

IN THE MATTER OF the Resource Management Act 1991

AND

IN THE MATTER OF Proposed Private Plan Change 56 to the Matamata Piako District Plan by Lockerbie Estate Limited and Lockerbie Estate No.3 Limited to rezone approximately 78 hectares of land at 76 Taukoro Road, 182 Morrinsville-Tahuna Road and Lockerbie Street from a Rural Zone (with a Future Residential Policy Area Overlay) to a Residential and Medium Residential Zone with supporting Development Area Plan.

STATEMENT OF EVIDENCE OF TIMOTHY JAMES HEATH

MORRINSVILLE RESIDENTIAL GROWTH ASSESSMENT

4 July 2022

INTRODUCTION

1. My name is Timothy James Heath.
2. I am a property consultant, market analyst and urban demographer for Property Economics Limited, based in Auckland. I established the consultancy in 2003 to provide property development and land use planning research services to both the private and public sectors throughout New Zealand.
3. I hold a Bachelor of Arts (Geography 1991) and a Bachelor of Planning (1993) both from the University of Auckland. I have undertaken property research work for 25 years, and regularly appear before Council, Environment Court and Board of Inquiry hearings on retail economic matters.
4. I advise district and regional councils throughout New Zealand in relation to residential, retail, industrial and business land use issues as well undertaking economic research for forward strategic planning. I also provide consultancy services to a number of private sector clients in respect of a wide range of property issues, including residential capacity assessments, commercial and industrial market assessments, development feasibilities, forecasting market growth and land requirements across all property sectors, and economic cost benefit analysis.
5. I am familiar with both the Morrinsville and the wider Matamata-Piako market having undertaken a variety of economic analyses on the residential and commercial markets in the district over the last 20 years. I have also assisted Matamata-Piako District Council ("MPDC") over the last 6 months providing economic advice and critiquing a proposed industrial plan change in Matamata.

Code of Conduct for Expert Witnesses

6. While this is not an Environment Court hearing I have met the standards in that Court for giving expert evidence.
7. I am familiar with the Code of Conduct for Expert Witnesses (Environment Court Consolidated Practice Note 2014) and although I note this is a Council hearing, I agree to comply with this code. The evidence I will present is within my area of expertise, expect where I state that I am relying on information provided by another party. I have not knowingly omitted facts or information that might alter or detract from opinions I express.

SCOPE OF EVIDENCE

8. My evidence will cover recent residential growth patterns in Morrinsville and project forward demand to assist understanding the future dwelling requirements to accommodate projected growth of the township and how this development 'fits into' the wider residential growth picture of Morrinsville.
9. I have conducted in a high-level economic cost benefit analysis of rezoning the subject 78ha land holding in Morrinsville as proposed by Lockerbie Estate Limited and Lockerbie No.3 Limited ("Lockerbie") to support my evidence.
10. My evidence will provide a focus on issues raised within the submissions, as relevant to my expertise, including:
 - Lack of Demand (**Topic L**)
 - Submissions Relating to Residential Growth Assessment (**Topic S**)

ROLE IN PROJECT

11. In July 2021, I was engaged by Lockerbie to undertake an economic assessment to assess the residential market in Morrinsville in respect of forward demand to assist their understanding of the economic issues related to their Private Plan Change 56 ("PPC56") application.
12. The land is currently zoned Rural within the Matamata Piako District Plan and has been identified for future residential development through the Future Residential Policy Area Overlay that applies to the site. In this statement of evidence, I do not repeat the description of the site, or the plan change and refer to the summary of the application in the evidence of Ms Kathryn Drew, Planner.

EXECUTIVE SUMMARY

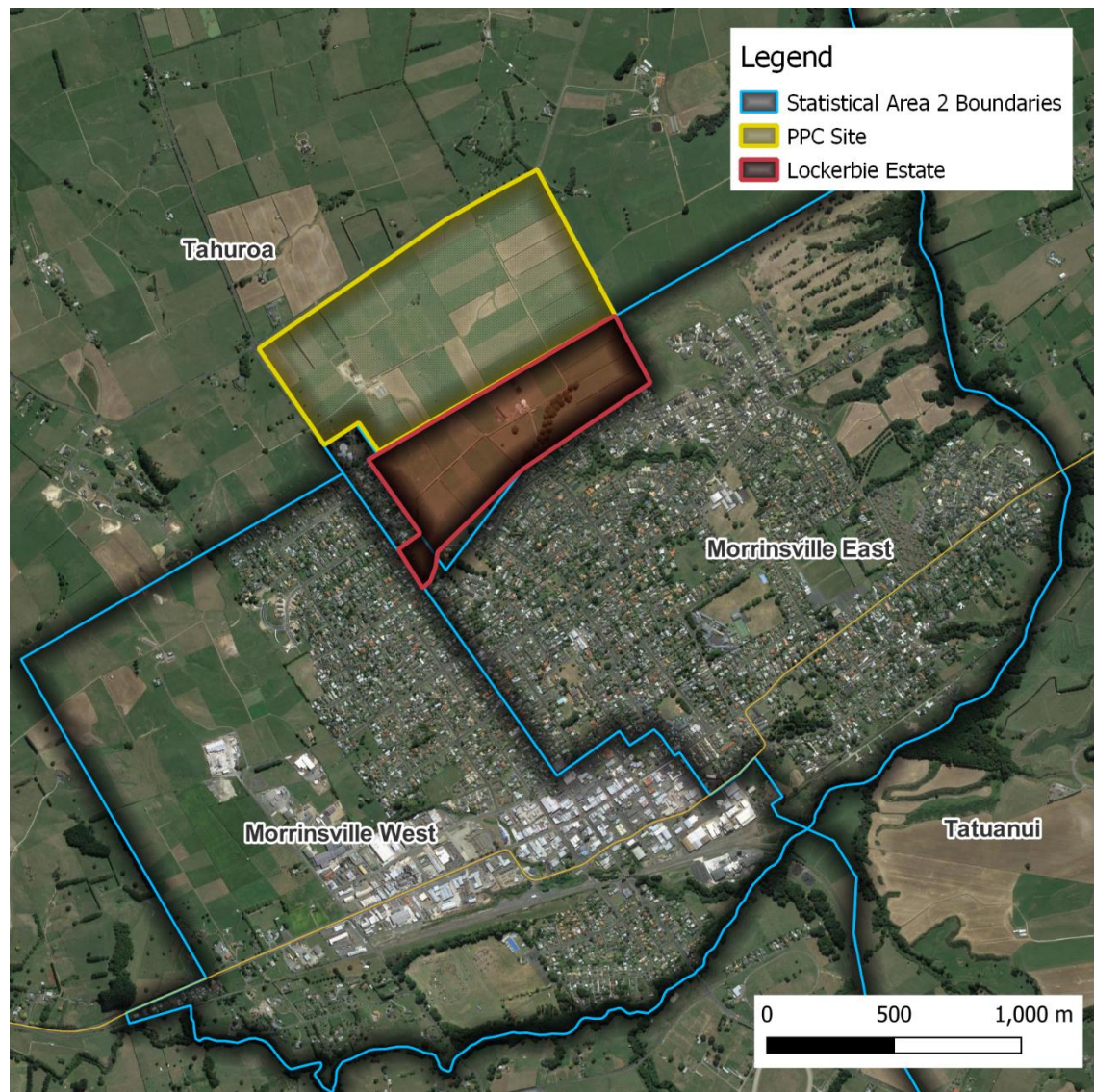
13. My economic analysis shows demand in Morrinsville's residential market is robust and projected to remain strong over the foreseeable future.
14. Recent population growth in the Morrinsville township has exceeded the projections under both Infometrics projection and Stats NZ's Medium and High growth scenario projections. This is also reflected in recent residential dwelling consents which has doubled to an average of 80 new dwelling consents per year compared to Morrinsville's historical levels.

15. There are significant opportunities for Morrinsville to 'tap into' Hamilton's growth, potentially elevating the growth profile for Morrinsville further. With Morrinsville's competitive house price (on a comparative basis with Hamilton), the infrastructure timing constraints on many of Hamilton's greenfield developments, and new significant employment hubs in eastern Hamilton (i.e., Ruakura), Morrinsville is becoming an increasingly attractive residential location for many Hamilton workers.
16. The extent to which the economic benefits of PPC56 outweigh the economic costs will ultimately depend on the existing residential capacity (supply) in Morrinsville's market. Rezoning of the Lockerbie land represents an important component of Morrinsville's ability to accommodate growth and represents feasible supply.
17. The proposed rezoning of the PPC56 land is likely to generate positive economic benefits to Morrinsville.

MORRINSVILLE SA2 AND PPC56 LOCATION

18. Figure 1 following shows a map of Morrinsville, the Lockerbie PPC56 location and the associated Statistical Area 2 boundaries (SA2) which are defined geographical areas for which Statistics New Zealand uses to publish data.
19. In considering the residential growth in Morrinsville, the SA2 boundaries are guided by the historic geospatial extent of the Morrinsville urban area. This means that the Lockerbie land is located in the Tahuroa SA2, immediately abutting the current (northern) urban boundary of the township. This represents an efficient extension of the Morrinsville urban boundary as the new subdivision can efficiently 'plug into' the township's existing infrastructure provision.

Figure 1: Map of Morrinsville and PPC56 Location



Source: Property Economics, Google Maps, Statistics NZ

MORRINSVILLE POPULATION AND HOUSEHOLD GROWTH FORECAST

20. Morrinsville township has seen robust net growth over the last 7 years, growing from 7,300 residents in 2013 to an estimated 8,300 people by 2020. Proportionally, this growth is equal to almost 14% net (or 1.8% per annum) which is higher than the wider district average of 1.4% annually for the same period. Under the Stats NZ High growth scenario, a net additional 850 dwellings are required in Morrinsville by 2038 to accommodate the projected growth.
21. Compared to the Stats NZ projections for the local area, recent population growth has exceeded the High projection by 180 residents. Under this High growth scenario, the population of Morrinsville is anticipated to grow to 9,550

by 2038, equal to net growth of an additional 1,890 residents over the next 28 years.

22. Given recent (above High projection) growth trends in Morrinsville, the Stats NZ projections can be considered conservative if the recent growth profile is maintained, and the township attracts growth from Hamilton. This momentum can only be sustained if additional residential supply is provided to ensure no artificial influences (i.e., house price increases due to lack of housing supply) are imposed on the market.
23. Growth in the number of households in Morrinsville within the original growth projections was forecast to increase at a faster proportional rate than the population due to a projected fall in the person per dwelling ratio over the forecast period. This was a trend projected to occur across the whole country due to an ageing population, smaller families and a higher proportion of 'split' or single households. However, the results of the 2018 NZ Census and subsequent population estimates have shown the reverse to be true.
24. That is, according to the Census results, the population per household ratio has increased in Morrinsville from 2.50 in 2013 to 2.57 in 2018. This trend was also reflected across the country. There are a number of possible reasons for this reversed trend, not the least of which relates to the lack of new home supply relative to demand, and rising house prices that occurred over the last intercensal period.
25. These factors have contributed to an increase in multi-generational and multi household dwellings, pushing the average person per dwelling ratio up. It appears that new residential dwellings (supply) has not kept pace with local demand, and increased supply at a rate more commensurate with demand will be required moving forward to better position Morrinsville to be a competitive residential location.
26. In 2019, the Matamata-Piako District Council engaged Infometrics to undertake independent population modelling work across the entire district.
27. Table 1 following shows a direct comparison between the Stats NZ projections and the Infometrics projections for Morrinsville. This shows that both the Infometrics Medium and High projections falls between the current Statistics NZ High and Statistics NZ Medium projection series.

TABLE 1: STATS NZ AND INFOMETRICS PROJECTION COMPARISON FOR MORRINSVILLE

Morrinsville	2020 Estimate	Projection	2028	8 Year Growth	2038	18 Year Growth
Population	8,300	StatsNZ Medium	8,270	+ 0	8,580	+ 280
		StatsNZ High	8,820	+ 520	9,550	+ 1,250
		Infometrics Medium	8,700	+ 400	9,110	+ 810
		Infometrics High	8,820	+ 520	9,430	+ 1,130
Households	3,230	StatsNZ Medium	3,450	+ 220	3,660	+ 430
		StatsNZ High	3,680	+ 450	4,080	+ 850
		Infometrics Medium	3,490	+ 260	3,660	+ 430
		Infometrics High	3,538	+ 308	3,780	+ 550

28. Given the strong growth subsequent to these projection series, the Stats NZ and Infometrics High scenarios appear closest to the current tracking of growth in Morrinsville.
29. Table 2 shows the combined population growth projections for the Morrinsville and the Tahuroa SA2s across the Stats NZ and Infometrics growth series. All the projections indicate a positive growth profile for the wider Morrinsville area out to 2038 with up to an additional 960 dwellings net required to accommodate anticipated growth.
30. To put this in perspective, Stages 1 and 2 of Lockerbie Estate represent 189 lots and this represents only 20% of the 960 net dwelling required under the High growth scenario. This indicates the rezoning of the subject land would appear an important part of Morrinsville and Tahuroa's ability to realise anticipated growth.

TABLE 3: PROJECTION COMPARISON FOR MORRINSVILLE AND TAHUROA COMBINED

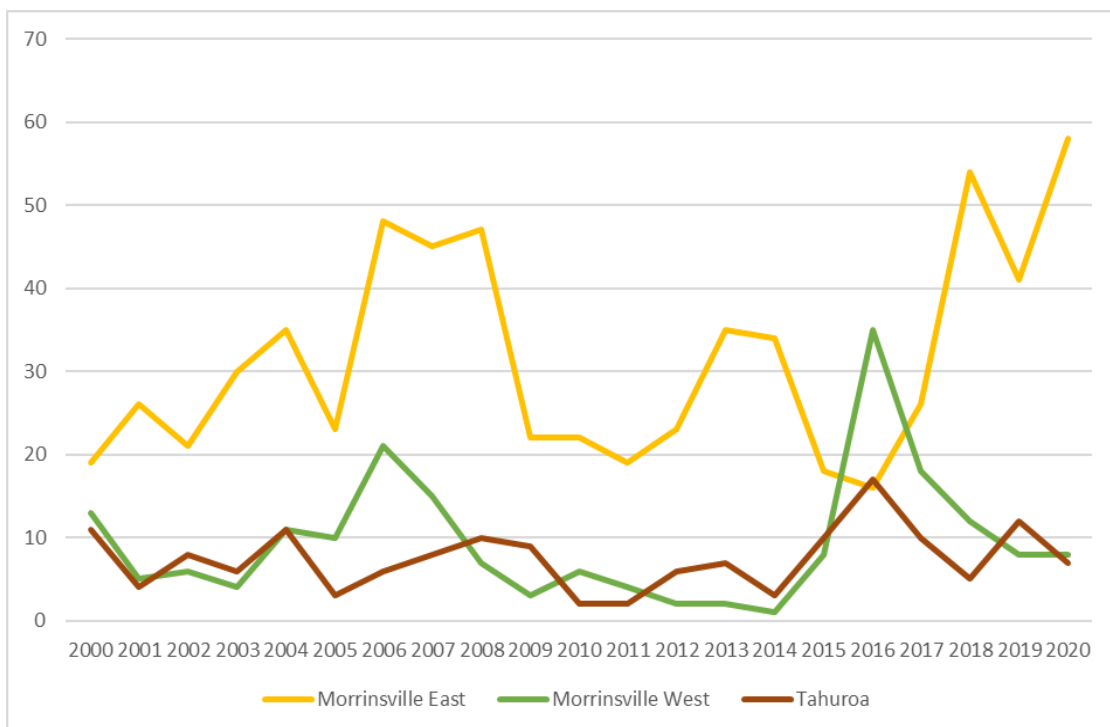
Morrinsville & Tahuroa	2020 Estimate	Projection	2028	8 Year Growth	2038	18 Year Growth
Population	10,140	StatsNZ Medium	10,170	+ 60	10,500	+ 360
		StatsNZ High	10,800	+ 660	11,610	+ 1,470
		Infometrics Medium	10,850	+ 710	11,418	+ 1,278
		Infometrics High	11,030	+ 890	11,900	+ 1,760
Households	3,890	StatsNZ Medium	4,140	+ 250	4,370	+ 480
		StatsNZ High	4,400	+ 510	4,850	+ 960
		Infometrics Medium	4,341	+ 451	4,602	+ 712
		Infometrics High	4,413	+ 523	4,783	+ 893

Source: Property Economics, Statistics NZ, Infometrics

MORRINSVILLE NEW BUILDING CONSENTS TREND

31. During the post-GFC¹ period (after 2008), Morrinsville township recorded 302 residential consents with an additional 61 dwelling consents recorded in Tahuroa. The vast majority of these consents are in Morrinsville East which peaked at 58 consents in 2020, largely driven by the build out of the Parkwood Development.
32. Updated residential consent data in Appendix 1 shows a significant further uplift in the number of residential consents for 2021. Morrinsville East and Tahuroa had the largest number of residential consents issues within their respective SA2 areas seen over the last 30 years.
33. Over the course of the last two decades, Morrinsville’s annual residential building consent numbers has steadily grown on average. At the start of the century Morrinsville was averaging around 40 new residential consents per year. After a few peaks and market corrections, the current rate is around 80 – nearly double the growth rate of twenty years ago.

FIGURE 1: MORRINSVILLE NEW DWELLING CONSENTS (2000– 2020)

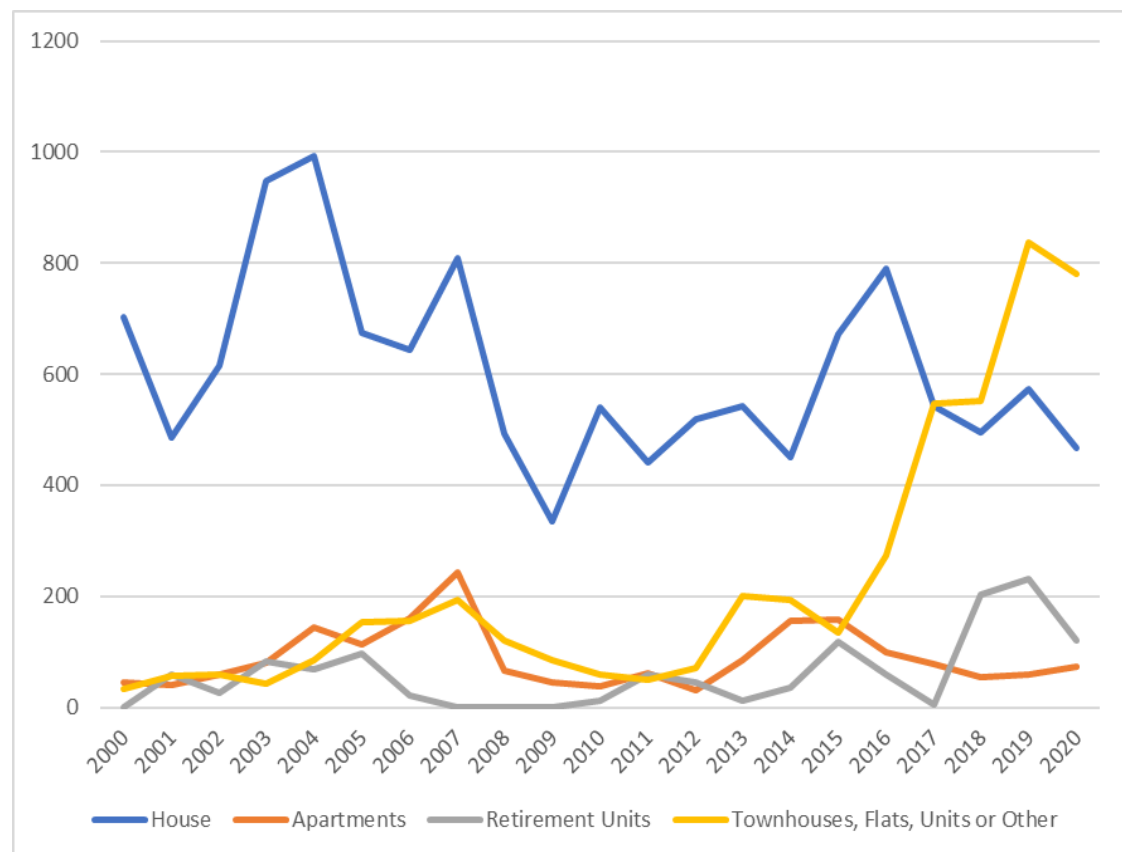


Source: Property Economics, Stats NZ

¹ Global Financial Crisis

34. In Hamilton, over 6,800 new homes were consented over the last 5 years (2016 – 2020) which equates to an average of 1,370 homes per annum. This is approximately 70% higher than the average number of consents over the preceding 5 years (2011 – 2015). More notably however is the sharp rise in the number of Townhouses, Flats, Units or Other (Multi-unit) homes being built with not commensurate decline in the construction of other typologies.
35. Updated residential consent data for Hamilton City is provided in Appendix 2 and shows a further increase the 5-year total 2017-2021 building consents to a total of 7,363, or an average over the period of 1,473 residential consents per annum. The 2021 year was also the second largest residential consenting year on record with 1,641 residential consents total.

FIGURE 2: HAMILTON NEW DWELLING CONSENTS (2000 – 2020)



Source: Property Economics, Statistics NZ

36. Why this is relevant to Morrinsville is labour supply and building shortages has been hampering the delivery of new homes over recent years (not just in Hamilton but across the country) which has increased pressure on house prices. While this pressure has been released somewhat over the last 6-12 months, increasing interest rates and inflation has meant affordability has declined. This means townships close to Hamilton will be increasingly seen as

a competitive location to purchase a new home with more 'affordable' homes, i.e., homes at lower price points that offer better mortgage serviceability.

37. Based on the final quarter for the 2021 year, the average house price in Hamilton was \$830,000, whereas in Morrinsville the average house price was \$711,000. This represents a differential of \$119,000. By way of comparison, purchasing an average house in Morrinsville, compared to Hamilton, with a 20% deposit would save the purchaser(s) around \$24,000 in terms of lower deposit and circa \$7,000 per annum in mortgage repayments.

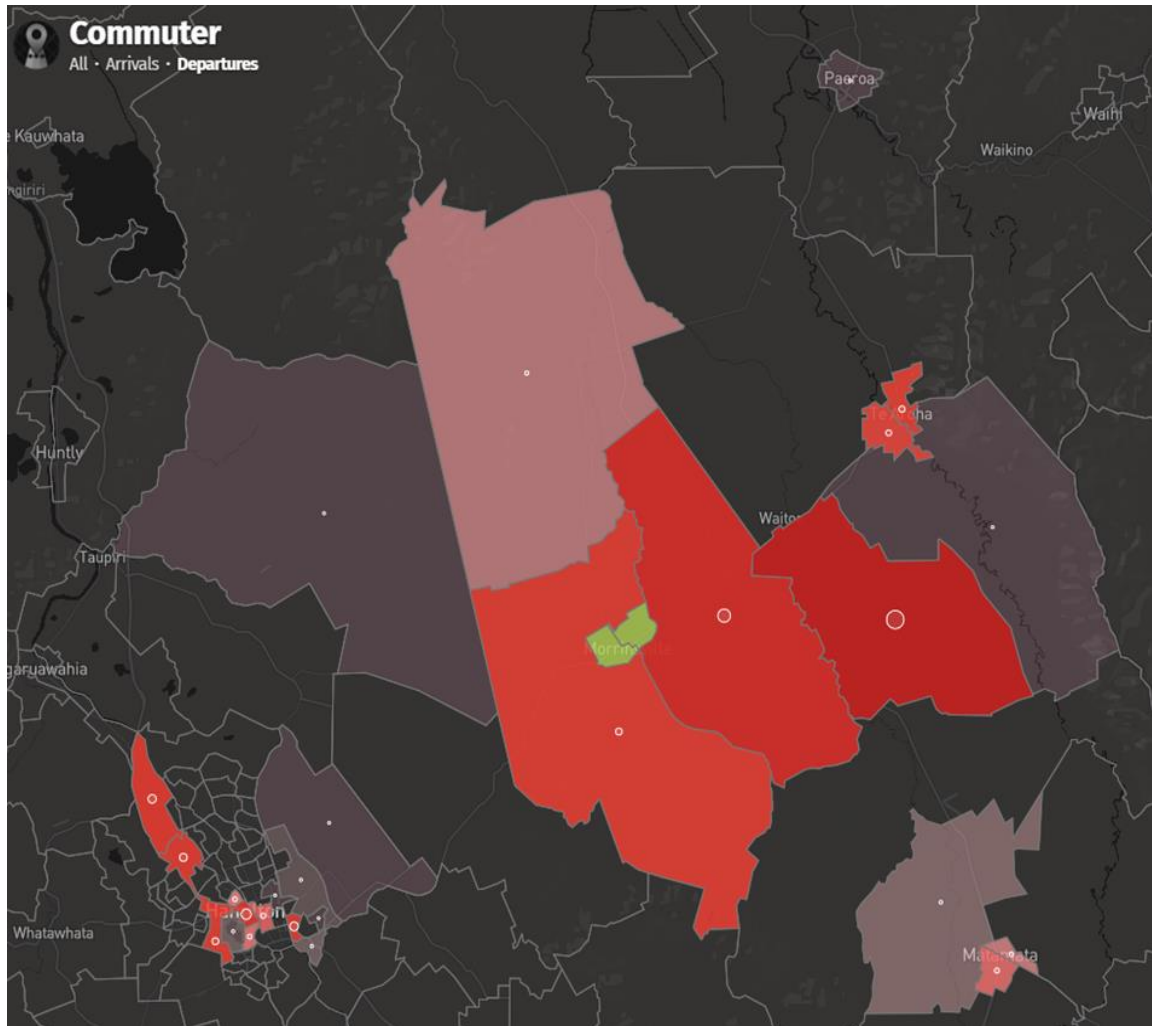
MORRINSVILLE HOUSING DEMAND

38. Infometrics' 2020 report to Council² states that *"given the soft outlook for net migration, the high projection scenario is not recommended as it is unlikely to be achieved in the near term. Furthermore, even when projected growth rates resume after 2025, they will be starting from a lower point, meaning that long term levels set out in the high projection are unlikely to be achieved either."*
39. However, since the release of Infometrics' projections, Stats NZ have provided updated population estimates based on the 2018 Census. The estimated population in Morrinsville in 2020 of 8,300 is the same as Infometrics High projection of 8,287 (once rounded). This suggests current growth rates more closely align with Infometrics High projection series rather than their Medium projections at present. This suggests Infometrics' caveat outlined above is not 'playing out' as anticipated at present, and therefore their High projection scenario increases in validity.
40. The data shows the greater variance of population growth from the projections, across smaller townships within the District. As such, even if the District were to grow in accordance with the Infometrics Medium projection, Morrinsville is equally capable of experiencing High growth given Morrinsville's close proximity to the fast-growing Hamilton City market. As alluded to earlier, Morrinsville is likely to continue becoming an increasingly attractive alternative to reside in for Hamilton workers, particularly with Morrinsville's competitive house prices on a comparative basis.
41. As shown in Figure 3 following, there is a noteworthy proportion (16%) of residents who already commute daily to Hamilton from Morrinsville.

² Infometrics (April 2020) Population projections 2018 – 2051 for Matamata-Piako District Council.

42. Results from the 2018 NZ Census shows out of the 3,687 residents from Morrinsville for which the commuter data is available, two thirds (66%) live and work within Morrinsville, while the remaining 34% or 1,248 people, leave Morrinsville to work or study elsewhere. Of those, 579 residents or almost 16% commute to Hamilton.

FIGURE 3: MORRINSVILLE COMMUTING TO WORK OR SCHOOL PATTERNS



44. Although the Hamilton City Council has zoned for several greenfield developments, infrastructure constraints have delayed / slowed development in these locations, e.g., Peacocke and Rotokauri. Consequently, Hamilton is facing housing supply pressures to the benefit of the surrounding rural townships such as Morrinsville, which have the potential to accommodate the growth derived from Hamilton.

ECONOMIC COSTS AND BENEFITS OF PPC56

45. PPC56 provides several economic benefits to the local market and community, including:

- **Increased land / dwelling supply** – PPC56 has the ability to supply the market with additional residential dwellings, thereby increasing capacity within a single master-planned area. This provides not only the ability for the area to improve its responsiveness to growth demands but itself facilitate further growth within the area with the potential to capture wider market (Hamilton) demand. Additionally, this provides clear direction to the market regarding both its ability to meet future demand pressures and its provision through an efficient site location and size;
- **More affordable housing** - The potential provision of additional feasible residential development capacity within the wider area is likely to have the impact on reducing counterfactual land values. A significant contributor to residential property values in the underlying land values impact by growth expectations and supply. The rezoning of additional residential land areas suitable for future development is likely to reduce price pressure in the local and surrounding markets;
- **Greater housing choice** – PPC56 offers with it the opportunity for increased choice with a mix of residential typologies and price point options, housing with potential for new densities than that offered in a more fragmented development environment;
- **Decreased marginal infrastructure costs** - Being connected to the wider Lockerbie Estate ensures additional economies of scales and lower marginal infrastructure costs over developments in other locations. This is already reflected in the future residential overlay that applies to the site that indicates priority of this zoning this site over other rural areas;
- **Local employment growth** - Through the potential to grow Morrinsville faster in a coordinated manner that is likely to facilitate greater levels of local employment growth and support both local retailers and businesses. This occurs by the potential of reaching the critical mass whereby additional services that may historically have been provided for outside of Morrinsville are now feasible to locate in Morrinsville itself.

46. Potential economic costs to the community include:

- **Potential to undermine zoned, serviced and feasible residential capacity** - In assessing a new residential development, the question of uniqueness arises. If sufficient residential capacity already exists, servicing

unnecessary residential land results in an underutilisation of developed infrastructure and a commensurate increase in marginal costs.

If the development is likely to bring in residential growth over and above what would have otherwise occurred absent of this PPC, this is no longer the case. This occurs when either there is insufficient capacity (both existing and in the pipeline) to support existing and future demand, or it is in some way unique such that the residents would not have otherwise decided to live in Morrinsville;

- **General Costs** - Although there are typically several economic costs associated with a greenfield development, due to the economic outcomes surrounding this development these are considered small scale relative to the economic benefits likely to be generated. Furthermore, the land use change and loss of productive land has been anticipated through the future residential overlay that applies to the site.

Greenfield development can reduce the impetus for intensification of existing urban areas. However, the infill potential of Morrinsville is considered low and the residential activity on the subject land is likely have a higher intensity than the balance of Morrinsville's housing stock.

As for the Infrastructure Costs, this development plugs in to the balance of Morrinsville's existing infrastructure network and is considered to be an efficient location for residential activity, particularly in light of the site's proximity to Lockerbie Estate, as described above.

47. Overall, the likely economics benefits generated as a result of the PPC56 development would outweigh any economic costs by a significant margin.

SUBMISSIONS

48. There were a couple of common themes in the submissions within my area of expertise which I will respond to rather than responding to each individual submission.
49. First, a theme around commuting to Hamilton for work means PPC56 is in the wrong side of Morrinsville. PPC56 is in the location proposed, and there is no alternative proposal to consider on another side of Morrinsville, so I have assessed PPC56 on its own merits in the context of the existing environment.
50. Whilst many future residents in the PPC56 development might travel to work in Hamilton, this is still likely to be a minority proportion of PPC56 residents. At present 16% of Morrinsville's residents commuting to work travel to

Hamilton. This is considered likely to grow in the future, but is unlikely to surpass the proportion of workers who will work more locally. As such, I consider PPC56 is in an efficient location for workers.

51. Another theme was there is a lack of demand for the number of dwellings proposed in PPC56. Updated consent information would indicate demand is higher than when I assessed the market in 2020/21. Confidence in demand can also be provided by the growth projections for Hamilton and the positive flow over 'halo effect' this has for surrounding townships. Hamilton house prices on average will remain higher than Morrinsville which means Morrinsville will always be more competitively positioned to attract some of that growth.
52. Furthermore, PPC56 will also act as a catalyst development that stimulates other economic investment, activity and growth in Morrinsville, potentially above projected growth levels. PPC56 also provides market certainty around the location for accommodating growth in the township and infrastructure investment long term. Market certainty better facilitates investment and better manages private and public sector economic risks associated with development.
53. The final theme relates to retail activity in Morrinsville and the need for additional shops and better quality stores according to many submitters. Whilst not engaged to present any retail evidence for this hearing, I am a retail expert with over 25 years' experience assessing retail markets around the country, so are well positioned to make a few comments.
54. At a fundamental level, the additional residential capacity provided in PPC56 will only 'add to' the retail demand and annual retail spend available for Morrinsville retailers. This additional spend will increase retail sales within Morrinsville, or alternatively the opportunity for Morrinsville retailers to increase their sales performance and productivity.
55. Increased people in Morrinsville as a result of PPC56 once developed will also improve vibrancy and amenity in the Morrinsville town centre. These attributes represent positive economic effects for Morrinsville, local retailers and the community.
56. In terms of additional people from PPC56 putting increased demand and pressure on some retail stores, this is considered a positive retail effect to deal with. In my experience retailers will rework their store layouts, systems, hours of operation, employment levels to accommodate additional retail demand

and shoppers. This is my view represents a positive opportunity for local retailers, not a negative one that should be stifled.

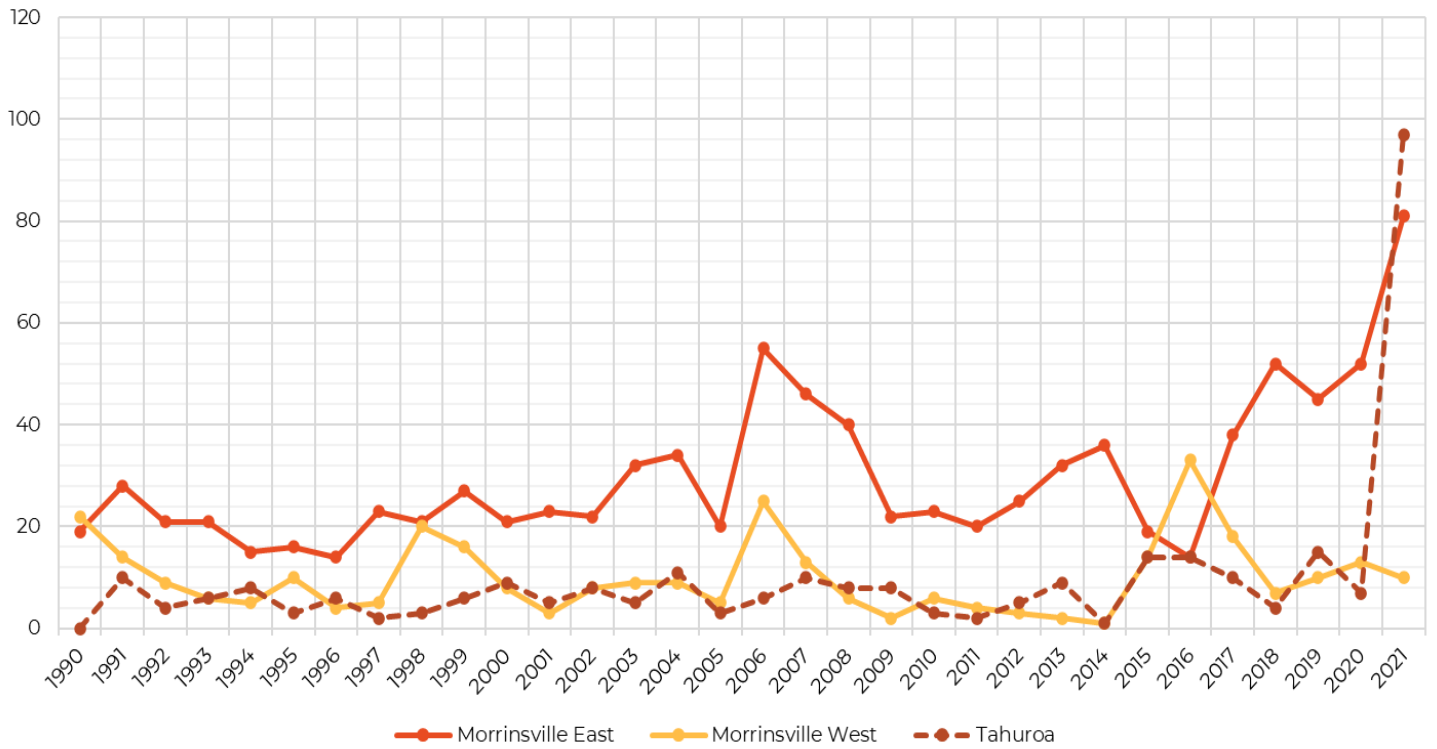
CONCLUSION

57. The proposed rezoning of the subject land is viable from an economic perspective, given the robust residential demand of the broader Morrinsville market and the significant opportunities for Morrinsville to 'tap into' Hamilton's growth. This would create significant economic benefits to the Morrinsville community and township.

Timothy James Heath

4 July 2022

APPENDIX 1: UPDATED RESIDENTIAL CONSENT DATA – MORRINSVILLE / TAHUROA



APPENDIX 2: UPDATED RESIDENTIAL CONSENT DATA – HAMILTON CITY

