the theoretical capacity in Kapiti was only around 10,000 units in the Residential Zones and 20,000 in the Commercial Zones. This new capacity assessment is more than 26 times that number for the residential area, and over double in the Commercial Area.

The reason for the large increase in theoretical capacity is that previously, Kapiti was assessed with a minimum average sites sizes of between 250sqm and 950sqm in the General Residential Zone and higher elsewhere. Therefore, there is a large number of sites smaller than 1,000 sqm that had zero additional capacity potential. Under the Medium Density Residential Standards, however, there is no minimum and capacity have been assessed at average land areas of less than 100 sqm per unit with up to 50% site coverage.

Furthermore, sites in some of the Intensified Residential Areas are enabled to build up to six-storey apartments. One of these sites for example, went from having zero net yield under the Operative District Plan to a net yield of 35 apartment dwellings under PC2. Consequently, this large increase in the Theoretical yield is to be expected.

Kapiti Coast District Council has, for the purposes of this modelling, defined all sites greater than 5 ha as Greenfield, the theoretical capacity of which is shown in Table 2 below.

For the most part, these greenfield sites are treated the same as the smaller urban sites with a few exceptions.

- It is assumed that 30% of each site is required for internal roading and reserves.



- Additionally, Property Economics has tested a large site option across the greenfield sites and adopted the most profitable option.

TABLE 2: KAPITI COAST THEORETICAL RESIDENTIAL DEVELOPMENT CAPACITY BY SUBURB – SITES OVER 5HA

Theoretical Capacity - Greenfield / Sites over 5ha							
Suburbs	Residential	Future Urban	Development Area	Total Residential	Sites with Over \$10m Improvements	Adjusted Commercial	Total Capacity
Forest Lakes	4	1,919	-	1,923	-	-	1,923
Maungakotukutuku	19	-	-	19	-	948	967
Otaihanga	50	-	-	50	-	-	50
Otaki	3,413	4,601	-	8,014	-	-	8,014
Paraparaumu Beach East	-	-	-	-	735	-	735
Paraparaumu Central	-	-	-	-	942	7,512	8,454
Paraparaumu East	81	-	-	81	-	-	81
Paraparaumu North	-	-	-	-	462	-	462
Peka Peka	12	-	-	12	-	-	12
Raumati Beach East	-	-	-	-	3,235	-	3,235
Raumati South	1,515	-	-	1,515	-	-	1,515
Waikanae East	15	-	-	15	-	-	15
Waikanae Park	1,073	15	9,708	10,796	591	-	11,387
Waikanae West	-	-	3,333	3,333	764	-	4,097
Total	6,182	6,535	13,041	25,758	6,729	8,460	40,947

Source: Property Economics, KCDC

Table 2 shows that across all Greenfield sites is the theoretical potential for dwellings. This includes 6,535 dwellings within the Future Urban Zone and 6,729 dwellings on sites with more than \$10m in existing improvement value within the Residential Zones. These sites, although classified as “Greenfield”, are predominately retirement villages with a large number of existing dwellings.

Table 1 shows the Commercial Capacity both before and after adjustments. The adjustments this refers to is to reduce the residential capacity by the proportion of that zone which is expected to be business as provided to Property Economics by KCDC. These ratios are shown in Table 3 below.

TABLE 3: PROPORTION OF COMMERCIAL ZONE RESERVED FOR COMMERCIAL LAND USES

Zone	% Business
Local Centre Zone	50%
Mixed Use Zone	70%
Town Centre Zone	50%
Metropolitan Centre Zone	70%

Source: Property Economics, KDC

It should also be noted that there is a significant reduction in the capacity potential arising from the limitation of subdividing on sites with an Overland Flowpath. Specifically, SUB-DW-

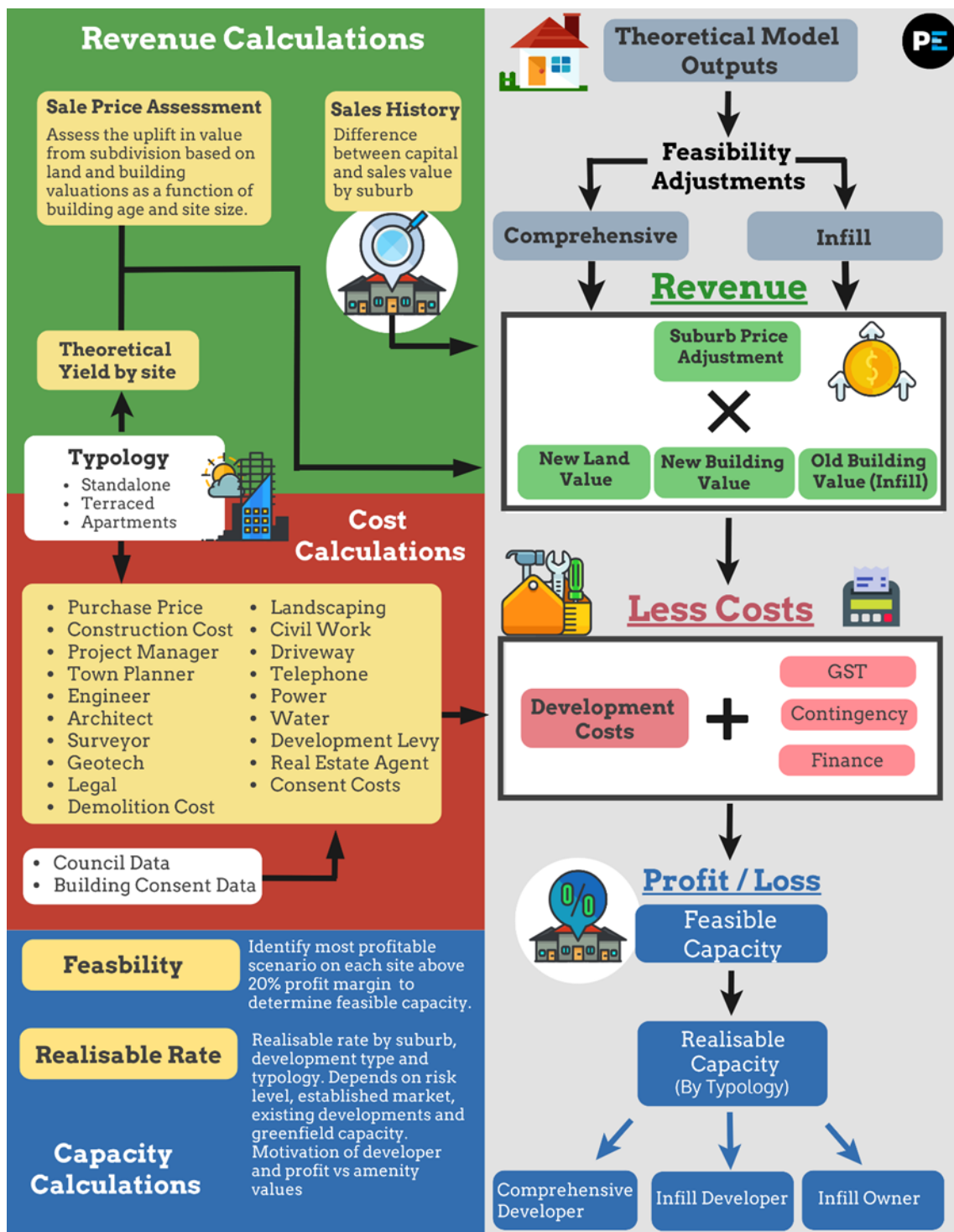
R16 of Plan Change 2 makes “Subdivision where any part of the land contains an overflow path or residual overflow path” a Discretionary Activity. This limits the maximum development potential on any site affected by an overflow path to the three dwellings permitted on each site under the Medium Density Residential Standards, even if more could be built without covering this flood overlay.

Greenfield sites (i.e. sites larger than 5ha) however have been spared this constraint (after removing the area covered by the flood overlay). Although technically it remains a Discretionary Activity to subdivide these sites, it is assumed that subdividing these larger sites would be able to more easily mitigate any flooding issues and get their application through the development process and that there would also be a greater motivation to do so.

3. FEASIBLE CAPACITY MODELLING

A high-level overview of the model utilised by Property Economics in determining the feasible residential capacity for the Kapiti Coast is outlined in the flow chart in Figure 1 below, with detailed descriptions of each stage of the process given following.

FIGURE 1: PROPERTY ECONOMICS RESIDENTIAL FEASIBILITY MODEL OVERVIEW



Improvement Value per SQM

Using the rating database provided by Kapiti Coast, the land value per sqm and improvement value per sqm is calculated. This is then summarised by suburb, size and typology to give the average per sqm value for various types of dwellings.

By splitting the valuation into land and improvement value, it accounts for variations of both sizes e.g., a large dwelling on a small piece of land compared to the same size dwelling on a larger piece of land.

Values are not the same across each suburb (due to differing structures and quality), and thus it is required to give the per sqm value for each suburb individually. Also, the per sqm rate for land and improvement value is shown not to be consistent across all sizes. For example, a larger dwelling has on average a lower per sqm improvement value than a smaller one. This inverse relationship between size and per sqm value is the same for both land value per sqm and building value per sqm.

Table 3 demonstrates how a subdivision primarily makes its profit through an increase in land value. Note that this is a generic example, (i.e., does not represent a specific site in Kapiti Coast) that is simply included for demonstration purposes.

TABLE 4: EXAMPLE OF HOW BUILDING VALUE AND LAND VALUE CAN VARY BETWEEN STANDALONE AND TERRACED DEVELOPMENT OPTIONS

Development Option on 500sqm site	Building Value per dwelling	Site Size per dwelling	Land Value per dwelling	Sale Price per dwelling	Land Value Per SQM	Total Land Value
One 100sqm Standalone	\$ 400,000	500	\$ 500,000	\$900,000	\$ 1,000	\$ 500,000
Two 100sqm Standalone	\$ 400,000	250	\$ 400,000	\$800,000	\$ 1,600	\$ 800,000
Three 100sqm Terraces	\$ 400,000	167	\$ 360,000	\$760,000	\$ 2,160	\$ 1,080,000

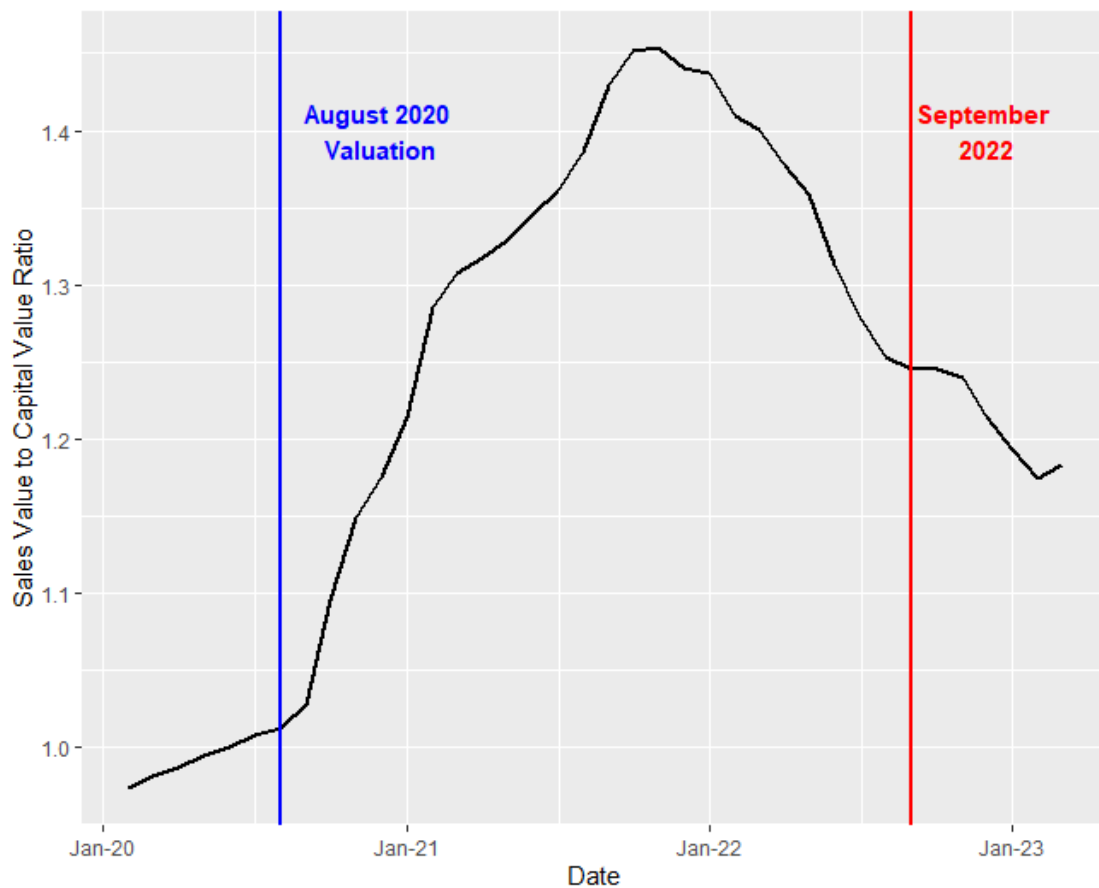
Source: Property Economics,

As this table shows, the value of each individual 100sqm building does not change. Rather the value in building more terraces is inherent in the increase in land value from \$1,600 per sqm to \$2,160 per sqm, which is the result of being able to build more homes on the same site. If building terraces did not result in a greater yield (i.e., only two terraces or two standalone options) then the Feasible Capacity Model results would likely show the standalone to be the preferred option.

Kapiti Coast Sales Price

Figure 2 shows how the average sales price compares to capital valuation between January 2020 and February 2023. This provides an indication of how sales price has changed over the past few years. It also highlights when the underlying valuations were undertaken in August 2020 which, as Figure 2 shows, coincides with an average 1.0 ratio of Sales Price to Valuation. At its peak at the end of 2021, properties in Kapiti Coast were selling for 45% higher than their current valuations on average.

FIGURE 2: AVERAGE HOUSE PRICE IN KAPITI COAST DISTRICT BETWEEN 2019 AND 2023



Source: Property Economics, KCDC, Core Logic

The sales data used to produce Figure 2 was provided to Property Economics by Kapiti Coast District Council up till September 2022 and this is the point in time at which this feasibility assessment has been undertaken. As Figure 2 shows, the average sales price dropped by 15% from its peak to an average sale-to-capital value ratio of 1.25.

Property Economics has obtained further sales from Core Logic to generate the series into early 2023. This shows that property prices have continued to drop by a further 6% from September 2022 to early 2023.



Furthermore, the Construction Cost Index indicates the costs have risen by 10% in the last year and by 20% since 2020.

This shift in the balance between the underlying land values and the large increase in construction costs has a significant impact on the financial feasibility of housing development. This report provides an indication of the potential feasible capacity under two different price scenarios, end of 2021 high, and early 2023 low.

4. FEASIBILITY MODELLING OUTPUTS

4.1. FEASIBLE CAPACITY OUTPUTS

Property Economics has assessed the variables outlined above in the Kapiti Coast's market and run feasible capacity models across the range of locations, land values, improvement values, and land value changes. A key component of the market's willingness to develop infill is the relationship between a site's land value, fixed subdivision costs and the identifiable 'uptake' in value (sqm) through subdivision.

Table 5 below outlines a summary of the number of potential sections on sites where the ratios meet a profit level suitable to meet market expectations (20% for the purpose of this analysis).

TABLE 5- KAPITI COAST FEASIBLE RESIDENTIAL DEVELOPMENT CAPACITY BY ZONE- OWNER AND DEVELOPER

Feasible (Max Profit)	Theoretical	Apartment	Standalone	Terraced	Total	% of Theoretical
Intensification Precinct Residential	97,893	81	2,439	7,404	9,924	10%
Commercial / Mixed Use Zone Development Area	148,114	0	8,872	27,754	36,626	25%
Future Urban Zone	11,946	1,113	0	738	1,851	15%
Remaining Greenfield	15,548	0	1,859	992	2,851	18%
	6,542	0	566	1,038	1,604	25%
	20,953	579	732	1,216	2,527	12%
Total	300,996	1,773	14,468	39,142	55,383	18%

Source: Property Economics, KCDC

Table 5 represents the subdivision undertaken by either an owner-occupier or a developer, with the capacity representing the most profitable. This is an important difference as motivations and capital outlay are often different. These figures have removed all 'double ups' i.e., where multiple instances were tested on a specific site and represent the most profitable scenario for that site.

If developments were to be undertaken by either a developer or owner occupier, there is then potential for 55,383 additional units within the Kapiti Coast market. As all development options have been considered in Table 5, this represents the total feasible capacity in the market. This level of feasible capacity represents a 20% feasibility rate on the theoretical capacity.

Notably, although upwards of six-storey apartments are permitted in the Intensified Residential Zones, most of them are not feasible / the most profitable option. Almost all the Feasible apartments are in Commercial Zones.

Terraces are the most profitable development typology, making up almost two-thirds of the total feasible capacity. Although they historically have not played a large role in Kapiti's housing market, the new intensification planning standards are likely to result in a significant shift towards this typology.

Table 5 also shows the Feasible Capacity within the Development Areas and other Greenfield Sites. It is important to note that the Development Areas are currently under active development and have existing structure plans over at least the current stage that the model does not take into account. These capacity estimates for the Development Area are also limited to a single development typology as a simplifying assumption for this modelling. This capacity has therefore been separated so it can be replaced by any more up-to-date information the developers put forth on their development intentions for the area

It should also be noted that the Development Area and Future Urban Zone are not exclusively large over 5ha "Greenfield" sites. Specifically, 2,089 of the Theoretical yield in the Development Areas are under 5ha sites. The Remaining Greenfield category covers all of the remaining over 5ha sites in both the Residential and Commercial Zones.

Table 6 below shows how the feasible capacity is distributed across the suburbs.

TABLE 6 – KAPITI COAST FEASIBLE RESIDENTIAL DEVELOPMENT CAPACITY BY SUBURB- OWNER AND DEVELOPER

Suburbs	Feasible Capacity					Feasibility Rate
	Theoretical Capacity	Feasible Standalone	Feasible Terraced	Feasible Apartment	Total Feasible Capacity	
Forest Lakes	1,927	230	174	-	404	21%
Maungakotukutuku	1,506	36	456	-	492	33%
Otaihanga	3,657	465	566	-	1,031	28%
Otaki	29,534	1,016	3,540	119	4,675	16%
Otaki Beach	9,857	147	2,653	-	2,800	28%
Paekakariki	8,557	238	1,871	-	2,109	25%
Paraparaumu Beach Ea	9,128	411	672	20	1,103	12%
Paraparaumu Beach No	13,149	556	2,044	-	2,600	20%
Paraparaumu Beach W€	10,807	523	1,149	85	1,757	16%
Paraparaumu Central	35,474	548	2,059	1,405	4,012	11%
Paraparaumu East	16,210	740	2,016	-	2,756	17%
Paraparaumu North	12,729	505	1,180	-	1,685	13%
Peka Peka	2,651	110	1,131	-	1,241	47%
Raumati Beach East	20,577	881	1,648	-	2,529	12%
Raumati Beach West	10,659	248	2,073	62	2,383	22%
Raumati South	14,288	804	3,712	-	4,516	32%
Te Horo	2,639	40	1,032	-	1,072	41%
Waikanae Beach	17,191	485	4,711	-	5,196	30%
Waikanae East	18,973	1,373	1,528	-	2,901	15%
Waikanae Park	23,037	2,878	1,570	-	4,448	19%
Waikanae West	32,118	1,724	2,483	82	4,289	13%
Waitohu	6,328	510	874	-	1,384	22%
Total	300,996	14,468	39,142	1,773	55,383	18%

Source: Property Economics, KCDC

4.2. REALISABLE CAPACITY OUTPUTS

On top of the feasible capacity modelling, practical considerations must be taken into account as to what is likely to be developed in the real world. While this section is separated from the sensitivities above the realisation rates essentially provide for 'development chance' given the propensity for development variances.

These considerations are based on:

- Dwelling typology
- Development option
- Greenfield competition

The identification of these variables not only provides for sensitivities but also addresses the relativity between typologies. While all three typologies may be feasible the development model identifies the site scenario with the highest profit margin. However, practically while the model assesses the standard 20% profit margin, there is greater risk in some typologies. The assessment below endeavours to consider these risks, and motivation, differentials.

On top of greenfield consideration, the relative risk of each development type must be considered in quantifying what will practically be developed by the market. The risk is not homogenous across typology or development type, and thus a matrix of 'risk factors' have been applied across each combination of typology and development type.

Risk has been accounted for developments undertaken by developers by increasing the required profit level for a development to be classified as 'realisable', on top of being feasible. Table 6 below shows the profit levels required for each combination of typology and development option to be considered realisable by the model.

TABLE 7 – DEVELOPER REALISABLE PROFIT RATES

	Comprehensive Developer	Infill Developer	Infill Owner
House	24%	20%	29%
Terraced	27%	24%	33%
Apartment	38%	33%	46%

Source: *Property Economics*,

This reflects the market practicality that developments taken on by a developer have relatively lower risk if they are an infill development, rather than a comprehensive development. It also

shows the increasing risk of development as the typology increases in scale from standalone dwellings, through to terraced products, and finally apartments.

For an owner-occupier, the model considers the profit level of the development relative to the capital value of the existing dwelling(s). This is because motivations for an owner to subdivide their property are inherently linked with the relative profit they can achieve against the value of their own home e.g., a \$100,000 profit on a \$1,000,000 site will be less likely to be developed by the owner, compared to a \$100,000 profit on a \$500,000 site, assuming similar fixed costs. Therefore, as a methodology for this, the model considers that the lowest quartile of feasible infill developments in terms of the relative profit / CV ratio will not be realised by the market.

Furthermore, large areas of the Kapiti Coast District are covered by flooding overlays. In the district plan, subdividing on any site with a ponding overlay is a Restricted Discretionary Activity. For the purposes of this assessment, Property Economics has included these activities with an increase in the profit margin that significantly discounts the realisation rate on urban properties with a risk of flooding.

Specifically, the model adds to the required realisation profit margins indicated in Table 6 between 5% -15% for Restricted Discretionary Consents (depending on the coverage of the Ponding Overlay). The realisation rate of Greenfield sites, however, has not been reduced as flooding on these larger sites is less likely to affect the wider development potential.

Taking these market practicalities into consideration, Table 8 shows the realisable capacity within the Kapiti Coast District.

TABLE 8: KAPITI REALISABLE RESIDENTIAL DEVELOPMENT CAPACITY BY ZONE

Realisable	Theoretical	Apartment	Standalone	Terraced	Total	% of Theoretical
Intensification Precinct	97,893	0	3,609	1,541	5,150	5%
Residential	148,114	0	12,489	9,161	21,650	15%
Commercial / Mixed Use Zone	11,946	513	0	422	935	8%
Development Area	15,548	0	1,936	455	2,391	15%
Future Urban Zone	6,542	0	1,064	2	1,066	16%
Remaining Greenfield	20,953	0	1,193	288	1,481	7%
Total	300,996	513	20,291	11,869	32,673	11%

Source: Property Economics,

Table 8 shows that the realisable capacity across Kapiti Coast is around 32,673 new dwellings, representing an 11% realisation rate across the district. In essence, this represents a 59% realisation rate of the already calculated feasible capacity outlined in Table 5 above.

As expected, this removes all of the realisable apartment capacity in the residential zones and significantly reduces the number of realisable terraces, partially in favour of standalone typologies.

Table 9 disaggregates the realisable capacity by Suburb.

TABLE 9 – KAPITI COAST DISTRICT REALISABLE RESIDENTIAL DEVELOPMENT CAPACITY BY SUBURB – ALL ZONES

Realisable Capacity						
Suburbs	Theoretical Capacity	Realisable Standalone	Realisable Terraced	Realisable Apartment	Total Realisable Capacity	Feasibility Rate
Forest Lakes	1,927	336	3	-	339	18%
Maungakotukutuku	1,506	169	24	-	193	13%
Otaihanga	3,657	386	42	-	428	12%
Otaki	29,534	1,435	129	-	1,564	5%
Otaki Beach	9,857	310	586	-	896	9%
Paekakariki	8,557	854	592	-	1,446	17%
Paraparaumu Beach Eas	9,128	582	232	-	814	9%
Paraparaumu Beach Nor	13,149	915	834	-	1,749	13%
Paraparaumu Beach We	10,807	914	408	48	1,370	13%
Paraparaumu Central	35,474	680	798	423	1,901	5%
Paraparaumu East	16,210	1,195	484	-	1,679	10%
Paraparaumu North	12,729	502	432	-	934	7%
Peka Peka	2,651	364	704	-	1,068	40%
Raumati Beach East	20,577	1,130	182	-	1,312	6%
Raumati Beach West	10,659	691	787	42	1,520	14%
Raumati South	14,288	2,109	979	-	3,088	22%
Te Horo	2,639	216	712	-	928	35%
Waikanae Beach	17,191	1,450	2,247	-	3,697	22%
Waikanae East	18,973	1,549	390	-	1,939	10%
Waikanae Park	23,037	2,441	202	-	2,643	11%
Waikanae West	32,118	1,577	938	-	2,515	8%
Waitohu	6,328	486	164	-	650	10%
Total	300,996	17,965	11,671	513	32,673	11%

Source: Property Economics

4.3. GREENFIELD

Table 10 shows the Feasible and Realisable Greenfield Capacity for each suburb. Note that this capacity was included in the preceding tables and is not additional to the capacity outlined in Tables 5,6,8 and 9.

TABLE 10: GREENFIELD FEASIBLE AND REALISABLE CAPACITY

Suburbs	Theoretical Capacity	Feasible	Feasible Ratio	Realisable	Realisable Ratio
Forest Lakes	1,923	400	21%	336	17%
Maungakotukutuku	967	348	36%	167	17%
Otaihanga	50	50	100%	50	100%
Otaki	8,014	1,953	24%	1,248	16%
Paraparaumu Beach East	735	-	0%	-	0%
Paraparaumu Central	8,454	867	10%	288	3%
Paraparaumu East	81	28	35%	19	23%
Paraparaumu North	462	-	0%	-	0%
Peka Peka	12	12	100%	12	100%
Raumati Beach East	3,235	-	0%	-	0%
Raumati South	1,515	282	19%	239	16%
Waikanae East	15	15	100%	15	100%
Waikanae Park	11,387	1,764	15%	1,630	14%
Waikanae West	4,097	734	18%	734	18%
Total	40,947	6,453	16%	4,738	12%

Source: Property Economics

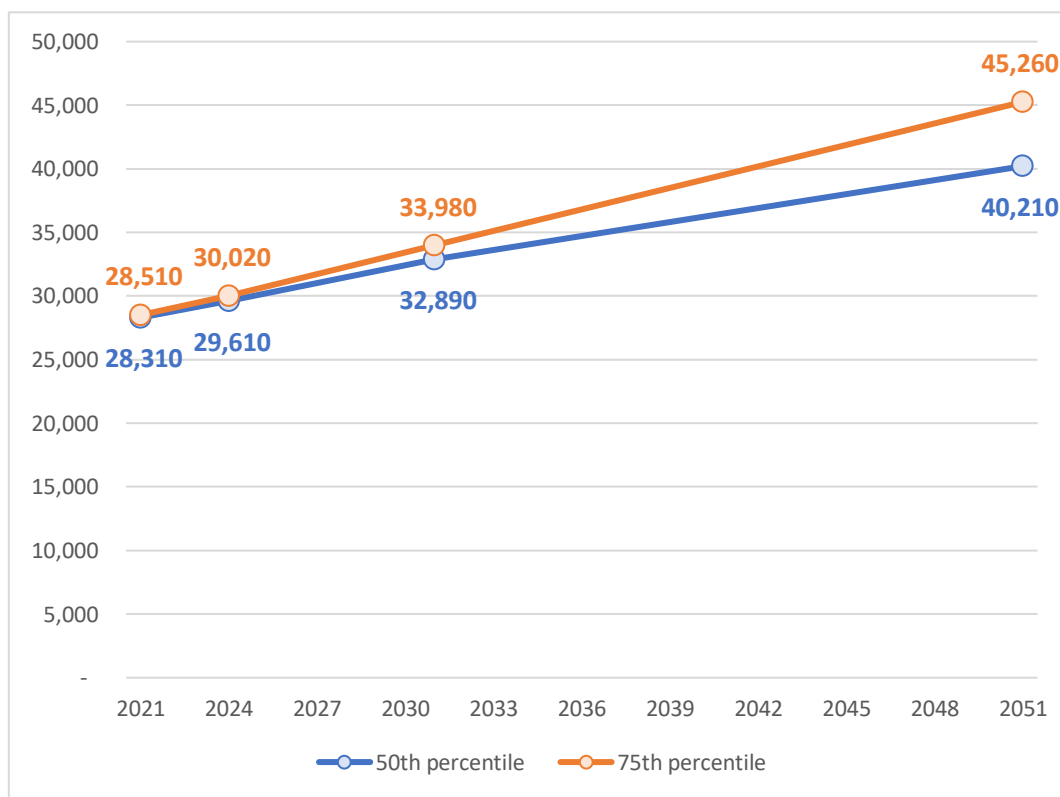
Most Greenfield Sites put through the feasibility model (i.e. excluding sites completely covered by constraints) had feasible and realisable development options. The obvious exception to this is the sites identified as having existing buildings worth over \$10m. The difference between the Theoretical and Feasible Capacity represents the difference between what could be built under the plan and what is likely to be built. For example, it may be theoretically possible to build 70sqm small terraces, but the model may suggest that large Standalone houses are the most profitable option with a 200 – 400sqm site size average.

Paraparaumu Central has feasible capacity within the parking lot of its two large (over 5ha) commercial sites. Although the site coverage assumptions applied mean not all of the parking area would be taken up, there will be a loss in the parking area and this is a cost which may need to be rectified by providing separate parking if this were to occur.

5. DEMAND RECONCILIATION

Figure 3 below shows the dwelling projections according to the projections developed by Sense Partners for Kapiti Coast. It shows growth according to their 50th and 75th percentile projections showing the medium, and high growth scenarios. Under these scenarios, the projected 30-year growth between 2021 and 2051 ranges from 11,900 dwellings under the medium and 16,750 dwellings under the high projection.

FIGURE 3: SENSE PARTNERS PROJECTED DWELLINGS KAPITI COAST DISTRICT



Source: Property Economics

Based on this growth projection, it is clear that Kapiti Coast has more than sufficient realisable capacity (of 32,673 to meet its projected demand under even the higher 75th percentile growth scenario (16,750 dwellings or 19,530 including the NPS UD 15% margin).

The question remains, however, as to whether or not this capacity is suitable to meet the needs and desires of the Kapiti Coast housing market. It is therefore important to reconcile this capacity with the demand by systematically allocating sites to be built for specific development options.

Sense Partners Projections breaks down the household demand by household type (i.e. couple without kids, single-parent family etc) which we can use to estimate the typology and size demanded by the population in each location over the next 30 years.

Based on Kapiti's history of new dwelling consents, Sense Partners' breakdown of Standalone and Attached Dwellings and their projected household demographic changes, Property Economics has estimated the number of Small, Medium and Large dwellings of each typology that will be required.

The model then reconciles the feasible capacity against this demand by sorting each of the sites by profit and systematically allocating each of them to be "Realised" as one of the nine typologies/sizes.

Table 11 shows the split by size across each of the Standalone, Terraces and Apartment typologies and the capacity to meet that demand. This highlights that over 60% of the demand is projected to be for Standalone dwellings and under the Medium Growth Scenario there is sufficient capacity to meet this demand. The demand by typology and size is met in all cases except small apartments. If Kapiti grows to meet its high projection, there remains sufficient realisable capacity to accommodate the demand for Standalone and Terraces but not apartments.

TABLE 11: DEMAND RECONCILIATION BY TYPOLOGY AND SIZE FOR MEDIUM PROJECTION

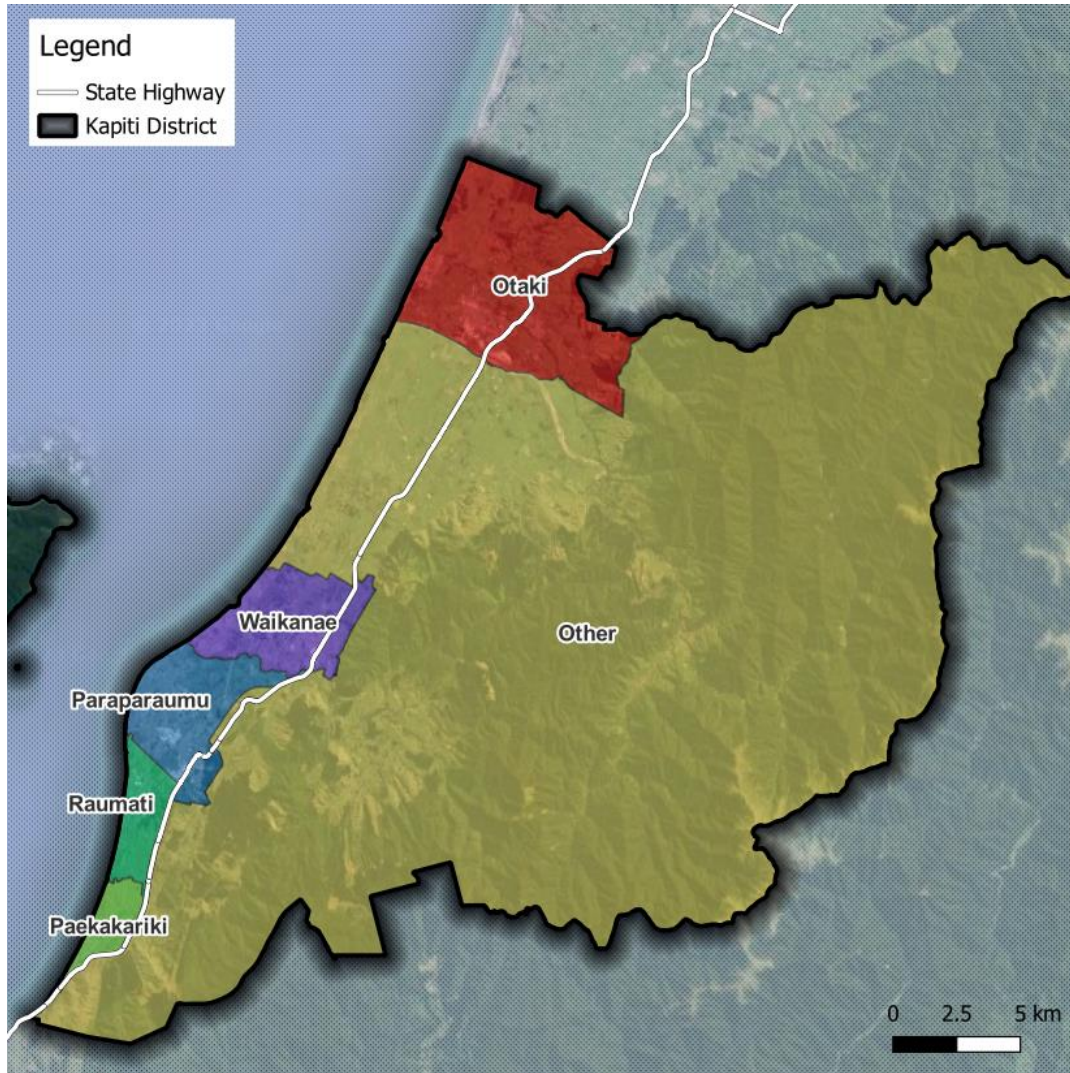
Typology	Size	Demand	Reconciled Capacity	Sufficiency	Residual Capacity
Standalone	Large	1,387	1,387	100%	5,449
	Medium	2,656	2,656	100%	6,915
	Small	3,245	3,245	100%	5,359
Terraced	Large	334	334	100%	1,823
	Medium	1,358	1,358	100%	2,347
	Small	2,424	2,424	100%	1,344
Apartment	Large	45	45	100%	79
	Medium	186	186	100%	19
	Small	262	75	29%	0
Total		11,897	11,710	100%	23,335

Source: Property Economics

As well as ensuring there is sufficient capacity to support the likely demand by typology, it is also important to ensure there is sufficient capacity in each location. Sense Partners dwelling projections included a breakdown by Statistical Area 2 (SA2). However, Property Economics does not consider it appropriate to assess demand and capacity at an SA2 level due to the margin of error and substitutability of demand across SA2s.

Instead, Property Economics have used the six residential catchments KCDC defined in the 2022 Housing and Business Capacity Assessment for a finer-grain locational analysis. These areas are shown in Figure 4 below.

FIGURE 4: RESIDENTIAL CATCHMENTS



Source: Property Economics, KCDC

Table 12 shows there is sufficient capacity to meet all of the demand by location by a large margin in most instances. The exception to this is attached dwellings in Otaki where the residual capacity is only 24% of the demand.

TABLE 12: DEMAND RECONCILIATION UNDER THE SENSE PARTNERS MEDIUM PROJECTION BY TYPOLOGY AND SIZE AND LOCATION

Catchment	Type	Demand	Reconciled Capacity	Sufficiency	Residual Capacity
Otaki	Standalone	1,133	1,133	100%	1,782
	Attached	1,640	1,640	100%	391
Other	Standalone	719	719	100%	529
	Attached	450	450	100%	304
Waikanae	Standalone	1,780	1,780	100%	5,782
	Attached	1,533	1,533	100%	2,607
Paraparaumu	Standalone	2,436	2,436	100%	4,095
	Attached	796	796	100%	1,789
Raumati	Standalone	1,173	1,173	100%	4,080
	Attached	185	185	100%	727
Paekakariki	Standalone	47	47	100%	878
	Attached	5	5	100%	536
Total		11,897	11,897	100%	23,500

Source: Property Economics

For comparison with the other estimates of capacity, Table 13 breaks down the Demand Reconciled Capacity by Typology and Zone. Note that this includes both the capacity required to meet demand and the residual capacity shown in Table 12 above.

TABLE 13: KAPITI COAST DEMAND RECONCILED CAPACITY BY ZONE

Demand Reconciled	Theoretical	Apartment	Standalone	Terraced	Total	% of Theoretical
Intensification Precinct	97,893	19	4,328	1,116	5,463	6%
Residential	148,114	0	15,344	7,396	22,740	15%
Commercial / Mixed Use Zone	11,946	382	0	411	793	7%
Development Area	15,548	0	2,017	532	2,549	16%
Future Urban Zone	6,542	0	1,528	788	2,316	35%
Remaining Greenfield	20,953	0	1,217	319	1,536	7%
Total	300,996	401	24,434	10,562	35,397	12%

Source: Property Economics

Notably, the Demand Reconciled Capacity is slightly higher than the Realisable Capacity. This difference is due to the Demand Reconciled Capacity having a more even spread the typologies and sizes.

Specifically, the most realisable typology is Large Terraces and Medium Standalone dwellings. The shift to a more even balance of sizes results in an increase in smaller standalone and terraces and consequently, a net increase in the estimated capacity.

6. ALTERNATIVE SCENARIOS

Up till this point, the Feasibility Assessment has been undertaken as of September 2022. However, as Figure 2 shows, the average sale price in Kapiti has declined further from this point. Based on our analysis, this corresponds to a 14% reduction in land values. Table 14 shows the feasibility and realisable capacity under this scenario with all other variables held constant. Interestingly, this has a much greater impact on the Realisable Capacity (-43%) than the Feasible (-12%). The majority of Kapiti's Feasible Capacity is owner infill and fewer of these are marginal from a 20% feasibility perspective than are marginal at the higher profit margins required of owner infill realisation rates.

TABLE 14: FEASIBLE AND REALISABLE CAPACITY WITH A 14% REDUCTION IN LAND VALUES

Zone / Area		Theoretical	Apartment	Standalone	Terraced	Total	% of Theoretical
Feasible (Max Profit)	Intensification Precinct	97,893	20	1,533	7,531	9,084	9%
	Residential	148,114	0	5,523	27,611	33,134	22%
	Commercial / Mixed Use Zone	11,946	673	0	561	1,234	10%
	Development Area	15,548	0	1,750	924	2,674	17%
	Future Urban Zone	6,542	0	566	1,036	1,602	24%
	Remaining Greenfield	20,953	0	767	812	1,579	8%
Total	300,996	693	10,139	38,475	49,307	16%	
Realisable Capacity	Intensification Precinct	97,893	0	2,291	1,121	3,412	3%
	Residential	148,114	0	6,897	7,622	14,519	10%
	Commercial / Mixed Use Zone	11,946	45	0	197	242	2%
	Development Area	15,548	0	1,910	442	2,352	15%
	Future Urban Zone	6,542	0	1,050	0	1,050	16%
	Remaining Greenfield	20,953	0	917	316	1,233	6%
Total	300,996	45	13,065	9,698	22,808	8%	















Source: Property Economics

We further see the impacts of both prices and construction costs in the model when we compare what the capacity results would have been had we run them under the previous HBA market conditions / at the market peak at the end of 2021. This includes an increase in land values by 20% and a decrease in construction costs. As with the previous results, we see that the Realisable Capacity results are significantly more sensitive to changes in land values than the feasible results. Under this scenario, Realisable Capacity increases to 43,833 dwellings with the number of realisable apartments increasing five-fold.

This increase in the sales price and reduction in costs is sufficient to make some apartments realisable within the Intensification Precinct. Additionally, it is noted that the realisable apartments in the Commercial area is higher than the maximum profit feasible. This is due to

the owner infill of a large commercial site being the most profitable site, but the complete redevelopment of the site has a higher realisation rate under this higher sales price scenario.

TABLE 15: FEASIBLE AND REALISABLE CAPACITY WITH PREVIOUS HBA MARKET (20% INCREASE IN SALE PRICE AND 10% DECREASE IN CONSTRUCTION COSTS)

Zone / Area		Theoretical	Apartment	Standalone	Terraced	Total	% of Theoretical
Feasible (Max Profit)	Intensification Precinct	97,893	396	3,189	6,712	10,297	 11%
	Residential	148,114	0	11,156	27,802	38,958	 26%
	Commercial / Mixed Use Zone	11,946	1,569	0	813	2,382	 20%
	Development Area	15,548	0	1,868	989	2,857	 18%
	Future Urban Zone	6,542	0	568	1,037	1,605	 25%
	Remaining Greenfield	20,953	579	732	1,216	2,527	 12%
	Total	300,996	2,544	17,513	38,569	58,626	 19%
Realisable Capacity	Intensification Precinct	97,893	20	5,073	2,027	7,120	 7%
	Residential	148,114	0	17,232	11,123	28,355	 19%
	Commercial / Mixed Use Zone	11,946	1,973	0	569	2,542	 21%
	Development Area	15,548	0	2,035	542	2,577	 17%
	Future Urban Zone	6,542	0	1,177	2	1,179	 18%
	Remaining Greenfield	20,953	579	1,193	288	2,060	 10%
	Total	300,996	2,572	26,710	14,551	43,833	 15%















Source: Property Economics

Table 16 demonstrates the impact of SUB-DW-R16 in PC2. This is the rule that makes subdivision on sites affected by an Overlay Flowpath a Discretionary Activity, limiting capacity on affected sites to 3 dwellings.

Table 16 shows that the removal of this rule would increase the Theoretical Capacity by over 33,000 dwellings, an increase in the Feasible Capacity of almost 6,000 dwellings, but only an increase of 586 dwellings in the Realisable Capacity. This is because that subdivision on these sites would still require Restricted Discretionary consent (as per SUB-DW-R7) resulting in a significant decrease in the realisation of these sites.

If on the other hand, we remove the Restricted Discretionary consenting requirements of the flooding hazards entirely, then the Realisable Capacity increases to 45,562 dwellings, an increase of almost 13,000 dwellings. This shows that the impact of the flooding overlays on capacity is significant.

TABLE 16: CAPACITY WITH REMOVAL OF SUB-DW-R16 IN PC2

	Zone / Area	Theoretical	Apartment	Standalone	Terraced	Total	% of Theoretical
Feasible (Max Profit)	Intensification Precinct	106,101	81	2,591	7,853	10,525	 10%
	Residential	165,144	0	11,441	29,563	41,004	 25%
	Commercial / Mixed Use Zone	16,283	1,499	0	927	2,426	 15%
	Development Area	16,080	0	1,968	1,081	3,049	 19%
	Future Urban Zone	6,870	0	628	1,056	1,684	 25%
	Remaining Greenfield	23,692	579	732	1,216	2,527	 11%
	Total		334,170	2,159	17,360	41,696	61,215  18%
Realisable Capacity	Intensification Precinct	106,101	0	3,664	1,468	5,132	 5%
	Residential	165,144	0	12,747	8,910	21,657	 13%
	Commercial / Mixed Use Zone	16,283	513	0	425	938	 6%
	Development Area	16,080	0	1,938	446	2,384	 15%
	Future Urban Zone	6,870	0	1,064	0	1,064	 15%
	Remaining Greenfield	23,692	0	1,193	288	1,481	 6%
	Total		334,170	513	20,606	11,537	32,656  10%

Source: Property Economics

7. SUMMARY

Table 17 shows the projected dwelling demand under the Sense Partners 50th and 75th percentile forecast and the NPS-UD¹ uplift requirement for Kapiti Coast. This shows that over the next 30 years (2023 – 2053), Kapiti Coast District requires a capacity of over 6,611 dwellings under the medium 50th percentile projection and a capacity of 10,073 dwellings under the higher 75th percentile projection.

TABLE 17: KAPITI COAST HOUSEHOLD PROJECTIONS OVER SHORT, MEDIUM, AND LONG TERM

Capacity Requirements		Short Term (2021 - 2024)	Medium Term (2024 - 2031)	Long Term (2031 - 2051)	Total Increase
50th Percentile	Households	1,298	3,280	7,321	11,899
	NPS Buffer	20%	20%	15%	-
	Total	1,558	3,936	8,419	13,913
75th Percentile	Households	1,510	3,961	11,279	16,750
	NPS Buffer	20%	20%	15%	-
	Total	1,812	4,753	12,971	19,536

Source: Property Economics, Sense Partners

Table 18 shows the summary of the four different measures of capacity for both Urban and Greenfield sites.

TABLE 18: KAPITI COAST CAPACITY OVERVIEW

Capacity Overview	Urban	Greenfield	Total
Theoretical Capacity	260,049	40,947	300,996
Feasible	48,930	6,453	55,383
Realisable	27,935	4,738	32,673
Demand Reconciled	29,205	6,192	35,397

Source: Property Economics

¹ The National Policy Statement for Urban Development requires Councils to provide sufficient capacity to meet projected demand with a 20% competitiveness margin / buffer over the Short to Medium Term and a 15% buffer over the Long Term.

Finally, Table 19 shows a comparison of the Realisable Capacity (being the lowest capacity estimate) against total Demand including the NPS Buffer. This shows that under both demand projections, the Kapiti Coast has more than sufficient capacity to meet the projected demand.

TABLE 19: KAPITI COAST SUFFICIENCY

Sufficiency	50th Percentile	75th Percentile
Demand + NPS Buffer	13,913	19,536
Realisable Capacity	32,673	
<u>Difference</u>	<u>+ 18,760</u>	<u>+ 13,137</u>

Source: Property Economics