

PROPERTY ECONOMICS



MASTERTON RESIDENTIAL

MARKET ECONOMIC

ASSESSMENT

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Client: Welholm Developments Ltd



SCHEDULE

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CONTACT DETAILS

Tim Heath

Mob: 021 557713

Email: tim@propertyeconomics.co.nz

Web: www.propertyeconomics.co.nz

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1. INTRODUCTION

Property Economics has been engaged by Welholm Developments Limited (**the applicant**) to undertake an economic assessment for a proposed Private Plan Change (**PPC**) to rezone approximately 14.7ha of land in the northern fringe of the Masterton township from Rural – Primary Production to Residential under the Combined Wairarapa District Plan (**CWDP**).

The applicant is proposing to rezone the site to enable residential development with provision for the potential development of a retirement village.

This economic assessment includes a review of the residential market and projected growth in demand of residential stock and retirement units. Dwelling demand is compared to a high-level assessment of existing housing capacity within the market over the short-, medium- and long-term (3-, 10- and 30-year) period.

This report also provides a high-level economic cost and benefit assessment for the PPC and commentary on the loss of productive land from an economic perspective. This economic assessment is designed to provide a strong economic basis to inform the applicant about the economic considerations of the proposed PPC in the RMA context.

1.1. OBJECTIVES

The core objectives of the report are to:

- **Identify and Delineate the Primary Economic Catchment:** Identify the primary market the proposed PPC development is designed to service.
- **Masterton District Economy Overview:** Provide a high-level review of the performance of the Masterton economy in terms of GDP and economic activity growth relative to other territorial authorities within the Wellington Region. This includes identifying the key sectors driving the district's economic performance.
- **Population and Household Growth:** Utilise recent Sense Partners¹ population and household projection series to determine the size of the current and future residential base out to 2051.
- **Demographic Profiling:** Profile the PPC's core residential market in terms of key economic and social characteristics to identify and understand the composition of the market.
- **Residential Market:** Provide an overview of the core residential market of the PPC in terms of dwelling property sales and existing retirement village capacity.
- **Residential Sufficiency:** Determine the number of additional new dwellings required to accommodate projected growth, including unoccupied dwellings in the short- (3-years), medium- (10-years) and long-term (30 years).
- **Retirement Village Units Sufficiency:** Determine the total retirement village units required to accommodate projected senior population (75+ year age bracket) growth in the short-, medium- and long- term to understand the senior housing / retired living sufficiency within the identified residential market.
- **Economic Costs and Benefits:** Identify the key higher level economic costs and benefits of the proposed PPC.
- **Loss of Productive Land:** Specifically quantify the economic cost of the loss of productive agricultural land to the Masterton District as a result of the PPC.

¹ Sense Partners projections were adopted by Greater Wellington and utilised by each Wellington Territorial Authority as part of their respective NPS UD HBA capacity modelling obligations and have more fine grain projections regarding total dwelling demand.

1.2. DATA SOURCES

Information has been obtained from a variety of reputable data sources and publications available to Property Economics, including:

- New Zealand Census (2013 & 2018) – Stats NZ
- Catchment Maps – Google Maps
- District Plan Zones – Carterton District Council
- District Plan Zones – Masterton District Council
- Combined Wairarapa District Plan – Masterton, South Wairarapa & Carterton Councils
- Economic Development Strategy 2018 - Masterton District Council
- Median Residential Sales Price and Quantity – MBIE, CoreLogic
- Population and Household Projections – Sense Partners
- Masterton District Housing Stocktake - Masterton District Council
- Modelled Territorial Authority GDP – MBIE, Stats NZ
- Primary Parcels Layer – LINZ
- Retirement Village Markets Review 2021 – JLL
- Property Report for Masterton Site - AgFirst 2021

2. EXECUTIVE SUMMARY

The proposed Private Plan Change (PPC) intends to rezone approximately 14.7ha of land on the northern fringe of Masterton urban area from Rural - Primary Production to Residential. The PPC would enable the residential development of the site with provision for a potential retirement village.

DISTRICT ECONOMY OVERVIEW

The Masterton District economy is comparatively small to other territorial authorities in the region due to its limited population base and location relative to large urban centres. The district has, however, seen some positive economic growth in recent years and has the third fastest productivity growth (measured by GDP per capita) in Wellington Region, with its primary industries and strong rural productive base contributing a material 20% of the district's economy.

MARKET GROWTH

The identified market for residential dwellings in Masterton extends beyond the Masterton District itself to include the Carterton District.

Sense Partners Population and Household Growth Projections (**Sense Partners Projections**) for the identified market – Masterton and Carterton Districts – forecasts a net increase in the population of around 20,720 people (or +54%) over the current population base of 38,250 people by 2051 under the Median projection scenario.

By 2051 (30-years) the population of the Masterton / Carterton catchment is anticipated to be nearly 58,970 people. Under the High Growth scenario, the 2051 population is projected to be nearly 73,000 people, a net increase of +91%.

Both districts have their primary population base live, work and shop in two small townships (each bearing the name of their district) that are near one-another (15-20min drive). Most of the interest in future retirement village is likely to be derived from this economic market.

This expected growth, in conjunction with an ageing population demographic in the Masterton / Carterton catchment (like in many parts of NZ), highlights the need for additional residential dwellings, particularly for senior residents.

RESIDENTIAL CAPACITY SUFFICIENCY

Property Economics' assessment of vacant, zoned residential capacity within the combined Masterton and Carterton Districts residential zones estimates around 1,877 dwellings of capacity.

The Masterton Urban Growth strategy, assessing Masterton District only, identified circa 9,000 dwelling capacity. This capacity estimate was higher as it included infill as well as vacant zoned capacity but did not reflect feasible capacity, realisable capacity or development impediments,

such as flooding, that, when combined, would lower the 9,000 dwelling capacity estimate considerably.

Based on estimated growth from Sense Partners Projections, there is likely to be a significant shortage in residential housing sufficiency in the medium- and long-term, with only a minor surplus in the short-term. Supplying sufficient residential capacity is important to facilitating economic growth in the district and keeping Masterton's residential market competitive.

There is a short-term (3-years) capacity surplus of circa 80 residential dwellings. The total shortage in the medium-term (10-years) is around 2,320 dwellings growing to 7,860 dwellings over the long-term (30-years). This demonstrates a clear requirement for advanced planning and unlocking of additional residential capacity through a combination of greenfield expansion and urban area redevelopment (greater density dwellings).

This balanced approach to accommodating future growth requirements would secure the economic benefits associated with more efficient use of existing land resources and infrastructure, whilst providing sufficient capacity and location, typology and price choice in the market.

RETIREMENT VILLAGE MARKET

There are currently just under 500 retirement units in the Masterton / Carterton catchment. It is anticipated that the identified market will have consumed the extant supply of retirement stock, approximately 500 retirement units, by 2024. The market is anticipated to require a further 240 retirement units by 2031 and 810 units, cumulatively, by 2051 (Medium scenario).

Given these projections, the proposed PPC, and subsequent retirement village development plan, is a promising start to this critical challenge for the districts to accommodate the projected senior population growth over the next 30 years. In essence, the PPC would only form part of the solution, but represents a good start in meeting this demand.

LOSS OF PRODUCTIVE LAND

The proposed PPC is unlikely to materially impact agricultural production within the Masterton District given the identified Land Use Capability (LUC) class (Class 3) and the limited scale of the subject land (being only 0.05% of the land registered as Class 3, or less than a tenth of a percent of all high-class soils). Class 3 soil is assessed as being the lowest soil class given any classifications in the upcoming National Policy Statement on Highly Productive Land (**NPS-HPL**) as it has moderate constraints on its capability of being productive.

Additionally, an AgFirst report² suggests that the proposed PPC site has physical limitations of the poorly drained subsoil, which restricts the site's land production potential. As such the economic costs associated with the loss of this land for productive purposes is considered very low.

² Property Report for Masterton Site (September 2021). AgFirst (Louis Batley).



ECONOMIC COSTS AND BENEFITS

Having identified the relevant economic costs and benefits of the proposed PPC, it is determined that the proposed PPC would likely have significantly greater economic benefits than economic costs.

This economic assessment supports the proposed PPC to rezone the land from Rural – Primary Production to Residential from an economic perspective.

3. THE PROPOSED PRIVATE PLAN CHANGE

This section identifies the subject site location in the context of the surrounding environment and the Masterton township.

This proposed PPC seeks to rezone a 14.7ha tranche of land for residential development.

The development resulting from the proposed PPC would act as an extension to the contiguous Cashmere Oaks residential development to its immediate south. As such the PPC is not introducing a new residential land use to the area, but rather is an expansion of existing residential development on the adjacent land immediately south of the subject site.

The PPC site, while not identified in the existing District Plan as a growth area, does appear in the Masterton Urban Growth Strategy³ (p. 92-95) as a Future Residential Expansion Option and is touted as an ideal location for future residential expansion for the Masterton township. The Growth Strategy discusses the following criteria as to why this area was considered an ideal location for residential expansion, including:

- Adjacent to an existing residential area, or area being developed for residential (Cashmere Oaks); and
- Located on the northern or western side of Masterton away from vital infrastructure such as the aerodrome, wastewater treatment plant or wastewater transfer station; and
- Not subject to any known natural hazards; and
- Avoids identified landscape or heritage values and areas of significance to tangata whenua; and
- Not impacted by designations and not identified as contaminated land; and
- Relatively flat, making development easier.

This last point is important for delivering more economically efficient and cost-effective development, and therefore more competitive new dwelling prices.

Figure 1 identifies the PPC site location in the context of Masterton township. The PPC site is located on the northern fringe of the township and is directly adjacent to railway tracks to the west and an ongoing residential development, Cashmere Oaks, to the south.

The proposed PPC site is zoned Rural – Primary Production under the CWDP and is currently used for light agricultural grazing.

³ Masterton Urban Growth Strategy (2019). Boffa Miskell.

FIGURE 1: LOCATION OF PROPOSED PPC SITE



Source: Google Map, LINZ

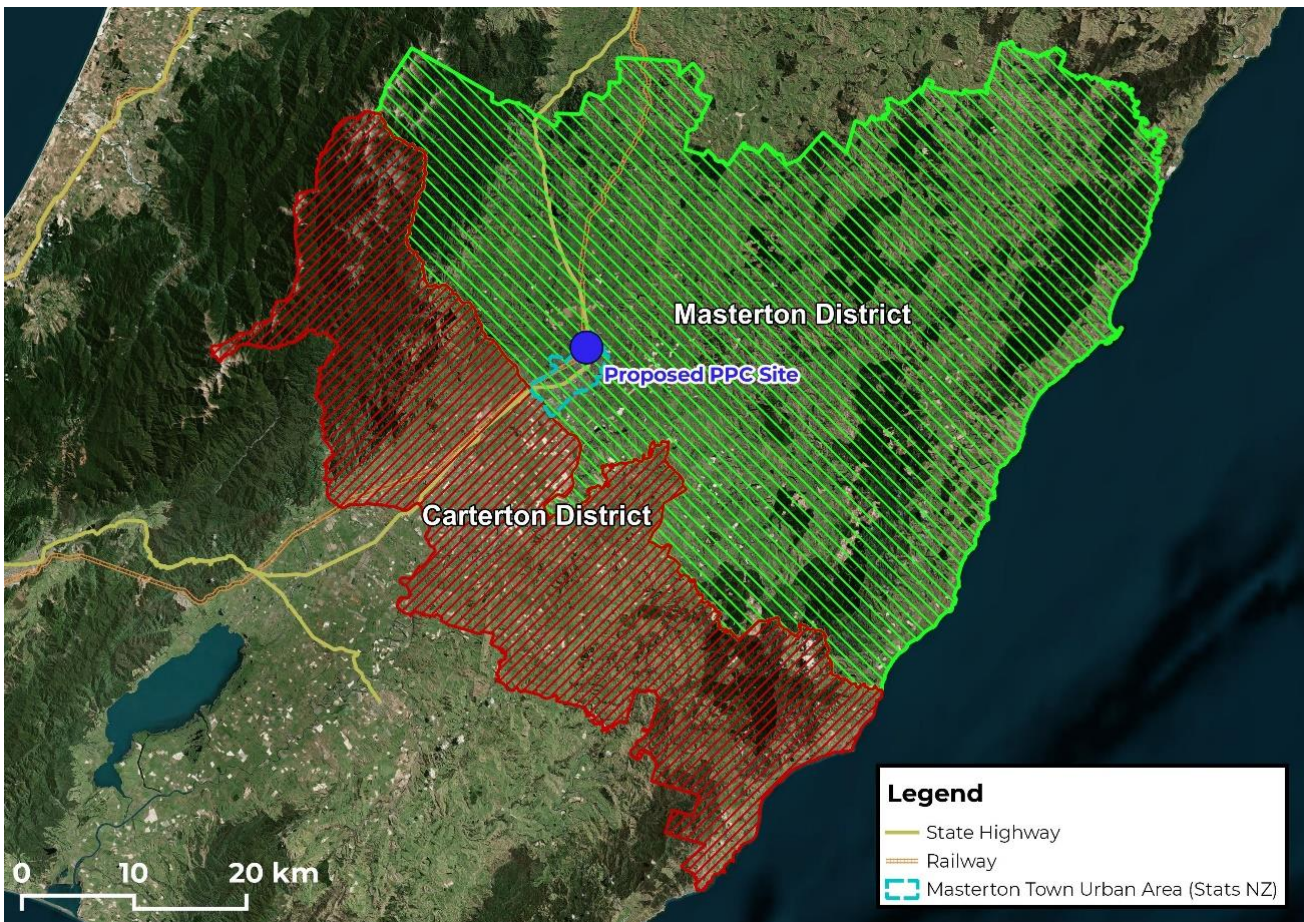
4. ECONOMIC CATCHMENT AREA

This section identifies the core economic market for the proposed PPC (enabling residential development and the potential for a retirement village) which includes Masterton District and the adjoining Carterton District. This section also outlines how well the Masterton District economy is performing in relation to Wellington Region and other territorial authorities, as well as its core sectors contributing to the district's economic output.

Figure 2 shows the core market for a residential property at the PPC site – the combined Masterton District / Carterton District area. Carterton is included due to the Masterton's (and PPC site's) close proximity to Carterton being located close to the district's southern boundary. This indicates these two districts function more like a single economic market.

This area represents the key market residential dwellings (including retirement village units, if these were to proceed) that would result from the proposed PPC. While interest may arise from outside this area, this is considered the key spatial extent determinant of demand.

FIGURE 2: IDENTIFIED CORE RESIDENTIAL MARKET



Source: Stats NZ, LINZ, Google Maps

4.1. MASTERTON DISTRICT ECONOMIC PERFORMANCE

The following figure shows the GDP of the Wellington Region for the year 2020 at the territorial authority level. Note, Tararua District refers to the entire district instead of the area covered by the Wellington Region.

Of the nine Territorial Authorities that make up Wellington Region, Masterton District is the 6th largest district in terms of regional GDP contribution. The district is substantial in size but covers mostly rural land and has only one moderately populated urban node, Masterton.

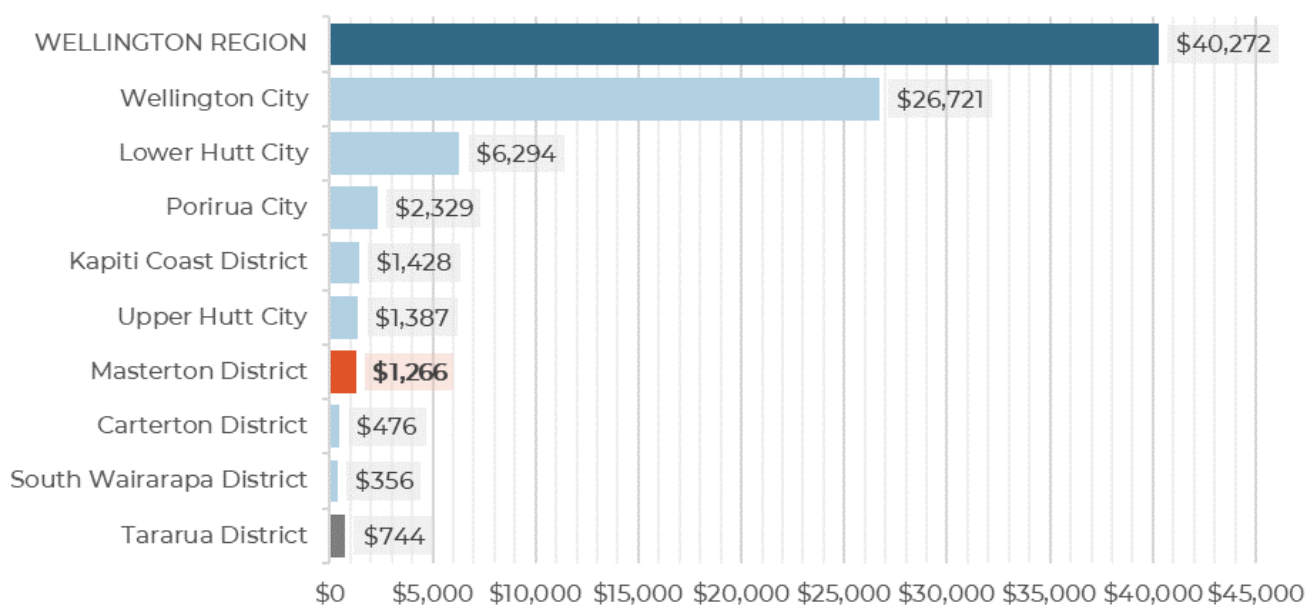
Masterton District contributed around 3% of Wellington Region's annual GDP in 2020, or around \$1.3B total of just over \$40B the region generated. This scale of GDP is, not unexpectedly, significantly smaller than that of the other districts in the region, which is primarily due to its limited population base. The district has struggled to form a critical mass of people to generate efficient investment in additional business or inter-regional infrastructure.

The area generating the largest economic activity in the region overall was Wellington City, with a total GDP output of just over \$26.7b (over four times higher than the second-largest area, Lower Hutt City). This equates to approximately 66% of the region's total GDP in 2020.

Wellington City's economic performance has been supported by a large labour force and comparatively high levels of capital investment relative to other districts in the region.

Wellington City also benefits from a high population density and participation in high value-added industries on a comparative basis being the most significant urban centre in the region, and the second largest in the country (after Auckland).

FIGURE 3: WELLINGTON REGION 2020 GDP BY TERRITORIAL AUTHORITY (\$M)



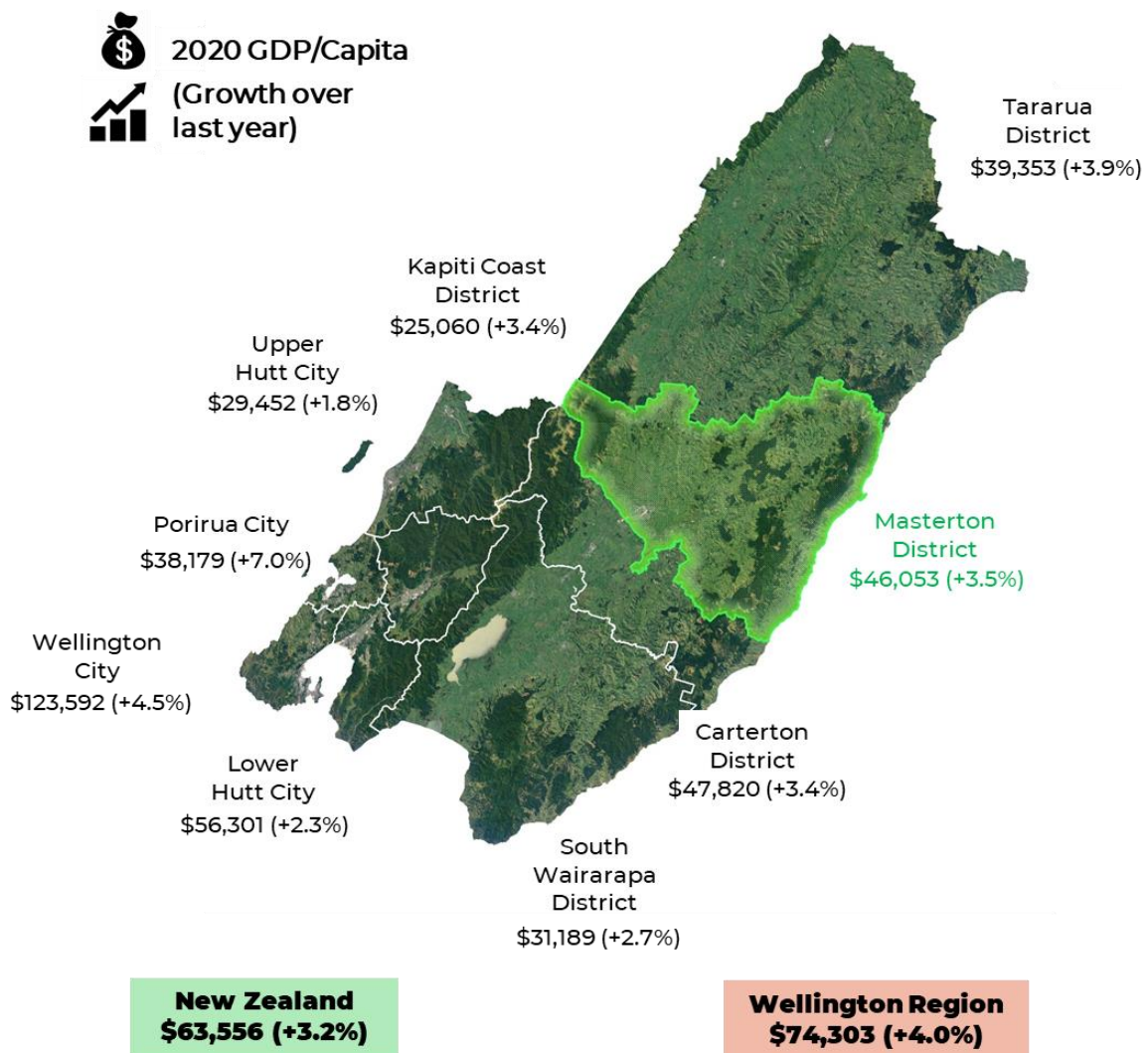
Source: MBIE.

Figure 4 below shows the GDP per capita of each Territorial Authority in the Wellington Region (incl. Tararua District) for the 2020 year and the growth in productivity from the previous year (2019) for comparative purposes.

Masterton generated \$46,053 per capita in 2020, a healthy increase of +3.5% in GDP per capita from the previous year (2019). This gives Masterton the third fastest growth rate in GDP per capita in the Region.

This growth rate is also higher than the national average growth in GDP per capita of +3.2% from 2019 to 2020. This signals that Masterton's economic base and economy is growing well relative to other areas and building strength in its economic base.

FIGURE 4: GDP PER CAPITA GROWTH COMPARISON (2019 – 2020)



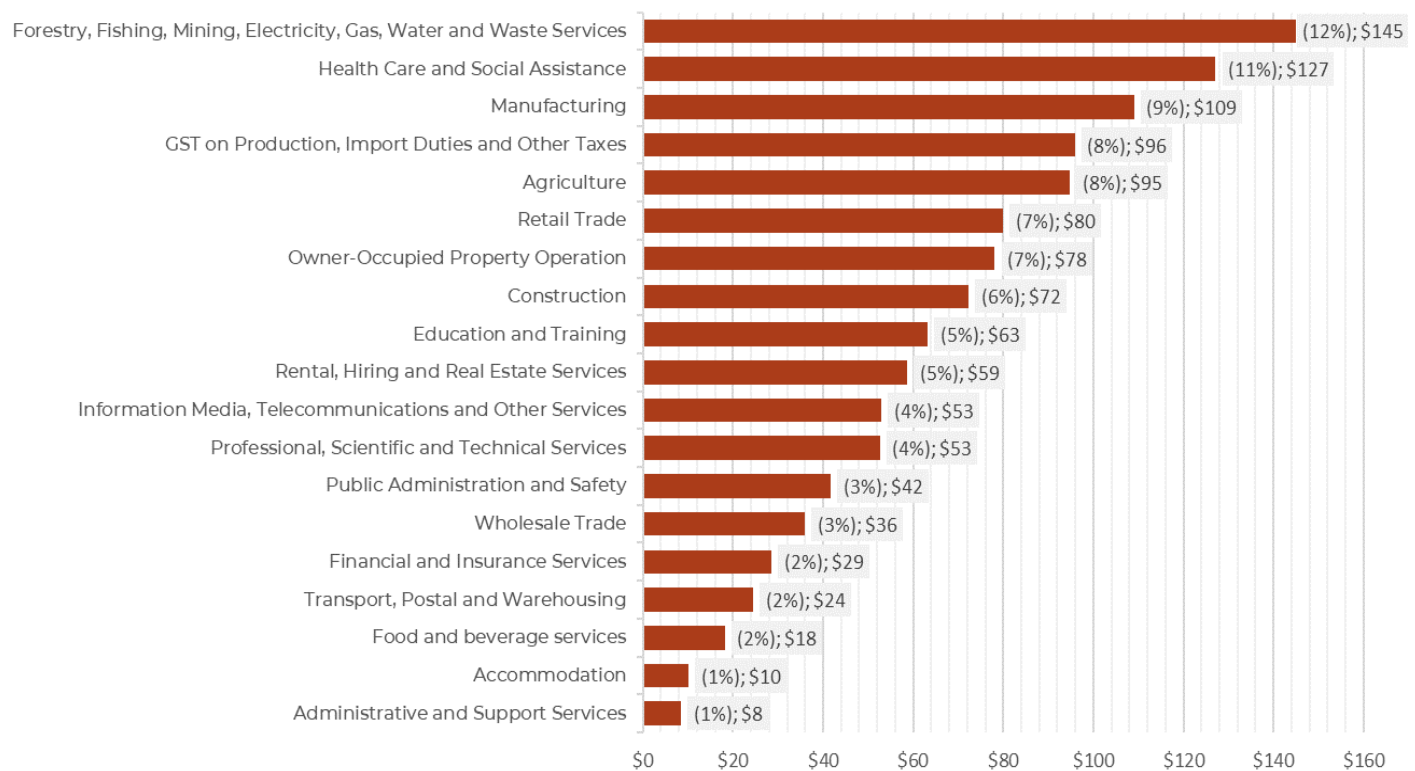
Source: MBIE

The following figure disaggregates the contribution to GDP and identifies the key sectors of the Masterton economy.

At the broad level, Primary Industries are the most significant contributors to Masterton's GDP output comprised of Agriculture, Forestry, Fishing, Mining, Electricity, Gas, Water and Waste Services.

In total, these industries accounted for 20% of Masterton's GDP or around \$240m of the district's 2019 GDP total of \$1.3B.

FIGURE 5: MASTERTON DISTRICT GDP BY SECTOR (% OF TOTAL GDP, \$M) IN 2019



Source: MBIE

5. POPULATION AND HOUSEHOLD GROWTH

This section presents the population and household growth projections within the residential market of the proposed PPC – the combined Masterton District and Carterton District area.

The projections assessed in this section are derived from the latest available Sense Partners Projections across a range of percentiles – 5th percentile (low), 50th percentile / median and 95th percentile (high). Property Economics has generated interpolated forecasts to 2051 based on these projections.

Sense Partners Projections are used for a number of reasons, including:

- These are the latest projections that have included the most recent information for a greater level of accuracy.
- These projections, as Property Economics understands, are being adopted by most Wellington Region Councils as part of their Housing and Business Capacity Assessment processes under their NPS-UD⁴ obligations.
- These projections have detailed household / dwelling data that are not projected by Stats NZ.

The following figures shows the population and household projections of the combined Masterton District and Carterton District area. The identified residential market has an estimated population base of 38,250 as of June 2021. Sense Partners Projections – Median growth scenario projects population growth of over 20,700 net additional people to a total population of 58,970 people by 2051 (or +54% above the 2021 base).

The most conservative Sense Partners Projection, the 5th percentile, still shows net growth of 9,020 net additional people anticipated within the identified residential market and would bring the total market size to around 47,720 people by 2051. The most optimistic Sense Partners Projection, the 95th percentile, shows net additional growth of 34,670 people within the identified residential market and would bring the total market size to around 72,920 people by 2051.

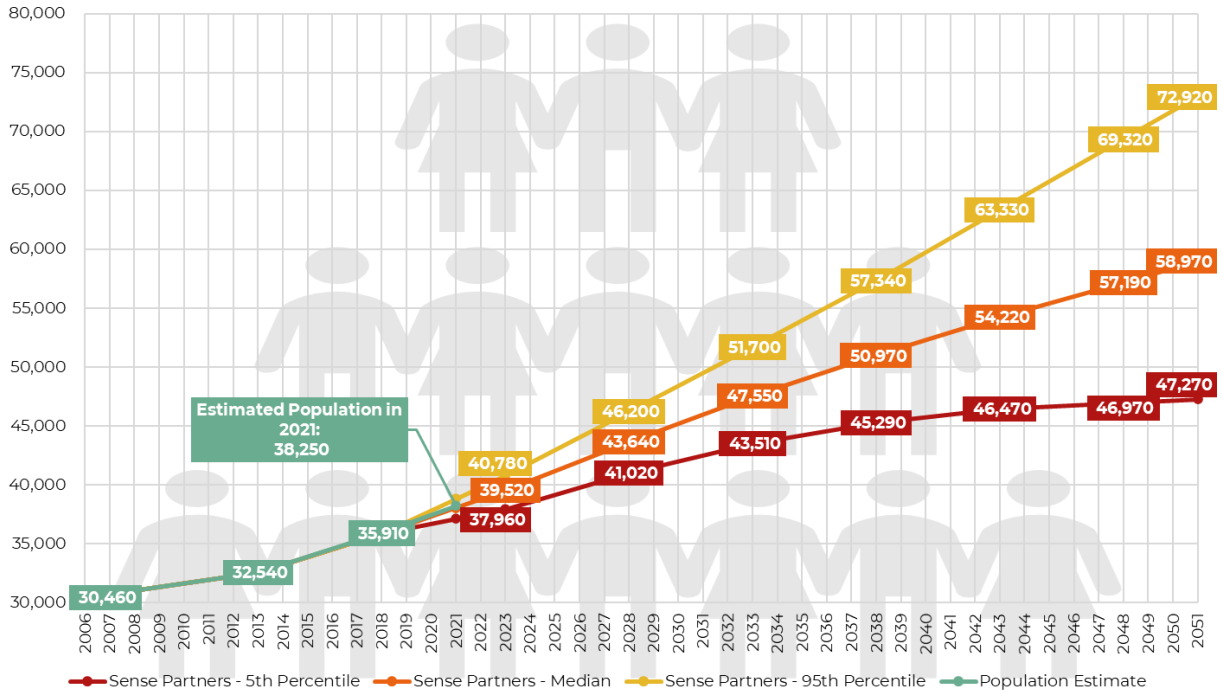
Under Sense Partners Projections – Median growth scenario, 8,520 net additional dwellings, over the current 16,160 dwellings, are estimated to be required to accommodate the net new residents. This is equivalent to around 280 net additional dwelling, on average, each year out to 2051.

Given the most recent population and household growth figures of the identified market, the Sense Partners' Projections is considered an appropriate growth estimate to utilise as the current population estimate is tracking close to this level of growth.

⁴ National Policy Statement on Urban Development 2020

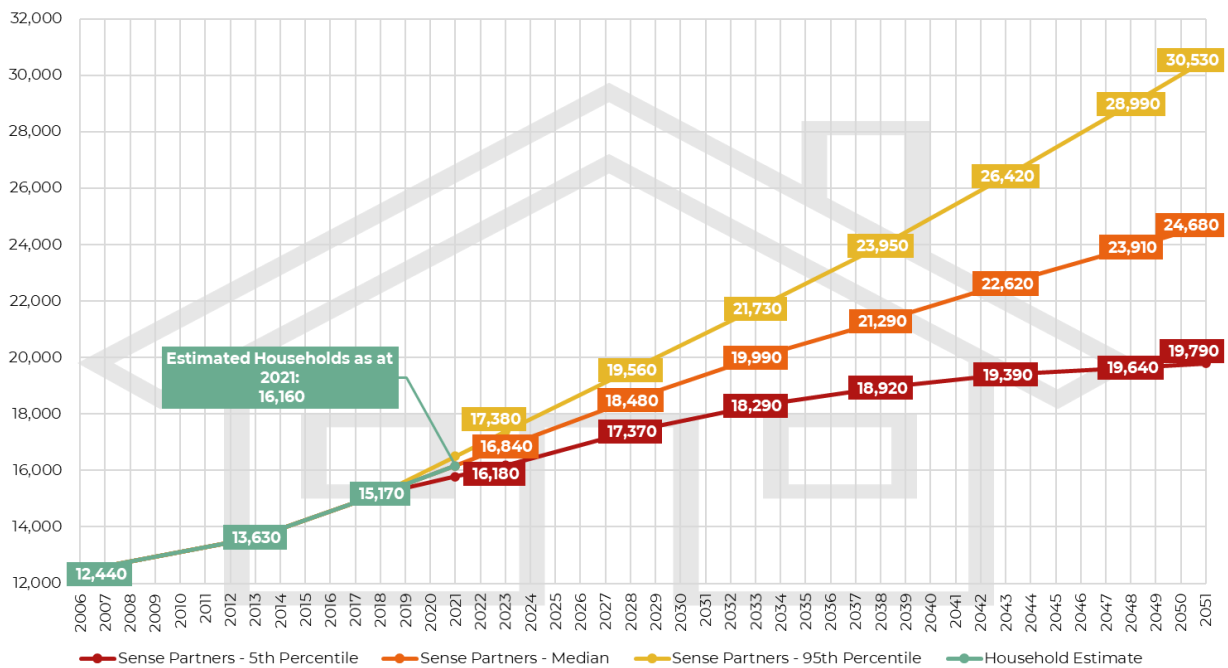


FIGURE 6: POPULATION PROJECTIONS (2006 – 2051)



Source: Sense Partners, Property Economics

FIGURE 7: HOUSEHOLD PROJECTIONS (2006 – 2051)



Source: Sense Partners, Property Economics

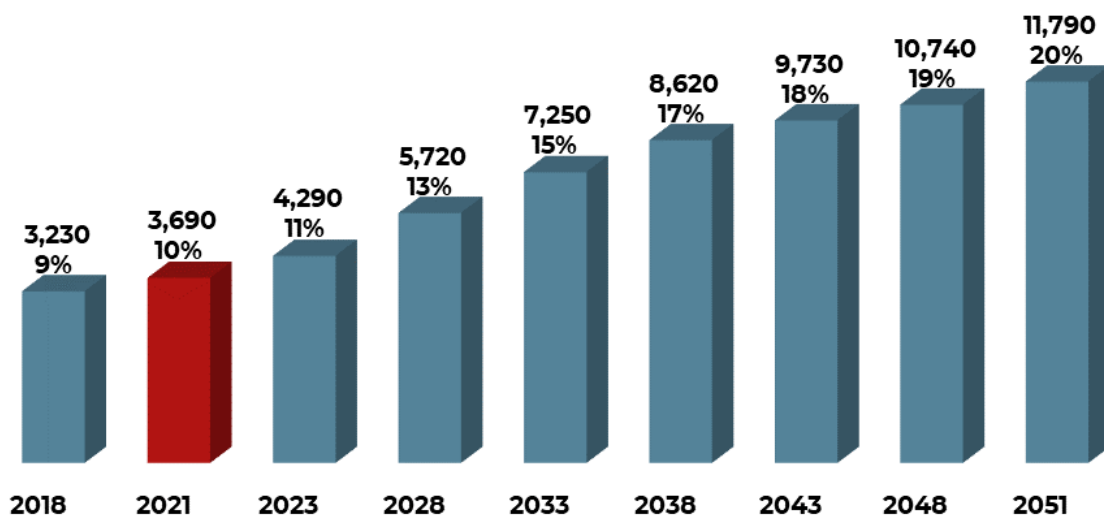
Potential Retirement Village Demand

Figure 8 shows the anticipated proportion of the 75+ year age groups in the identified catchment over the 2018 – 2051 period under Sense Partners Projections – Median growth scenario, which is relevant in the instance the development of a retirement village is pursued. These projections are adapted using Stats NZ age related projections and provided on a pro rata basis.

The key retirement village demographic is a rapidly growing proportion of the population. The demographic currently represents around 10% of the population, or 3,690 people, and is anticipated to represent 20% (proportionally double) of the population of the Masterton / Carterton area by 2051, or around 11,790 people.

In nominal terms, this is growth of 8,100 net additional people in the 75+ year age bracket in the Masterton / Carterton area. This is driven by both proportional growth and population growth in the market.

FIGURE 8: PROPORTION OF 75+ YEAR AGE GROUP IN MASTERTON / CARTERTON AREA



Source: Sense Partners, Stats NZ, Property Economics.

6. DEMOGRAPHIC PROFILE

A demographic profile for the Masterton and Carterton Districts has been carried out to assist understanding the key economic and social characteristics, and composition of the identified market. A demographic profile for the Wellington Region and the wider New Zealand region has also been included to provide comparative context.

A detailed breakdown of these demographic profiles can be found in Appendix 1 with some of the more salient observations presented below.

- Masterton and Carterton Districts have a smaller average household size of 2.47 and 2.44 residents per household respectively, compared to Wellington Region's 2.63 and NZ's 2.73. This indicates, overall, a smaller dwelling typology would suit market preferences.
- The Masterton / Carterton area represents 7% of Wellington Region's population base.
- The catchment has a lower proportion of residents aged between 20 – 49 years (33% and 30%, respectively). Masterton and Carterton have a significantly higher proportion of residents aged 50 years and above (41% and 45%, respectively), compared to Wellington Region and the national average (33% and 34%, respectively). With an ageing population, housing preferences are likely to shift towards smaller, lower maintenance, typologies.
- Masterton has a median household income of \$58,000 per annum, significantly lower than Wellington region and the national median of \$88,000 and \$76,000, respectively. Residents in Carterton have a comparatively high median income of \$65,000 per annum. Lower annual household income levels are not unexpected in market's that have a higher proportion of retired residents.
- Masterton and Carterton have a higher proportion of residents of European descent relative to the regional and national average, particularly Carterton with over 80% from this ethnic grouping. Masterton also has a higher proportion of residents of Māori descent (18%) relative to the balance of the regional and national markets. The Masterton / Carterton area has a very low proportion of residents of Asian descent.
- Almost 70% of households in Masterton and 77% of households in Carterton either own or partially own their dwelling or are holding it in a family trust, compared to just 65% in both Wellington Region and nationally. This is partly due to the aged population that has been able to build up enough capital to afford a dwelling and partly due to the comparatively affordable house prices in the Masterton / Carterton area.

7. RESIDENTIAL MARKET

This section provides an overview of the Masterton and Carterton residential markets in terms of recent house prices and existing retirement village capacity.

Figure 9 shows the quarterly median house prices and number of residential sales of Masterton and Carterton Districts over the last decade from 2010Q1 to 2021Q2.

Masterton District's median house price increased from \$240,000 in 2010 to a record high in 2021 at \$609,000, equating to a 154% increase. This signals a growing attractiveness of the district. There was also a large increase in the number of property sales after the September Quarter in 2014 which has continued through to the most recent data, there were 151 properties sold each quarter between 2015Q1 and 2021Q2.

Masterton District's Economic Development Strategy (2018) found local real estate firms in Masterton had had an increase in house sales to new residents from Auckland, Wellington, and other larger urban centres for the lifestyle offered in Masterton. This highlights the increased value the market is placing on Masterton as a place to live and the lifestyle offered.

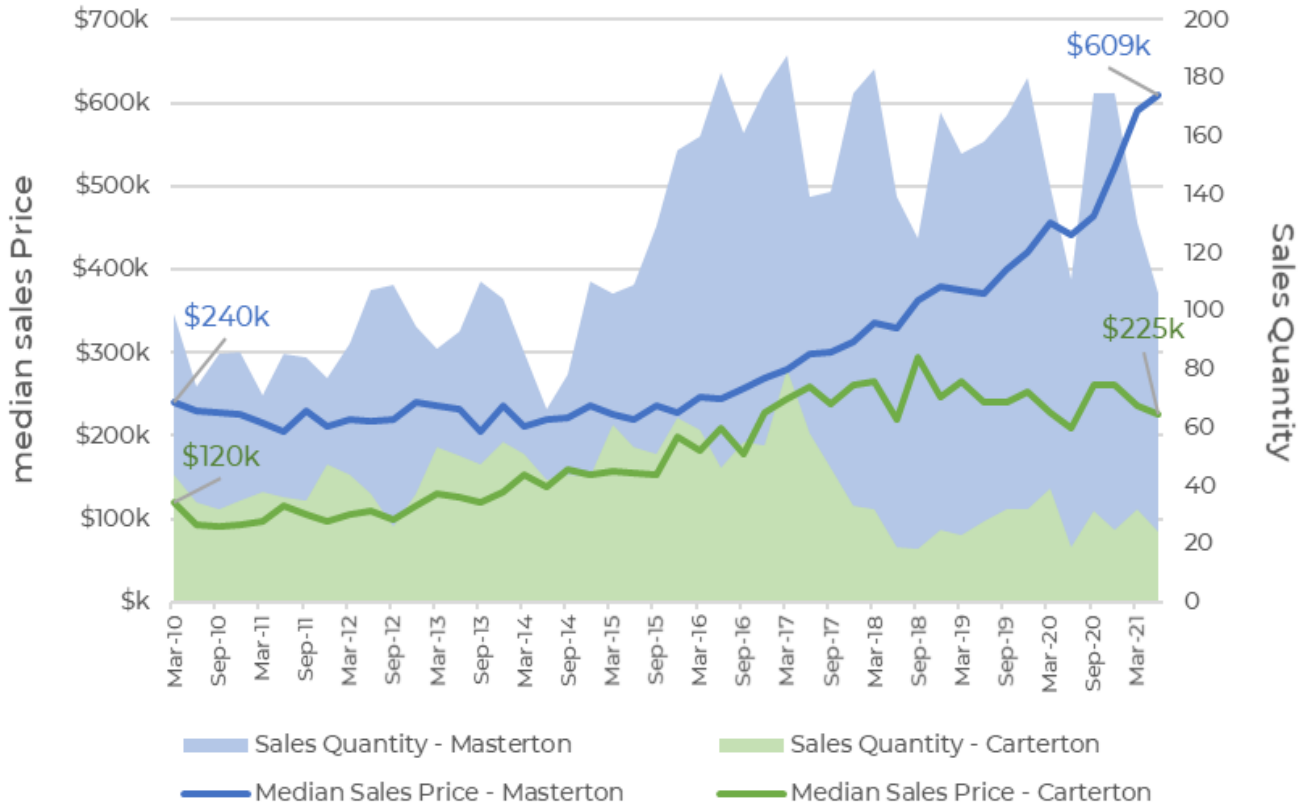
Carterton has experienced comparatively moderate growth in median sales price, increasing from around \$120k to \$225k from 2010 to 2021. This equates to an 88% increase from the 2010 base year. While this is a significant increase it is overshadowed by the increase in the adjacent Masterton District. This is likely due to Carterton township, the main urban area of the district, being significantly smaller and less able to provide the same level of services and amenities as offered in Masterton, and access to key occupational, educational and medical requirements (employment / schooling / health facilities) are likely inferior.

It is interesting to note that sales quantities in Carterton District declined significantly in 2017 and have stayed relatively low since then. This coincided with a relative flattening of the median house price in the district which peaked around 2018 and has dropped slightly since. This indicates less buyer interest in the district overall, or a consequence of an increased interest in neighbouring districts such as Masterton drawing buyers in.

Interestingly, the Masterton District has experienced a steady rate of house sales since about 2016, but a surge in house prices. This is likely partly related to the rate of new residential homes being delivered to the market, i.e., new homes being developed at a rate slower relative to residential demand.



FIGURE 9: QUARTERLY MEDIAN HOUSE PRICE AND SALES NUMBERS IN MASTERTON AND CARTERTON



Source: MBIE

8. DWELLING DEMAND AND SUFFICIENCY

This section forecasts the dwelling demand in the Masterton and Carterton market based on the Sense Partners Population and Household Median Growth projections. These figures have been linearly interpolated to find the short-, medium- and long-term projections (3-, 10-, 30-years, respectively).

8.1. RESIDENTIAL SUFFICIENCY

The table following shows the projected dwelling demand based on Sense Partners Median growth projections. This indicates that over the next 30 years, the identified Masterton / Carterton market is estimated to require an additional 8,470 dwellings to accommodate projected growth out to 2051.

While it is not necessary for some smaller councils to provide sufficient capacity based on incorporating NPS-UD buffers, providing such a buffer allows markets to operate more efficiently, maintain relative competitiveness and provide greater choice in location, price and typology. The 'standard' buffers for tier 1 and tier 2 councils is to provide 20% additional residential capacity over the anticipated demand for short and medium term timeframes and 15% additional capacity over the anticipated demand for long term timeframes.

Property Economics have broadly estimated existing dwelling capacity for the combined Masterton / Carterton area. This is to assist understanding sufficiency of capacity for residential development moving forward and the area's current ability to accommodate future growth. This involved looking at the existing parcels of residential zoned land, that are vacant or mostly vacant, and calculating the number of dwellings able to fit on that parcel. For the purpose of this analysis, we assume 1 dwelling per 400sqm of residentially zoned, vacant land in Masterton and 400sqm in Carterton.

It was determined, in total, there was capacity for an additional 1,877 dwellings across the two districts. In effect this estimate represents a maximum dwelling yield scenario that may be possible under the Operative District Plans of the districts for our purposes in this report.

This high-level calculation of capacity does not take into consideration engineering, environmental, market, infrastructure capacity and other factors that may make the development of dwellings on identified parcels more or less feasible or realisable. As such, the assessed capacity figure could overstate the 'actual' capacity potential of the areas once of the practical constraints are factored in.

Comparing this zoned capacity to the estimated net dwelling requirement with an NPS-UD buffer, the market is projected to have consumed most of its current capacity by mid-2020s, with just ~80 dwellings worth of capacity left. This minor net positive capacity is anticipated to turn into a capacity shortfall of just over 2,300 dwellings over the medium term (2031) and extend the shortfall to over 7,850 dwellings over the long-term (2051). Given development and

infrastructure capital requirements and lead times in bringing new residential capacity to the market, this is considered an issue Council need to address in the short term.

The proposed PPC would provide additional capacity of around 254 dwellings which is equivalent to around just 11% of the current medium term dwelling capacity shortfall.

TABLE 1: ESTIMATED RESIDENTIAL DWELLING DEMAND AND SUFFICIENCY

	Base Year 2021	Short-term 2024	Medium-term 2031	Long-term 2051
Population	38,250	40,340	45,990	58,970
Households	16,160	17,170	19,390	24,680
Dwellings	17,450	18,950	20,950	25,920
Net Additional Dwellings Demanded	-	1,500	3,500	8,470
Net Additional Dwellings Demanded + NPS Buffer	-	1,800	4,200	9,740
Total Zoned Capacity	1,877			
Dwelling Sufficiency	-	77	-2,323	-7,863

Source: Property Economics, Stats NZ, Masterton District Council, Carterton District Council

8.2. SUPPLY OF RETIREMENT UNITS

In the *Wairarapa Region Positive Aging Strategy 2019*, one in every four older residents (65+ years) in the Wairarapa Region has identified housing as a key issue or challenge.

In June 2021, JLL⁵ recorded 14.3% of 75+ year New Zealanders live in retirement villages (an increase from 9.4% in 2012) across the country. This indicates the increasing popularity and acceptance of retirement village living across the country and the proportion of retirees choosing a retirement living arrangements is likely to continue to grow as the quality of village design, product and lifestyle opportunities improve.

For example, retirement units in Bay of Plenty, Auckland and Gisborne regions all have significantly higher market penetration rates among 75+ year age groups than the rest of the country with 19.2%, 17.8% and 17.3% market penetration, respectively.

The following table shows Masterton District Council owns 74 senior-housing units across four villages with Panama Village having the most units at 44.

There are seven other residential villages run by private sector firms. Five villages are in Masterton, providing an aggregate capacity of 354 units to the local market. In total, Masterton has 428 retirement village units.

Carterton has two retirement villages with a total capacity of 64 units.

⁵ *New Zealand Retirement Villages and Aged Care (June 2021)*, JLL.

TABLE 2: EXISTING SENIOR HOUSING PROPERTIES IN THE MARKET

Existing Retirement Villages in the Market	Location	Capacity (Units)
Senior Housing Properties Owned by MDC		
Panama Village	Masterton	44
Laurent Place	Masterton	18
Bodmin Flats	Masterton	8
Truro Flats	Masterton	4
Other Retirement Villages (excl. Rest Home only Properties)		
Wairarapa Masonic Village	Masterton	112
Arvida Lansdowne Park	Masterton	98
Wairarapa Village	Masterton	85
Kandahar Retirement Village	Masterton	52
Lansdowne Court	Masterton	7
Roseneath Lifecare & Village	Carterton	14
Carter Court Retirement Village	Carterton	50
Total Capacity of WDC Owned Properties		74
Total Capacity of Other Retirement Villages		418
Grand Total Existing Capacity		492

Source: MDC, Retirement Village Association

8.3. RETIREMENT VILLAGE UNIT SUFFICIENCY

The next table shows the anticipated 75+ year population in the combined Masterton / Carterton identified area over the 2021-2051 period. The current 75+ year population base is estimated to be around 3,690 people. This is projected to grow substantially over the next 30 years to around 11,790 residents by 2051. This is equivalent to 220% growth from the 2021 base. This graphically highlights the increasing demand for retirement village lifestyle living options in the identified market, or alternative living options required to house the swelling in 75+ year market.

The percentage of the 75+ year age groups who currently reside in retirement villages is estimated at 14.3% by JLL and gives an indication of the current demand for retirement village living. It is likely that this penetration rate increases in the future, as it is currently trending in that direction and as the dwelling stock and retirement village lifestyle becomes more attractive. We apply the current JLL estimate of 14.3% as a conservative penetration rate of retirement village living in the 75+ age group.

The estimated number of retirement village residents aged 75+ year in the market is around 530 people currently and is anticipated to grow to 650 people by 2024, 950 people by 2031, and 1,690 people by 2051. This represents a cumulative growth of 1,160.

The projected 75+ retirement village residents can be translated into retirement unit demand at a rate of 1.3 residents per unit. Consequently, it is estimated that the market will require a total of 500 retirement units by 2024, 730 retirement units by 2031 and 1,300 retirement units by 2051.

Given the total existing retirement village units of 492, the existing capacity is estimated to be in rough equilibrium in the short-term. There is anticipated to be a significant shortfall of 238 units and 808 units in the medium- and long-term, respectively, if no additional units are provided.

To highlight the sensitivity to these conservative base numbers (i.e., increasing the 14.3% current proportion to an average of 20% over the next 30 years), the demand for retirement living units increases to 920-units in the short term (including latent demand), 1,330-units in the medium term and 2,360-units by 2051. This yields an immediate shortfall in latent supply of around 250 units as well as short-, medium- and long-term shortfalls of 430-units, 840-units and 1,870-units, respectively, without additional supply added. This shows how small proportional increases in retirement living percentages can lead to material increases in retirement living demand over the medium to long term.

Inadequate matching of projected demand in the market to supply would likely put further pressure on an already tight housing market, or equally see 75+ year residents living in typologies not aligned to their dwelling preference, i.e., forced to remain living in homes they no longer want to live in as there would be limited alternatives available. This can cause adverse mental wellbeing and social amenity issues, particularly for the 75+ age group that may require specialist / supervised care.

TABLE 3: ESTIMATED RETIREMENT VILLAGE UNITS SUFFICIENCY

	Base Year 2021	Short-term 2024	Medium-term 2031	Long-term 2051
75+ Age Group	3,690	4,580	6,640	11,790
75+ Age Group Retirement Village Residents	530	650	950	1,690
Retirement Village Units Demanded	410	500	730	1,300
Current Retirement Village Supply	492			
Estimated Sufficiency	82	-8	-238	-808

Source: Property Economics

9. LOSS OF PRODUCTIVE LAND

A National Policy Statement on Highly Productive Land (**NPS-HPL**) is currently under development, and when gazetted, is likely to require councils to avoid urban development and growth on highly productive land, where possible. Policy 3 of the draft NPS-HPL states that:

"Urban expansion must not be located on highly productive land unless:

- a. there is a shortage of development capacity to meet demand (in accordance with the NPS-UD methodologies and definitions); and*
- b. it is demonstrated that this is the most appropriate option based on a consideration of:*
 - a cost-benefit analysis that explicitly considers the long-term costs associated with the irreversible loss of highly productive land for primary production;*
 - whether the benefits (environmental, economic, social and cultural) from allowing urban expansion on highly productive land outweigh the benefits of the continued use of that land for primary production; and*
 - the feasibility of alternative locations and options to provide for the required demand, including intensification of existing urban areas."*

Although the NPS-HPL is yet to come into effect, the proposal provides an example framework from which to assess the irreversible loss of productive land.

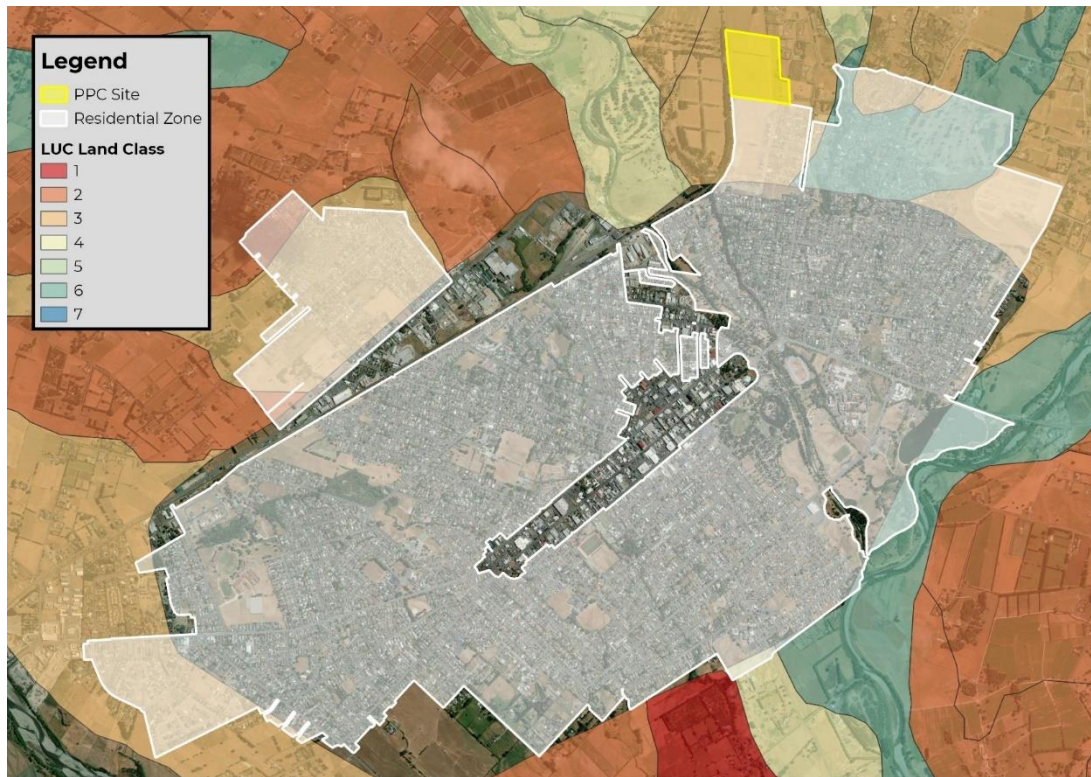
The following figure outlines the productive land status of the area around the Masterton township, including the proposed PPC site. This shows that the proposed PPC site is currently registered as Class 3: *"Land with moderate physical limitations to arable use. These limitations restrict the choice of crops and the intensity of cultivation, and / or make special soil conservation practices necessary"*.⁶

It is Property Economics' understanding, based on an independent Land Use Capability (**LUC**) report prepared for the Client by AgFirst, that the subject land has physical limitations of poorly drained subsoil, which restricts the land production potential. This suggests that the land is not anticipated to significantly contribute to agricultural production in the future.

The total extent of the land is only a small tranche of the total productive land in Masterton District and is among the least likely to be productive among the productive land areas of primary production.

⁶ LUC Survey Handbook - Third Edition (2009)

FIGURE 10: LUC CLASSIFICATION AROUND MASTERTON TOWNSHIP



Source: LRIS, WDC, Property Economics

TABLE 4 QUANTITY OF ARABLE LAND IN MASTERTON DISTRICT

LUC Class	Estimated Area (ha)
1	360
2	12,965
3	21,248
4	12,244
5	2,337
6	103,177
7	72,107

Source: LRIS, Property Economics

The proportion of land, 14.7ha out of 34,573ha⁷ (or 0.0004%), is a negligible loss, and is unlikely to have a detrimental impact on the total level of production in Masterton District. Moreover, it is important to consider the opportunity cost of using this land for residential uses. If the alternative is to rezone a different section of land that is also used for agricultural uses, then the net loss of this site will be negligible (depending on the relative productivity of the alternative).

⁷ Total of LUC Class 1, Class 2 and Class 3 soils. These soils represent the soils likely to be protected by the upcoming NPS-HPL with Class 3 soils being the lowest rated 'protected' soil in terms of agricultural output.

10. ECONOMIC COST BENEFIT OVERVIEW

The PPC to rezone the subject land from Rural - Primary Production to Residential would generate a range of economic costs and benefits. This section outlines some of the high-level economic costs and benefits of rezoning the site in contrast to the counterfactual of retention of current rural land use (grazing).

ECONOMIC COSTS

Loss of Productive Land: The site currently has a rural grazing use which would be lost if the site is developed into residential. The site is located on moderately classed productive soils that are suitable for agricultural use but will require significant levels of modifications to improve the fertility and soil drainage.

Decreased Residential Intensity Impetus: As with the provision of any residential locational choice that provides for new urban areas, the development of greenfield land is likely to impact upon the impetus for the more efficient (re)development within existing urban areas. It is important to note, however, that the capacity assessments outlined within this report includes existing feasible urban capacity and therefore provides for intensification and the economic benefits associated with this residential development option.

ECONOMIC BENEFITS

Increased Land / Dwelling Supply: The PPC would supply the market with a meaningful increase in net housing capacity of circa 14.7ha of residential land. This represents a net increase in the overall residential capacity for the market and contributes to reducing the expected capacity shortfall in Masterton and Carterton.

Additionally, this provides clear direction to the market regarding both its ability to meet future demand pressures and its provision through an efficient site location and size. It is also important to note that unlike some of the assessed feasible capacity, in the wider region, the propensity for this 'greenfield' development to occur is markedly higher than infill redevelopment.

In an economic environment where the market identifies a diverse range of circumstances, expanding the residential typologies or choices available to consumers enables them to make decisions that better suit their personal needs and preferences. In this regard, the provision of any additional residential product provides more options that, putting aside the costs element, will improve the community wellbeing. However, what is important is the extent of this benefit or demand for the product in comparison to the costs.

More Affordable Housing: The provision of additional residential development capacity within the broader area may help improve housing affordability within the market. A significant contributor to residential property values is the underlying land values impacted by growth expectations and supply. The identification of suitable future residential land has the potential

to temper price pressure in the local and surrounding markets and hem in price growth. Additionally, if a retirement village is developed, there will be a greater impetus for the aged population to move to the retirement village freeing up their existing property and adding further dwelling supply.

Increased Choice of Location: The PPC site offers residents additional choices in their living environment in respect of location and typology. It also opens up downsized, low maintenance housing stock for those on fixed incomes and the opportunity to on sell an existing property that is too difficult to maintain.

Increased Amenity: Master planned residential developers are able to provide high amenity, master planned environments with purpose built, and targeted amenity values such as parks, playgrounds and community facilities. This is particularly true for large retirement village operators as they can provide dedicated facilities for aged care and wellbeing for a target demographics (aged population). These come purpose built with highly specialised improvements to appeal to their clientele and benefit that community.

Increased Economic Activity: The building and operation of a new retirement village will generate employment opportunities in Construction, Health Services and Administration for the local economy. This represents an increase in employment retention which has flow on, “secondary,” impacts that also boost economic activity.

Decreased Marginal Infrastructure Costs: The opportunity to develop a very large area has the potential to bring with it economies of scales and lower marginal infrastructure costs. Additionally, the ‘future provision and identification’ of this area allows for the future proofing of the area, the community and private infrastructure requirements.

The larger number of people in an area means greater returns on the use of the local infrastructure. This can vary depending on the level of unused capacity of existing infrastructure and the cost of replacement / upgrade of said infrastructure.

The proposed residential zone is a ‘plug-in’ extension of urban infrastructure being located adjacent to other residential zones and existing urban extent. This minimises new infrastructure costs (relative to the growth areas in distant greenfield locations) and increases infrastructure efficiency

Greater Levels of Growth: Growth from residential developments can often work as a catalyst that spurs further growth in the area. The proposed PPC site, as a large-scale residential development, could increase interest for additional residential development within the Masterton / Carterton market and provide significant impetus for growing the local economy.

Increased Diversity of Buyer Pool: While the development of a retirement village on the PPC site would appeal to a specific buyer group (75+ year retirees), the PPC would also free up existing housing stock for downsizers and increase the number of family homes for younger buyers – couples and families – to move in.



In Property Economics' view, balancing all the economic considerations, the proposed PPC would generate significantly more economic benefits for Masterton's local economy and residents than economic costs.

APPENDIX 1: DEMOGRAPHIC PROFILING

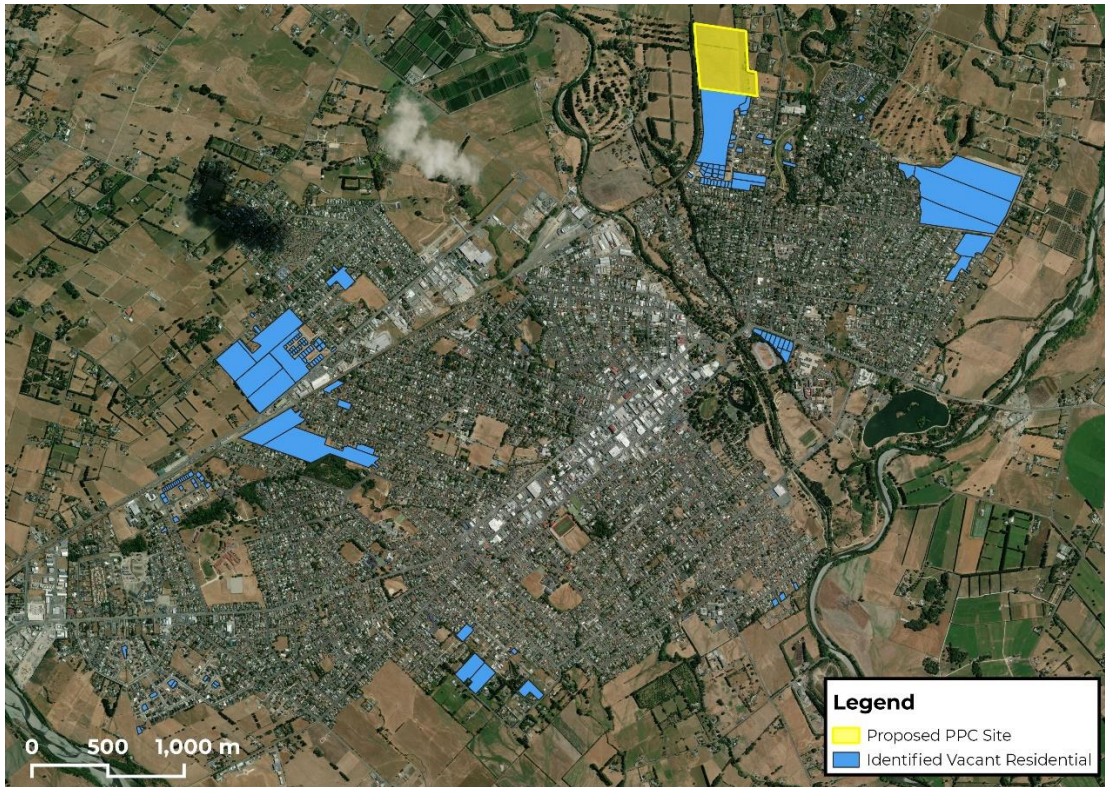
		Masterton District	Carterton District	Carterton + Masterton	Wellington Region	New Zealand
GENERAL	Population	27,520	9,950	37,470	541,920	5,083,150
	Households	11,030	4,070	15,100	204,030	1,840,980
	Person Per Household Ratio	2.50	2.44	2.48	2.66	5.76
	Intercensal Population Growth (Total % p.a.)	2,359 1.9%	1,020 2.3%	3,379 2.0%	39,207 1.6%	52,280 2.0%
AGE PROFILE	0 - 9 Years	13%	12%	13%	12%	13%
	10 - 19 Years	13%	12%	13%	13%	13%
	20 - 29 Years	11%	8%	10%	15%	14%
	30 - 39 Years	10%	9%	10%	14%	13%
	40 - 49 Years	12%	13%	12%	14%	13%
	50 - 59 Years	14%	15%	14%	13%	13%
	60 - 69 Years	13%	15%	14%	10%	10%
	70 - 79 Years	9%	11%	10%	6%	7%
	80 Years and Over	5%	5%	5%	3%	4%
Median Age	43.4	46.5	44.3	37.2	40.4	
HOUSEHOLD INCOME	\$20,000 or less	11%	7%	10%	8%	9%
	\$20,001-\$30,000	14%	12%	13%	9%	10%
	\$30,001-\$50,000	19%	19%	19%	13%	15%
	\$50,001-\$70,000	16%	15%	16%	12%	13%
	\$70,001-\$100,000	16%	18%	17%	15%	16%
	\$100,001-\$150,000	15%	17%	16%	20%	19%
	\$150,001 or more	9%	11%	10%	24%	18%
Median Income	\$58,000	\$65,000	\$60,000	\$88,000	\$76,003	
ETHNICITY	Asian	3%	2%	3%	11%	13%
	European	73%	81%	75%	65%	62%
	Maori	18%	12%	17%	12%	15%
	Middle Eastern Latin American African	0%	0%	0%	2%	1%
	New Zealander	1%	1%	1%	1%	1%
	Other Ethnicity	1%	1%	1%	1%	1%
	Pacific Peoples	3%	2%	3%	7%	7%
QUALIFICATION ATTAINMENT	No qualification	25%	23%	24%	14%	18%
	Overseas secondary school qualification	3%	4%	3%	5%	6%
	Level 1 certificate	13%	14%	13%	9%	11%
	Level 2 certificate	11%	11%	11%	9%	10%
	Level 3 certificate	11%	10%	11%	12%	11%
	Level 4 certificate	11%	10%	11%	8%	9%
	Level 5 diploma	5%	5%	5%	4%	5%
	Level 6 diploma	5%	5%	5%	5%	5%
	Bachelor degree and Level 7 qualification	10%	10%	10%	18%	15%
	Post graduate and honours degrees	4%	5%	4%	8%	6%
	Masters degree	2%	3%	2%	6%	4%
Doctorate degree	0%	1%	0%	1%	1%	
LOCATION 5 YEARS AGO	Elsewhere in New Zealand	47%	47%	47%	43%	45%
	No fixed abode five years ago	0%	0%	0%	0%	0%
	Not born five years ago	7%	6%	7%	7%	7%
	Overseas	3%	3%	3%	7%	8%
	Same as usual residence	43%	45%	44%	44%	40%

		Masterton District	Carterton District	Carterton + Masterton	Wellington Region	New Zealand
EMPLOYMENT	Employed Full time	46%	47%	46%	53%	50%
	Employed Part time	16%	16%	16%	14%	15%
	Not in the Labour Force	35%	33%	35%	29%	31%
	Unemployed	3%	3%	3%	4%	4%
				0		
EMPLOYMENT CLASSIFICATION	Clerical and Administrative Workers	10%	10%	10%	12%	11%
	Community and Personal Service Workers	10%	10%	10%	10%	10%
	Labourers	16%	13%	15%	7%	11%
	Machinery Operators and Drivers	6%	6%	6%	4%	6%
	Managers	18%	22%	19%	17%	18%
	Professionals	18%	20%	19%	32%	23%
	Sales Workers	10%	8%	9%	9%	9%
	Technicians and Trades Workers	13%	12%	13%	10%	12%
PERSONAL INCOME SOURCES	Wages, Salary, Commissions, Bonuses etc paid by my employer	56%	55%	56%	64%	61%
	Interest, Dividends, Rent, Other Investments	17%	20%	18%	20%	17%
	Jobseeker Support	8%	4%	7%	6%	6%
	New Zealand Superannuation or Veteran s Pension	24%	26%	25%	16%	17%
	Other government benefits, Payments or Pension	5%	4%	4%	4%	4%
	Other Sources of Income	1%	1%	1%	2%	2%
	Other Superannuation, Pensions or Annuities	3%	4%	3%	3%	2%
	Regular payments from ACC or a Private Work Accident Insurer	2%	2%	2%	1%	2%
	Self Employment or Business I own and work in	14%	20%	16%	14%	15%
	Sole Parent Support	2%	1%	2%	1%	2%
	Student Allowance	1%	1%	1%	3%	2%
	Supported Living Payment	2%	1%	2%	2%	2%
	No source of income during that time	5%	5%	5%	6%	6%
INDUSTRY OF EMPLOYMENT	Accommodation and Food Services	5%	5%	5%	7%	7%
	Administrative and Support Services	4%	3%	4%	4%	5%
	Agriculture Forestry and Fishing	13%	14%	13%	2%	6%
	Arts and Recreation Services	2%	1%	1%	2%	2%
	Construction	9%	9%	9%	8%	9%
	Education and Training	8%	8%	8%	8%	8%
	Electricity Gas Water and Waste Services	1%	1%	1%	1%	1%
	Financial and Insurance Services	2%	2%	2%	4%	3%
	Health Care and Social Assistance	12%	10%	12%	9%	10%
	Information Media and Telecommunications	1%	1%	1%	3%	2%
	Manufacturing	10%	10%	10%	5%	10%
	Mining	0%	0%	0%	0%	0%
	Other Services	4%	4%	4%	4%	4%
	Professional Scientific and Technical Services	7%	9%	7%	13%	10%
	Public Administration and Safety	4%	7%	5%	13%	5%
	Rental Hiring and Real Estate Services	1%	1%	1%	2%	2%
	Retail Trade	10%	8%	10%	8%	9%
	Transport Postal and Warehousing	3%	4%	3%	3%	4%
	Wholesale Trade	3%	3%	3%	3%	5%

	Masterton District	Carterton District	Carterton + Masterton	Wellington Region	New Zealand	
WEEKLY RENT PAID	Under \$100	5%	4%	5%	8%	7%
	\$100 - 149	7%	8%	7%	8%	9%
	\$150 - 199	11%	5%	10%	5%	6%
	\$200 - 299	58%	55%	57%	17%	18%
	\$300 - 399	18%	23%	19%	24%	22%
	\$400 - 499	1%	3%	2%	16%	17%
	\$500 - 599	0%	1%	0%	9%	10%
	\$600 and over	0%	1%	0%	13%	10%
DWELLING OWNE	Dwelling held in a family trust	11%	11%	11%	12%	13%
	Dwelling not owned and not held in a family trust	31%	23%	29%	35%	35%
	Dwelling owned or partly owned	58%	66%	60%	53%	51%
DWELLING TYPE	Joined dwelling	10%	7%	9%	21%	15%
	Other private dwelling	1%	1%	1%	0%	1%
	Private dwelling not further defined	0%	0%	0%	0%	0%
	Separate house	90%	92%	90%	79%	84%
DWELLING OCCUPAN	Dwelling Under Construction	0%	1%	0%	1%	1%
	Empty Dwelling	7%	6%	7%	3%	5%
	Occupied Dwelling	88%	88%	88%	92%	89%
	Residents Away	5%	6%	5%	4%	5%
NUMBER OF BEDROOMS	One bedroom	5%	5%	5%	8%	6%
	Two bedrooms	19%	16%	18%	22%	19%
	Three bedrooms	48%	48%	48%	42%	44%
	Four bedrooms	22%	24%	23%	22%	24%
	Five or more bedrooms	6%	6%	6%	6%	7%
STUDYING	Full time study	18%	18%	18%	21%	21%
	Not studying	79%	79%	79%	76%	76%
	Part time study	2%	2%	2%	3%	3%
HOUSEHOLD SIZE	One usual resident	28%	26%	28%	24%	23%
	Two usual residents	36%	40%	37%	33%	33%
	Three usual residents	14%	14%	14%	17%	16%
	Four usual residents	12%	11%	12%	16%	16%
	Five usual residents	6%	6%	6%	7%	7%
	Six usual residents	2%	2%	2%	2%	3%
	Seven usual residents	1%	1%	1%	1%	1%
	Eight or more usual residents	1%	0%	1%	1%	1%
	Number of usual residents unidentifiable	3%	3%	3%	3%	4%

APPENDIX 2: ESTIMATED ZONED RESIDENTIAL LAND VACANCY

Masterton



Carterton

