# Whakatāne District Housing Demand

Economic Assessment

June 2021

m.e consulting

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## Prepared for

## Whakatāne District Council

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# 1 Introduction

After several decades of no growth, Whakatāne District has recently transitioned into a high growth area. Since 2013 the District has experienced rapid growth in population, with approximately 600 new residents living in the District per annum which is equivalent to a growth rate of 1.6% per annum.[1] The transition to growth has also occurred in Kawerau District, with a 150 new residents per annum since 2013.

The recent increase in growth has been mainly driven by internal migration, as New Zealand's larger cities have become less affordable and helped along by Whakatāne and the Eastern Bay increasing job opportunities. Also, after many decades of declining persons per dwellings the size of households have increased slightly to approximately three persons per dwelling. The long term decline in household sizes reflects demographic trends of an aging population, reducing birth rates and recent internal migration, which has been observed in many regional areas in New Zealand.

Strong growth in the population is expected to continue in the near and medium-term future and changes in demographics suggests that demand for housing in Whakatāne will remain high. Recent analysis undertaken by the Council shows that currently there is minimal large scale development taking place in the District and much of the land within and close to Whakatāne Township is not suitable for housing due to either its geography or land ownership structure.[2] Also there is limited development potential in Kawerau to accommodate growth in the coming years.[3] This report includes Kawerau District, as it is functionally part of Whakatāne District.

Therefore, it is anticipated that there may be a shortage of dwelling capacity in the District in the future which has important implications for Whakatāne Council planning. Under the Resource Management Act (RMA) and the National Policy Statement on Urban Development (NPSUD), Whakatāne District Council (WDC) has statutory obligations to plan for expected growth. Also, the scale of foreseeable growth has important implication for WDC in terms of infrastructure investments, Council finances (rates and DCs), the role of town centres, community outcomes and a range of environmental effects.

## 1.1 Objective

With these growth implications in mind, WDC has commissioned this economic research to establish the potential demands for dwellings and the extent to which the operative District Plan provides development opportunities that matches this demand. The Council's objective is to ensure that future development in the District meets the needs of a wider group of residents than is currently provided for. To do this, the Council has commissioned this research to provide a robust evidence base on the nature and mix of housing, and the types of dwellings that will be needed in future.

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[1] Statistics New Zealand (2020) Estimated Resident Population for Territorial Authority Areas, at 30 June (1996-2020) (Annual-Jun).

[2] Whakatāne District Council (2016) Residential Development Potential.

Whakatāne District Council (2021) Residential Development Potential (Working Draft).

[3] Based on discussions with Whakatāne council officers.

This information will enable WDC to better understand the state of the existing housing stock, including quality and typology, and to estimate future housing demand in line with demographic expectations. It will also enable WDC to assess future residential land requirements based on the housing needs of the community.

The approach adopted involved three key steps.

- An overview of the current dwelling stock in the District.
- An assessment of housing demand, that identifies household preferences for dwellings in the District.
- An assessment of current Policy to establish whether it provides development opportunities that are commensurate with the diverse demands of the community.

## 1.2 Report Structure

This report is structured into four subsequent sections following this introduction:

- Section Two provides context on the existing dwelling stock which covers Whakatāne's history, and outcomes observed in the residential market. This section includes the nature of dwelling stock, in terms of age, type, and number of bedrooms.
- Section Three focusses on household preferences for housing, which is influenced by household composition, age, income, tenure, and affordability. It also presents the household dwelling demand projections for the district, by key characteristics of dwellings.
- Section Four summarises residential policies that are applicable to Whakatāne. We discuss the policy framework, which includes National Policy Statement, Operative District Plan, and Future Development Strategy. It also provides a comparison of enabled supply to the projected demand.
- Section Five provides a summary of the key points and conclusions about the nature of demand and the policy options that WDC may implement.

# 2 Dwelling Stock Context

This section describes the dwelling stock within Whakatāne and Kawerau districts. This is key contextual information required to understand the residential market. Historical trends and key aspects of the current dwelling stock, including typology, number of bedrooms, dwelling floorspace, construction year, location, sale prices and rentals are included. This basic information about Whakatāne is utilised when identifying forward-looking advice on the policy options (in *Section 4*).

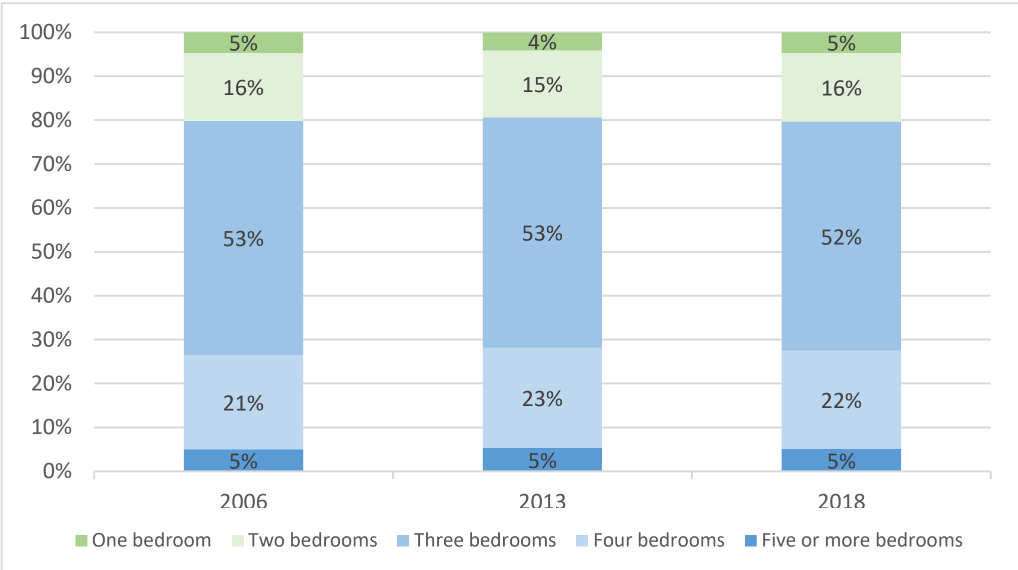
## 2.1 Current Dwelling Stock

The current dwelling stock mostly consists of traditional single level standalone houses, with three or more bedrooms. Census 2018 shows that there were approximately 14,400 dwellings in the Whakatāne District[4] and a further 2,700 dwellings in Kawerau[5], which gives a total of 17,100 on census day. Since then, approximately 350 new dwellings will have been constructed in Whakatāne District and a further 50 constructed in Kawerau. In total it is likely that there are over 17,500 dwellings as of April 2021.

Most dwellings are standalone houses (89%), with a small number of attached dwellings and some apartments. Typologies and locational characteristics of the dwelling stock is covered in more detail in the next subsection, where development activity in the districts is discussed.

In terms of living space, dwellings mostly have three or more bedrooms (80%). There are very few smaller dwellings, with one bedroom (5%) or two bedrooms (16%). Since 2006, the average number of bedrooms per dwelling has remained static at 3.1, The distribution of dwelling stock across these metrics is more or less the same for both Whakatāne and Kawerau districts.

Figure 2-1: Dwellings by Number of Bedrooms, Whakatāne and Kawerau Districts Census 2006-2018




[4] Census recorded dwellings as being occupied (12,645), resident away (840) and unoccupied (930).

[5] Census recorded dwellings as being occupied (2,514), resident away (132) and unoccupied (90).

A key characteristic of housing is that it is generally habitable for multiple decades, which is a comparatively long lifespan compared to most assets that a household owns. While current building code requires durability of 50 years, dwellings can and do remain in use for much longer – especially with New Zealand's DIY, home maintenance culture. This aspect is important as dwellings are built to match the market conditions and demands of the community of the day. As dwellings age and household preferences change, the characteristics of the dwelling may no longer match what is required. While many aspects of a dwelling can be easily changed via renovations (kitchen, bathroom, furnishing, etc), there are some underlying structural elements which are difficult to change (floorplan, building location, typology, etc). This means that older dwellings may not necessarily match current household preferences. Therefore, age of the dwelling stock is an important characteristic when trying to understand how the dwelling stock matches household preferences.

The dwelling stock in Whakatāne and Kawerau districts is mostly aged at over three decades or more, i.e. 80% of the stock is over 30 years old.[6] The remaining 20% of dwellings were built in the last three decades, with largest shares in 1990s (8% of stock) and 2000s (7% of stock). While only 5% of the dwelling stock was constructed in the last decade.

Somewhat counterintuitively, the changes in population (see Figure 3-1) do not match with the share of new dwellings by time period. That is, there was little or no growth in the Whakatāne and Kawerau districts population in the 1990s and 2000s, but these two decades have larger shares of dwelling stock being built. Conversely there was rapid growth in population in the 2010s (mostly since 2013), but the proportion of dwellings built in this decade is lower.

The comparatively low level of dwelling construction relative to population growth over the last decade may be explained by the small decrease in the number of unoccupied dwellings (by approximately 500 since 2013) and increasing household sizes. Increased utilisation of the existing dwelling stock may have reduced the need for new dwellings or alternatively, it may represent households making choices in the face of a limited supply of new dwellings.

The old age of the dwelling stock in Whakatāne and Kawerau districts is different to most high growth areas in New Zealand. Most high growth areas have more than half of their dwellings stock aged 30 years or younger, which is therefore more reflective of current household preferences. The old age of most of the dwelling stock, means that available dwellings mostly represent market outcomes from the distant past. The majority of housing stock was built to meet household preferences of the past, which are likely to be different to the household preferences of today's population.

Finally, while much of the dwelling stock is relatively old, the relative value between new dwellings and old dwellings suggests that there is limited potential for redevelopment under current market conditions. That is the relative costs of removing old dwellings to construct new dwellings may not be currently feasible.[7] However, as the sales prices of new dwelling increases and the existing dwelling stock depreciates, feasibility may change in the future (for more discussion see 2.3 *Dwelling Sales Prices and Rentals*).

[6] Base on Census and Building Consent, WDC has not been able to supply building construction year data.

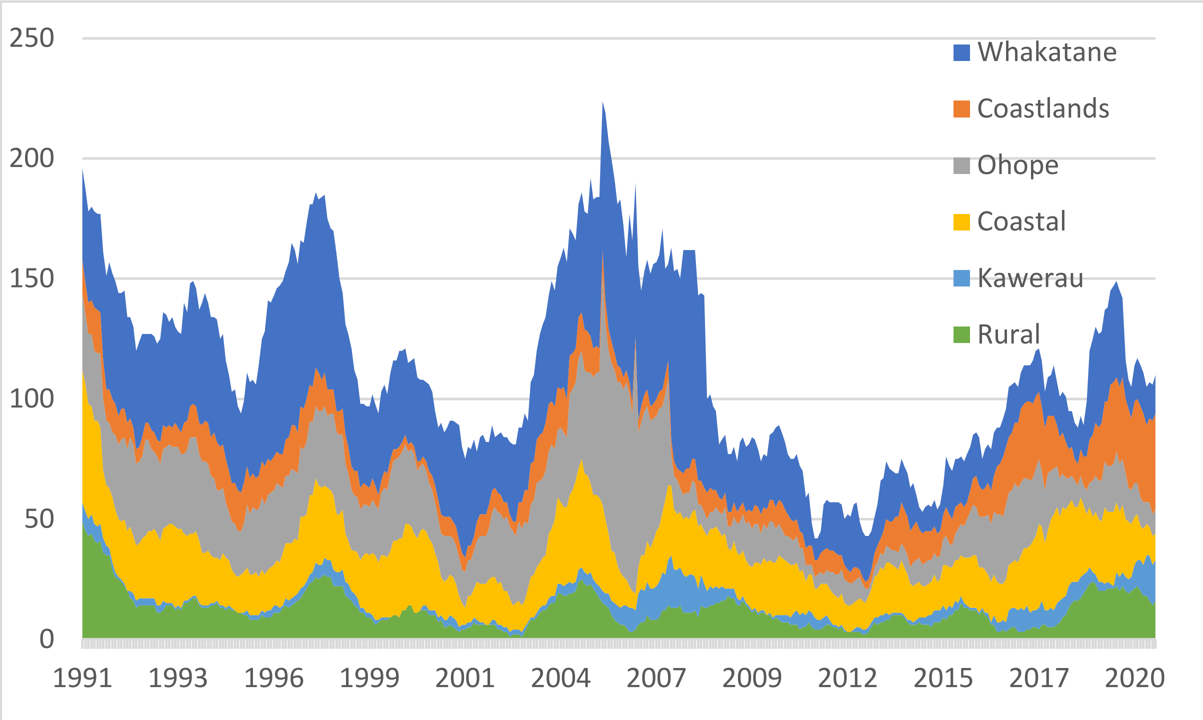
[7] There have been few building consents for this type of brownfield developments, which indicates that it is not yet feasible to undertaken redevelopment in the District.

## 2.2 Development Activity

Building consents data provides a reasonable proxy of development activity and trends within the districts. Figure 2-2 shows the number of building consents for new dwellings between 1990 and 2021, which has long run average of approximately 115 per annum in Whakatāne and Kawerau districts.[8] Most of the development activity has been located in Whakatāne District (110 per annum), with a small amount of development activity in Kawerau (5 per annum).

In terms of spatial distribution, approximately a third of consents were located in Whakatāne town, one-fifth in Ohope and a tenth in Coastlands. The remaining third of consents have were located in the coastal and rural parts of the districts and a small share in Kawerau.

Figure 2-2: Building Consents of New Dwelling by Location, Whakatāne and Kawerau Districts annual 1996 - 2020




The building consents data shows strong periods of residential activity in the 1990s, with upwards of 150 new dwelling consented per annum. The level of residential activity peaked in 2005, at just over 220 new dwelling building consents that year.

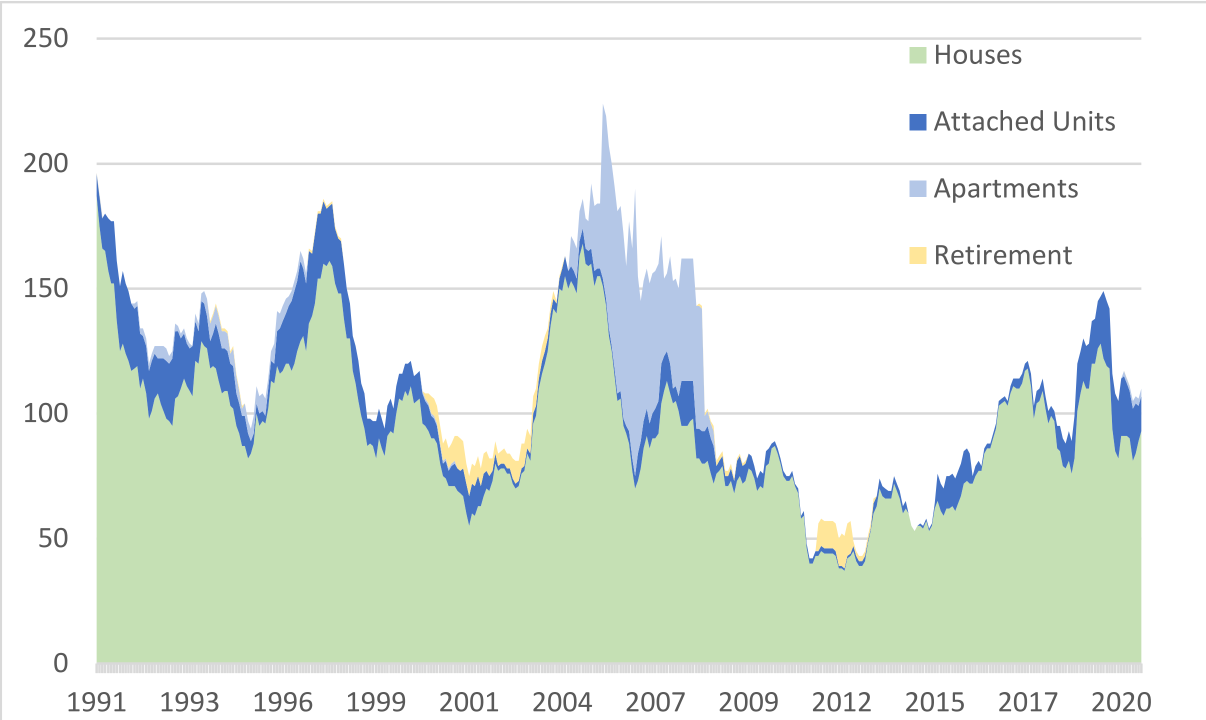
This peak was followed by a slump in activity, with new dwelling consents bottoming out in 2011 and 2013 with less than 50 applications per annum. The collapse in activity in Whakatāne District was most likely driven by the Global Financial Crisis (GFC), which resulted in the reduction in residential development activity across New Zealand and around the world as second tier lenders disappeared.

[8] Stats NZ (2020) Building Consents – Residential Units.

Over the last five years residential dwelling activity has recovered to levels just below the long run average. The most recently available data shows that over the last year, 107 new dwellings have been consented in both districts – of which 88 were in Whakatāne District and 19 in Kawerau.

In terms of types of dwellings, the majority of new consented buildings have been traditional standalone houses, with upwards of 80% in this typology class. Figure 2-3 shows that consents for higher density dwelling typologies have tended to be more prevalent when activity in the market is peaking – i.e. in the early 1990s and early 2000s there were more attached dwellings and apartments being built. Most recently in the 2020's, the share of attached dwellings and apartments has reached 21%, of the total with standalone houses making up the remaining 79%.

Figure 2-3: Building Consents of New Dwelling by Typology, Whakatāne and Kawerau Districts annual 1996 - 2020




In terms of dwelling size (floorspace), the building consents data shows that the average new dwelling in Whakatāne district increased from 170m$^2$ in 2000 to almost 250m$^2$ in 2011, and has since decreased to 190m$^2$ in 2020. This trend is observed in many other areas in New Zealand, with increasing dwelling size trend over the 1990s and 2000s, followed by slow reductions over the last decade.

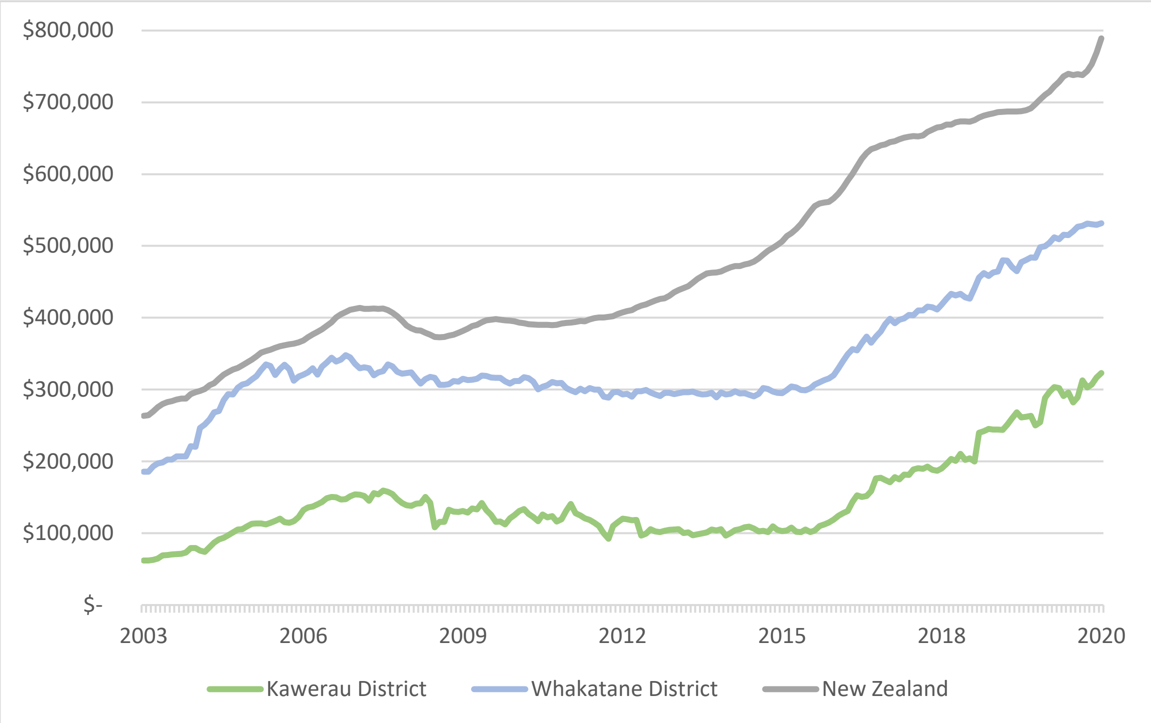
This history is important as it shows different development phases of Whakatāne and Kawerau districts. As a regional satellite area there are growth pressures, driven by growth in Tauranga and Hamilton. These pressures have resulted in strong growth in greenfield developments around towns and coastal areas. Whakatāne town has not experienced significant infill or redevelopment in the exiting residential areas. However, there have been some higher density dwellings built in the town centre in the early 2000s. While this typology has yet to return, there may be some demand as affordability and capacity issues start to effect housing preferences.

## 2.3 Dwelling Sales Prices and Rentals

The dwelling prices (and rents) within Whakatāne and Kawerau districts have both increased substantially over the last five years, reaching over $530,000 for the average dwelling in Whakatāne and $330,000 in Kawerau.[9] This compares to 2003, when an average dwelling in Whakatāne cost $200,000 and $60,000 in Kawerau. Since the beginning of 2021, evidence suggests prices have continued to increase at a rapid rate ($655,000 in Whakatāne District), in line with trends across all of New Zealand.[10]

Most of the inflation has occurred in the last five years, with the average dwelling in Whakatāne increasing in price by over 11% per annum, while in Kawerau the price has increased by 24% per annum. This level of price inflation is unprecedented for the districts, however recent inflation has not been as severe as many high growth areas in New Zealand.

Figure 2-4: Average Dwelling Sale Price – Whakatāne District, Kawerau District and New Zealand 2003-20




Over the last two decades weekly rents have more than doubled within Whakatāne and Kawerau districts. Whakatāne average rents increased from $150 per week in 2000 to $363 per week in 2020, while Kawerau average rent increased from $120 per week in 2000 to $272 per week in 2020.

Whakatāne and Kawerau districts stand out as outliers compared to most high growth locations in New Zealand, with relatively low sales prices and rent inflation. While sales and rents have both increased at rates that are much higher than consumer price inflation or wage increases, they have not increased as fast as most other high growth locations in New Zealand. However, it is important to acknowledge that housing affordability is also a function of the resources (income and wealth) that households can apply to support

[9] Corelogic (2021) Housing Price Series by Territorial Area – Medium house price.
[10] REINZ (2021) Monthly Property Report – March.

mortgage repayments or rent. The issue of housing affordability is covered in more detail in the following section.

A final point that needs to be made is that changes in housing prices and rents can have significant influence on the housing market, both in terms of what types of dwellings are commercially viable to develop and also on household preferences.

## 2.4 Findings - Dwelling Stock

The assessment of Whakatāne and Kawerau districts dwelling stock provides the following key findings,

- Whakatāne and Kawerau districts have recently transitioned to high growth areas, with higher levels of dwelling construction compared to early parts of the last decade.
- The dwelling stock that exists within Whakatāne and Kawerau districts is mostly traditional houses i.e. standalone single level dwellings that are large and with 3 or more bedrooms. Also, most of the dwellings were constructed more than three decades ago, which means that the stock may not match the needs of the current households.
- There have been some developments of higher density housing types, attached dwellings and apartments. However, these types of dwellings are still in the minority and tend to be developed in periods of peak activity in the residential market.
- Rents and Prices (and associated mortgage repayments) have not increased as fast as other high growth areas in New Zealand. Whakatāne and Kawerau districts are relatively more affordable than other high growth areas. However, sales prices, and to a lesser extent rents, have increased markedly over the last five years which can influence the commercial viability of development and household preferences.

This section indicates that the market has tended to supply larger dwelling types, both recently and historically. However, it is acknowledged that the recent increase in dwelling prices which have occurred may result in changes to the types of dwelling that are viable within Whakatāne and Kawerau districts. Broadly, as dwelling sale prices increase the financial viability of higher density dwellings and redevelopment becomes increasingly feasible. It is possible that the market may begin to deliver increasing numbers of attached and apartments in the coming decades.

# 3 Household Preferences

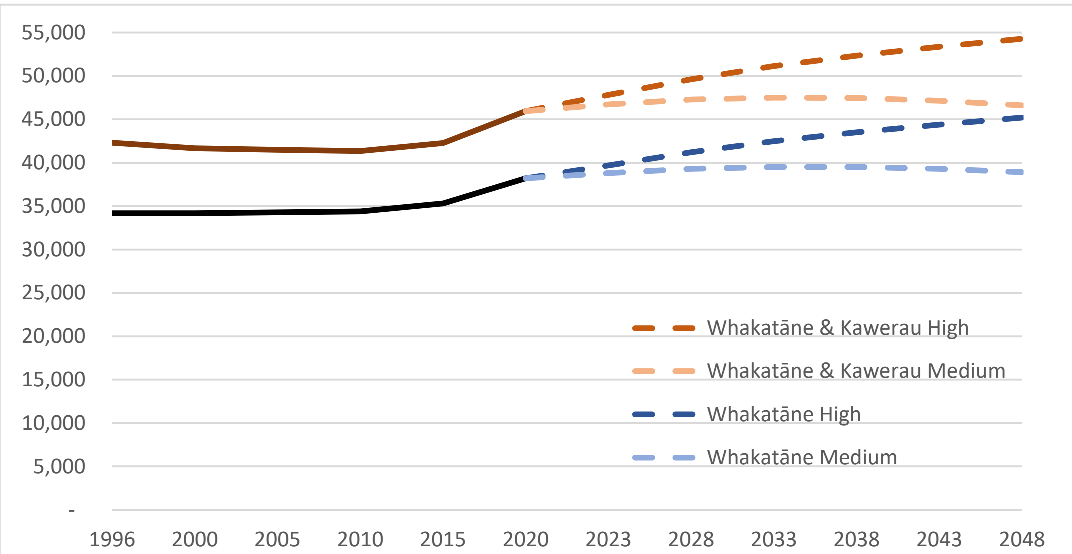
This section describes household preferences within Whakatāne and Kawerau districts, which is critical information required to understand the current residential market. This assessment includes population demographics and household information (income, ethnicity, and tenure).

This context provides basic information about current revealed household preferences in Whakatāne and Kawerau districts, which is utilised to develop the forward-looking projections of dwelling demand. This report also provides some commentary on the stated preferences of households that have been observed in research conducted by the team at Market Economics in other locations. This commentary provides an understanding of how preferences may change as Whakatāne and Kawerau districts experience growth pressures, such as changes in affordability and constraints on locations.

## 3.1 Population Demographics

Before we discuss the demographic structure of the population within Whakatāne and Kawerau districts, it is valuable to note that the recent transition to high growth has been recognised in recently released Statistics New Zealand sub national population projections.[11] These new projections show that growth is now projected to continue until at least 2033 (under the medium and high) and maybe even beyond out to 2048 (under the high).

Figure 3-1: Population Projections Whakatāne and Kawerau Districts




IN 2020, Council commissioned research which suggests that a high projection be used for council planning.[12] For the remainder of this report the high projection has been adopted, which suggests that population in Whakatāne District could reach 45,000 by 2048 and almost 55,000 in the combined

[11] Statistics New Zealand (2021) Subnational population projections, by age and sex, 2018(base)-2048.

[12] Retail Consulting Group (2020) Whakatāne Demand Assessment.

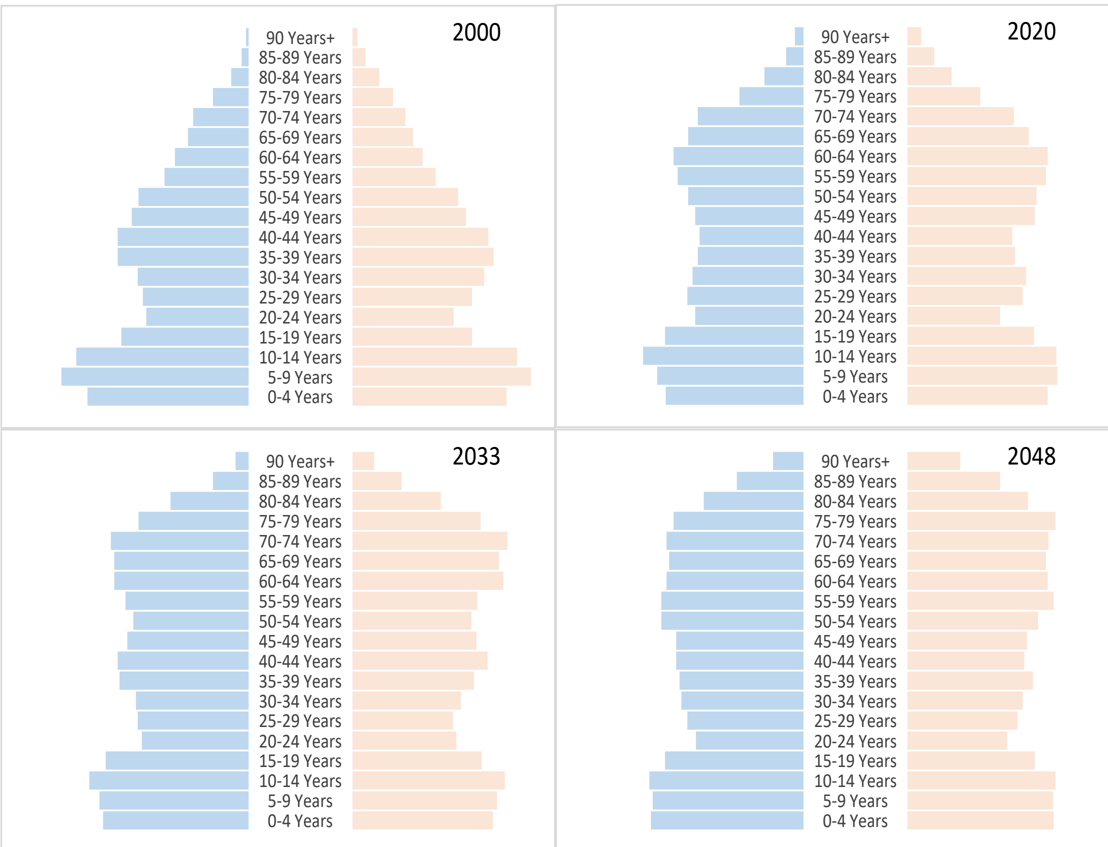
Whakatāne and Kawerau districts area. This is equivalent to 250 new residents per annum in Whakatāne District and a further 50 per annum in Kawerau District.

While it is imperative to understand the changing quantum of population in the area, it is also important to understand the demographic structure of that population as well. Variations in demographic structure can lead to different demands for housing. For example, all else being equal a family with children will have a higher chance of demanding a larger dwelling than a retired couple with no dependent children. This means that changes to demographics in a population can result in demands for different types of dwellings.

Figure 3-2 shows demographic pyramids for Whakatāne and Kawerau districts for the past (2000 and 2020) and projected future (2033 and 2048). The first two pyramids show that the demographic structure of Whakatāne and Kawerau districts have changed markedly over the last two decades. The demographic pyramid for 2000 has a more typical pyramid shape, with wider base at the bottom. This is because of the large numbers of children (35% aged 19 years or younger), early adults (26% aged between 19-39 years) and smaller numbers in the older cohorts (10% aged 65 years or older).

By 2020 the demographic structure had become more evenly distributed. Many of the older age cohorts have more than doubled over the last two decades, with 18% of the population now aged 65 years or older. The middle aged adult cohorts (between 40-64 years) have also increased to 31% of the population. While the children and early adults now represent a small share of the overall population (i.e. 29% and 22% respectively). However, over the two decades the drop in population in these younger cohorts has been small. Importantly, the change in structure of the demographic pyramid has mainly been driven by an increase in the older cohort groups, rather than a decrease in the younger cohorts.

Figure 3-2: Demographic Pyramid Whakatāne and Kawerau Districts 2000, 2020, 2033 and 2048



Looking forward, the projected demographic structure is expected to follow a similar path to the last two decades. The last two demographic pyramids in Figure 3-2 show the outcome for 2033 and 2048 under the Statistics New Zealand high projections.

The 2033 and 2048 pyramids show that the districts are projected to have similar numbers of children and early adults, while the share of older cohorts continues to increase. This means that the share of population aged 65 years and older increases to 25% in 2033 and then to 27% in 2048. At the same time the share of population that are children drops to 26% in 2033 and 25% in 2048 and the share of early adults drops to 20% for both periods.

Over the fifty-year period shown in the figure above the population of older cohorts increases from 4,400 to 15,000. This is a sizeable change, which will affect the nature of dwellings demanded within Whakatāne and Kawerau districts. Importantly, it is expected that there may be increasing demand for retirement dwellings and smaller dwellings – potentially close to amenities and centres.

The numbers of children and early adults decrease by a small amount over the period, which indicates that demands of young families may drive less change in dwelling typology. However, the rapid change in the costs of dwellings (discussed above) may result in changes to demands of this group.  That is, younger families tend to have fewer financial resources, so their preferences may begin to shift to demand more affordable dwellings in the future – potentially older dwellings given up by older cohorts looking to downsize (assuming there is availability[13]).

Finally, the middle age group grows from 11,900 to 15,400 over the fifty-year period. This group is likely to be relatively more financially stable, as such it may drive less change in the nature of dwelling demand. However, there is likely to be a number of internal migrants that move to Whakatāne and Kawerau districts from other large urban areas, who may be more experienced with higher density living and may prefer more central locations.  Given the relative low cost of housing in Whakatane, these internal migrants may have a greater ability to pay higher prices – thereby putting upward pressure on prices overall.

Potential changes in preferences that could occur in the coming decades are discussed qualitatively in subsection 3.6 *Housing We'd Choose*, i.e. stated preferences. The following five subsections draw from Census data to describe the existing preferences of the different household types that currently live within Whakatāne and Kawerau districts, under the existing market conditions – i.e. current revealed preferences.

## 3.2 Household Types

Household type is an important factor that influences the nature of dwellings demanded by the community. Generally, households with more people will want larger dwellings in order to accommodate the members of the household.

Up until 2013 there had been a consistent trend of declining household size across New Zealand, which was primarily driven by decreasing birth rates and mortality rates. These drivers resulted in smaller family

[13] As discussed in the previous section there are few small dwellings in the existing stock. Also recent development has not produce many new small dwellings.

households and more retired households. This trend also occurred in Whakatāne and Kawerau districts, with the household size decreasing from above 3 in the early 1990s to a low of 2.7 by 2013.

The long-term trend of declining household size changed in 2018, with household size increasing for much of the country. In Whakatāne and Kawerau districts the average household size increased to 2.9 persons per household. While there is some methodological difference between the Census 2013 and 2018, it is considered likely that the household size has increased since 2013.

The numbers of households in Whakatāne and Kawerau districts that have crowding issues has remained relatively stable over the last three Census (at around 7%).[14] In 2018 6.5% of households in Whakatāne District experience crowding, compared to 8.2% of households in Kawerau. Conversely, the share of households with one or more bedrooms spare has increased over the last three census. In 2018 it reached almost three quarters of households, with 75% in Whakatāne District and 74% in Kawerau having one or more spare bedrooms. This trend is not unsurprising, given that current dwelling stock and new dwellings being constructed tend to have three or more bedrooms, while the size of an average household is less than three.

Table 3.1 shows census data on the types of households in Whakatāne and Kawerau districts and national distribution as a comparator. It shows that more than half of households in Whakatāne and Kawerau have two or fewer people and that a small number consist of multiple families. Importantly, a quarter of households have one person and 29% are couples, in total at least 54% of households have two or fewer members. Compared to the rest of New Zealand the share of smaller households is relatively high.

The single family households with children represent 38% of the households, most of whom are two parents who have 2 or fewer children (15%). There is also a large number of single parents with children (13%). Also, there are only a small number of multiple families in a household (4%). Compared to the rest of New Zealand this share of larger families is relatively low.

Finally, there is a small number of non-family households (4%). This is reflective of the nature of the area, with limited tertiary education provides and relatively small temporary working immigrant population.

Table 3.1: Household Types Whakatāne and Kawerau Districts, 2018

| Household Types | Whakatāne & Kawerau | | National |
|---|---|---|---|
| One Person | 3,740 | 25% | 23% |
| Couple Only | 4,380 | 29% | 28% |
| 2 Parents, 1-2 Child | 2,300 | 15% | 19% |
| 2 Parents, 3+ Child | 1,460 | 10% | 11% |
| 1 Parent, Childern | 1,970 | 13% | 11% |
| Multiple Families | 540 | 4% | 4% |
| Non-Family | 560 | 4% | 5% |

*Source: M.E Research, Stats NZ Census*

It is important to note that there is a difference between Households and Dwellings which is why the totals in Table 3.1 and 2.1 are not the same. In the Census, Statistics New Zealand count all dwellings whether

[14] Statistics New Zealand (2020) Census 2006, 2013 and 2018, Household Crowding - Canadian National Occupancy Standard.

they are occupied or not or if they are completed or not. This leads to a higher count than when they count households, which are made up of people in different living arrangements. This is an important distinction in places such as Whakatane where there is likely to be a higher share of holiday homes. In 2018, the Census counted around 12% of the dwellings in Whakatane District to be Unoccupied (either residents away, or empty). In Kawerau, with less of a holiday home focus the figure is 8%.

The count of occupied dwellings (15,159 for Whakatane and Kawerau combined) is consistent with household count of 14,967 for the combined districts (Figures 3.2 and 3.3).

Table 3.2: Census 2018 Count of Dwellings by Occupation, Whakatāne and Kawerau District

| Territorial authority description | 2018 Census, dwelling occupancy status,(6)(16) for all dwellings | | | | | |
|---|---|---|---|---|---|---|
| | Occupied dwelling | Unoccupied dwelling – residents away | Unoccupied dwelling – empty dwelling | Total unoccupied private dwellings | Dwelling under construction | Total dwellings |
| Whakatane District | 12,645 | 840 | 930 | 1,626 | 93 | 14,505 |
| Kawerau District | 2,514 | 132 | 90 | 222 | 12 | 2,745 |
| Total | 15,159 | 972 | 1,020 | 1,626 | 105 | 17,250 |

Table 3.3: Census 2018 Household Count, Whakatāne and Kawerau District

| Territorial authority description | Total households, in occupied private dwellings | | |
|---|---|---|---|
| | 2006 | 2013 | 2018 |
| Whakatane District | 11,706 | 12,048 | 12,468 |
| Kawerau District | 2,394 | 2,376 | 2,499 |
| Total | 14,100 | 14,424 | 14,967 |

## 3.3 Household Incomes

Another important factor that influences housing preferences is the amount of resources that households have available to purchase or rent a dwelling, which includes both income and wealth. Broadly, households with higher income and greater wealth will be able to afford a wider range of dwelling options, while households with fewer resources will only be able to afford a few options. While wealth is an important factor in household preferences for dwellings, there is no data available from which an assessment can be conducted. This report focuses on household income, as reported in the Census, shown in Table 3.4.

The data available shows that approximately 12% of households in Whakatāne and Kawerau districts had income of less than $20,000 per annum, a further 13% have income of between $20,001-$30,000 per annum and 19% had income of between $30,001-$50,000. The Whakatāne district has a smaller share of households in these income groups, with 10% of households with income of less than $20,000 per annum, 12% having income between $20,001-$30,000 and 18% had income of between $30,001-$50,000. It is likely that many these households would struggle to afford to purchase or rent a dwelling in Whakatāne and Kawerau districts.[15]

The remaining households with income over $50,001 will be able to afford dwellings within Whakatāne and Kawerau districts, either to buy or rent. This means that it is likely that at least 57% of the households in the Whakatāne and Kawerau districts will be able to afford to buy or rent dwellings within the district.

Table 3.4: Household Income Groups Whakatāne and Kawerau Districts, 2018

| Income Groups | Whakatāne & Kawerau | | National |
|---|---|---|---|
| $20,000 or less | 1,730 | 12% | 9% |
| $20,001-$30,000 | 1,950 | 13% | 10% |
| $30,001-$50,000 | 2,770 | 19% | 15% |
| $50,001-$70,000 | 2,210 | 15% | 13% |
| $70,001-$100,000 | 2,350 | 16% | 16% |
| $100,001-$150,000 | 2,420 | 16% | 19% |
| $150,001 or more | 1,540 | 10% | 18% |

*Source: M.E Research, Stats NZ Census*

The Whakatāne and Kawerau incomes are most different from the national income levels of households for the lower and higher income groups. For example, a quarter of Whakatāne and Kawerau households have income under $30,000 per annum, which compares to one-fifth at the national level. Also, a quarter Whakatāne and Kawerau households have income over $100,000 per annum, which compares to two-fifths at the national level. This means that the median incomes are much lower in Whakatāne ($62,200) and Kawerau ($42,800) than the national levels ($75,700).

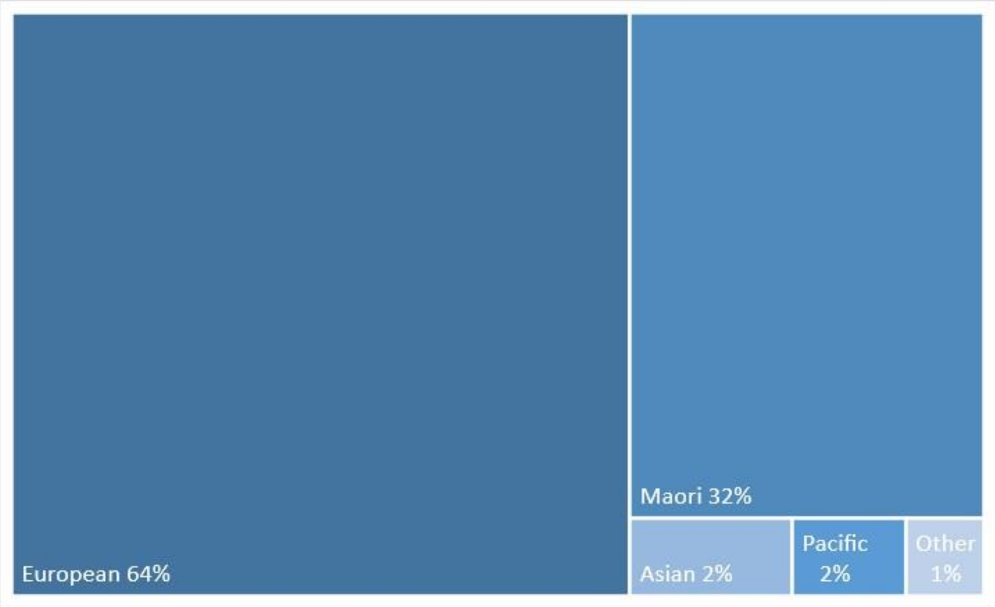
## 3.4 Household Ethnicity

The ethnicity of a household may also impact household preferences for dwellings, with some families preferring to have extended or multi-generational groups living within a dwelling, while others prefer to have members of the immediate family within a dwelling. This difference in preference can influence the number of rooms and size of the dwelling required for each household.

However, it is important to note that household ethnicity is a problematic measure, as census only records the reference persons ethnicity and only allows a single ethnicity. The recording of household ethnicity masks the fact that people in a household can have different ethnicities and that each person within the household can have multiple ethnicities. For example, while approximately half of the population in Whakatāne and Kawerau districts have Maori ethnicity, the household data only records a 32% as having Maori ethnicity. Also 6% of the population has Asian and Pacific Islands ethnicity, while 4% of households are recorded as these ethnicities. Conversely, 61% of the population in Whakatāne and Kawerau districts have European ethnicity and household data records 64%.

[15] Affordability is covered in more detail in section 3.6.

Figure 3-3: Household Ethnicity Whakatāne and Kawerau Districts, 2018




While ethnicity may be an important factor in the household preferences for dwellings, it is considered that for this research it is not possible to draw conclusions on the potential differences between ethnicities. It is suggested that Council conduct additional primary research to obtain a deeper understanding of housing preferences of key ethnic groups.

## 3.5 Household Tenure

The ownership of dwellings is another important factor, which influences whether the dwellings are available for rental or owner occupiers. The household tenure in Whakatāne and Kawerau districts have remained relatively stable compared to most high growth areas in New Zealand, with approximately two-third of households owning, or indirectly owning via a trust, the dwelling they live in.

The remaining third of households live in dwellings that they do not own. Most of these households rent their dwelling, from private landlords (82%), government housing providers (14%) and other community groups (2%). This structure of rental market is similar to the nation, which also has most rentals being provided by private landlords and government housing providers (98%). However, the information shows that iwi (1%) and other community groups (2%) play a more significant role providing rentals in Whakatāne and Kawerau, than is seen nationally.

Table 3.5: Household Tenure Whakatāne and Kawerau Districts

| Tenure | 2006 | 2013 | 2018 |
|---|---|---|---|
| Owned or partly | 7,407 | 6,627 | 8,103 |
| Held family trust | 1,353 | 1,653 | 1,770 |
| Not owned | 4,395 | 4,884 | 5,073 |

## 3.6 Household Affordability

While the scope of this report did not include affordability of housing, this issue is important for household preferences. In this report we compare the dwelling prices and rents that are outlined in section 2.3 and the household incomes in section 3.3, to provide indicative assessment of the changing nature of housing affordability.

First, the information in section 2.3 shows that there have been substantially increases in dwelling prices and rents over the last five years, reaching over $530,000 for the average dwelling in Whakatāne and $330,000 in Kawerau.[16] This compares to 2015, when an average dwelling in Whakatāne cost $310,000 and $110,000 in Kawerau. Over the same period weekly rents have increased by $85 within Whakatāne and Kawerau districts. Whakatāne average rents increased from $278 per week in 2015 to $363 per week in 2020, while Kawerau average rent increased from $187 per week in 2015 to $272 per week in 2020.

While within a wider New Zealand context, most dwellings sales prices within the districts remain 'affordable' and be priced below Kiwibuild/HomeStart grant price caps ($500,000), it is clear that the affordability of dwellings for the local community has worsened significantly.

This is both in terms of increased deposit required (at least triple what was required in early 2000s) and the ongoing repayments (which have double since the early 2000s). In order to afford an average dwelling in Whakatāne District a buyer would need a deposit of at least $50,000 and be able to afford weekly repayments of almost $500. While in Kawerau a buyer would need at least $30,000 deposit and be able to afford weekly repayments of $300.

Also, the average rent in Whakatāne is approximately 25% less per week than the mortgage repayment on an average dwelling. Kawerau average rent is approximately 10% less per week than the mortgage repayment on an average dwelling. In most high growth areas in New Zealand the difference between mortgage repayments and rents are much larger.

Second, the information in section 3.3 shows that household incomes are relatively low within Whakatāne and Kawerau. The data available shows that approximately 43% households have income of less than $50,000.

It is likely that these households would not meet mortgage lending requirements, that is they would not be able to support a mortgage that would enable them to purchase a dwelling in Whakatāne and Kawerau districts.[17] Also many of them would struggle to afford to pay rent within Whakatāne and Kawerau districts.[18]

However, it is acknowledged that some of these households will be own their home with little or no mortgage. Also, others will have wealth that enables them to afford dwellings in the Whakatāne and

[16] Corelogic (2021) Housing Price Series by Territorial Area – Medium house price.

[17] Based on ASB mortgage calculator and average value of dwellings in Whakatāne and Kawerau districts.

[18] Based on assumption that 30% of after tax income is available for rent.

Kawerau districts. Therefore, while 43% of households have incomes that may suggest that housing maybe unaffordable, it is likely that a share of these households will be able to afford dwellings.

Finally, M.E has conducted detailed affordability assessments for other high growth areas in New Zealand. If required, this report could be extended to include more detail on this issue. This would include comparing the entire stock of dwellings (both existing and future) and the household incomes, both today and in the future.

## 3.7 Household Dwelling Demand Projections

This report builds on the RCG recommended household growth scenario[19], our Subnational Household Projections[20] and Household Dwelling Demand model[21] to provide household dwelling demand projections for the period 2020 to 2050. M.E household projections and dwelling demand model was developed using census data that was presented in the previous subsections.

First, the recommended scenario suggested in the RCG assessment has been utilised as the core scenario in this report. Specifically, that assessment suggests the following high growth dwelling demand projection:

- Short-term: 450 new households by 2023, which is 150 per annum.
- Medium-term: 1500 new households by 2030, which is 150 per annum.
- Long-term: 3,900 new households by 2050, which is 130 per annum.

Second, the Market Economics household projections model establishes the number of households by type for each territorial area in the country. We have adopted the high scenario that is derived from Statistics New Zealand high population projections and our modelling of family and household formation rates. The growth reported in our model household projection model are almost the same as the RCG recommended household growth scenario for short term, but lower for the medium and long term 2030 and 2050[22]. For this report the sub national growth projections are factored up to match the RCG recommended scenario.

Figure 3-4 shows the resulting household projections for Whakatāne and Kawerau districts by type of household. The key point from the projections is that over 85% of the growth is projected to be in one person and couple households. Also, there is limited growth in households with children or multi-families.

[19] Retail Consulting Group (2020) Whakatāne Demand Assessment.

[20] Market Economic (2021) Sub National Household Projections 2020-2050 – Whakatāne and Kawerau districts outputs.

[21] Market Economics (2021) National Household Dwelling Demand Model – Whakatāne and Kawerau districts outputs.

[22] Our model projects around 40 fewer households form per annum over the medium and long term

Figure 3-4: Household Projections by Type Whakatāne and Kawerau districts, 2020 to 2050


While we have not assessed future affordability in this report, the projections also show that most (just under half) of the new households are expected to have incomes that may not be sufficient to allow them to afford current or even future sales prices or rents within Whakatāne and Kawerau districts, which is higher than is currently observed (see section 3.6).[23] This outcome may require separate investigation of future supply, in terms of potential sales prices and rents.

The third step was to input the projected households by type into the Household Dwelling Demand Model, which establishes the demand by dwelling type in the future. This model is based on the existing preferences of households, as revealed by the market outcome observed in the Census 2018 for Whakatāne and Kawerau districts. That is, the household preferences that are observed in market transactions, and is constrained by the available stock of dwellings.

This assumption is important for Whakatāne and Kawerau districts, as the existing dwelling stock is relatively old and is unlikely to match contemporary preferences of households. Specifically, when deciding to buy or rent a dwelling the households in the districts are faced with a limited pool of options. Even if they make an optimal decision, it will be constrained by the set of choices available. If there were a wider range of dwelling options available, then some households may change their choice of dwelling. That is for some households revealed preferences may not represent their most optimal dwelling. However, revealed preferences represent the best information currently available, as such it is reasonable to use this information (see discussion of stated preference in the next section).

[23] Includes income growth based on the changes in historic real incomes in the Bay of Plenty region 1998-2020.

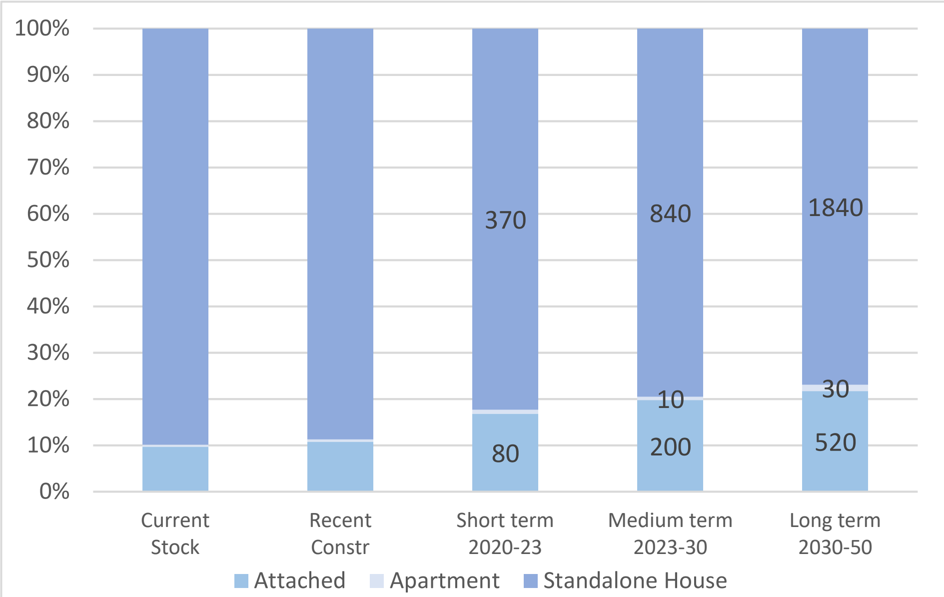
Notwithstanding the issues with revealed preferences, it is common for dwelling projections to be developed using this assumption. The following figures present key information about the nature of dwelling demand that is projected, including typology, tenure and bedroom number.

Figure 3-5 provides a summary of the resulting projected dwelling demand by typology, both in terms of share and number, for the short, medium and long term. For comparative purposes the figure also provides the share of the current dwelling stock and recently consented dwellings (last five years) by typology.

The projected dwelling demand by typology shows that,

- households are expected to demand more attached and apartments and fewer standalone dwellings than is shown in the current stock or what the market has recently been developing.
- However, over three quarters of households are projected to demand standalone dwellings, with new standalone dwelling demand of 370 in the period 2020-23, a further 840 in the remained of the decade (2023-2030) and following two decades an additional 1,840 standalone dwellings may be demanded. The projection suggests that over the coming three decades approximately 100 new standalone dwellings may be demanded per annum.
- A growing share of households are projected to demand attached and apartments, growing from 18% in the short term to 23% in the long term. This is a sizable shift compared to what the market is currently supplying. The projection suggests that over the coming three decades approximately 30 new attached and apartments dwellings would be demanded per annum. This is more than double what the market has developed over the last five years.

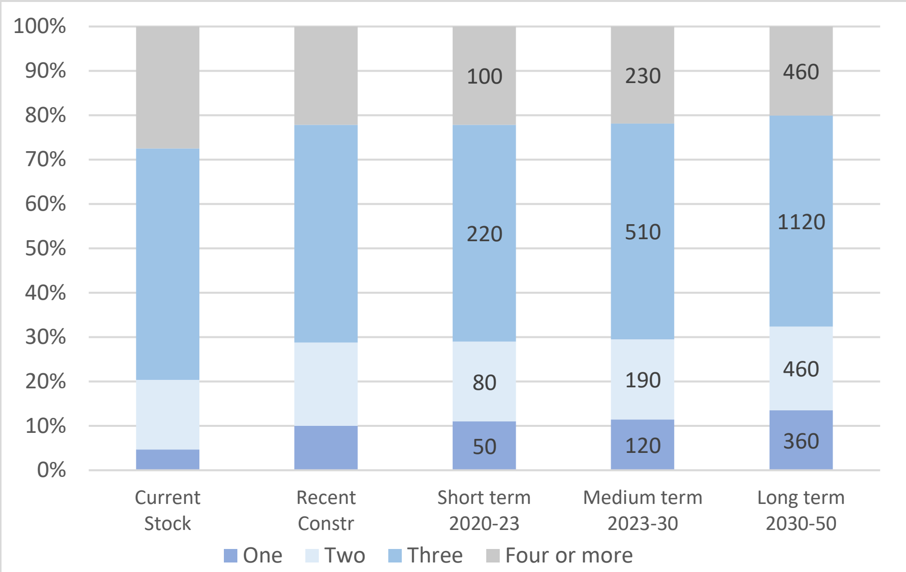
Figure 3-5: Dwelling Typology Projections Whakatāne and Kawerau districts, 2020 to 2050




The dwelling demand projections show very little change in the nature of tenure, with a small decline in the share of dwellings owned or held in family trust, from 66% today to 65% in the future. This also means that the share of households that choose to rent are also more or less the same. However, this outcome is likely to be influenced by changes in dwelling sales prices and rents. If sales prices and rents in Whakatāne and Kawerau districts continue to increase rapidly, as they have in the past few years, then tenure may change.

Finally, while council has no policy tool in the ODP to directly encourage development of dwellings with certain number of bedrooms it can influence this decision via minimum site lot sizes and other rules within the ODP. Figure 3-6 shows the projected dwelling demand by bedroom number, as compared to the current stock and the recently constructed dwellings. In summary the projections suggest a growing share of the demand for housing is expected to be focused on smaller dwellings – one to two bedrooms.

Figure 3-6: Dwelling Bedrooms Projections Whakatāne and Kawerau districts, 2020 to 2050




The projected dwelling demand by bedroom number shows that,

- households are expected to demand more smaller dwellings and fewer larger dwellings than is shown in the current stock or what the market has recently been developing.
- However, over two thirds of households are projected to demand dwellings with three or more bedrooms, with new larger dwelling demand of 320 in the period 2020-23, a further 740 in the remainder of the decade (2023-2030) and following two decades an additional 1,580 large dwellings may be demanded. The projection suggests that over the coming three decades approximately 90 new standalone dwellings may be demanded per annum.
- A growing share of households are projected to demand smaller dwellings, growing from 29% in the short term to 34% in the long term. This is a sizable shift compared to what the market is currently supplying. The projection suggests that there may be demand for 50 one-bedroom dwellings in the period 2020-23, a further 120 in the remainder of the decade (2023-2030) and following two decades an additional 360 may be demanded. Also, there may be demand for 80 two bedroom dwellings in the period 2020-23, a further 190 in the remainder of the decade (2023-2030) and following two decades an additional 460 may be demanded. In total over the coming three decades approximately 530 one-bedroom and 730 two-bedroom dwellings will be demanded. This is equivalent to approximately 40 new smaller dwellings demanded per annum.

The household dwelling demand projections model suggests that the types of dwellings that are being built may change slowly over the coming decades, with small shifts in typology and number of bedrooms, or size.

Importantly, the projects are based on **current revealed** preferences of the types of households that are expected to live within Whakatāne and Kawerau districts. As noted above **revealed** preferences may not necessarily match actual preferences of households, as households face limited housing choices which may not reflect their demands. Also **current** preferences reflect the choices made within the bounds of the existing sales prices and rents, which have obvious implications for household decision making which housing option to select. In recent times sales prices (and rents) of dwellings in Whakatāne and Kawerau districts have increased substantially. These changes are likely to influence household preferences for dwellings.

Therefore, it is likely that the household dwelling demand projections may understate the potential shift between traditional dwellings types (large standalone houses) and higher density dwellings (smaller attached or apartment dwellings). The next section provides some commentary on this issue using primary research that has been undertaken to understand both of these issues.

## 3.8 Housing We'd Choose

The Housing We'd Choose (HWC) research approach is designed to provide insight into the types of new dwellings that different demographic groups prefer to live in, why they prefer this type and how strong their preferences are (state preferences). The key difference between this approach and previous assessments is that in the HWC the respondents are only shown dwelling options that they can afford (i.e. constrained by their own resources) and they are shown a wider range of dwelling options than may be readily available in the market.

Over the last decade the HWC approach has been applied to a number of urban areas in Australasia, including Sydney[24], Melbourne[25], Perth[26], Ipswich[27], Auckland[28], Dunedin[29], Hamilton[30], Nelson[31] and

[24] Sweeney Research. (2011). Project New Home Focus Group (Part 1 of 2). Research undertaken for Grattan Institute, Sydney and Melbourne, Australia.

[25] Kelly, J-F., Weidmann, B., and Walsh, M. (2011a). The housing we'd choose. Melbourne, Australia: Grattan Institute.

[26] Department of Housing and Department of Planning. (2013). The housing we'd choose: a study for Perth and Peel. Perth: Government of Western Australia.

[27] Duncan, H (2013) The Population & Household Future of Ipswich.

[28] Yeoman, R and Akehurst, G (2015). The housing we'd choose: a study of housing preferences, choices and tradeoffs in Auckland. Auckland Council technical report, TR2015/016. Prepared by Market Economics Limited for Auckland Council.

[29] Akehurst, G (2019) Housing Framework Predictions - The Housing We'd Choose. Prepared by Market Economics Limited for Dunedin City Council.

[30] Akehurst. G, Tucker. M, Yeoman. R and Ashby. H. (2020) Future Proof sub-region Housing Study: Demand Preferences and Supply Matters. Prepared by Market Economics Limited for Future Proof Partners.

[31] Yeoman, R and Akehurst, G (2021) Nelson Tasman The Housing We'd Choose. Prepared by Market Economics Limited for Nelson City Council and Tasman District Council.

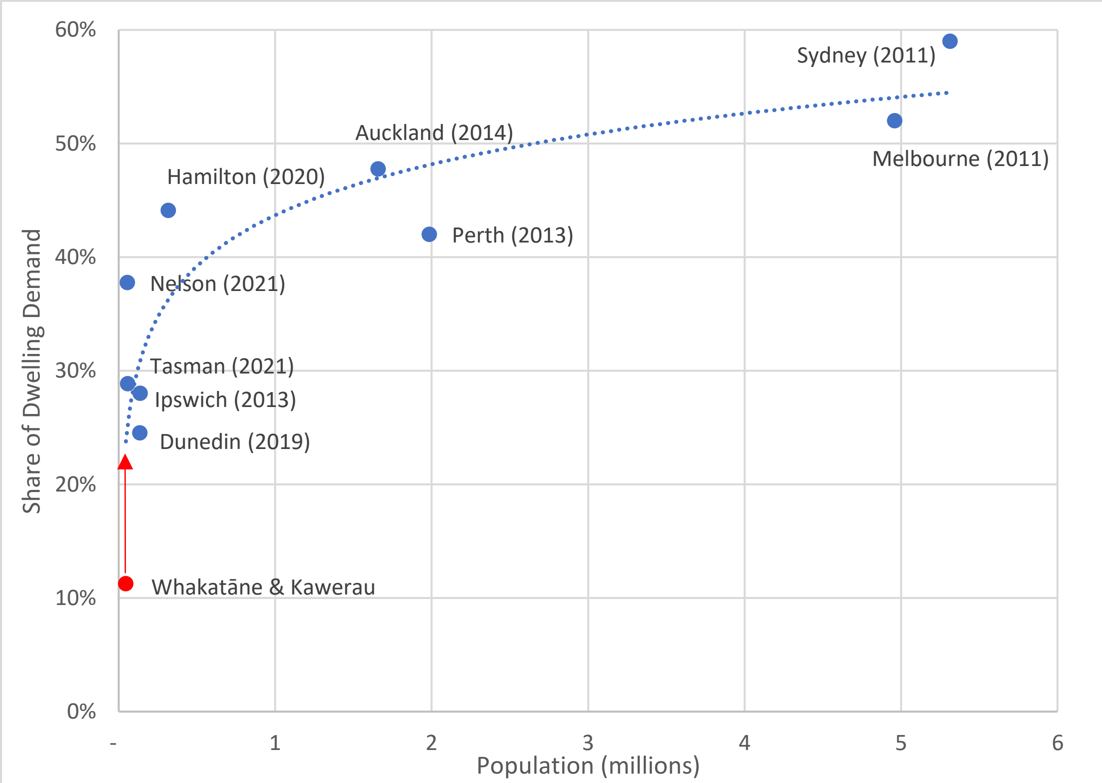
Tasman[32]. By analysing the results for each of the urban areas it is possible to make the following observations,

- Generally, the current dwelling stock does not match the demands of survey respondents, with the biggest mismatches occurring in the larger urban areas.
- In all urban areas the proportion of new dwellings constructed that are standalone is higher than what survey respondents would choose. On average across the studies the market was supplying 15% too many standalone dwellings.
- There is a strong positive correlation between the size of the urban area and the proportion of respondents that pick higher density dwellings (attached and apartments, see Figure 3-7). In the larger urban areas, survey respondents would pick 40-60% of housing to be higher density dwellings, while in smaller urban areas respondents would pick 20-40% to be higher density dwellings. This is likely to be the result of exposure and time.
- Finally, most of the mismatch for the higher density dwellings occurs between the supply of attached dwellings and demand.

At the broad level it is considered likely that if HWC research was applied to Whakatāne and Kawerau districts then the results may show a mismatch between the supply of dwellings (both existing stock and recently built) and respondents stated demand. Currently 89% of new dwellings that have been built in Whakatāne and Kawerau districts are standalone and the remaining 11% are attached and apartments (represented by red dot in Figure 3-7). Based on the previous HWC research, we may expect household demand in the Whakatāne and Kawerau districts for attached/apartments to be higher (over 20%, represented by red arrow in Figure 3-7). Conversely demand for standalone houses maybe 10 percentage points lower than what the market is providing (lower than 80%).

[32] Ibid.

Figure 3-7: HWC Attached and Apartment Dwelling Demand, share of demand by population




There is also a lot of useful information within the HWC about the differences between household preferences, by income, age, type, etc. For example, a high proportion of respondents that demanded higher density dwellings where in the older age cohorts (empty nesters). The HWC survey identifies trade-offs that households are likely to make when faced with constrained income and current prices and typology options. However, it is beyond the scope of this report to apply this information to Whakatāne and Kawerau districts.

Finally, the dwelling demand projections in the previous section rely on current revealed preferences, which are confined by the dwelling options that are currently available and the current market conditions. The revealed preferences do not provide an understanding of the underlying mismatch that may exist or how the preferences may vary as market conditions change in the future. If council commissioned HWC research then the projections could be updated to include stated preferences, which would provide a better understanding of the potential mismatch.

## 3.9 Findings Household Preferences

The assessment of Whakatāne and Kawerau districts household preferences provides the following key findings,

- The demographic structure in Whakatāne and Kawerau districts is expected to follow a similar path as what has been seen over the last two decades, with the population aging and significant growth in the number of single and couple household types.

- A sizable share households in Whakatāne and Kawerau have incomes that suggest that they may struggle to afford to recent sales prices or in some cases rentals. Also two thirds of households own their dwelling.

- The household dwelling demand projections suggests that the types of dwellings that are being built may change slowly over the coming decades, with small shifts in typology and number of bedrooms. Based on current revealed preference there is expected to be a shift from traditional dwellings types (large standalone houses) to higher density dwellings (smaller attached or apartment dwellings)

- It is considered likely that if new primary research was undertaken for Whakatāne and Kawerau districts then the results may show a larger mismatch between the supply of dwellings (both existing stock and recently built) and household demand.

Most importantly, this section presents household dwelling demand projections for Whakatāne and Kawerau. The number of dwellings by typology are a vital result, as they most closely align with the capacity enabled in the District Plan zones. Given the importance of this information it is repeated in table from below.

Table 3.6 shows that there is significant projected to demand for standalone dwellings. The projections suggest new standalone dwelling demand of 370 in the period 2020-23, a further 840 in the remainder of the decade (2023-2030) and following two decades an additional 1,840 standalone dwellings may be demanded. The projection suggests that over the coming three decades approximately 100 new standalone dwellings may be demanded per annum.

The table also show that a growing share of households are projected to demand attached and apartments, growing from 18% in the short term to 23% in the long term. This is a sizable shift compared to what the market is currently supplying. The projection suggests that over the coming three decades approximately 30 new attached and apartments dwellings would be demanded per annum. This is more than double what the market has developed over the last five years.

Table 3.6: Household Dwelling Demand Projections by Typology Whakatāne and Kawerau Districts

| | Short term 2020-23 | Medium term 2023-30 | Long term 2030-50 |
|---|---|---|---|
| Standalone House | 370 | 840 | 1,840 |
| Attached | 80 | 200 | 520 |
| Apartment | - | 10 | 30 |
| Total* | 450 | 1,050 | 2,390 |

**Total demand aligns with RCG recommended scenario*

While the District Plan zones are discussed in the coming section, it is instructive to note here how the zones match with the typology of housing provided in the projections. First, the standalone dwellings are mostly to be developed in the Residential zone and new greenfield areas. Second, most of the attached dwellings will be developed in the Urban Living zone and potentially intensification areas. Finally, apartments will mainly be developed in the business zone, which includes Business Centre, Commercial and Mixed Use zones.

# 4 Residential Policy

The following section provides a short description of the local government residential policy framework which Whakatāne and Kawerau district market operates, along with a stylised policy option which may be adopted to meet implied household demands for dwellings.

The policy framework includes National Policy Statements, Whakatāne operative district plan and the Future Development Strategy. These policies fall within the Resource Management (RMA) legislation, which requires councils to develop policies which include aspects that affect residential development. The scope of this report does not include the Kawerau district plan. However, it is our understanding that there is limited development potential enabled in Kawerau district plan to accommodate growth in the coming years.[33]

There are a number of national policies that have significant implications for the operation of the residential market. While the national policies have considerable influence over the residential market they are beyond the control of local government, as such they are excluded from this report.[34]

## 4.1 Policy Framework

The policy framework outlined in this report focusses on the local government policy within the RMA that is relevant to Whakatāne district. The following discussion does not review the Council policy on rates or development contributions, which are set based on the Local Government Act. It is assumed that rates and development contributions will be more or less the same regardless of the residential policy setting within the District Plan.

### 4.1.1 National Policy Statements

In the past five years the Government has released two National Policy Statements (Urban Development Capacity 2016 and its replacement Urban Development 2020), which require councils to plan for growth and to undertake specific research/monitoring of residential demand and supply. For the most part the NPS on Urban Development (NPSUD) has maintained the requirements in the previous NPS with some modifications and additions.

Importantly, councils are required to regularly monitor housing, undertake an assessment of the housing market every three years and to develop Future Development Strategies to address any shortfall in supply. The NPSUD places emphasis on providing capacity for residential, which allows for a range of dwelling types and to maintain affordability. Also, that they should undertake quantitative research of the potential impacts of their decisions. In order to meet these requirements each council needs to develop a detailed

[33] Based on discussions with Whakatāne council officers.

[34] These include monetary policy (interest rates, loan to value ratio, etc), fiscal policy (GST, bright-line test, etc), direct interventions (Kāinga Ora, Kiwi Build, etc) or other legislation (Kiwi Saver, Building Code, Immigration, Covid19 Fast Track, etc). These policies impact the cost of building (e.g. Building Code), affordability (e.g. interest rates) and/or the nature of dwellings that are available (e.g. Kiwi Build).

understand of residential demand. This report is designed to build on previous studies to provide Whakatāne Council with more detailed information on residential demand.

The NPSUD also requires councils to maintain sufficient capacity to meet expected demands for housing, plus a buffer of 20% in the short-medium terms and 15% for the long term to allow for a competitive market to operate. For the purposes of this report, it is assumed that the recommended scenario suggested in the RCG assessment is sufficiently high to account for expected demand and the required buffer. If this is not the case, then council should consider including additional capacity to account for the NPSUD buffers.

### 4.1.2 Whakatāne Operative District Plan

District Plans are important planning documents for residential development. The RMA requires territorial authorities to develop plans that give effect to the provisions of the higher order policies such as RMA, NPS, RPS and Mahaanui Iwi Management Plans.

The operative Whakatāne District Plan (ODP) was developed less than four years ago[35]. However, the transition of the District to high growth has meant that the ODP may no longer provide sufficient development capacity, both in terms of quantum and type of dwelling.[36]

The ODP has two zones that enable most residential development within the District, the Residential and Urban Living zones. The Residential zone applies to densely settled residential areas in Whakatāne, Ōhope, Edgecumbe, Murupara, Te Teko, Te Māhoe, Taneātua, Matatā, Minginui, Waimana and Awakeri. While the Urban Living zone applies to the urban residential area in Kōpeōpeō, which provides for higher residential density rates.

The ODP also allows residential in some business zones, including Business Centre, Commercial and Mixed Use zones. The Business Centre zone applies to the main shopping centres as well as some isolated retail premises throughout residential areas. This includes the Whakatāne, Edgecumbe, Taneātua, Te Teko, Matatā and Murupara town centres, Ōhope shops, Kōpeōpeō and other individual retail sites in Whakatāne. While the land on the periphery of the Whakatāne Town Centre and close to the Kōpeōpeō Town Centre, and the business centres of Te Teko, Taneātua and Matatā has been included in the Commercial Zone. Also Mixed Use zone is situated immediately adjoining the Business Centre Zone and Commercial Zones of the Whakatāne Centre.

This report does not provide a detailed assessment or discussion of the residential rules in the Whakatāne District Plan. However, it is considered that the Whakatāne District Plan rules are comparatively enabling. Table 4.1 shows some of the residential rules in the Whakatāne District Plan for the urban zones, Residential, Urban Living, Mixed Use, Commercial and Business Centre.

These rules provide for a range of typologies, via enabling dwelling lot rules, density, and bulk/location. For the Residential zone, the rules enable development of traditional standalone houses through to multi-level

[35] Whakatāne District Council (2017) Operative District Plan – June 2017.

[36] Whakatāne District Council (2021) Future Development Strategy – Options and Issues (Working Draft).

duplexes/sets of units. The Urban living zone allows more intensive development with townhouses likely to be developable in this zone.

All three of the business zones allow low rise apartments, of three to five floors. However, there are ground activation rules which means that townhouse developments are unlikely to occur in these zones. Specifically, no residential activity is allowed on ground floor (5.2.5.1) and street fronts are to have at least 75% of clear glass (5.2.12). These rules have three effects, limits the amount of space that can be used for residential on each site (by up to a third), impacts the types of dwellings that can be built (prevents townhouses), and may impact viability of the development (as ground floor tenancies may be difficult to lease). Modifying these two rules could improve the chances that a range of residential developments occur in the business zones.

Finally, in the past retirement living developments have traditionally consisted of ‘villages’ of standalone dwellings or attached units in quiet, rural settings. Recently, there has been a number of developments around the country of new styles of retirement living. The industry is now providing a range of dwelling types and living arrangements, including townhouses and apartments. Also, some of the new retirement living developments have been located close to centres, to allow residents to access to retail/services and to be linked to their community.

In summary, it is considered likely that this trend will reach Whakatāne in the near future and this may drive some development of higher density dwellings in the District. Therefore, it would be sensible to assess whether the rules in the district plan enable this activity. For example, the District Plan appears to enable apartments for the general community to live in the business zones (Permitted), however it inhibits the development of apartments for retirees (Discretionary). This difference in treatment could be changed to allow retirement living within the business zones, which may drive desired redevelopment.

### Table 4.1: Operative Whakatāne District Plan, Zones and Rules

| Whakatāne District Plan | Residential | Urban Living | Mixed Use | Commercial | Business Centre |
|---|---|---|---|---|---|
| **Dwellings per lot** | | | | | |
| One | P | P | P | P | P |
| Two to three | C | C | C | P | P |
| Four or more | RD | RD | RD | P | P |
| Retirement Villages (excl hosp) | C | C | D | D | D |
| Retirement Villages (incl hosp) | RD | RD | D | D | D |
| **Density** | | | | | |
| Minimum Lot Size ($m^2$) | 350 | 250<br>200 (attached) | 50 | 50/130 | 50/130 |
| Outdoor living space ($m^2$) | 40 | 28 | Either 3m diameter or 6m$^2$ balcony | | |
| Coverage | 40% | 50% | Not applicable | | |
| **Bulk and Location** | | | | | |
| Height (m) | 9 | 10 | 10 | 10 | 9, 10 to15 |
| Boundary Height (m) | 2.7 | 2.7 | No residential on ground floor | | |
| Front yard (m) | 4 | 4 | | | |
| Back/Side yard (m) | 3 | 3 | | | |
| Frontage Glazed | Not applicable | | Not applicable | 75% | 75% |

As discussed above, WDC is required to assess the capacity enabled in the ODP to ensure that it provides sufficient supply to meet future demands. WDC has undertaken research to understand the capacity enabled within the ODP, which is currently in working draft. This initial research indicates that Whakatāne District Plan enables capacity for an additional 700 dwellings in the residential zones.[37]

Based on the rules in each zone approximately 460 of the capacity would likely be traditional standalone houses (66%)[38] and 240 attached dwellings (34%)[39]. This distribution of plan enabled capacity is considerably different to the recent supply delivered by the market (see Figure 2-3) or the household demand patterns (see Figure 3-5).

While the Council assessments did not assess capacity that is enabled in the business zones, it is considered likely that there is likely to be capacity for many apartments (potentially in the order of several hundred).

### 4.1.3 Future Development Strategy

As a Tier 3 Council, Whakatāne District is not required to prepare a Future Development Strategy (FDS). However, given the high level of growth in the District since the last growth strategy[40] and the expected growth[41], council officers have begun to prepare an FDS. As mentioned above, council officers have been reviewing the District Plan to establish potential options to provide capacity to accommodate the shortfall. Also, council officers have been considering the implementation of the standard zones in National Planning Standards[42].

Council's recently completed dwelling demand assessment suggests that the districts will need 1,500 new dwellings in the coming decade and a further 2,400 in the following two decades. This means that the supply will be exhausted in the coming five years.[43] Broadly, the options for providing additional capacity are to provide for more intensification in the urban area, zone more greenfield on the edge of the urban areas or a hybrid.

First, the Whakatāne District Plan rules are comparatively enabling for the residential and business zones, which means there is limited opportunity to increase capacity through changes to rules (minimum lot, density, and bulk/location). Alternatively, the Council could increase development capacity by rezoning some of the lower density zone (Residential zone) to the higher density zones (Urban Living or Mixed Use). Overall, while some demand could be met by providing higher density options, intensification should not be relied upon to meet a large share of the expected demand.

Second, the Council could consider zoning more greenfield land to provide additional capacity. While Council officers have not provided details on the nature of any potential greenfield developments, it would be sensible to consider including a combination of zones, including Residential, Urban Living and potentially some business zones. This would allow a wider range of dwelling types to be built within the greenfield

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[37] Whakatāne District Council (2021) Residential Development Potential (Working Draft).

[38] Defined as capacity that is enabled in the Residential zone and greenfield developments.

[39] Defined as capacity that is enabled in the Urban Living zone and infill developments.

[40] Whakatāne District Council (2010) Whakatāne Integrated Growth Strategy.

[41] Retail Consulting Group (2020) Whakatāne Demand Assessment.

[42] Ministry for the Environment (2019) National Planning Standards.

[43] Retail Consulting Group (2020) Whakatāne Demand Assessment.

areas than has been provided in the past. While the majority of dwelling capacity will still be traditional standalone houses, the developments may be designed to allow a wider range of dwelling types, including attached units, townhouses and potentially even apartments.

The options that may be proposed in the Future Development strategy are expected to be designed to meet the foreseeable demands of the community in the medium term and beyond, as required in the NPSUD. While Council is still investigating options, it is likely that it will propose a significant increase in capacity compared to the ODP. Also, most of the increase will relate to the designation of greenfield development[44] areas and to a lesser degree intensification via up-zoning of some urban areas[45].

## 4.2 Policy Option

Finally, this subsection compares the household dwelling demand projections to the supply within the ODP, to establish the nature and timing of the potential shortfall in Whakatāne and Kawerau districts. In summary, this assessment provides an understanding of the types of dwellings that may be demanded in the future and how it matches with the supply enabled in the current operative District Plan. From this assessment a stylised policy option is defined.

Table 4.2 shows the demand[46], supply[47] and unmet demand for dwellings by typology and time periods. Simply the table shows unmet demand (a shortage of supply), when there is more demand for a typology of dwelling within a time period than there is supply.

Table 4.2: Comparison of Household Dwelling Demand and Operative District Plan

| Dwellings | Short term 2020-23 | Medium term 2020-30 | Long term 2020-50 |
|---|---|---|---|
| Demand - Revealed Preferences | | | |
| Standalone | 370 | 1,210 | 3,050 |
| Attached | 80 | 280 | 800 |
| Appartment | - | 10 | 40 |
| Supply - Operative District Plan | | | |
| Standalone | 460 | 460 | 460 |
| Attached | 240 | 240 | 240 |
| Appartment | Hundreds | Hundreds | Hundreds |
| Unmet Demand / Shortage Supply | | | |
| Standalone | - | 750 | 2,590 |
| Attached | - | 40 | 560 |
| Appartment | - | - | - |

[44] Whakatāne District Council (2021) Future Development Areas – working draft.
[45] Whakatāne District Council (2021) Intensification options within existing urban areas – working draft.
[46] Household dwelling demand projections from Table 3.6.
[47] Operative district plan supply as discussed in the last paragraph of subsection 4.1.2.

The figure shows that in the,

- short term the enabled supply of all dwelling types exceeds the demands, i.e. there is no unmet demand.
- medium term there is unmet demand for standalone dwellings of 750 units, with demand (1,210 units) over the decade being significantly larger than enabled supply (460 units). Also, over this period there is a small unmet demand for attached dwellings (40 units).
- long term the outcome is significantly worse, with large levels of unmet demand for both standalone (2,590 units) and attached (560 units) dwellings.

As discussed in the previous section the council is considering intensification and greenfield options to accommodate the unmet demands. The draft intensification options that are being considered would provide sufficient development to meet the medium term (40 units) and long term (560 units) shortages of attached dwellings. However, it may be prudent for the Council to adopt intensification policy that enables more capacity than is shown in the table above.

Based on HWC research that has been conducted it is likely that household preferences will change in the coming decades, which would result in more demand for attached dwellings. As such it is considered that the Council should provide more opportunities for this type of dwelling. Specifically, the FDS could provide for up-zoning in the urban area to enable capacity for attached dwellings in the range of 600 to 700 units.

Some greenfield capacity currently exists in the District. In 2018, a subdivision consent was granted to create lots from an area of land known as the Coastlands Piripai block. The consent was for 472 lots (232 identified as residential lots and 250 as a retirement village units). The subdivision consent conditions required the preparation of a Management Plan to protect Opihi Whanaungakore Urupa from the effects of urban intrusion. The Management Plan that was submitted was opposed by Te Rūnanga or Ngāti Awa and Opihi Whanaungakore Trustees. Following a hearing in February 2021, consent was approved.

Currently there is no plan for the retirement village to go ahead, and it may be that this land is eventually used for household units. When the land capacity needed for household units[48] is added to the calculations, it provides for an additional 105 household units. Together with the original 232 sites, this provides for a total of 337 household units.

Greenfield capacity also exists in the Shaw/Huna Road site (113 sites) which was zoned Deferred Residential in the 2017 ODP. In addition, in Coastlands, two blocks adjacent to the Council-owned block have an 80-lot capacity from existing titles, while the original Lysaght subdivision (Coastlands) has some vacant blocks.

Approximately 350 of these greenfield dwellings could be delivered in the short term in Shaw/Huna Road, and the Coastlands Piripai block, with a further 285 in the medium to longer term. However, it is clear that overall, Whakatane District faces a shortage of dwellings in the medium to longer term.

[48] 12 to 15 residential dwellings per hectare for residential development.

An Eastern Bay Spatial Plan is currently being jointly developed by the Bay of Plenty Regional Council and the Kawerau and Whakatāne District Councils. This will be completed by the end of 2021 and will identify potential future growth sites. The site assessment criteria are shown in Table 4.3 below.

Table 4.3: Eastern Bay Spatial Plan Site Assessment Criteria

| Criteria Categories | Criteria examples |
|---|---|
| **Topography** | Plains, lower foothills, land <3m, soil Land Use Classification (LUC) |
| **Geography** | District Plan Zones, landscape and natural features |
| **Protected sites** | Significant indigenous biodiversity sites |
| **Hazardous sites** | Contaminated land (Mill waste), HAIL sites |
| **Climate risks** | Coastal hazards, inundation, erosion risk, 2004 flood |
| **Cultural / heritage sites** | Marae, pā sites, heritage sites, urupa and burial grounds |
| **Transportation** | Accessibility to the district and region, existing state highways, local roads |
| **Three Waters** | Reticulated water, sewage and stormwater connections, ability to provide wastewater services |
| **Social Infrastructure** | Existing businesses, school, reserves, industry growth (KPID) |
| **Land ownership** | Māori owned land (customary title), Council owned land, freehold land |
| **Existing land use** | Existing land use activities, change in land use patterns |
| **Employment** | Proximity to Whakatāne, Kawerau, Edgecumbe. Consideration of wider cross boundary settlement (e.g. urban sprawl Tauranga/WBOP) |
| **Social bias** | Perceived community acceptance of areas for new settlement. |

While household preferences for standalone dwellings may change in the future, it would be prudent to provide sufficient supply to meet the current projected demands. Specifically, the FDS could allow for the zoning of some new greenfield capacity to meet immediate demand that is expected in the coming decade (750 units) and designate future development areas which will provide for long term demands (1,840 units).

Based on this stylised policy option the capacity would be increased to 2,150 units in the medium term, and further to 3,990 in the long term. In terms of dwelling types this stylise policy option still provides most development potential as traditional standalone houses (over 75%), but also provide more opportunities for higher density dwelling types to be developed if needed.

## 4.3 Policy Findings

The residential policy in which the Whakatāne residential market operates shows the following,

- Successive NPS released by the government have placed greater emphasis on residential capacity and affordability. It is clear that WDC should consider the implications of planning decisions in the context of residential capacity and housing affordability.
- While the operative District Plan was developed only four years ago, it has become outdated in many aspects because of the scale and nature of growth that has occurred recently. If the District Plan is not changed there is a risk that supply will be exhausted in District in the medium term.

- Council's review of the District Plan has incorporated the requirements set out in the NPS and the National Planning Standards which includes standard zones. Council is investigating options to allow more intensification via up zoning land for higher density and to open new greenfield development areas.

- This report has developed a stylised policy option which is constructed using the information from Council and the economic assessments in this report. Based on this stylised policy option the capacity would be increased to 2,150 units in the medium term, and further to 3,990 in the long term. In terms of dwelling types this stylise policy option would provide most development potential as traditional standalone houses (over 75%), but also provide more opportunities for higher density dwelling types to be developed if needed.

Finally, the comparison between the capacity enabled within the ODP and the household dwelling demand preferences indicates that there will be shortages of both traditional standalone house and attached dwellings in the future (assuming that the Council does not act). The comparison shows that in the,

- short term the enabled supply of all dwelling types exceeds the demands – no unmet demand.

- medium term there is unmet demand for standalone dwellings of 750 units, with demand (1,210 units) over the decade being significantly larger than enabled supply (460 units). Also, over this period there is a small unmet demand for attached dwellings (40 units).

- long term the outcome is significantly worse with large amounts of unmet demand for standalone (2,590 units) and attached (560 units) dwellings.

# 5 Conclusion

After several decades of no growth, Whakatāne and Kawerau districts have recently transitioned into a high growth area. Strong growth in the population is expected to continue in the future and changes in demographics suggests that demand for dwellings is expected to remain high. Also, indicative analysis of the Whakatāne District Plan suggests that there may not be enough capacity to meet the expected demands in the medium or long term.

With these growth implications in mind, Council commissioned this economic research to establish the nature of the demands for housing and the extent to which the operative District Plan provides development opportunities that matches this demand. The Council will utilise this report to ensure that the opportunities for future development in the District meets the needs of a wider group of residents than is currently provided for.

This report has three key assessments which are outlined in the main sections of the report. Briefly, this economic research included,

1. An assessment of the dwelling stock within Whakatāne and Kawerau districts to establish a baseline understanding to the nature of dwellings that exist and are being built.
2. An assessment of Whakatāne and Kawerau districts household preferences to establish the nature of households and the types of dwellings that they would demand.
3. An assessment of residential policy to establish how the capacity for residential development matches with the demand.

In summary, this report has shown that demand for dwellings by typology will change in the future, which means that there will be shortages of both standalone houses and attached units. In order to avoid shortages of supply, Council will need to introduce new policy to allow more opportunities for both intensification and greenfield development.

This report has developed a stylised policy option which is constructed using the information from Council and the economic assessments in this report. Based on this stylised policy option capacity would be increased to 2,150 units in the medium term, and further to 3,990 in the long term. In terms of dwelling types this stylise policy option would provide most development potential as traditional standalone houses (over 75%), but also provide more opportunities for higher density dwelling types to be developed if needed. Key findings of the three assessment are repeated in the following paragraphs.

*Findings Dwelling Stock*

This assessment of the dwelling stock had the following key findings,

- Whakatāne and Kawerau districts have recently transitioned to high construction activity, with higher levels of dwelling construction compared to the last decade.
- The dwelling stock that exists within Whakatāne and Kawerau districts has mostly been traditional i.e. standalone single level dwellings that are large and 3 or more bedrooms. Also,

most of the dwellings were constructed more than three decades ago, which means that the stock may not match the needs of the current households.

- There have been some developments of higher density housing types, attached dwellings and apartments. However, these types of dwellings are still in the minority and tend to be developed in periods of peak activity in the residential market.

- Rents and Prices (and associated mortgage repayments) have not increased as fast as other high growth areas in New Zealand. Broadly, Whakatāne and Kawerau districts are relatively more affordable than other high growth areas. However, sales prices, and to a lesser extent rents, have increased markedly over the last five years.

This assessment shows that the market has tended to supply larger dwelling types, both recently and historically. However, it is acknowledged that the recent increase in dwelling prices which have occurred may result in changes to the types of dwelling that are viable within Whakatāne and Kawerau districts. Broadly, as dwelling sale prices increase the financial viability of higher density dwellings and redevelopment becomes increasingly feasible. It is possible that the market may begin to deliver increasing numbers of attached and apartments in the coming decades.

*Findings Household Preferences*

The assessment of Whakatāne and Kawerau districts household preferences provides the following key findings,

- The demographic structure in Whakatāne and Kawerau districts is expected to follow a similar path as what has been seen over the last two decades, with the population aging and significant growth in the number of single and couple household types.

- A sizable share households in Whakatāne and Kawerau have incomes that suggest that they may struggle to afford to recent sales prices or in some cases rentals. Also two thirds of households own their dwelling.

- The household dwelling demand projections suggests that the types of dwellings that are being built may change slowly over the coming decades, with small shifts in typology and number of bedrooms. Based on current revealed preference there is expected to be a shift from traditional dwellings types (large standalone houses) to higher density dwellings (smaller attached or apartment dwellings)

- It is considered likely that if new primary research was undertaken for Whakatāne and Kawerau districts then the results may show a larger mismatch between the supply of dwellings (both existing stock and recently built) and household demand.

This section provides household dwelling demand projections for Whakatāne and Kawerau. The number of dwellings by typology are a vital result, as they most closely align with the capacity enabled in the District Plan zones. Given the importance of this information it is repeated in table from below.

Table 5.1 shows that there is significant projected to demand for standalone dwellings. The projections suggest new standalone dwelling demand of 370 in the period 2020-23, a further 840 in the remained of the decade (2023-2030) and following two decades an additional 1,840 standalone dwellings may be demanded. The projection suggests that over the coming three decades approximately 100 new standalone dwellings may be demanded per annum.

The table also show that there is a growing share of households are projected to demand attached and apartments, growing from 18% in the short term to 23% in the long term. This is a sizable shift compared to what the market is currently supplying. The projection suggests that over the coming three decades approximately 30 new attached and apartments dwellings would be demanded per annum. This is more than double what the market has developed over the last five years.

Table 5.1: Household Dwelling Demand Projections by Typology Whakatāne and Kawerau Districts

| | Short term 2020-23 | Medium term 2023-30 | Long term 2030-50 |
|---|---|---|---|
| Standalone House | 370 | 840 | 1,840 |
| Attached | 80 | 200 | 520 |
| Apartment | - | 10 | 30 |
| Total* | 450 | 1,050 | 2,390 |

**Total demand aligns with RCG recommended scenario*

While the District Plan zones are discussed in the coming section, it is instructive to note here how the zones match with the typology of housing provided in the projections. First, the standalone dwellings are mostly be developed in the Residential zone and new greenfield areas. Second, most of the attached dwellings will be developed in the Urban Living zone and potentially intensification areas. Finally, apartments will mainly be developed in the business zone, which includes Business Centre, Commercial and Mixed Use zones.

*Findings Residential Policy*

The residential policy in which the Whakatāne residential market operates shows the following,

- Successive NPS released by the government have placed greater emphasis on residential capacity and affordability. It is clear that WDC should consider the implications of planning decisions in the context of residential capacity and housing affordability.
- While the operative District Plan was developed only four years ago, it has become outdated in many aspects because of the scale and nature of growth that has occurred recently. If the District Plan is not changed there is a risk that supply will be exhausted in District in the medium term.
- Council's review of the District Plan has incorporated the requirements set out in the NPS and the National Planning Standards which includes standard zones. Council is investigating options to allow more intensification via up zoning land for higher density and to open new greenfield development areas.
- This report has developed a stylised policy option which is constructed using the information from Council and the economic assessments in this report. Based on this stylised policy option the capacity would be increased to 2,150 units in the medium term, and further to 3,990 in the long term. In terms of dwelling types this stylise policy option would provide most development

potential as traditional standalone houses (over 75%), but also provide more opportunities for higher density dwelling types to be developed if needed.

Finally, the comparison between the capacity enabled within the ODP and the household dwelling demand preferences indicates that there will be shortages of both traditional standalone house and attached dwellings in the future. The comparison shows that in the,

- short term the enabled supply of all dwelling types exceeds the demands – no unmet demand.
- medium term there is unmet demand for standalone dwellings of 750 units, with demand (1,210 units) over the decade being significantly larger than enabled supply (460 units). Also, over this period there is a small unmet demand for attached dwellings (40 units).
- long term the outcome is significantly worse with large amounts of unmet demand for standalone (2,590 units) and attached (560 units) dwellings.

# Appendix: Whakatāne District Data

Figure 0-1: Dwellings by Number of Bedrooms, Whakatāne District Census 2006-2018

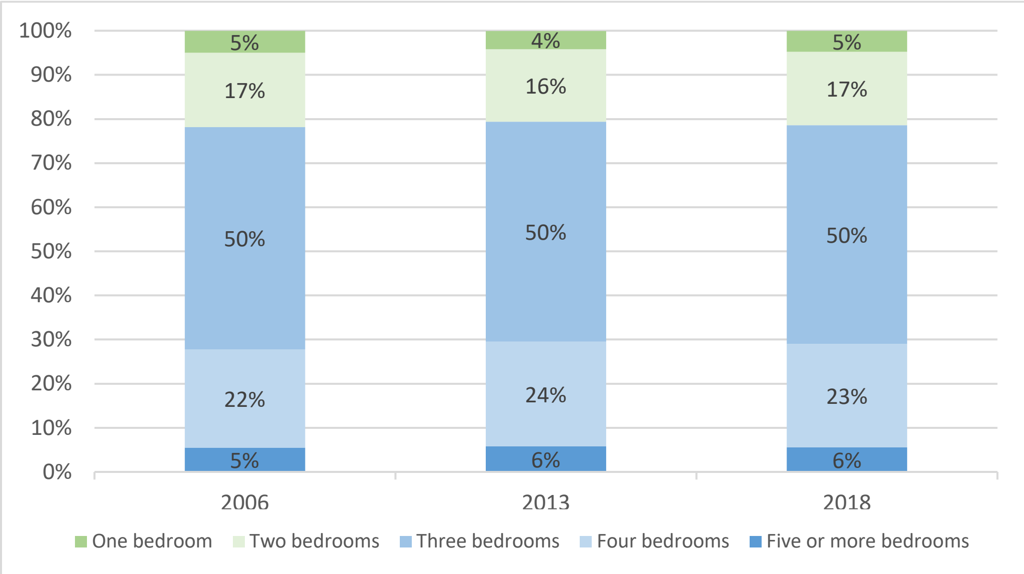


Figure 0-2: Building Consents of New Dwelling by Location, Whakatāne District annual 1996 - 2020

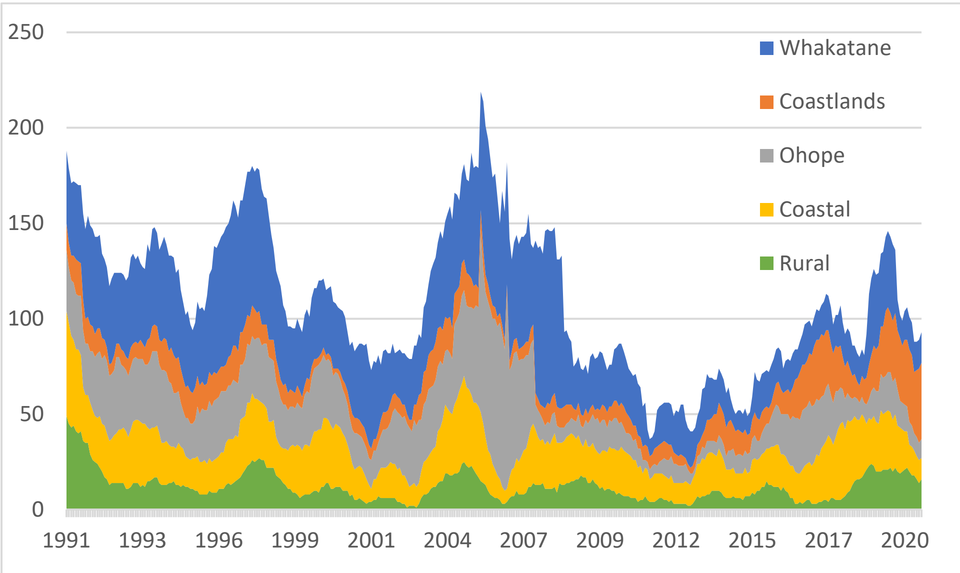

Figure 0-3: Building Consents of New Dwelling by Typology, Whakatāne District annual 1996 - 2020

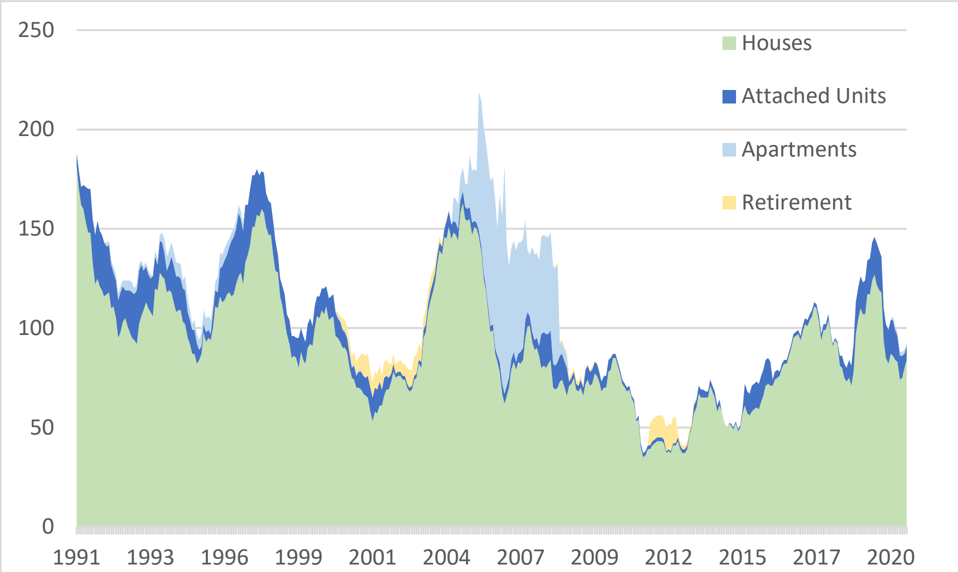


Table 0.1: Household Types Whakatāne District, 2018

| Household Types | Whakatāne | | National |
|---|---|---|---|
| One Person | 3,030 | 24% | 23% |
| Couple Only | 3,710 | 30% | 28% |
| 2 Parents, 1-2 Child | 2,020 | 16% | 19% |
| 2 Parents, 3+ Child | 1,250 | 10% | 11% |
| 1 Parent, Childern | 1,560 | 13% | 11% |
| Multiple Families | 430 | 3% | 4% |
| Non-Family | 460 | 4% | 5% |

*Source: M.E Research, Stats NZ Census*

Table 0.2: Household Income Groups Whakatāne District, 2018

| Income Groups | Whakatāne | | National |
|---|---|---|---|
| $20,000 or less | 1,300 | 10% | 9% |
| $20,001-$30,000 | 1,540 | 12% | 10% |
| $30,001-$50,000 | 2,210 | 18% | 15% |
| $50,001-$70,000 | 1,850 | 15% | 13% |
| $70,001-$100,000 | 2,010 | 16% | 16% |
| $100,001-$150,000 | 2,120 | 17% | 19% |
| $150,001 or more | 1,430 | 11% | 18% |

*Source: M.E Research, Stats NZ Census*

Figure 0-4: Household Ethnicity Whakatāne District, 2018

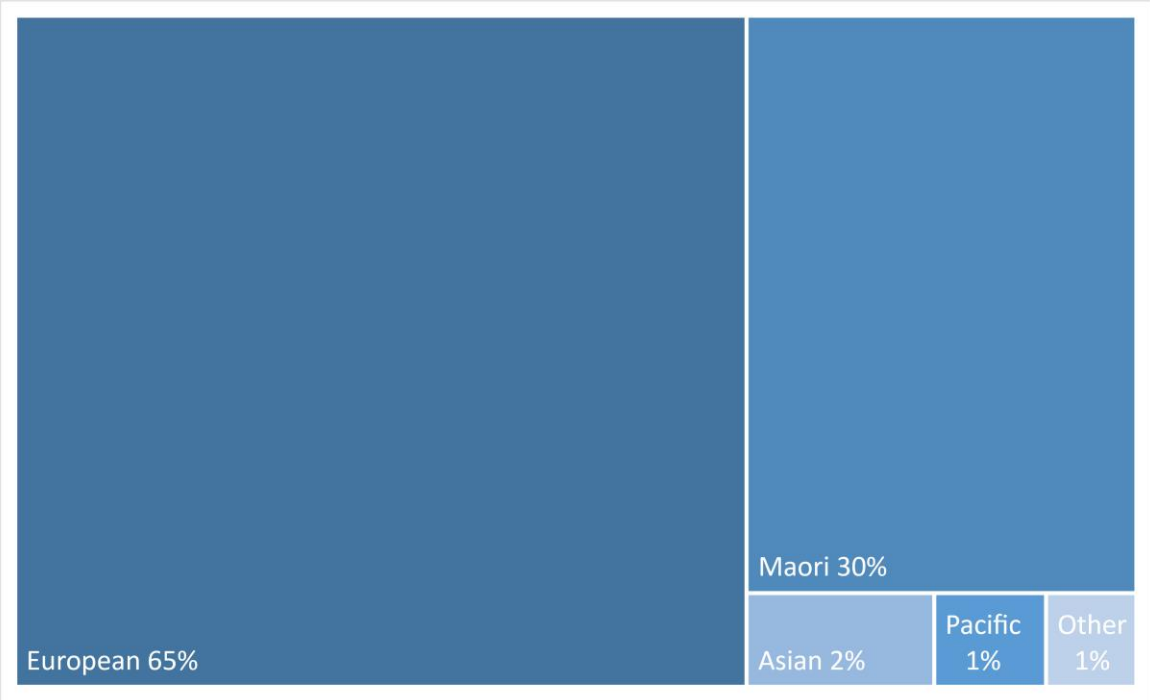


Table 0.3: Household Tenure Whakatāne District

| Tenure | 2006 | 2013 | 2018 |
|---|---|---|---|
| Owned or partly | 6,018 | 5,430 | 6,612 |
| Held family trust | 1,242 | 1,533 | 1,635 |
| Not owned | 3,636 | 4,074 | 4,203 |
| Rented | 2,844 | 3,348 | 3,576 |

Figure 0-5: Dwelling Bedrooms Projections Whakatāne District, 2020 to 2050