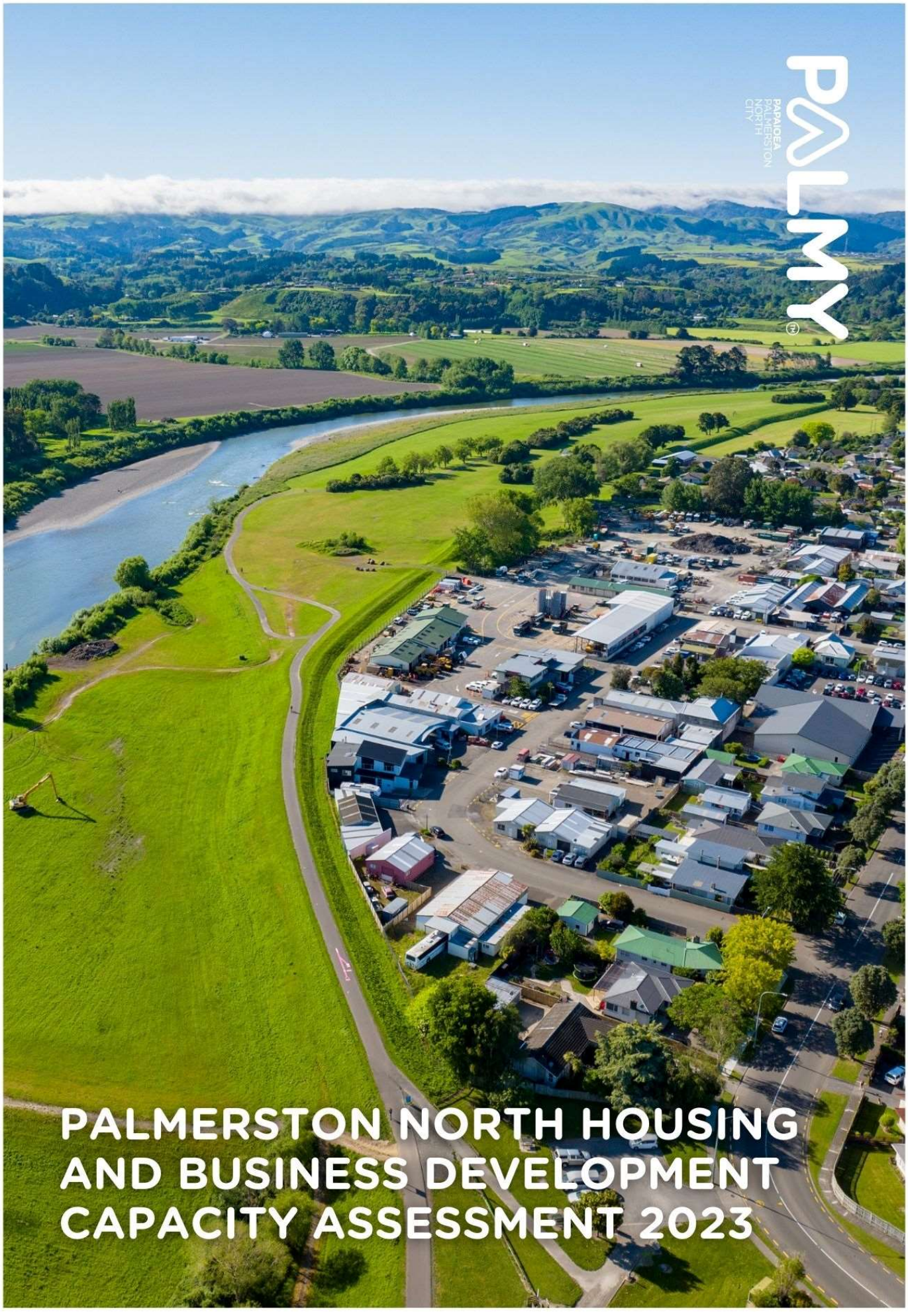
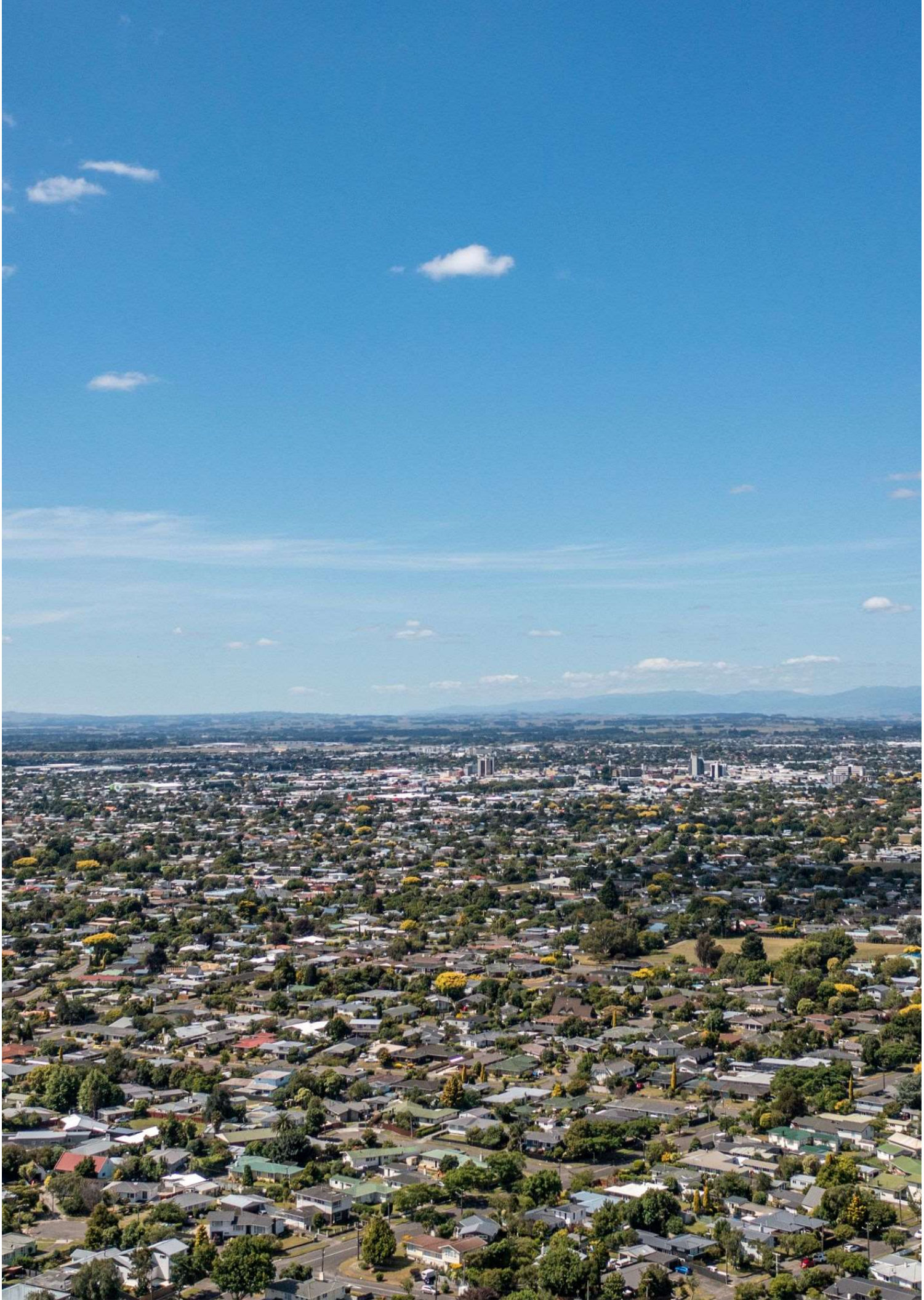


PALMERSTON NORTH HOUSING AND BUSINESS DEVELOPMENT CAPACITY ASSESSMENT 2023



Executive Summary

Prepared in accordance with the National Policy Statement on Urban Development 2020, the purpose of this Housing and Business Development Capacity Assessment is to provide information on the demand and supply of housing and business land in Palmerston North. A further purpose of the Assessment is to inform planning documents under the Resource Management Act 1991 and our Future Development Strategy and 2024 Long Term Plan.

The National Policy Statement on Urban Development requires us to provide sufficient development capacity for housing and business land. The land is considered to have sufficient development capacity when it is zoned for housing or business use, has development infrastructure to support housing and business, and is commercially feasible and likely to be developed.

The Assessment forecasts how many houses and the amount of business land needed for the next 30 years to meet demand in Palmerston North plus competitiveness margins – something the National Policy Statement on Urban Development requires us to add. It looks at whether we have enough zone-enabled, infrastructure-ready housing and business land and whether it is:

- commercially feasible and reasonably expected to be realised for housing
- suitable in terms of location and site size for business sectors

Housing

For housing, Palmerston North is projected to need 9,883 homes over the next 30 years, including competitiveness margins. The projected demand for homes in the short, medium, and long term is:

- 983 homes in the short term (within the next 3 years)
- 3,010 homes in the medium term (between 3 – 10 years from now)
- 5,891 homes in the long term (between 10 – 30 years from now)

We have looked at where homes have been built in the city and household size projections over the next 30 years to estimate where demand will be located and the types of homes – standalone or attached – our residents may want. We have estimated over the short, medium and long term the following demand:

	Short term *within the next 3 years*	Medium term *between 3 - 10 years*	Long term *between 10 – 30 years*	30 year total
Housing location				
Greenfield	393	1,505	3,240	5,138
Infill	541	1,354	2,357	4,251
Rural/ rural-residential	49	150	295	494
Housing type				
Standalone dwelling	865	2,588	4,595	8,048
Attached dwelling	118	421	1,296	1,835

We must examine our housing land and whether it is plan-enabled, infrastructure-ready, comercially feasible, and reasonably expected to be realised. We did so and found the following:

In the following short term, we have 2,053 homes that meet these criteria, and they are in the following locations:

- Infill – 1,408
- Greenfield – 528
- Rural/Rural-Residential - 117

In the medium term, we have 5,757 homes that meet these criteria, and they are in the following locations:

- Infill – 3,238
- Greenfield – 2,246
- Rural/Rural-Residential - 273

In the long term, we have 10,883 homes that meet these criteria, and they are in the following locations:

- Infill – 3,238
- Greenfield – 6,865
- Rural/Rural-Residential – 780

When comparing our housing demand and our supply that is plan-enabled, infrastructure-ready, and feasible and reasonably expected to be realised housing land, we have enough development capacity in the short, medium and long term to meet demand.

We must progress District Plan changes to rezone land for residential use and intensification to ensure we have enough housing to meet demand. Delivering development infrastructure will be critical to bringing our greenfield residential areas online.

Finally, the National Policy Statement requires us to insert housing bottom lines into our District Plan as soon as practicable after this Housing and Business Development Capacity Assessment is publicly available. Horizons Regional Council must also insert them into their regional policy statement. Our housing bottom lines are:

Short-medium term *within the next 10 years*	Long term *between 10 and 30 years*
3,993 includes an additional margin of 20%	**5,891** includes an additional margin of 15%

Business Land

For business land, we have projected there will be demand for a total of 279.6 hectares of business land over the next 30 years. This figure includes competitiveness margins. When broken down into the short, medium and long term, this means there will be demand for:

- 24.5 hectares in the short term
- 71.2 hectares in the medium term
- 184.0 hectares in the long term

When broken down into demand from the different business sectors. The projected demand for floor area and land from each sector is as follows:

Business Sector	Short term		Medium term		Long term		30 Year Total	
	Floor area (m2)	*Land area (ha)*	*Floor Area (m2)*	*Land area (ha)*	*Floor area (m2)*	*Land area (ha)*	*Floor area (m2)*	*Land area (ha)*
Small & medium industrial	34,264	9.1	95,527	24.5	216,481	50.8	346,271	84.4
Large floor plate industrial	59,688	13.9	177,430	40.7	515,959	114.7	753,077	169.3
Accommodation	-	0.0	4,566	0.4	15,984	1.2	20,550	1.5
Small & medium retail (pedestrian-oriented retail)	-	0.0	-	0.0	43,856	3.8	43,856	3.8
Large format retail (vehicle-oriented retail)	3,540	0.6	13,427	2.4	33,030	5.5	49,997	8.5
Commercial office	-	0.0	71	0.0	32,984	0.7	33,055	0.7
Commercial services	4,181	0.8	16,079	3.2	39,672	7.4	59,931	11.4
Total	**101,672**	**24.5**	**307,099**	**71.2**	**897,966**	**184.0**	**1,306,738**	**279.6**

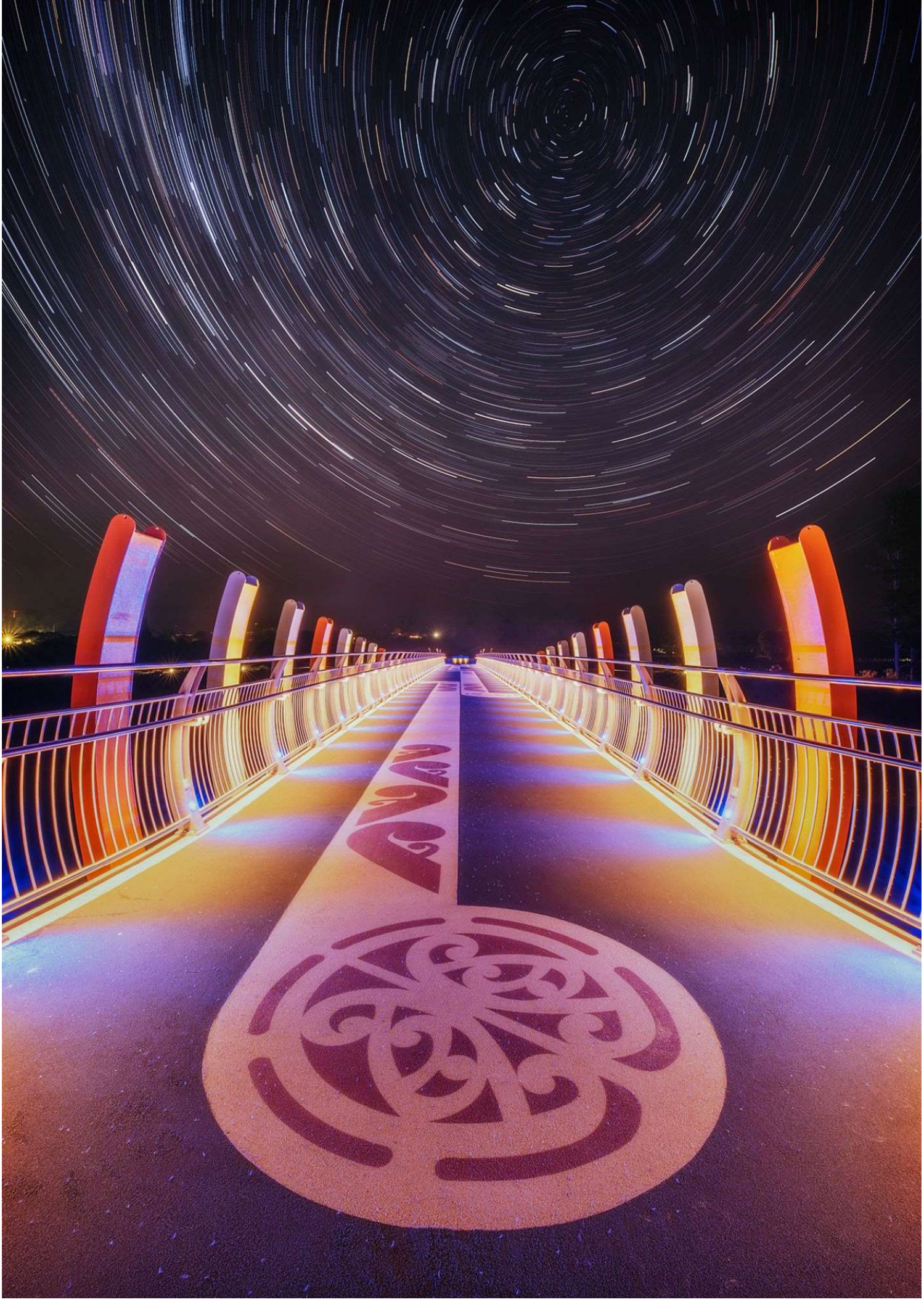
We looked at our plan-enabled business land and infrastructure-ready business land, and found we have:

- 631.1 hectares of plan-enabled and infrastructure-ready business land in the short term
- 94.4 hectares in the medium term
- 288 hectares in the long term

To determine suitability, we looked at where business sectors are currently located in our business and industrial zones and vacant land across the zones. We found that the business land we have identified across the short, medium and long term is suitable in terms of site size and location.

Based on our demand projections and our plan-enabled business land, infrastructure readiness and suitability, we have found that Palmerston North has sufficient development capacity to meet the projected demand for business land over the next 30 years.

We will need to monitor land ownership rates, the effect of residential rezonings, and how business land is being developed and redeveloped as they present risks to meeting demand. We will also need to progress with Te Utanganui to increase industrial land supply to meet demand and support further business land choices in the district.



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Terms and Abbreviations

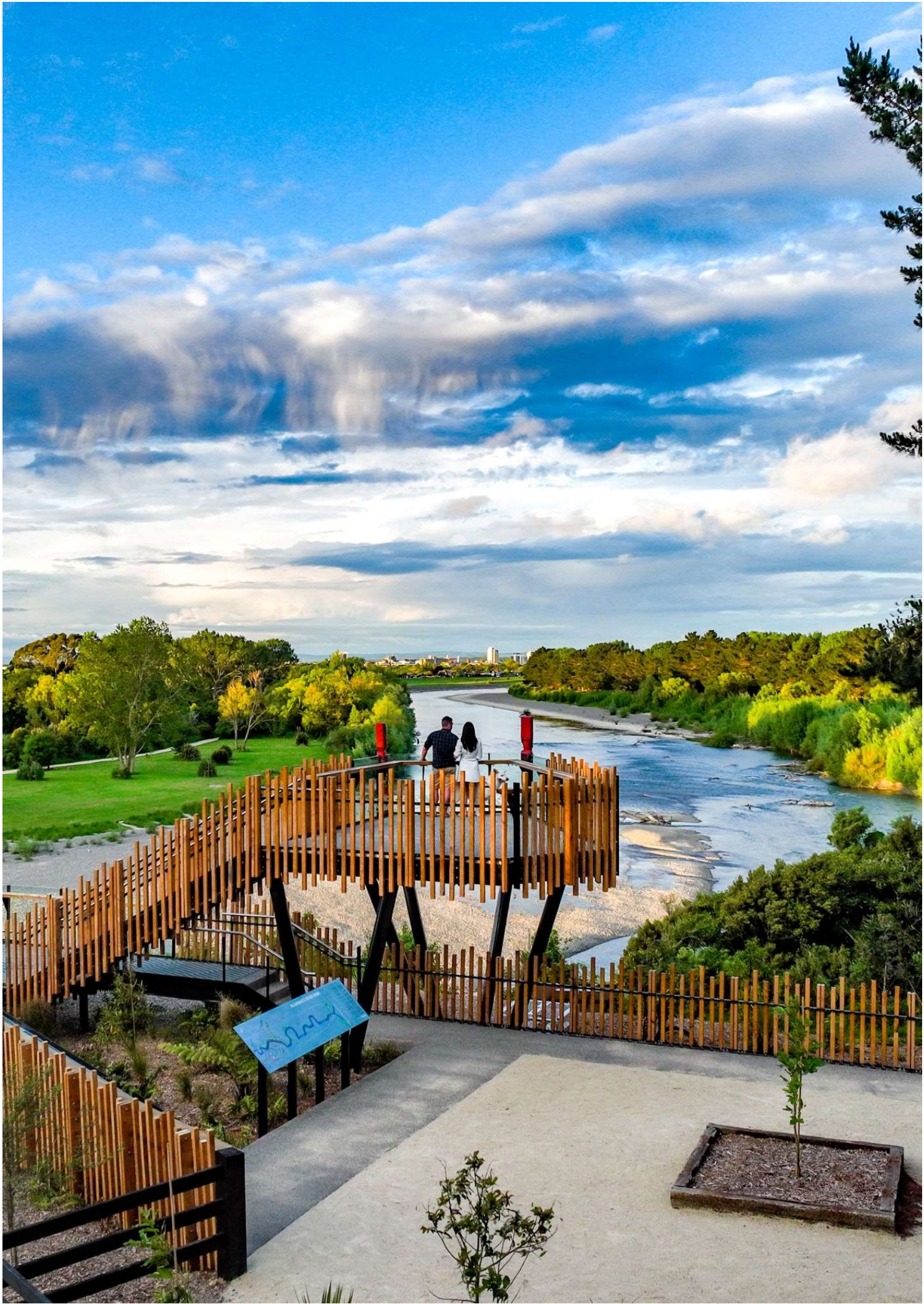
Terms and abbreviations used in this report are:

Additional infrastructure	Has the same meaning in the National Policy Statement on Urban Development 2020, which is: (a) public open space (b) community infrastructure as defined in section 197 of the Local Government Act 2002 (c) land transport (as defined in the Land Transport Management Act 2003) that is not controlled by local authorities (d) social infrastructure, such as schools and healthcare facilities (e) a network operated for the purpose of telecommunications (as defined in section 5 of the Telecommunications Act 2001) (f) a network operated for the purpose of transmitting or distributing electricity or gas
Business land	Has the same meaning in the National Policy Statement on Urban Development 2020, which is: land that is zoned, or identified in a Future Development Strategy or similar strategy or plan, for business uses in urban environments, including but not limited to land in the following: • any industrial zone • the commercial zone • the large format retail zone • any centre zone, to the extent it allows business uses • the mixed use zone, to the extent it allows business uses • any special purpose zone, to the extent it allows business uses For Palmerston North, our business land is: • Airport Zone • Industrial Zone • North East Industrial Zone • Inner Business Zone • Outer Business Zone • Fringe Business Zone • Local Business Zone

Competitiveness margins	The competitiveness margins as required by the National Policy Statement on Urban Development: • 20% in the short term • 20% in the medium term • 15% in the long term
Development capacity	the capacity of land to be developed for housing or for business use, based on: the zoning, objectives, policies, rules, and overlays that apply in the relevant proposed and operative RMA planning documents; and the provision of adequate development infrastructure to support the development of land for housing or business use
Development infrastructure	to the extent they are controlled by a local authority or council-controlled organisation (as defined in section 6 of the Local Government Act 2002): • network infrastructure for water supply, wastewater, or stormwater • land transport (as defined in section 5 of the Land Transport Management Act 2003)
Feasible	• for the short term or medium term, commercially viable to a developer based on the current relationship between costs and revenue • for the long term, commercially viable to a developer based on the current relationship between costs and revenue, or on any reasonable adjustment to that relationship
Greenfield	Refers to housing areas on the edges of the City on land that has been rezoned or is identified for future rezoning to residential.
GDP	Gross Domestic Product
Ha	Hectares
HBA	Housing and Business Development Capacity Assessment
Housing Capacity Assessment	Our Housing Capacity Assessment published in 2021
Infill	Refers to housing within our existing urban environments, and when referring to infill dwellings, it includes dwellings, multi-unit and minor dwellings within our existing urban environments.
Infrastructure-ready	Has the same meaning in clause 3.4 of the National Policy Statement on Urban Development 2020, which is: (d) in relation to the short term, there is adequate existing development infrastructure to support the development of the land (e) in relation to the medium term, either paragraph (a) applies, or funding for adequate development infrastructure to support development of the land is identified in a Long Term Plan

	(f) in relation to the long term, either paragraph (b) applies, or the development infrastructure to support the development capacity is identified in the local authority's infrastructure strategy (as required as part of its Long Term Plan).
Long term	Between 10 and 30 years
Medium term	Between 3 and 10 years
Plan-enabled	Has the same meaning in clause 3.4 of the National Policy Statement on Urban Development 2020, which is: (a) in relation to the short term, it is on land that is zoned for housing or for business use (as applicable) in an operative District Plan (b) in relation to the medium term, either paragraph (a) applies, or it is on land that is zoned for housing or for business use (as applicable) in a proposed District Plan (c) in relation to the long term, either paragraph (b) applies, or it is on land identified by the local authority for future urban use or urban intensification in an FDS or, if the local authority is not required to have an FDS, any other relevant plan or strategy. Land is zoned for housing or for business use (as applicable) only if the housing or business use is a permitted, controlled, or restricted discretionary activity on that land.
Planning decision	a decision on any of the following: • a regional policy statement or proposed regional policy statement • a regional plan or proposed regional plan • a District Plan or proposed District Plan • a resource consent • a designation • a heritage order • a water conservation order • a change to a plan requested under Part 2 of Schedule 1 of the Act
RMA planning document	• a regional policy statement • a regional plan • a District Plan In our case, our planning document is the Operative Palmerston North District Plan
Rural/rural-residential	Refers to land in our Rural Zone and Rural-Residential Overlay, which consists of lifestyle blocks and rural land.
Short term	Within the next 3 years
Short-medium term	Within the next 10 years

StatsNZ	Statistics New Zealand Tatauranga Aotearoa
The 2024 Long Term Plan	Our upcoming 10-Year Plan
The Act	The Resource Management Act 1991
The Assessment	This 2023 Housing and Business Development Capacity Assessment
The Long Term Plan	Palmerston North City Council's 10-Year Plan 2021-2031
The Policy Statement	National Policy Statement on Urban Development (2020)



Introduction

Under the National Policy Statement on Urban Development 2020 (The Policy Statement), Palmerston North City Council is identified as a tier 2 local authority. The Policy Statement identifies the city of Palmerston North as a tier 2 urban environment. Tier 2 local authorities such as us must prepare a Housing and Business Development Capacity Assessment (The Assessment) for their tier 2 urban environment every three years. This is our three-yearly Housing and Business Development Capacity Assessment.

The purpose of a Housing and Business Development Capacity Assessment is to provide information on the demand and supply of housing and business land in Palmerston North. A further purpose of the Assessment is to inform planning documents under the Resource Management Act 1991 (The Act), our Future Development Strategy (The Strategy) and 2024 Long Term Plan.

The Assessment quantifies the development capacity that is sufficient to meet expected housing and business demand over the short term (within the next 3 years), medium term (between 3-10 years), and long term (between 10 – 30 years).

Our assessment is in two parts –Housing and Business – the housing part includes:

- Information about our current housing context, including construction trends, households in the district and our district planning context
- Our analysis of our housing market
- Our estimate of housing demand over the short, medium and long terms
- Our assessment of our housing development capacity over the short, medium and long terms, including what is plan-enabled, infrastructure-ready, commercially feasible and reasonably expected to be realised
- Our assessment of whether we have sufficient development capacity for housing

The business part includes:

- Information about our current business land, including construction trends, vacancy rates, district planning context and projects and strategies that will influence our business land demand and supply
- Our estimate of business land demand over the short, medium and long terms
- Our assessment of our business land development capacity over the short, medium and long terms, including what is plan-enabled, infrastructure-ready and suitable for our business sectors
- Our assessment of whether we have sufficient development capacity to meet the estimated demand for business land.

Before Part 1, we give an overview of our obligations under the Policy Statement as part of preparing this Assessment and our methodology, inputs and assumptions to meet those requirements. Following this, we give an overview of Palmerston North district's relevant economic indicators and projected population growth. We then describe the engagement we have undertaken as part of preparing the Assessment.

Following these upfront sections, the Assessment breaks into Parts 1 and 2.

Methodology, Inputs and Assumptions

The Policy Statement contains several different requirements that our Assessment needs to meet. This section outlines these requirements and how we have produced the Assessment in line with them. It also states where each requirement is dealt with in the Assessment.

Our obligations when preparing a Housing and Business Development Capacity Assessment

Clause 3.19(1) of the Policy Statement says we must prepare and make publicly available a Housing and Business Development Capacity Assessment every three years in time to inform the next Long Term Plan. We last released our assessment in 2019. This Assessment has been three years since then, and our next Long Term Plan is being drafted for consultation in 2024.

Clause 3.19(2) says our assessment must apply at a minimum to the relevant tier 2 urban environment (Palmerston North City in our case). This requires us to assess demand and capacity within the boundaries of Palmerston North City. The clause states that the Assessment may apply to any wider area. Our assessment applies to the entire Palmerston North District, including Longburn, Ashhurst, Linton and Bunnythorpe and our rural environment rather than just Palmerston North City. We have done this because these villages and rural areas are near Palmerston North City; hence, the housing and business markets are considered to be closely related.

The purpose of a Housing and Business Development Capacity Assessment and where in our assessment this information is

Clause 3.20 of the Policy Statement outlines the purpose of Housing and Business Development Capacity Assessments. The purpose is threefold and includes:

- Providing information on the demand and supply of housing and business land in the urban environment and the impact of councils' planning and infrastructure decisions on that demand and supply.
- Informing district and regional planning documents, Future Development Strategies and Long Term Plans
- Finally, quantifying the sufficient development capacity is to meet the expected demand for housing and business land in the short, medium and long terms.

Information on the demand and supply of housing and business land are found in Parts 1 and 2, respectively. The impact of planning and infrastructure decisions on housing and business land demand and supply are found in Parts 1 and 2 of this assessment.

The sufficient development capacity assessments for housing and business land are found in section 6 of Part 1 for housing and section 5 of Part 2 for business land.

Involving development sectors and others in the preparation of the Housing and Business Development Capacity Assessment and how we have done this

The Policy Statement requires us to seek information and comments from the following people and organisations:

- Expert or experienced people in the development sector
- Providers of development infrastructure and additional infrastructure
- Anyone else with information that may materially affect the calculation of the development capacity.

We have engaged with these people and organisations, and this is detailed in our Engagement section.

When we have included the competitiveness margins

The Policy Statement requires us to add competitiveness margins over and above the expected housing and business land demand. This is to support choice and competitiveness in housing and business land markets. The competitiveness margins required by the Policy Statement are:

- 20% in the short term (within the next 3 years. Our short term period will begin in 2024, in line with our projections' start date.
- 20% in the medium term (between 3 and 10 years)
- 15% in the long term (between 10 and 30 years)

In our Assessment, we have made it clear where we are talking about demand only and where we are talking about demand plus the competitiveness margins.

Housing Assessment Methodology, Inputs and Assumptions

The following sections set out our methodology, inputs and assumptions to meet the requirements in the Policy Statement for the housing portion of the Assessment. The housing portion of the Assessment is found in part 1.

1.1 Analysing the housing market and the impact of planning on housing

Clause 3.23 of the Policy Statement sets out several requirements relating to analysing the housing market and the impact of planning when preparing the Assessment. These requirements require us to:

- Analyse how planning decisions and the provision of infrastructure affect the affordability and competitiveness of the local housing market

- Analyse how well the current and likely future demands for housing by Māori and different groups in the community (such as older people, renters, homeowners, low-income households, visitors, and seasonal workers) are met, including the demand for different types and forms of housing (such as for lower-cost housing, papakāinga)

The Policy Statement says the analysis required must be informed by market indicators, including:

- Indicators of housing affordability, housing demand, and housing supply
- Information about household incomes, housing prices, and rents
- Price efficiency indicators

Section 3 of Part 1 of the Assessment analyses how planning decisions and infrastructure provision affect affordability and competitiveness. We looked at national and local data relating to house prices, rental prices, household incomes, and price efficiency indicators to determine whether our planning decisions and infrastructure provision affect housing affordability and the competitiveness of the local housing market.

To determine how well the current and likely future demands for housing by Māori and other groups are met, we talked to Rangitāne o Manawatū and Te Tihi about their housing needs. We looked at population and household projections for Māori and other groups, our current housing stock, and historical building consent trends to determine whether their needs would be met.

1.2 Assessing housing demand

Clause 3.24 requires our Assessment to include a housing demand assessment that meets several requirements. The table below sets out these requirements, our method for meeting them, and where it can be found in the Assessment.

Table 1 National Policy Statement on Urban Development Clause 3.24 requirements and our method

(1) Every HBA must estimate, for the short term, medium term, and long term, the demand for additional housing in the region and each constituent district of the tier 1 or tier 2 urban environment: (a) in different locations; and (b) in terms of dwelling types.	Our demand estimates are found in section 4 of this assessment. The locations and dwelling types are also included in this section. We have estimated demand for dwellings based on population and household projections for the next 30 years. We have considered projected age, ethnicity, household size and type, and historic building and resource consent data to estimate where demand will be and for what type of housing.
(2) Local authorities may identify locations in any way they choose	We have identified locations as 'greenfield', 'infill', and 'rural/rural-residential':

	Infill is within our existing urban environment, and when we talk about infill housing types, this includes multi-unit and minor dwellings. Greenfield is on the city's edges on land that has been rezoned or planned for residential use. Rural/rural residential is land in our Rural Zone and Rural-Residential Overlay. We have done this because our resource and building consent data can be spatially defined into these categories, and we can see demand trends in these locations over time.
(3) Local authorities may identify the types of dwellings in any way they choose but must, at a minimum, distinguish between standalone dwellings and attached dwellings.	We have identified types as standalone and attached. To estimate the demand for each, we looked at the number of standalone and multi-unit dwellings. Multi-unit dwellings have been used as a proxy for attached demand as they are attached 80% of the time. We have not been able to capture the number of attached housing built outside of multi-unit developments, so our demand estimates for attached housing could be understated.
(4) The demand for housing must be expressed in terms of numbers of dwellings.	Our demand assessment expresses demand in terms of the number of dwellings.
(5) Every Housing and Business Development Capacity Assessment must: (a) set out a range of projections of demand for housing in the short term, medium term, and long term; and (b) identify which of the projections are the most likely in each of the short term, medium term, and long term; and (c) set out the assumptions underpinning the different projections and the reason for selecting the most likely; and (d) if those assumptions involve a high level of uncertainty, the nature and potential effects of that uncertainty.	Our range of projections for the short, medium, and long term are discussed in section 4.1 of Part 1 of this Assessment. They involve projecting demand for houses based on low, base, and high growth population and household scenarios with our Hybrid Model. We have identified our Hybrid Model projections as the most likely demand projection. The model has been prepared by Palmerston North City Council and is based on the Statistics New Zealand population projections released in April 2023 and the Infometrics medium growth scenario for 2024-2054. The reason why a Hybrid Model has been used is because of the conservative view applied by Infometrics on both net international migration and labour force growth. The outcomes for 2022 and 2023 indicate a much higher growth scenario than that envisaged by Infometrics. Therefore, the Statistics NZ high population projection has been employed as a starting point, with the Infometrics medium growth scenario (annual percentage growth) applied over the 30-year planning period.

	Assumptions underpinning the model are found in section 4.1. None of our assumptions involve high levels of uncertainty. Nonetheless, we have flagged our assumptions throughout the Assessment.

1.3 Assessing housing development capacity

We are also required, under clause 3.25 of the Policy Statement, to quantify the housing development capacity for housing in the district that is:

- plan-enabled; and
- plan-enabled and infrastructure-ready; and
- plan-enabled, infrastructure-ready, commercially feasible and reasonably expected to be realised.

It is worth noting that 'plan-enabled', 'infrastructure-ready' and 'feasible and reasonably expected to be realised' are all defined in the Policy Statement. More details on the definitions are found in the terms and abbreviations section at the start of this Assessment.

Clause 3.25(2) requires the 'development capacity' to be stated as the number of dwellings in different locations, including in new and existing areas, and of different types, including standalone dwellings and attached dwellings. We have quantified it following this: locations are greenfield, infill or rural/rural residential. For types, our District Plan enables a wide variety of housing types as permitted up to restricted discretionary activities, so we have not distinguished types in our development capacity assessments.

Our housing development capacity assessment is in section 5 of Part 1 of this Assessment.

1.4 Estimating what is commercially feasible and reasonably expected to be realised

Our Assessment is required by the Policy Statement to estimate what is commercially feasible and reasonably expected to be realised as part of our development capacity assessment. Clause 3.26 of the Policy Statement states that we may use any appropriate method but must outline and justify the methods, inputs, and assumptions used to arrive at the estimates.

Our commercially feasible and reasonably expected to be realised assessment is contained in section 5.4.5 of Part 1 of this Assessment.

1.5 Assessing sufficient development capacity for housing

Finally, for the last part of the housing-based requirements for a Housing and Business Development Capacity Assessment, clause 3.27 of the Policy Statement requires us to assess whether we have enough development capacity to meet housing demand. The requirements for doing so are set out in the table below, along with how we have met them and where they can be found in the Assessment.

Table 2 National Policy Statement on Urban Development Clause 3.27 requirements and our method

(1) Every HBA must clearly identify, for the short term, medium term, and long term, where there is sufficient development capacity to meet demand for housing in the region and each constituent district of the tier 1 or tier 2 urban environment.	Whether we have sufficient development capacity to meet demand from the short to the long term is stated in section 6 of Part 1 of the Assessment. We have only assessed the development capacity and demand in the district.
(2) The requirements of subclause (1) must be based on a comparison of: (a) the demand for housing referred to in clause 3.24 plus the appropriate competitiveness margin; and (b) the development capacity identified under clause 3.25.	The comparison is found in section 6 of the Assessment. Points (a) and (b) can be found in sections 8 and 9.
(3) If there is any insufficiency, the HBA must identify where and when this will occur and analyse the extent to which RMA planning documents, a lack of development infrastructure, or both, cause or contribute to the insufficiency.	Our sufficiency assessment is found in section 6 of this Assessment. Our analysis of the RMA planning documents has included a look at our operative zoned areas, future residential growth areas, and demand to determine whether the areas available for housing are sufficient. We have also looked at feedback from our development community to determine whether any anecdotal suggestions of planning documents in the district restrict our housing supply. For development infrastructure, we have looked at what infrastructure is required to bring residential growth areas online and whether the timing of infrastructure provision meets the housing need from demand in the short, medium, and long term.

Business Land Assessment Methodology, Inputs and Assumptions

The following sections set out our methodology, inputs and assumptions to meet the requirements in the Policy Statement for the business land portion of a Housing and Business Development Capacity Assessment.

1.6 Assessing business land demand

Clause 3.28 of the Policy Statement requires us to estimate for the short, medium and long term the demand, in hectares or floor areas, from each business sector for additional business land in the region and tier 2 urban environment (Palmerston North City).

We have estimated demand in floor areas and then converted it to hectares based on observable and assumed floor area to land requirements for each business sector. We have estimated demand across the entire Palmerston North district and have not done so for the Manawatu-Whanganui region, as Palmerston North City is the only tier 2 urban environment within it.

Our demand assessment for business land can be found in section 3 of Part 2 of this Assessment.

The Policy Statement says we can identify business sectors in any way we choose but must, at a minimum, distinguish between sectors that would use land zoned for commercial, retail, or industrial uses. We've identified business sectors as follows:

- Small & medium industrial
- Large floor plate industrial
- Accommodation
- Small & medium retail (pedestrian-orientated retail)
- Large format (vehicle-oriented) retail
- Commercial office
- Commercial services (combination of light industrial and services for businesses)

Definitions for each sector can be found in section 1 of part 2.

Clause 3.28(5) of the Policy Statement sets out the requirements for our projections. They are replicated in the table below, along with how our projections have responded to these requirements and where they can be found in this Assessment.

Table 3 National Policy Statement on Urban Development Clause 3.28 requirements and our method

(a) set out the most likely projection of demand for business land by business sector in the short term, medium term, and long term	We have projected demand based on the relationship between population growth and commercial floor area. In short, as our population grows, we have projected what this will mean for commercial floor area requirements. We projected three different scenarios – a low, base, and high population growth and land demand scenario. The most likely projection is the base scenario, using the population growth projections that Palmerston North City Council adopted in 2023.
(b) set out the assumptions underpinning that projection	Our assumptions underpinning the projection can be found in our Projections Report attached to this Assessment as Appendix 2.
(c) if those assumptions involve a high level of uncertainty, the nature and potential effects of that uncertainty	We do not consider our assumptions to involve a high level of uncertainty. They are based on observable trends in our district and New Zealand's

	business land development market. Nonetheless, the Projections Report sets out the standard uncertainty that projections involve.

1.7 Assessing business land development capacity

The Policy Statement, in clause 3.29, requires our Assessment to include a business land development capacity assessment. We must estimate the following, for the short term, medium term, and long term, for the district:

- the development capacity (in terms of hectares or floor areas) to meet expected demand for business land for each business sector, plus the appropriate competitiveness margin; and
- of that development capacity, the development capacity that is:
    - plan-enabled; and
    - plan-enabled and infrastructure-ready; and
    - plan-enabled, infrastructure-ready, and suitable for each business sector.

Our business land development capacity assessment is in section 4 of Part 2 of this Assessment. We have estimated development capacity across the Palmerston North district but not the region, as Palmerston North is the only tier 2 urban environment in the Manawatū-Whanganui region. We have expressed this in floor area and converted it to hectares to add the competitiveness margins.

Clause 3.29(2) says we may define what it means for development capacity to be "suitable" in any way we choose. Still, suitability must, at a minimum, include suitability in terms of location and site size. We have determined suitability by looking at where business sectors are currently located in zones of the city and their floor area requirements compared to our Commercial Growth Strategy and District Plan, which directs particular business sectors to different zones in the City.

1.8 Assessing sufficient development capacity for business land

Finally, for the business land portion of Housing and Business Development Capacity Assessments, clause 3.30 of the Policy Statement requires us to include an assessment of sufficient development capacity for business land.

It requires us to clearly identify whether there is sufficient development capacity to meet the demand for business land in the district for the short, medium, and long term. This assessment must be based on comparing the demand for business land plus the appropriate competitiveness margins (see section 3) and the development capacity identified through clause 3.29 of the Policy Statement (see section 4).

The sufficient development capacity assessment is contained in section 5 of this Assessment. If there is any insufficiency found from the development capacity assessment required under clause 3.30, clause 3.30(3) requires us to identify where and when this will occur and analyse

the extent to which RMA planning documents, a lack of development infrastructure, or both, cause or contribute to the insufficiency. We have not identified an insufficiency, so we have not completed this analysis.

Our Population

As of June 2022, we had a population of 90,400 people. The distribution of Palmerston North's population by geographic area is shown in **Table 4** below.

Table 4 Estimated Palmerston North population by geographic area with the district (2022) [1]

	Annual population estimate			
	1996	**2012**	**2018**	**2022**
Main urban area	70,800	75,300	79,600	81,200
Minor urban area (Ashhurst)	2,530	2,710	3,030	3,240
Rural settlements (Bunnythorpe & Longburn)	830	1,090	1,070	1,110
Other rural	2,960	4,230	4,560	4,770
Palmerston North District - Total	77,100	83,300	88,300	90,400
Main urban area share of population	91.8%	90.4%	90.1%	89.8%
Urban area (main and minor) share of population	95.1%	93.6%	93.6%	93.4%

[1] Source: Stats NZ Tatauranga Aotearoa

Palmerston North district's key economic statistics are summarised in **Table 5**. More detail can be found in our Economic Overview attached to this Assessment as Appendix 1.

Table 5 Key population and economic statistics for Palmerston North.

	Key statistics	Annual % change
Population estimate (as at 30 June 2022)	90,400	0
GDP (current prices) – year ended December 2022	$6.32 billion	+2.6%
Number of employees (as at February 2022)	56,956	+2.2%
Annual earnings (salaries, wages, and self-employment) – year ending March 2022	$3,508 million	7.5%
Electronic card retail spending – year ended December 2022	$1,451 million	7.3%
Tourism expenditure – year ending December 2022	$273 million from domestic visitors $18 million from international visitors	4.2% 75.6%
City land area	39,500 hectares	0

1.1 Population projections

Table 6 shows Palmerston North's long-term population projections from 2023 until 2054. These projections have been selected as the most likely in the short, medium and long term. Further information on why these projections have been selected can be found in section 4.1 of Part 1.

Table 6 Long term population projections for Palmerston North (2023 - 2054)

	2023	2024	2029	2034	2039	2044	2049	2054
Palmerston North	94,400	95,139	99,383	103,980	107,977	111,605	114,701	117,280
Annual change		+739	+831	+884	+859	+762	+672	+567

The 2023 population growth model projects a slightly lower long term growth scenario than the previous model. A comparison of the two models is shown in Figure 1 below. By 2053, the 2021 model projected a population of 118,124. This compares with a population of 116,789 in 2053 by the 2023 model. This change will affect how many houses will be required to meet demand compared to our previous 2021 Housing Capacity Assessment.

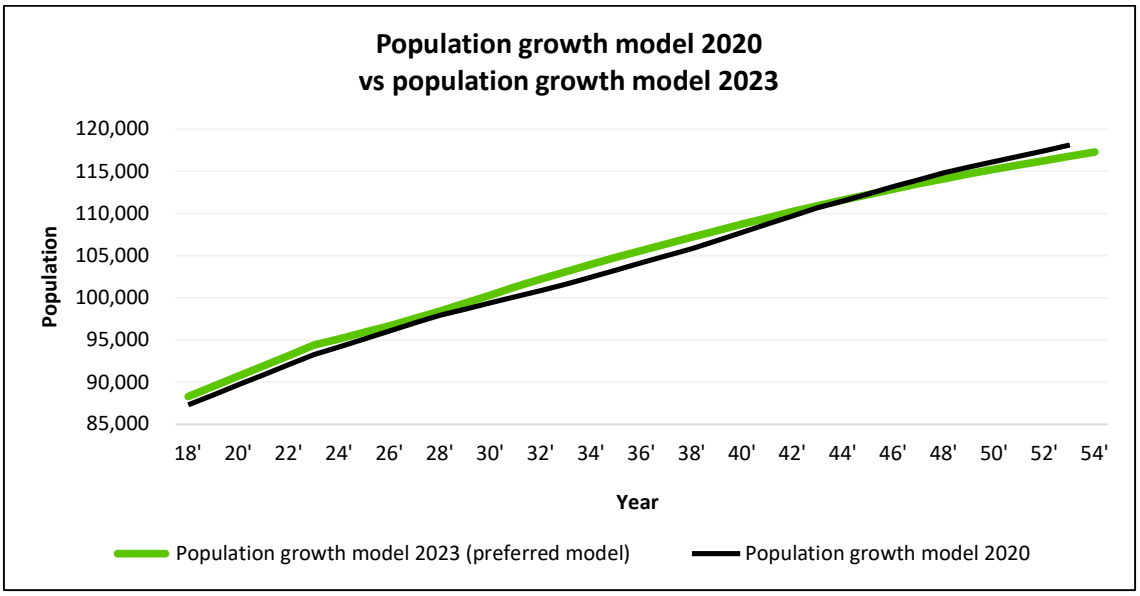


Figure 1 Population projection comparisons between 2020 and 2023 models

There are underlying assumptions that have changed between 2020 and 2023 that have impacted the city's population and household growth projections over the short, medium and long term.

The main changes to the assumptions underlying the population projections are:

- National net international migration will fall from the highs of the 2010s due to elevated global competition for labour, stabilising at long term averages of 30,000 per year.
- The regions will pick up a more significant share of international and internal migration due to the ability to work remotely.
- Unemployment is expected to increase due to falling economic activity and demand across New Zealand. This is expected to reduce the number of filled jobs in the city in the short term.
- Population growth from natural increase (births minus deaths) will reduce due to our ageing population.
- The ageing population will increase the number of one-person households in the city.
- A more significant number of Māori and Pasifika families will increase the number of multi-generational and larger households in the city.

1.2 Ethnicity projections

The increasing diversity of the Palmerston North population is reflected in the ethnicity projections for 2054:

- Māori populations will increase by 3.6% by 2054.
- Pasifika populations will increase by 1.2% by 2054.
- Asian populations will increase by 5.4% by 2054.

- European will decrease by 10.2% by 2054.

The projected change in the broad ethnicity in Palmerston North to 2054 is illustrated in Figure 2 below.

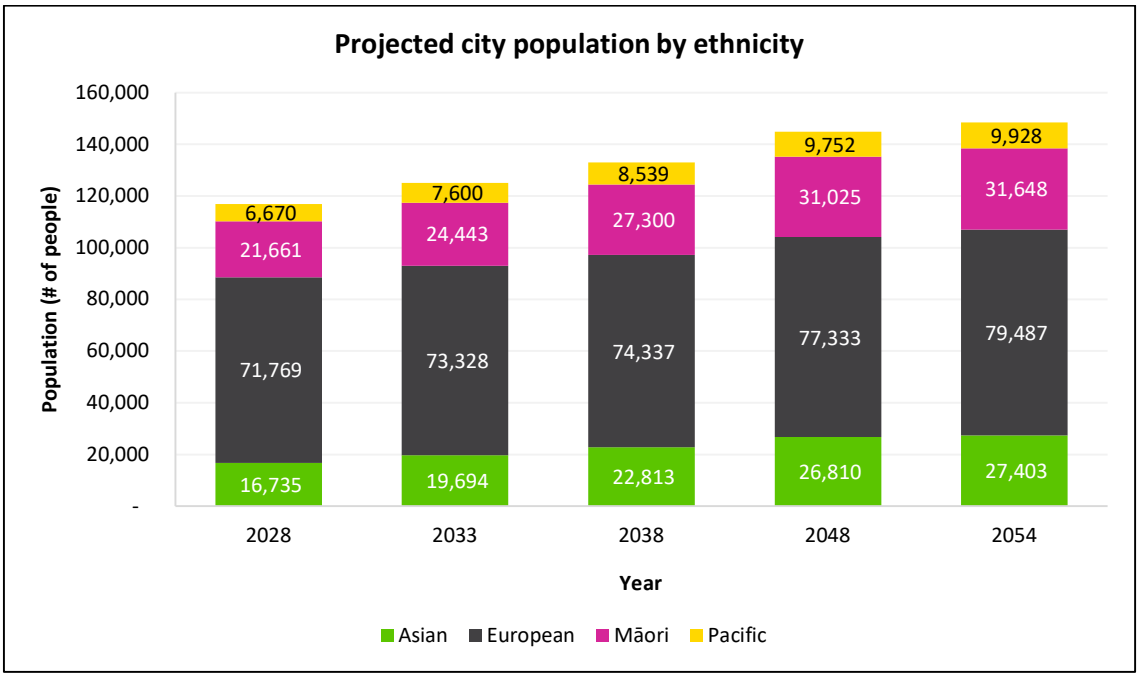


Figure 2 Projected city population by ethnicity

1.3 Household size projections

The combined changes in ethnicity and age influence the average household size of dwellings in the city. Figure 3 below compares the average household size from the 2020 projections (our previous population projection model) with the 2023 projections of average household size.

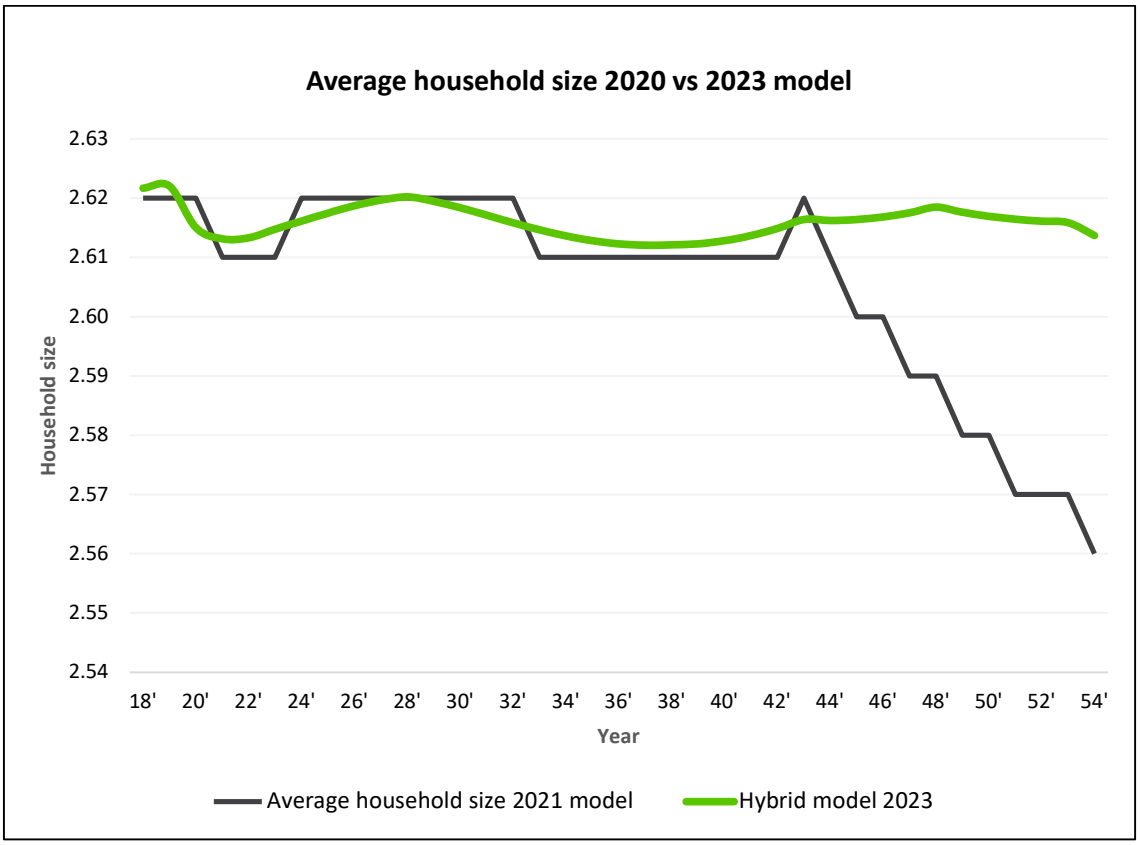


Figure 3 Average projected household size under the 2020 and 2023 model

The increase in the average household size projected over time has driven a slight reduction in the city's overall number of dwellings projected to be developed by 2054 (see Figure 4 below). Specifically, the 2020 household growth model projected a total of 45,750 dwellings in the city in 2053, compared to 43,289 in the 2023 household growth model.

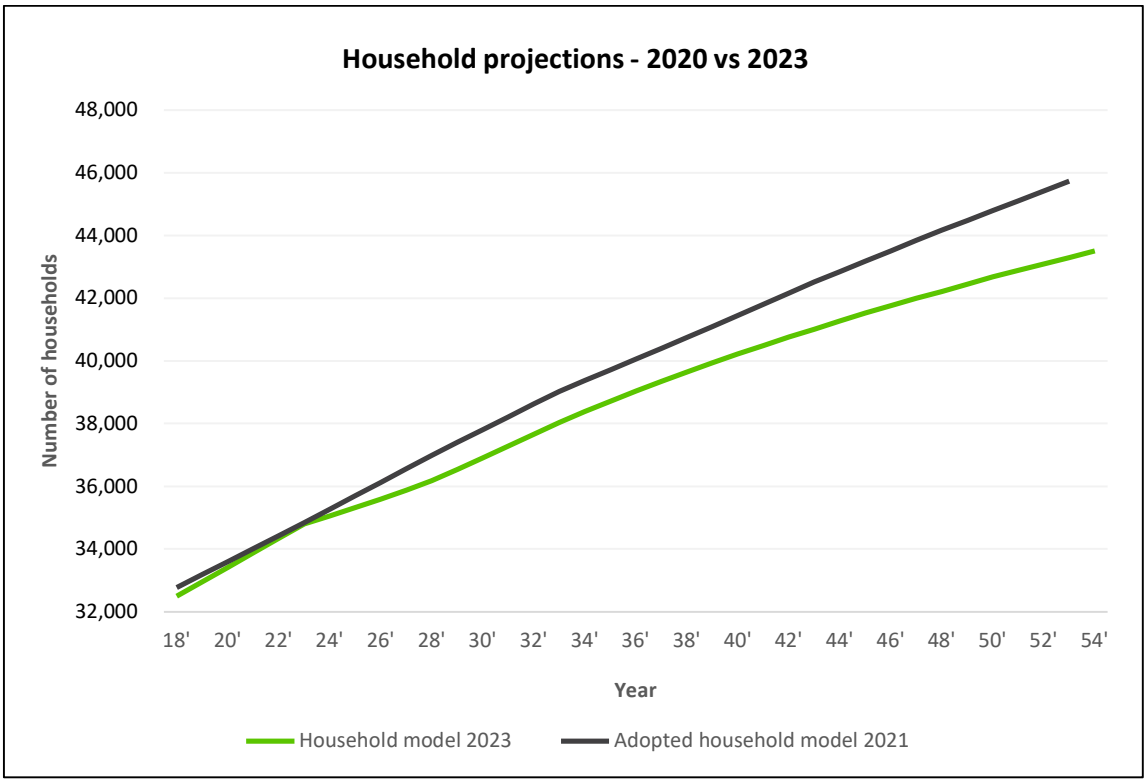


Figure 4 Household Projections 2020 vs 2023 model

The average household size is 2.61 persons. This differs because the 2021 projections assumed a decline in average household hold size to 2.56 by 2053 due to the impacts of an ageing population.

1.4 Family type

The number of families in the city is projected to increase by 27.8% (+7,028) from 2024-2054. Regarding family types and growth over the next 30 years – Two-parent families are projected to increase by 31.1% (+3,294) over the next 30 years. Couples without children are also projected to increase by 23.8% (+2,425) over the next 30 years. One-parent families are expected to increase by 28.7% (+1,309) over the same period.

The number of households is also projected to grow over the next 30 years by 24.1% (+8,451). The projected growth in multi-generational households is reflected in household growth modelling for the city. Family households are the most significant growth component, up 27.8% (+6,823) over the 30 years to 2054. One-person households are expected to increase by 19.1% (+1,551). Other multi-person households are expected to experience some growth to 2054, rising by 3.2% (+77) compared with 2024. Table 7 below shows the projected family type and household type, total households, and average household size out to 2053.

Table 7 Projections for families and households by types

	Family type				Household type				Average household size
Year	Couple without children	Two parents	One parent	Total	Family	Other multi-person	One person	Total households	
2018	9,283	9,536	4,373	**23,192**	22,516	2,391	7,593	**32,500**	2.6
2023p	10,118	10,458	4,523	**25,099**	24,368	2,372	8,061	**34,800**	2.6
2028p	10,449	11,061	4,712	**26,222**	25,458	2,383	8,344	**36,186**	2.6
2033p	10,996	11,722	5,009	**27,727**	26,920	2,432	8,682	**38,034**	2.6
2038p	11,446	12,348	5,276	**29,070**	28,224	2,461	8,958	**39,643**	2.6
2043p	11,776	13,010	5,519	**30,305**	29,422	2,423	9,161	**41,005**	2.6
2048p	12,101	13,507	5,709	**31,316**	30,404	2,427	9,382	**42,213**	2.6
2053p	12,510	13,823	5,844	**32,176**	31,239	2,442	9,607	**43,289**	2.6

1.5 Age projections

With people living longer and easing fertility and birth rates, the proportion of city residents aged over 65 years old is expected to continue to increase to 2054. We project the city's population over 65 years old to increase from 15,179 (16% of the population) in 2023 to 26,638 (22.7% of the city's population) in 2054.

This represents a 75.5% increase in residents aged over 65 years old. This ageing population is defined by the 'baby boom' generation, which started to reach 65 years old in 2011 and is expected to continue to pass 65 years old until 2030.

The projected change in the population of the city over 65 years is shown in Figure 5 below.

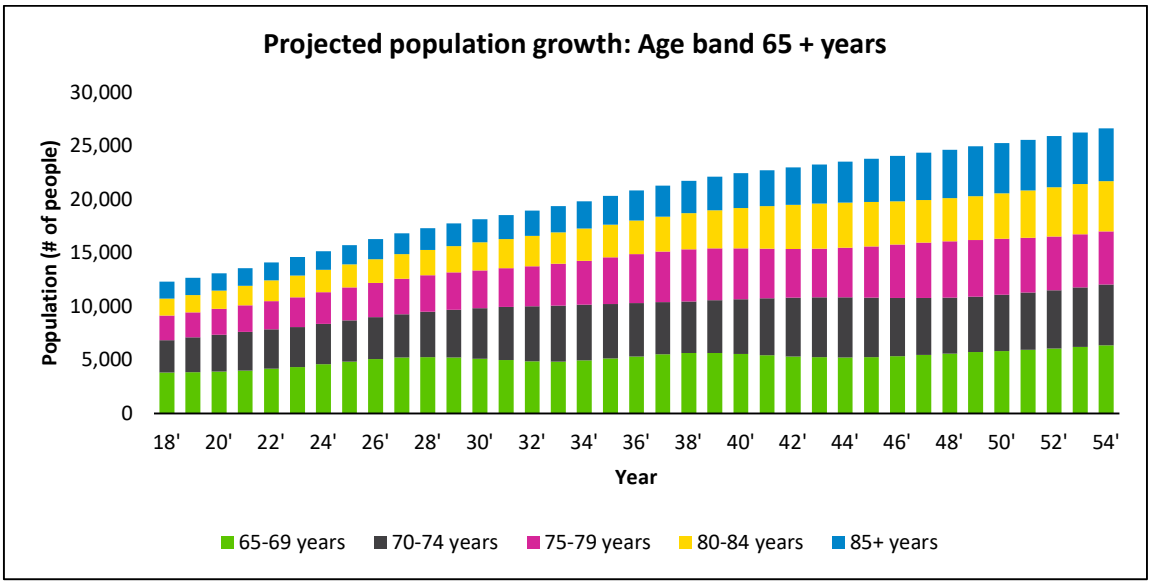


Figure 5 Projected population growth by age

The second largest age group we expect to grow in the city over the next 30 years is the 40-64 age group, projected to grow by 25.5% between 2024 and 2054. This is followed by a 9% increase in people aged 15-39 years and a 4% increase in children aged 0-14.

Table 8 below shows the projected population of each age group until 2054.

Table 8 Projected population by age

	Age 0-14	Age 15-39	Age 40-64	Age 65 and over	All ages
2018	17,218	33,666	25,067	12,349	88,300
2023	18,180	34,978	26,639	14,603	94,400
2024	18,130	35,160	26,669	15,179	95,139
2029	18,007	35,970	27,654	17,753	99,383
2034	18,156	36,046	29,924	19,855	103,980
2039	18,467	36,325	31,056	22,129	107,977
2044	18,604	37,986	31,488	23,527	111,605
2049	18,721	38,466	32,563	24,951	114,701
2054	18,852	38,333	33,457	26,638	117,280

While there are different growth trends, all age groups are expected to increase between 2024 and 2054. Reflecting the relative youth of the city's population, we estimate that people aged 20-24 will still make up the most significant proportion of residents compared to

other 5-year age groups, followed closely by those aged 15-19 years and 35-39 years. This is demonstrated in Figure 6 below.

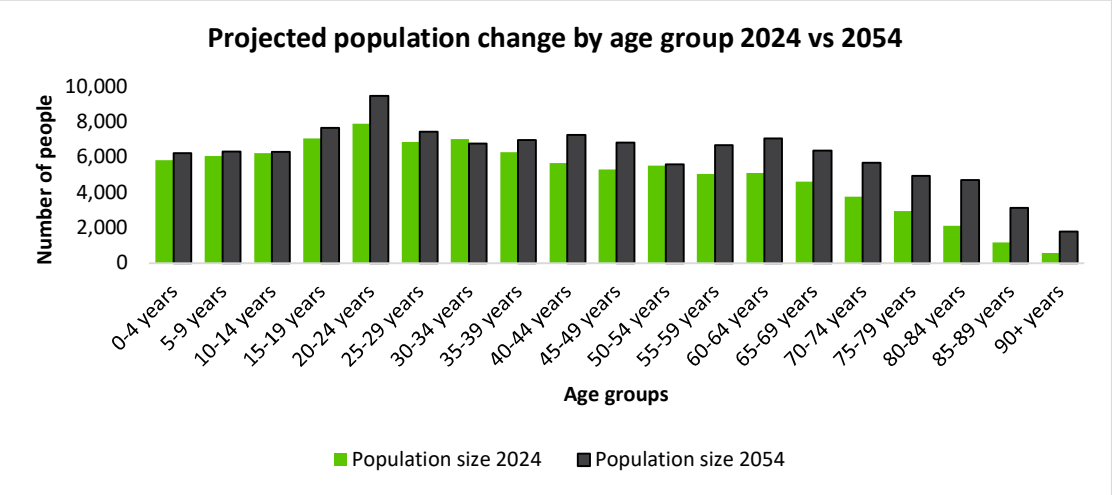


Figure 6 Projected population change by age group (2024 vs 2054)

1.6 Summary – Our population

This projected population growth, increasing diversity, changes in our district's average household size, and the number of residents in particular age groups mean that demand for the number of houses will increase. It will also change the types of housing our residents want over the next 30 years. As for business land, our commercial footprint is projected to increase with a growing population. We have used these population projections as part of our housing and business land demand assessments.

Engagement

The Policy Statement requires us to seek information and comments from specific people when preparing a Housing and Business Development Capacity Assessment. This means we need to engage with expert and experienced people in the development sector, providers of development infrastructure and additional infrastructure, and anyone else with information that would affect the calculation of housing and business land supply and demand[2].

This section explains what engagement work was undertaken to obtain key information and comments from these parties. We have also engaged with Rangitāne o Manawatū and Te Tihi o Ruahine Alliance to understand Māori housing needs and aspirations, including what papakāinga looks like in a Papaioea context.

1.1 Engagement with expert and experienced people

We regularly engage with the Palmerston North development community through 'Build Palmy', which consists of forums four times a year to present and discuss development-related topics.

We send monthly newsletters to over 250 Build Palmy subscribers with news from the Palmerston North building sector and council-related updates. The purpose of Build Palmy is to keep the development community up to date with Government requirements and issues being observed.

Over May-June 2023, a survey was sent to Build Palmy subscribers. The questions aimed to understand their issues and needs related to housing and business land within the district. The responses showed:

- The industry currently faces challenges meeting stormwater requirements and council processes.
- Rising construction and material costs across all aspects of the industry were also a key challenge.
- They are seeing increasing demand for smaller homes/multi-unit housing and standard family homes.
- There is some emerging demand for housing in the business zones and industry retailers/suppliers in the industrial zone.
- They want to see more land provided for housing within the city, greenfield land, and partnerships with the council, and they would like to see increased resource consent guidance.

[2] Under s3.21 of the National Policy Statement on Urban Development 2020

We know from feedback from our development community that the resource consenting process for multi-unit housing has been difficult to navigate for some. We have heard from them that the consenting process is uncertain, so some avoid it. We are working on a District Plan change to make medium-density housing rules more permissive and prescriptive to address this issue. As developers go through the consenting process and more multi-unit housing is built in the city, we also anticipate a level of familiarity will arise.

Overall, engagement with the development community indicated constraints in housing and business land development rather than any information or comment on future development plans or demand.

1.1.1 Observations from the housing development sector

Through previous engagement with housing development companies, we are observing:

- An increased mix of housing types is being offered for turnkey builds. These opportunities are around larger corner sites with multiple access options or conversion of larger non-residential sites in the Residential Zone.
- Emerging players in the development sector that have a high interest in multi-unit development as land values have made higher yields more attractive. These parties are typically interested in developing around locations close to business zones.
- Some smaller landowners in the Inner and Outer Business Zones have had an interest in previous years in redeveloping their aging commercial properties into mixed-use developments with apartments above their commercial premises. A lot of these opportunities have not yet been commercially viable to proceed with. However, we may see this change as building conditions and land values change to meet the right conditions for development.
- Some large developers in our planned greenfield growth areas are sceptical of the viability of new Local Business Zone areas and whether demand exists for medium-density housing in greenfield growth areas.
- We have had interest from developers who own or are speculating ownership in our western and eastern growth areas, particularly given that these areas host less fragmented blocks of land that can be more readily developed at scale.
- We have had interest from agents representing rural and industrial land owners wanting to explore private plan change requests for standalone housing or multi-unit development.

1.1.2 Observations from the commercial development sector

Through previous engagement with commercial development companies, we are observing:

- Larger development and construction companies, locally and outside the region, are investing in commercial property in the City Centre, particularly heritage-listed property along Church and Main Streets.
- Keen interest in redeveloping large landholdings in the City Centre to provide more high-quality accommodation to support the regional conference and function sector.

- High interest in speculative investment around the Te Utanganui Central New Zealand Distribution Hub to develop land for distribution centres and warehouses.

1.2 Engagement with infrastructure providers

We have contacted development and additional infrastructure providers to understand plans and constraints that may impact housing and business land.

These providers were asked for the following information:

- If they could identify any infrastructure issues in the city relating to residential growth or industrial and business development.
- What major infrastructure projects they have planned in the next 1-30 years.
- If they had any District Plan needs, for instance, designations.
- Any other feedback about residential, business, and industrial growth they would like us to know.

We received feedback from the following parties:

Table 9 Feedback from Infrastructure Providers

Party	Information received
Powerco	Powerco let us know about their significant projects planned for the Manawatū region, including: A new second Feilding zone substation and 33kV supply are scheduled for 2025. Turitea substation's second 33kV line and transformer upgrade are planned for 2025. A new 11kV Express feeder to the Palmerston North Hospital is scheduled for 2026. The new North East Industrial Zone substation and 33kV supply are planned for 2027. Rebuild Longburn substation scheduled for 2027. Kairanga substation transformer upgrade scheduled for 2027. The new Ashhurst zone substation and 33kV supply are planned for 2030.
KiwiRail	KiwiRail has resolved all appeals for the Regional Freight Hub designation. KiwiRail wishes to retain its existing designations and has no further plans to expand or alter current railway designations within the Palmerston North boundary. KiwiRail seeks that any plan changes involving residential growth near the rail corridor recognise the corridors' regional and national significance. When considering the rezoning of areas, consideration should be given to the health and safety of new lineside residents:

	That new development is set back from rail infrastructure. There are also rules providing for new noise-sensitive activities to be adequately mitigated for noise and vibration effects from railway corridor operations.
Horizons Regional Council	Horizons Regional Council is reviewing its flood modelling for the region, considering heightened concerns regarding the impacts of Cyclone Gabrielle.
Waka Kotahi NZ Transport Agency	Waka Kotahi is highly interested in the Palmerston North Integrated Transport Initiative, a key strategic document that informs growth. Community severance risk is a key concern of Waka Kotahi in relation to the Regional Freight Ring Road. They have a keen interest in how Palmerston North is growing in a way that enables well-functioning urban environments and has an intensification-first preference for growth to manage vehicle emissions. Waka Kotahi notes that stormwater and infrastructure constraints are a particular issue on the city's western side.
Ministry of Education	Whakarongo School is constrained from developing any larger due to infrastructure constraints with three waters. There is existing capacity and expansion opportunity within the schools along the city's western side to adequately service the Kākātangiata Urban Growth Area. The Aokautere Urban Growth Area would provide the necessary local population to warrant investment in a new primary school in the south of the City. Possible future housing demand at Bunnythorpe because Te Utanganui could be serviced through spare capacity at Bunnythorpe School.
Te Whatu Ora – Health New Zealand MidCentral District	Significant investment is planned to construct additional regional health facilities and supporting infrastructure at the Palmerston North Hospital.

1.3 Other information holders

There are a range of other information holders within Palmerston North who have information that may affect the calculation of development capacity. Through regular engagements, Build Palmy forums, or feedback on specific housing and business-related District Plan changes with these information holders, we are aware of the following:

- New Zealand Defence Force:
    - Replacement of all accommodation onsite at Linton Army Base is expected to start in 2026 (subject to funding).
    - Investment planned for a large logistics warehouse and high-density accommodation campus on the Ohakea Air Base.
    - Likely to invest in relocatable dwellings to provide 50 new dwellings at Waiouru.
- Retirement village operators:

    - We typically expect retirement village operators to show high interest in greenfield growth areas. For instance, private plan change requests in the Napier Road Residential Extension Area, Whakarongo, Kikiwhenua, and Aokautere Residential Areas.
- Kāinga Ora Homes and Communities (Kāinga Ora):
    - Kāinga Ora aims to build 300 dwellings in the City, with 219 of these delivered, in progress or planned for delivery by 2024/25. These developments are primarily a redevelopment of their existing landholdings, clustered mainly in Roslyn, Hokowhitu, Takaro, and Highbury.
    - Redevelopment of their existing landholdings usually occurs at a 1:3 ratio –3 homes replacing one dwelling on a site. However, some of their landholdings include more significant sites where agglomeration is possible, and more dwellings can be built.
    - Beyond redevelopment of their sites, Kāinga Ora has expressed an interest in acquiring new landholdings for development in other parts of the City. An example is development currently underway in the Fringe Business Zone in North Street.
- Manawatū District Council
    - Demand for industrial land is outstripping serviced land supply.
    - They are comfortable that their commercially zoned land is sufficient to meet demand.
    - Their rural land has significant highly productive land constraints, limiting their ability to fulfil demand for rural residential dwellings.

1.4 Māori

We need to analyse how well Māori are provided for in the current and future housing market and the impact that future planning for housing demand will have on Māori in the city[3].

We ran a workshop with Rangitāne o Manawatū and Māori housing provider Te Tihi o Ruahine Alliance to discuss challenges iwi and Māori are facing with housing and aspirations for the future. Table 10 details the outcomes of this workshop.

Table 10 Rangitāne o Manawatū workshop questions and responses

What we asked	Key Themes
"It's 2053. Describe your ideal housing and urban development situation for iwi and Māori."	To have a city grounded in values Te Ao Māori principles and practices are reflected in all areas of the City, and no damage to the environment. Partnership and Commitment

[3] Under s3.23(2) of the National Policy Statement on Urban Development 2020

	Writing the rules as Te Tiriti partners Iwi is leading for Iwi. Tangata whenua has a role to awhi maata waka who chose to make Papaioea their home. Identity is woven through Rangitānenuiarawa (Rangitāne practices and mātauranga knowledge) becomes a seamless part of the city's identity with a strong identity grounded in the landscape. Affordable and accessible Whānau live in homes that meet their needs, are affordable, and have mixed and holistic pathways to homeownership are provided. Places to connect Homes with community spaces for gatherings and to be able to express culture pathways recognising the communal benefits of neighbours and the broader concepts of whanau.
"It's 2053. Describe the worst-case scenario for urban development for iwi and Māori."	Increased segregation/marginalisation Concentrated areas of marginalised communities, increased homelessness, cultures unable to express themselves, and disconnected communities with no connection to whānau. Homes and neighbourhood environments being less fit for purpose Cookie-cutter homes are not responding to the needs of whānau and other communities, displacement and continued statistical trends of negativity for Māori at a greater level of disparity. Whānau not being able to realise their moemoea of home ownership. Reduced connection and wellbeing Reduction of greenspaces, total loss of whenua awa taio, 'concrete jungle', small homes for large families, unaffordability, low homeownership, increased mental unwellness, ongoing destruction of Wahi tapu and significant sites.
"What does Papakāinga look like to iwi? Draw your ideal Papakāinga.[4]" "Who does it serve?" "What does it provide" "Where is it located"	A kaupapa that is supported under the korowai of Rangitāne, particularly for Māori. A recognition that there are other successful communal models for non-Māori as well (e.g. Papaioea Place). Health-supporting, with access to wellbeing services and provides an uplifting wellbeing environment. Whānau achieving their moemoea in housing. Shared spaces and services that homes are oriented towards, with a collective kawa and tikanga that protects these shared spaces. An ara for belonging. Papakāinga have the places to bring people back to their turangawaewae, whether you are a whānau, on your own, or are a visitor. Mahi toi and other expressions of cultural identity feature and reinforce people's belonging.

[4] It is important to note, Papakainga can differ between different iwi and their needs and is not a one size fits all.

	Sustainability grounded. Connection to natural water, rongoa, maara and a responsible environmental approach secures independence and resilience. Understanding the history of the whenua when building. Leaving as small a footprint on the environment as possible in terms of house design and building.

Papakāinga principles in a Papaioea context are being incorporated into communities by Rangitāne and Te Tihi. Examples currently include:

- Kāinga Whānau Ora, introducing service support for healthy homes and development independence through maara kai.
- Kāinga Ora undertaking developments through an agreed framework with Rangitāne.
- Tū Ara Ake, an urban papakāinga that supported five whānau to home ownership under shared tikanga. The lessons from that are set to inform their second build.
- Further building of homes under their developed frameworks.

1.4.1 Barriers to providing for Māori housing demand

Some contributors to the risks raised in Table 10 include the rising costs of compliance, the costs for affordable housing providers being equal for private development, and the low awareness of levers for development.

Rangitāne o Manawatū and Te Tihi noted the risks of relying too heavily on average household sizes when describing housing demand. The average household size is currently 2.6 persons per household; however, this does not reflect the observed household sizes for Māori and Pasifika.

Smaller homes are unlikely to provide for whānau who need housing security the most. A breakdown of household data by ethnicity will be achieved once we receive the 2023 New Zealand Census results, which will be after this assessment has been produced.

Papakāinga is provided in the Residential Zone as a discretionary activity. This consenting category could represent a barrier to papakāinga housing being delivered. Māori could develop papakāinga using the multi-unit housing consenting pathway in the District Plan, but this will also be a discretionary activity if not within the areas.

1.5 Other groups in the community

The Policy Statement also requires us to analyse how well other groups in the community are provided for in the current and future housing market and the impact that future planning for housing demand will have on them.

From engaging with our Pasifika Reference Group[5]:

[5] Community Reference Groups | Palmerston North City Council (pncc.govt.nz)

- They have expressed that they want housing for multi-generational living and larger families as their communities are at risk of overcrowding.
- They have expressed an aspiration to see their community in homes across the city rather than just in one or two neighbourhoods.

From engaging with our Disability Reference Group[5]:

- We understand that existing housing often does not meet disabled people's needs, which can include the need for accessibility features.
- Those suffering from affordability issues struggle to find accessible homes as there is not enough stock of accessible social housing. They are often placed in emergency accommodation for long periods.

From engaging with our Seniors Reference Group[5]:

- They have expressed that homes need to include accessibility features so that seniors can age in place.
- They have observed a common trend with seniors wanting to downsize and age in place. However, they have also identified others wanting an affordable village environment with access to buses and libraries.
- In the migrant community, refugees find home ownership difficult, and it takes a long time to save for a house deposit. They tend to be renters or live in social housing.

1.6 Summary – Engagement

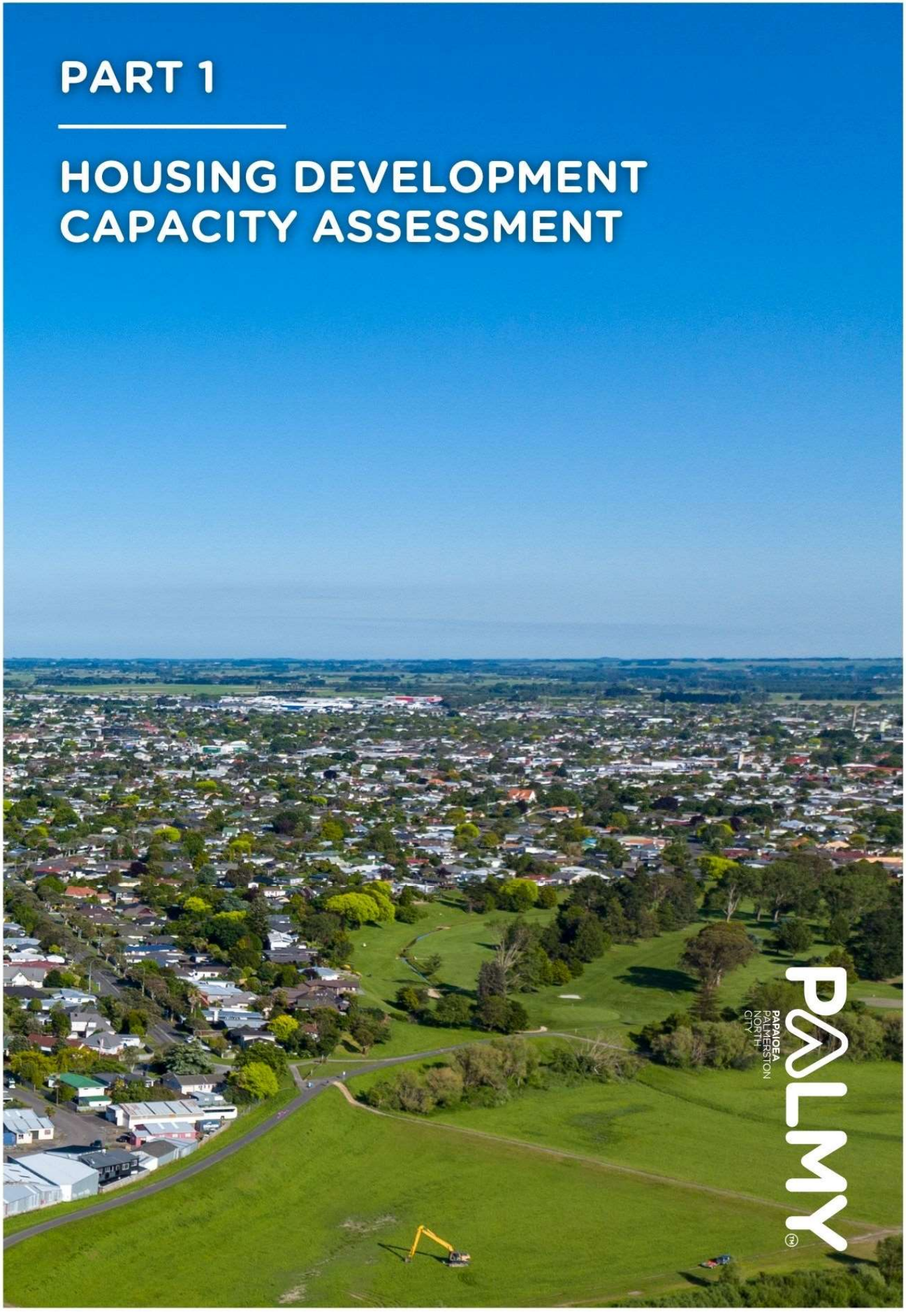
Key considerations that we can draw from recent engagement on housing and business needs are:

- We expect to see an increasing demand for smaller dwellings in the market and an increasing market response from existing and emerging developers.
- The trends experienced by those in the sector are unlikely to satisfy the household needs of Māori, Pasifika, and other communities with multi-generational living needs. We may see an increase in investment for papakāinga and cohousing to fill this need.
- If market demand is met, we expect seniors will have greater housing choice between downsizing to a 1-2 bedroom home or greater choice in retirement village options.
- Large public and private investment projects in the City and the surrounding region could compete with the labour market needed for housing and other business development capacity but are also likely to sustain demand for housing growth in the City.
- We may expect to see a conflict in our growth areas between the provision for schooling locally within our residential growth areas being uncertain and the interest from Waka Kotahi to reduce the need for local vehicle trips.

- We could expect to provide for more of a share of Manawatū District's industrial and rural-residential dwelling demand if their current constraints persist.
- Defence Force investment in relocatable dwellings may provide an opportunity for growth in building consents for relocatable dwellings in this District due to our development community's economies of scale for that housing type

PART 1

HOUSING DEVELOPMENT CAPACITY ASSESSMENT



1. Introduction

This Housing Development Capacity Assessment ('The Assessment') outlines a three-yearly review of projected land demand and supply to meet housing needs in Palmerston North. The National Policy Statement on Urban Development Capacity 2020 ('The Policy Statement') guides our Assessment to:

- Analyse the housing market and impacts of planning (section 3);
- Assess housing demand for the short, medium and long term (section 4);
- Assess development capacity (land supply) for housing for the short, medium and long term (section 5); and
- Assess whether we have sufficient capacity for housing (section 6).

In summary, we need 9,884 homes over the next 30 years, with 983 in the short term, 3,010 in the medium term, and 5,891 in the long term.

We estimate this demand will be spread over greenfield, infill and rural/rural-residential locations over the next 30 years as:

- 5,138 greenfield dwellings
- 4,251 infill dwellings
- 494 rural/rural-residential dwellings

Of the 9,884 homes we estimate we will need, 88% are expected to be standalone dwellings, and 12% are attached. We consider our attached dwelling projections to be overly conservative.

We have looked at our housing land supply and determined what is plan-enabled, infrastructure-ready, commercially feasible, and expected to be realised. We found:

- In the short term, there are 2,053 that meet these requirements, and of that, 1,408 are infill, 528 greenfield, and 117 rural/rural-residential
- In the medium term, there are 5,757, and of that, 3,238 are infill, 2,246 greenfield and 273 rural/rural-residential
- In the long term, there are 10,883, and of that number, 3,238 are infill, 6,865 greenfield and 780 rural/rural-residential

We have looked at our estimated demand and housing supply across the short, medium and long term and found sufficient capacity to meet the estimated demand. However, we will need to deliver on our development infrastructure in the greenfield growth areas as scheduled.

2. Our Housing Overview

This section gives an overview of our residential construction growth trends and the impacts of population projections on housing and looks at data that shows where and what type of housing is being built through the district. It also sets out our district planning context as it applies to housing. This information is used in our housing demand assessment in section 4.

2.1 Residential construction trends

For the year ending December 2022, 396 new dwellings were granted building consent, compared to the peak for the year ending December 2021 of 557.

The city has been experiencing a period of rapid economic growth over the previous five years. Before the COVID-19 pandemic, strong population growth accompanied this economic growth. Residential investment levels also increased over the same period, with investment in new dwellings peaking at 572 over the year to July 2020. Influenced by the historic undersupply of dwellings in the city alongside favourable investment conditions, elevated investment in new dwellings continued throughout 2021 despite a lack of population growth from the impact of border restrictions on net international migration.

Rising interest rates and high construction costs have impacted the level of residential investment since 2021, with the value of new residential buildings falling to $172.4 million over the year to December 2022. This compares with $227.8 million in building consents in 2021. The value of residential building consents in the city peaked at $228.2 million over the 12 months ending Nov 2021.

2.1.1 The types of dwellings being built

For a while now, houses have been the primary type of dwelling being built in Palmerston North; however, townhouses, flats and other dwellings are emerging as another typology in the city.

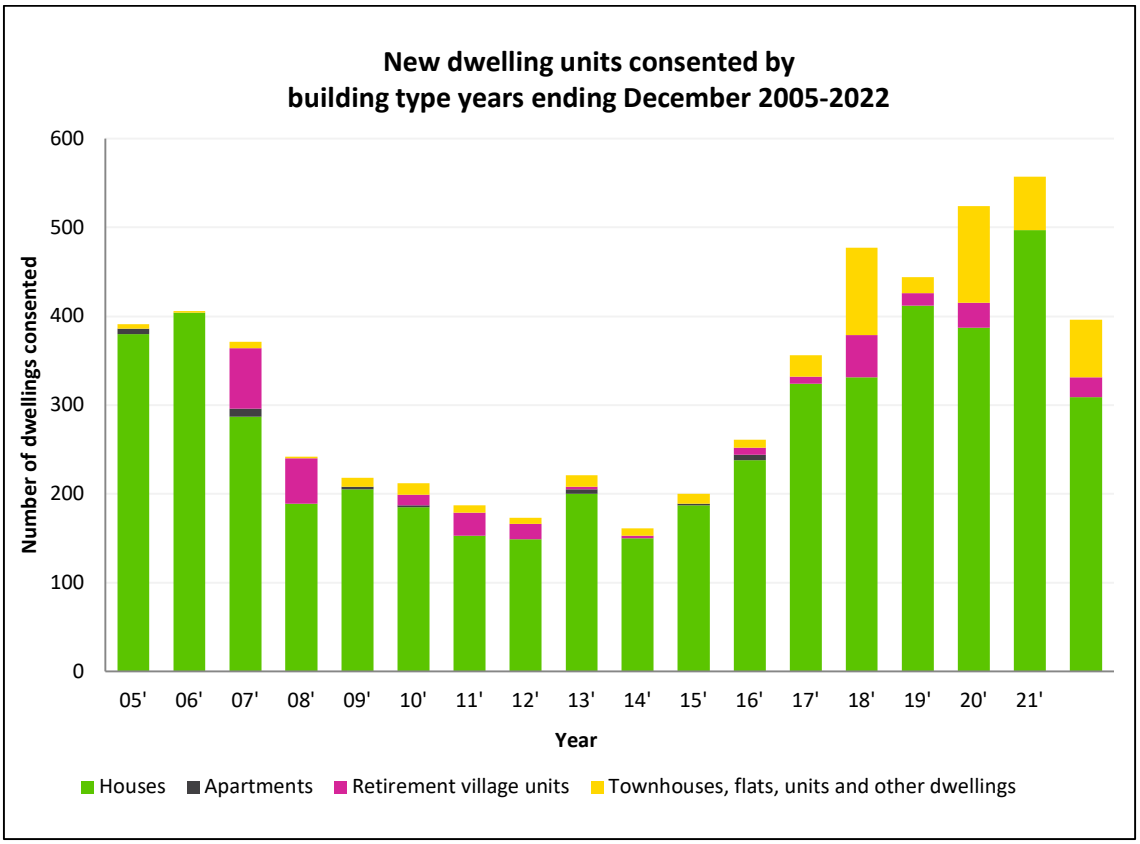


Figure 7 New residential dwelling units consented by building type 2005-2022

The annual number of dwellings consented from 2017 to 2022 are shown in Figure 8 below.

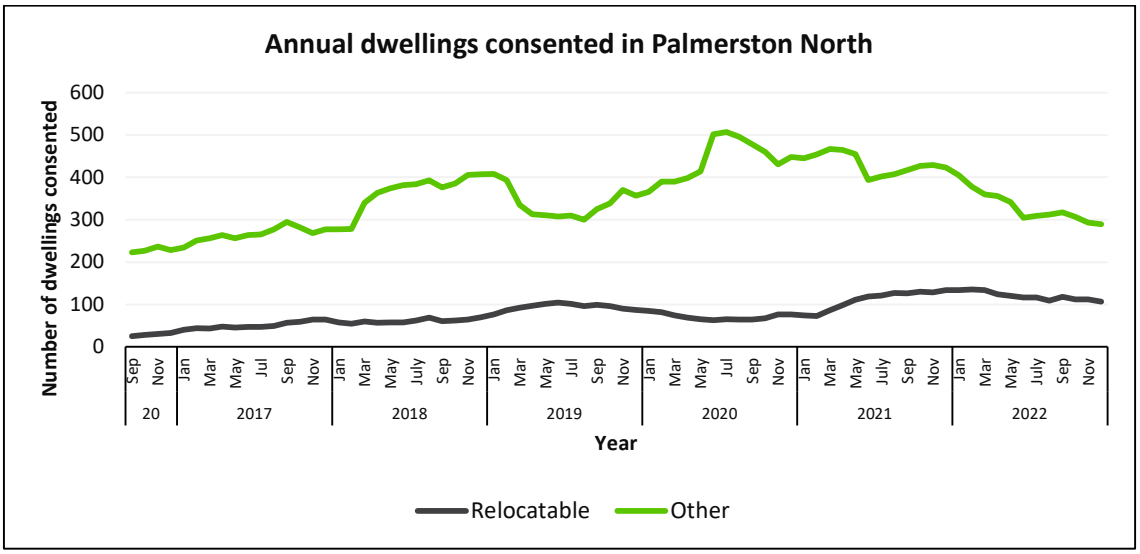


Figure 8 Annual Dwelling Consents

2.1.2 Where new dwellings are being built

Of the 396 new dwellings consented in 2022, 309 were houses, of which 107 were "relocatable", as shown in Figure 9 below. Measuring how much these houses added to the

housing stock in the city is challenging because there is a delay between the approval of the building consent and the completion of the approved houses. Based on available information compiled for the 2021/2022 financial year, at least 8% of relocatable homes will be destined for Palmerston North. Many of these houses are being constructed in the city for relocation to sites across the lower North Island.

Ten area units in Palmerston North accounted for 70% of new dwellings (non-relocatable) approved in the year to December (out of 40 area units). Although Tremaine has 101 new dwellings consented, four of the companies building relocatable houses (making up 97 units) are located in this area.

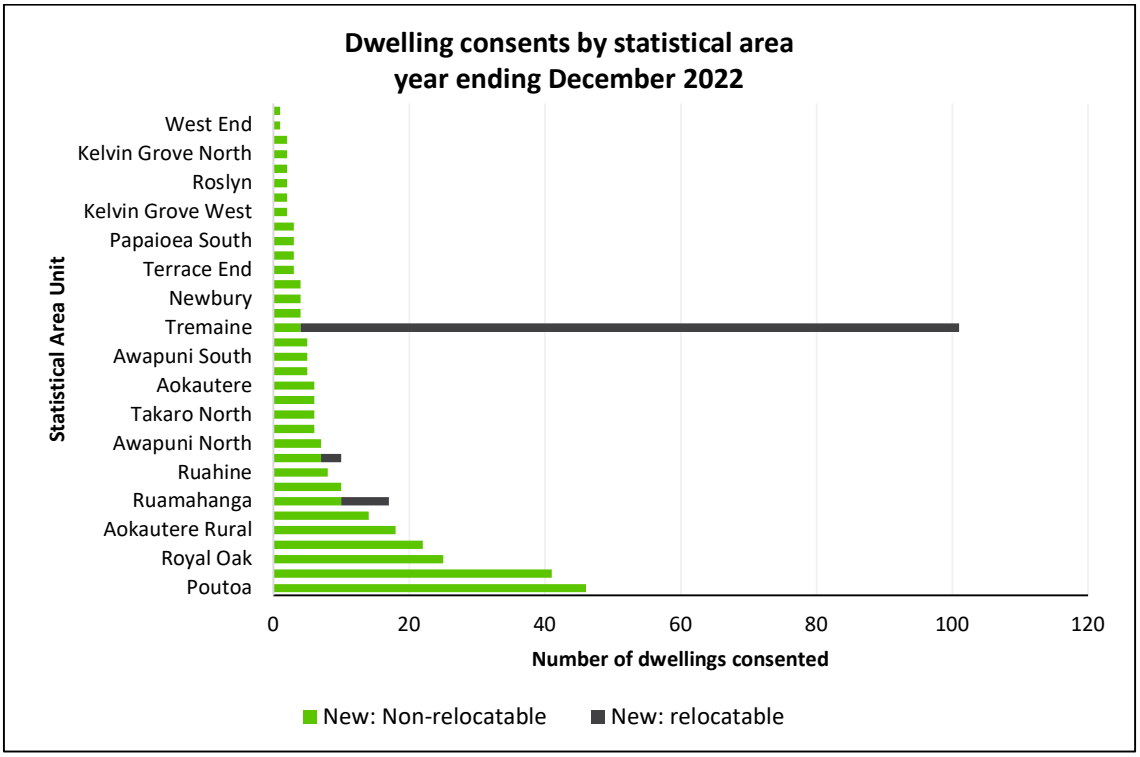


Figure 9 New Dwellings by Area By 2018 Statistical Area 2 (including relocatable) [6]

2.1.3 The size of new dwellings

The average floor area of new dwellings has been declining since 2010. The average floor area for standalone houses has reduced from 222 m2 in 2010 to 172 m2 in 2022. For all dwellings in the City, the average floor area is 157 m2. The decline in average floor areas is influenced by smaller-sized dwelling units such as apartments, townhouses and retirement village units. Figure 10 below demonstrates this.

[6] Source: Stats NZ

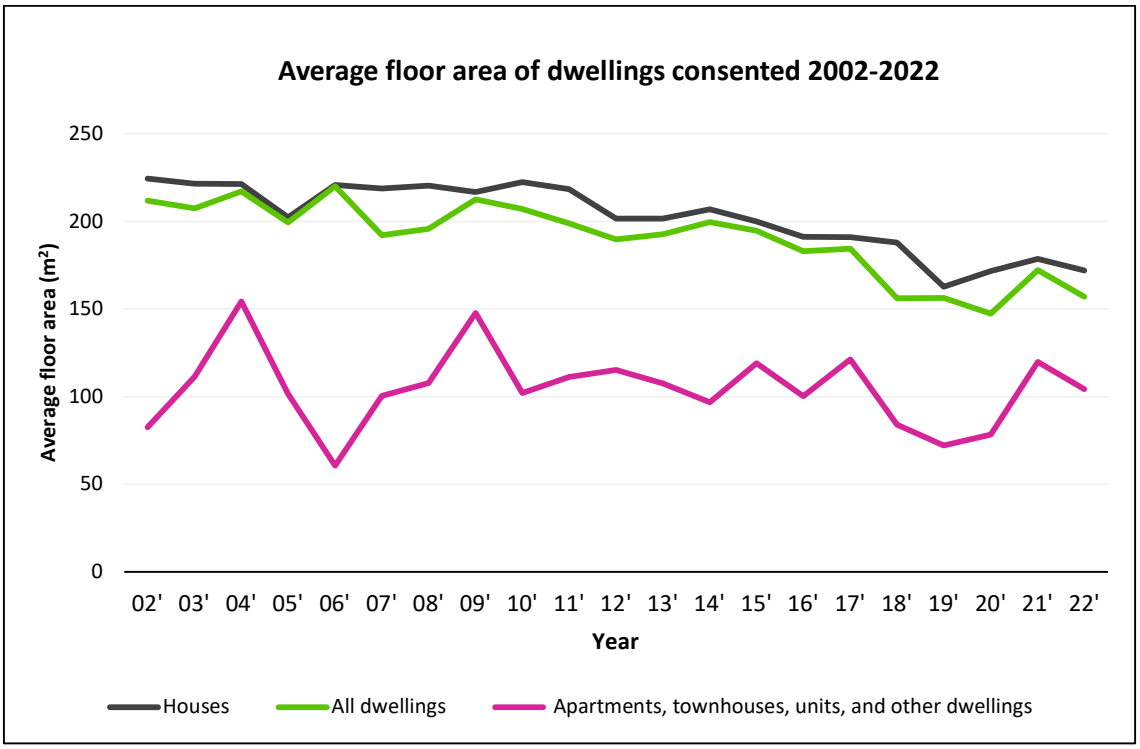


Figure 10 Average floor area of dwellings consented 2002-2022

2.1.4 Our housing development types over time

Looking at previous building consents issued between 1999 and 2022 shows where and what types of dwellings have been built in the city.

Table 11 below provides an overview of past building consents issued to show housing growth by housing type, which has fluctuated over time. The table shows that historically, dwellings in greenfield growth areas accounted for the highest proportion of new dwellings consented, and the infill share has been lower.

The decline in dwellings from 2008 onwards was due to the 2008 Global Financial Crisis.

Table 11 Historical building consent breakdown by housing development type

Year	Total building consents issued	Estimated net dwelling change	Housing development type (number and % share)							
			Greenfield		Apartments /retirement village/multi-unit/other		Infill		Rural/rural-residential	
	number	number	number	%	number	%	number	%	number	%
1999	263	244	111	45%	0	0%	96	39%	37	15%
2000	227	215	123	57%	0	0%	58	27%	34	16%
2001	249	242	138	57%	0	0%	71	29%	33	14%
2002	305	281	151	54%	0	0%	84	30%	46	16%
2003	361	352	168	48%	34	10%	100	28%	50	14%
2004	412	409	241	59%	12	3%	107	26%	49	12%
2005	377	347	221	64%	0	0%	95	27%	31	9%
2006	445	426	239	56%	60	14%	84	20%	43	10%
2007	346	325	151	46%	68	21%	92	28%	14	4%
2008	234	231	96	42%	51	22%	56	24%	28	12%
2009	209	187	115	61%	0	0%	49	26%	23	12%
2010	207	172	69	40%	12	7%	61	35%	30	17%
2011	183	161	57	35%	28	17%	63	39%	13	8%
2012	171	150	44	29%	17	11%	68	45%	21	14%
2013	221	211	70	33%	16	8%	101	48%	24	11%
2014	161	145	55	38%	11	8%	57	39%	22	15%
2015	200	130	43	33%	13	10%	55	42%	19	15%
2016	261	210	99	47%	14	7%	73	35%	24	11%
2017	356	268	133	50%	6	2%	89	33%	40	15%
2018	477	350	125	36%	50	14%	151	43%	24	7%
2019	444	335	130	39%	87	26%	94	28%	24	7%

2020	524	411	121	29%	126	31%	121	29%	43	10%
2021	376	370	130	35%	35	10%	145	39%	60	16%
2022	339	232	67	29%	46	20%	76	33%	43	18%
Average 1999-2022	**306**	**267**	**121**	**44%**	**29**	**10%**	**85**	**33%**	**32**	**12%**

Note: the difference between total consents authorised and net dwelling stock change includes the replacement of existing dwellings and the movement of new relocatable houses to other areas

Dwellings approved before July 2012 in the boundary change area with Manawatū District are not included in the dwelling counts.

Source: Palmerston North City Council

2.2 Households in Palmerston North District

There are an estimated 34,800 households in the city as of June 2023. This is an increase of 2,300 households compared with June 2018, equalling an annual average growth rate of 1.3% per year.

Households are a theoretical indicator that reflects a grouping of individuals or families that live in a single dwelling. A household does not reflect the number of dwellings by place but is often used as a proxy for dwellings or the number of residential units.

The number of households is affected by a range of factors, such as a change in the composition of households from an increase or decrease in multi-generational households, overcrowding, fertility rates, age structure of the population, and an undersupply of housing. The housing crisis in New Zealand has influenced the formation rate of larger households as access to and affordability of housing has prevented some families from accessing individual housing.

Another factor that may have recently contributed to an increase in household size is the housing shortage impacting Palmerston North. Anecdotal data suggests that families are opting to move in with other family members due to a lack of access to and affordability of independent housing. The 2023 Census will provide a greater understanding of the housing shortage's impact on overcrowding levels in our city from 2018-2023.

2.3 Family and household types in our district

There are various family types in the district as of June 2023. Table 12 shows the family type and household type in 2018 and 2023.

Table 12 Family and household types

	Family type				Household type				Average household size
	Couple without children	Two parents	One parent	Total	Family	Other multi-person	One person	Total households	
2018	9,283	9,536	4,373	23,192	22,516	2,391	7,593	32,500	2.6
2023p	10,118	10,458	4,523	25,099	24,368	2,372	8,061	34,800	2.6

2.4 The District planning context

Housing is provided for across the district through our District Plan. Primarily, housing is enabled in our residential zone, particular residential areas (such as our brownfield and greenfield residential areas and the multi-unit housing areas), rural-residential overlay, rural zone, and business zones (when above ground floor level and if it does not restrict business use or growth).

2.4.1 The residential zone

Our residential zone provides conventional standalone housing and minor dwelling units as permitted activities. Our District Plan allows up to two dwelling units, or one dwelling and a minor dwelling unit, or one dwelling unit and one sleep-out as a permitted activity. Permitted activity standards relating to setbacks from other dwellings on the same site require that if attached housing is proposed, it is joined by a garage or set 3 metres apart.

Our multi-unit housing areas provide for multi-unit housing as a restricted discretionary activity. This type of housing development outside the areas is provided for as a discretionary activity. Papakāinga is provided in the Residential Zone as a discretionary activity.

2.4.2 Residential areas within the residential zone

Over time, we have rezoned particular areas of the city and applied area-specific objectives, policies and rules to manage housing within them. This has included both greenfield areas and brownfield sites. Our residential areas are:

- Hokowhitu Lagoon Residential Area
- Kikiwhenua Residential Area
- Whakarongo Residential Area
- Napier Road Residential Area and Extension Area
- Mātangi Residential Area

These areas permit conventional standalone houses, but in some instances, like the Mātangi and Hokowhitu Lagoon residentials, they provide for more intensive housing types, including multi-unit.

2.4.3 Subdivision rules

Our District Plan subdivision rules enable subdivision in the district as a controlled activity in most cases so long as standards are met. Minimum lot sizes throughout the district are:

- 350m^2 in the Palmerston North urban area
- 500m^2 minimum lot size in Ashhurst, Napier Road Extension Area, and Longburn and Bunnythorpe village areas.
- 400m^2 of developable land in the Aokautere Development Area and an average area requirement for the lots of 600m^2
- 20 hectares in the Rural Zone
- 1 hectare in the Rural Residential Overlay

2.4.4 Housing in the business zones

Our business zones enable housing above the ground floor as a restricted discretionary activity and subject to the housing not affecting the supply of business floor space to meet demand.

2.5 Summary – Our housing overview

There are lots of moving parts in our housing markets. Construction trends show that investment in new homes across the district has been high in recent years. Different housing types are also emerging, and trends in where homes are being built and their floor area. The number and types of households in the district are diverse and have been driving the number of homes and types built. Finally, our District Plan enables different types of housing at various locations throughout the district.

3. Analysis of the Housing Market and Impacts of Planning

Clause 3.23 of the Policy Statement requires our Assessment to include an analysis of the housing market and the impacts of planning. The Policy Statement requires our analysis to include an analysis of how our planning decisions and infrastructure provision affect the affordability and competitiveness of the local housing market.

It must also include an assessment of how well current and future demand for housing by Māori and different groups in the community are met, particularly the demand for different housing types and forms of housing from other groups.

To inform this analysis, we must look at:

- Market indicators, including indicators of housing affordability, demand and supply;
- Information about household incomes, housing prices, and rents; and
- Price efficiency indicators.

3.1 Market indicators for housing affordability

3.1.1 House values

The average house value in Palmerston North in December 2022 was $659,450, down 12.1% compared with December 2021.

Average house values in Palmerston North peaked in January 2022 at $754,212, with the national average house price peaking at $1,043,261 in March 2022. As shown in Figure 11 below, values have declined since early 2022, with signs of stabilisation in early 2023.

Rising interest rates, alongside tightening financial market settings since December 2021, have affected the ability of buyers to secure finance and service mortgage payments. This is reflected in affordability indicators, which show an improvement in the ability of home buyers to save for a house deposit, alongside a deterioration in the ability to secure finance and afford mortgage repayments.

House prices rose sharply in 2020 and 2021 as low mortgage interest rates and access to finance increased housing demand. Median house prices in the city peaked at $746,000 in

December 2021, up 42.1% on pre-pandemic prices compared to 45.7% nationally. Higher interest rates and the tightening of credit conditions in 2022 were effective in reducing housing demand. House prices in the city fell by more than the national fall of 17.1%, down 21.3% from the market peak to December 2022. The first four months of 2023 suggest stabilising house prices in Palmerston North and nationally.

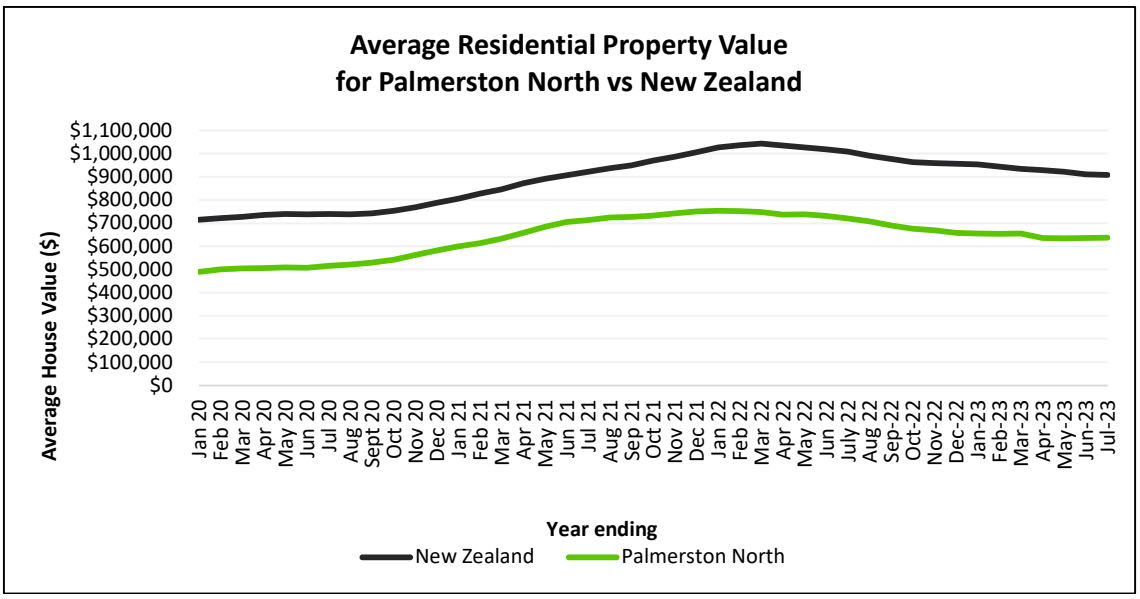


Figure 11 Average Residential Property Value for Palmerston North vs New Zealand[7]

The average value of $659,450 in Palmerston North in December 2022 was on the low end of comparable-sized urban areas, as shown in Figure 12 below.

[7] Source: CoreLogic House Price Index

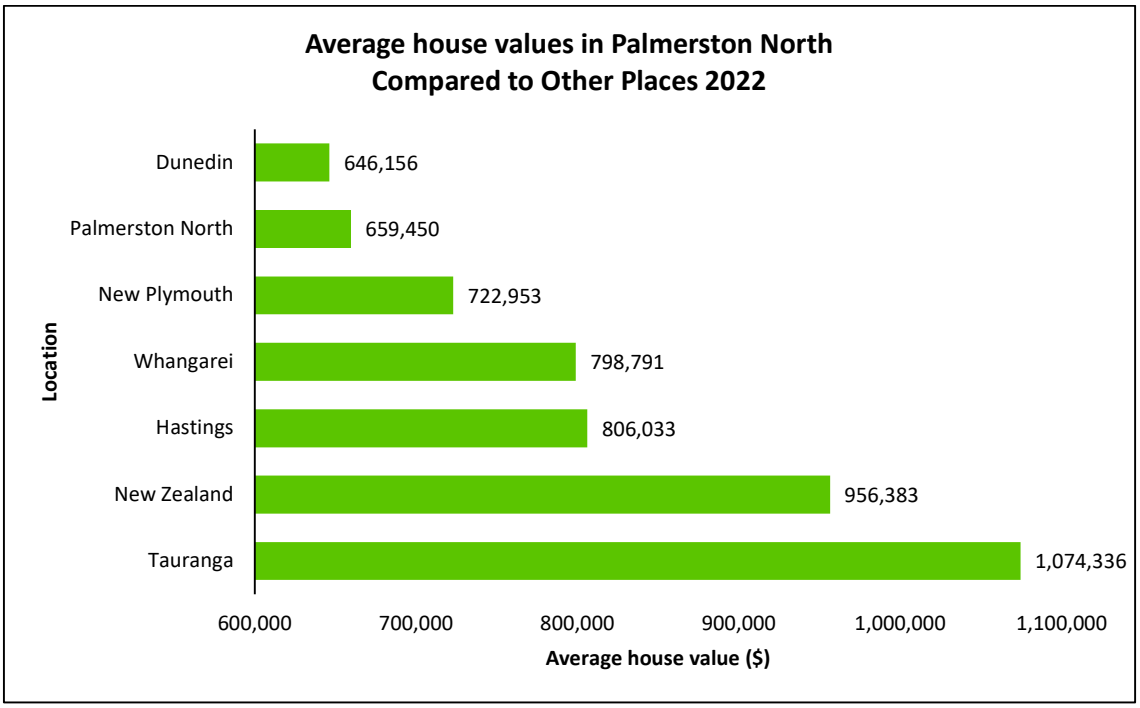


Figure 12 Average house values in December 2022[8]

3.1.2 House sales and prices

1,140 houses sold in Palmerston North over the year to December 2022. This is a decline of 19.9% in the city over the year. This compares with a 30.2% fall in house sales nationally over the same period. The average median sales price for December 2022 was $615,000 compared with a median sales price of $657,667 for the year ending December 2022. This suggests that house prices are stabilising in the city, with monthly median sales prices exceeding the 12-month average. Signs of market stabilisation have continued in the first half of 2023. The annual trend in house sales and median house prices in the city is reflected in Figure 13.

[8] Source: CoreLogic House Price Index

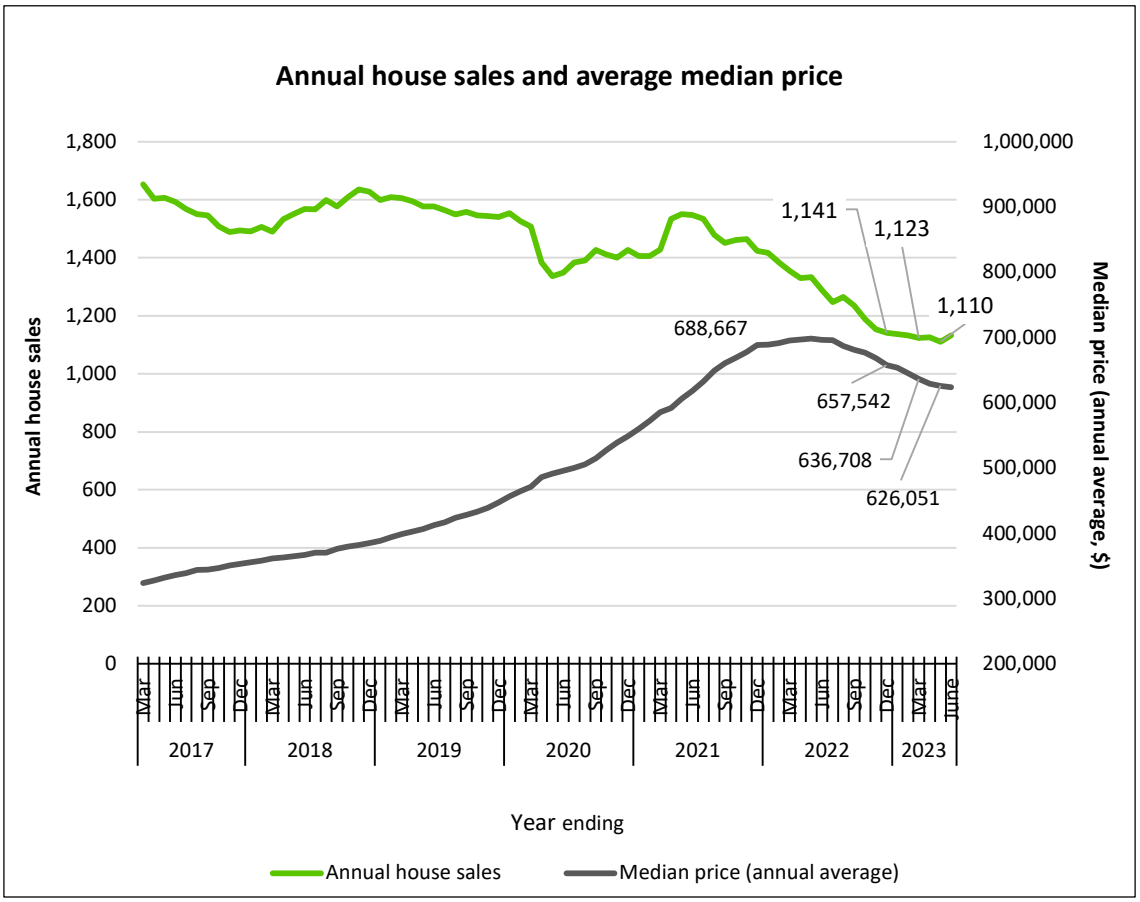


Figure 13 Annual House Sales and Average Median Price for Palmerston North 2017-2023

3.1.3 Home ownership affordability

Comparing house values and average household incomes can be used as a proxy for housing affordability. A lower ratio means it is more affordable to own a home. A higher ratio means housing is less affordable. The graph below shows the ratio of average house value to estimated annual average household income in Palmerston North and New Zealand.

Falling house prices and rising incomes have supported housing affordability in the city, with the ratio of average house price to average income falling to 5.8 in the December quarter of 2022. This is an improvement in housing affordability from 7.2 times the average income in December 2021. The ratio of average house price to average income nationally was 7.7 in December 2022, reflecting the relative affordability of home ownership in Palmerston North. This is mainly due to relatively lower house prices. However, rising interest rates and households coming off lower interest rate fixed term mortgages may start to see homeownership affordability decrease.

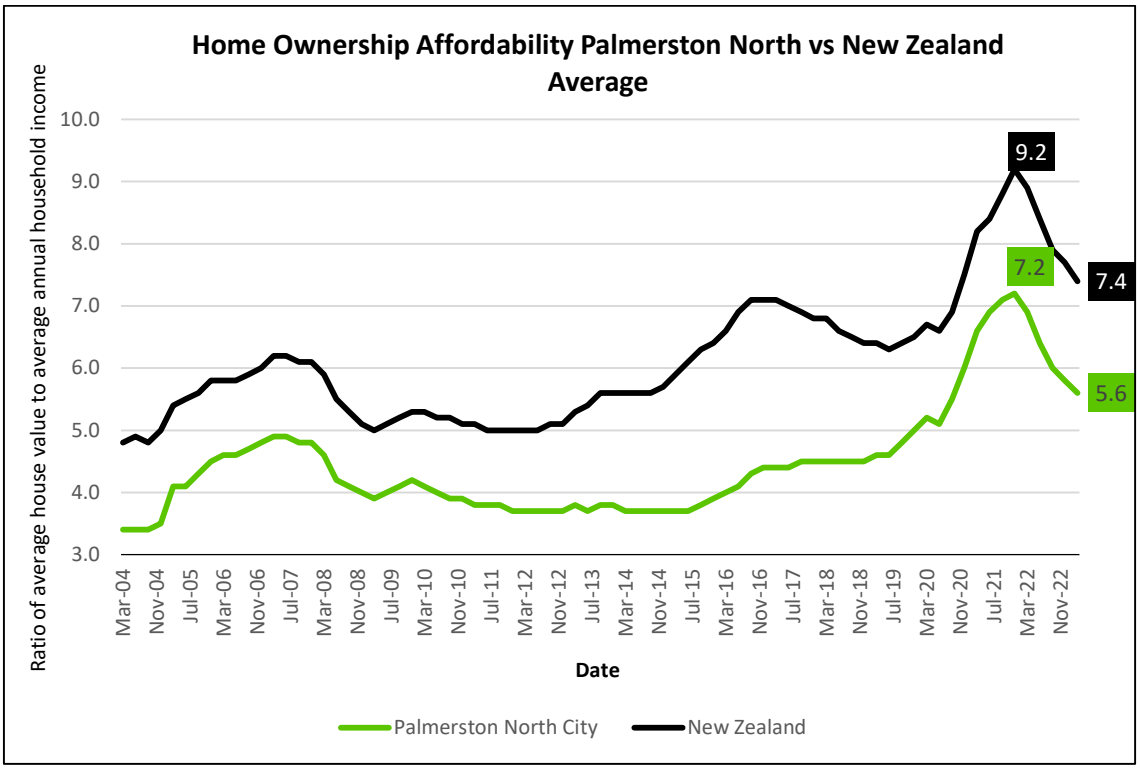


Figure 14 Home Ownership Affordability Palmerston North vs New Zealand Average

Figure 15 shows that Palmerston North has remained more affordable than comparable New Zealand places.

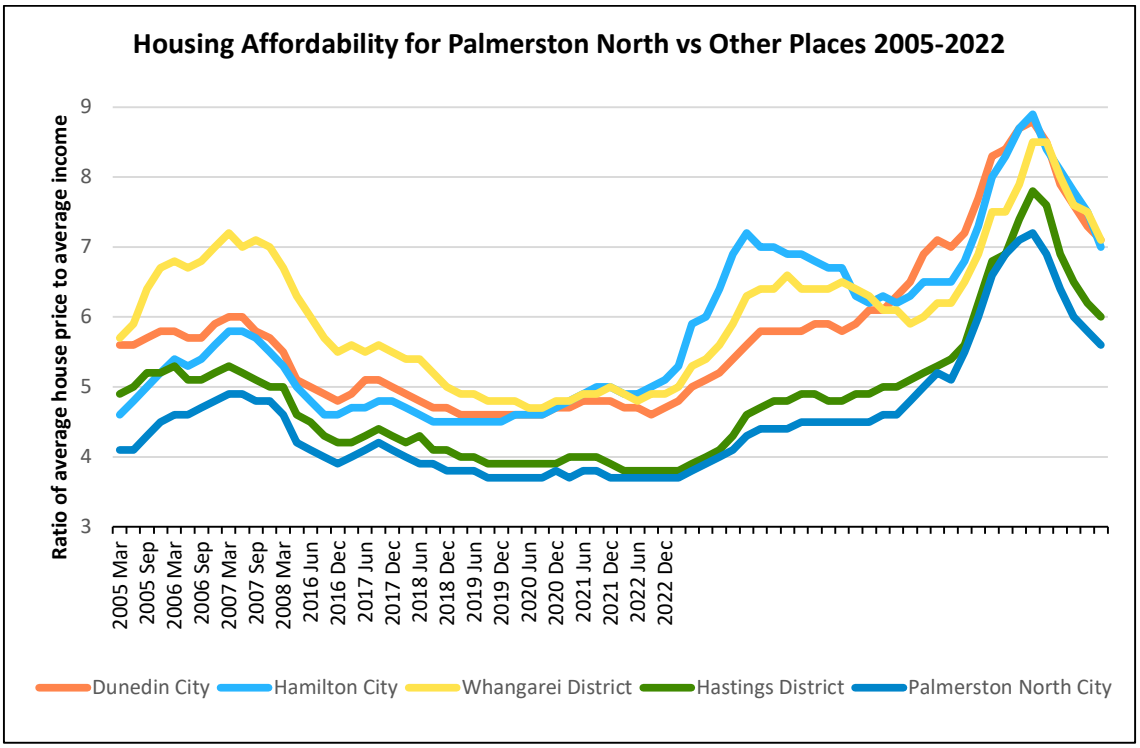


Figure 15 Housing Affordability for Palmerston North vs Other Places 2005-2022

The following two housing affordability indicators show that home ownership affordability has changed over time in Palmerston North compared to the New Zealand average.

3.1.4 Change in housing affordability indicators

The Change in Housing Affordability Indicators[9] show the affordability of people entering the market in terms of:

- Servicing a mortgage
- Saving for a deposit, and
- Renting a home

This indicator compares changes in house sales prices with the growth in median household disposable (after tax) income. Factors that can affect deposit affordability are:

- House sales prices
- Household disposable income

Based on this indicator, relative deposit affordability has declined in Palmerston North since about mid-2016, much later than the New Zealand average. Deposit affordability has improved since the end of 2021, when house prices began to decline.

[9] About the Indicators - Te Tūāpapa Kura Kāinga - Ministry of Housing and Urban Development (hud.govt.nz)

3.1.5 Change in mortgage serviceability indicator

This indicator compares changes in the purchasing power of mortgage interest payments for new home loans with the growth in median household disposable (after tax) income. Factors that can affect mortgage serviceability are:

- Mortgage interest rates
- House sales prices
- Household disposable income.

Based on this indicator, serviceability improved from 2019 until the end of 2020 due to a decline in interest prices, after which mortgage serviceability decreased as interest prices increased.

3.1.6 Affordability for typical first-home buyers

Interest.co.nz has used the measure of the proportion of take-home pay needed to make the mortgage payment for a typical household. If that is less than 40%, then a mortgage is generally considered 'affordable'. The table below compares home loan affordability for typical first-home buyers in 5 cities in New Zealand in terms of mortgage payment as a percentage of after-tax-pay. The table presents calculations based on the following:

- 10% deposit for a home purchased at the Real Estate Institute of New Zealand's lower quartile selling price.
- weekly income is based on the combined median after-tax pay for couples aged 25-29 if both work full-time

Among the five cities, Palmerston North has the lowest mortgage payments as a percentage of after-tax pay due to a combination of median income and lower quartile house prices, and affordability has started to improve in 2022 for most cities.

Table 13 Home loan affordability for typical first home buyers: mortgage payments as a % of after-tax pay[10]

City	May 2020	Nov 2020	Feb 2021	Nov 2021	Apr 2022	Nov 2022	May 2023
Hamilton	32.5%	32.2%	33.1%	49.8%	52.0%	51.1%	48.9%
Whangarei	22.2%	26.8%	26.8%	40.3%	42.8%	42.0%	44.1%
Hastings	27.8%	31.3%	32.8%	45.3%	48.9%	46.8%	43.5%
Dunedin	27.5%	30.4%	30.8%	40.9%	40.7%	43.4%	39.2%
Palmerston North	24.1%	27.6%	29.5%	39.9%	39.8%	41.3%	36.9%

3.2 Market indicators for rental affordability

3.2.1 Rental market demand

The figure below shows the number of active rental bonds from 1993 to 2022 and its percentage share of New Zealand's active bonds. There were 7,665 active rental bonds in December 2022, an increase from 7,539 active bonds in December 2021. The active bonds in Palmerston North were 1.9% of total active bonds in New Zealand, a slight decrease from 2.0% in 2021. Whilst the number of active bonds more than doubled since 1993, its percentage share of New Zealand's has declined from 3% in 1993 to 1.9% in 2022, indicating that the supply of rental properties in Palmerston North has not been growing as fast as the rest of New Zealand.

[10] Source: Interest.co.nz

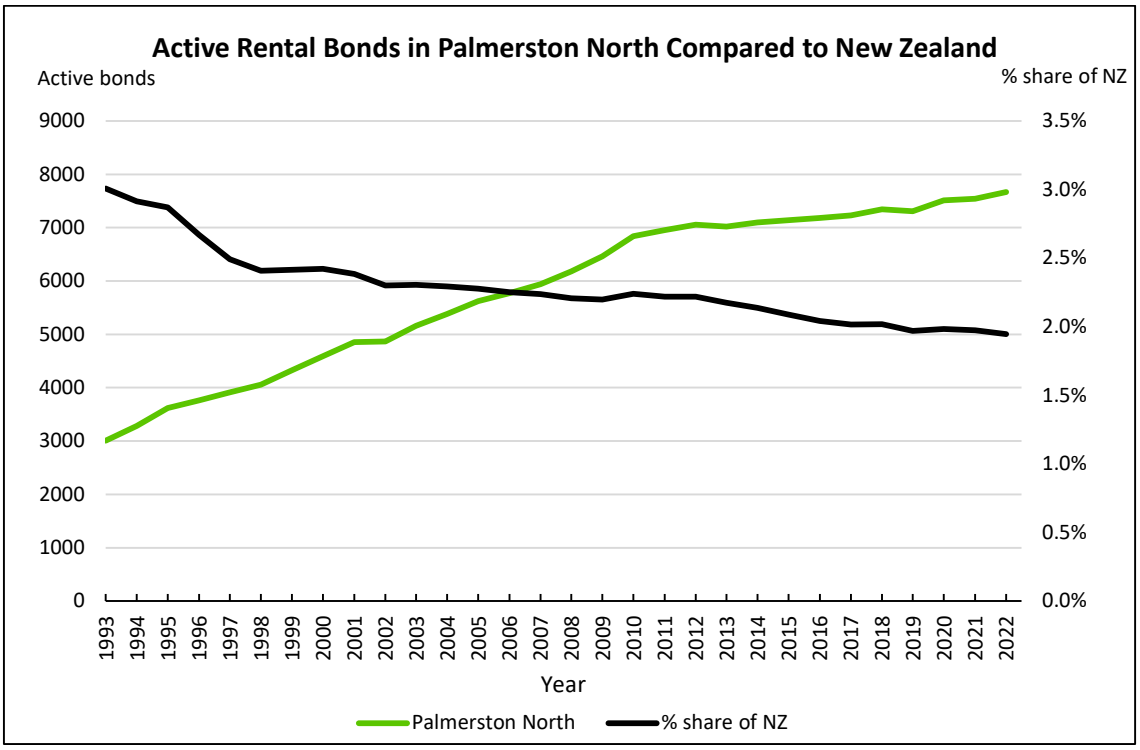


Figure 16 Palmerston North active rental bonds

3.2.2 Rental homes and prices

The number of properties in the formal rental market[11] is increasing nationally and in Palmerston North. Properties rented in the City increased by 126, up 1.7% from December 2022. This compares with 3.2% growth nationally over the same period. The latest data indicates further strengthening, with the number of rental properties in Palmerston North increasing by 174 over the first three months of 2023.

Rental prices continue to rise but at a slower rate than the New Zealand average (see **Figure 17**). Rental prices were up 6.7% in the City over the year to December 2022. Weekly rents across the country increased by 5.8% over the same period. The average weekly rent in Palmerston North in December 2022 was $445 compared with $520 nationally.

[11] The formal rental market is where a bond has been lodged with tenancy services. The informal rental market (where a bond has not been formally lodged) can only be estimated through the five-year national Census.

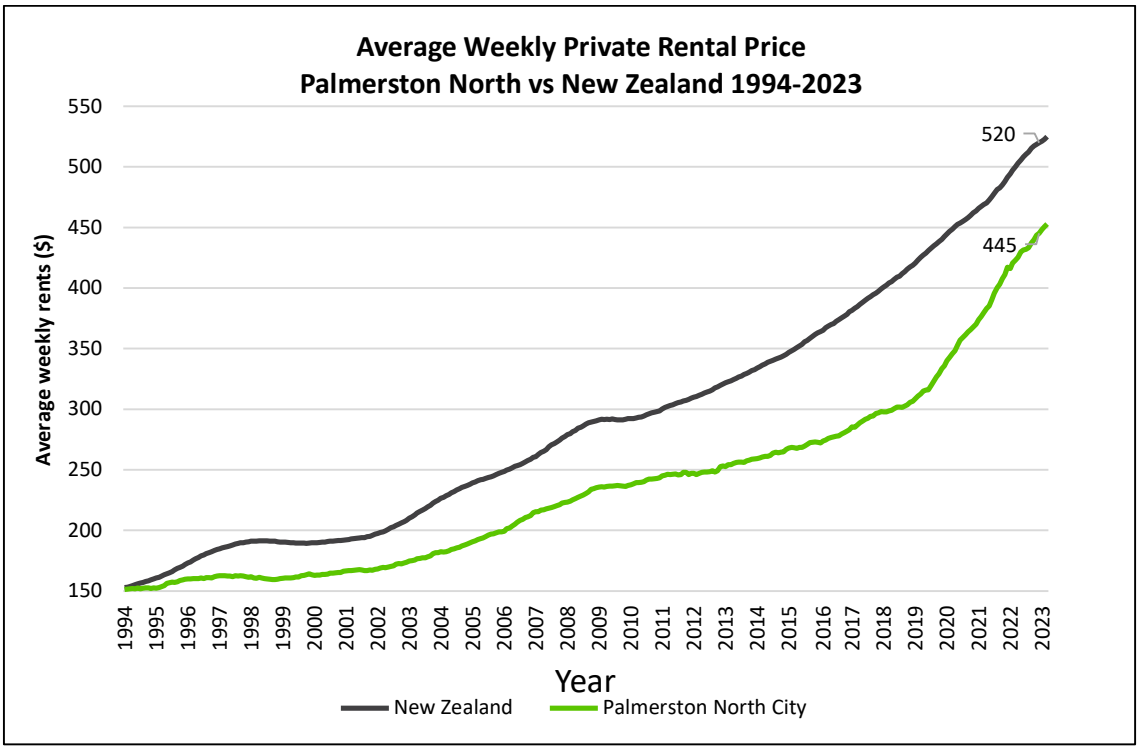


Figure 17 Average Weekly Private Rental Price Palmerston North vs New Zealand 1994-2023

3.2.3 Rental affordability

The rental affordability measure compares changes in rental prices for new tenancies with the growth in median household disposable (after tax) income. Factors that can affect rental affordability are:

- Rental prices
- Household disposable income

Based on this indicator, there has been a decline in rental affordability from 2017 in Palmerston North. Average rental affordability has somewhat improved. This is due to a relatively higher increase in rental prices in Palmerston North, especially since the latter part of 2018.

The graph below shows the percentage of average annualised rent to estimated annual average household income. A higher percentage means it is less affordable to rent.

In December 2022, the average annual rent in Palmerston North was 20.6% of the estimated average yearly household income compared to New Zealand's average of 21.9%.

In March 2023, the gap narrowed slightly - average annual rent in Palmerston North increased somewhat to 20.8% of the estimated average yearly household income compared to New Zealand's average of 21.8%.

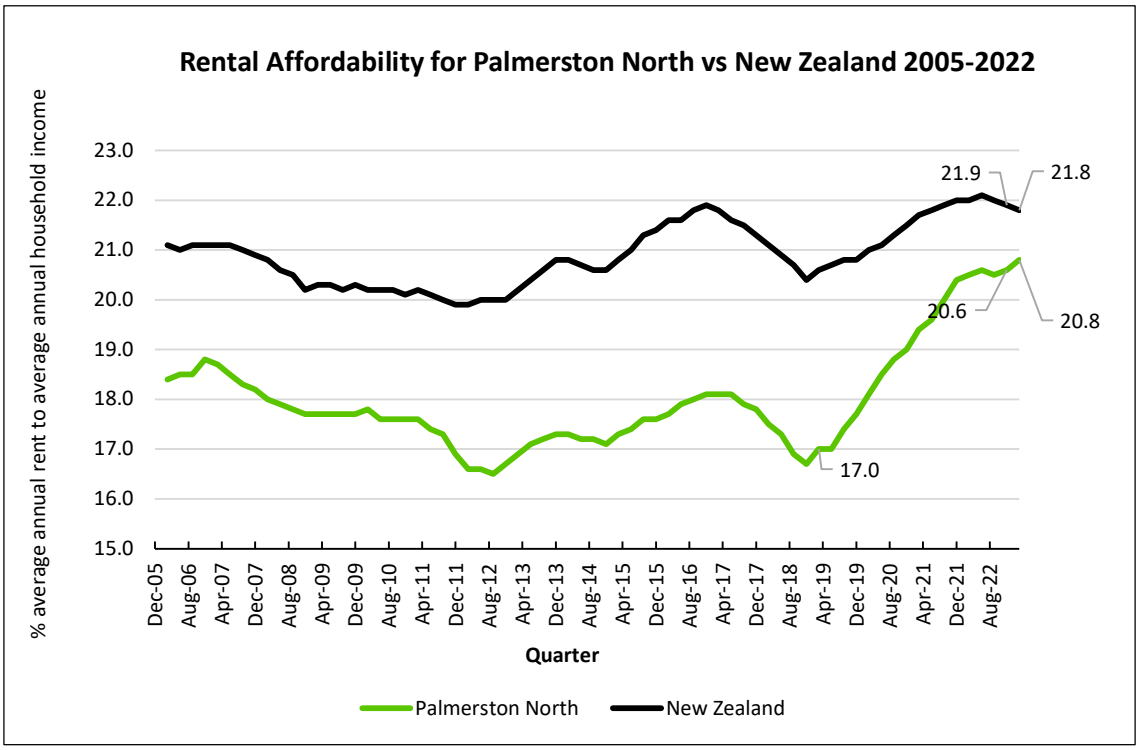


Figure 18 Rental Affordability for Palmerston North vs New Zealand 2005-2022

Rents are still affordable in Palmerston North compared to other similar-sized cities. The rental affordability measure indicates that the affordability of renting in Palmerston North has deteriorated over the last year, with the ratio of annual rents to household income increasing above Hastings and Hamilton. While this deterioration is observed over a short period and is not necessarily an indication of a longer-term trend, this is highlighted as an indicator to watch.

For the period ending December 2022, the average weekly rent (over 12 months) in Palmerston North increased from $445 to $453 (1.8% increase). The national average weekly rent increased from $519 to $525 (1.2% increase).

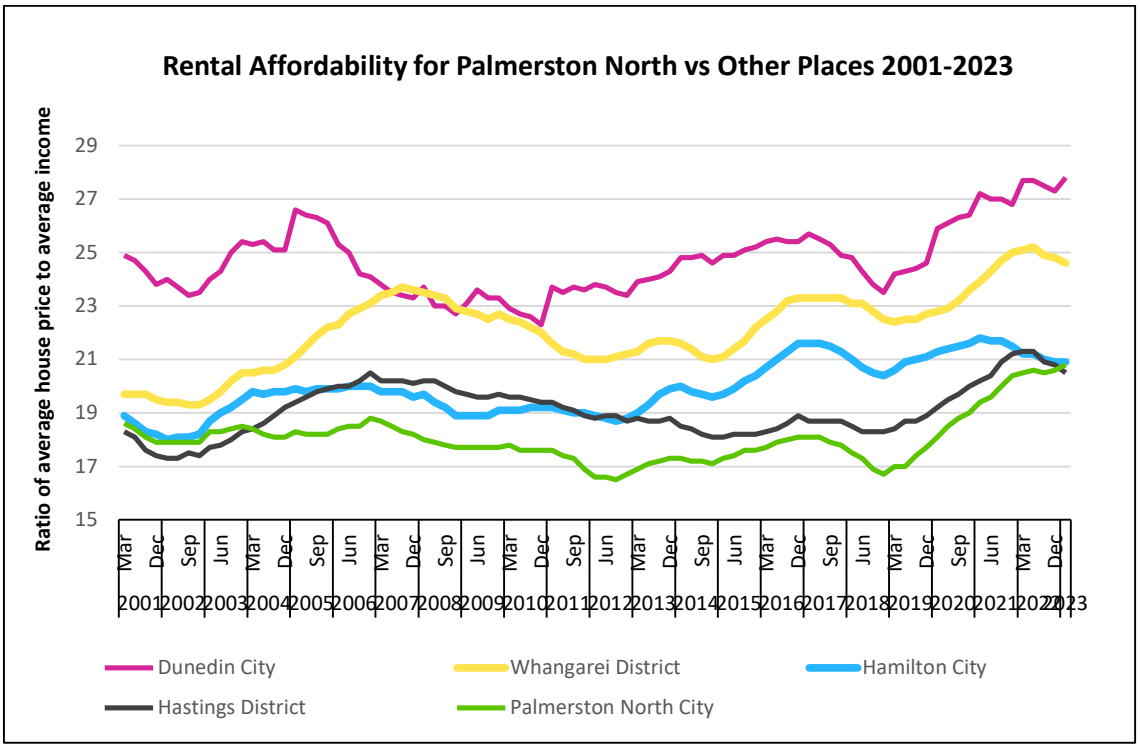


Figure 19 Rental Affordability for Palmerston North vs Other Places 2001-2023

3.2.4 Public housing demand

The number of households on the public housing register is declining nationally and in Palmerston North. Numbers in the city fell from a peak of 792 in March 2022 to 630 in December 2022, a decline of 12.1% over the year. This compares with a 9.4% fall nationally. A review of the register impacts numbers, as households that have found alternative accommodation are removed from the register. Anecdotal evidence from social agencies in the city reflects a range of drivers for the fall in numbers, including overcrowding, as vulnerable households opt to move in with other family members to manage cost pressures.

3.3 Price efficiency indicators

Price-to-cost ratios and average construction costs have been favourable for housing development in Palmerston North compared to other cities and the national average. See below for a detailed explanation.

3.3.1 Price-to-cost ratio analysis

To indicate whether land supply constraints exist in the local market, we have used the cost of land relative to construction costs. The price-to-cost ratio[12] looks at the ratio of construction costs to the cost of land in a property's price to indicate whether there is a shortage of land relative to demand, as illustrated in Figure 20 below.

[12] National Policy Statement on Urban Development Capacity - Price efficiency indicators technical report: Price-cost ratios (hud.govt.nz)

If the land cost is a significant portion of a property's price, this could indicate a land shortage relative to demand. The guidance provided by the Ministry for the Environment and Ministry for Business, Innovation and Employment suggests that if the cost-price ratio is between 1 (where price is the same as costs) and 1.5 (where land is one-third of house price), then land supply is responsive to demand. If the price-cost ratio is 2, land costs will be the same as construction costs.

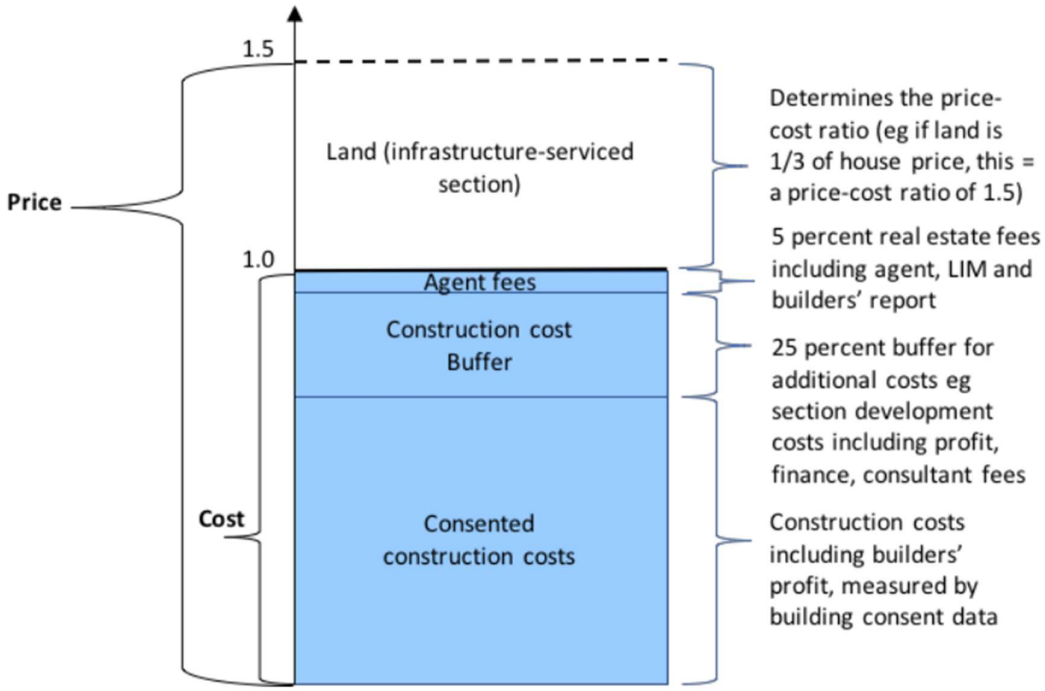


Figure 20 The components of price-cost ratio[1]

The Ministry of Housing and Urban Development monitors the price-to-cost ratio nationwide[13]. The price-to-cost ratio for Palmerston North peaked at 1.6 in 2021 and declined to 1.1 in 2023. The peak in 2021 is similar to that of other cities. Palmerston North has remained below the favourable 1.5 price-cost ratio over 30 years except for the 2021 peak.

We have remained relatively affordable to construct and similar to comparable cities such as Dunedin and Hamilton. The rise and fall of the price-to-cost ratio in most cities resulted from a limited land supply and the surge in demand for land for housing from 2020 until the end of 2022 due to low mortgage rates.

[13] Urban Development (shinyapps.io)

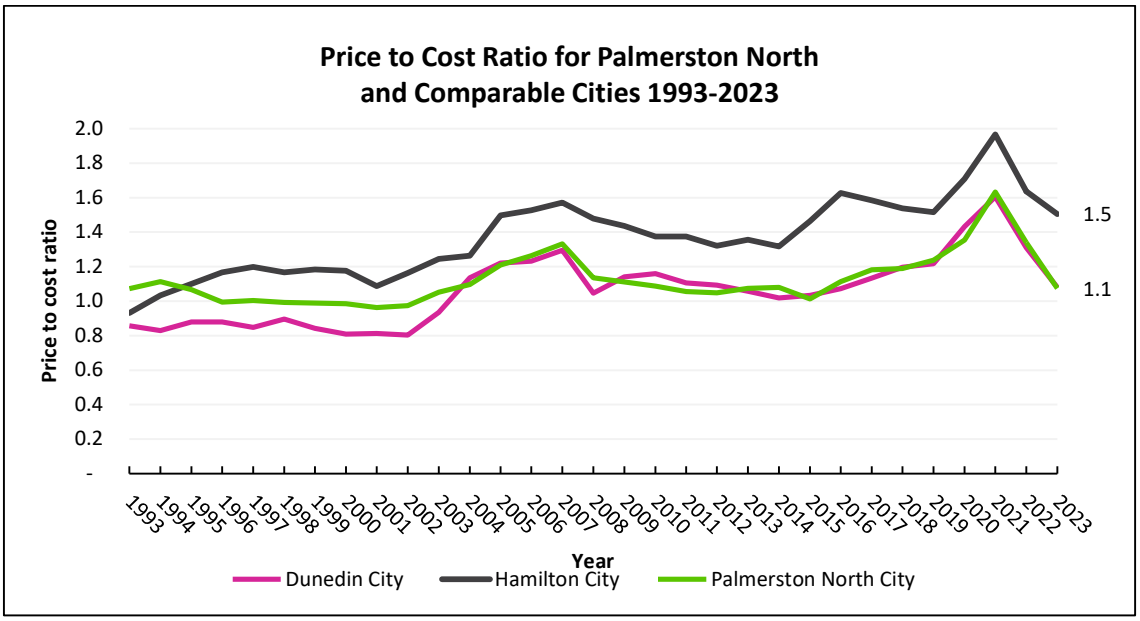


Figure 21 Price-Cost Ratio for Palmerston North and Comparable Cities 1993-2023

3.3.2 The estimated cost of construction

The average estimated construction cost for new dwellings (excluding apartments, townhouses and retirement village units) consented in Palmerston North in 2022 was $2,762 per m^2. This annual increase in construction costs is 17.4% over the year. The average for New Zealand was $2,789 per m^2, an increase of 14.7%. Palmerston North remains similar in average construction costs for dwellings to other cities, as shown in Figure 22 below.

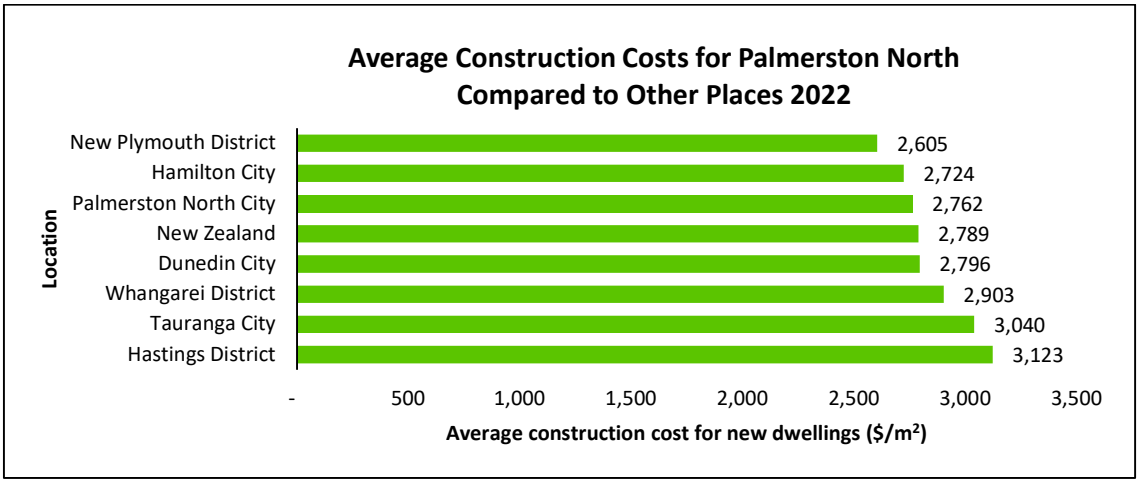


Figure 22 Average Construction Costs for Palmerston North Compared to Other Places 2022

Historically, Palmerston North has experienced lower average construction costs compared to the New Zealand average since 2010. However, this gap has been narrowing over recent years, as shown in Figure 23 below. This chart also highlights that the cost of developing alternatives to our typical housing stock and retirement villages had increased considerably closer to the pandemic but has since levelled back out to either similar or cheaper than national averages.

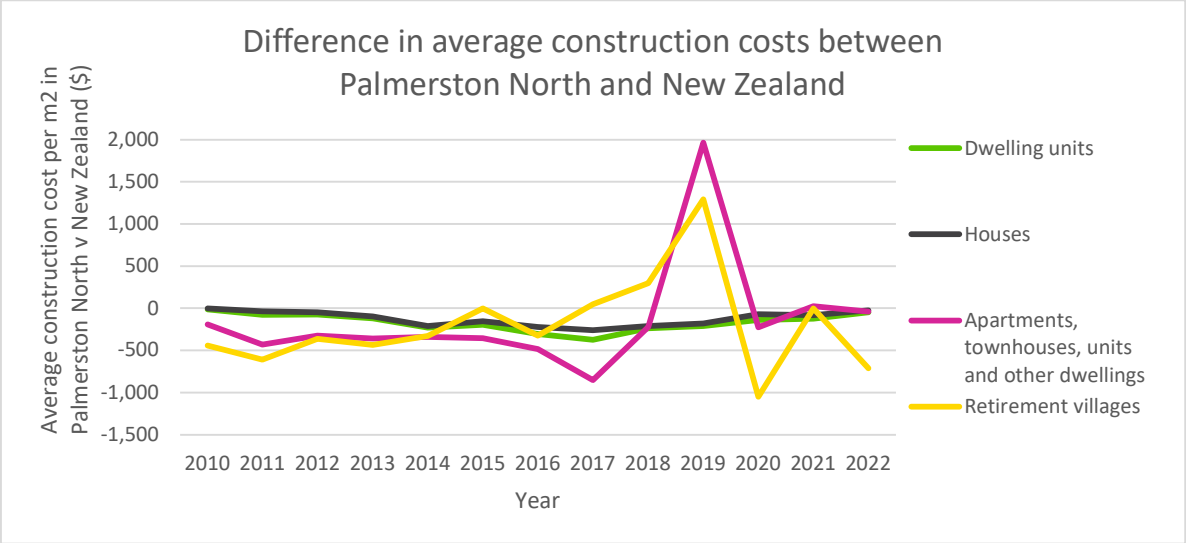


Figure 23 Difference in Average Construction Costs Between Palmerston North and New Zealand[14]

Increasing costs in both materials and labour in the construction sector have been a feature of the post-pandemic New Zealand economy, as shown when we compare the average construction costs for Palmerston North against other places (Figure 24 below). With the recovery of supply chains and falling construction investment, cost pressures in the construction sector are expected to ease from 2023.

[14] Source: Stats NZ 2023

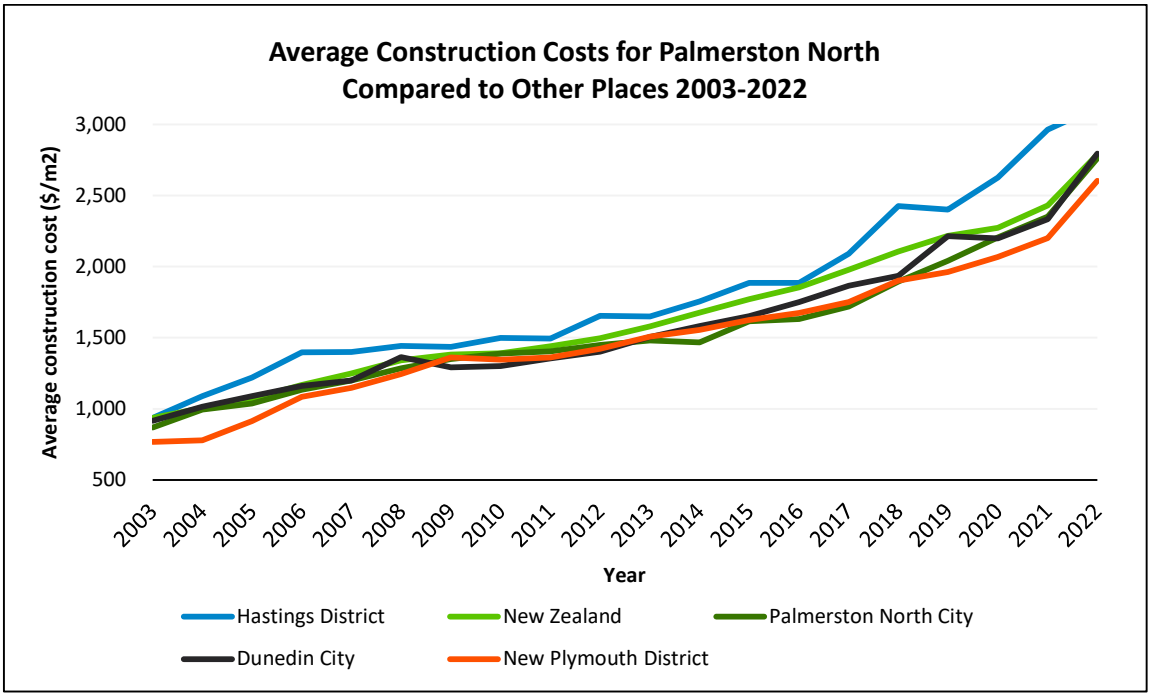


Figure 24 Average Construction Costs for Palmerston North Compared to Other Places 2003-2022

3.4 Housing need by Māori and different groups in our community

The Policy Statement requires us to assess how well the current and likely future demands for housing by Māori and different groups in our community are met. These groups within the Palmerston North community have specific needs, such as multigenerational living or smaller homes for ageing or single people.

We have spoken about the issues and aspirations Maori and different groups in our community have raised in our Engagement Section.

Along with a growing Māori and Pasifika population, there will be an increase in large families and multi-generational living, creating demand for larger homes or co-living arrangements. The City's existing supply has more 5+ bedroom homes than 1-2 bedrooms. We can expect that these existing homes can support larger families. However, there is still a cost barrier to access these homes due to high rents or house prices. The 2023 Census data will provide further detail on the proportion of larger households by ethnicity to determine the extent of housing need and unaffordability by ethnicity once this becomes available. We know from the 2018 Census that 16% of Māori in the City live in crowded housing conditions[15], and 29% of Māori in the City are homeowners.

Single-person households comprise 23% of the total population and are expected to increase by 19.1% (+1,551) over the next 30 years. However, one-bedroom homes only comprise 5.2% of the existing housing stock (based on the 2018 census). Other single households struggle to find affordable one and two-bedroom homes that meet their housing needs. This is reflected

[15] Where generally the number of people per bedroom should not exceed two people.

in building consent data, showing that social housing providers mainly build one and two-bedroom homes – perhaps to meet this demand for affordable smaller homes.

Based on household make-up, one-person households make up 23% of the total household projections, and couples without children make up 40% of total family households. Couples without children are also projected to increase by 23.8% (+2,425) over the next 30 years, indicating demand over the past and need for 1-2 bedroom homes in the city will remain. This is also reflected in the social housing register, with 80% of those in need requesting a one or two-bedroom home. However, Palmerston North's current development model consists of larger homes with 3-4 bedrooms.

The Ministry of Social Development's Housing Register includes those eligible for public housing and need to be matched to a suitable property. There are two categories that people are placed in:

- Priority A: Persistent housing needs to be addressed immediately.
- Priority B: Significant persistent housing need.

Figure 25 shows a trending increase in those on the public housing register in Palmerston North over the past five years.

In the last nine months, this number has started to decline. As of December 2022, there were 630 people on the public housing register for Palmerston North (618 Priority A and 15 Priority B), down by 54 since December 2020. As mentioned, some drivers of this fall include overcrowding through households moving in with other family members to manage cost pressures. The Ministry of Social Development has also audited the public housing register, removing those who have found alternative accommodation or appear on the register in more than one area. This has decreased the number of households on the register without necessarily representing improved housing access and affordability.

80% of those on the Ministry of Social Development's Housing Register require a one to two-bedroom home, compared with only 4% requiring a four or larger-bedroom home. Since the 2021 Assessment, the number of people on the register increased briefly in March 2022 but has returned below the September 2020 numbers. A similar peak has been observed nationally[16]. Our public housing waitlist is not included in these figures.

[16] There is a total of 23,127 on the national social housing register as at 31 December 2022

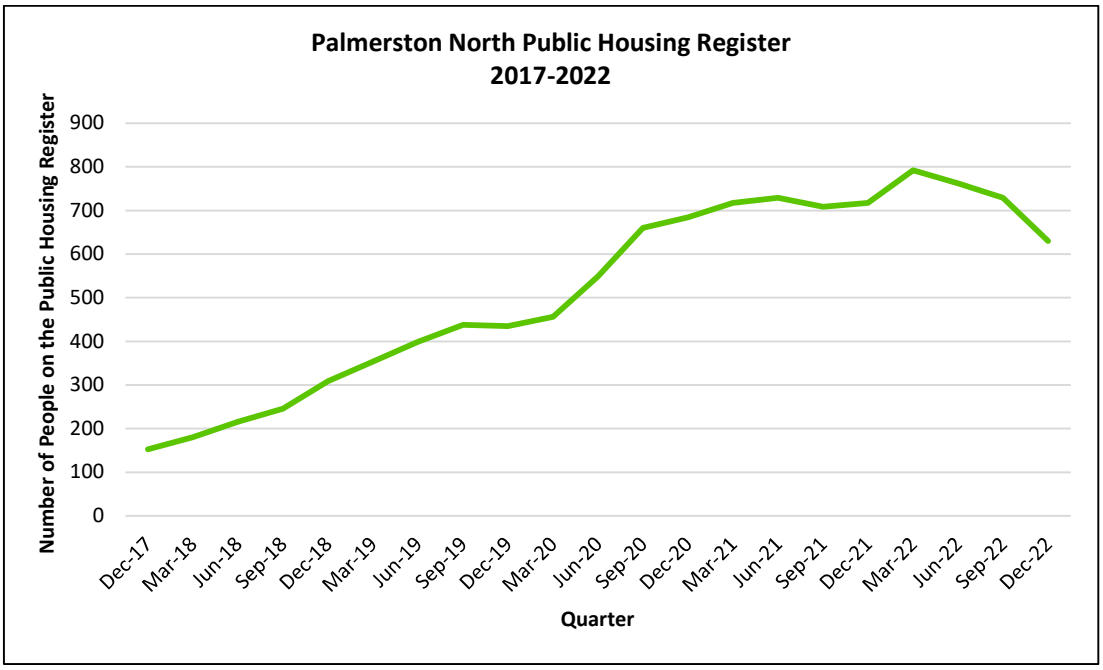


Figure 25 Palmerston North Public Housing Register 2017-2022[17]

Based on the above, smaller homes required by different groups in our community are a challenge to be provided for in our housing market. Larger homes for intergenerational living exist in our district, but these are likely unaffordable.

3.5 Summary – Analysis of the housing market and impacts of planning

House values, house sales and prices, home affordability, and mortgage serviceability indicate that Palmerston North is affordable compared to similarly sized cities and the New Zealand average. Nonetheless, our housing remains unaffordable for most. However, this primarily reflects broader economic conditions in recent years.

Rental homes and affordability, along with public housing demand indicators, show that there is demand for rental homes, and they are affordable compared with other sized cities and the national average. Nonetheless, rental affordability is declining. There is demand for public housing, representing a need for housing for those whose circumstances do not enable them to rent or buy their own home.

Price efficiency indicators show favourable price-to-cost ratios in Palmerston North, and the construction cost is comparable to other-sized cities and below the national average.

Our existing housing stock, construction trends, and affordability will likely affect Maori and other groups in our community who have different housing needs than what is currently being delivered through our existing housing stock and recent residential construction.

[17] Housing Register - Ministry of Social Development (msd.govt.nz)

4. Housing Demand Assessment

Clause 3.24 of the Policy Statement requires us to undertake a housing demand assessment. We must estimate the demand for additional housing in Palmerston North in different locations and dwelling types for the short, medium, and long term. We have identified the types of dwellings as standalone and attached and identified locations as greenfield, infill and rural/rural-residential.

We considered a range of projections for our demand assessments and have described this in the following section. Following this, we analyse our observed housing demand as part of estimating our housing demand for the future. Finally, the demand assessment for homes, locations and types is estimated.

4.1 Our range of projections

Under Clause 3.24 (5) of the Policy Statement, we must set out a range of projections for our housing demand assessment and identify the most likely projections. We must set out the assumptions underpinning each of the projections. If any of them involve a high level of uncertainty, we must describe the nature and potential effects of the uncertainty.

As part of our 2024 Long Term Plan preparations, we produced a Hybrid Model, which adjusts the Infometrics 2018-2054 model built for us in 2018. Our Population section describes the modelled population and households under our Hybrid Model. This model is considered the most likely as the Infometrics model has assumptions considered overly conservative and inconsistent with what happened between 2018 and 2023.

The assumptions for the Hybrid Model are:

- High net international migration during the 2022, 2023 and 2024 years
- Net international migration will ease to a long term trend from 2025 onwards due to global competition for limited labour supplies
- Increasing internal migration to the regions due to the ability to work remotely and lifestyle opportunities, including relative housing affordability
- Elevated demand for labour due to large-scale investments, including:
    - Te Utanganui
    - New Zealand Defence Force consolidation
    - Kāinga Ora developments
    - Roading infrastructure projects

    - Energy infrastructure projects
    - Expansion of services at Te Whatu Ora Midcentral
- Natural increase will ease but will stay positive over the 30-year planning horizon due to the younger population
- A growing proportion of Māori and Pasifika families will drive demand for larger homes to provide for multigenerational families alongside the need for small dwellings suitable for the ageing population.

We used low, base, and high population and household growth scenarios in our Hybrid Model to produce a range of dwelling demand assessments. We believe the base scenario is the most likely population and household projection because it follows the trajectory of population and household growth trends we have observed. Plus, it accounts for the factors we believe will drive population and household growth.

We did not consider a range of demand projections for dwelling location and type as we have used trends in our historic building consent data and what we know about when different residential locations will become available to the market to make these demand estimates.

4.2 Observed housing demand and analysis

4.2.1 Demand trends

There has been a decrease in annual residential buildings consented over the past five years, from a net increase of 350 dwellings in 2018 to a net increase of 232 dwellings in 2022. Infill dwellings have been the most common housing typology consented since 2020. The most common type of housing in Palmerston North is detached single-storey housing consisting of 3-4 bedrooms. Assessing past building consents by type and location helps us to project likely future demand for dwellings across the District. Table 14 below shows the demand for greenfield, infill and rural/rural-residential housing from 2020 to 2022 and an average across this period.

Table 14 Summary of demand from January 2020 to December 2022

	2020	2021	2022	Average
Greenfield	29%	35%	29%	**31%**
Infill	61%	49%	53%	**54%**
Rural/Rural-residential	10%	16%	18%	**15%**

The table below outlines the number, type and location of housing built between 2021 and 2022.

Table 15 Housing Types Provided in Palmerston North 2021-2022

	2021		2022	
	Number of dwellings	**Proportion of total dwellings for the year**	**Number of dwellings**	**Proportion of total dwellings for the year**
Greenfield	130	35%	67	29%
Rural	60	16%	43	19%
Infill	145	39%	76	33%
Multi-unit (infill)	25	7%	36	16%
Minor dwelling (infill)	10	3%	10	4%
Total	**370**		**232**	

The following figures show where these new dwellings are being built in 2021 and 2022. Clustering has typically occurred in Aokautere, Whakarongo and around the Hokowhitu Lagoon, where active larger-scale developers exist.

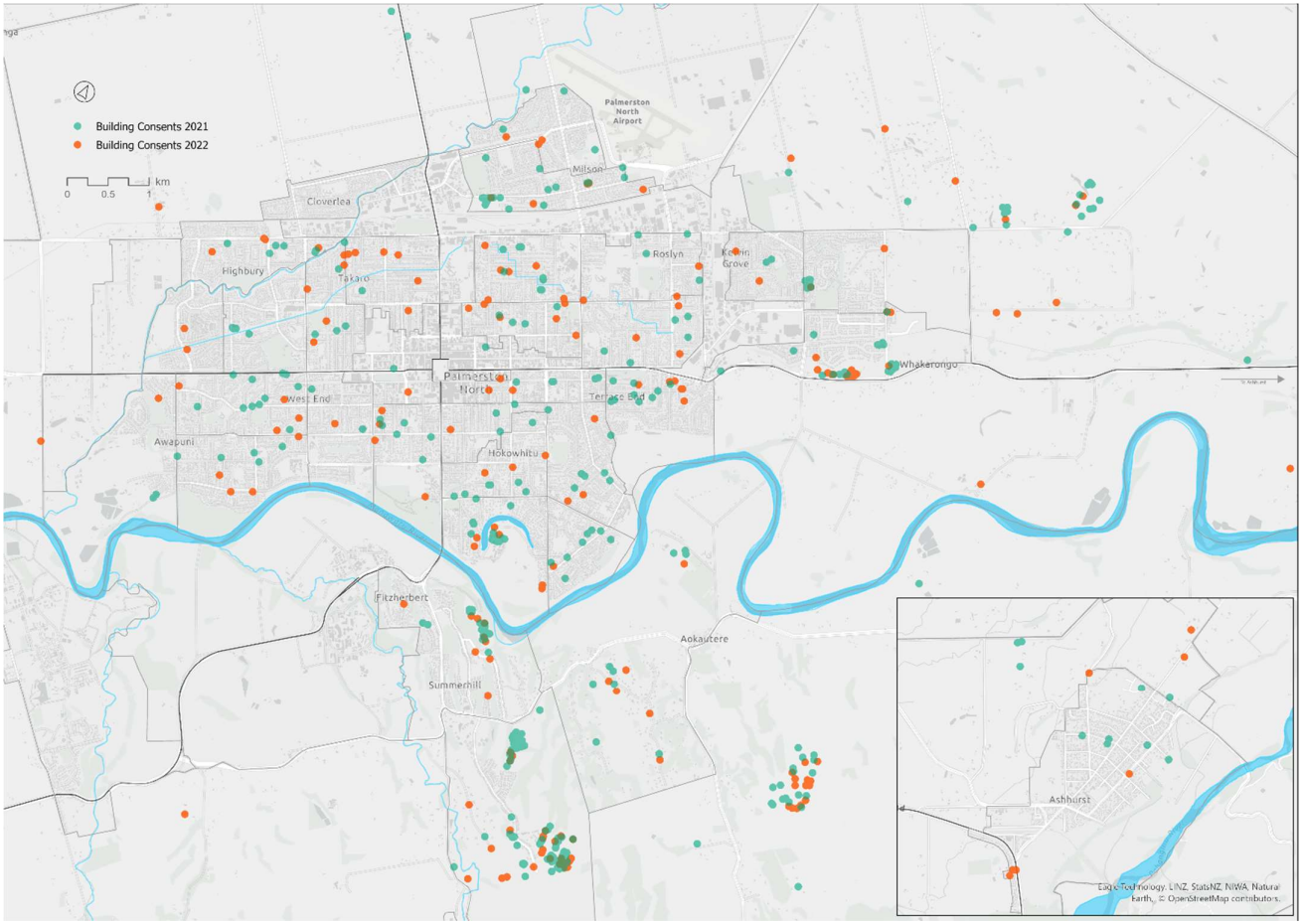


Figure 26 Building consents by location 2021 – 2022

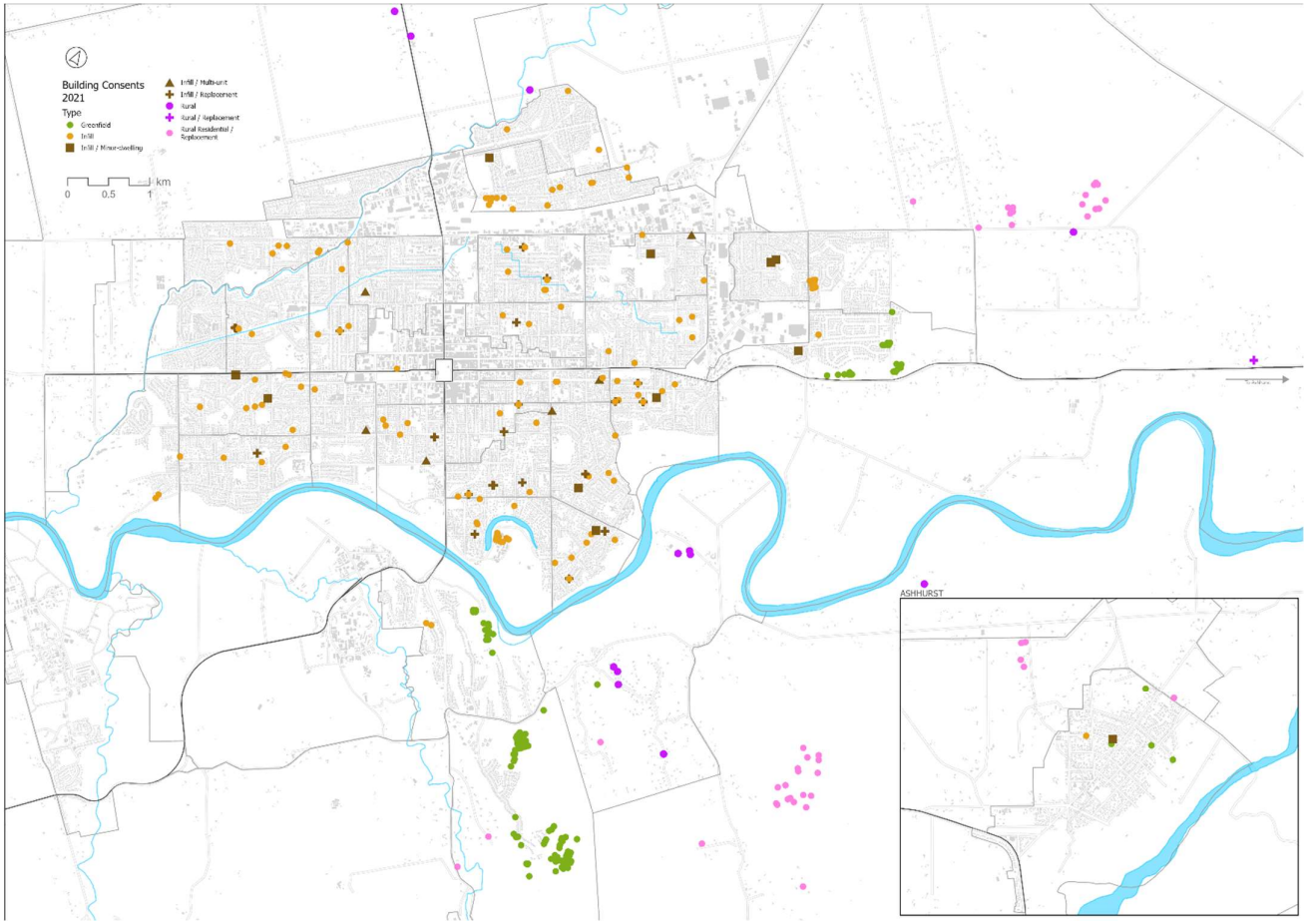


Figure 27 Buildings consents by type and location 2021

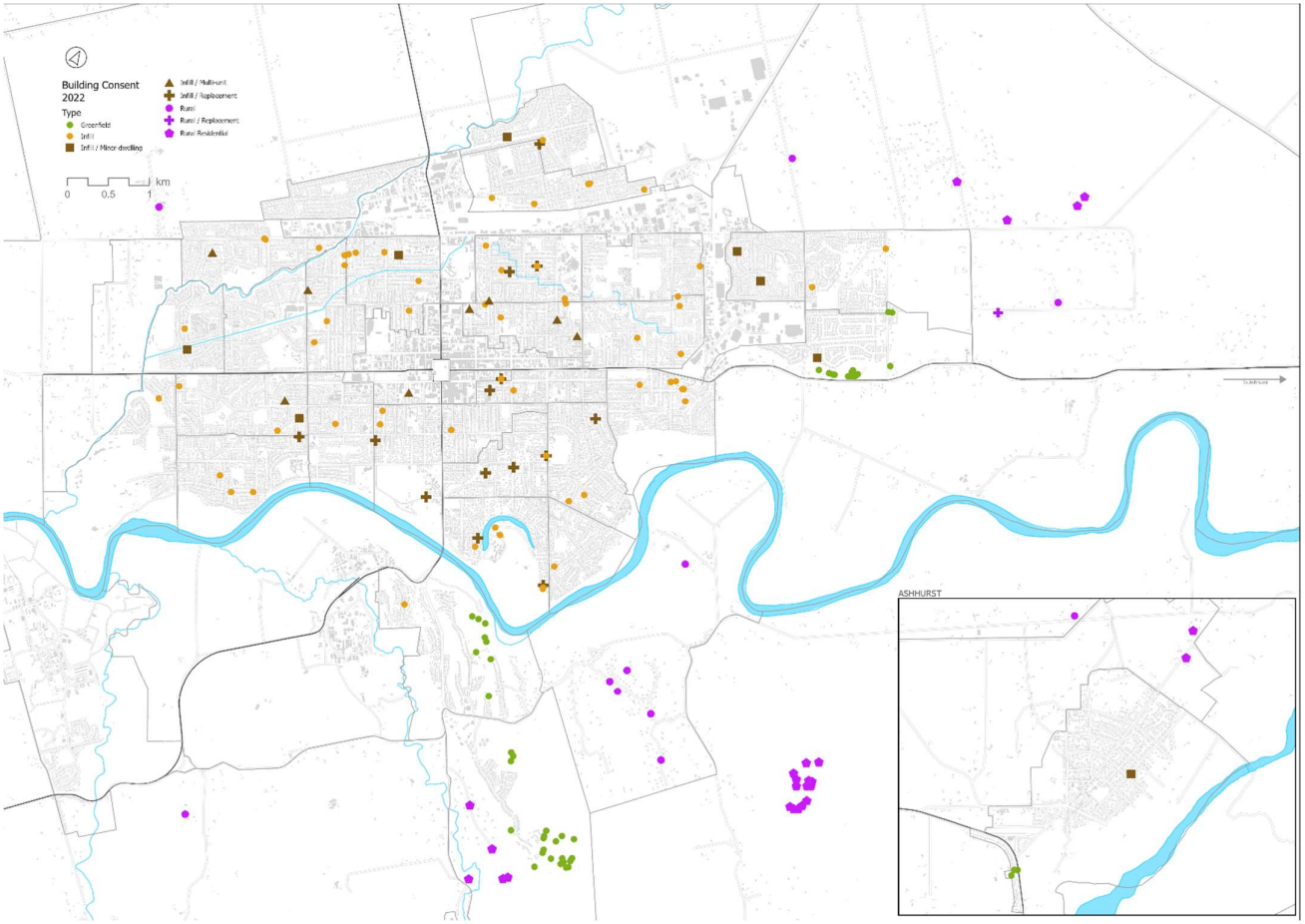


Figure 28 Demand by location and type 2022

4.2.2 Infill housing demand

The infill housing category includes multi-unit development, retirement villages, apartments, minor dwellings, and stand-alone houses on properties that have been subdivided. The proportion of new infill dwelling supply has remained steady over the past years, comprising approximately a third of all new dwellings.

Given a lack of greenfield options in the short term, we expect infill housing demand to continue to be 50% of housing provision. Resource consent data and feedback from the development sector indicate that smaller (less than 350m^2) subdivision opportunities are being actively considered and applied for.

4.2.3 Multi-unit development demand

Multi-unit housing is a development consisting of 3 or more dwellings on one site that are higher density than conventional housing developments. Multi-unit developments have increased significantly since multi-unit housing was enabled in the District Plan in 2018 but have recently dropped by more than half in the last two years combined. Significant multi-unit developments tend to be done by retirement and community housing providers such as Metlifecare and Kāinga Ora. Private, smaller-scale multi-unit developments are less common but have occurred in the city. Recent multi-unit retirement development includes the expansion of the Metlifecare Retirement Village on Carroll Street with 22 new units.

Kāinga Ora has been developing multi-unit housing in Palmerston North[18]. Their general approach is to replace one dwelling with at least three new dwellings. Kāinga Ora plans to develop 300 homes in Palmerston North. Of those, we expect most to be multi-unit housing and attached rather than standalone. The Council has taken a similar approach as a social housing provider, recently beginning development on Stage 3 of Papaioea Place, which provides one-bedroom multi-unit pensioner housing. Stage 3 brings the development's total to 85 new units, replacing the 44 pre-existing units.

Table 16 Multi-unit dwellings consented between Jan 2018 and December 2022

	2018	2019	2020	2021	2022
Multi-unit dwellings	56	100	137	25	36
Percentage of new dwellings	14%	25%	39%	7%	15%

Multi-unit housing is where we see attached housing being delivered the most. Through the resource consenting process, we observe that 80% of multi-unit developments are attached dwellings versus standalone.

4.2.4 Minor dwelling demand

Minor dwellings are defined as any self-contained unit with a floor area no larger than 80m^2 on the same site. These are separate from sleepouts, which are not counted as dwellings as

[18] Palmerston North | Social Pinpoint (kaingaora.govt.nz)

they are not typically self-contained. They represent an affordable housing option to meet demand. Uptake on minor dwellings was slow in the first two years following a District Plan change to enable minor dwellings as a permitted activity in 2018. In 2021 and 2022, they only make up closer to 3% of new dwellings consented (see Table 17).

Table 17 Minor-dwellings consented between Jan 2018 and December 2022

	2018	2019	2020	2021	2022
Minor dwellings	3	2	8	10	10
Percentage of new dwellings (excluding relocatable and dependent dwellings)	0.8%	0.5%	2%	2.5%	3.6%

4.2.5 Greenfield housing demand

Greenfield development contributes to the expansion of the residential urban boundary. This predominantly occurs in Kelvin Grove, Aokautere, Ashhurst, Turitea and Whakarongo, where land has been rezoned from rural to residential.

New greenfield development remained steady between 2017 and 2021, ranging between 120 and 135 new greenfield dwellings. In 2022, new greenfield development dropped by nearly half to 67 new dwellings. This drop in greenfield development is consistent with the available greenfield supply becoming fully developed before future greenfield land is released.

We are preparing District Plan changes to rezone further greenfield areas at Aokautere and Kākātangiata. In recent times, Mātangi was rezoned through a private plan change.

4.2.6 Rural-residential demand

Rural areas can be identified by being zoned as rural and may be within the rural-residential overlay in the District Plan. New dwellings built in the Rural Zone increased in 2021 and remained relatively high in 2022. Historically, development rates have fluctuated in the Rural Zone. This is due to strong rural-residential growth in the nearby Manawatū District and a lack of large-scale rural-residential areas for ready market uptake.

Rural-residential areas have been limited to Kingsdale Park Drive, Hartwell Drive and the recent opening of the Valley Views extension area. While there is capacity for significant rural-residential development within Palmerston North (2,000ha), the District Plan and the National Policy Statement on Highly Productive Land have largely contained this within the rural-residential areas.

4.2.7 Standalone dwellings and attached dwellings

We used data from multi-unit building and resource consents to determine the projected rate of demand for standalone and attached dwellings over the next 30 years. This is because multi-unit housing types are most associated with attached typologies. Over the past five

years, multi-unit development typologies have averaged 16% of all new dwellings. An estimated 80% of multi-unit developments are attached or a part of a development consisting of several duplexes. Based on the multi-unit resource consent data, 12% of new homes were attached, while 88% were standalone housing in the past five years. We expect this number to increase as the development sector becomes more experienced in building attached housing, and our projected increase in smaller households occurs over time. Our average growth rate for multi-unit housing has been 19% in the past five years.

4.2.8 House size demand

Over the past two years, 3-4 bedroom houses comprised the majority (77%) of new residential builds. This is broadly consistent with most of the City's total housing stock consisting of 3-4 bedrooms (68.8%). However, there has been a growth in 1-2 bedroom houses since 2021 (as shown in Figure 29 below).

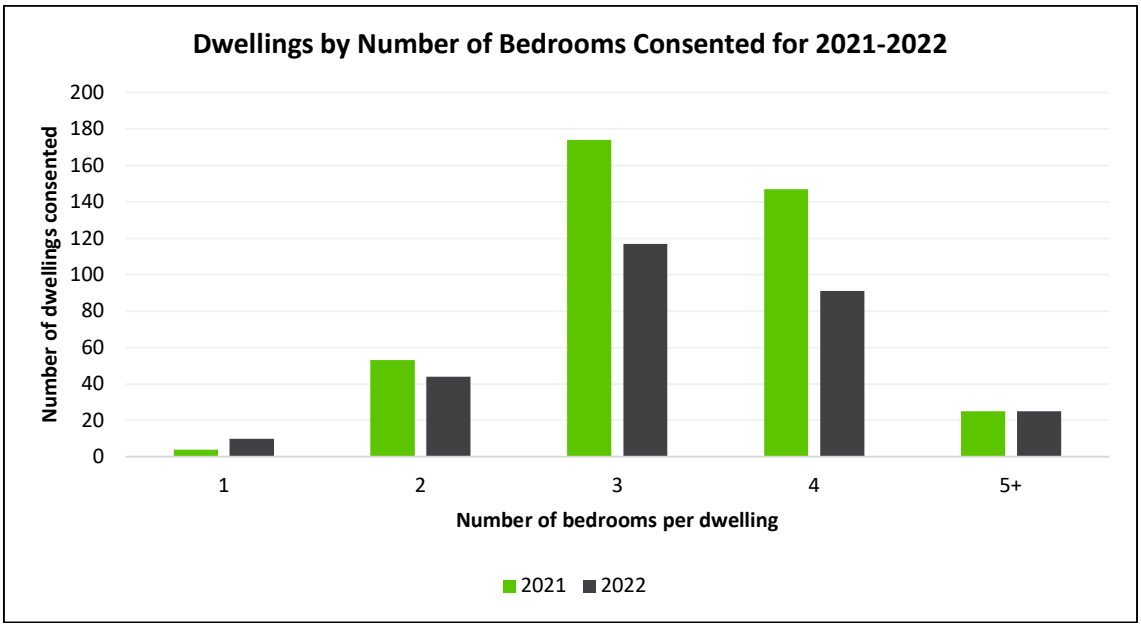


Figure 29 Bedroom Number Breakdown Per Dwellings – 2021 and 2022[19]

The building consents issued in 2021 and 2022 showed that greenfield development usually consisted of 4-bedroom houses. The average floor area for new residential houses in greenfield areas during this period was 210m^2, compared to new standalone infill builds, which had, on average, a 164m^2 floor area and three bedrooms. Over the past two years, 10% of new multi-unit and minor dwellings had one bedroom compared to the majority of 2-3 bedrooms (81%). Table 18 demonstrates these trends.

[19] The number of dwellings recorded here includes replacement dwellings as these contribute to a change in the composition of bedroom sizes in the housing stock

Table 18 Average Bedroom Number and Floor Area per Housing Type – 2021 and 2022

	2021		2022	
	Average Number of Bedrooms	Average Floor area (m^2)	Average Number of Bedrooms	Average Floor area (m^2)
Greenfield	3.7	212.5	3.8	207.3
Rural	3.8	287.3	3.9	277.4
Infill (standalone)	3.1	165.9	3.2	161.8
Multi-unit (infill)	2.5	115.6	2.4	117.5
Minor dwelling (infill)	2.3	67	2.2	73.8
All	**3.4**	**193.3**	**3.2**	**178.3**

Figure 30 below shows a breakdown of the number of bedrooms by occupied dwellings (private) counted during the 2018 Census year.

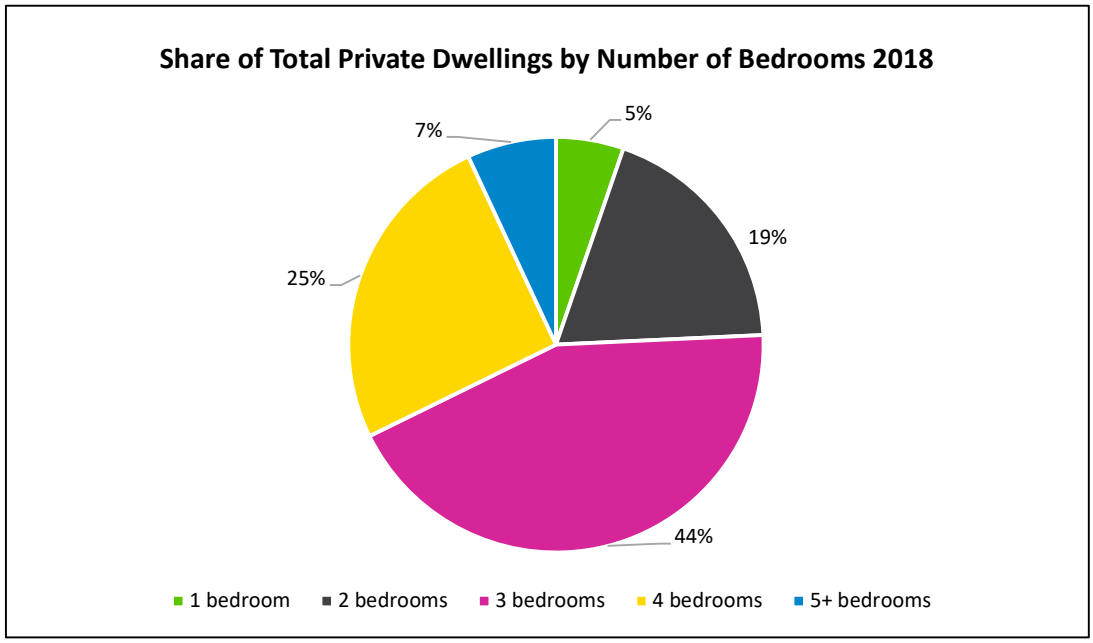


Figure 30 Distribution of Bedrooms by Occupied Private Dwellings[20]

[20] Statistics New Zealand. (2018). Number of bedrooms by occupied dwelling type for occupied private dwellings, 2006, 2013, and 2018 Censuses (RC, TA, SA2, DHB). Retrieved May 2023 from https://nzdotstat.stats.govt.nz/wbos/Index.aspx?_ga=2.40650146.1002118083.1684096738-808760407.1660612098#

4.3 Demand assessment

This section estimates our 30-year housing demand based on our projected population, household projections in the Hybrid Model, and the City's historical housing demand. We have estimated the demand for dwellings by location and type[21] in the short, medium, and long term.

The Policy Statement requires us to apply competitiveness margins to the estimated demand to support choice and competitiveness in the housing market. The required margins are 20% in the short and medium terms and 15% in the long term and have been applied to the demand assessments.

4.3.1 Dwelling demand

To estimate the demand for the number of dwellings over the next 30 years, we have used the number of households projected in the short, medium, and long term periods in the Hybrid Model.

Table 19 Estimated demand for dwellings in the short, medium, and long term

Short term *within the next 3 years*	**Medium term** *between 3 - 10 years*	**Long term** *between 10 – 30 years*	**30 year total**
Projected number of dwellings			
983	3,010	5,891	9,884

4.3.2 Dwelling demand by location

In terms of the locations we estimate demand will be, we estimate demand at the following percentages for greenfield, infill and rural/rural-residential:

Table 20 Estimated demand by location over the short, medium, and long term

	Short term	**Medium term**	**Long term**	**30 year total**
Location	*within the next 3 years*	*between 3 - 10 years*	*between 10 – 30 years*	
Projected demand location				
Greenfield	**40%** 393	**50%** 1,505	**55%** 3,240	5,138

[21] Not including competitive margins

Infill	**55%** 541	**45%** 1,354	**40%** 2,357	4,251
Rural/rural-residential	**5%** 49	**5%** 150	**5%** 295	494
				9,884

These percentages have been estimated based on the following assumptions:

- For greenfield, projected demand in the short term of 40% accounts for infrastructure servicing to be completed in plan-enabled locations such as the Kikiwhenua and Whakarongo Residential Areas. In the medium term, the greenfield projected preference will increase to 50%, and in the long term, it will increase to 55%. Both increases reflect an increased supply of greenfield through rezoning at Ashhurst, Aokautere and Kākātangiata.
- For infill, a projected demand of 55% reflects that greenfield areas will be limited in the short term. The percentage for infill drops to 45% in the medium term and 40% in the long term to reflect that significant greenfield capacity will be enabled through upcoming District Plan changes, such as 7,200 dwellings at Kākātangiata and around 1,000 at Aokautere.
- For Rural/Rural-Residential, projected demand for rural-residential is 5% across all periods to reflect the shrinking supply of rural-residential land across the rural-residential areas and capacity for additional dwellings and dependent dwelling units in the Rural Zone.

4.3.3 Dwelling demand by type

Regarding demand for standalone and attached dwellings, we estimate the demand for standalone and attached dwellings[22] will be:

Table 21 Projected standalone and attached dwelling types over the short, medium, and long term

	Short term *within the next 3 years*	**Medium term** *between 3 - 10 years*	**Long term** *between 10 – 30 years*	**30 year total**
Projected dwelling type demand				
	88%	**86%**	**78%**	8,048

[22] Multi-unit is defined as 3 or more dwellings on a site; therefore, this number does not include two attached dwellings that could be delivered through projected infill dwelling numbers.

Standalone dwellings	865	2,588	4,595	
Attached dwellings	**12%** 118	**14%** 421	**22%** 1,296	1,835
				9,884

The housing type projections have been estimated based on looking back five years in our building and resource consent data. Looking back shows that of the 16% of multi-unit homes built, approximately 80% are attached and based on this, 12% of all new homes built are attached dwellings. This does not account for housing built attached that did not require resource consent for multi-unit housing.

Our percentage growth rate of multi-unit homes built over the past five years is 19%, so we have applied this over the 30 year period to project demand. We have not been able to quantify how many homes built that did not require a multi-unit resource consent were attached. Our demand estimate for attached dwellings is, therefore, considered conservative, particularly in the context of projected increases in household types that need smaller homes, which attached housing will likely cater for.

4.4 Summary – housing demand assessment

In summary, we need 9,884 homes over the next 30 years, with 983 in the short term, 3,010 in the medium term, and 5,891 in the long term. This is less than the 2021 assessment. However, the average household size has increased from 2.1 to 2.6 persons, which has resulted in a reduced number of homes.

We estimate this demand will be spread over greenfield, infill and rural/rural-residential locations and that over the next 30 years, we will need:

- 5,138 greenfield dwellings
- 4,251 infill dwellings
- 494 rural/rural-residential dwellings

In terms of housing type – standalone versus attached dwellings – we estimate that over the next 30 years, we will need:

- 8,048 standalone dwellings
- 1,835 attached dwellings

We consider our estimate for attached dwellings to be overly conservative and expect increased demand for attached over time as household types that attached housing would cater to increase.

We have estimated this demand based on our Hybrid Model, historic building and resource consent trends, and what we know about our residential areas throughout the city.

5. Housing Development Capacity Assessment

Clause 3.25 of the Policy Statement requires us to undertake a housing development capacity assessment. It must state in the short, medium, and long terms, the housing development capacity in the region and Palmerston North City that is:

- Plan-enabled[23]
- Plan-enabled and infrastructure-ready[23]
- Plan-enabled, infrastructure-ready, and feasible and reasonably expected to be realised[24]

This section contains this assessment and analysis.

5.1 Infill development capacity

Within Palmerston North,[25] there is capacity for an additional 12,789 dwellings:

- 1,196 dwellings based on existing lots being subdivided to the District Plan's 350m^2 minimum lot size without the need for existing buildings to be removed. This estimate is based on a spatial analysis where we identified properties within the Residential Zone that comply with controlled performance standards in the District Plan for subdivision.
- 11,593 dwellings based on residential lots over 700m^2 or more – i.e. sections that could be subdivided as a controlled activity and would need the existing house and structures removed to accommodate more homes.

As the current housing stock ages, we expect replacement stock to be at a higher density through the 350m^2 minimum lot size in the District Plan or multi-unit development. Private developers and Kāinga Ora are increasingly taking up increased density, often leading to one dwelling being replaced with three. Even greater yields are being achieved through site agglomeration and multi-unit development. Significant opportunity exists with the potential capacity available in the multi-unit housing areas and the proposed Medium Density Residential Zone.

[23] See clause 3.4 of the Policy Statement for the meaning of plan-enabled and infrastructure-ready

[24] See clause 3.26 of the Policy Statement for our requirements when defining what is reasonably expected to be realised and our Methodology, Inputs and Assumptions section for our methods and justification

[25] Excluding Ashhurst and Bunnythorpe Villages

The Hokowhitu Lagoon Residential Area was rezoned in 2017 to provide 136 dwellings, 26 of which have been delivered. Stage 1 is currently in construction, and stage 2 has been consented with the majority of lots sold. Stage 3 is expected to be developed in the medium term for 52 dwellings.

We expect 25 dwellings to be delivered off Fairs Road (Milson) and 30 in Kingsgate Grove (Cloverlea).

We are currently preparing plan changes to rezone parts of the existing urban area:

- The Roxburgh Crescent Residential Area[26] will propose to replace a pocket of industrial-zoned land in Hokowhitu with approximately 105 dwellings in the Residential Zone. The plan change is expected to be notified in early 2024.
- The Medium Density Residential Area[27] is reviewing our existing multi-unit housing areas and parts of the City that meet our definition of a walkable neighbourhood. This new zone would replace parts of the residential zone and provide greater housing choices through increased density. The initial extent has suggested the zone could extend across 12,305 existing lots but is subject to an assessment of stormwater constraints. Because of the current uncertainty around those constraints, we have not added the potential capacity that could be available in this zone to our assessment.

5.2 Greenfield development capacity

Previous residential plan changes have provided plan-enabled development capacity in the short term:

- The Whakarongo Residential Area was rezoned to provide 550 dwellings east of the City. We expect these to consist of 500-550m^2 lots delivered in the short and medium term. Twenty-six lots have sold or are on hold in the 114-lot Tamakuku Terrace section of this residential area, with a further 21 lots already developed privately.
- The Napier Road Residential Area (Freedom Drive) was rezoned to provide 100 dwellings. Fifty lots have been subdivided, with approximately 50 more to be provided in the short term.
- The Napier Road Residential Extension Area was rezoned to provide 50 dwellings in the short to medium term.
- The Kikiwhenua Residential Area was rezoned in 2021 to provide 280 dwellings in the short term. The average residential lot size will be between 500m^2 and 550m^2. Before development can occur, roading and three waters infrastructure upgrades for Kikiwhenua are required. These have been programmed for in the 2021-2031 Long Term Plan, with the option of a developer agreement to deliver infrastructure faster.

[26] https://www.pncc.govt.nz/roxburgh

[27] https://www.pncc.govt.nz/Participate-Palmy/Have-your-say/Proposed-Plan-Change-I

- The Mātangi Residential Area (formerly known as Whiskey Creek) was a private plan change that rezoned 13 hectares of Rural Zone land to residential and 10 hectares to Recreation Zone in 2023. The area will provide capacity for an additional 160 dwellings. The structure plan provides for different housing types with conventional lots between 450m^2 and 550m^2 and a multi-unit housing area overlay along the reserve edge.

Our proposed plan change G: Aokautere Urban Growth will provide for 300 dwellings in the medium term and 700 in the long term:

- The Aokautere Residential Area proposes 1,000 dwellings in the south of the City. Plan Change G has been notified and is currently being considered. Transport and stormwater upgrades are required before any development begins, and these are not anticipated to occur until 2026. This development is expected to become infrastructure-ready in the medium term. However, there is a small number of available lots for development in the existing Aokautere area.

Plan changes are currently being prepared to rezone additional land to increase housing supply over the medium and long terms:

- The Kākātangiata Urban Growth Area (formerly City West) was identified as a future growth area in 2009. We expect 842 hectares to be rezoned for 7,200 dwellings in the medium and long term, supported by multifunctional stormwater/ecological/recreation corridors and four local business areas. We expect to plan for a mix of standard-sized lots, medium-density dwellings, and mixed-used housing in commercial areas. We expect to notify this plan change formally in late 2024.
- The Ashurst Growth Areas are four areas of greenfield growth identified in 2017 to provide capacity for 400 dwellings in the medium term. We expect to plan these as standard dwellings. This plan change is currently subject to an assessment of flood and stormwater constraints.

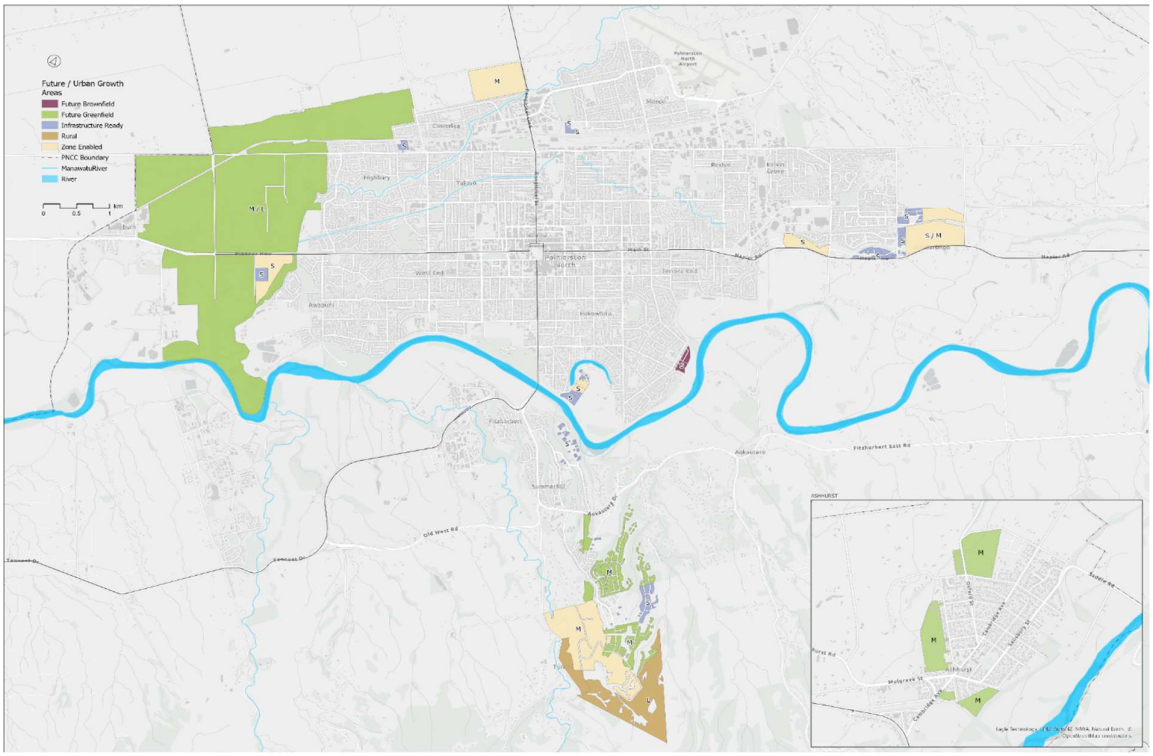


Figure 31 Plan-enabled, infrastructure-ready residential areas and future growth areas, status, and timing

5.3 Rural and rural-residential development capacity

An estimated 1,964 dwellings could be accommodated in the Rural-Residential Overlay areas (see Figure 32 for areas). The rural-residential development capacity was estimated based on dividing the total area of the rural residential overlay area by 1 hectare (the minimum lot size in the overlay area). All properties with building consents recently issued or houses on them as of 31st December 2022 were subtracted from this figure. Our rural-residential overlay is mainly comprised of class 3 soils.

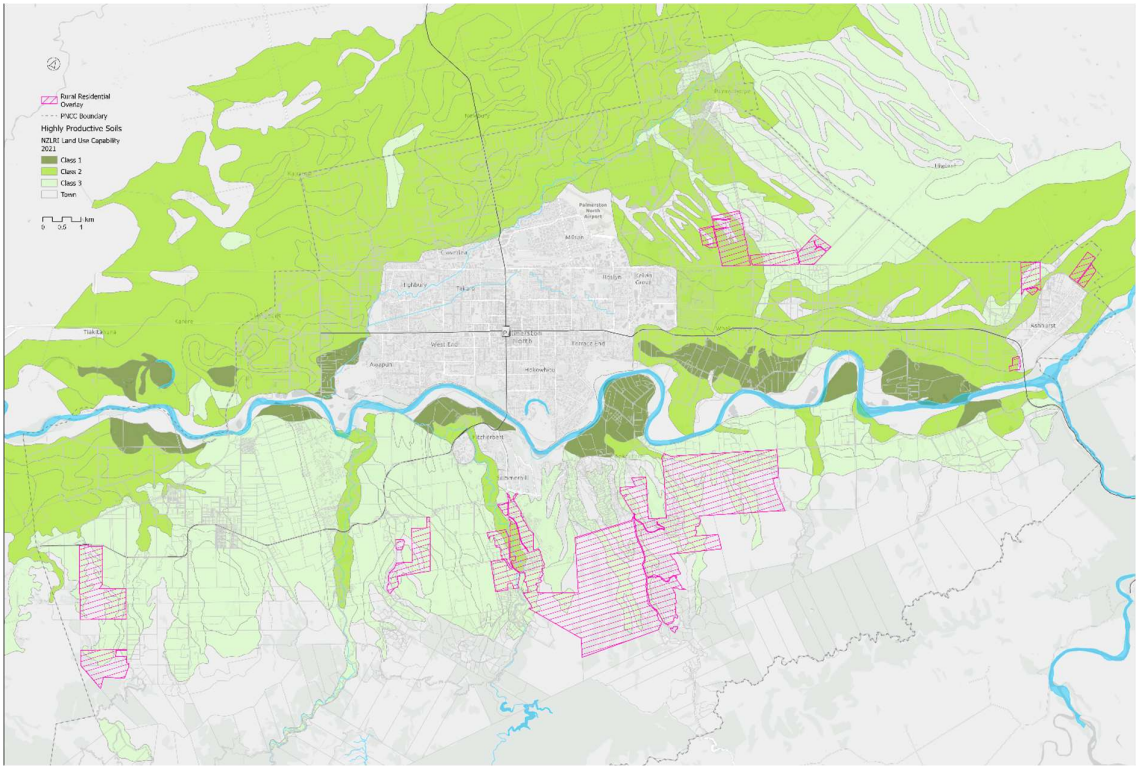


Figure 32 Soil class 1 – 3 and District Plan Rural Residential Overlay

5.4 Development capacity assessment

To assess if we have sufficient housing land to meet future demand, we need to identify land supply for housing in the short, medium, and long terms, that is:

- Plan-enabled
- Infrastructure-ready
- Feasible and reasonably expected to be realised

5.4.1 Plan-enabled capacity

We have assessed the current Residential Zone capacity within the district and planned residential growth areas and have determined that:

- In the short term, we have 15,939 dwellings that are plan-enabled
- In the medium term, 1,000 dwellings that are plan-enabled
- In the long term, 7,705 dwellings that are plan-enabled.

See below for our plan-enabled development capacity in the short, medium and long term.

Table 22 Short, medium, and long term plan-enabled housing

	Housing location	Dwellings	Short term plan-enabled *The land is zoned for housing in the operative District Plan*	Medium term plan-enabled *The land is zoned for housing in a proposed District Plan change*	Long term plan-enabled *The land is identified in a Future Development Strategy*
Infill	Residential Zone	12,789			
	Milson	25			
	Hokowhitu Lagoon Residential Area	110			
	Kingsgate Grove	30			
	Roxburgh Crescent (Draft)	105		Notify early-2024	
Greenfield	Kikiwhenua Residential Area	280			
	Whakarongo Residential Area	499			
	Napier Road Residential Area	50			
	Napier Road Residential Extension Area	50			
	Mātangi Residential Area	160			
	Aokautere Residential Area (Proposed)	1,000			
	Ashhurst Growth Areas (Draft)	400		Notify mid-2024	

	Kākātangiata Urban Growth Area (Draft)	7,200		Notify late-2024	
Rural	Rural Residential Overlay	1,964			
	Total	**24,662**	**15,939**	**1,000**	**7,705**

The Aokautere Residential Area is scheduled for a hearing in December of this year. If approved, this would make 1,000 homes short term plan-enabled.

Based on expected notification dates for the Roxburgh Crescent, Ashhurst, and Kākātangiata residential plan changes, we would expect that the 7,705 dwellings that are plan-enabled in the long term, if approved, would become plan-enabled in the medium term.

We have not quantified the plan-enabled capacity of our multi-unit housing areas throughout the city, which would offer further plan-enabled dwellings in the Residential Zone.

5.4.2 Infrastructure-ready capacity

Development infrastructure includes network infrastructure for water supply, wastewater, stormwater, and transport that we control. We have assessed plan-enabled development capacity, the Long Term Plan and have determined that the City has the following infrastructure-ready housing development capacity:

- Short term: 15,021 dwellings.
- Medium term: 936 dwellings.
- Long term: 8,705 dwellings.

Table 23 Infrastructure-ready development capacity in the short, medium, and long term

	Housing Location	Dwellings	Short term Infrastructure-ready *There is adequate existing development infrastructure to support the development of the land.*	Medium term Infrastructure-ready *Meets short term requirement or funding for adequate development infrastructure is in the Long Term Plan*	Long term Infrastructure-ready *Meets medium term requirement or adequate development infrastructure is in the Infrastructure Strategy*
Infill	Residential Zone	12,789	12,789		
	Milson	25	25		
	Hokowhitu Lagoon Residential Area	110	110		
	Kingsgate Grove	30	30		
	Roxburgh Crescent (Draft)	105			105
Greenfield	Kikiwhenua Residential Area	280		280	
	Whakarongo Residential Area	499	53	446	
	Napier Road Residential Area	50	50		
	Napier Road Residential Extension Area	50		50	
	Mātangi Residential Area	160		160	
	Aokautere Residential Area (Proposed)	1,000			1,000
	Ashhurst Growth Areas (Draft)	400			400
	Kākātangiata Urban Growth Area (Draft)	7,200			7,200
Rural	Rural Residential Overlay	1,964	1,964		

Total	**24,662**	**15,021**	**936**	**8,705**

We are currently preparing our draft 2024-34 Long Term Plan. Infrastructure programmes to deliver development infrastructure for the Aokautere Residential Area, Ashhurst Growth Areas, Kākātangiata Urban Growth Area, and Roxburgh Crescent have been drafted. If approved, these areas would be 'infrastructure-ready' in the medium term.

Based on programmes proposed in the 2024-34 Long Term Plan and Infrastructure Strategy, development infrastructure will be delivered as follows:

In the short to medium term for:

- Whakarongo Residential Area: 499 dwellings
- Napier Road Residential Area: 50 dwellings
- Roxburgh Crescent Residential Area: 105 dwellings
- Kikiwhenua Residential Area: 280 dwellings
- Mātangi Residential Area: 160 dwellings

In the medium term for:

- Kākātangiata Urban Growth Area: 1,035 dwellings
- Ashhurst Growth Areas: 400 dwellings
- Aokautere Urban Growth Area: 300 dwellings

In the medium to long term for:

- Kākātangiata Urban Growth Area: 6,165 dwellings
- Aokautere Urban Growth Area: 700 dwellings

5.4.3 Commercially feasible and likely to be realised development capacity

We must estimate the plan-enabled and infrastructure-ready housing land, which is commercially feasible and reasonably expected to be realised.

We have used the methods demonstrated in the figure and described below to determine commercial feasibility.

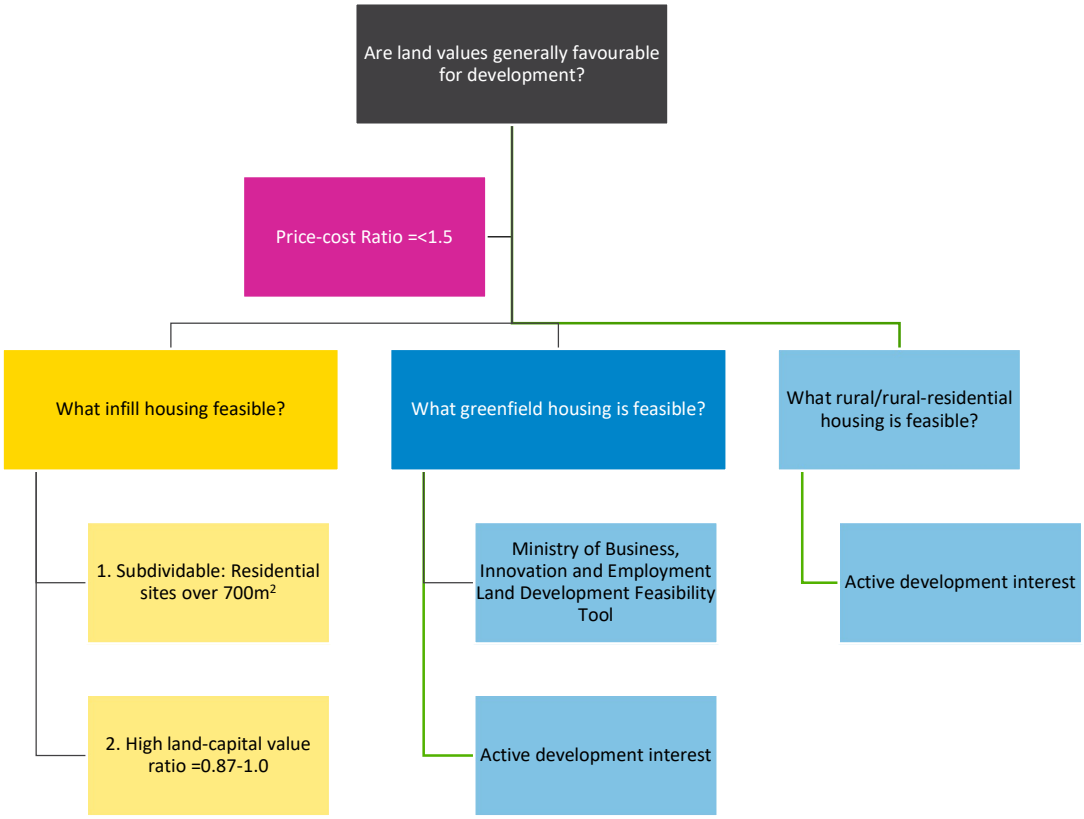


Figure 33 Method for determining commercially feasible housing land

For existing residential areas

- Map what is subdividable as a controlled activity under the District Plan in the Residential Zone: 700m^2 or larger.
- Mapping land-to-capital value ratios and determining how many properties have high redevelopment potential (land value to capital value ratio between 0.87 and 1.0) and potential redevelopment potential (land value to capital value ratio between 0.73-0.87).
- For properties with a desirable land-to-capital value ratio, apply the projected demand percentage for infill over the short, medium, and long term.

We have used the land value to capital value ratio because it can be used to signal whether a property has redevelopment potential. Properties with a higher ratio of land value to capital value (0.87 - 1.0) are likely to be more attractive to redevelop because the opportunity cost of removing existing buildings is low compared to the value of the land.

Newly subdivided land or land with older buildings typically has a high land-capital value ratio; properties with high land values or relatively newer buildings typically have lower land-capital value ratios and are less attractive to redevelop.

We have used rating data from 2021 to derive land values and capital values across the Residential Zone and have mapped high redevelopment potential (land-capital value ratios = 0.87-1.0) and potential redevelopment potential (0.73-0.87).

Based on the land value to capital ratio as of September 2021[28], market incentives for residential redevelopment and intensification existed in over 60% of the city. Based on this, 60% of the plan-enabled dwellings have an optimal land-to-capital value ratio for redevelopment; we have estimated that 7,673 dwellings are commercially feasible.

Since 2021, land values have fallen at a greater rate than capital values, implying a slight weakening in the proportion of commercially feasible properties to redevelop or intensify. While this will be the case under the current market and financial conditions, the expectation is that land values will rise again relative to capital values. This will improve the incentive for redevelopment and intensification in the City. Increased market demand due to migration to the City and easing financial market settings are expected to increase land values and improve the commercial feasibility of redevelopment and intensification as economic conditions improve.

For plan-enabled greenfield

Our previous housing capacity assessments have applied the Ministry for Business, Innovation, and Employment Land Development Feasibility Tool[29] to test the feasibility of our residential growth areas. All major growth areas were assessed, and showed that these areas were feasible to develop, and most were profit maximising.

At the citywide level, we know that the cost of land reflected in the price of a property has been favourable for development outside of pandemic-affected years.

The high interest from the development community in our planned greenfield growth areas supports this:

- Aokautere has existing development within the existing residentially-zoned part of the proposed Aokautere Urban Growth Area, and developers' submissions support enabling housing in this area.
- The Kākātangiata Urban Growth Area has attracted high interest from developers purchasing land in anticipation of the plan change being notified. A range of property owners are interested in preparing private plan changes to expedite the provision of housing for their parts of the growth area.
- There is active development occurring in the eastern growth areas, with a further private plan change request being prepared by a landowner seeking to take advantage of infrastructure changes in the area[30].
- There is active interest from real estate agents on behalf of developers for the Ashhurst Growth Areas.

[28] Council completed its up to date land valuation in 2021, therefore the extent of this drop is difficult to measure.

[29] https://www.hud.govt.nz/documents/nps-udc-development-feasibility-tool/

[30] This private plan change request has not been formally lodged with Council yet so we have not considered it in our development capacity assessment.

- The primary landowners of the Kikiwhenua and proposed Roxburgh Crescent Residential Areas are preparing active plans to realise housing on their land.

For plan-enabled rural-residential areas

Our observed trend in rural residential development is that uptake is high. We expect the tight restrictions on what is feasible in rural land to obtain resource consent will create a scarce housing type for new rural residential dwellings in future years. We assume from this that of what is plan-enabled, rural-residential areas will be commercially attractive to develop.

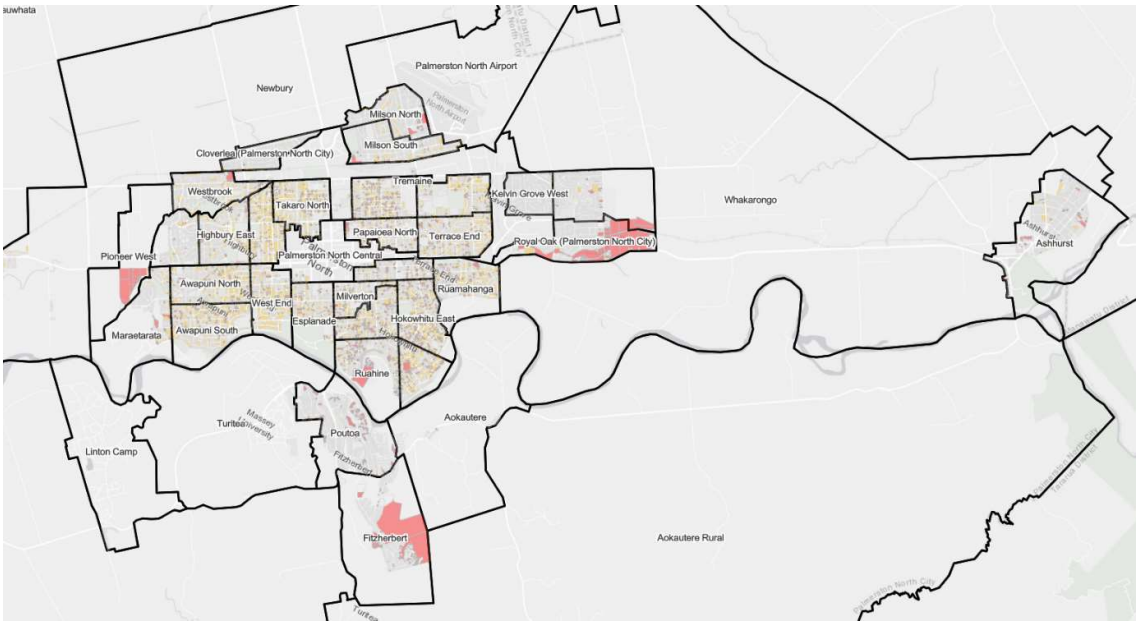


Figure 34 Land value to capital value ratio throughout the city

5.4.4 Reasonably expected to be realised

We have used the methods as demonstrated in the figure and described below to determine what is reasonably expected to be realised.

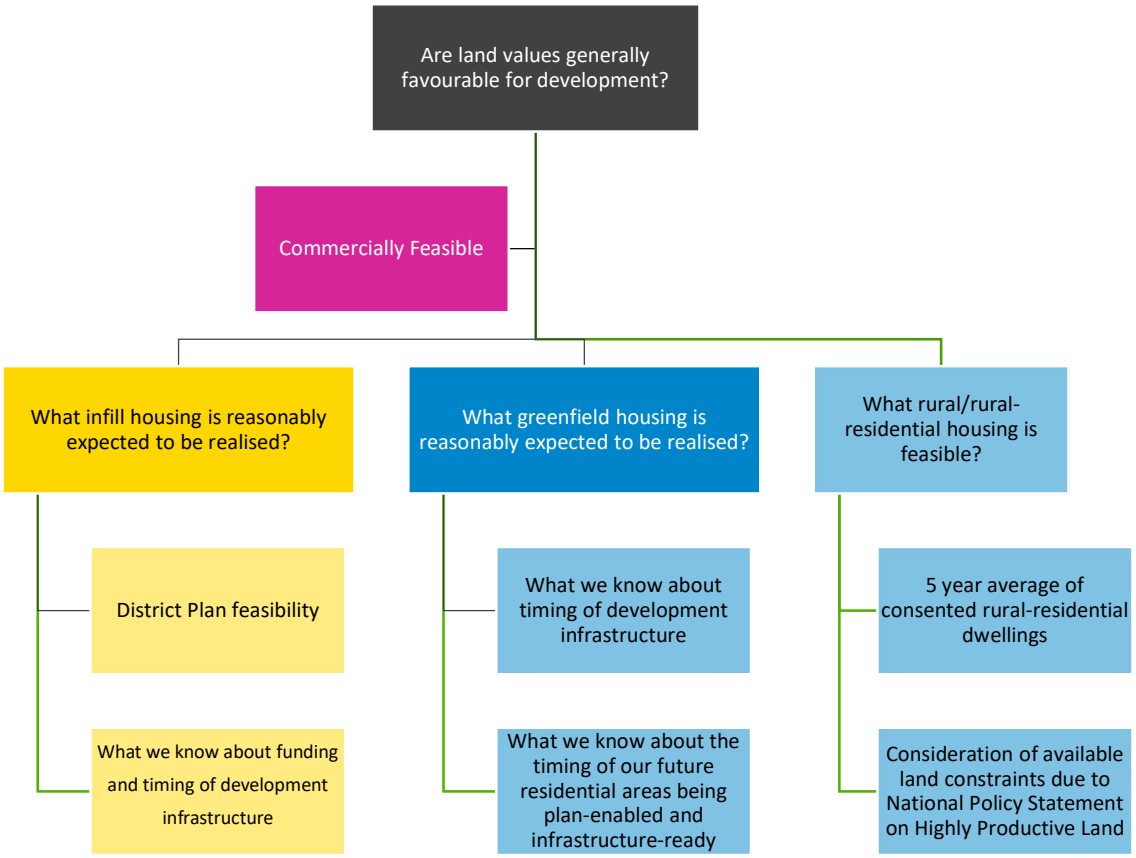


Figure 35 Method for determining housing land that is reasonably expected to be realised

For existing residential areas

In the Residential Zone, we have looked at what has the higher likelihood of redevelopment in the short term. To do so, we have looked at District Plan feasibility by identifying properties in the Residential Zone that are easiest to subdivide. We have looked at properties that:

- Are 700m^2 or over in site area reflective of a minimum lot size of 350m^2.
- Has sufficient 'bare' land that could accommodate a 350m^2 lot or lots without requiring the removal of existing dwellings.
- Has adequate access onsite to accommodate driveways to service subdivided lots.
- Has relatively flat topography suitable for constructing dwellings without significant earthworks.

1,196 dwellings were found to meet the above criteria. To determine what has a likelihood of redevelopment in the medium-long term, we have identified the balance of properties 700m^2 or over in the Residential Zone with favourable land-capital value ratios. These properties are likely to incur higher redevelopment costs for demolition, access, and

earthworks. Therefore, we expect them to have a higher likelihood of developers seeking to maximise yield with multi-unit attached dwellings to offset higher land development costs.

Based on this District Plan feasibility assessment, we estimated that the following development capacity in the existing residential zone is commercially feasible and likely to be realised:

Table 24 Commercially feasible and likely to be realised development capacity in existing Residential Zone

Short term *Within the next 3 years*	**Medium-Long term** *Between 3 and 30 years*
1,196	6,477

For rural-residential areas

Of the estimated 1,964 dwellings that the rural residential areas could yield, we would reasonably expect that recent trends would continue. We have taken the 5-year average of consented dwellings in the Rural Zone (39 dwellings per year) and extended this across the short, medium and long term.

We then looked at the constraints on rural/rural-residential land and dwellings within these areas based on the National Policy Statement on Highly Productive Land to ensure that the 5-year average would not outstrip the land supply available in light of the restrictive approach taken by the policy statement.

What we know about infrastructure servicing and the timing of our future residential growth areas

To further define what is reasonably expected to be realised, we considered what we know about funding and timing of development infrastructure and the timing of our draft residential plan changes and funding for their infrastructure readiness.

We have assumed that any infrastructure requirements for infill development in the existing Residential Zone will be funded through development contributions paid at the subdivision or building consent stage. Thus, it is assumed that the commercially feasible residential zone development capacity is reasonably expected to be realised.

We know that our draft residential plan changes will be plan-enabled and infrastructure-ready sooner than we have indicated in our plan-enabled and infrastructure-ready assessments. We know that based on notification dates and draft programmes included for funding consideration in the 2024 Long Term Plan, some of our housing supply will be realised sooner. Therefore, we have adjusted these areas' timing based on this in our reasonably expected to be realised assessment.

5.4.5 Commercially feasible and reasonably expected to be realised development capacity assessment

Based on our commercially feasible and reasonably expected to be realised tests, we have determined the following:

Table 25 Commercially feasible and reasonably expected to be realised development capacity in the short, medium, and long terms.

	Housing Location	Dwellings	Short term	Medium term	Long term
			Feasible and reasonably expected to be realised	*Feasible and reasonably expected to be realised*	*Feasible and reasonably expected to be realised*
Infill	Residential Zone	12,789	11,96	3,238	3,238
	Milson	25	25		
	Hokowhitu Lagoon Residential Area	110	52		
	Kingsgate Grove	30	30		
	Roxburgh Crescent (Draft)	105	105		
Greenfield	Kikiwhenua Residential Area	280	280		
	Whakarongo Residential Area	499	88	411	
	Napier Road Residential Area	50	50		
	Napier Road Residential Extension Area	50	50		
	Mātangi Residential Area	160	60	100	
	Aokautere Residential Area (Proposed)	1,000		300	700
	Ashhurst Growth Areas (Draft)	400		400	
	Kākātangiata Urban Growth Area (Draft)	7,200		1,035	6,165
Rural	Rural Residential Overlay	1,964	117	273	780
	Total	**24,662**	**2,053**	**5,757**	**10,883**

5.5 Summary - Development capacity assessment

We have assessed our plan-enabled, infrastructure-ready housing in Palmerston North. Of that plan-enabled and infrastructure-ready housing, we have assessed what is commercially feasible and have determined that we have:

- 2,053 homes in the short term
- 5,757 homes in the medium term
- 10,883 homes in the long term

Of those homes, they are in the following locations:

- Infill – 1,408 in the short term, 3,238 in the medium term and 3,238 in the long term
- Greenfield – 528 in the short term, 2,246 in the medium term and 6,865 in the long term

Rural/rural-residential – 117 in the short term, 273 in the medium term and 780 in the long term.

6. Housing Sufficient Development Capacity Assessment

Clause 3.27 of The Policy Statement requires our housing development capacity assessment to identify whether there is sufficient development capacity to meet estimated demand for the short, medium, and long term.

This must be based on comparing the demand for housing (with competitiveness margins added) and the development capacity we identified in the housing development capacity assessment. If we find an insufficiency, we must identify where and when this will occur and analyse the extent to which our planning documents, a lack of development infrastructure, or both cause and contribute to the insufficiency.

In section 4, we assessed our housing demand and estimated that Palmerston North district needs an additional 9,884 homes over the next 30 years with:

- 982 homes required in the short term.
- 3,010 homes in the medium term.
- 5,891 homes in the long term.

We estimated this demand for dwellings would be divided across the following locations and housing types.

Table 26 Estimated demand location and housing type

	Short term *within the next 3 years*	Medium term *between 3 - 10 years*	Long term *between 10 – 30 years*	30 year total
Housing location				
Greenfield	393	1,505	3,240	5,138
Infill	541	1,354	2,357	4,251
Rural/Rural-Residential	49	150	295	494
Housing type				
Standalone dwelling	865	2,588	4,595	8,048
Attached dwelling	118	421	1,296	1,835

In section 5, we assessed our housing development capacity and found we have the following:

- 2,053 homes in the short term
- 5,757 homes in the medium term
- 10,883 homes in the long term

Of those homes, they are in the following locations:

- For infill – 1,408 in the short term, 3,238 in the medium term and 3,238 in the long term
- Greenfield – 528 in the short term, 2,246 in the medium term and 6,865 in the long term
- Rural/rural-residential – 117 in the short term, 273 in the medium term and 780 in the long term.

Based on comparing our demand and housing development capacity (as shown in Figure 36 below) over the short, medium and long term, we found that we have sufficient housing development capacity to meet demand across all periods.

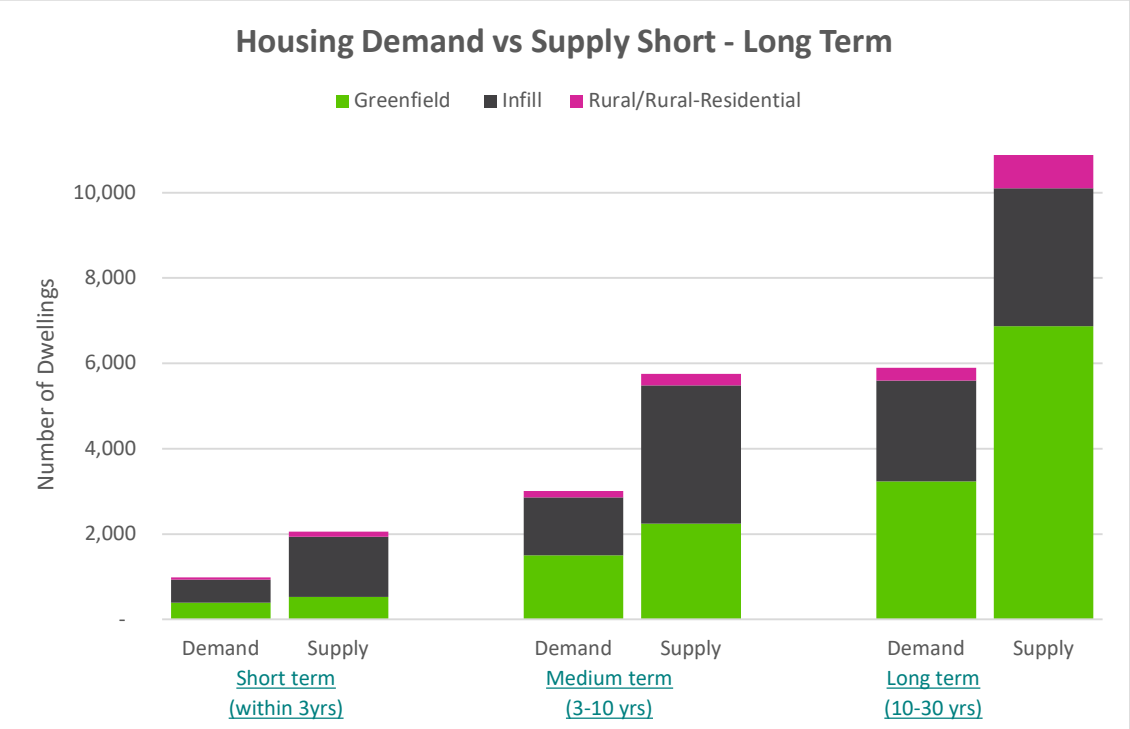


Figure 36 Housing demand compared with supply in the short, medium, and long term

Sufficiency in the short and medium term will rely on the delivery of development infrastructure in some of our greenfield areas. We have funding through the Long Term Plan, and delivery will be critical.

Table 27 Short term greenfield housing land infrastructure servicing requirements

Location	Dwellings	Availability	Infrastructure-ready timing
Kikiwhenua Residential Area	280	Plan-enabled and feasible	Water supply for the first stage is planned for delivery in 2024/25. Water supply, wastewater, and transport infrastructure for the balance is planned for delivery in 2025/26. An intersection speed zone is planned for the 2025/26 year to enable full development.
Whakarongo Residential Area	499	Plan-enabled and feasible	Stormwater infrastructure is planned for delivery in 2024/25. Water supply and wastewater infrastructure is planned for delivery from 2027/28. Approval of safe access onto Napier Road.
Napier Road Residential Area and Extension Area	100	Plan-enabled and feasible	Stormwater infrastructure is planned for delivery in 2025/26. Approval of safe access onto Napier Road is required for the Napier Road Residential Extension Area.
Mātangi Residential Area	160	Plan-enabled and feasible	Approval of intersection improvements and safe access via Benmore Avenue and Rangitikei Line.
Roxburgh Crescent Residential Area	105	Plan-enabled[31] likely to be realised.	Stormwater infrastructure is planned for delivery in 2025/26.
Total	**1,144**		

The Policy Statement states that we need to be satisfied that the additional infrastructure to service the development capacity is likely to be available. The State Highway network – which is defined as additional infrastructure – is in proximity to all the residential areas apart from the Roxburgh Crescent Residential Area. Speed limit reductions and some other interventions on the State Highway network are required to bring these areas to market as follows:

- Kikiwhenua Residential Area - A reduced speed limit on State Highway 56 is needed to enable us to upgrade the intersection of Te Wanaka Road and the state highway.

[31] We expect that the draft plan change for Roxburgh Crescent will be notified in early 2024.

- Whakarongo Residential Area, Napier Road Residential Area and Extension Area, and the Mātangi Residential Area - These all require the approval of Waka Kotahi for safe access onto State Highway 3.

We expect a reduced speed limit to be proposed for State Highway 56 in the 2024/25 Waka Kotahi speed management plan. The safe accesses required for each of the above growth areas will be led by developers as these areas are staged over time.

6.1 Summary – sufficient development capacity assessment

When comparing our estimated demand for homes and our housing supply that is plan-enabled, infrastructure-ready, commercially feasible and likely to be realised, we have found that we have sufficient development capacity across all terms to meet estimated demand. Having sufficient development capacity in the medium and long term will rely on District Plan changes to rezone land at Kākātangiata, Aokautere and Ashhurst. Across all terms, delivery of programmed infrastructure in the Long Term Plan to residential areas will also be critical.

7. Risks to Housing Supply

There are a few risks worth noting in relation to the supply of housing and meeting estimated demand.

Residential rezonings in our future growth areas and within the city

We are currently preparing several District Plan changes to rezone land for housing. This includes the Kākātangiata, Aokautere, and Ashhurst urban growth areas, Roxburgh Crescent, and the Medium Density Residential Zone.

The homes enabled through these plan changes will be key to meeting demand over the short, medium, and long term. The Medium Density Residential Zone will also be key to enabling different housing types to meet demand. If they are not approved for rezoning, or if rezoning is delayed, there is potential that demand will outstrip supply.

We recommend that these growth areas be identified in the Future Development Strategy as locations for meeting housing demand in the district. We also recommend that the District Plan changes be notified as scheduled so they become plan-enabled and infrastructure-ready in time to meet demand.

Funding, providing, and identifying development infrastructure on time

Development infrastructure, which includes roading and three waters controlled by us, is required to enable housing at Kākātangiata, Aokautere, Ashhurst, Roxburgh Crescent and, to an extent, the Medium Density Residential Zone (through infrastructure upgrades). If not delivered in time, we will not have enough infrastructure-ready housing supply to meet demand.

We recommend that the development infrastructure for Kākātangiata, Aokautere, Ashhurst, Roxburgh Crescent and the Medium Density Residential Zone be funded as a priority in the 2024 Long Term Plan.

Further to this, the Kikiwhenua, Whakarongo and Mātangi Residential Areas, along with the Napier Road Residential Area and Extension Area, all require some development infrastructure. We have identified the development infrastructure required for these residential areas in **Table 27**, and it is scheduled for delivery in our current long-term plan. If not delivered, we will not have enough greenfield land to meet demand in the short term.
We recommend that the delivery of the required development infrastructure continue to be a key priority for us in the coming years.

On another note, in recent residential rezonings, technical reporting has identified roading, stormwater and other public infrastructure requirements to support the growth. However, these have been identified in structure plans rather than being designated using the Council's powers as a requiring authority. This has resulted in the Council waiting for landowners to

develop their land and vest public infrastructure with the Council, which requires significant investment by the landowner and delays the infrastructure readiness of zone-enabled land until development occurs.

It is considered that designating land within future residential growth areas upon the plan change being approved would assist in speeding up infrastructure readiness and potentially lessen the price-to-cost ratio of greenfield sections.

We recommend that once development infrastructure corridors are identified in the plan change process and once approved, consideration be given to designating them through the Notice of Requirement process. This will be particularly important for large greenfield growth areas such as Aokautere and Kākātangiata.

Ensuring additional infrastructure is likely to be available

When providing development capacity for housing and business land, we must be satisfied that the additional infrastructure is likely to be available. Additional infrastructure includes:

- public open space
- community infrastructure
- land transport not controlled by us, such as bus routes, state highways and rail
- schools, healthcare facilities, and other social infrastructure
- telecommunications networks
- electricity and gas transmission networks.

We recommend continuing engagement with additional infrastructure providers and ensuring there is a consistent understanding of the additional development infrastructure required to support housing demand.

One of our most influential pieces of additional development infrastructure is the relationship between the current and future State Highway and future housing areas. Almost all of the District's greenfield growth areas have a State Highway interface to manage. Community severance in these growth areas will create disjointed communities if these sections of state highway are not adapted to manage safe access and a quality urban environment.

The Palmerston North Integrated Transport Initiative[32] was prepared in 2021 to align land use and the transport network better. As discussed in our engagement section, Waka Kotahi is not supportive of residential areas that result in the severance of communities or where heavy vehicle movements are not managed appropriately.

Key interventions under the Initiative that will support housing growth include:

- Consolidation of industrial land use around the Te Utanganui Central North Island Distribution Hub and larger segments of the city. This will free up pockets of industrial land in residential areas for housing.

[32] https://www.pncc.govt.nz/files/assets/public/documents/have-your-say/closed/kiwirail-freight-hub/pncc-technical-evidence/key-docs-referred-to-in-the-technical-reports/pniti-1.pdf

- Changes to the urban state highway system and creation of the Regional Freight Ring Road. This will create opportunities for safer walking, cycling, and public transport routes within the city to improve the conditions for medium density and multi-unit housing.
- Investment in key active and public transport corridors will give greater access for all modes and improve the conditions for medium density and multi-unit housing.

We recommend continuing to implement the programmes identified in the Palmerston North Integrated Transport Initiative.

Providing for standalone and attached dwellings and papakāinga

We are seeing and estimating demand for attached dwellings in the future. Rangitāne o Manawatū has expressed a desire to develop papakāinga. Ensuring that different housing types, including attached housing and papakāinga, are provided for is key to meeting this demand.

Attached housing is typically delivered through multi-unit housing developments, which require resource consent as either a restricted discretionary or discretionary activity, depending on where it is proposed. Papakāinga is a discretionary activity in the District Plan.

We recommend continuing and improved support through the consenting process be given to those who wish to develop multi-unit housing, attached housing, and papakāinga, as the activity statuses are more onerous than developing conventional standalone housing. We also recommend that the activity statuses for multi-unit housing papakāinga be considered in future District Plan changes – the Medium Density Residential Zone being a good opportunity.

Supporting the residential construction sector

The residential construction sector will be constructing and altering homes to meet demand. At present, a large proportion of our new homes being built are large standalone 4 – 5 bedroom homes. With our projected population change and the need for smaller homes, we need to ensure we support the construction sector to deliver housing and different housing types to meet demand.

We recommend continuing support through pre-application and resource consenting support to the sector. We also recommend raising awareness of what our District Plan enables and the outcomes it seeks so the construction sector is aware of what types of housing can be delivered through our District Plan provisions.

Encouraging housing intensification and different housing types

In our existing residential zone, there is a significant opportunity to develop land more efficiently for housing through more intensive housing types and by building more houses on properties. Our District Plan is set up to support this, and the Medium Density Residential Zone plan change, if approved, will further support it. In our greenfield growth areas, there is also an opportunity to enable a variety of housing options, including those that use land more efficiently, such as medium-density housing. The Business Zones provide a further

opportunity for different and more efficient housing types with housing above ground floor level.

Intensification and different housing types will be a part of meeting demand as there will be demand for smaller and attached housing. More efficiently using land for housing will mean our growth areas last longer before we have to explore more growth options in the future.

We recommend that the Council raises property owners', developers', and the construction sectors' awareness of the intensification enabled through the operative District Plan. We also recommend that all future greenfield growth areas include provision for medium-density housing.

Planning reform

The Government is reforming the resource management system. The transition from the old to the new planning system is expected to occur over ten years. The new system will shift planning to a more regional level and require us with Horizons Regional Council and Ruapehu, Wanganui, Manawatu, Horowhenua, and Tararua District Councils to prepare a Regional Spatial Strategy and Natural and Built Environment Plan.

We need to continue with our growth plan to ensure we have enough housing land to meet estimated demand. If the growth plan is not included in the new strategy and plan under the new planning system, this might result in us failing to meet demand. Ensuring our growth planning is captured through the new planning instruments will be crucial. The Future Development Strategy and progressing residential plan changes will be key to doing so.

We recommend that our existing growth plan is captured in the Future Development Strategy and that residential rezoning to enable more housing continues to progress. This will ensure that our housing demand can be met as we transition to the new planning system.

Land banking

Our current rating policy does not discourage landowners with large residential-zoned landholdings from slowly releasing land for development. A discounted rate is applied to developable land that is greater than 5 hectares. For example, a 10-hectare block only has to pay full residential rates for 5 of the 10 hectares. Applying a full residential rating to land that is zoned and serviceable may encourage land to be released faster. The rating policy should be reconfigured in its next review to encourage faster release of land and reduce land banking of serviced land.

8. Conclusion – Housing Development Capacity Assessment

We have looked at our housing market trends and indicators, household and population projections, our District Planning context and likely housing needs from Māori and other groups in our community.

Construction trends show that investment in new homes across the district has been high in recent years. Different housing types are emerging, too, as well as trends in where homes are being built and their size. Our operative District Plan enables different types of housing at various locations throughout the district. Price efficiency indicators show that we have favourable price-to-cost ratios, and the cost of construction is comparable to other-sized cities and below the national average.

There is demand for our rental, housing and social housing markets, with indicators showing Palmerston North is comparable and, in most cases, below similar-sized cities and the New Zealand average. Nonetheless, our housing remains unaffordable for most. This is mostly a reflection of wider economic conditions in recent years.

Our population is growing, and our household sizes and make-ups are projected to change, too. Our existing housing stock, construction trends and affordability are all likely to affect Māori and other groups in our community who have different housing needs to what is currently being delivered through our existing housing stock and recent residential construction.

We have looked at where and what type of homes have been built in the district and household size projections to estimate demand for housing over the next 30 years. For housing, we estimate that Palmerston North district will need 9,884 homes over the next 30 years. This number includes competitiveness margins**.** The projected demand for homes in the short, medium, and long term is:

- 983 homes in the short term
- 3,010 homes in the medium term
- 5,891 homes in the long term

Looking at where and what types of homes have been built in the district and household size projections over the next 30 years, we have estimated over the short, medium, and long term the following demand for housing by location and type:

Table 28 Housing demand estimates by location and type

	Short term *within the next 3 years*	**Medium term** *between 3 - 10 years*	**Long term** *between 10 – 30 years*	**30 year total**
Housing location				
Greenfield	**40%** 393	**50%** 1,505	**55%** 3,240	5,138
Infill	**55%** 541	**45%** 1,354	**40%** 2,357	4,251
Rural/Rural-Residential	**5%** 49	**5%** 150	**5%** 295	494
Housing type				
Standalone dwelling	**88%** 865	**86%** 2,588	**78%** 4,595	8,048
Attached dwelling	**12%** 118	**14%** 421	**22%** 1,296	1,835

We have looked at our housing land and whether it is plan-enabled, infrastructure-ready, and commercially feasible and reasonably expected to be realised. We found:

- In the short term, we have 2,053 homes that meet these criteria, and they are in the following locations:
    - Infill – 1,408
    - Greenfield – 528
    - Rural/Rural-Residential - 117
- In the medium term, we have 5,757 homes that meet these criteria, and they are in the following locations:
    - Infill – 3,238
    - Greenfield – 2,246
    - Rural/Rural-Residential - 273
- In the long term, we have 10,883 homes that meet these criteria, and they are in the following locations:
    - Infill – 3,238

- Greenfield – 6,865
- Rural/Rural-Residential – 780

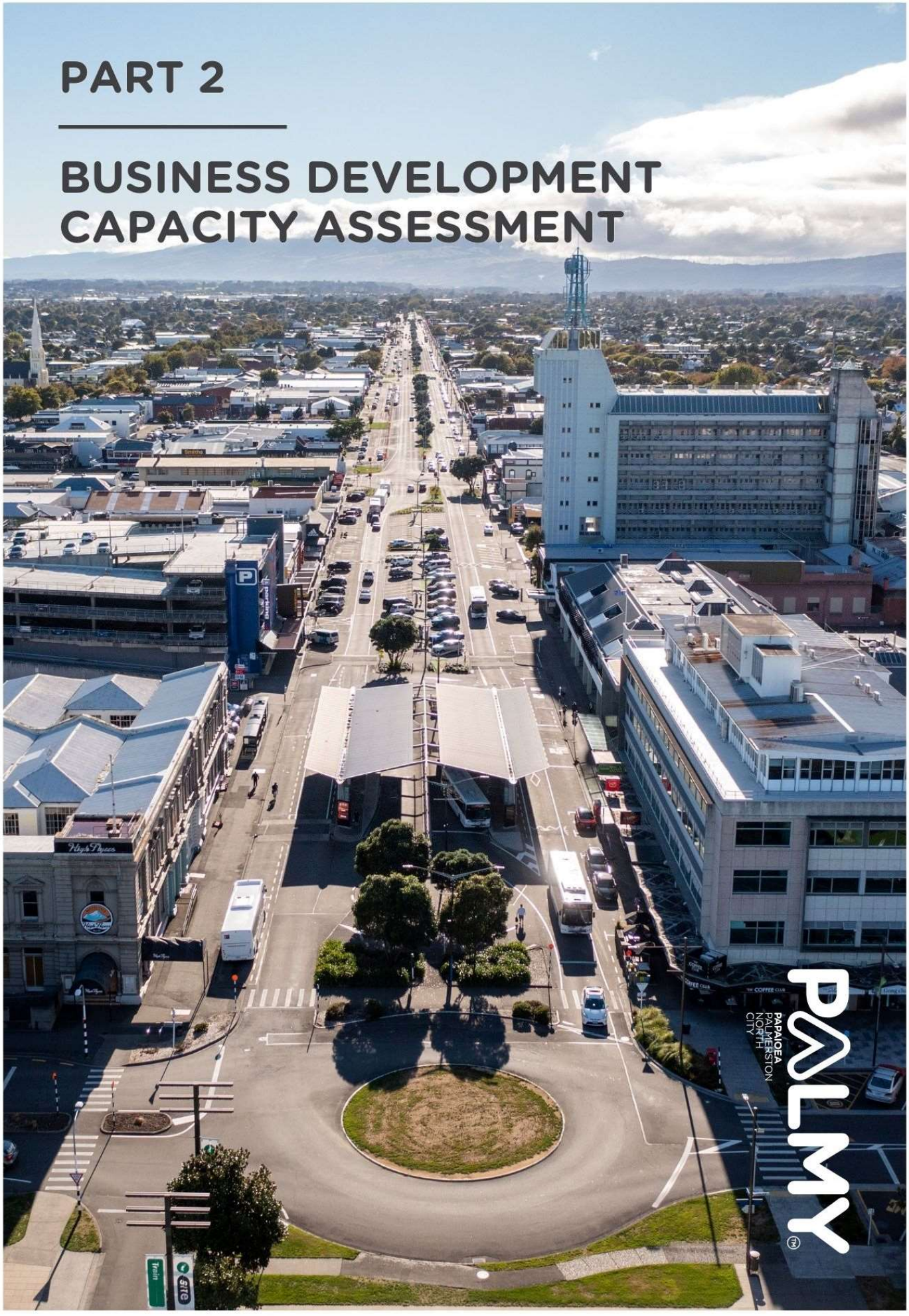
When comparing our housing demand and our plan-enabled, infrastructure-ready, commercially feasible, and reasonably expected to be realised housing land, we have enough development capacity in the short, medium, and long term to meet demand.

There are a few risks to meeting demand, which we have identified and made recommendations on. These include:

- Ensuring future residential rezonings to meet demand in the short, medium, and long term are progressed on time. If not, we will not have enough housing to meet demand.
- Ensuring development infrastructure is provided on time to meet demand, particularly in the short term. If not, we will not have enough greenfield housing supply to meet demand.
- Ensuring additional development infrastructure is likely to be available to meet demand over the next 30 years.
- Ensuring that different housing types, including attached housing and papakāinga, are provided so that different housing needs are catered for. The District Plan enables these housing types, but further support through the consenting process and the activity statuses for multi-unit housing papakāinga should be considered.
- Ensuring the residential construction sector is supported by us to deliver housing and different housing types to meet demand, including through pre-application and resource consenting support and raising awareness of what our District Plan enables and the outcomes it seeks.
- Ensuring intensification is supported to make efficient use of our housing land and to ensure our greenfield residential areas last longer.
- Ensuring our growth planning is captured in new planning instruments introduced through planning reform.

PART 2

BUSINESS DEVELOPMENT CAPACITY ASSESSMENT



1. Introduction

Like housing, the National Policy Statement on Urban Development 2020 ('the Policy Statement') requires us to estimate the demand for additional business land from business sectors in the region and Palmerston North City over the short, medium, and long terms.

We also need to assess what business land is plan-enabled, infrastructure-ready, and suitable for each business sector. We then need to assess whether we have enough land to meet demand. If we do not have enough land, the Assessment must identify where and when the insufficiency will occur and look at whether planning documents, a lack of development infrastructure, or both cause and contribute to the insufficiency.

This part of the Assessment contains this information in accordance with the requirements of the Policy Statement.

The first section sets out the business land demand assessment. The second sets out our development capacity assessment, including how much business land we have. The next section contains the sufficient development capacity assessment, which compares our business land demand with supply to determine if we will have enough land to meet demand.

We have found we have sufficient business land to meet projected demand over the next 30 years.

2. Our Business Overview

This section gives an overview of trends in non-residential building consents and construction activities. It also gives an overview of our business land planning framework and projects that will affect business land growth over the next 30 years. **Non-residential building trends**

In 2022, 128 non-residential building consents were issued. Education buildings accounted for the largest number of consents, followed by factories, industrial and storage, and office administration and public transport buildings.

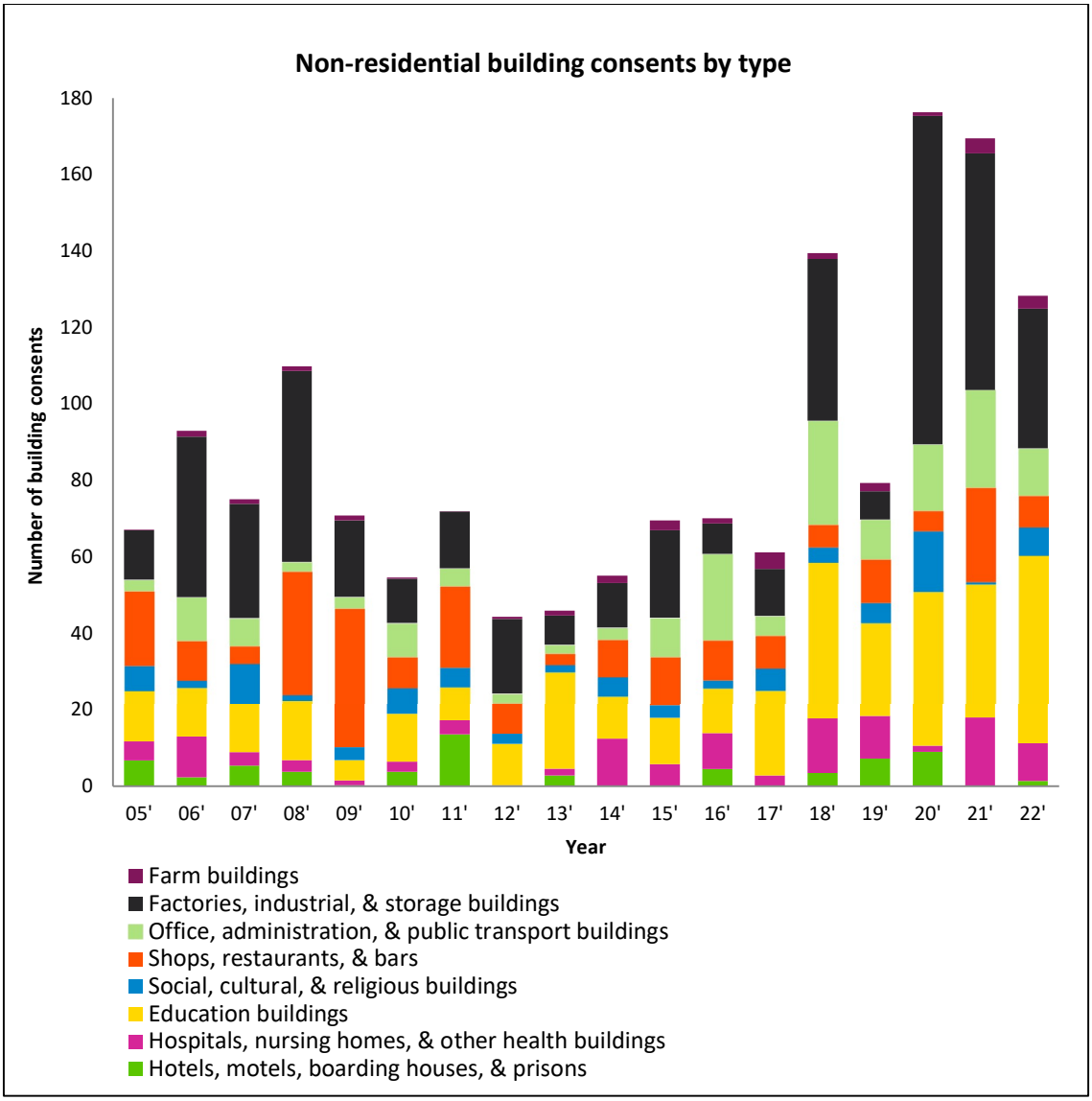


Figure 37 Non-residential building consents by type (2005 - 2022)

Major building consents approved during 2022 were:

- Construction of a new Manukura School campus – Hokowhitu
- Construction of a new 28-bed mental health facility- Te Whatu Ora Midcentral – Palmerston North Hospital
- Factory and industrial buildings, including for storage and distribution - Palmerston North Airport
- MetLife Care Palmerston North Villas retirement village development -
- Seismic strengthening, renovation, and refit of commercial buildings

The value of non-residential building consents (new and alterations) issued for the year ending December 2022 was $128 million, a decrease of 24% from 2021. The annual value of consents for the construction of new non-residential buildings was $92 million (69% of total value) compared to $118 million in 2021 (72% of total value). The average annual value for new non-residential building consent for the past ten years is $65 million.

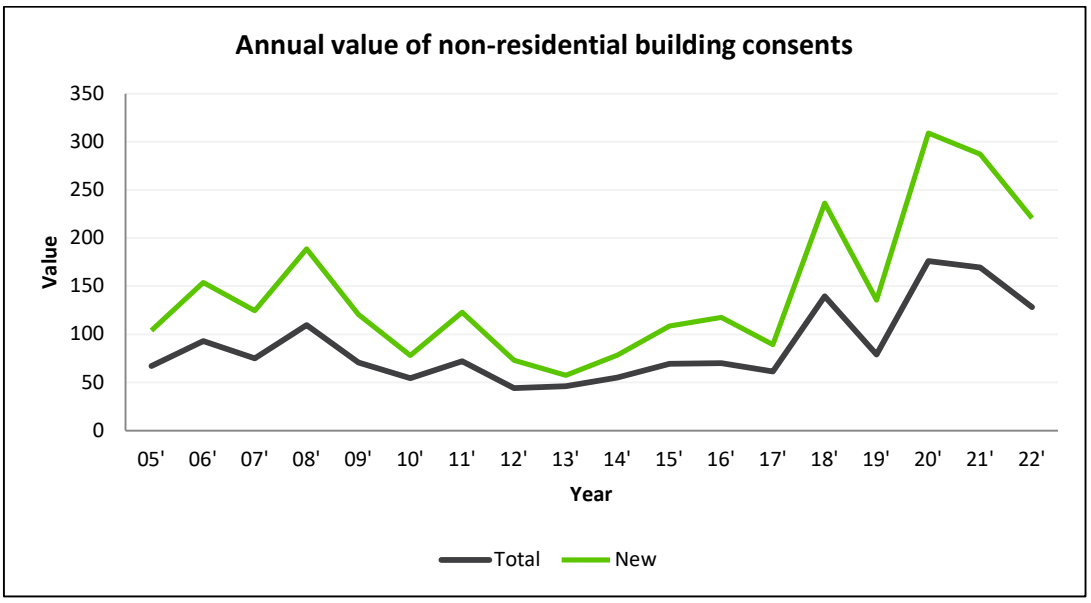


Figure 38 Annual value of non-residential building consents in Palmerston North (new construction vs additions and alternations)

The figure below shows the distribution of cumulative non-residential consents from 2003 to 2022 by statistical area. Representing more than two-thirds of the value of non-residential consents, the top four statistical areas with well over $150 million each are as follows:

- Palmerston North Airport (where the Airport and North East Industrial Zones are located) - accounted for 19% of non-residential building consents by value.
- Palmerston North Central (where business zones are located) – accounted for 17% of non-residential building consents by value
- Tremaine (covering most of the Industrial zone and North-East Industrial Zone) – accounted for 16% of non-residential building consents by value
- Turitea (where Massey University and adjacent research institutes are located) – accounted for 15% of non-residential building consents by value.

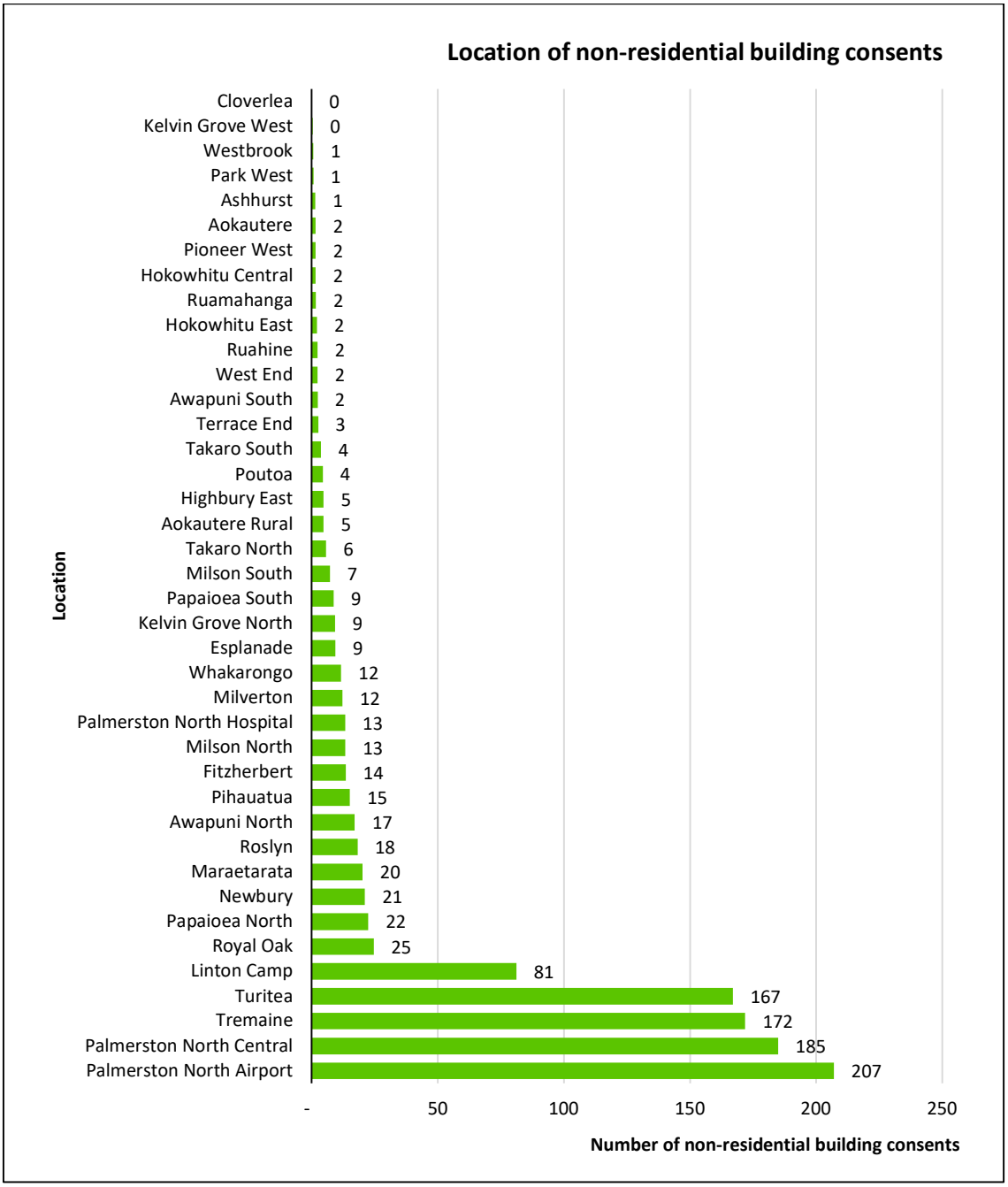


Figure 39 Distribution of non-residential consents (2003 – 2022 December) by SA2 ($ million)

Non-residential construction activity has been impacted by capacity constraints in the construction sector, with activity being dominated by demand for residential construction throughout 2020 and 2021. Residential investment has weakened as expected in 2022 in response to tight monetary and financial conditions and the high cost of living. Weaker demand for residential construction activity is expected to help meet capacity for an increase in non-residential construction. Consent values in 2023 indicate an increase in non-residential consent activity in the city, alongside weaker residential construction activity, as expected.

2.2 Business District Plan zones, floor area and vacancy rates

Business activity is concentrated within four distinct business zones, which have a hierarchy and total of 152.6 hectares and offer 839,129m^2 of developed floor space[33]. We have undertaken a vacancy survey of the business zones, which has found some vacancies and trends associated with it.

The Inner Business Zone is intended to serve as a primary commercial and business centre of the city

The Inner Business Zone is 31.6 hectares with 329,210m^2 total developed floor area[33]. The zone is commonly referred to as the city centre and lies at the hub of the City. The specific function of the zone is to accommodate a range of business activities such as entertainment, cultural uses, offices and retail outlets within a highly walkable and accessible urban environment.

The Outer Business Zone caters for a range of businesses that need larger areas for their activities

The Outer Business Zone is 80 hectares with 390,503m^2 total developed floor area[33]. It is located around the Inner Business Zone and extends out along Main Street, Fitzherbert Avenue and Rangitikei Street, which are our main entrances to the City. The zone is a less intensive and more vehicle-oriented commercial environment than the Inner Business Zone.

The zone caters for businesses that need larger areas, such as manufacturing, large supermarkets, and distribution facilities. The Zone is also intended to accommodate businesses that need access to major transport routes such as our arterial roads or highways.

The Fringe Business Zone provides for space extensive retail activities and large-scale activities

The Fringe Business Zone is 19.6 hectares with 59,184m^2 total developed floor area[33]. It is located on the Rangitikei Street and Church Street edges of the Outer Business Zone. It caters for business activities that require a location on the fringe of the city and accommodates a range of business activities that may not be appropriate within the city centre or in residential areas. The zone must be developed in such a way that it does not adversely affect the function of the Inner and Outer Business zones.

The Local Business Zone serves the day-to-day needs of residents in their neighbourhoods

The Local Business Zone is 21.4 hectares with 60,232m^2 total developed floor area[33]. The zone is in various residential areas of the city. It caters for a range of local business activities, such as in large and small neighbourhood shopping centres, including small-scale service and retail businesses.

The zone is designed to support the day-to-day needs of residents by providing convenient access to services and goods in their neighbourhoods as well as reducing the need to travel further afield.

[33] As at December 2021 based on the TelferYoung from CBRE Palmerston North Commercial Market Survey 2022 Palmerston North City

Proposed District Plan Change G: Aokautere Urban Growth, which has early legal effect, proposes the rezoning of 0.79 hectares of land to Local Business Zone.

There is vacancy in our existing business zone's buildings and land

We have undertaken a vacancy survey (attached as Appendix 3). There are some vacant buildings and land in the business zones. The overall vacancy rate across all business zone buildings is 65,603m^{2,} representing 8.36% of total floor space[33]. There appears to be a correlation between building age and vacancy. Buildings built before 1960 have the highest vacancy rates of 19.75% (31,890m^2), followed by buildings built between the 1960s and 1990s at 5.02% (21,315m^2) and then buildings built post-year 2000 at 6.24% (12,398m^2).

Building vacancy rates in the different business zones in the city were found to be:

- 13.3% in the Inner Business Zone
- 5.13% in the Outer Business Zone
- 1.11% in the Fringe Business Zone
- 4.9% in the Local Business Zone

For floor areas located on the ground floor and upper floors, there is a difference in vacancy rates as well; Upper floor vacancy rates across all business zones were 15.11%, while ground floor vacancy rates across all business zones were 5.63%.

There is also vacant land[34] in the business zones. In the Inner Business Zone, 1.6 hectares of land is vacant. In the Outer Business Zone, 10.4 hectares of land is vacant. The Fringe Business Zone contains 4.0 hectares of vacant land, and in the Local Business Zone, 3.1 hectares is vacant.

2.3 Strategies and projects related to business activities

Our business activities have evolved in a particular land use pattern, and our District Plan and Commercial Land Use Strategy reinforce this

The function and business activities that are encouraged in each of the four business zones have been described above. In summary, outside of the local convenience-based services and retail located throughout the City's suburban areas. Retailing and associated commercial activities have focused around the historical city centre and gradually expanded from the

[34] Vacant commercial zoned land is defined as any commercially zoned land parcel containing no significant occupied or vacant commercial buildings. Vacant commercial zoned land parcels include:

- Vacant land parcels used as car parks within business zones
- Occupied land in industrial and business zones used for storage that is not associated with a business such as a car yard or car rental agency
- Residential or rural rated properties within commercial zones
- Land under construction, including completed properties without floor areas in the DVR
- Vacant land within commercial zones

core to form a naturally evolving hierarchy of business areas radiating from the centre of the City. The District Plan approach reinforces this pattern of development in the business zones.

We have a Commercial Land Use Strategy, which seeks to maintain retail and office activity in the core of the city and discourage the dispersal of these activities to the industrial fringes of the city. The District Plan's business zones' objective, policy and rule framework reinforce this strategy.

City Centre Streets project may drive interest in leased space and redevelopment

The City Centre Framework coordinates public and private investment and identifies strategic development sites within the city centre. The council's vision for the city centre is to make it a place where people want to visit and live, meet up with their friends and family, be entertained, stay longer, and support local retailers.

Ten key directions and projects in the City Centre Framework aim to deliver this vision. The most notable is Streets for People, now known as the City Centre Streets project. The project is a multi-million dollar project to transform the city centre streets to create wider footpaths, narrower roads, more vegetation, better streetlights, more spots for outdoor dining and seating, and more attractive streets.

Feedback from Cuba Street building owners, where the street has been similarly transformed, indicates the upgrades have assisted with increased interest in leased space and redevelopment opportunities in the area. We expect the same would occur in the city centre as the streets are progressively transformed.

We have several earthquake-prone buildings in the city centre, and Council funding supports their strengthening and redevelopment

Several buildings within the city centre are heritage-listed and have been identified as earthquake-prone. The council has seen ongoing investment by building owners to strengthen these. The Council's Natural and Cultural Heritage Fund provides funding to heritage building owners for strengthening investigations, and the strengthening work itself further supports this. It is expected that investment to strengthen buildings will continue, and this will support redevelopment and lower vacancy rates of these buildings in the city centre over time.

2.4 Industrial District Plan zones, floor area and vacancy rates

As for existing industrial land supply, it is located within several industrial areas across the district within the Industrial (and our associated 'subzones') and Airport Zones with a combined area of 840.6 hectares.

The Industrial Zone provides for a wide range of industrial activities

The Industrial Zone covers 403.5 hectares of the city and offers 1,015,531m^2 of total floor space[35]. The zone permits a wide range of industrial activities. It has a subsidiary function in providing for other activities essential to the operation of industry, such as industrial services and convenience shops for workers. Other non-industrial activities, such as community and leisure facilities and semi-industrial retailers, including building suppliers and home renovation firms, which cannot be as readily accommodated for economic and operational reasons, within other zones are also contained in the zone.

The Industrial Zone has a few subzones

Within the Industrial Zone, there are various 'subzones' – the Braeburn Industrial Area, Railway Road Industrial Enclave, and Midhurst Street Industrial Area – which have different objectives, policies and rule frameworks than industrial-zoned land outside of these areas, which in some instances restrict how the land can be used.

Major dairy manufacturing and processing activities are located at the Longburn Dairy Manufacturing Site. The 33.5-hectare Braeburn Industrial Area provides additional land for the future expansion of these activities. When rezoned, it was envisaged that the Braeburn Industrial Area would remain in the single ownership of Fonterra and would not be for the purpose of meeting the wider industrial land needs of the City. In this regard, subdivision has been made a non-complying activity and planning provisions have been developed to provide for dairy-related activities only.

The Railway Road Industrial Enclave generally enables any industrial and ancillary activity; however, it includes access and landscaping requirements to recognise its position as a key entry point into the city.

The Midhurst Street Industrial Area was specifically developed to meet the demand for small to medium-sized industrial sites in the City. Development within the Midhurst Street Industrial Area is managed by reference to a Structure Plan to achieve the desired environmental results and the integrated provision of infrastructure.

The North East Industrial Zone provides for larger industrial sites and those industrial activities requiring 24/7 operations

The North East Industrial Zone covers 223.6 hectares and offers 146,302m^2 of total floor area[35]. The North East Industrial Zone is a greenfield industrial area, rezoned in three different stages – 2004, 2010 and 2015. The zone responds to specific market requirements for large industrial sites of 5 hectares and above and sites that can be accessed on a 24-hour basis. It responds to projected growth, particularly in the distribution and communication industries in the City.

Part of the zone (78.2 hectares) still needs roading or three waters infrastructure. This is to be funded through Long Term Plan programmes and development contributions as development occurs.

[35] As at December 2021 based on the TelferYoung from CBRE Palmerston North Commercial Market Survey 2022 Palmerston North City (attached to this Assessment as Appendix 3)

50 hectares of the zone is designated by KiwiRail for the Regional Freight Hub. 15 hectares will be available for industrial use, but 35 hectares will be used exclusively for the freight hub operations.

The Airport Zone provides for some industrial activities too

The Airport Zone covers 213.5 hectares and offers 23,361m^2 of total floor area[35]. The Airport Zone is comprised of two distinct precincts:

- The Core Airport Precinct – land within the Airport Zone encompassing the Palmerston North Airport's airfield, hangars, apron, terminal, public parking, and other core airside activities, which is not available for business use; and
- The Airport Environs Precinct – land on the southern half of Airport Drive and McGregor Street, which has no airside access, which is 12.9 hectares and is considered part of the district's business land.

The District Plan provides for most industrial and commercial activities as permitted activities in the Airport Environs Precinct, but there are restrictions on floor area for some commercial developments. For example, stand-alone office activities and retail activities over 100m² are classified as Discretionary Activities. This is to reinforce that this type of activity should occur in the business zones.

Vacancy rates in industrial buildings are low, but there is some vacant land

The total vacancy rate of buildings across the zones mentioned above is 1.11% (13,251 m^2 vacant)[35]. There are no vacant buildings in the Airport and North East Industrial Zones, indicating high demand for industrial floor area in the city.

Trends in vacancy rates in older buildings in the zones are similar to those in the business zones, with buildings built pre-1960s displaying higher vacancy rates than those built post-2000s. However, this difference in vacancy is more marginal than in the business zones.

- Buildings built post year 2000 had a vacancy rate of 0.86% (1,876m^2)
- Buildings built between 1960s to 1990s had a vacancy rate of 1.17% (7,896m^2)
- Buildings built pre-1960s had a vacancy rate of 1.56% (1,876m^2)

Despite low building vacancy rates, there is some vacant land[36] in the industrial areas:

[36] Vacant commercial zoned land is defined as any commercially zoned land parcel containing no significant occupied or vacant commercial buildings. For industrial land parcels, this means less than 50 sqm of floor area or only a small percentage of the land parcel being occupied by commercial buildings. It also included:

- Occupied land in industrial and business zones used for storage that is not associated with a business such as a car yard or car rental agency
- Residential or rural rated properties within commercial zones
- Land under construction, including completed properties without floor areas in the District Valuation Roll

- For the Industrial Zone, there is 87 hectares vacant; however, this includes 33.5 hectares of Braeburn Industrial Area, which is restricted to dairy-related use only through our District Plan. This means 53.5 hectares is vacant for industrial use.
- For the Airport Zone, there is 12.9 hectares.
- For the North East Industrial Zone, there is 180.9 hectares, but this includes 35 hectares of land designated by KiwiRail for their Regional Freight Hub, which will not be available for industrial use. This means 145.9 hectares is vacant for industrial use.

2.5 Planned developments, projects and strategies that will influence the demand and supply of industrial land

The KiwiRail Regional Freight Hub will be a catalyst for a multi-modal freight distribution hub in Palmerston North

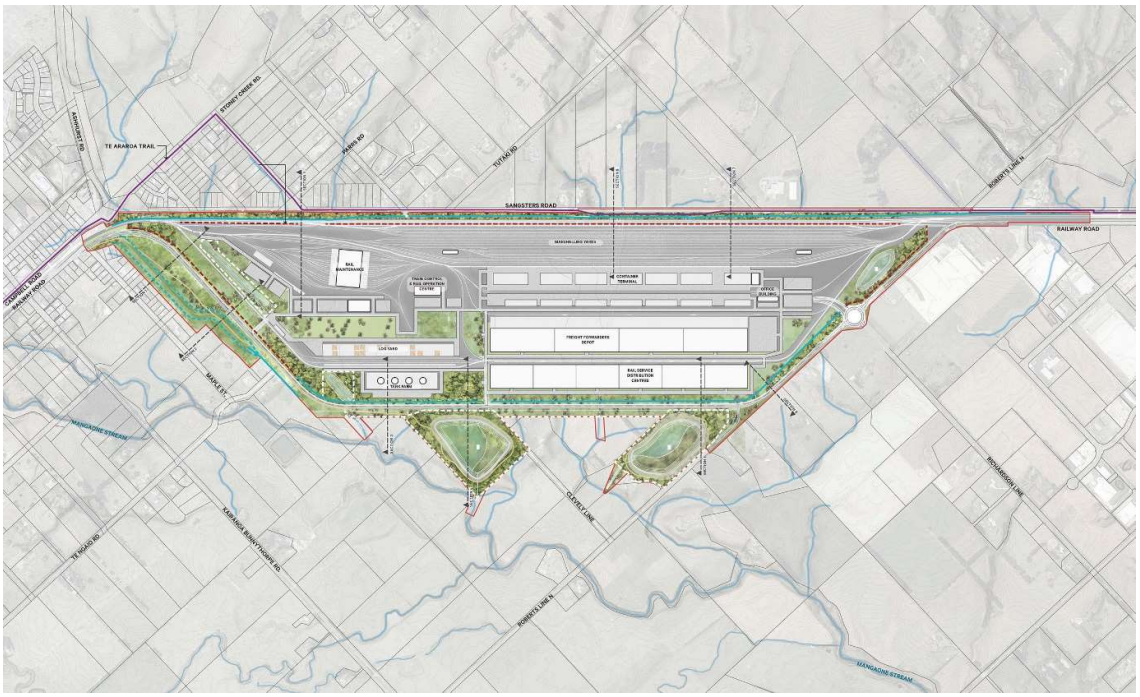


Figure 40 KiwiRail Regional Freight Hub

In late 2020, KiwiRail lodged a Notice of Requirement for 50 hectares of land between Palmerston North and Bunnythorpe. The designation is for the construction and operation of a new intermodal rail and freight hub. In 2022, a decision to recommend the Notice of Requirement was reached, and by mid-2023, all appeals were resolved and land purchases underway.

The KiwiRail Regional Freight Hub site will combine a container terminal, warehousing, and bulk goods, and forestry loading operations with KiwiRail's train operations and maintenance facilities. It will allow distribution companies to co-locate on the site, ensuring access to rail.

KiwiRail has indicated that the freight hub will commence operation in approximately 2032, with the site fully developed by 2051. Once operational, KiwiRail's yards on Tremaine Avenue

will become disused. This is approximately 24 hectares of land, which is zoned Industrial. In initial discussions with KiwiRail, they have indicated a desire to masterplan the disused area for industrial use and increase connectivity between the nearby residential areas. Early indications suggest that the topography of the site could be suitable for additional stormwater resilience in the city.

It is anticipated that the KiwiRail Regional Freight Hub will spur the growth of freight and logistics industries in Palmerston North, particularly near the hub. The Te Utanganui masterplan will support this growth.

Te Utanganui – the Central New Zealand Distribution Hub is being master planned and will drive demand for land from freight distribution activities

Te Utanganui – The Central New Zealand Distribution Hub is a project to create a multi-modal freight distribution hub connecting air, road, rail, and sea in the lower North Island. Te Utanganui is intended to act as the third node in New Zealand's national transport and freight network. The catalyst for Te Utanganui is the development of the KiwiRail Regional Freight Hub and the subsequent opportunity for multi-modal freight distribution, given the concentration of road, rail, and air transport options in the vicinity.

Te Utanganui covers the area between Bunnythorpe and the northeastern industrial edge of Palmerston North. A masterplan has been developed for Te Utanganui and includes the rezoning of land in three stages; the first, 26 hectares will be available in 2025/26, the next 150 hectares in 2032 and the final to coincide with the opening of the KiwiRail Regional Freight Hub, a further 112 hectares in 2052. The Masterplan provides for ~288 hectares of industrial land, excluding the stormwater reserves required.

Initial engagement with affected landowners is beginning at the time of writing this Assessment. Following the engagement, the Council expects to initiate the first plan change to rezone the first stage of land in 2024.

The Braeburn Industrial Area might no longer be needed for just dairy-related industrial use

During engagement for the Kākātangiata urban growth area, Fonterra has indicated the Braeburn Industrial Area, which they own, is surplus to their needs and are interested in changing the District Plan to enable non-dairy related industries to establish there. The council is supportive of this. Hence, in the medium to long term, subject to a plan change, this area could represent an industrial growth area of 33.5 hectares.

The Palmerston North Integrated Transport Initiative will reinforce the district as a freight and distribution hub

We prepared the Palmerston North Integrated Transport Initiative ('the Initiative') with Waka Kotahi in response to Palmerston North and the Manawatū Region's emergence as a distribution hub for New Zealand and transport network problems resulting from past land use planning.

The overall intent of the initiative is to manage population and freight and distribution industry growth whilst maintaining efficient freight movements to and from existing and future industrial areas within the city.

It sets out a list of safety and access improvement programmes to better integrate land uses in Palmerston North with the transport network. It also includes longer-term interventions such as a future second bridge across the Manawatū River and Regional Freight Ring Road.

The Initiative will reinforce the freight and logistics hub at Te Utanganui through efficient access to the Regional Freight Ring Road. It will also reinforce the idea that businesses and industries associated with heavy vehicle movements should be located along particular roading corridors such as Tremaine Avenue.

We have pockets of industrial-zoned land in the City that are being looked at for rezoning to residential

We have pockets of industrial land zoned scattered throughout the city, which are surrounded by residential areas. Rezoning these pockets of industrial to residential makes sense because it gives us more land to meet housing demand, removes industrial traffic from our residential areas, and avoids reverse sensitivity effects in the future. Still, it removes capacity from our industrial zones. For example, if the Roxburgh Crescent rezoning is approved, then around 3.9 hectares of land will be removed from our industrial zone. Engagement with the development sector has identified more sites like Roxburgh Crescent where rezonings could be proposed by the landowners, such as 4.46 hectares on Botanical Road and a landlocked Fringe Business zoned area on North Street. We need to ensure that any industrial or business land rezoned for residential use does not result in a commercial-zoned land shortage.

2.6 Summary – Our business land

There are lots of moving parts in our business land markets. We have a number of different District Plan zones where our business and industrial sectors are located, and our District Plan reinforces this. Within the zones, we have taken a stocktake of floor area and vacancy rates. There are some vacancy trends in buildings that are older, and we have some vacant land within the zones. There are a number of planned developments, projects and strategies that will affect our business and industrial land supply. In particular, KiwiRail's Regional Freight Hub, Te Utanganui and the Palmerston North Integrated Transport Initiative and strategic planning responses will reinforce the northeast edge of Palmerston North City as a freight and logistics hub across the next 30 years.

3. Business Land Demand Assessment

Clause 3.28 of the Policy Statement requires us to undertake a business land demand assessment. The requirements for the demand assessment are as follows:

- We must estimate, for the short term, medium term, and long term, the demand from each business sector for additional business land in Palmerston North City. We have estimated demand for business land throughout the district, not just Palmerston North City.
- We must express the demand in either hectares or floor areas. We have projected demand for both.
- We must:
    - set out the most likely projection of demand for business land by business sector in the short term, medium term, and long term; and
    - set out the assumptions underpinning that projection; and
    - if those assumptions involve a high level of uncertainty, the nature and potential effects of that uncertainty.

As for information on our most likely demand projection and the assumptions underpinning it, information on this can be found in our Methodology, Inputs and Assumptions section and the Projections Report. The nature and effects of any uncertainty involved in those assumptions are contained in our methodology and Projections Report as well.

The Policy Statement says we may identify business sectors in any way we choose but must, as a minimum, distinguish between sectors that would use land zoned for commercial, retail, or industrial uses. We have defined business sectors as follows:

Table 29 Business sectors used and definitions

Business sector	Defined as
Small & medium industrial	Floor area of up to 11,000m^2, located in an industrial zone, and assigned as "industrial" in best use category. [37]
Large floor plate industrial	Floor area of more than 11,000m^2, located in an industrial zone and assigned as "industrial" in the best use category.
Accommodation	Assigned as "commercial accommodation" in best use category
Small & medium retail (pedestrian-oriented retail)	Floor area of up to 3,900m^2 of floor area and assigned in best use category as: • Commercial retail • Commercial liquor • Commercial cinema/hall • Commercial health operations
Large format retail (vehicle-oriented retail)	Area of more than 3,900m^2 of floor area, and assigned in best use category as: • Commercial retail • Commercial liquor • Commercial cinema/hall • Commercial health operations
Commercial office	Assigned as "commercial office" in best use category
Commercial services	Located within industrial and business zones and assigned in best use category as: • Commercial service station • Commercial motor vehicle • Commercial education uses (e.g. early childhood centres) • Various "Industrial" categories located in business zones

[37] 'Best use category' generally reflects the current or main use of the property and is in the District Valuation Roll.

3.1 Projecting demand

Fresh Info prepared our projections estimating the demand for business land over the short, medium and long term from each business and industrial sector. Detailed projections can be found in the Palmerston North City Commercial Land Assessment ('Projections Report') in Appendix 2. Underlying assumptions can also be found in the Projections Report and our Methodology, Inputs and Assumptions section.

We estimated demand by using population projections along with current and predicted changes in sectors' commercial floor areas and land requirements. These were used to project demand because:

- As the population expands, the demand for goods, services, and employment opportunities increases. Businesses need adequate commercial space to satisfy this demand, driving growth in the commercial footprint.
- Growth in demand for local goods and services creates more business and employment opportunities, which is a catalyst for population growth.

3.2 Floor area demand assessment

The results of the floor area demand assessment estimate demand for:

- 84,727m^2 in the short term (within the next 3 years)
- 255,916m^2 in the medium term (between 3 and 10 years)
- 780,840m^2 in the long term (between 10 and 30 years)

The table below shows the projected floor area demand for each business sector across the short, medium and long terms. Note that competitiveness margins[38] are not included in the floor area demand figures below.

[38] The competitiveness margins under clause 3.22(2) of the Policy Statement are:

- For the short term, 20%
- For the medium term, 20%
- For the long term, 15%

Table 30 Estimated floor area demand over the short, medium, and long term from each business sector (in m²)

Business Sector	Short term *within the next 3 years*	Medium term *between 3 - 10 years*	Long term *between 10 – 30 years*	Total 30 Year Demand
Small & medium industrial	28,553	79,606	188,244	296,403
Large floor plate industrial	49,740	147,858	448,660	646,258
Accommodation	0	3,805	13,899	17,704
Small & medium retail (pedestrian-oriented retail)	0	0	38,136	38,136
Large format retail (vehicle-oriented retail)	2,950	11,189	28,722	42,861
Commercial office	0	59	28,682	28,741
Commercial services	3,484	13,399	34,497	51,380
Total	84,727	255,916	780,840	1,121,483

3.3 Land area demand assessment

A land area assessment was undertaken based on the projected demand for floor area. The demand for business land was projected based on calculating the floor area per hectare [39]for each business sector in 2023 and applying assumptions around how these figures would change in the short, medium, and long terms. For some business sectors, floor areas per hectare are assumed to increase over time as we expect land to be more intensively used in the future.

These assumptions are found in our Methodology, Inputs and Assumptions section and further detail in the Projections Report.

The table below shows the demand for land (in hectares) from each business sector over the short, medium, and long terms to support the demand for floor space set out above. Note that competitiveness margins have not been added to this figure.

[39] Note that the floor area per hectare does not take into account each business sectors land requirements to meet District Plan requirements such as landscaping areas and stormwater attenuation nor setback requirements.

Table 31 Estimated demand for land for the short, medium, and long term from each business sector (in hectares)

Business Sector	Short term *within the next 3 years*	Medium term *between 3 - 10 years*	Long term *between 10 – 30 years*	Total 30 Year Demand
Small & medium industrial	7.6	20.4	44.2	72.2
Large floor plate industrial	11.6	33.9	99.7	145.2
Accommodation	0.0	0.3	1.0	1.3
Small & medium retail (pedestrian-oriented retail)	0.0	0.0	3.3	3.3
Large format retail (vehicle-oriented retail)	0.5	2.0	4.8	7.3
Commercial office	0.0	0.0	0.6	0.6
Commercial services	0.7	2.7	6.4	9.8
Total	20.4	59.3	160.0	239.7

3.4 Summary – business land demand assessment

Based on the demand projections, we estimate a total demand:

- In the short term, for 84,727m^2 of floor area and 20.4 hectares of land
- In the medium term for 255,916m^2 and 59.3 hectares of land
- In the long term, 780,840m^2 of floor area and 160 hectares of land

The table below shows the projected demand for floor and land area from each business sector across the short, medium, and long terms.

Table 32 Estimated demand for floor area and land from each business sector over the short, medium, and long terms

	Short term *within the next 3 years*		Medium term *between 3 - 10 years*		Long term *between 10 – 30 years*	
Business Sector	**Floor area (m^2)**	**Land demand (hectares)**	**Floor area (m^2)**	**Land demand (hectares)**	**Floor area (m^2)**	**Land demand (hectares)**
Small & medium industrial	28,553	7.6	79,606	20.4	188,244	44.2
Large floor plate industrial	49,740	11.6	147,858	33.9	448,660	99.7
Accommodation	0	0.0	3,805	0.3	13,899	1.0
Small & medium retail (pedestrian-oriented retail)	0	0.0	0	0.0	38,136	3.3
Large format retail (vehicle-oriented retail)	2,950	0.5	11,189	2.0	28,722	4.8
Commercial office	0	0.0	59	0.0	28,682	0.6
Commercial services	3,484	0.7	13,399	2.7	34,497	6.4
Total	**84,727**	**20.4**	**255,916**	**59.3**	**780,840**	**160.0**

4. Business Land Development Capacity Assessment

Clause 3.29 of the Policy Statement requires us to undertake a business land development capacity assessment. We must estimate the following, for the short term, medium term, and long term, for the region and Palmerston North City:

- the land supply to meet the expected demand for business land for each business sector, plus the appropriate competitiveness margin; and
- of that development capacity, the development capacity that is:
    - plan-enabled[40]; and
    - plan-enabled and infrastructure-ready; and [40]
    - plan-enabled, infrastructure-ready, and suitable for each business sector.

The Policy Statement says we may define what it means for development capacity to be "suitable" in any way we choose. Still, suitability must, at a minimum, include suitability in terms of location and site size. We have determined suitability by looking at trends in site size and location associated with each business sector and what District Plan zones they are primarily located in.

4.1 Development capacity to meet expected demand

We have added the demand (in hectares) for business land discussed in the previous section and the competitiveness margins, which are:

- 20% for the short term
- 20% for the medium term
- 15% for the long term

The competitiveness margins (in hectares) for each sector are:

[40] See clause 3.4 of the Policy Statement for the meaning of plan-enabled and infrastructure-ready.

Table 33 Competitiveness margins for each business sector in the short, medium, and long term

Business Sector	Short term 20% competitiveness margin	Medium term 20% competitiveness margin	Long term 15% competitiveness margin
Small & medium industrial	1.5	4.1	6.6
Large floor plate industrial	2.3	6.8	15.0
Accommodation	0.0	0.1	0.2
Small & medium retail (pedestrian-oriented retail)	0.0	0.0	0.5
Large format retail (vehicle-oriented retail)	0.1	0.4	0.7
Commercial office	0.0	0.0	0.1
Commercial services	0.1	0.5	1.0
Total	**4.1**	**11.9**	**24.0**

The resulting development capacity to meet expected demand, which is the projected demand plus the above competitiveness margins, is therefore:

Table 34 The development capacity, in hectares, to meet expected demand for business land - the projected demand plus competitiveness margins

Business Sector	Short term *within the next 3 years*	Medium term *between 3 - 10 years*	Long term *between 10 – 30 years*
Small & medium industrial	9.1	24.5	50.8
Large floor plate industrial	13.9	40.7	114.7
Accommodation	0.0	0.4	1.2
Small & medium retail (pedestrian-oriented retail)	0.0	0.0	3.8
Large format retail (vehicle-oriented retail)	0.6	2.4	5.5
Commercial office	0.0	0.0	0.7
Commercial services	0.8	3.2	7.4
Total	24.5	71.2	184.0

4.2 Plan-enabled, infrastructure-ready and suitable business land

The following sections look at, of that development capacity, the development capacity that is:

- plan-enabled[40]; and
- plan-enabled and infrastructure-ready; and [41]
- plan-enabled, infrastructure-ready, and suitable for each business sector.

Plan-enabled business land has different meanings across the short, medium, and long terms in the Policy Statement. Business land in the short term is plan-enabled if it is zoned for business use in an operative district plan. In the medium term, business land is plan-enabled if it is either zoned in an operative plan or a proposed district plan. In the long term, business land is plan-enabled if the land is identified for future use in a Future Development Strategy.

To be considered zoned for business land, it must be a permitted, controlled, or restricted discretionary activity on that land.

[41] See clause 3.4 of the Policy Statement for the meaning of plan-enabled and infrastructure-ready.

Infrastructure-ready has different meanings across the short, medium, and long terms under the Policy Statement. To be infrastructure-ready in the short term, there must be adequate existing development infrastructure [42]to support the development of the land. To be infrastructure-ready in the medium term, it must either have adequate existing development infrastructure to support development or funding for adequate development infrastructure is identified in a Long Term Plan. To be infrastructure-ready in the long term, it must either meet the medium term requirement, or the development infrastructure must be identified in our infrastructure strategy (required as part of its Long Term Plan).

4.2.1 Plan-enabled development capacity

We have reviewed our District Plan and current strategic growth direction to determine plan-enabled development capacity in the short, medium and long terms. The table below shows our plan-enabled development capacity.

Table 35 Plan-enabled business land development capacity

Business land location	Hectares	Short term plan-enabled *The land is zoned for business use in the operative District Plan*	Medium term plan-enabled *The land is zoned for business use in a proposed District Plan change*	Long Term Plan-enabled *The land is identified in a Future Development Strategy*
Inner Business Zone	31.6	31.6		
Outer Business Zone	80	80		
Fringe Business Zone	19.6	19.6		
Local Business Zone	22.8	21.3	1.5	
Airport Zone	12.9	12.9		
Industrial Zone	370	370		
North East Industrial Zone	188.6	188.6		
Te Utanganui	288			288
Total	**1,013.5**	**724**	**1.5**	**288**

[42] Development infrastructure is roading, water supply, wastewater and stormwater infrastructure that is controlled by us.

As part of Proposed Plan Change G: Aokautere Urban Growth Area, 0.79 hectares of Local Business Zone is proposed, hence why there is a Local Business Zone identified in the medium term in Tabel 35 above.

The Airport Zone totals 213.5 hectares; however, the majority of this is exclusively used for airport operations or designated for runway protection and expansion, hence why 12.9 hectares is identified as plan-enabled rather than 213.5 hectares in Table 35 above.

For the industrial-zoned land in the city, there is a further 33.5 hectares of industrial-zoned land – the Braeburn Industrial Area. However, in the District Plan, this land is restricted to dairy-related industries only. Any other industrial or business use is classified in our District Plan as a non-complying activity; hence, we have removed this land from our plan-enabled, infrastructure-ready, and suitable for business sector assessments.

On a similar note, there is a further 35 hectares of land zoned North East Industrial Zone; however, it is designated by KiwiRail for the Regional Freight Hub and will not be available for commercial use. We have removed this land from our plan-enabled, infrastructure-ready, and suitable for business sector assessments on this basis.

Although Te Utanganui is Long Term Plan-enabled, the rezoning will occur in three stages, with the first 26 hectares to begin the rezoning process in 2024, the next 150 hectares will be plan-enabled in 2032, and the final 112 hectares to coincide with the opening of the KiwiRail Regional Freight Hub, in 2052.

4.2.2 Infrastructure-ready development capacity

Table 36 Infrastructure-ready development capacity

Business Land Location	Hectares	Short term Infrastructure-ready *There is adequate existing development infrastructure to support the development of the land.*	Medium term Infrastructure-ready *Meets short term requirement or funding for adequate development infrastructure is in the Long Term Plan*	Long term Infrastructure-ready *Meets medium term requirement or adequate development infrastructure is in the Infrastructure Strategy*
Inner Business Zone	31.6	31.6		
Outer Business Zone	80	80		
Fringe Business Zone	19.6	19.6		
Local Business Zone	22.8	21.3	1.5	
Airport Zone	12.9	12.9		
Industrial Zone	370	355.3	14.7	
North East Industrial Zone	188.6	110.4	78.2	
Te Utanganui	288			288
Total	**1,013.5**	**631.1**	**94.4**	**288**

Given that the North East Industrial Zone is a greenfield industrial zone area, infrastructure readiness varies across the zone. 52.7 hectares is infrastructure-ready in the short term, i.e. there is adequate existing development infrastructure to support the development of the land. The remaining 78.2 hectares is infrastructure-ready in the medium term, i.e. funding for adequate development infrastructure to support the development of the land is identified in a Long Term Plan. Development infrastructure will be delivered when subdivision or development occurs on these sites.

Although Te Utanganui is long term infrastructure-ready, the rezoning will occur in three stages, with the first 26 hectares to begin the rezoning process in 2024 and infrastructure readiness expected by 2025/26. The next 150 hectares will be infrastructure-ready in 2032, and the final 112 hectares will coincide with the opening of the KiwiRail Regional Freight Hub in 2052.

4.2.3 Suitable land for each business sector development capacity

To determine suitability, we have looked at the locations where business sectors are currently located within our District Plan zones. We have done this because we can observe a clear relationship between where the business sectors are located and the different District Plan zones in the city. For example, 94% of small & medium industrial businesses are located in the Airport and Industrial zones and 6% in the North East Industrial Zone. For commercial office sector businesses, 90% are in the business zones, and 10% are in the airport and industrial zones.

To project where the demand from each sector is likely to be taken up in each zone, we have taken the projected allocation of sectors to commercial zones and broken these allocations across each District Plan zone using the observed uptake of each zone currently. For instance, we expect 95% of future demand for small and medium industrial businesses to be taken up in the Airport and Industrial Zone, and of this 95%, 1% is likely to be located in the Airport Zone, 94% in the Industrial Zone and 5% in the North East Industrial Zone (and Te Utanganui, which when rezoned will be zoned North East Industrial Zone).

Further, our strategic land use planning and existing (and signalled future) land use patterns reinforce these relationships. For example, the North East Industrial Zone (and Te Utanganui, when rezoned) reinforce that large floor plate industrial sector businesses are well suited to locate in these zones due to both land use patterns – the proximity of the zone to the Palmerston North Airport, future KiwiRail Freight Hub and Regional Freight Ring Road – and the District Plan approach to enable large sites within the zone.

Hence, of the plan-enabled and infrastructure-ready land that we identified in the sections above, we have assessed suitability for each business sector to District Plan zones as follows:

Table 37 Zones suitability for each business sector

	Inner Business Zone	Outer Business Zone	Fringe Business Zone	Local Business Zone	Airport Zone	Industrial Zone	North East Industrial Zone/Te Utanganui
Small & medium industrial					1%	94%	5%
Large floor plate industrial							100%
Accommodation	45%	50%		5%			
Small & medium retail (pedestrian-oriented retail)	38%	38%	2%	12%		10%	
Large format retail (vehicle-oriented retail)	34%	36%	11%	9%		10%	
Commercial office	37%	51%	1%	1%		10%	
Commercial services	2%	48%	21%	5%		25%	

4.3 Summary – business land development capacity assessment

Based on our plan-enabled, infrastructure-ready and suitability assessments of the 1,012.8 hectares of plan-enabled business land, we have:

- A total of 631.1 hectares of plan-enabled and infrastructure-ready business land in the short term
- A total of 93.7 hectares of plan-enabled and infrastructure-ready business land in the medium term
- A total of 288 hectares of plan-enabled and infrastructure-ready business land in the long term

The above land is considered suitable for business sectors in all terms, but in certain percentage allocations to District Plan zones due to the relationship between zones and particular business sectors.

5. Business Land Sufficient Development Capacity Assessment

Finally, for the business portion of our Housing and Business Development Capacity Assessment, clause 3.30 of the Policy Statement requires us to assess whether we have sufficient development capacity for business land. The requirements for this assessment are:

- Clearly identifying, for the short term, medium term, and long term, whether there is sufficient development capacity to meet the demand for business land based on a comparison of:
    - the projected demand for business land plus the appropriate competitiveness margin (estimated in section 3); and
    - the identified land supply (assessed in section 4).

If there is any insufficiency, the Policy Statement requires us to identify where and when this will occur and analyse the extent to which planning documents made under the Act, a lack of development infrastructure, or both cause or contribute to the insufficiency.

5.1 Sufficient development capacity assessment

To determine sufficient development capacity, the additional business sector demand, with competitiveness margins added, and the amount of plan-enabled, infrastructure-ready, and suitable business land were compared. This comparison was done across the short, medium and long term, as shown in Figures 41 – 43 below.

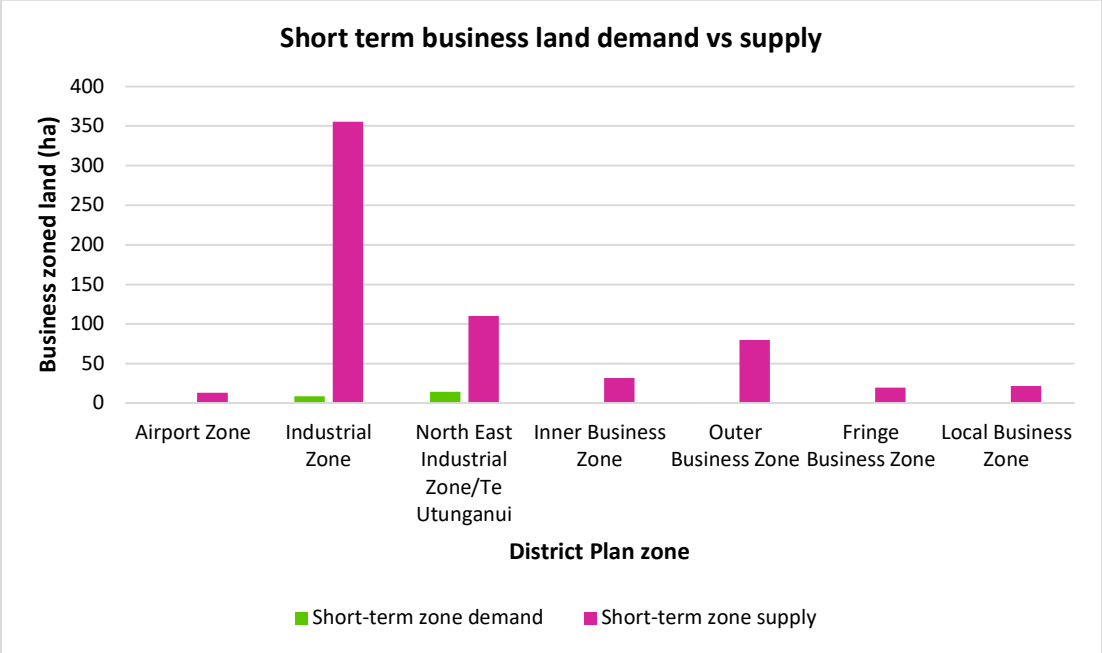


Figure 41 Short term sufficiency assessment

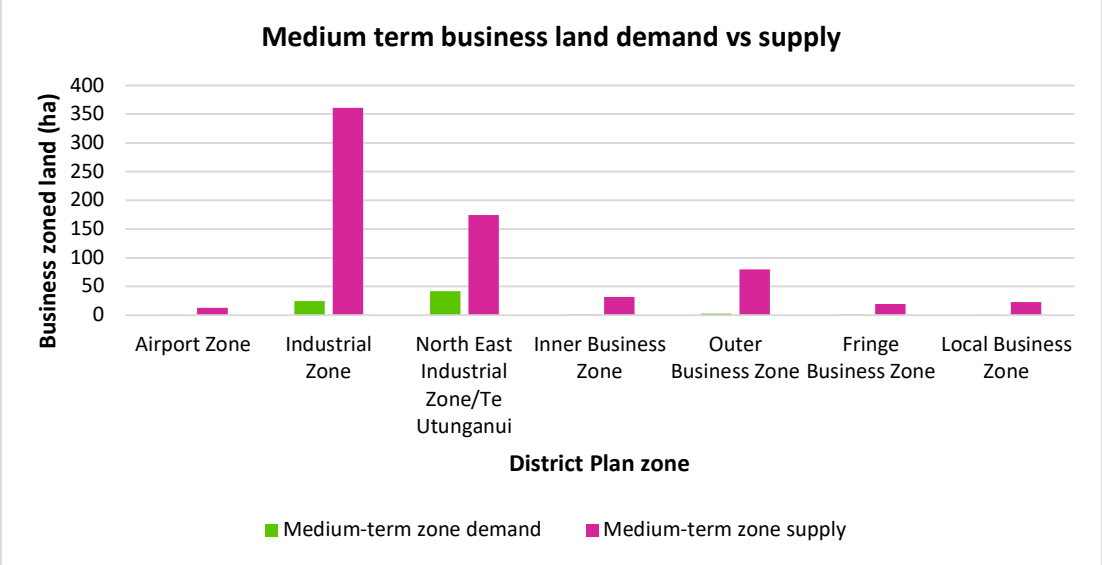


Figure 42 Medium term sufficiency assessment

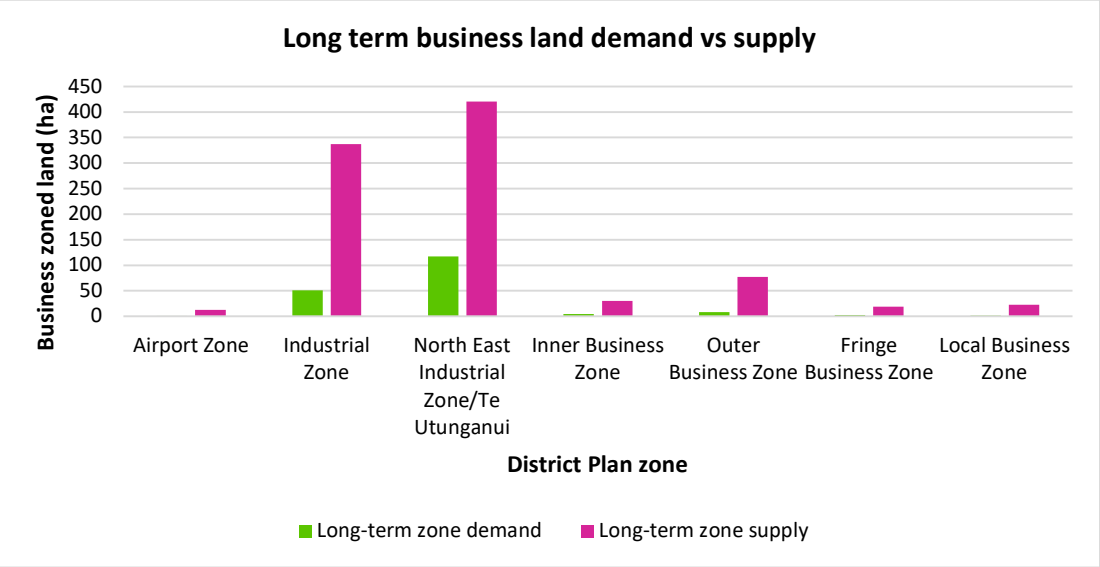


Figure 43 Long term sufficiency assessment

Based on the comparison above, we have sufficient development capacity.

We have also calculated our vacant land[43] in the business and industrial zones and allocated the demand (plus competitiveness margins) from each sector (at a percentage rate given there's a relationship between where business sectors are located) to the zones to see whether our existing vacant land supply would meet demand.

We assumed the following percentage rates of business sector demand for the zones as follows:

[43] Vacant commercial zoned land is defined as any commercially zoned land parcel containing no significant occupied or vacant commercial buildings. Vacant commercial zoned land parcels include:

- Vacant land parcels used as car parks within business zones
- Occupied land in industrial and business zones used for storage that is not associated with a business such as a car yard or car rental agency
- Residential or rural rated properties within commercial zones
- Land under construction, including completed properties without floor areas in the DVR
- Vacant land within commercial zones

Table 38 Estimated business sector demand rate across our District Plan zones

Property type	Airport & industrial zones	North East Industrial Zone	Business zones
Small & medium industrial	95%	5%	0%
Large floor plate industrial	0%	100%	0%
Accommodation	0%	0%	100%
Small & medium retail (pedestrian-oriented retail)	10%	0%	90%
Large format retail (vehicle-oriented retail)	10%	0%	90%
Commercial office	10%	0%	90%
Commercial services	25%	0%	75%

In doing so, we found:

- The 66.4 hectares of airport and industrial land that is zoned and available for development will be sufficient to accommodate future demand from small and medium industrial and retail, large format retail, commercial office and commercial service business sectors in the short, medium and long term.
- The 145.9 hectares of North East Industrial Zone land that is zoned and available for development will be sufficient to accommodate future demand from small and medium industrial and large floor plate industrial demand in the short, medium, and long term.
- The 19 hectares of business-zoned land (Inner Business, Outer Business, Fringe, and Local) that is available for development will be sufficient to accommodate future demand from accommodation, small and medium retail, large format retail, commercial office and commercial services business sectors in the short, medium and long term.

However, this relies on more intensive development and the vacant sites being of suitable size to meet the projected demand of the business sector.

5.2 Summary – business land sufficient development capacity assessment

Based on comparing our demand from business sectors and business land available across the short, medium and long terms. We have sufficient development capacity to meet demand over the next 30 years.

6. Risks to Business Land Supply

There are a couple of issues worth noting in relation to the supply of our business and industrial land and meeting demand.

Land ownership rates

A few landowners own a large proportion of business land in the district. In 2019, when we looked at the Council's rates database, it showed two landowners holding a 57% share of vacant commercial and industrial land in the district. This may affect the availability of land for development and may have an impact on the cost of land if developers delay the release of land to the market. It may also result in a perception of scarcity.

We recommend that this be further investigated in any rating reviews.

Rezoning of industrial use for housing

Rezoning of pockets of industrial land within the city to residential will remove industrial land supply, which will either drive intensification in the industrial zones or result in scarcity of supply. This will need to be monitored over time and assessed as part of our District Plan changes to rezone land to residential, given that we have obligations to have sufficient development capacity not only for housing but also for business land.

The 33.5 hectares Braeburn Industrial Area presents an opportunity for general industrial land use if the undeveloped land is not required for dairy factory expansion. Changing the District Plan rules to permit this may be an option if further land supply is needed because of residential rezonings in the city. The land available at KiwiRail's Tremaine Avenue rail yards, following the departure of the yards to the KiwiRail Freight Hub by 2032, also presents another opportunity for increasing industrial land in the city and maybe another option.

Developing and redeveloping business land at the same or lower intensities

There are several Grade B and C buildings in our business and industrial zones, which demonstrate higher vacancy rates than their counterpart Grade A buildings, which we built post-2000s. Grade B buildings' ages are between 23 and 63 years old. Grade C buildings were built before the 1960s, so they are now 63 years and over. These will likely be redeveloped over the next 30 years, and if not redeveloped more intensively, this will be a lost opportunity to meet demand with less land.

We have seen this occur in the Inner Business Zone, where redevelopments have either resulted in the same or lesser commercial footprint than before the building was redeveloped.

In a similar vein, land that is currently vacant will likely be developed to meet the demand of the business sectors over the next 30 years. If not developed at a more intensive rate than we have seen in the past, this will be a lost opportunity to meet demand but use less land to do so.

However, we expect business sectors to develop and redevelop their land more intensively than they have done in the past due to higher land prices and better building methods; we recommend we support this by offering urban design support to developers and landowners whose sites are yet to be developed or where the building grade signals the need to redevelop.

When we review the business and industrial sections of the District Plan, we should also look at whether our planning rules are fit for supporting more intensive development and redevelopment.

7. Conclusion – Business DevelopmentCapacity Assessment

This part of the Assessment contains our business land development capacity assessment. We have estimated demand from business sectors over the next 30 years, looked at our business land supply over the next 30 years and compared these to determine whether we will have enough land to meet demand.

To estimate demand, we have assumed that business sectors' floor area and population are linked. We have projected demand for floor area from business sectors in the district across the short, medium and long terms based on projected population growth. We converted this floor area demand into a land area based on current and future floor area to land requirements. Based on these demand estimates, and when competitiveness margins are added, we estimate demand for business floor area and land from each sector as follows:

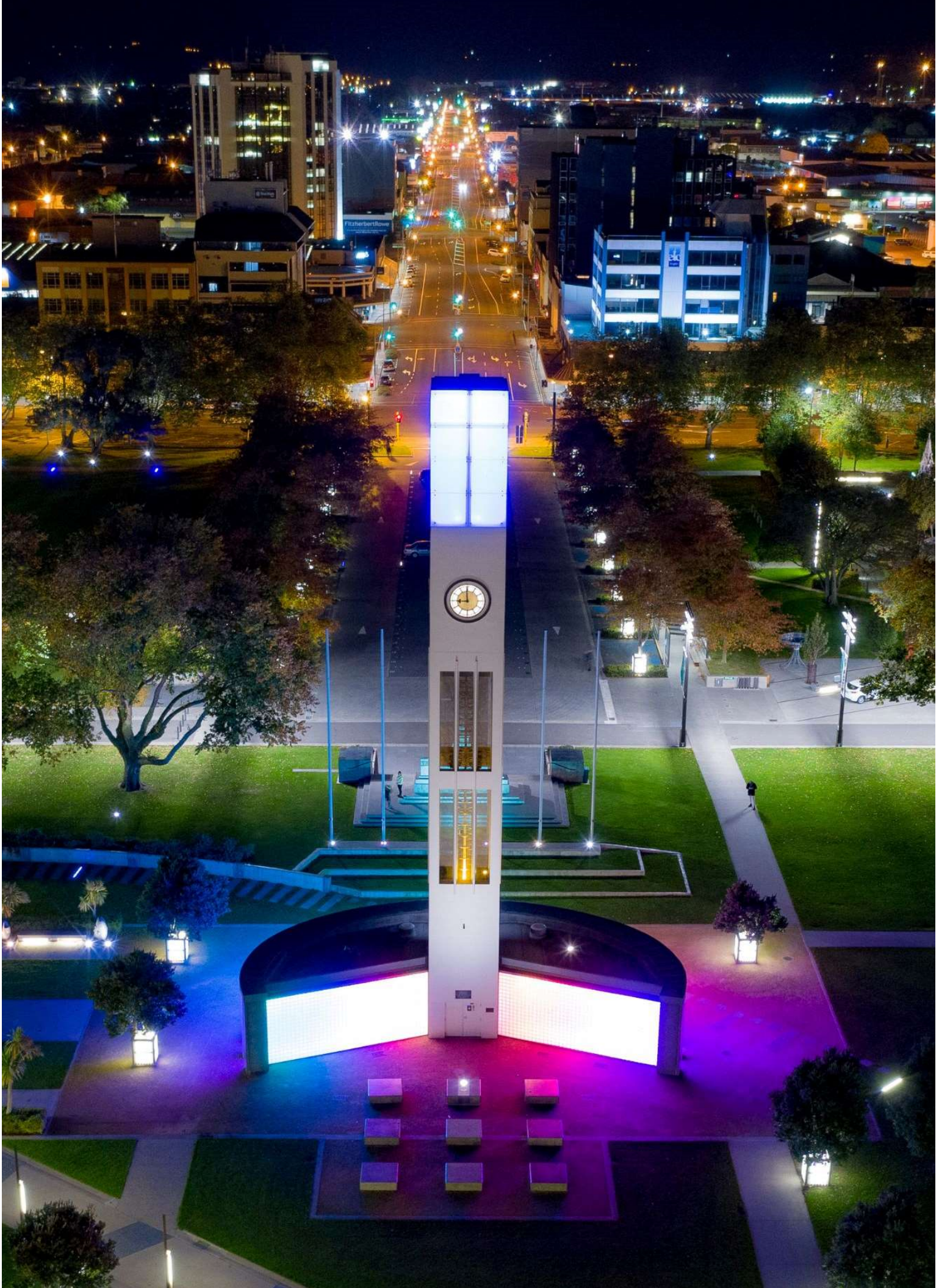
Table 39 Estimated demand for business floor area and land over the short, medium and long term

Business Sector	Short term		Medium term		Long term		30 Year Total	
	Floor area (m^2)	*Land area (ha)*	*Floor Area (m^2)*	*Land area (ha)*	*Floor area (m^2)*	*Land area (ha)*	*Floor area (m^2)*	*Land area (ha)*
Small & medium industrial	34,264	9.1	95,527	24.5	216,481	50.8	346,271	84.4
Large floor plate industrial	59,688	13.9	177,430	40.7	515,959	114.7	753,077	169.3
Accommodation	0	0.0	4,566	0.4	15,984	1.2	20,550	1.5
Small & medium retail (pedestrian-oriented retail)	0	0.0	-	0.0	43,856	3.8	43,856	3.8
Large format retail (vehicle-oriented retail)	3,540	0.6	13,427	2.4	33,030	5.5	49,997	8.5
Commercial office	0	0.0	71	0.0	32,984	0.7	33,055	0.7
Commercial services	4,181	0.8	16,079	3.2	39,672	7.4	59,931	11.4
Total	101,672	24.5	307,099	71.2	897,966	184.0	1,306,738	279.6

We have looked at our business land supply in the district. Of that land supply, we determined what is plan-enabled, infrastructure-ready, and suitable for each business sector across the short, medium, and long term. We have a total of 1,103.5 hectares of plan-enabled business land in the district. Of that plan-enabled land, 631.1 hectares in the short term, 94.4 hectares in the medium term, and 288 hectares in the long term is plan-enabled and infrastructure-ready. In terms of suitability of this land, particular District Plan zones are suitable for different business sectors. We have therefore described suitability as certain percentages across zones for different business sectors.

Based on comparing our demand assessment and looking at our business land supply that is plan-enabled, infrastructure-ready and suitable for each business sector, we have undertaken a sufficiency assessment to see whether our business land supply can meet estimated demand. Based on this comparison, we have found we have sufficient business land across all terms.

There are a few risks to our business land supply, including high ownership rates, rezoning of industrial land to residential use, and redevelopment of sites and development of vacant sites occurring at low intensity, which we have made recommendations on. For high ownership rates, we recommend that in any future rating reviews, we investigate how slow release of land can be discouraged. For industrial land being rezoned, we will need to assess the risk as part of the plan change process and, if needed, investigate industrial land opportunities that are present in the district. For redevelopment and development not occurring at greater intensities, we recommend offering support to achieve greater development and redevelopment intensities. When we come to review our industrial and business zone sections of the District Plan, we should also ensure our planning rules are allowing intensification.



Conclusion

This Assessment is our three-yearly Housing and Business Development Capacity Assessment. It is a requirement under the Policy Statement and has information about our housing and business land demand across the next 30 years within our district. This Assessment can be used to inform our planning documents (made under the Act), Future Development Strategy and Long Term Plans.

We have estimated the demand for housing and business land, plus competitiveness margins, required to support choice and competitiveness in housing and business land markets. We have also identified whether our existing and future housing and business development capacity is sufficient to meet this demand.

We have found for housing

- Over the short, medium, and long terms, we estimate we will need 983, 3,010 and 5,891 homes to meet demand.
- Over the short, medium, and long terms, we estimate there will be demand for houses in infill, greenfield and rural/rural-residential locations and for both standalone and attached housing.
- We have sufficient housing land that is plan-enabled, infrastructure-ready, commercially feasible and likely to be realised. In the short term, delivering development infrastructure will be critical and residential rezonings of greenfield areas will be too.

We recommend the following for housing

- That future residential growth areas and rezoning of them to meet demand in the short, medium, and long term are identified in the Future Development Strategy and progressed on time. If not, we will not have enough housing to meet demand.
- That development infrastructure is signalled (where appropriate) and provided on time to meet demand, particularly in identified areas in the short term. If not, we will not have enough greenfield housing supply to meet demand.
- That we are satisfied that additional development infrastructure is likely to be available to meet demand over the next 30 years through continuing engagement with additional infrastructure providers.
- That different housing types, including attached housing and papakāinga, are provided for through further consenting process support and the activity statuses for multi-unit housing papakāinga being reconsidered.

- We support and encourage the residential construction sector to deliver housing and different housing types to meet demand, including through pre-application and resource consenting support and raising awareness of what our District Plan enables and the outcomes it seeks.
- That residential intensification is supported to make efficient use of our housing land and to ensure our greenfield residential areas last longer.
- Our existing growth planning is captured in our Future Development Strategy, so it is not lost as a result of new planning instruments introduced through planning reform.

For business land, we have found

- Over the short, medium, and long terms, we estimate that we will need 24.5, 71.2 and 184 hectares of business land to meet demand (this includes competitiveness margins). The small and medium industrial and large floor plate industrial are the sectors where demand will grow the most.
- We have 231.3 hectares of plan-enabled, infrastructure-ready and suitable business land in the short term and 288 additional hectares identified in the long term.
- We have sufficient business land to meet estimated demand, particularly because land is projected to be developed more intensively over time, and our District Plan zones cater for the full range of business sector types.
- When we looked at our vacant land within our business and industrial zones and the projected demand, we found that demand can be accommodated in the zones, but this assumes the vacant sites are suitable for the projected demand of the business sector.

We recommend the following for our business land supply

- A few landowners own a large proportion of business land in the district. This is a risk for land baking, which may affect the availability and cost of land for development. It may also result in a perception of scarcity.

  We recommend that this be further investigated in any rating reviews.

- Rezoning pockets of industrial land within the city to residential will remove industrial land supply, which will either drive intensification in the industrial zones or risk a scarcity of supply.

  The impact of removing business land for other land use, such as housing, will need to be assessed when proposing a District Plan Change. The 33.5 hectares Braeburn Industrial Area presents an opportunity for general industrial land use if the undeveloped land is not required for dairy factory expansion. Changing the District Plan rules to permit this may be an option for other industrial land use if further land supply is needed because of residential rezonings in the city.

- We are expecting business sectors to develop and redevelop their land more intensively than they have been in the past due to higher land prices and better building methods.

  We recommend that we support this by offering urban design support to developers and landowners whose sites are yet to be developed or where the building grade signals the need to redevelop. When we review the business and industrial sections of the District Plan, we should assess whether our planning rules are fit for supporting more intensive development and redevelopment.

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