Housing and Business Development Capacity Assessment

Far North District Council

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m.e consulting

Prepared for

Far North District Council

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Authors:	Lawrence McIlrath (Director)
	Mobile: 021 042 1957
	Email: lawrence@me.co.nz
	Tilly Erasmus
	Email: tilly@me.co.nz

www.me.co.nz

Executive Summary

The Far North District is spatially extensive, with business activity and residential land use distributed across a large area – some 6,900km^2. Intensifying housing pressures, economic disruptions and shifts in the policy landscape means that Far North District Council (FNDC) must respond to manage the growth pressures.

Market Economics (M.E) has been commissioned to work with FNDC to undertake the analysis associated with preparing a Housing and Business Capacity Assessment (HBA) as outlined in the National Policy Statement for Urban Development (NPSUD). While FNDC is not required[1] to complete a detailed HBA, the insights delivered as part of HBA process is useful for a wide range of Council processes. This assessment followed the general structure associated with the NPSUD but it was tailored to suit the Far North district. For example, the NPSUD focuses on urban areas, but this assessment included the rural areas to reflect the rural nature of the district.

The project aim is to estimate current and future demand and capacity for residential and business activities and to evaluate the overall sufficiency over short, medium, and long terms. The analysis informs range of workstreams across the Council, such as the district plan review process, spatial planning work as well as housing planning and strategy assessments.

The analysis covers housing as well as business capacity and the results are reported separately.

Part 1: Housing Capacity Assessment

The housing assessment considers the population growth outlook, the associated housing demand patterns and then compares it against plan enabled, and feasible development capacity over time. The Operative District Plan (ODP) and Proposed District Plan (PDP) are both considered.

HOUSING DEMAND

Infometrics' and StatsNZ's population projection sets are considered in the analysis. These are combined with additional modelling to derive household numbers, which represents demand for housing. Using M.E's proprietary *Housing Demand Model* household growth is further refined to reflect attributes such as household types (e.g., age, composition) and household income. It is projected an additional 7,255 additional households will settle in the Far North District over the next three decades – this is a more aspirational growth pathway than that historically used for the district. The number of households in the Far North District is projected to be in the order of 35,995 by 2053 – up 25.3% from current levels. Projected growth in households over the short, medium, and long term is as follows:

- 2023-2026 (short term) +1,195,
- 2026-2033 (medium term) +2,445, and
- 2033-2053 (long term) +3,615.

In terms of demand for dwelling types (detached vs. attached), projected demand is expected to remain skewed towards detached dwellings. However, as household structures change over time in response to shifting demographic patterns such as aging and changes in household income levels, a preference shift in the demand for different dwelling types can be expected. The shift is likely to be towards smaller (medium density, attached dwellings) due to a lift in the share of smaller households and affordability considerations. Historically, the preference shift in Far North has been slow with larger detached dwellings the norm.

[1] The Far North District is not a Tier 3 council, but the National Policy Statement on Urban Development strongly encourages smaller Councils (i.e., those classified as Tier 3) to undertake HBAs. The Far North Council recognised the potential value of the overall HBA process.

HOUSING SUPPLY

The assessment considers the existing estate, covering the current dwelling composition, spatial patterns, and property value distribution. Recent development activity and building consent data are examined to identify the shifts over the past two decades. The historic shifts aid in forming an outlook about the future value of existing houses.

Based on Council's rating information, the current estate comprises approximately 28,800 dwellings, with a median value of $690,000 (average around $600,000). CoreLogic's house price index shows house values in the Far North are $720,000. There is significant spread across the district, with other sources (e.g., homes.co.nz) reporting that the median house price in Kaikohe is around $320,000 and in Russell the median price is $955,000. Consent data shows that detached houses dominate, with a notable increase in retirement dwellings since 2017. The average new house size around is 180m^2. Historically, dwelling sizes have remained relatively stable, but recent trends suggest a decrease in average dwelling size due to affordability and a shift towards more intensive residential land use.

Capacity assessment and sufficiency

The second component of housing supply relates the potential development opportunities, or the estimated residential capacity. Assessing residential development capacity starts with applying relevant planning parameters (e.g., lot sizes, height limits, offsets, setbacks, and so forth) to estimate the potential for adding extra dwellings to relevant parcels. This represents the plan enabled capacity (PEC) – this should be seen as the theoretical maximum number of additional dwellings that could be developed. However, PEC does not mean that those opportunities will be developed. In the short term, provisions associated with the ODP are applied, and the medium and long term, reflects the PDP provisions.

PEC is then evaluated for commercial viability. Commercial feasibility assesses the development costs and potential sales prices and if the sales price is greater than the total development costs, plus a developer's margin (20%) then the opportunity is seen as feasible. Crucially, this is as seen from a commercial developer's perspective and shows the price points where development options become feasible.

We engaged with developers, probing them on local market trends, drivers, and barriers, as well as their margins and overall confidence in the market. These inputs were used to calibrate the feasibility model. The ability of infrastructure to support/accommodate the growth is normally integrated in the assessment. However, information about infrastructure capacity is currently being generated to get a robust understanding of the infrastructure-ready capacity. This information gap is being worked through by the council and the capacity assessments may need to be adjusted once this information is available. The final step is to link feasible capacity (FC) with demand estimates to derive the potential development capacity (PDC). This step also considers how likely development are in the local context and considers market indicators like affordability, location, and demand trends. The value and composition of the existing estate is also considered when PDC is estimated.

Table E1 summarises the capacity results. PEC reports the theoretical maximum and sums redevelopment and vacant capacity. Importantly, detached[2] and attached[3] capacity is mutually exclusive, that is, summing across typologies is inappropriate. The FC results presented here is estimated using a market-led approach[4].

[2] Standalone homes. Each dwelling typically occupies its own plot of land, with private yards or gardens surrounding the building.
[3] Residential buildings that share one or more walls. Common types of attached dwellings include terrace houses, duplexes and apartments.
[4] The model selects the development option (pathway and typology) on each parcel that returns the maximum profit (margin) but considers households' preference for detached dwellings.

PEC is estimated between 15,830 and 19,565 dwellings under the ODP and between 11,370 and 28,195 dwellings under PDP provisions. Capacity for standalone dwellings decrease under the PDP provisions, largely because of 'down'-zoning in some rural areas. However, capacity for attached increases under PDP provisions.

While there are significant numbers of PEC, once capacity is evaluated for financial viability, there is a substantial decrease in capacity. The drop is most evident in areas such as Kaikohe and Kaitaia where affordability remains a challenge, with lower sale potential and high construction costs combining to constraint activity. These interplays and challenges were underscored by developers during the engagement workshops.

Table E1: Summary of capacity results

SHORT TERM (3 YEARS)											
Short term	**Plan enabled capacity**		**Feasible Capacity**			**Potential Development Capacity**			**Additional Demand (2023-2026) excl margin**		
	Detached	**Attached**	**Detached**	**Attached**	**Total**	**Detached**	**Attached**	**Total**	**Detached**	**Attached**	**Total**
Kerikeri-Waipapa	1,555	2,720	285	585	870	285	370	655	485	50	535
Settlements	5,240	11,585	465	395	860	410	40	450	325	35	360
Kaikohe	690	2,560	-	-	-	-	-	-	25	5	30
Kaitaia	605	1,975	-	-	-	-	-	-	25	5	30
Rural	7,740	725	25	-	25	25	-	25	215	25	240
	15,830	**19,565**	**775**	**980**	**1,755**	**720**	**410**	**1,130**	**1,075**	**120**	**1,195**
MEDIUM TERM (10 YEARS)											
Medium term	**PEC**		**Feasible Capacity**			**Potential Development Capacity**			**Additional Demand (2026-2033) excl margin**		
	Detached	**Attached**	**Detached**	**Attached**	**Total**	**Detached**	**Attached**	**Total**	**Detached**	**Attached**	**Total**
Kerikeri-Waipapa	1,545	3,715	875	255	1,130	875	255	1,130	995	105	1,100
Settlements	4,910	17,690	325	2,730	3,055	325	560	885	665	70	735
Kaikohe	790	3,815	-	-	-	-	-	-	55	5	60
Kaitaia	675	2,400	-	-	-	-	-	-	55	5	60
Rural	3,450	575	-	65	65	-	5	5	445	45	490
	11,370	**28,195**	**1,200**	**3,050**	**4,250**	**1,200**	**820**	**2,020**	**2,215**	**230**	**2,445**
LONG TERM (30 YEARS)											
Long term	**PEC**		**Feasible Capacity**			**Potential Development Capacity**			**Additional Demand (2033-2053) excl margin**		
	Detached	**Attached**	**Detached**	**Attached**	**Total**	**Detached**	**Attached**	**Total**	**Detached**	**Attached**	**Total**
Kerikeri-Waipapa	1,545	3,715	1,255	1,875	3,130	1,255	620	1,875	1,470	155	1,625
Settlements	4,910	17,690	3,755	5,385	9,140	1,060	180	1,240	980	105	1,085
Kaikohe	790	3,815	-	220	220	-	110	110	80	10	90
Kaitaia	675	2,400	-	55	55	-	55	55	80	10	90
Rural	3,450	575	810	50	860	810	50	860	655	70	725
	11,370	**28,195**	**5,820**	**7,585**	**13,405**	**3,125**	**1,015**	**4,140**	**3,265**	**350**	**3,615**

Over time, feasibility increases as the economy expands, urban environments grow and the existing estate ages and depreciates. These factors change the development economics.

The FC captures different options (development pathway[5] and typology[6]), over time and across price points. This provides an indication of the choice which is in the market in terms of typology and location. Potential development capacity usually considers both greenfield capacity and infill/redevelopment (brownfield) capacity. However, in the absence of identified greenfield areas, only brownfield capacity is reflected in this assessment.

The lack of PDC in Kaikohe, Kaitaia and rural areas (in the short and medium term) is the result of a lack of FC in these locations. The analysis also showed a general absence of FC at the lower end of the market, suggesting a mismatch between what is feasible and what households can afford – this observation is a function of high development costs, and generally low household income levels.

Lastly, the sufficiency assessment compared PDC with expected demand across the three largest urban centres, the rural area and the remaining settlements. The results (Table E2) highlights the mismatch between the capacity which are likely to be taken up (by developers), and household demand, in terms of typology, location and price point. The sufficiency assessment recognises the interplays between dwelling affordability

[5] The pathways relate to how a parcel is developed i.e., is the site redeveloped, is an infill opportunity exercised or is the site vacant and developed.
[6] Detached and Attached dwellings.

and commercially feasible requirements for developers. Developers' ability to accommodate lower income households through mainstream market development is limited by financial requirements, specifically the need to generate a high enough sales price to support a return (covering risk and capital investment). The ability of other segments to offer residential accommodation for the lower income households was not considered in this report, but we expect these segments to contribute to housing supply. Nevertheless, the high construction costs in the Far North are a drag on development.

Table E2: Additional demand (incl. margin) versus Potential supply (Sufficiency)

		Potential Devt Capacity			Additional Demand (incl margin)			Shortage/Surplus		
		Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total
Kerikeri-Waipapa (s	Short term (3 years)	285	370	660	585	60	645	-300	310	15
Kerikeri-Waipapa (s	Medium Term (10 years)	875	255	1,135	1,195	125	1,320	-320	130	-185
Kerikeri-Waipapa (s	Long term (30 years)	1,255	620	1,875	1,690	180	1,870	-435	440	5
Settlements	Short term (3 years)	410	40	450	390	40	430	-385	50	-430
Settlements	Medium Term (10 years)	325	560	880	795	85	880	-305	60	-880
Settlements	Long term (30 years)	1,060	180	1,240	1,125	120	1,245	-1,050	35	-1,245
Kaikohe	Short term (3 years)	0	0	0	30	5	35	-30	-5	-35
Kaikohe	Medium Term (10 years)	0	0	0	65	5	70	-65	-5	-70
Kaikohe	Long term (30 years)	0	110	110	95	10	105	-95	100	5
Kaitaia	Short term (3 years)	0	0	0	30	5	35	-30	-5	-35
Kaitaia	Medium Term (10 years)	0	0	0	65	5	70	-65	-5	-70
Kaitaia	Long term (30 years)	0	55	55	95	10	105	-95	45	-50
Rural	Short term (3 years)	25	0	25	260	25	285	-235	-25	-260
Rural	Medium Term (10 years)	0	5	5	530	55	585	-530	-50	-580
Rural	Long term (30 years)	810	50	860	750	80	830	60	-30	30
Total	Short term (3 years)	720	410	1,130	1,295	135	1,430	-575	275	-300
Total	Medium Term (10 years)	1,200	820	2,020	2,650	275	2,925	-1,450	545	-905
Total	Long term (30 years)	3,125	1,015	4,140	3,755	400	4,155	-630	615	-15

To conclude, the capacity results show that despite adequate PEC, housing pressures are expected to remain due to the absence of FC at the lower price points and in locations and typologies that households can afford and prefer. It is beyond the scope of this report to make recommendations about actions Council should take to alleviate shortages, but this could include measures to increase housing choices associated with locations and typologies.

OTHER REMARKS

The developer's engagement sessions [7] for the Far North District delved into the specifics of both residential and non-residential developments. The focus extended to areas highlighting the evolving landscape of housing needs, environmental considerations, and community well-being, as well as the requirements and challenges of non-residential developments. A key theme repeatedly highlighted, is that the development costs in Far North District is among the highest in the country, which negatively affects feasibility and affordability of housing.

Part 2: Business Capacity Assessment

The second part of the assessment covered the business element. It is based on an economic outlook that is translated into employment and land requirements. These requirements are then associated with the business land capacity.

[7] Held in February 2024

ECONOMIC OUTLOOK AND DEMAND

The analysis of business land demand considers the local economy's size, structure, and growth outlook, using Gross Domestic Product (GDP) and employment metrics. Importantly, it looks through the volatility associated with Covid-19 disruptions, but recognizes the ongoing economic slowdown associated with monetary policy. The growth outlook is based on M.E's proprietary model, i.e., Economic Futures Model (EFM), which uses a multi-regional input-output structure to model economic shifts through scenario analysis. The model incorporates shift in demographics, exports, capital formation, as well as productivity. Historical employment patterns and shifts are considered as part of framing the growth outlook.

Over the past decade or so, the district's economy (GDP) has grown on average, marginally faster than the national average, i.e. 3.1% compared with 3.0% per annum – there has been volatility and historically, the district has lagged national performance. Sectors showing strong growth include Construction, Wholesale and Central government, defence and public safety.

Looking ahead, with reference to Value Added[8] (VA) shifts, the economy is expected to grow linearly, increasing:

- 2022-2030 1.6%
- 2022-2035 1.5%
- 2022-2055 1.2%

These compound growth rates are based on the economy growing from circa $2.7bn to approaching $4.1bn by 2055. The commensurate shift in employment in the Far North is estimated as follows:

- Ten years to 2033, +2,625 MECs,
- Next ten years to 2043 +1,800 MECs,
- Next ten years to 2053 +875 MECs, and
- **Total shift** **5,300 MECs.**

The difference between the growth rates in VA and employment is due to improvements in labour productivity as well as the compounding nature of growth. Sectors that will see the most employment growth in absolute terms over the long term are Health care and social services, Construction and Public administration and safety.

Translating employment to land requirements acknowledges the situation where the same (or similar) activities can be accommodated in different space-types. Demand for additional land by broad group out to 2055 is projected at:

- Industrial 24.1ha.
- Commercial 19.5ha
- Retail 3.6ha
- Accommodation 1.3ha
- Other 0.5ha

As with all projections an element of uncertainty remains so, close monitoring of the market conditions is required. A flexible and responsive approach to market trends will be needed because growth patterns can change.

POTENTIAL SUPPLY AND SUFFICIENCY

In 2020, Business and Economic Research Limited (BERL) created a tool for Far North District to estimate industrial and commercial land demand from 2019 to 2045, combining employment projections with

[8] Similar to GDP (but excludes some taxes).

employment densities, and providing estimates of vacant land at a SA2s level. The business component of the assessment built on earlier Council investments and used the available data as starting point. This information formed a direct input into business land sufficiency assessment. Capacity is based on the vacant land across the district and an allowance is made for a share of growth to be accommodated via intensification. This is because the analysis revealed that business land use intensity (e.g., area per employee) is below New Zealand averages.

The sufficiency assessment shows that at a total level there is sufficient commercial business land (commercial and retail combined) to accommodate the short-term demand using vacant capacity without any need to use intensification capacity. Over the medium and long terms, a portion of growth must be accommodated using intensification capacity. There is capacity in existing business locations to accommodate more intensive land use for commercial (and retail activities).

With reference to industrial land, there is sufficient capacity to accommodate growth in the existing areas. The capacity consists of using vacant land as well as the potential to accommodate growth through intensification. A portion of growth will occur developing vacant land and a portion of growth will be accommodate through u a portion of the growth will occur through using the land more intensively i.e., businesses making better use of under-utilised areas, and expanding on-site[9].

Repeating the sufficiency assessment with the NPSUD competitiveness margins included, returns the same findings.

To assess the suitability of business land capacity in Far North, the approach followed in larger urban environments (i.e., a Multi Criteria Analysis[10] framework) was adjusted to reflect the spatial distribution of business locations. When considering the location of business land, Council needs to consider factors such as accessibility, profile, site topography, infrastructure requirements and availability, and proximity to labour sources and markets, which can have both positive and negative impacts.

[9] The industrial land use densities in Far North are considerably lower than those observed elsewhere in NZ and it is plausible that existing owners could use their land holdings more intensively.

[10] Different business locations are evaluated and scored against a set of weighted criteria and compared. The criteria reflect the development and locational decisions of developers.

Contents

Figures

Tables

Appendices

Key terms

Term	Comment/description
ANZSIC	Australian and New Zealand Standard Industrial Classification. A system used by the Australian Bureau of Statistics (ABS) and Statistics New Zealand (StatsNZ) to classify businesses and other entities based on their primary type of economic activity.
Attached dwellings	Residential buildings that share one or more walls (or a floor-ceiling for vertically attached). Common types of attached dwellings include terrace houses, duplexes and apartments.
Detached dwellings	Each dwelling typically occupies its own plot of land, with private yards or gardens surrounding the building. These typologies are also referred to as standalone houses/dwellings.
Economic Futures Model (EFM)	M.E's proprietary model that is used for many Territorial Authorities around New Zealand. The model is based on a multi-regional input-output structure that traces the links between economic sectors. TA specific growth drivers are included to frame growth scenarios. The model reports employment and GDP outlooks.
Employment density	Amount of space (average land area) allocated per worker. Ratio is estimated by observing the number of jobs within a given geographic location or planning zone.
Feasible Capacity (FC)	When the projected sales price of a developed property exceeds the expected cost to deliver, plus a developer's profit margin, the property is considered commercially viable/feasible.
Floor area ratio (FAR)	FAR defines the ratio of a building's total floor area to the size of the plot of land upon which it is built. E.g., 45% FAR in planning provisions, suggests the maximum allowable floor area is 45% of the parcel (land area).
Greenfield development	Developing land that has not previously been used for urban purposes, typically located on the outskirts of existing urban areas, and not yet serviced by infrastructure/prepared for urban use.
Gross Domestic Product (GDP)	Total value of all goods and services produced within a country/specific location during a specific period, usually a year. It measures the economic performance of a country or area.
Infill capacity	The potential to add additional dwellings on lots, without removing existing dwellings or structures, e.g., developing the back or front yard.
Infrastructure ready capacity	• Short Term: Immediate availability of infrastructure. • Medium Term: Infrastructure either in place or with funding secured in the long-term plan. • Long Term: Infrastructure needs identified in the infrastructure strategy.
Intensification capacity	The differences between employment densities in Far North District and those normally seen around New Zealand are used to estimate a degree to which business land could be used more intensively
Modified Employee Count (MEC)	A headcount of workers, which includes employees and working proprietors (person who is actively engaged in the operation of their own business).
Plan Enabled Capacity (PEC)	The theoretical maximum number of additional dwellings that can be developed on a site based on planning parameters, such as lot sizes, height limits, offsets, setbacks, and so forth.
Potential Development Capacity (PDC)	A subset of feasible capacity, which refers to the number of dwellings that can realistically be expected to be realised and is strongly influenced by household demand patterns.
Redevelopment capacity	Refers to the number of additional dwellings which can be constructed on a parcel and involves demolishing or removing existing dwellings and developing new dwellings up to the plan enabled maximums.
Statistical Area 1 (SA1)	SA1s are the smallest geographic units for which StatsNZ collects/reports statistical data. Typically contain a population of 100 to 200 people.
Statistical Area 2 (SA2)	SA2s are medium-sized geographic units that aggregate multiple SA1s. Typically contain a population of 1,000 to 4,000 people.
Vacant capacity	Residential: Relates to the number of dwellings that can be developed on vacant (or underdeveloped) properties based on planning settings. Business: Relates to the size (hectares) of business land which is vacant (or underdeveloped). This does not refer to developed land with unoccupied buildings.
Value Added (VA)	Value Added is similar to Gross Domestic Product but excludes some taxes. It is (like GDP) a measure of economic activity.

1 Introduction

The Far North District spans approximately 6,900km^2 and encompasses diverse landscapes, including beaches, forests as well as coastal plains. The district is renowned for its natural scenery. The district is home to significant cultural and ecological treasures, such as the Waitangi Treaty Grounds and kauri forests of Waipoua.

Economically, the Far North District is dependent on primary industries such as agriculture, horticulture, and forestry. Dairy farming, sheep farming, and kiwifruit cultivation are also prominent agricultural activities. Tourism plays a significant role, with visitors drawn to the area's natural beauty, Māori culture, and outdoor recreational opportunities. The Far North District is spatially extensive, with business activity and residential capacity distributed across a large area. The district has a small economy with GDP (Gross Domestic Product) concentrated in primary land use sectors, including forestry and horticulture. On a per capita basis, economic performance is below New Zealand benchmarks. Consequently, the local economy is exposed to business cycles and economic shocks. Historically, the district has suffered more than other parts of New Zealand from economic downturns.

The Far North is characterized by a strong Māori culture, with a significant proportion of the population identifying as Māori. Māori traditions, language, and customs are deeply integrated into community life. However, the district also faces social challenges, including pockets of deprivation and limited access to essential services in remote areas, and economic growth challenges.

Growth and development continue to shape New Zealand, including the Far North. But disruptions associated with Covid, and the subsequent above-trend growth are putting pressure on local communities. It is becoming increasingly important to respond to growth pressures in a way that reflects existing housing and business pressures as well as long term ambitions. Market Economics (M.E) was commissioned to work with the Far North District Council (FNDC, Council) to undertake the analysis associated with preparing the Housing and Business Capacity Assessment (HBA). There is no regulatory requirement for FNDC to complete a HBA as outlined in the National Policy Statement for Urban Development (NPSUD). However, it is very useful in providing insights into the local development landscape and the growth outlook. The assessment was prepared in general accordance with the NPSUD, but tailored to suit Far North district, which is characterised by small urban centres and large rural areas.

The HBA will support a range of workstreams across the Council, including the district plan review and an initial work programme associated with a long-term, district-wide spatial strategy, which also covers the in-progress Kerikeri-Waipapa Spatial Plan.

The HBA further provides an evidence base to support growth planning, and to inform Council's response to growth-related submissions on the Proposed District Plan (PDP) process.

1.1 Objectives

As part of the Council's review of the Operative District Plan (ODP) and development of the Proposed District Plan (PDP), the Council completed a range of background assessments. A housing and business development capacity assessment that conforms to the requirements of the National Policy Statement for Urban Development 2020 (NPS-UD) has been identified as necessary to augment earlier work and to further support existing workstreams. The study objectives align with the requirements of the NPS-UD[11], and are to:

[11] As set out in clause 3.20 of the NPS-UD.

- Review the residential development patterns in the district to inform a housing assessment. The review includes the following elements:
    - To review population and household patterns to identify anticipated shifts and to translate the projections into housing demand estimates.
    - To assess the local residential real estate market in terms of redevelopment, infill, and vacant capacity by considering the Operative and Proposed District Plan provisions to estimate PEC.
    - To estimate the commercially feasible capacity (FC) of the plan enabled residential capacity and assess how this might change over time, and under different planning provisions (especially the PDP).
    - To assess the sufficiency of capacity, in a way that reflects available information about development capacity, infrastructure provision and the expected demand for housing over the short, medium, and long term (and across main locations).
- Review the business landscape to estimate the available capacity based on estimates of demand, supply, and sufficiency of business land over the short, medium, and long terms based on:
    - An update of economic projections for the district that reflects a baseline (business as usual) growth scenario.
    - The anticipated spatial growth patterns, based on the historic observations and assumed available capacity.
    - To comment on the relative distribution of sufficient business land capacity across the district, and the link to growth patterns.

In terms of timeframes, the NPSUD requires assessment of the short, medium, and long terms – equivalent to 3 years, the next 7 years and the next 20 years.

1.2 Approach

The assessment was delivered using two work streams – one focussing on the residential/housing component and the other on business capacity. Each stream considered the supply and demand dynamics, and sufficiency is estimated for both the residential and business land streams. Each stream is described below:

Housing Capacity Assessment

The housing assessment combines the supply of residential development capacity, the existing estate, and the estimated demand patterns. The changes over time are included in the assessment and a view regarding sufficiency, over time, is formed and reported. With reference to the demand situation, M.E's Housing Demand Model[12] is used to estimate household demand. Housing demand estimates reflect available information about:

- household types,
- dwelling types,
- dwelling tenure, and
- household incomes.

An important assumption is that one resident household requires one dwelling, i.e., that one household occupies one dwelling. Future demand for housing is based on population growth that is expressed in terms of households. Population dynamics (like ageing) shift household structures and these are integrated into the

[12] The Housing Demand Model is a proprietary model developed by Market Economics and it is used to identify and assess the current and projected size, and structure of demand for housing.

modelling. A small portion of existing households live in multi-family households (more than one family per dwelling) and this feature is retained in the overall analysis.

Existing and projected socio-demographic attributes, such household type, size, age, and income are captured, and are based on available data. The focus is on resident households because they account for the largest share of private dwelling demand, but other markets are also considered. These include markets such like visitor accommodation and holiday homes.

For the supply side of the analysis, the existing real estate portfolio's (existing properties) current values were derived from Council's rating dataset and future values were estimated using differential growth across land values and value of improvements. The changes in costs across the residential estate is reflected when estimating the commercially feasible development capacity.

In terms of process, the supply analysis starts with the current situation. PEC is estimated by analysing each parcel based on current planning provisions. This yields the theoretical maximum capacity. In addition to the ODP, the provisions associated with the PDP are also modelled. Next, commercially feasible development capacity is estimated and summarised. M.E worked with Council staff to review infrastructure readiness, and the ability to accommodate growth via existing and planned infrastructure capacity. However, it was found there was insufficient information available to complete this step. The report will need be updated once the required infrastructure information becomes available. During the final step of this assessment, the potential development capacity (PDC) was estimated, which is the capacity that can realistically be expected to be realised and is driven by household demand patterns.

The capacity assessment reflects:

- The distribution of residential properties across value bands and spatially,
- Growth and additions to the residential stock (new buildings) and the associated values,
- The growth potential, including infill, redevelopment and greenfield development based on available capacity (at a parcel level), across value bands and by main location.

The final part of the residential assessment combined the supply and demand results to show the net position over time i.e., is there sufficient capacity or not?

Business Capacity Assessment

The business capacity assessment formed the second stream of the HBA. The business land requirements and sufficiency are assessed using a separate process. The business assessment is based on a range of data sources and the economic growth scenarios are broadly calibrated to other work completed by the Council, including earlier work by BERL (for land availability), and GDP estimates by the likes of Infometrics and M.E's own work.

A business-as-usual growth outlook is used to estimate the economic outlook. A bespoke economic model of the Far North District was used to estimate a BAU growth pathway for the district. The model has several modules:

- An economic outlook module – the economic outlook is projected using 48 economic sectors, and reflects:
    - Changes in population (total number and age structure)
    - Changes in exports
    - Changes in investment patterns (as reflected by gross fixed capital formation)
    - Productivity changes

- A module that translates the employment estimates into business land requirements (in hectare). The module uses densities as estimated by BERL in earlier work and tempers these densities to reflect rates observed elsewhere in NZ.
- The spatial distribution of growth, and demand, is based on historic growth patterns as well as sectoral mix across locations.

The growth estimates are constrained by natural limits, such as population growth and labour force participation and known limitations are factored into the estimates. However, local growth initiatives such as the Ngawha Innovation Park are not explicitly captured in the overall assessment. This is because there is a degree of uncertainty around the timing and scale of this development. Nevertheless, we comment on this development.

A spatial framework is used to reflect the spatial distribution of activity throughout the district. The framework is based on existing spatial patterns as well as planned activities (e.g., new growth areas). The growth allocation process is sensitive to historically observed growth patterns and local factors as well as anticipated activities (future development patterns). The projected growth is translated into land requirements, and this is reconciled against available capacity to form a view of the overall sufficiency position.

The land use requirements, and sufficiency over time, are assessed and reconciled with locational considerations to provide an indication of sufficiency by broad location for the main sectors. The business land assessment does not have a commercially feasible component and we engaged with the local economic development agency to assist with understanding the relative importance of different aspects in the local landscape.

1.3 Information

An array of official and unofficial information sources informed the housing and business capacity assessments. The main sources include:

- Far North District Council:
  - Rating information with property level data,
  - Planning and zone-level information,
  - Work by other consultants for Council, including:
    - BERL business capacity assessments completed circa 2017, and
    - Infometrics (population projections).
- StatsNZ data:
  - Population projections based on the most recent StatsNZ growth assumptions, including the StatsNZ population projections (medium and high series)
  - Household data based on the Census 2018 structures.
  - Building consent information,
  - Business Demography Survey information,
  - Linked Employee-Employer Data.
  - Price deflators
- Other sources consulted during the review include:
  - M.E's housing models
  - Housing Demand Model
  - Far North District Economic Futures Model
  - M.E's spatial analysis to estimate the infill capacity across the existing urban areas.

In addition, M.E engaged with the local development community and obtained information about development costs. The received information is integrated into the analysis and the inputs are referenced in the report.

1.1 Limitations and caveats

The assessment covers a wide range of topics and is based on a mix of primary and secondary data, as well as modelling. As is the case with any modelling and forward-looking analysis, limitations and caveats apply to this assessment. These are outlined below.

- The assessment is based on recent data and information. The information constantly changes and if new or more refined information becomes available, then the findings of the analysis is likely to change. For example, in May 2024 the HBA analysis and report was being finalised and Stats NZ released the first tranche[13] of Census 2023 results. Information required for this report about the structure of households (demand) and projection sets, however, have not yet been released. The timing of more detailed Census 2023 information releases do not align with this work and can be incorporated in future updates.
- Population and economy projections are based on a business-as-usual growth scenario. The scenario should not be treated as forecasts but show a potential growth scenario. The housing assessment is based on population projections, and the business land assessment relies on M.E's Economic Futures Model (EFM). The EFM is an existing model and is based on known trends. Uncertainty is inherent in any forward-looking assessment.
- The business land modelling draws on the economic scenarios and reflects a continuation of underlying trends, with constraints to reflect known constraints. Known trends, relative size of different growth drivers and population estimates informed the analysis. The business capacity assessment does not model or project macro-economic conditions (like interest rates or exchange rates). Similarly, assessing the effects and implications of wider issues, such as climate change and how the Council might respond, fall outside the scope of this assessment. Similarly, the potential effects of large, one-off investments/projects, or disruptive events (hazards or weather) are not reflected.
- Information availability limited some parts of the assessment. For example, infrastructure capacity and development timelines associated with the likes of three waters is based on assumed positions. Where these were critically important, the assumptions and proxies that were applied are outlined in the report. An area that will require additional analysis going forward is the capacity associated with infrastructure availability and the development pathway.
- The Council's information and data (e.g., rating information) were not reviewed or audited for completeness or accuracy. It was assumed to be accurate, but the limitations and caveats of those datasets apply to this assessment.
- The analysis does not integrate macro-economic conditions for NZ and the economy in general.
- The effects of the post-COVID economic landscape introduce extreme movements in the data with the economic cycle slowing after the expansion following the lockdowns. This introduces some uncertainty and the analysis looks through recent volatility.
- The modelling considers infill development potential, but there are several factors influencing how different properties will be developed. Two potential pathways were identified and considered, but

[13] Usually resident population and dwelling counts at national, regional council, and territorial authority/Auckland local board levels.

there could be other hybrid approaches. It is not practical to assess all the different options, but our approach shows a potential range of outcomes.

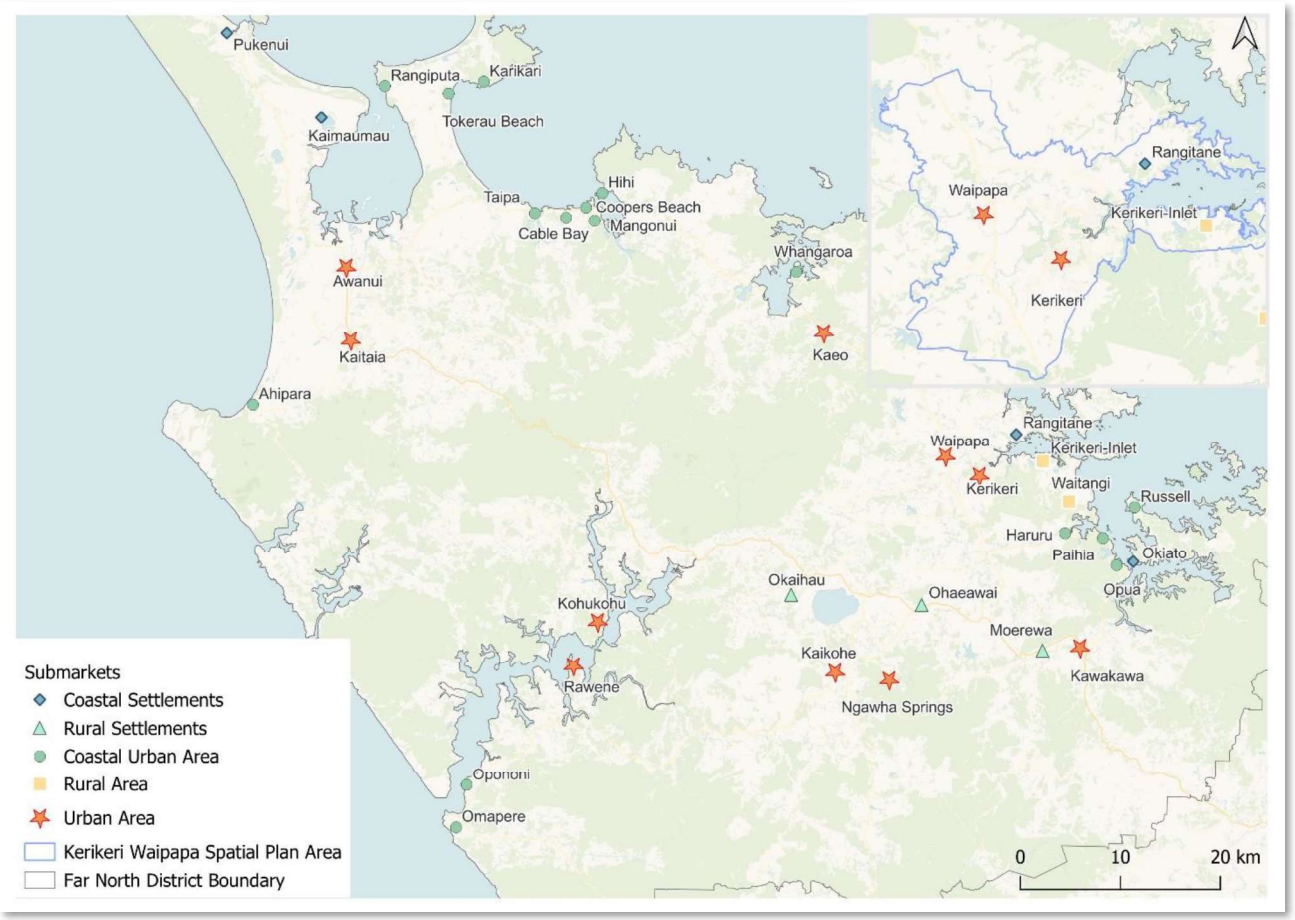
The analysis covers the entire district, but the focus is on the main urban locations.

1.2 Study area

Figure 1-1 shows the location of the housing areas that are included in the assessment. Far North is mostly rural in nature, with small settlements dispersed across the district. It is this remoteness as well as the small scale of some settlements that make the locations both attractive and challenging.

Kerikeri-Waipapa has been identified as a growth node and Council is currently in the process of developing a spatial plan for the area. The extent of the area covered by the spatial plan is also indicated on the map. The housing settlements are grouped by broad reporting area - Kaitaia, Kaikohe and Kerikeri-Waipapa are the largest urban settlements and results reported separately.

Figure 1-1: Spatial extent of study area



1.3 Report Structure

The report is organised into three parts, with sections in each. The structure is as follows:

Part 1 presents the Housing Market Assessment. This part contains the following sections:

- Section 2: Describes the household demand profiles for the Far North district. The section outlines the base population information as well as methodological considerations relating to how the population estimates are translated into households. The socio-demographic profile is also presented. This profile integrates aspects such as household types, income levels, age profile and tenure for each area. The section reports the housing demand situation looking forward.
- Section 3 describes the housing supply situation, recent development trends as observed using consents, as well as recent shifts in dwelling values.
- Section 4 outlines the approach taken, and presents the results of the PEC assessment associated with the ODP and PDP, as well as the commercially FC as assessed. The section then progresses to the results of the infrastructure ready (and supported) considerations. The second part of this section reconciles the development capacity from a PDC perspective and describes the sufficiency of capacity. The relationships between the enabled capacity and the household growth patterns are considered as part of understanding the PDC and sufficiency assessment part.

Part 2 contains the business assessment and consists of the following sections:

- Section 5 outlines the current economic and employment situation, including the spatial distributions, business land capacity (vacant and occupied) and the spatial economy underpinning the district. The growth outlook, based on the BAU scenario using the Far North District Economic Futures Model (EFM) is summarised.
- Section 6 reports the future demand for business land, across main locations and then the section concludes with an overview of the sufficiency position.

Supporting data and technical information are presented in the appendices.

Part 1: Housing Capacity Assessment

2 Housing Demand

This section outlines the housing demand for the Far North District over the next three decades. The section starts by presenting the population outlook. This outlook is based on population projections prepared for the Far North. An important step is to translate population growth into households, but this can be performed using different approaches. We outline our approach and illustrate the differences and implications of using the preferred approach. The household estimates are combined with other datasets to show key socio-demographic attributes of the Far North residents, including:

- household types,
- dwelling types,
- dwelling tenure, and
- household income[14].

The analysis and structures are based on M.E's proprietary *Housing Demand Model*, which provides detail of current housing demand and projected future demand in the Far North District. We estimate the size and structure of current and future housing demand.[15] Demand is presented in terms of numbers of households, allowing for one dwelling per household. Demand is considered using different segments, including dwelling tenure (i.e., owned and not owned) and dwelling types (i.e., detached and attached). Such breakdown ensures that the reporting complies with the NPS-UD requirements by considering 'different groups in the community'.

The section reports:

- The base population situation and outlook.
- The current housing demand, broken down based on underlying socio-demographic patterns.
- The future housing demand situation.

The results are discussed for three periods as outlined in the NPSUD, covering:

- Short-term 2023-2026 (3 years),
- Medium-term 2023-2033 (7 years), and
- Long-term 2023-2053 (20 years).

2.1 Base population and population outlook

There are several different population projections for territorial authorities around New Zealand. StatsNZ produce the official projections, but several consultancies also produce population projections. For this assessment, we compared the available projections and M.E replicated the StatsNZ approach. Infometrics was commissioned by Far North District Council to produce a range of socio-economic indicators to support Council's wider workstream.

The projections cover the period 2053/4. The different projections were compared and evaluated, and we considered the low, medium and high projection sets. These projection sets use different input assumptions for:

- fertility rates,
- life expectancy (survivorship) and

[14] These elements form the basis for determining housing affordability.
[15] This consistent with Policy 1, also 3.2(1), 3.10, HBA 3.19, 3.23(3).

- migration.

The growth change was considered across the long term, to 2053. The population projections are discussed in the next section.

2.1.1 Population

The population growth outlook for the Far North District is presented in Table 2-1 and is reports the Infometrics and M.E projections[16]. In 2023, the Far North District has a population in the order of 74,701 and 75,474 people with the range showing the difference in the Low and High growth projections.

Table 2-1: Population growth outlook – short, medium and long term

Year	2023	2028	2033	2038	2043	2048	2053
StatsNZ - Medium	74,620	77,740	80,460	83,560	85,040	86,420	86,580
Change in Population		3,120	2,720	3,100	1,480	1,380	160
Compound % change		0.8%	0.7%	0.8%	0.4%	0.3%	0.0%
StatsNZ - High	76,220	81,100	85,640	90,660	94,180	97,700	99,820
Change in Population		4,880	4,540	5,020	3,520	3,520	2,120
Compound % change		1.2%	1.1%	1.1%	0.8%	0.7%	0.4%
Infometrics - Medium	74,700	77,480	79,940	81,600	82,380	82,780	83,080
Change in Population		2,780	2,460	1,660	780	400	300
Compound % change		0.7%	0.6%	0.4%	0.2%	0.1%	0.1%
Infometrics - High	74,700	77,700	80,300	82,400	84,200	85,600	86,600
Change in Population		3,000	2,600	2,100	1,800	1,400	1,000
Compound % change		0.7%	0.6%	0.4%	0.2%	0.1%	0.1%

Under all scenarios, medium and high projections, the average annual growth rates remain positive across the entire period. However, the rate of change is projected to slow overtime. For example, under the Infometrics High projections, compound annual growth rates range from 1.0% between 2018-2023 to 0.4% in 2048-2053. The Infometrics Medium projections follow a similar trend, ranging from 0.7% between 2023-2028 before declining to 0.1% in 2048-2053. The StatsNZ projections also show that the growth outlook across the two scenarios remains positive for both the medium and high scenario. The same general patterns are observed for the StatsNZ projections, but the StatsNZ Medium is marginally higher than the Infometrics High over the short term.

Figure 2-1: Population projections

[16] The M.E projections mirror the StatsNZ ones, uses the same assumptions but there are minor differences. We assume that this is because of rounding during the calculation process.

The relative change (additional number of people) between 2023 and 2053 across the four projection series is:

- StatsNZ Medium +11,960 people
- StatsNZ High +23,600 people
- Infometrics Medium +8,380 people
- Infometrics High +11,900 people

It is evident that the StatsNZ Medium and Infometrics High series both anticipate similar levels of change. Therefore, the **population projections used in the assessment going forward is based on M.E modelling using StatsNZ Medium projections (assumptions)**, i.e., the preferred growth pathway. The anticipated level of change in population over the different timeframes, as used in this assessment are:

- 2023 – 2033 5,840
- 2033 – 2043 4,580
- 2043 – 2053 1,540

Over the next decade or so, the projections suggest that Far North's population will increase by 5,840 and another 4,580 in the subsequent decade. The decade between 2043 and 2053 is projected to see a further growth of 1,540 people. Two observations are key:

- The population is expected to continue to see growth over the entire period.
- Growth is expected to be frontloaded.

As part of identifying the preferred growth track, historic population projections prepared by StatsNZ were compared against the estimated growth that occurred. There are several limitations associated with comparing historic projections against the growth that manifested – and accessing historic projections is challenging. Similarly, the timeframes do not align (e.g., Census dates do not necessarily correspond to the projection dates) making a direct comparison difficult. Despite local growth tracking the low growth pathway during the first decade of the 2000s, more recently (post circa 2016), the local growth has tracked above the medium projections. Therefore, when considering a long-term process, such as the NPSUD-based assessment, there is a real risk that using a low projection set could understate growth. The potential implications for the local community are substantial and are discussed later in the report. A key point is that this assessment uses growth projections that are more optimistic that those historically applied when considering the growth outlook for the district.

2.2 Socio-demography profiles

The composition and structure of households are important drivers of housing demand, including housing typologies. This section summarises the socio-demographic attributes of local households. The attributes reflect household types, income levels and age distribution. This section uses households.

2.2.1 Household Type and Income

Market Economics' estimates suggest that there are approximately 28,700 households in the district[17]. These households have different attributes – or characteristics – in terms of the household type. The household types represent the mix of adults and children i.e., one-person households, couple households or single-parent families compared to two-parent families with different number of children. The household types can be combined with income levels, giving an indication of how households are distributed across these two

[17] This is marginally lower than the Infometrics estimates of 29,350.

dimensions (by types and income). Table 2-2 summarises the distribution of households along two dimensions:

- Household types (rows down the left), and
- Household income bands (column headings across the top).

Table 2-2: Households by type and income band – Far North District, 2023

Household type	<$30,000	$30,000-$50,000	$50,000-$70,000	$70,000-$100,000	$100,000-$120,000	$120,000-$150,000	+$150,000	TOTAL
One-person household	5,005	1,265	670	355	15	0	60	7,370
Couple household	990	2,320	1,610	1,480	805	650	760	8,610
2 Parents, 1-2 Children	355	670	965	1,220	670	640	710	5,230
2 Parents, 3+ Children	140	265	380	490	190	190	290	1,945
One parent family	1,285	910	500	365	110	50	35	3,260
Multi-family household	40	55	145	200	120	155	335	1,055
Other Non-Family Household	220	395	245	195	85	55	30	1,230
Total households	8,035	5,880	4,510	4,305	1,990	1,750	2,225	28,700
One-person household	17.4%	4.4%	2.3%	1.2%	0.1%	0.0%	0.2%	25.7%
Couple household	3.4%	8.1%	5.6%	5.2%	2.8%	2.3%	2.6%	30.0%
2 Parents, 1-2 Children	1.2%	2.3%	3.4%	4.3%	2.3%	2.2%	2.5%	18.2%
2 Parents, 3+ Children	0.5%	0.9%	1.3%	1.7%	0.7%	0.7%	1.0%	6.8%
One parent family	4.5%	3.2%	1.7%	1.3%	0.4%	0.2%	0.1%	11.4%
Multi-family household	0.1%	0.2%	0.5%	0.7%	0.4%	0.5%	1.2%	3.7%
Other Non-Family Household	0.8%	1.4%	0.9%	0.7%	0.3%	0.2%	0.1%	4.3%
Total households	28.0%	20.5%	15.7%	15.0%	6.9%	6.1%	7.8%	100.0%

Regarding household income levels, the available information suggests that there is a wide spread of household incomes with a noticeable concentration of households in the low(er) income cohort.

As a collective group, households with parents and children form the largest group, and include:

- 2 parents, 1-2 children,
- 2 parents, 3+ children, and
- One parent family.

Combined, this group has 10,435 households, representing 36.4% of all households the other households account for the following shares:

- couple households (7,370, 25.7%),
- one-person households (8,610, 30.0%),
- Multi-family households (1,055, 3.7%), and
- Other non-family households (1,230, 4.3%).

Most households are small, with one person and couple households representing over half (55.7%) of total households in the Far North District in 2023. Furthermore, more than half (67.9%) of one-person household earn incomes of $30,000 or less. This distribution of household income has implications for future dwelling typology demand and affordability. Affordability challenges are likely to be acute across the district, especially for smaller households (these households have a single income, so is at a comparative disadvantage in terms of income levels relative to households that earn two incomes.

More than one quarter (28.0%) of households earn incomes of $30,000 or less. A further 20.5% (5,880) earn between $30,000 and $50,000. Combined, this suggests that 48.5% of Far North's households have incomes of $50,000 or less. This is higher than the national average of 34%[18] and highlights the relatively high level of low-income households in the community. Information from StatsNZ corroborates this. According to StatsNZ

[18] M.E calculations based on StatsNZ data.

the national average household income for the year ending in June 2023, was $126,400 and $100,592 for Northland. The national median annual household income was $99,000 and $82,730 for Northland. These metrics point to housing affordability challenges (as outlined later in the report).

There are an estimated 2,225 households (7.8%) with incomes of $150,000 or higher. Another 13.0% (1,750) households fall into the $100,000-$150,000 income range. In total, 20.8% of households earn incomes greater than $100,000 per year. The balance of households (30.7%) falls in the middle-income cohorts, i.e., between $50,000 and $100,000. The household income information assists in understanding housing affordability pressures. While some of the low-income households are retired, suggesting they have very low incomes but possibly own their homes ("cash poor but asset rich"), this does not fully account for the higher-than-average proportion of low-income households in Far North district, compared to the national average.

2.2.2 Household Type and Age

Age is the second socio-demographic attribute that is considered, however, how age is reported limits the level of detail to which households' age profile can be used. For example, a household's age is based on the age of the reference person, and therefore it does not measure the age of other household members. Therefore, the reference person's age is a proxy for household age. This analysis relies on 2018 Census data. In the absence of newer Census data, it is appropriate to rely on the structures.

reports the age distribution across household types. The age distribution shows that smaller households are relatively overrepresented in the older age cohorts, especially the 65-year+ cohorts, and more than half (54.9%) of one person households fall in the +65 age cohort. As highlighted in the results, over half (67.9%) of one-person households earn less than $30,000 per year (see Table 2-2).

Table 2-3: Households by type and age – Far North District, 2023

Household type	15-29	30-39	40-49	50-64	65-74	75+	TOTAL
One-person household	225	350	525	2,225	2,135	1,910	7,370
Couple household	320	300	475	3,325	2,945	1,245	8,610
2 Parents, 1-2 Children	600	1,175	1,335	1,650	380	90	5,230
2 Parents, 3+ Children	190	840	680	225	5	0	1,945
One parent family	410	745	760	940	255	150	3,260
Multi-family household	125	150	180	435	125	40	1,055
Other Non-Family Household	150	90	125	460	260	150	1,230
Total households	2,020	3,660	4,075	9,255	6,105	3,585	28,700
One-person household	0.8%	1.2%	1.8%	7.8%	7.4%	6.7%	25.7%
Couple household	1.1%	1.0%	1.7%	11.6%	10.3%	4.3%	30.0%
2 Parents, 1-2 Children	2.1%	4.1%	4.7%	5.7%	1.3%	0.3%	18.2%
2 Parents, 3+ Children	0.7%	2.9%	2.4%	0.8%	0.0%	0.0%	6.8%
One parent family	1.4%	2.6%	2.6%	3.3%	0.9%	0.5%	11.4%
Multi-family household	0.4%	0.5%	0.6%	1.5%	0.4%	0.1%	3.7%
Other Non-Family Household	0.5%	0.3%	0.4%	1.6%	0.9%	0.5%	4.3%
Total households	7.0%	12.8%	14.2%	32.2%	21.3%	12.5%	100.0%

The relationship between one-person household income levels and age, highlights the relationship between the lower income cohorts and the elderly community. Another factor to contemplate is that some of these households may face income constraints, yet they could possess considerable assets, such as homeownership, implying they are "cash poor but asset rich".

Compared to one-person households, couple households have a slightly older age profile with 48.7% aged 65 years or older and 38.6% falling within the 50–64-year cohort. That means 87.3% of the couple households are 50 years or older, compared to 85.1% of one-person households. The age distribution of one-person and

couple households is consistent with the traditional household-life cycle where households become smaller as children age and leave home, reflecting empty-nesters. At the same time there is an element of hollowing out of the local population base as youth and young adults migrate to other regions in pursuit of education and career prospects. This household-life cycle pattern is observed across other categories, with 80.0% of parent(s) with children household types between 30 and 54 years old.

At a district-level, household distribution is skewed towards the higher age cohorts, with two thirds of households (66%) associated with the >50 years age cohort (for the reference person). In terms of the individual age cohorts:

- 50-64 age cohort is the largest at 32.2% of households.
- Households aged 15-29 represent 7.0% of households, the smallest group.
- Parent(s) with children (households) are associated with the younger age brackets and are represented predominantly in the sub-49 age cohorts. Just under two thirds (64.5%) of all households in the sub-49-year cohorts are classified as part of parent(s) with children household type. This segment is an important demand driver for larger dwelling types and represents large family orientated community.

Affordability normally becomes progressively more important for non-owner households in the middle and later years, as remaining lifetime earning potential reduces, and ability to access housing finance also reduces. The household age structures, and affordability suggest that housing costs are likely to become even more important over the medium to long term.

2.3 Household growth outlook

The household growth outlook is based on the StatsNZ population projections (medium) and M.E then estimate the associated household growth rates based on the observed relationships between household ages, population age structures and the anticipated change. The resulting household estimates integrate shifting demographic patterns into the analysis. This means that the average household size (number of people per household) is projected to decline over time.[19] An effect of this approach is a greater estimated number of households than other processes that translate population into households.[20] Importantly, the total population, and households, are projected to expand even if the age profile shifts.

In the context of the HBA, using a more optimistic posture is appropriate because of the wider consequences of understating future growth. The decision to plan for a slightly higher growth outlook is based on the premise that it is "easier to slow down growth, than to speed up". A higher growth outlook can also assist in supporting the housing development market by enabling additional growth to occur, thereby generating competition in the real estate market. Such competition can help to maintain real estate price levels. Using overly conservative growth estimates inevitably lead to under-planning for housing growth, with significant implications for communities.

The household growth outlook for Far North District is based on the preferred population growth pathway[21] as established in section 2.1.1. Total households in 2023 for the Far North District are estimated at 28,700 and are expected to continue to grow over the next 30 years (Table 2-4).

[19] This is in contrast with other methodologies where the Living type arrangements are kept constant (static) with lower household formation rates.
[20] Such as the Living Type Arrangement approach, that uses a static relationship between population and housing types.
[21] Infometrics High and Stats NZ Medium growth scenarios anticipate very similar levels of population growth and is used to inform demand estimates (household counts).

Table 2-4: Household growth outlook – Far North District

Year	2023	2028	2033	2038	2043	2048	2053
Growth Outlook	28,700	30,695	32,340	33,640	34,710	35,520	35,955
Change in Household No.		1,995	1,645	1,300	1,070	810	435
% Change		7.0%	5.4%	4.0%	3.2%	2.3%	1.2%

The compound growth rate over the long term is estimated at 0.6% p.a. from 2023 to 2053. The rate of growth is expected to vary over time, trending down over the long term (to avoid the hockey stick effect associated with compound growth). Under the preferred growth outlook, households are anticipated to grow to the following levels:

- 2023 28,700,
- 2028 30,695,
- 2033 32,340,
- 2053 35,955.

By 2053, households are projected to reach 35,955, an additional 7,255 households over the next 30 years (+25.3%). The growth rate is expected to peak over the next five years (2023-2028) at 7.0%, before declining over the long term.

Some volatility can be expected in the housing growth patterns, driven by New Zealand migration patterns, economic cycles as well as international migration. Over the short-term (2023-2026), the annual growth in households is projected at 398 per year. Based on these trends, higher (annual average) dwelling demand will need to be accommodated in the short to medium term. This growth should be seen in the context of recent consent data about dwelling construction intentions. Since 1995, the consent data suggests that the annual consented dwellings are in the order of 324 per year.

2.3.1 Demography and income shifts

Demographic attributes and patterns will shift over time. The shifts are driven by internal forces, such as the ageing population, as well as wider dynamics, like New Zealand's migration policies. Local aspects such as treaty settlements could also have an influence, as people move into the district to live on their ancestral land. Similarly, global events such as pandemics also influence patterns. Using the available projections and datasets, the future profiles for Far North District households are presented. While the previous section provided an overview of the total change, this section provides more detail about the underlying structural shifts.

Household types

Table 2-5 presents the change in the households (by type) over the short, medium and long term. This information is also shown graphically in Figure 2-2.

There is an observed shift in household types towards smaller households over the long term. One-person and couple households will experience the largest shift and are expected to grow by 41.5% and 27.8%, respectively. Viewed together, these household types dominate the growth profile over the next 30 years.

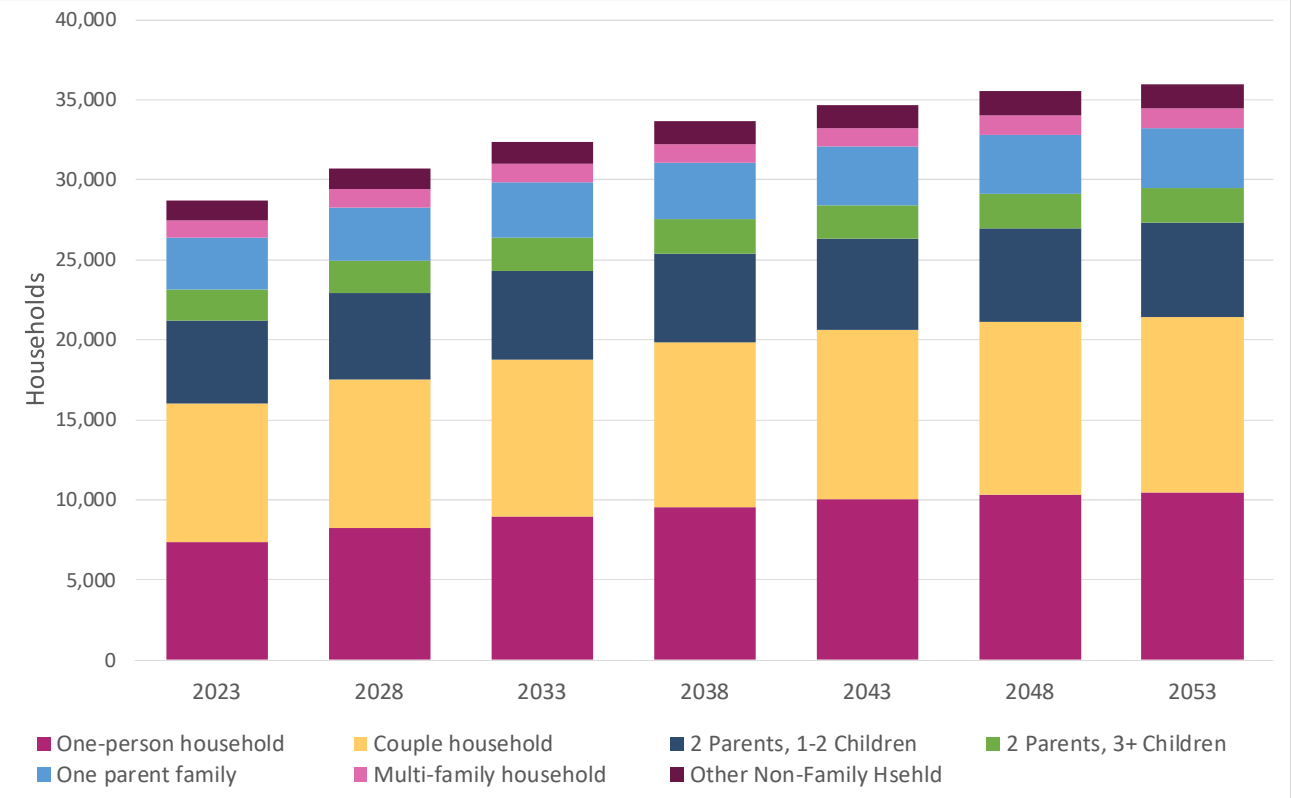
At the total level, the number of household increases by an additional 1,195 between 2023 and 2026. One-person and couple households account for more than two thirds (77.4%) of this short-term growth. Over the medium and long term, the growth in smaller households is expected to moderate somewhat but remain a key feature. In absolute terms, the shift in smaller households over the next 30 years is estimated at:

- 3,060 for one-person households, and
- 2,390 for couple households.

Table 2-5: Growth by household type

Household type	Current	Short-term			Medium-term			Long-term		
	2023	2026	2023-2026	2023-2026 %	2033	2023-2033	2023-2033 %	2053	2023-2053	2023-2053 %
One-person household	7,370	7,875	505	6.9%	8,930	1,560	21.2%	10,430	3,060	41.5%
Couple household	8,610	9,030	420	4.9%	9,845	1,235	14.3%	11,000	2,390	27.8%
2 Parents, 1-2 Children	5,230	5,320	90	1.7%	5,520	290	5.5%	5,880	650	12.4%
2 Parents, 3+ Children	1,945	1,985	40	2.1%	2,065	120	6.2%	2,155	210	10.8%
One parent family	3,260	3,335	75	2.3%	3,495	235	7.2%	3,760	500	15.3%
Multi-family household	1,055	1,075	20	1.9%	1,115	60	5.7%	1,205	150	14.2%
Other Non-Family Hsehld	1,230	1,275	45	3.7%	1,370	140	11.4%	1,525	295	24.0%
Total households	28,700	29,895	1,195	4.2%	32,340	3,640	12.7%	35,955	7,255	25.3%

Figure 2-2: Projected household growth by household type – Far North District



These shifts in household types point to a marked readjustment in the housing market and typologies that would be required to accommodate households. An aging population and changing housing choices underpins these shifts.

Household types by Income bands

Households can be grouped according to income levels as discussed in Section 2.2.1. The change of households by income bands between 2023 and 2053 is reported in Table 2-6 below. The three timeframes, short, medium and long term, are reported separately.

Table 2-6: Growth outlook by income – Far North District

Household type	Current	Short-term			Medium-term			Long-term		
	2023	2026	2023-2026	2023-2026 %	2033	2023-2033	2023-2033 %	2053	2023-2053	2023-2053 %
<$30,000	8,035	8,520	485	6.0%	9,530	1,495	18.6%	10,965	2,930	36.5%
$30,000-$50,000	5,880	6,215	335	5.7%	6,890	1,010	17.2%	7,765	1,885	32.1%
$50,000-$70,000	4,510	4,680	170	3.8%	5,010	500	11.1%	5,465	955	21.2%
$70,000-$100,000	4,305	4,425	120	2.8%	4,650	345	8.0%	5,020	715	16.6%
$100,000-$120,000	1,990	2,025	35	1.8%	2,090	100	5.0%	2,230	240	12.1%
$120,000-$150,000	1,750	1,775	25	1.4%	1,830	80	4.6%	1,965	215	12.3%
$150,000+	2,225	2,260	35	1.6%	2,340	115	5.2%	2,550	325	14.6%
Total households	28,700	29,895	1,195	4.2%	32,340	3,640	12.7%	35,955	7,255	25.3%

Households are skewed towards lower income bands, and this pattern remains entrenched over next 30 years. The data indicates that the three bands representing households earning less than $70,000 dominate the growth outlook. These three income bands account for 79.5% of long-term growth. In terms of the absolute shift over the next three decades, this is estimated at:

- 2,930 for household with incomes less than $30,000,
- 1,885 for household with incomes between $30,000-$50,000,
- 955 for household with incomes between $50,000-$70,000.

Overall, the percentage shift in the three lowest household income bands account for the highest growth ranging from 21.2% to 36.5% over the long term. As indicated previously, a proportion of the lower income cohorts consist of retirees who are traditionally low-income but with an asset base. Irrespective of this observation, the growth in low-income households mean that affordability pressures are likely to remain a key feature in the local market – and housing will remain a key pressure.

2.4 Revealed household-dwelling patterns

This section presents the observed housing demand patterns in terms of tenure, household compositions, and income brackets. These patterns provide a solid basis for estimating future demand (dwelling) patterns. By examining the links between, insights into future demand can be gleaned. Maintaining the observed correlations among these factors, they are applied to projected households. This synthesized information serves to provide an indication of future dwelling demand.

The latest (2018) Census data is used to estimate the ratios regarding dwelling occupancy.

Table 2-7 presents housing dwelling occupancy data by private and non-private dwellings in the Far North District for 2018, as well as the NZ average rates. According to StatsNZ's definitions of occupancy, unoccupied dwellings include baches or holiday homes which are classified as empty dwellings. This segment accounts for around 10% of total dwellings based on Census information.

Total dwellings were estimated at 30,155 in 2018 for the Far North District. Most (77%) dwellings were recorded as occupied, 12% of dwellings recorded owners away and 10% were empty. Overall, usually occupied dwellings accounted for approximately 90% of total dwellings in the district. Compared to the New Zealand average of 94% dwellings occupancy, the Far North has a lower proportion of occupied dwellings. This indicates that there is a high share of unoccupied baches or holiday homes across the district.

Table 2-7: Housing occupancy at Census (2018)

Census 2018	Private Dwellings	Private Dwellings %	NZ Average	Non-Privare Dwellings	Non-Privare Dwellings %	NZ Average	Total Dwellings	Total Dwellings %	NZ Average
Private Dwellings	29,649	100%		507	100%		30,156	100%	
Occupied	23,055	78%	89%	303	60%	66%	23,358	77%	89%
Unoccupied	6,417	22%	10%	195	38%	33%	6,612	22%	10%
Owners Away	3,657	12%	5%	81	16%	8%	3,738	12%	5%
Empty Dwelling	2,760	9%	5%	114	22%	25%	2,874	10%	5%
Under Construction	177	1%	1%	9	2%	1%	186	1%	1%
Usually Occupied	26,712	90%	94%	384	76%	74%	27,096	90%	94%
Usually Unoccupied	2,937	10%	6%	123	24%	26%	3,060	10%	6%

Source: Census 2018

2.4.1 Household Type and Tenure 2023

Approximately two third (67%) of dwellings in the Far North are owned, while 33% of households are living in rented (not owned) dwellings (see Table 2-8). Detached dwellings form the dominant housing typology representing 90.5% of total dwellings.

Table 2-8: Household types and dwelling tenure – Far North District, 2023

Household type	Owned or Trust			Not owned			Total		
	Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total
One-person household	4,165	405	4,570	2,075	720	2,800	6,245	1,130	7,370
Couple household	6,765	380	7,145	1,160	305	1,465	7,925	685	8,610
2 Parents, 1-2 Children	3,305	205	3,510	1,500	220	1,720	4,805	425	5,230
2 Parents, 3+ Children	1,065	60	1,125	725	95	820	1,790	155	1,945
One parent family	1,345	60	1,405	1,660	190	1,855	3,005	250	3,260
Multi-family household	655	35	695	330	35	365	985	70	1,055
Other Non-Family Household	720	5	725	505	5	505	1,225	5	1,230
Total households	18,025	1,150	19,175	7,950	1,570	9,525	25,975	2,720	28,700
One-person household	15%	1%	16%	7%	3%	10%	22%	4%	26%
Couple household	24%	1%	25%	4%	1%	5%	28%	2%	30%
2 Parents, 1-2 Children	12%	1%	12%	5%	1%	6%	17%	1%	18%
2 Parents, 3+ Children	4%	0%	4%	3%	0%	3%	6%	1%	7%
One parent family	5%	0%	5%	6%	1%	6%	10%	1%	11%
Multi-family household	2%	0%	2%	1%	0%	1%	3%	0%	4%
Other Non-Family Household	3%	0%	3%	2%	0%	2%	4%	0%	4%
Total households (%)	62.8%	4.0%	66.8%	27.7%	5.5%	33.2%	90.5%	9.5%	100.0%

There are some differences in household tenure between detached and attached dwellings. Detached dwellings show an ownership rate of 69%, which is marginally higher than the overall dwelling ownership rate of 67%. In comparison, less than half (42%) of attached dwellings are owned.

In terms of ownership, couple households have the highest homeownership rate at 83%. This is followed by 2 parent families with 1-2 children (67%) and multi-family households (66%). Conversely, one parent households have the lowest ownership rate at 43%. The ownership structures align with the lifecycle model in which older households are more likely to own their dwellings compared to newly formed households. The ownership patterns also align with dual income patterns i.e., if the household has multiple earners, then affording/owning a dwelling is more achievable.

Smaller household types (one-person and couples) are more likely to live in attached dwellings compared to family and non-family households. The data estimates that 11.4% (1,815) of smaller households are living in attached dwellings. For family households[22], the share is lower at 7.8%.

2.4.2 Household Income and Tenure 2023

The relationship between household income and dwelling tenure for the Far North District in 2023 is presented in Table 2-9. As expected, there is a positive relationship between household income band and the proportion of dwelling ownership. Households with incomes under $30,000 have the lowest ownership rate of 55%. As household income levels increase, the proportion of home ownership also increases. Homeownerships rates steadily increase to 82% for households with incomes over $150,000.

Table 2-9: Household income and dwelling tenure – Far North District, 2023

Household type	Owned or Trust			Not owned			Total		
	Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total
<$30,000	4,100	350	4,450	2,895	695	3,590	6,995	1,040	8,035
$30,000-$50,000	3,740	210	3,950	1,600	335	1,935	5,335	545	5,880
$50,000-$70,000	2,865	170	3,035	1,290	185	1,475	4,155	355	4,510
$70,000-$100,000	2,910	120	3,030	1,140	140	1,280	4,050	260	4,305
$100,000-$120,000	1,440	95	1,535	380	75	455	1,820	170	1,990
$120,000-$150,000	1,275	85	1,365	320	65	385	1,595	155	1,750
$150,000+	1,695	125	1,820	330	75	405	2,025	200	2,225
Total households	18,025	1,150	19,175	7,950	1,570	9,525	25,975	2,720	28,700
<$30,000	14.3%	1.2%	15.5%	10.1%	2.4%	12.5%	24.4%	3.6%	28.0%
$30,000-$50,000	13.0%	0.7%	13.8%	5.6%	1.2%	6.7%	18.6%	1.9%	20.5%
$50,000-$70,000	10.0%	0.6%	10.6%	4.5%	0.6%	5.1%	14.5%	1.2%	15.7%
$70,000-$100,000	10.1%	0.4%	10.6%	4.0%	0.5%	4.5%	14.1%	0.9%	15.0%
$100,000-$120,000	5.0%	0.3%	5.3%	1.3%	0.3%	1.6%	6.3%	0.6%	6.9%
$120,000-$150,000	4.4%	0.3%	4.8%	1.1%	0.2%	1.3%	5.6%	0.5%	6.1%
$150,000+	5.9%	0.4%	6.3%	1.1%	0.3%	1.4%	7.1%	0.7%	7.8%
Total households (%)	62.8%	4.0%	66.8%	27.7%	5.5%	33.2%	90.5%	9.5%	100.0%

The data indicates that a higher proportion of lower income household are living in attached dwellings. Approximately 13% of households with incomes under $30,000 live in an attached dwelling compared to 9% of households with incomes over $150,000. As household income increases, the proportion of households living in attached dwellings decreases.

2.5 Future Housing Demand

The population projections were converted to households using M.E's in-house approach that has been used across several housing assessments for other councils throughout New Zealand. As mentioned earlier, including the population dynamics into the household estimates, to better reflect shifting dwelling demand patterns mean that the housing demand projections are marginally higher than other projection sets (e.g., Infometrics).

The local population is dynamic, anticipated to expand in absolute numbers and undergo changes in relative composition. These transformations are not linear across time. Consequently, they impact demand levels in

[22] Includes all family and multi-family households.

the short, medium, and long terms. Understanding the changes in household counts and compositions is key because these factors play a crucial role in shaping overall future housing demand.

Future demand is estimated by assuming that the revealed patterns at a household level remain constant into the future. That is, household numbers will change in absolute terms, but the percentage mix of houses demand (by dwelling type) for different household types will remain constant. Our analysis allows for changes in the number of households by household types to flow through to the demand estimates. Demand and income levels, by household segment, are assumed to persist for the assessment period. This provides a basis for assessing future affordability based on the assumed growth. Crucially, the demand outlook does not seek to model macro-economic matters, like interest rates, exchange rates, migration policy, and so forth.

It is assumed that revealed housing preferences, financial capabilities of different household segments and associated patterns remain constant over the medium to long term. This means that dwelling ownership patterns, across income cohorts are expected to remain broadly constant with current proportions. An implicit assumption is that decision and ability to enter (or remain in) the housing market, made by households in different income bands, will remain stable. In relatively stable economies and communities like the Far North, these patterns have emerged over long periods and are an appropriate departure point (note: the capacity assessment captures a shift in housing preferences).

2.5.1 Demand outlook

The growth outlook forms the basis for the future demand assessment. The outlook is presented using several dimensions to illustrate the mix of demand looking forward and is based on observed patterns. The outlook does not reflect a preference shift in housing typology (detached vs attached), but this is considered later in the analysis. Table 2-10 summarises shows future housing demand by dwelling type across:

- Dwelling tenure,
- Household type, and
- Income levels.

As mentioned earlier, households in the Far North District are projected to increase over the next 30 years by an additional 7,255 households. Projected growth in households over the short, medium, and long term is as follows.

- 2023-2026 +1,195,
- 2026-2033 +2,445, and
- 2033-2053 +3,615.

In terms of demand for dwelling types (detached vs. attached), projected demand is expected to remain skewed towards detached dwellings. Demand for detached dwellings in the short, medium and long term sits at around 90.5%. in absolute terms, the number of attached dwellings in the district does increase overtime (+740), however, the share of attached dwellings as a proportion of total dwellings remains static over the short, medium and long term.

The relativity of demand for detached- attached dwellings is between 0.11-0.12 attached dwellings demanded for every 1 detached dwelling demanded, over the three time periods. This suggest that detached dwellings will remain the dominant dwelling type in the Far North District. This pattern is consistent with that observed around New Zealand in other rural-districts.

Table 2-10: Summary of growth outlook

Medium Growth	Current			Short-term			Medium-term			Long-term		
	2023			2026			2033			2053		
Dwelling Tenure	Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total
Owned with mortgage	6,415	320	6,735	6,560	330	6,885	6,870	340	7,215	7,510	370	7,880
Owned without mortgage	8,495	530	9,025	9,010	565	9,570	10,050	635	10,680	11,440	740	12,180
Owned by trust	3,115	300	3,415	3,255	315	3,570	3,550	340	3,890	3,950	380	4,335
Total owned or in trust	18,025	1,150	19,175	18,825	1,205	20,025	20,470	1,315	21,780	22,905	1,490	24,395
Not Owned	7,950	1,570	9,525	8,230	1,640	9,870	8,785	1,775	10,555	9,590	1,970	11,560
TOTAL	**25,975**	**2,720**	**28,700**	**27,055**	**2,840**	**29,895**	**29,255**	**3,085**	**32,340**	**32,495**	**3,460**	**35,955**
Household Type												
One-person household	6,245	1,130	7,370	6,670	1,205	7,875	7,565	1,365	8,930	8,835	1,595	10,430
Couple household	7,925	685	8,610	8,315	710	9,030	9,080	765	9,845	10,150	850	11,000
2 Parents, 1-2 Children	4,805	425	5,230	4,890	430	5,320	5,080	440	5,520	5,410	470	5,880
2 Parents, 3+ Children	1,790	155	1,945	1,825	155	1,985	1,905	160	2,065	1,985	170	2,155
One parent family	3,005	250	3,260	3,080	255	3,335	3,225	265	3,495	3,480	285	3,760
Multi-family household	985	70	1,055	1,000	75	1,075	1,035	80	1,115	1,120	80	1,205
Other Non-Family Household	1,225	5	1,230	1,270	5	1,275	1,360	10	1,370	1,510	10	1,525
TOTAL	**25,975**	**2,720**	**28,700**	**27,055**	**2,840**	**29,895**	**29,255**	**3,085**	**32,340**	**32,495**	**3,460**	**35,955**
Household Income												
<$30,000	6,995	1,040	8,035	7,410	1,110	8,520	8,275	1,250	9,530	9,510	1,455	10,965
$30,000-$50,000	5,335	545	5,880	5,640	575	6,215	6,255	635	6,890	7,055	710	7,765
$50,000-$70,000	4,155	355	4,510	4,315	365	4,680	4,630	385	5,010	5,050	415	5,465
$70,000-$100,000	4,050	260	4,305	4,160	265	4,425	4,375	275	4,650	4,720	300	5,020
$100,000-$120,000	1,820	170	1,990	1,850	175	2,025	1,915	175	2,090	2,045	185	2,230
$120,000-$150,000	1,595	155	1,750	1,620	155	1,775	1,670	160	1,830	1,795	170	1,965
$150,000+	2,025	200	2,225	2,060	200	2,260	2,135	205	2,340	2,325	225	2,550
TOTAL	**25,975**	**2,720**	**28,700**	**27,055**	**2,840**	**29,895**	**29,255**	**3,085**	**32,340**	**32,495**	**3,460**	**35,955**
Share %												
Owned with mortgage	22.4%	1.1%	23.5%	21.9%	1.1%	23.0%	21.2%	1.1%	22.3%	20.9%	1.0%	21.9%
Owned without mortgage	29.6%	1.8%	31.4%	30.1%	1.9%	32.0%	31.1%	2.0%	33.0%	31.8%	2.1%	33.9%
Owned by trust	10.9%	1.0%	11.9%	10.9%	1.1%	11.9%	11.0%	1.1%	12.0%	11.0%	1.1%	12.1%
Total owned or in trust	62.8%	4.0%	66.8%	63.0%	4.0%	67.0%	63.3%	4.1%	67.3%	63.7%	4.1%	67.8%
Not Owned	27.7%	5.5%	33.2%	27.5%	5.5%	33.0%	27.2%	5.5%	32.6%	26.7%	5.5%	32.2%
TOTAL	**90.5%**	**9.5%**	**100.0%**	**90.5%**	**9.5%**	**100.0%**	**90.5%**	**9.5%**	**100.0%**	**90.4%**	**9.6%**	**100.0%**
One-person household	21.8%	3.9%	25.7%	22.3%	4.0%	26.3%	23.4%	4.2%	27.6%	24.6%	4.4%	29.0%
Couple household	27.6%	2.4%	30.0%	27.8%	2.4%	30.2%	28.1%	2.4%	30.4%	28.2%	2.4%	30.6%
2 Parents, 1-2 Children	16.7%	1.5%	18.2%	16.4%	1.4%	17.8%	15.7%	1.4%	17.1%	15.0%	1.3%	16.4%
2 Parents, 3+ Children	6.2%	0.5%	6.8%	6.1%	0.5%	6.6%	5.9%	0.5%	6.4%	5.5%	0.5%	6.0%
One parent family	10.5%	0.9%	11.4%	10.3%	0.9%	11.2%	10.0%	0.8%	10.8%	9.7%	0.8%	10.5%
Multi-family household	3.4%	0.2%	3.7%	3.3%	0.3%	3.6%	3.2%	0.2%	3.4%	3.1%	0.2%	3.4%
Other Non-Family Household	4.3%	0.0%	4.3%	4.2%	0.0%	4.3%	4.2%	0.0%	4.2%	4.2%	0.0%	4.2%
TOTAL	**90.5%**	**9.5%**	**100.0%**	**90.5%**	**9.5%**	**100.0%**	**90.5%**	**9.5%**	**100.0%**	**90.4%**	**9.6%**	**100.0%**
<$30,000	24.4%	3.6%	28.0%	24.8%	3.7%	28.5%	25.6%	3.9%	29.5%	26.4%	4.0%	30.5%
$30,000-$50,000	18.6%	1.9%	20.5%	18.9%	1.9%	20.8%	19.3%	2.0%	21.3%	19.6%	2.0%	21.6%
$50,000-$70,000	14.5%	1.2%	15.7%	14.4%	1.2%	15.7%	14.3%	1.2%	15.5%	14.0%	1.2%	15.2%
$70,000-$100,000	14.1%	0.9%	15.0%	13.9%	0.9%	14.8%	13.5%	0.9%	14.4%	13.1%	0.8%	14.0%
$100,000-$120,000	6.3%	0.6%	6.9%	6.2%	0.6%	6.8%	5.9%	0.5%	6.5%	5.7%	0.5%	6.2%
$120,000-$150,000	5.6%	0.5%	6.1%	5.4%	0.5%	5.9%	5.2%	0.5%	5.7%	5.0%	0.5%	5.5%
$150,000+	7.1%	0.7%	7.8%	6.9%	0.7%	7.6%	6.6%	0.6%	7.2%	6.5%	0.6%	7.1%
TOTAL	**90.5%**	**9.5%**	**100.0%**	**90.5%**	**9.5%**	**100.0%**	**90.5%**	**9.5%**	**100.0%**	**90.4%**	**9.6%**	**100.0%**
Change in periods				2023-2026			2026-2033			2033-2053		
				Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total
Owned with mortgage				145	10	150	310	10	330	640	30	665
Owned without mortgage				515	35	545	1,040	70	1,110	1,390	105	1,500
Owned by trust				140	15	155	295	25	320	400	40	445
Total owned or in trust				800	55	850	1,645	110	1,755	2,435	175	2,615
Not Owned				280	70	345	555	135	685	805	195	1,005
TOTAL				**1,080**	**120**	**1,195**	**2,200**	**245**	**2,445**	**3,240**	**375**	**3,615**
One-person household				425	75	505	895	160	1,055	1,270	230	1,500
Couple household				390	25	420	765	55	815	1,070	85	1,155
2 Parents, 1-2 Children				85	5	90	190	10	200	330	30	360
2 Parents, 3+ Children				35	0	40	80	5	80	80	10	90
One parent family				75	5	75	145	10	160	255	20	265
Multi-family household				15	5	20	35	5	40	85	0	90
Other Non-Family Household				45	0	45	90	5	95	150	0	155
TOTAL				**1,080**	**120**	**1,195**	**2,200**	**245**	**2,445**	**3,240**	**375**	**3,615**
<$30,000				415	70	485	865	140	1,010	1,235	205	1,435
$30,000-$50,000				305	30	335	615	60	675	800	75	875
$50,000-$70,000				160	10	170	315	20	330	420	30	455
$70,000-$100,000				110	5	120	215	10	225	345	25	370
$100,000-$120,000				30	5	35	65	0	65	130	10	140
$120,000-$150,000				25	0	25	50	5	55	125	10	135
$150,000+				35	0	35	75	5	80	190	20	210
TOTAL				**1,080**	**120**	**1,195**	**2,200**	**245**	**2,445**	**3,240**	**375**	**3,615**

Tenure (ownership) of dwellings

The tenure of dwellings over the short, medium and long term is reported on a dwelling-type basis. The not-owned category includes a small number of dwellings for which tenure is not specified. The projected household demand by tenure suggest:

- There is a marginal increase in the share of total dwellings owned. The current ownership rate increases from 66.8% in 2023 to 67.8% by 2053. The shift occurs predominantly in the ownership of detached dwellings. For attached dwellings, the ownership share remains constant. The shift reflects life-stage movements in the population (as people age, they pay off their mortgage thereby becoming debt-free).
- The share of dwellings owned with a mortgage, decreases from 23.5% currently to 21.9% by 2053. Although the share decreases over the long term, the absolute number of dwellings owned with a mortgage increases. The decline in the share of dwellings owned with a mortgage is offset by the increase in share of dwellings owned without a mortgage. Again, these shifts are observed for detached types with attached topology shares remaining relatively static overtime.
- The overall share of dwellings owned by trusts or not owned is expected to remain relatively stable, remaining rangebound between 11.9%-12.1% for trusts and between 32.2%-33.2% for not owned dwellings. The relative shifts associated with detached and attached dwellings are marginal.

Within the owned category, there will be an additional 3,155 households who own dwellings without a mortgage by 2053. As mentioned, a proportion of this group is representative of households who have previously held a mortgage which they have since paid off over the course of their prime earning years. The increase in share of households under this ownership category reflects the long-term trend of a growing number of households belonging to older age groups, nearing retirement age. Additionally, there's an increase in the proportion of households within this demographic residing in attached dwellings. This shift could signify a transition of smaller households, such as individuals and couples in older age brackets, toward dwellings that are typically more compact and better suited to their evolving needs at this stage of life. It also shows the impacts of shifting dwelling preferences in response to affordability challenges, and the associated trade-offs that households make.

Correspondingly, a decrease in the proportion of households who own with a mortgage is observed over the long term. Although this group increases by 1,145 households over the long term, the proportion falls from 23.5% currently, to 21.9% in 2053. These are likely representative of younger households such as first homeowners, who have not owned their dwelling for as long.

The number of households who do not own their dwelling is projected to increase by an addition 2,035 by 2053. However, when viewed as a share there is little variation over the long term. This reflects the interplays between household growth and the rental market.

In general, the distribution of dwelling tenure by type reveals a preference for detached dwellings among households. There is a projected increase in the absolute number of attached dwellings owned outright over the long run, however, the share of these as a proportion of total ownership remains constant.

Household types

In terms of household types, the demand patterns align with demographic. Observations include:

- Smaller household types account for three quarters (75%) of household growth over the long term. One-person households are expected to increase by an additional 3,060 while couple households will see an experience of 2,390 by 2053. Smaller household types will capture a larger share – increasing from 55.7% in 2023 to 59.6% by 2053. This shift is largely observed in detached housing types,

however, there is a marginal shift in one-person households living in attached dwellings over the long term.

- The proportion of parent(s) with children households shifts downwards from 36.4% in 2023 to 32.8% by 2053. Although the share of parent(s) with children households will trend down as a portion of households, there is still an increase in absolute terms. Over the 30 years, there is an additional 1,360 parent(s) with children households. The preferred housing typology for these households continues to be detached dwellings.
- The shares of multi-family and non-family households remain rangebound over the next 30 years. For multi-family households the share is between 3.4%-3.7% and for non-family households this is between 4.2%-4.3%. By 2053 there will be an additional 150 multi-family households and 295 non-family households.

Overall, there is a strong preference for detached housing across household types in the Far North District. However, a slight shift in smaller households towards attached dwellings overtime is observed. This shift could see some acceleration in response to housing costs pressures and a preference shift in dwelling requirements.

Household income

The dwelling demand outlook is also segmented into demand by household income levels. Income level is an important determinant of housing affordability. The analysis uses seven different income cohorts to illustrate the outlook across the short, medium and long term. In terms of household income levels, the projections suggest:

- Households with incomes under $30,000 are projected to account for 40% (+2,930) of total growth out to 2053. A further 1,885 households in the $30,000-$50,000 income cohort are expected over the next 30 years. Combined, households with incomes under $50,000 are projected to account for two thirds (66%) of growth out to 2053.
- As a proportion of total households, the share of lower income households (<$50,000) increases from 48.5% in 2023 to 52.1% by 2053. These households are skewed towards detached dwellings, however, there is a marginal uplift in lower income household living in attached dwellings.
- The share of higher income households (+$100,000) is expected to decline overtime from 20.8% currently to 18.8% by 2053. Nevertheless, the number of households with incomes above $100,000 is expected to increase by 780 over the next 30 years.
- The balance of households with middle-incomes between $50,000 and $100,000 represent 23% of total growth out to 2053 with an additional 1,670 households at this income level. The share of middle-income households as a proportion of total households remains relatively stable, decreasing marginally from 30.7% currently to 29.2% by 2053.

These projections do not necessarily mean, that households are poorer, but it points to a relative shift in income levels. **Importantly, the ageing population is seeing a portion of households recorded in the low-income groups. Therefore, care is needed when interpreting the shift in households in the low-income cohorts.**

Spatial distribution of demand

Over the next three decades it is expected an additional 7,255 households will be located in Far North district. Historic residential building consents (1991-2023) were also used to distribute future demand across the rest of the district. Importantly, demand is mobile, and households can make trade-offs between locations. Spatial distribution is therefore done at a high level, and it should be viewed as indicative.

Based on residential building consents, Kerikeri-Waipapa captured 35% of district-wide growth. Over the more recent past (10 years), the average share was somewhat higher, i.e., 41% of consented dwellings were in Kerikeri-Waipapa. Considering the desirability of this location, we have allocated a slightly higher share of demand (45%) to the study area going forward; this is a somewhat aggressive posture but is consistent with recent trends, and the development issues we're seeing in other areas (as part of the wider HBA-process). This suggests 3,260 additional households would need to be accommodated within the Kerikeri-Waipapa spatial plan area by 2053. Breaking growth down over the short, medium, and long term, shows additional demand estimated at:

- Short term (2023-2026) 535 dwellings,
- Medium term (2026-2033) 1,100 dwellings,
- Long term (2033-2053) 1,625 dwellings.

The balance of additional demand is distributed as follows:

- Kaitaia 2.5%
- Kaikohe 2.5%
- Other settlements 30%
- Rural areas 20%

This demand excludes the competitiveness margins, which are presented in the next section.

2.5.2 Competitiveness Margin

The NPS-UD requires tier 1 and tier 2 councils to consider a competitiveness margin over and above the expected demand. Clause 3.22 sets out the margins, requiring 20% be added to projected demand in the short and medium term and 15% in the long term. The purpose of the margin is to support choice and competitiveness in housing and business land markets by ensuring that Council enables at least 15-20% more capacity than required to meet demand. Importantly the Far North district is not identified as a fast growth council, meaning that it is not necessary to include a margin in the analysis. The margin is however included to illustrate the additional capacity to consider if a margin is included i.e., additional demand is included in the analysis.

Including the margins implies projected demand should be increased to the following levels over the short, medium, and long terms:

- 2023-2026 +1,435,
- 2026-2033 +2,935, and
- 2033-2053 +4,155.

Incorporating the margins, lifts projected demand by 1,270 dwellings. Put differently, capacity is required for an additional 8,525 dwellings over thirty years when margins are included, compared with 7,255 dwellings when margins are excluded.

Demand including the margins are reflected in the sufficiency assessment to reflect a conservative position.

3 Housing Supply

This section describes the current housing supply situation in the district using information from Council's rating dataset, consent information as well as M.E's own modelling. The section covers the current dwelling estate, dwelling value trends and new dwellings (based on trends).

3.1 Existing dwellings/houses

Based on Council's rating information, the existing houses/dwellings comprises approximately 28,800 dwellings[23]. We recognise there is some inconsistency between other datasets and rating information. Census 2018 estimated 30,156 dwellings and CoreLogic data shows around 25,000 dwellings in 2020. The CoreLogic data only includes dwellings where the main land use category is residential.[24] One possible reason could be that dwellings on farms are not included in the CoreLogic's count. Only including these properties in the rating information, the count of is at around 25,800 dwellings. We did not attempt to verify the accuracy of the rating information and could not triangulate count of dwellings across different sources. However, potential reasons for the variance could relate to classification differences, timing considerations and recording/observational issues. Only properties[25] for which the main purpose is residential (including lifestyle) is reflected in Table 3-1.

Table 3-1: Existing residential property estate (2023)

Property Category	Share of dwellings	Land Value ($m)	Improved Value ($m)	Capital Value ($m)	Mean LV ($000)	Mean IV ($000)	Mean CV ($000)	LV as % CV
Residential Dwelling	64%	$ 5,689	$ 6,336	$ 12,025	$ 343	$ 382	$ 725	47%
Residential Home & Income	4%	$ 238	$ 292	$ 530	$ 253	$ 310	$ 563	45%
Residential Apartments	6%	$ 304	$ 383	$ 687	$ 206	$ 260	$ 466	44%
Residential Rental flats	2%	$ 39	$ 69	$ 108	$ 76	$ 134	$ 209	36%
Residential Convert Flats	0.1%	$ 2	$ 4	$ 6	$ 73	$ 126	$ 200	37%
Sub-total Residential	76%	$ 6,273	$ 7,083	$ 13,356	$ 321	$ 362	$ 683	47%
Lifestyle Improvement	24%	$ 3,052	$ 2,763	$ 5,815	$ 484	$ 438	$ 921	52%
Total	100%	$ 9,325	$ 9,847	$ 19,172	$ 361	$ 333	$ 591	61%

Source: FNDC Rating Data

The aggregate value of the residential property estate is estimated at $19.2bn, broken down to:

- Land value $9.3bn (49%), and
- Value of improvements $9.8bn (51%).

The main residential types are mostly associated with urban residential properties. Urban properties account for 73% of the housing stock. That is, excluding lifestyle properties and dwellings in the rural area (i.e. outside of housing settlements) as defined by Council. 'Residential Dwelling' and 'Residential Apartments' are the dominant categories. Combined, these two categories account for 70% of all residential dwellings and 90% of the total if only urban dwellings are considered. Some background checks revealed that some properties that are classified as apartments, but appear to be minor dwellings or to baches on one parcel.

The table shows the mean values for land values (LV), value of improvements (VoI) and capital values and across the portfolio (excluding the lifestyle properties) are:

- Land value $321,000,

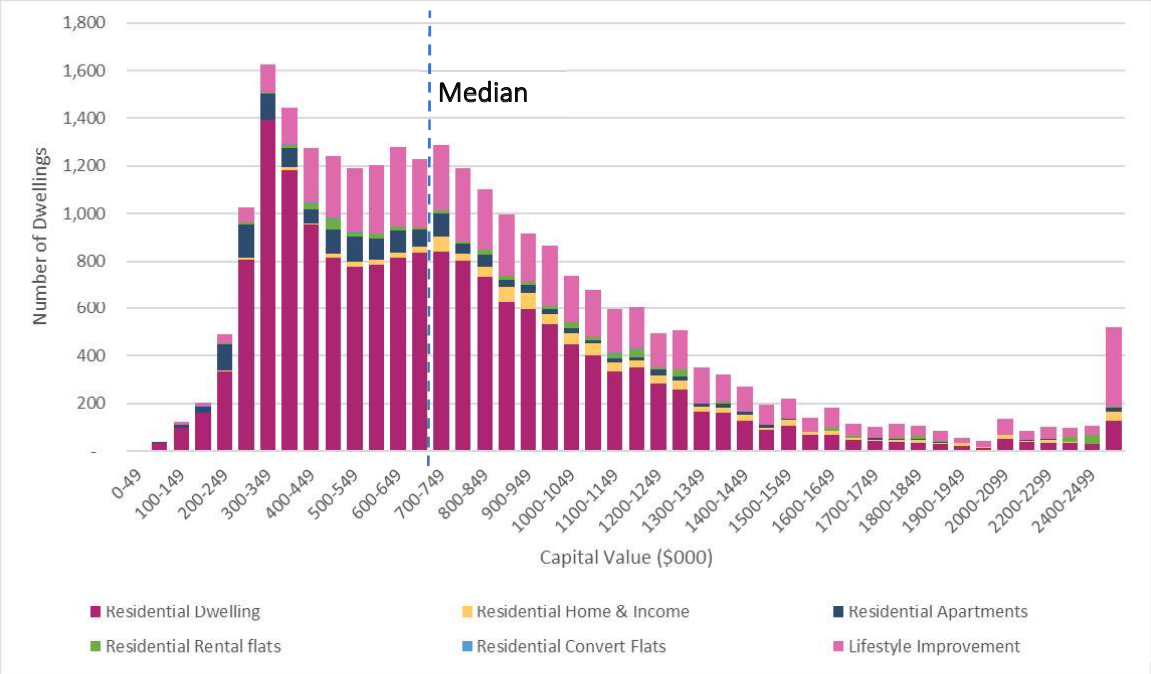
[23] Includes all properties for which the improvement description includes dwelling, apartment, flat, bach or cabin.
[24] Land use categories included are RD, RR, RA, RF, RN, RC and RD.
[25] Urban and rural properties.

- Value of Improvement $362,000, and
- Capital Value $683,000.

The variance in average values of lifestyle properties (relative to residential properties) is important to note. The lifestyle properties have a larger LV component (due to larger area), but the VoI is also considerably higher. This higher level shows not only the residence, but also other building and improvements. Therefore, some caution is needed when using the 'total' value of improvements.

Figure 3-1 presents the value distribution of the existing houses/dwellings across value bands, using capital value.

Figure 3-1: Value distribution of existing residential houses/dwellings (Far North District)



Source: FNDC Rating Data

The key points are:

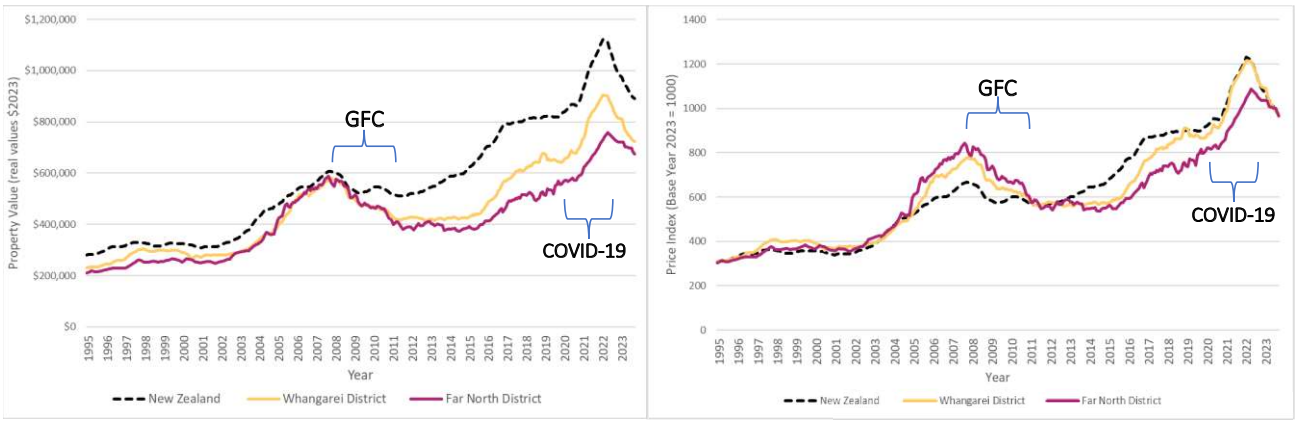
- Based on rating data, the median value across all the residential categories is $690,000 and the average around $600,000.
- The distribution of dwellings across a wider range of values is consistent with the nature of the district, which includes a large number of smaller settlements where prices are comparatively low, but also larger centres such as Kerikeri where prices are on average higher than the rest of the district. Then there is also Pahia and Russel which are small relative to Kerikeri, but property values are on average higher than the settlements of similar size.
- The unique rural character of the district is reflected in the wide spread of lifestyle property values. These properties account for almost a quarter (24%) of the district's existing estate[26]. In comparison, lifestyle properties account for around 10% of properties in Hastings District and makes up 9% of New Zealand's housing estate.

[26] The residential estate refers to properties, especially houses/dwellings i.e., residential real estate.

3.2 Dwelling Value Trends

This section uses information from CoreLogic residential property index, which offers monthly data across 125 locations, to show the historic trends between 1995 and 2023 (Figure 3-1) in Far North District and compare it against the New Zealand and Whangarei District trends. The graph shows mean values in real terms (CPI-adjusted showing values in $2023) and as a price index (base year is 2023).

Figure 3-2: Residential property values over time (nominal and index) 1995-2023



Source: FNDC Rating Data

The increase in New Zealand's house prices over time is well documented, and the scale and speed of the shifts have varied at different times and across different areas. Looking back over the past two decades or so, shows that since 2000, residential property values have increased significantly throughout New Zealand, with a slight downturn, after the Global Financial Crisis (GFC), before recovering. More recently 2021 and 2022 saw a sharp increase in house prices, with a correction in 2023 that brought New Zealand prices closer to its long-term growth trend.

Prices in Far North District took longer to recover after the GFC despite being on a similar trajectory than New Zealand in the early 2000s. Prices remain significantly lower than the New Zealand average. Leading up to the GFC, the price index suggests that growth in Far North property prices outstripped the rest of the country, but has remained subdued ever since. More recent information[27] shows prices stabilising since mid-2023, with the average house price in the Far North estimated between $650,000 and $720,000.

The rise and fall in residential prices over time are influenced by several factors:

- The ease of accessing finance,
- high consumer confidence (especially in the lead-up to the GFC circa 2005-2008),
- constraints on construction capacity,
- constraints on supply chains (especially during COVID-19),
- migration,
- overseas investment in New Zealand's housing market (until 2018),
- interest rates and
- the tax policy and environment.

[27] QV House Price Index. Accessed on 5 April 2023.

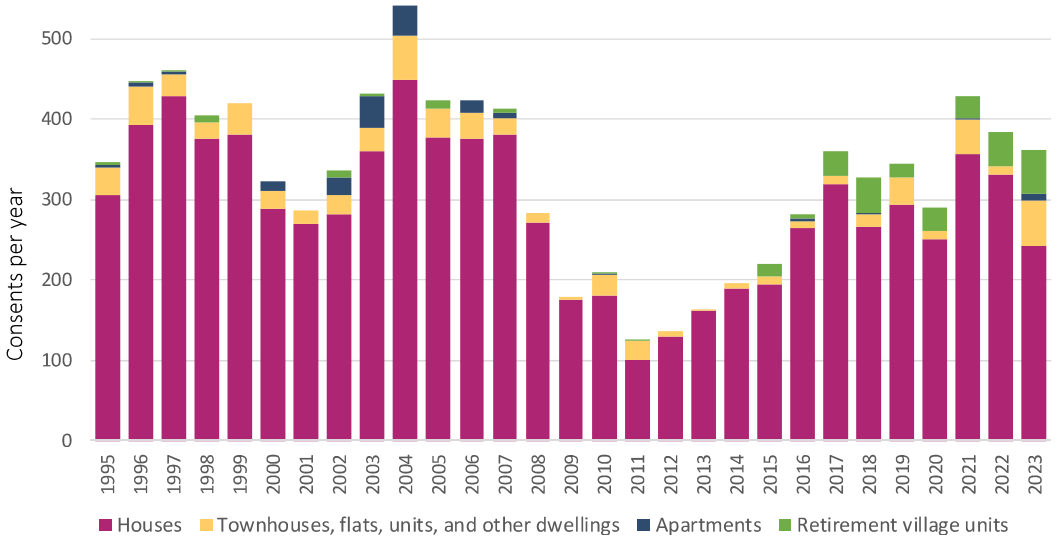
3.3 Additions to the housing stock (new dwellings)

This section presents the observed movements and patterns associated with dwelling delivery i.e., the type and quantum of additions to dwellings (housing stock) based on consent information. By analysing building consents[28], we identify the shifts in residential properties delivered over the past two decades, broken down by type and value. This analysis of changes and additions to dwellings helps to understanding the potential future state of the existing housing stock. The relationship between land values and improvement values is also considered. Recent trends in consenting are taken as a general indicator of feasibility. In most councils, a large share of consented dwellings goes on to be completed, indicating general feasibility, especially when considered over the medium term. The section provides information about the recent development trends and patterns, and looks at:

- Trends in consented size (m^2),
- Trends in consented values ($), and
- The mix in dwelling types.

Figure 3-3 shows the scale and nature of new dwelling consents in Far North District since 1995.

Figure 3-3: Far North District Consent by type (1995-2023)



Source: StatsNZ Building consents

The historic building cycle is clearly visible, with strong construction activity over the decade preceding the GFC, except for the early 2000s when consents dipped somewhat around the dot-com bubble and Asian Crisis. The drop-off during the GFC is then also evident. The GFC-downturn (2008-2011) mirrors the observed contraction in house prices over the same period (Figure 3-2). Since 2011, consent activity has been recovering, tracking flat since 2017, and falling slightly in 2020, which can be ascribed to Covid-19 and the uncertainty it brought to the economy (across the country and globally). The relatively large increase in 2021 is partially due to pent up demand and the growth in house prices that made construction viable. Annual consents have not yet fully recovered to the levels seen between 1996 and 1999, and 2003 and 2007.

[28] 1995-2023.

Overall, detached houses dominate activity. Town houses and higher density typologies form a small portion of the overall delivery.

A noticeable movement is the lift in consents associated with retirement dwellings since 2017. Far North District is not unique in this. There is a strong increase in investment in the retirement sector across the country– generally associated with an aging population and the activity of retirement village operators. Development activity in the attached dwelling typology has been volatile throughout the years, with cyclical movements.

Table 3-2 provides aggregated building consent data covering the 2018-2023 period.

Table 3-2: Consent parameters, Far North District (2018-2023)

2018-2023 Period					
Parameter	Houses	Town houses Flats Units	Apartments	Retirement Units	Total Dwellings
Number of Dwelling Units Consented	1,740	170	11	217	2,138
Total Value of Consented Units ($m)	$803	$39	$2	$91	$935
Total Value (Real $m) 2023	$899	$42	$3	$100	$1,044
Floor Area of Consented Units (sqm)	312,337	13,599	923	32,569	359,428
Mean Value of Consented Units ($000)	$461	$230	$224	$418	$437
Mean Real Value of Consented Units ($000)	$517	$249	$230	$462	$488
Mean Floor Area of Consented Units (sqm)	180	80	84	150	168
Mean Value $ per sqm	2,570	2,870	2,670	2,780	2,600
Mean Real Value $2023 per sqm	2,880	3,120	2,740	3,080	2,900

Source: StatsNZ; M.E calculations

Over the past five years, standalone homes dominated consent activity, accounting for 81% of new dwelling consents – this dominance is a constant feature over the longer term. Consents for 1,740 houses were issued, with the combined value of the investment in this segment surpassing $800m and the total floor area over 312,300sqm. This suggests the average size of new houses is around 180sqm. The floor area associated with standalone homes, accounted for 87% of the total floor area consented. Apartments accounted for the smallest share (<1%).

Over the same period, 11 apartments, 170 townhouses/flats/units and 217 retirement units were consented. The average floor area of these dwellings range between 80sqm and 150sqm per unit. However, care should be taken when interpreting the average size of these, because for multi-unit homes such as apartments, retirement units, etc. common areas such as lobbies or other shared areas are included in the total floor area.

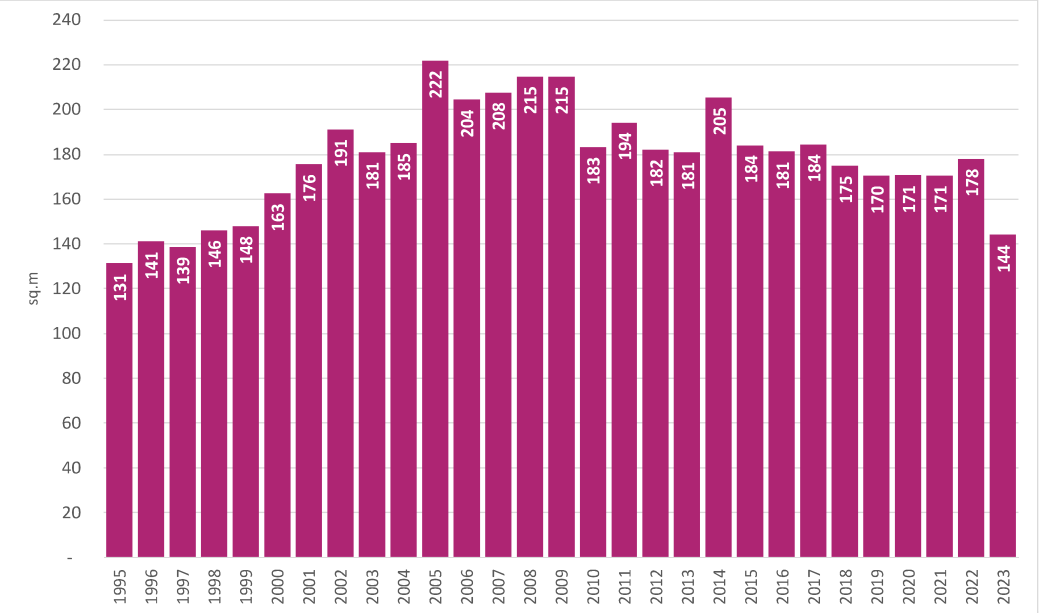
With reference to construction costs (from the consent data[29]), the average value (after adjusting for inflation) is put at $2,900 per sqm. The value for retirement units is marginally higher ($3,080/sqm) and houses is slightly lower at $2,880/sqm. The slightly higher unit (per sqm) cost of construction for retirement units, is likely because of the additional (and specialist) facilities which are needed in aged care facilities.

In terms of size, the weighted average size of dwellings consented between 1995 and 2023, (across all typologies) has been reasonably rangebound between 2000 and 2022 (see Figure 3-4), varying between

[29] The actual values used in the feasible capacity assessment are higher, and are informed by the developer engagement process.

144sqm and 222sqm, but trending around the 180sqm band. Overall, an increase in size is observed between 1995 and 2008/9 when it peaked at 215sqm before stabilising between 2010 and 2022. There was a notable drop in 2023, but this cannot yet be interpreted as a trend. However, if trends in other areas of the country (e.g. Hastings district, Waikato district, etc.) are an indicator of what is expected in Far North District, then the average size of dwellings will continue to trend downwards, but this include strong preference shifts and large uptakes of retirement dwellings. The increase of more intensive residential land use is also an indicator that dwellings on average, are becoming smaller. Affordability is also a driver of smaller dwellings.

Figure 3-4: Weighted average dwelling size (building consents) - 1995-2023



Source: StatsNZ Building consents

3.4 Conclusion

The current housing estate which accommodates Far North District residents is weighted towards detached dwellings, with a recent uptick in retirement units being developed. However, development patterns over the recent past shows a continued pattern that is biased towards detached dwellings. While these historic patterns offer some guidance about what future patterns could look like, they are based on past (operative) planning provisions and household preferences. Affordability pressures might shift housing preferences, which, combined with a change in planning provisions, might mean that future patterns differ from those currently observed. The rate of change is however uncertain, and changes take considerable time to take hold, and show up in official statistics.

4 Capacity assessment and sufficiency

According to Policy 2 of the NPS-UD, local authorities are to at 'all times, provide at least sufficient development capacity to meet expected demand for housing and for business land over the short term, medium term and long term.' Clause 3.2(2) also goes on to state that for development capacity to be sufficient it must be:

(a) plan-enabled; and
(b) infrastructure-ready; and
(c) feasible and reasonably expected to be realised; and
(d) for tier 1 and 2 local authorities only, meet the expected demand plus the appropriate competitiveness margin[30] (i.e. 20% in the short and medium term, and 15% in the long term).

This section focuses on the housing market's supply side, that is, the development capacity across Far North District. The development capacity considers different approaches, including:

- Infill development,
- Redevelopment, and
- Vacant.

The section starts by outlining the approach used to estimate housing supply over the next three decades across Far North District, followed by capacity reported in terms of plan-enabled, feasible, infrastructure-ready, and potential development capacity (i.e., reasonably expected to be realised equivalent).

4.1 Approach and definitions

The assessment of capacity involves applying relevant planning parameters, such as (e.g., lot sizes, height limits, offsets, setbacks, and so forth) to estimate the potential for adding extra dwellings to relevant parcels. This initial step produces the Plan Enabled Capacity (PEC), representing the theoretical maximum number of additional dwellings possible.

Subsequently, PEC is evaluated in terms of commercial viability, i.e., Feasible Capacity (FC). When the projected sales price of a developed property exceeds the expected cost to deliver, plus a developer's profit margin, the property is considered commercially viable. This methodology aligns with guidance provided by the Ministry for the Environment (MfE).

The third step involves working with Council's asset management teams to determine what share of the FC can be served through infrastructure currently. It is our understanding that Council is currently undertaking a stocktake of its three waters infrastructure network. This work is ongoing and is the timelines associated with infrastructure work extend beyond those associated with the HBA. The infrastructure information can be included as a separate workstream in a subsequent stage of the growth planning process.

The final step is estimating the Potential Development Capacity (PDC), which is a subset of FC which could be developed, based on assumed uptake rates. These rates take into account essential market indicators like affordability, location, and demand trends. Notably, this is not the only possible future, but rather one of many based on alignment of demand and potential supply (feasible capacity).

[30] A competitiveness margin is a margin of development capacity, over and above the expected demand, in order to support choice and competitiveness in housing and business land markets (NPS-UD 2020).

4.1.1 Plan enabled capacity

According to NPS-UD, development capacity is 'plan-enabled' for housing if:

- in relation to the short term, it is on land that is zoned for housing in the operative district plan (ODP),
- in relation to the medium term, it is on land that is zoned for housing in the ODP, or the proposed district plan (PDP).
- in relation to the long term, it is on land either zoned for housing in the ODP, PDP or on land identified by the local authority in a Future Development Strategy (FDS) document or other relevant plan or strategy (e.g., spatial plans/planning work).

For this assessment capacity is based on the ODP for the short term and PDP for the medium, and long term. Residential and rural zones which enable housing throughout the district, are included. Appendix 1 summarises the settings per zone as applied in the modelling. In some instances, additional assumptions were needed because the planning rules do not provide explicit values. These assumptions were agreed with Council. Additionally, the effect of natural hazards (e.g. flooding, liquefaction, etc.) on capacity were considered. Appendix 2 presents more detailed information about the way hazards were treated in the modelling.

Regardless of the zones, the capacity assessment covers three different development approaches:

- **Redevelopment capacity:** refers to additional dwellings that can be constructed on a parcel and involves demolishing or removing existing dwellings and developing new dwellings up to the plan enabled maximums. It reflects the theoretical maximum capacity of existing sites based on their size, zoning rules, and current use. Put simply, the total site area (sqm) is divided by the minimum lot size and then subtracts existing units. The result is the net additional capacity that could be developed.
- **Infill capacity:** refers to the potential to add additional dwellings on lots, without removing existing dwellings or structures[31]. It involves developing dwellings on a portion of the parcel e.g., developing the back or front yard. Infill capacity is estimated based on the planning rules and site attributes. It considers the placement of buildings on the site, accessibility to the area that would be developed (i.e., can the area be accessed), recession planes and so forth. Appendix 3 provides more detail about the process.
- **Vacant capacity:** relates to the number of dwellings that can be developed on vacant (or underdeveloped) properties based on planning settings. For this assessment, a property with a small building[32] is treated as vacant. On large sites where four or more dwellings can be developed, we have allowed for a portion of the total site to accommodate infrastructure, like roads, and amenities.

Importantly, redevelopment and infill capacity are mutually exclusive, not additive. The same applies to dwelling types. That is, if a standalone dwelling is developed, then attached capacity can no longer be taken up on that parcel. It is beyond the scope of this assessment to decide what proportion of the capacity uptake will consist of redevelopment, infill or vacant, but the potential profits that could be generated using different approaches are used to provide an indicative illustration of the overall capacity estimates.

The capacity assessment reflects different timeframes that align with the NPS-UD assessment periods:

- Short term 2023-2026,
- Medium term 2026-2033, and
- Long term 2033-2053.

[31] Structures below 50m^2 are excluded i.e. these can be removed.

[32] Value of Improvements is less than $75,000 according to the rating data base.

The timeframes inform the commercial feasibility assessment with the input values inflated based on assumed growth patterns and value changes. These parameters are based on historic trends from StatsNZ and other official sources. The NPS-UD is not prescriptive regarding the approach to follow to determine commercial feasibility or what portion of the capacity is reasonably expected to be realised. Local authorities are simply required to outline and justify the approach, inputs, and assumptions used to estimate the capacity (Clause 3.26(1)(b)).

4.1.2 Commercially feasible capacity

The second step of the capacity assessment relates to assessing the PEC by adding a commercial feasibility layer. This layer considers the relationship between the sales prices and cost to develop.

If the sales price is greater than (>) the total development cost (including the developer's margin), then it the dwelling is considered commercially viable. The feasibility analysis considers the following (main) elements to determine if developing a site would be feasible:

- Costs:
    - To acquire the property (land and buildings[33]),
    - Expenditure associated with site-preparation, remediation, and infrastructure charges,[34]
    - Construction costs (based on the house size and driveway areas),
    - Allowance for extraordinary cost items related to hazards (e.g. erosion prone land)[35],
    - Additional costs associated with:
        - Professional services, and
        - Developer's margin (20%).
- Sales price:
    - Based on the relative sales prices achieved in local sub-markets (by location and including land), adjusted for size (m^2) and then applied to the potential development.

The results are summarised in the next sections. FC is presented in tables covering firstly a spatial breakdown and then it is presented using property value bands to show at what price points FC are expected to be delivered.

As part of the overall project process, online workshops were held with local developers and representatives of iwi-affiliated developers. During these interviews, the developers were probed on local market trends, drivers and barriers, as well as their margins and overall confidence in the market. The on-the-ground outlook for prices and sales patterns were discussed and used to calibrate the capacity model. Overall, there appears to be broad consensus that the local residential development market is challenging, with a mismatch between costs to develop (for developers) and ability to pay (by households). This is especially true in some areas like Kaitaia and Kaikohe. Participants suggested that the development costs in Far North District is among the highest in the country.

4.1.3 Infrastructure ready capacity

An important aspect of assessing the potential development capacity and the ability of the local real estate market to deliver residential accommodation, is the link with infrastructure. That is, the availability of suitable

[33] Cost of the building only included in redevelopment capacity calculations.
[34] Like development contributions or financial contributions. It also includes costs like telecommunication connections fees and the like.
[35] Appendix 2 presents more detailed information about how different hazards and overlays were treated.

infrastructure to support residential development. Clause 3.4(3) of the NPS-UD states that development capacity is infrastructure ready if:

a) In relation to the short term, there is adequate existing development infrastructure to support the development of land.
b) In relation to the medium term, either paragraph (a) applies, or funding for adequate infrastructure to support development of the land is identified in a long-term plan (LTP).
c) In relation to the long term, either paragraph (b) applies, or the development infrastructure to support the development capacity is identified in the local authority's infrastructure strategy (as required as part of its LTP).

We note that information about the ability of three waters infrastructure to support residential growth is limited. Normally, councils' infrastructure capacity data is used as input into the HBA. As mentioned earlier, information about infrastructure capacity is being collected but the delivery timelines fall outside of those associated with the HBA. The capacity assessment will need to be updated once the information becomes available. The situation in Far North District relating to infrastructure readiness, and the ability to accommodate future growth (i.e., the capacity) is currently incomplete.

It is our understanding that urban roading and transport is not currently, nor expected to be in future, a constraint on development from a Council infrastructure perspective. However, intra-regional transport infrastructure and the associated resilience are emerging as critical issues. It should be acknowledged that intra-regional transport infrastructure is not a district council responsibility.

4.1.4 Potential development capacity (PDC)

The final step of the capacity assessment aims to shed some light on the potential development capacity that could be taken up (developed). For the purposes of this project, we have chosen to adopt a RER-equivalent, i.e., potential development capacity (PDC). The PDC is slightly different from reasonably expected to be realised (RER) capacity, in that household demand patterns form a key driver for PDC. RER is largely driven by assumed uptake rates based on historic patterns. PDC applies refined assumptions, methodological advances, expectations about the future to estimate the likelihood of capacity being developed.

The uptake of residential capacity (by developers) is influenced by factors such as:

- Location attributes (accessibility, community facilities, and local land values),
- Affordability as influenced by:
    - Household incomes,
    - Interest rates,
    - Inflation rates and construction costs.
- Macro-economic conditions (economic growth levels, business/consumer confidence levels, and growth cycles).
- Households' dwelling preferences (e.g., detached-vs-attached).

The spatial distribution of FC is used as a proxy for future development patterns and standard (assumed) uptake rates (%) are used to indicate how much (what share) of FC is required to satisfy long-term demand (including a competitiveness margin). These shares are estimated based on a consideration of the following factors:

- the spatial distribution of dwelling options (typologies) by price band,
- household demand across
    - value bands i.e., to reflect affordability,

- different typologies (detached vs attached) to show preference for different typologies,
- households' location preferences (at a broad urban location-level),

- total FC by value band,
- the value distribution of the existing estate, and
- the potential movements of households between properties by value bands and locations (to show the trade-offs).

A core assumption is that locations can be substituted to some extent. Households can choose to trade off one location for another if another location has more affordable dwellings (of a specific typology). Households can also trade-off between typologies (detached vs attached) to some extent. The substitution between urban settlements were limited because it is unlikely that someone who cannot find an affordable home in Kerikeri will substitute for a home in Kaikohe, for example. This is because the market attributes, desirability aspects, and locational considerations vary between these locations.

Importantly, the PDC reports one possible future outcome, and it should not be equated as the only possible future. There are many possible outcomes that could eventuate. Crucially, the spatial distribution of these development opportunities which are taken up, is fluid and difficult to project – highlighting uncertainty.

4.2 Developer engagement

The developer's engagement sessions [36] for the Far North District delved into the specifics of both residential and non-residential developments. The focus extended to areas highlighting the evolving landscape of housing needs, environmental considerations, and community well-being, as well as the requirements and challenges of non-residential developments. The engagements are summarised into the following five themes:

- Theme 1: Development costs inhibit local activity, and steers development patterns.
- Theme 2: Development costs are significant.
- Theme 3: Different market focus areas.
- Theme 4: Far North is a challenging development market.
- Theme 5: Infrastructure.

Appendix 4 summarises the main points as raised by developers during the engagements.

4.3 Results

This section presents the results of the capacity assessment, summarised by larger reporting areas ('submarkets'). The spatial definition of these areas can be viewed in Appendix 5 and the reporting areas reflect a mix of different zones.

More detailed results have been given to Council in an excel file containing several tables using several different dimensions to present the results.

4.3.1 Plan enabled capacity

This section presents PEC in 'brownfield areas', i.e. areas already served by current infrastructure. This is not to say that the current infrastructure is sufficient to accommodate the additional dwellings, but rather focusses on the potential capacity that is enabled by the planning rules. Controlled activity status was used as the threshold because the planning provisions do not have a restricted discretionary position and discretionary activities are seen as too restrictive (in the context of the capacity assessment). The NPSUD includes capacity which is enabled as under restricted discretionary activity status. The reported capacity relates to capacity that could be taken up through redevelopment, infill development or development on vacant land.

[36] Held in February 2024

Importantly, redevelopment and infill capacity are mutually exclusive (either or) and should not be summed. For this reason, capacity is presented as a range. It is not possible to estimate what share of capacity will be taken up through redevelopment, infill, or vacant development.

Table 4-1: Plan enabled capacity in Far North District (Operative District Plan and Proposed District Plan)

PLAN ENABLED CAPACITY										
	Submarkets	Redevelopment (net)			Infill			Vacant		
		Standalone/ Detached	Attached (horizontal)	Attached (vertical)	Standalone/ Detached	Attached (horizontal)	Attached (vertical)	Standalone/ Detached	Attached (horizontal)	Attached (vertical)
OPERATIVE DISTRICT PLAN	Kerikeri-Waipapa spatial plan area	805	1,950	830	425	725	-	750	770	325
	Kaitaia	420	1,605	585	110	230	-	185	370	55
	Kaikohe	485	2,255	625	275	530	-	205	305	255
	Urban Area	505	1,290	475	340	350	-	185	160	25
	Coastal Urban Area	1,870	6,565	3,510	905	1,360	-	2,090	3,515	800
	Coastal Settlement	250	55	85	115	-	-	160	-	-
	Rural Settlements	100	-	-	20	-	-	80	-	-
	Rural area	5,525	485	570	80	40	-	2,175	240	55
	Other Rural	-	-	-	-	-	-	-	-	-
	Other	35	-	-	-	-	-	5	-	-
	Total	10,000	14,205	6,680	2,275	3,235	-	5,835	5,365	1,515
PROPOSED DISTRICT PLAN	Kerikeri-Waipapa spatial plan area	815	2,945	1,825	485	1,360	-	730	770	595
	Kaitaia	320	1,870	1,170	125	350	-	185	530	180
	Kaikohe	495	2,920	1,095	310	910	-	295	895	360
	Urban Area	610	2,930	595	505	1,460	-	355	1,020	150
	Coastal Urban Area	1,355	7,970	3,320	975	2,555	-	2,070	5,065	930
	Coastal Settlement	225	280	95	35	105	-	230	425	-
	Rural Settlements	40	-	-	-	-	-	25	-	-
	Rural area	2,350	220	635	40	110	-	1,100	355	60
	Other Rural	-	-	-	-	-	-	-	-	-
	Other	-	-	-	-	-	-	-	-	-
	Total	6,215	19,140	8,740	2,475	6,850	-	4,990	9,055	2,280

Key observations are:

- The maximum development capacity[37] enabled by the ODP, is between 15,835 and 19,570 dwellings. *The range reflects typology, i.e., the upper limit represents a situation where only attached dwellings are considered, and the lower limit, a situation where only detached dwellings are considered. The range shows the position if redevelopment and vacant capacity is combined.*
- Under the PDP, the maximum[38] PEC is between 11,205 and 28,195 dwellings. Similarly, the range reflects typology as in the previous point.
- Across the district as a whole, the PDP enables more attached capacity, but lower levels of standalone capacity, compared to the ODP. The main driver of the difference in detached capacity is lower levels of capacity in the rural areas under the PDP.
- Under ODP provisions, rural areas account for half (49%) of detached capacity, compared with making up 30% under the PDP.
- Under the ODP, excluding the rural and coastal areas, detached capacity is concentrated in the main urban centres:
    - Kerikeri-Waipapa[39] 1,555 dwellings
    - Kaikohe 690 dwellings
    - Kaitaia 605 dwellings
- Additional detached capacity under the ODP, is concentrated in Coastal urban areas (3,960 dwellings). This submarket can be broken down into finer spatial areas with large concentrations of detached capacity in:
    - Mangonui 660 dwellings

[37] Redevelopment capacity plus vacant capacity.
[38] Redevelopment capacity plus vacant capacity.
[39] It is acknowledged that the spatial plan area spans a mixture of urban and non-urban areas.

- Haruru 625 dwellings
- Karikari 615 dwellings
- Cable Bay 540 dwellings

There is capacity for an additional 410 detached dwellings within the smaller Coastal settlement areas.

- As would be expected, attached capacity is concentrated in the district's main urban areas under the ODP:
  - Kerikeri-Waipapa[40] 2,720 dwellings
  - Kaikohe 2,560 dwellings
  - Kaitaia 1,975 dwellings

  Combined, these three areas account for more than a third (37%) of the district's attached capacity.
- In terms of other locations, 59% (11,585 dwellings) of total attached capacity is within these areas, under the ODP, with nearly all the capacity within the Coastal urban area (10,080 dwellings), which includes the likes of Paihia and Opua.
  - Urban Area 1,450 dwellings
- Under the PDP, the Coastal urban area submarket accounts for 44% (or 3,425 dwellings) of detached capacity (when rural is excluded). This is followed by:
  - Kerikeri-Waipapa 1,545 dwellings (-10 dwellings relative to ODP)
  - Urban Areas 965 dwellings (+275 dwellings relative to ODP)
- Similar to under the ODP, attached capacity is concentrated in the urban areas and settlements under the PDP. More specifically, it is concentrated in the main urban centres and Coastal urban area submarket, i.e., 13,035 dwellings which is +2,955 relative to the ODP. The Coastal urban area includes the likes of Haruru, Karikari, Cable Bay and Mangonui.
- Under the PDP, among urban centres, Kaikohe has the greatest level of attached PEC, 3,815 dwellings, followed by:
  - Kerikeri-Waipapa[41] 3,715 dwellings (+995 dwellings relative to the ODP)
  - Kaitaia 2,400 dwellings (+425 dwellings relative to ODP)
- In terms of infill capacity, the PDP enables 200 more detached dwellings or 3,615 attached dwellings, across the district. Recall, redevelopment and infill capacity are mutually exclusive, so this should not be added to the capacity already reported above.
- Under the PDP, the highest concentration of attached infill capacity is located in Coastal urban areas (2,555 dwellings), followed by Urban area (1,460 dwellings) and Kerikeri-Waipapa (1,360 dwellings). Detached infill capacity follows a similar pattern by location.

Kerikeri-Waipapa

Kerikeri-Waipapa has been identified as a priority growth area, and Council has requested the results for this area be presented separately. This information will be used to inform the spatial plan which is currently being developed. Table 4-2 presents the PEC for Kerikeri-Waipapa, summarised by planning zone. The maximum capacity column is the sum of redevelopment capacity plus vacant capacity.

[40] It is acknowledged that the spatial plan area spans a mixture of urban and non-urban areas.
[41] It is acknowledged that the spatial plan area spans a mixture of urban and non-rural areas.

Table 4-2: Plan enabled capacity: Kerikeri-Waipapa

PLAN ENABLED CAPACITY - Kerikeri-Waipapa											
Planning Zone	Redevelopment (net)			Infill			Vacant			MAXIMUM	
	Standalone /Detached	Attached (horizontal)	Attached (vertical)	Standalone /Detached	Attached (horizontal)	Attached (vertical)	Standalone /Detached	Attached (horizontal)	Attached (vertical)	Detached	Attached
OPERATIVE DISTRICT PLAN											
Residential (sewered)	450	1,420	0	390	730	0	270	540	0	720	1,960
Residential (unsewered)	20	0	0	20	0	0	5	0	0	25	0
Coastal Residential	10	0	0	5	0	0	10	0	0	20	0
Rural Living	130	0	0	0	0	0	380	0	0	510	0
Coastal Living	0	0	0	0	0	0	20	0	0	20	0
Rural Production	90	0	0	0	0	0	0	0	0	90	0
Commercial	110	530	830	0	0	0	80	230	330	190	1,160
TOTAL	**810**	**1,950**	**830**	**415**	**730**	**0**	**765**	**770**	**330**	**1,575**	**3,120**
PROPOSED DISTRICT PLAN											
General Residential	570	2,940	0	480	1,360	0	250	770	0	820	3,710
Settlement	10	0	0	0	0	0	10	0	0	20	0
Rural Residential	180	0	0	0	0	0	420	0	0	600	0
Rural Lifestyle	5	0	0	0	0	0	40	0	0	45	0
Rural Production	40	0	0	0	0	0	0	0	0	40	0
Horticulture	20	0	0	0	0	0	5	0	0	25	0
Mixed Use	0	0	1,820	0	0	0	0	0	600	0	2,420
TOTAL	**825**	**2,940**	**1,820**	**480**	**1,360**	**0**	**725**	**770**	**600**	**1,550**	**6,130**

Key observations:

- Under the ODP, between 1,575 and 3,120 dwellings are enabled. The range reflects typology, with the lower limit representing a situation where only detached dwellings are considered, and the upper limit if only attached dwellings are considered.
- Under PDP provisions, between 1,550 and 6,130 dwellings are enabled. Similarly, range reflects typology considerations.
- Under PDP provisions, there is a slight drop in the number of standalone homes which are enabled, but the number of attached dwellings which could be delivered, almost doubles.
- Capacity is concentrated within the General Residential zone. Under the ODP, this zone[42] accounts for approximately half (47%) of detached and two thirds (63%) of attached capacity. Under the PDP, detached capacity in this zone accounts for 53% of total detached capacity and 61% of attached capacity. Therefore, the relative distribution does not shift markedly.
- In terms of detached capacity, the Rural Living zone (31%) accounts for the next largest share under the ODP and the Rural lifestyle zone (39%) under the PDP provisions (importantly, these zones have different provisions, so the spatial extent is likely to be the reason for the similar percentage shares. (Despite being reported together, the zones differ).
- With regards to attached capacity, the Commercial and Mixed use zones account for 37% and 39% of the total, under the ODP and PDP provisions, respectively.

4.3.2 Commercial feasible capacity

As mentioned, PEC represents the level of housing which could theoretically be accommodated based on the relevant planning provisions. However, it does not provide an indication of the level of residential capacity which might be delivered by the market. Commercial developers will only develop capacity which makes financial sense, to them based on the risk profile and the anticipated sales patterns, i.e., is commercially viable. FC is a more refined measure of the dwellings which could be developed over time, based on their commercial

[42] Combining sewered and unsewered properties.

viability. FC also provides an indication of the level of choice which is provided in terms of typology, location and across value bands. Table 4-3 provide a breakdown of FC, by location, over time and by development pathway.

The assessment reveals that while there is currently limited feasible development capacity across the Far North, it is expected to improve over time. FC captures the development cost and sale price dynamics (by development typology), for different locations and over time. The analysis shows that there is currently (2023) FC of between 105 and 325 dwellings[43] across the district.

Table 4-3: Feasible capacity by location

		FEASIBLE CAPACITY								
	Submarkets	Redevelopment (net)			Infill			Vacant		
		Standalone/Detached	Attached (horizontal)	Attached (vertical)	Standalone/Detached	Attached (horizontal)	Attached (vertical)	Standalone/Detached	Attached (horizontal)	Attached (vertical)
CURRENT	Kerikeri-Waipapa spatial plan a	-	-	-	-	-	-	45	220	-
	Kaitaia	-	-	-	-	-	-	-	-	-
	Kaikohe	-	-	-	-	-	-	-	-	-
	Urban Area	-	-	-	-	-	-	-	-	-
	Coastal Urban Area	20	15	-	35	-	-	40	85	-
	Coastal Settlement	-	-	-	-	-	-	-	-	-
	Rural Settlements	-	-	-	-	-	-	-	-	-
	Rural area	-	-	-	-	-	-	-	-	-
	Other Rural	-	-	-	-	-	-	-	-	-
	Other	-	-	-	-	-	-	-	-	-
	Total	**20**	**15**	**-**	**35**	**-**	**-**	**85**	**310**	**-**
3 YEARS	Kerikeri-Waipapa spatial plan a	-	145	-	170	410	-	120	670	-
	Kaitaia	-	-	-	-	-	-	-	-	-
	Kaikohe	-	-	-	-	-	-	-	-	-
	Urban Area	-	-	-	-	-	-	-	10	-
	Coastal Urban Area	230	865	-	55	-	-	205	565	10
	Coastal Settlement	5	15	-	-	-	-	5	-	-
	Rural Settlements	-	-	-	-	-	-	-	-	-
	Rural area	10	35	-	-	-	-	10	40	-
	Other Rural	-	-	-	-	-	-	-	-	-
	Other	-	-	-	-	-	-	-	-	-
	Total	**245**	**1,065**	**-**	**225**	**410**	**-**	**340**	**1,280**	**10**
10 YEARS	Kerikeri-Waipapa spatial plan a	290	1,355	-	430	1,320	-	340	760	-
	Kaitaia	-	-	-	-	-	-	-	-	-
	Kaikohe	-	-	-	-	-	-	-	-	-
	Urban Area	-	-	-	-	270	-	-	45	-
	Coastal Urban Area	150	500	-	165	1,455	-	135	1,085	25
	Coastal Settlement	-	15	-	-	55	-	5	5	-
	Rural Settlements	-	-	-	-	-	-	-	-	-
	Rural area	-	-	-	-	60	-	-	5	-
	Other Rural	-	-	-	-	-	-	-	-	-
	Other	-	-	-	-	-	-	-	-	-
	Total	**440**	**1,870**	**-**	**595**	**3,160**	**-**	**480**	**1,890**	**25**
30 YEARS	Kerikeri-Waipapa spatial plan a	545	2,395	630	475	1,360	-	580	1	595
	Kaitaia	-	-	-	-	40	-	-	20	-
	Kaikohe	-	-	-	-	215	-	-	5	-
	Urban Area	290	1,350	-	290	935	-	315	940	-
	Coastal Urban Area	680	5,140	1,075	800	2,525	-	1,810	5,025	915
	Coastal Settlement	130	275	25	35	105	-	210	425	-
	Rural Settlements	-	-	-	-	-	-	-	-	-
	Rural area	195	165	-	35	110	-	600	355	-
	Other Rural	-	-	-	-	-	-	-	-	-
	Other	-	-	-	-	-	-	-	-	-
	Total	**1,845**	**9,330**	**1,735**	**1,635**	**5,290**	**-**	**3,515**	**7,535**	**1,510**

[43] Redevelopment plus vacant capacity. The range reflects typology, with the lower bound representing all detached capacity, and the upper bound all attached capacity.

This capacity increases over the short term (next three years), to between 585 and 2,345 dwellings and reflects the shift in redevelopment potential associated with attached dwellings across the district. In the short term, the additional FC is concentrated in Coastal Urban Area (between 435 and 1,430 dwellings); adding between 375 and 1,330 dwellings compared to current FC – this shows the interplays between affordability (salary increase and a slightly larger population) and costs.

The majority of remaining FC is concentrated in Kerikeri-Waipapa (between 120 and 815 dwellings). That is additional FC of between 75 and 595 dwellings over the next 3 years. Over the medium term, FC increases to between 920 and 3,760 dwellings. Again, this reflects the potential of attached dwellings to deliver greater quantities of capacity across the district under the PDP.

Over the long term, FC increases further to between 5,360 and 16,865 dwellings. FC across Coastal urban locations accounts for between 46% and 60% of total FC. Over this period, additional (urban) capacity becomes feasible across 'Urban Area' localities (between 605 and 2,245 dwellings) and Coastal settlements (between 335 and 680 dwellings). At a finer spatial level, the results show the greatest increase in FC between the medium and long term, in:

- Haruru +430 and 1,830 dwellings
- Karikari +530 and 1,485 dwellings
- Rawene +355 and 1,410 dwellings
- Mangonui +495 and 1,300 dwellings

Over time feasibility increases as the economy expands, urban environments grow and the existing estate ages and depreciates, thereby the development economics change. Table 4-4 shows the FC over time and the price points at which the capacity could be being delivered.

The modelling results suggest that between 50 and 220 standalone homes are currently feasible, all of this is on vacant (or underdeveloped) land. Over the short term, infill detached capacity becomes feasible, and over the medium term, redevelopment detached capacity also becomes commercially viable.

Kerikeri-Waipapa

As identified for PEC, FC in Kerikeri-Waipapa is presented as a standalone section on Council's request. Table 4-5 shows the increase in FC over time in the Kerikeri-Waipapa context. Over time, a greater range of development options densities, typologies, and locations become feasible.

Vertically attached dwellings (apartments) are expected to become feasible over the long term. This is because the build costs for these types of dwellings are generally higher and in Kerikeri-Waipapa the market for attached dwellings is not yet well established, suggesting the willingness to pay (sales price) is low. However, affordability considerations could change these patterns over time.

In Table 4-5, all development options, dwelling types and size combinations were explored – this is consistent with the HBA approach. A market-led approach is then used to illustrate the potential outcome if commercial developers were to deliver the capacity. It is assumed the development option (pathway and typology) with the greatest profit margin will be pursued. This approach will see FC concentrated in attached dwellings. Historically, however, demand for detached dwellings have outstripped demand for attached dwellings. Although there has been a preference shift over time, it has been slow, and it is difficult to see the rate accelerate in a way that would see the mainstream market (developers) responding in a way that sees widespread uptake of these opportunities over the short and medium term.

Table 4-4: Commercially feasible capacity by value band

FEASIBLE CAPACITY										
Submarkets		Redevelopment (net)			Infill			Vacant		
		Standalone /Detached	Attached (horizontal)	Attached (vertical)	Standalone /Detached	Attached (horizontal)	Attached (vertical)	Standalone /Detached	Attached (horizontal)	Attached (vertical)
CURRENT	$0-$300k	-	-	-	-	-	-	-	-	-
	$301k-$500k	-	-	-	-	-	-	-	-	-
	$501k-$700k	-	-	-	-	-	-	-	310	-
	$701k-$1m	-	15	-	-	-	-	65	-	-
	$1m-$1.2m	5	-	-	-	-	-	5	-	-
	$1.2m-1.5m	-	-	-	-	-	-	-	-	-
	$1.5m-$2m	15	-	-	35	-	-	15	-	-
	$2m+	-	-	-	-	-	-	-	-	-
	Total	**20**	**15**	**-**	**35**	**-**	**-**	**85**	**310**	**-**
3 YEARS	$0-$300k	-	-	-	-	-	-	-	-	-
	$301k-$500k	-	-	-	-	-	-	-	-	-
	$501k-$700k	-	685	-	-	-	-	-	390	10
	$701k-$1m	10	380	-	-	-	-	15	450	-
	$1m-$1.2m	195	-	-	-	410	-	150	445	-
	$1.2m-1.5m	-	-	-	-	-	-	70	-	-
	$1.5m-$2m	25	-	-	170	-	-	60	-	-
	$2m+	15	-	-	55	-	-	45	-	-
	Total	**245**	**1,065**	**-**	**225**	**410**	**-**	**340**	**1,285**	**10**
10 YEARS	$0-$300k	-	-	-	-	-	-	-	-	-
	$301k-$500k	-	-	-	-	-	-	-	-	-
	$501k-$700k	-	-	-	-	-	-	-	-	-
	$701k-$1m	-	70	-	-	965	-	-	795	25
	$1m-$1.2m	-	195	-	-	650	-	-	145	-
	$1.2m-1.5m	-	1,295	-	5	1,315	-	20	900	-
	$1.5m-$2m	290	305	-	430	230	-	340	50	-
	$2m+	150	-	-	160	-	-	115	-	-
	Total	**440**	**1,865**	**-**	**595**	**3,160**	**-**	**475**	**1,890**	**25**
30 YEARS	$0-$300k	-	-	-	-	-	-	-	-	-
	$301k-$500k	-	-	-	-	-	-	-	-	-
	$501k-$700k	-	-	-	-	-	-	-	-	-
	$701k-$1m	-	-	625	-	310	-	-	25	230
	$1m-$1.2m	-	15	625	-	-	-	-	-	875
	$1.2m-1.5m	-	2,530	485	-	1,685	-	-	2,075	405
	$1.5m-$2m	1,015	4,565	-	895	2,285	-	2,795	4,640	-
	$2m+	830	2,220	-	740	1,010	-	720	790	-
	Total	**1,845**	**9,330**	**1,735**	**1,635**	**5,290**	**-**	**3,515**	**7,530**	**1,510**

Table 4-5: Feasible capacity: Kerikeri-Waipapa

FEASIBLE CAPACITY - Kerikeri-Waipapa									
	Redevelopment (net)			Infill			Vacant		
	Standalone/ Detached	Attached (horizontal)	Attached (vertical)	Standalone/ Detached	Attached (horizontal)	Attached (vertical)	Standalone/ Detached	Attached (horizontal)	Attached (vertical)
CURRENT	0	0	0	0	0	0	50	220	0
3 YEARS	0	150	0	170	410	0	120	670	0
10 YEARS	290	1,360	0	430	1,320	0	340	760	0
30 YEARS	550	2,400	630	470	1,360	0	580	770	590

To summarise these patterns, the assessment structure was refined to also include an assumption that a detached format would take preference if both typologies were feasible on the same property. That is, if both a detached and attached dwellings are feasible on the same property, the developer would opt for a standalone dwelling because of a potential belief that market demand is stronger for that typology. Table 4-6 presents the results under this refined approach and shows the distribution of the capacity across value bands.

Table 4-6: Feasible capacity (market-led approach): Kerikeri-Waipapa

FEASIBLE CAPACITY - Kerikeri-Waipapa												
	CURRENT			3 YEARS			10 YEARS			30 YEARS		
	Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total
$0-$300k	0	0	0	0	0	0	0	0	0	0	0	0
$301k-$500k	0	0	0	0	0	0	0	0	0	0	0	0
$501k-$700k	0	60	60	0	0	0	0	0	0	0	0	0
$701k-$1m	40	0	40	0	30	30	0	0	0	0	0	0
$1m-$1.2m	5	20	25	0	0	0	0	30	30	0	380	380
$1.2m-$1.5m	0	0	0	60	150	210	0	5	5	0	850	850
$1.5m-$2m	0	0	0	230	410	640	880	220	1,100	70	350	420
$2m+	0	0	0	0	0	0	0	0	0	1,180	290	1,470
TOTAL	**45**	**80**	**125**	**290**	**590**	**880**	**880**	**255**	**1,135**	**1,250**	**1,870**	**3,120**

Under a market-led approach, there are currently around 125 dwellings which are commercially viable. FC increases over time, with 3,120 dwellings deemed feasible over the long term. Detached capacity become the dominant typology only over the medium term, accounting for 78% of FC. Detached capacity is all within the $1.5-$2m bracket, and attached capacity mostly concentrated in this band. The remaining attached capacity is valued between $1m and $1.5m.

Over the long term, the attached dwellings have a wider spread in terms of value bands (i.e., the potential sales prices) and detached options fall in the +$2m band.

4.3.3 Infrastructure ready

As part of the capacity assessment, the NPS-UD requires councils to assess the level of infrastructure-ready capacity. The Council has commissioned a stocktake of their three waters network (in the urban areas) and this work is underway. Currently, there is insufficient information available to estimate the level of infrastructure-ready capacity. It is our understanding that the assessment is evaluating the level (and location) of additional residential capacity which can be accommodated by the current (and planned) infrastructure. This work will also examine the work needed to add capacity. Once the information is available, then the capacity assessment will need to be revisited to identify the implications of the infrastructure findings.

4.3.4 Greenfields

Greenfield areas play a crucial role in accommodating population growth, providing housing options and competition in the real estate market, and shaping the future urban landscape. However, their development must be carefully planned to balance housing needs with environmental conservation, infrastructure investment, and community well-being. Put differently, it is important to carefully consider the location and extent of greenfield areas. Having a data-driven approach helps councils better understand where growth is likely to occur, and the scale of development required to meet future demand.

It is our understanding that Council have not earmarked specific greenfield development sites. This report will form part of the evidence base that will inform Council's decision-making about the need and scale of future greenfield development areas. It is important that greenfield development support their urban development objectives and lead to better outcomes for stakeholders. Developer engagement highlighted developers' preference for greenfield development due to its relative ease and risk profile. However, recently introduced regulation[44], impacts on Council's ability to provide greenfields. Greenfield capacity has not been included in the sufficiency assessment at this stage but might have to be revisited if Council identifies future growth areas.

[44] Examples of regulation areas National policy statement on highly productive soils (NPS-HPL), National policy statement on indigenous biodiversity (NPS-IB) and National policy statement on freshwater management (NPS-FM).

4.3.5 Potential development capacity (PDC)

This section presents the Potential development capacity (PDC), i.e., the Realistically Expected to be Realised (RER) equivalent and the final building block needed to estimate residential sufficiency in the next section.

RER can be approached in various ways and generally reflects the probability that a development will occur. While FC reflects the price points at which developers will proceed with a development, i.e., it is commercially viable to deliver, PDC integrates the development's attributes (e.g., size, location) as well as the risk profile and associated return. Decisions to develop are not only influenced by the development's financial characteristics but also market conditions, and demand preferences. The potential development capacity seeks to shed some light on the likelihood that FC would be taken up (developed).

PDC usually considers greenfield capacity as well as the infill/redevelopment (brownfield) capacity. However, in the absence of identified greenfield areas, only brownfield capacity is reflected. Further, in the absence of infrastructure information, it is assumed the necessary infrastructure is (will be) available to accommodate the growth patterns. This assumption will need to be revisited once the infrastructure information becomes available. It is not clear what impact the inclusion of infrastructure information will have.

Households have options when it comes to choosing the type and location of the homes in which they wish to live. A portion of the housing market is dedicated to rental properties. There is a link between property values (financial yields) and rent prices. It is beyond the scope of this assessment to estimate rent prices.

Affordability is an important factor when estimating PDC and the analysis considers this aspect. PDC calculations also have a temporal component, considering changes over time, such as:

- Fluctuations in development costs.
- Changes in affordability levels.
- Shifts in sales prices.

Figure 4-1 illustrates the distribution of capacity (at price points) and demand.

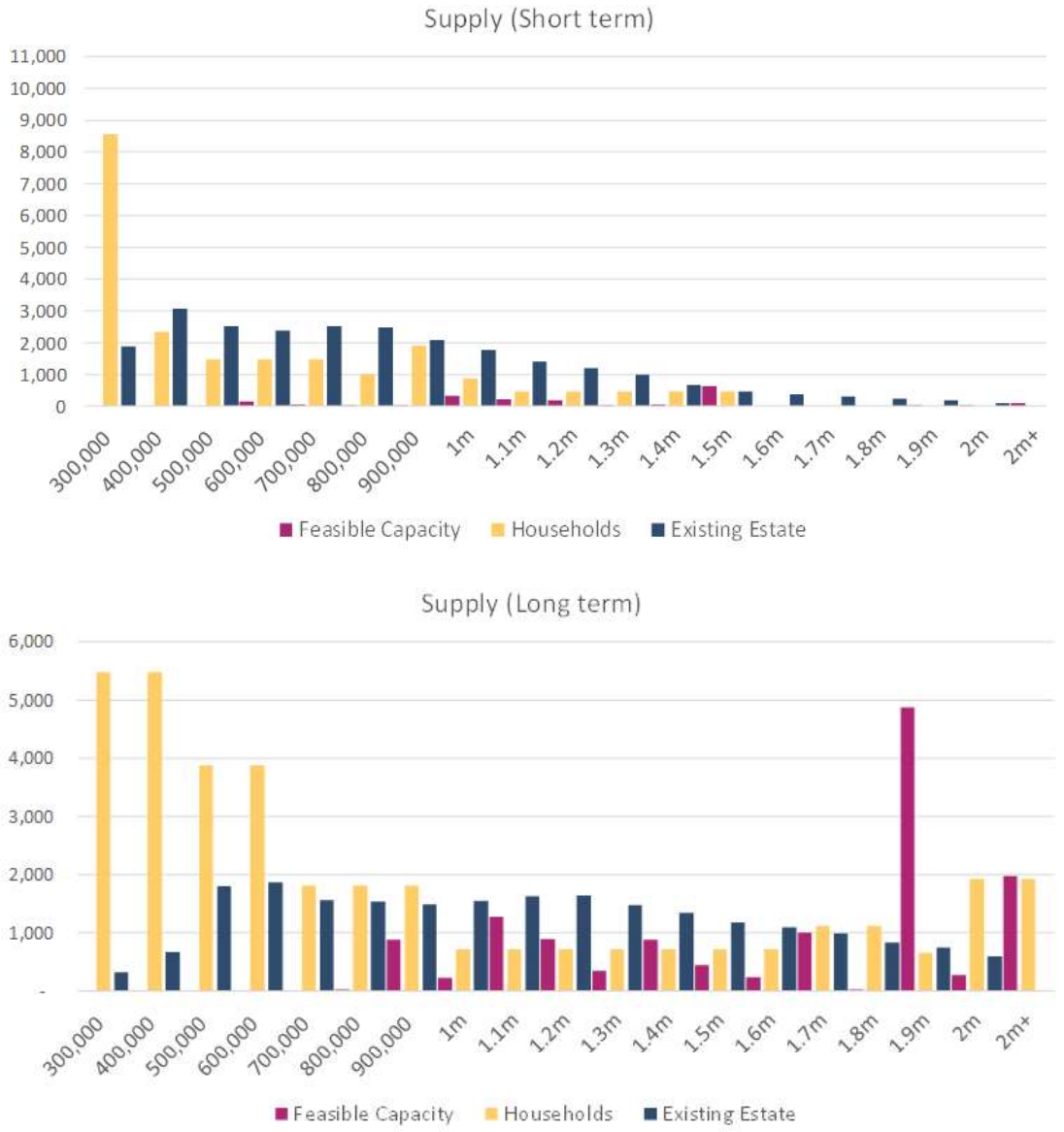
Demand is based on the number of households that can afford dwellings in the different price bands[45]. High income households can afford homes in lower value bands. However, downward mobility is limited to reflect owner-occupier patterns (and not investor behaviour). If investors are included, then deposit requirements, and loan terms must be adjusted for risk and banking terms.

The figures show the distribution of demand across price bands for the 3-year outlook and integrates price changes associated with:

- The real estate market price shifts,
- Construction costs,
- Development costs,
- Labour costs (salaries and wages, household income levels).

[45] The household affordability is based on the value of dwellings, 6% mortgage rates, 30-year term and a 30% deposit. The upper limit of the price band is reflected on the horizontal axis.

Figure 4-1: Supply (feasible capacity and existing estate) vs Demand (affordability)



The figures also reflect the existing estate (based on the rating data) and the FC (under a market-let approach) over the short and long term. This shows the shift in the price points (and the scale) of new capacity becoming commercially viable over the next 30 years. The value of the existing estate is included as reference.

FC in the short term, is concentrated around the $1.5m mark. Over the long term, FC shifts into higher price bands, but household incomes also shifts and the number of households competing for homes in the higher price brackets, increase. Nevertheless, it is apparent that FC valued $1.9m+, outstrips demand. This suggests that only a small percentage of FC in those price ranges is required to satisfy demand, and competition for available (potential) capacity in the lower value bands will be intense, potentially increasing prices.

The general absence of FC at the lower end of the market. While we recognize that developers could adapt their product to meet demand in lower brackets, there is a price floor and there is little incentive to deliver low-margin products. It is unlikely that mainstream developers will be supplying homes in these lower brackets without external intervention (e.g., incentives or subsidies). It is acknowledged that not all developers will take this approach. It is expected that non-mainstream segments of the housing market, such as the retirement sector, iwi and social housing providers, will also contribute to development capacity but this is not included

in the FC assessment because these sectors have their own due diligence processes that are not as reliant on commercial returns.

While demand at the lower end of the market outstrips what is available, care should be taken with interpreting the figures. The analysis indicates, theoretically there are several groups competing for dwellings at these price points. However, middle to high income households who can afford dwellings at much higher price points are unlikely to buy dwellings at the lower end of the market. Also included in the demand, is retirees who might have low incomes, but own assets which is not reflected here. The assessment did not distinguish between owners and non-owners. Nevertheless, affordability is a challenge for many households in Far North District, and the analysis shows a mismatch between the price points at which dwellings become feasible, and households' affordability levels.

The pressures are more acute in areas such as Kaikohe and Kaitaia, where residential capacity is theoretically available, i.e., enabled by the planning provisions, but not feasible over the short or medium term. Over the long term, a small number of attached dwellings become commercially viable. This indicates that the shortage or lack of housing in these areas cannot be solved through planning only.

Table 4-7: Potential residential supply

SHORT TERM (3 YEARS)														
Short term	**Plan enabled capacity**		**Feasible Capacity**			**Potential Development Capacity**			**Implied uptake**			**Additional Demand (2023-2026) excl margin**		
	Detached	**Attached**	**Detached**	**Attached**	**Total**	**Detached**	**Attached**	**Total**	**Detached**	**Attached**	**Total**	**Detached**	**Attached**	**Total**
Kerikeri-Waipapa	1,555	2,720	285	585	870	285	370	655	100%	63%	75%	485	50	535
Settlements	5,240	11,585	465	395	860	410	40	450	88%	10%	52%	325	35	360
Kaikohe	690	2,560	-	-	-	-	-	-	0%	0%	0%	25	5	30
Kaitaia	605	1,975	-	-	-	-	-	-	0%	0%	0%	25	5	30
Rural	7,740	725	25	-	25	25	-	25	100%	0%	100%	215	25	240
	15,830	**19,565**	**775**	**980**	**1,755**	**720**	**410**	**1,130**	93%	42%	**64%**	**1,075**	**120**	**1,195**
MEDIUM TERM (10 YEARS)														
Medium term	**PEC**		**Feasible Capacity**			**Potential Development Capacity**			**Implied uptake**			**Additional Demand (2026-2033) excl margin**		
	Detached	**Attached**	**Detached**	**Attached**	**Total**	**Detached**	**Attached**	**Total**	**Detached**	**Attached**	**Total**	**Detached**	**Attached**	**Total**
Kerikeri-Waipapa	1,545	3,715	875	255	1,130	875	255	1,130	100%	100%	100%	995	105	1,100
Settlements	4,910	17,690	325	2,730	3,055	325	560	885	100%	20%	29%	665	70	735
Kaikohe	790	3,815	-	-	-	-	-	-	0%	0%	0%	55	5	60
Kaitaia	675	2,400	-	-	-	-	-	-	0%	0%	0%	55	5	60
Rural	3,450	575	-	65	65	-	5	5	0%	6%	6%	445	45	490
	11,370	**28,195**	**1,200**	**3,050**	**4,250**	**1,200**	**820**	**2,020**	100%	27%	**47%**	**2,215**	**230**	**2,445**
LONG TERM (30 YEARS)														
Long term	**PEC**		**Feasible Capacity**			**Potential Development Capacity**			**Implied uptake**			**Additional Demand (2033-2053) excl margin**		
	Detached	**Attached**	**Detached**	**Attached**	**Total**	**Detached**	**Attached**	**Total**	**Detached**	**Attached**	**Total**	**Detached**	**Attached**	**Total**
Kerikeri-Waipapa	1,545	3,715	1,255	1,875	3,130	1,255	620	1,875	100%	33%	60%	1,470	155	1,625
Settlements	4,910	17,690	3,755	5,385	9,140	1,060	180	1,240	28%	3%	14%	980	105	1,085
Kaikohe	790	3,815	-	220	220	-	110	110	0%	50%	50%	80	10	90
Kaitaia	675	2,400	-	55	55	-	55	55	0%	95%	95%	80	10	90
Rural	3,450	575	810	50	860	810	50	860	100%	100%	100%	655	70	725
	11,370	**28,195**	**5,820**	**7,585**	**13,405**	**3,125**	**1,015**	**4,140**	54%	13%	**31%**	**3,265**	**350**	**3,615**

Uptake rates at the spatial level, for dwelling type and price point are estimated in the model, and the implied uptake rates reported here. This shows what share of FC is expected to be taken up at each point in time to estimate the potential development capacity, i.e., potential supply.

The implied uptake rates (total across the district) ranges from 64% in the short term to 31% over the long term. This suggests there is some redundancy in the market, i.e., capacity which might be feasible but is not taken up. This is because of the mismatch between household preferences (location and typology), affordability and available FC, i.e., location, typology and price points at which housing can be delivered.

This is highlighted in the sufficiency assessment in the next section. Despite adequate PEC, a housing shortage remains. The lack of PDC in lower value bands is due to an absence of FC at these price points. The construction costs in the Far North, coupled with a low-income economy, combine to generate this situation.

In this section, FC at various price points were compared with demand, based on household incomes. This inherently forms part of the assessment when potential development capacity is estimated. The next section comments on the sufficiency of potential supply relative to expected demand.

4.3.6 Sufficiency

This section integrates the analyses of housing demand and potential dwelling supply, to assess the sufficiency of housing capacity in the Far North District. The mechanics of the assessment are straightforward. It compares projected demand with potential development capacity to identify whether or not a shortfall is likely. At the highest level, consideration of sufficiency starts with total for the short, medium and long term. The sufficiency assessment considers the distribution of FC across value bands, dwelling types[46], and across different locations, particularly the three largest urban areas and across the remaining settlements and rural area, separately. Table 4-8 presents the results of the assessment, followed by key observations. It is beyond the scope of this report to make recommendations about actions Council should take to alleviate shortages.

Table 4-8: Additional demand (incl. margin) versus Potential supply (Sufficiency)

		Potential Devt Capacity			Additional Demand (incl margin)			Shortage/Surplus		
		Detached	Attached	Total	Detached	Attached	Total	Detached	Attached	Total
Kerikeri-Waipapa (s	Short term (3 years)	285	370	660	585	60	645	-300	310	15
Kerikeri-Waipapa (s	Medium Term (10 years)	875	255	1,135	1,195	125	1,320	-320	130	-185
Kerikeri-Waipapa (s	Long term (30 years)	1,255	620	1,875	1,690	180	1,870	-435	440	5
Settlements	Short term (3 years)	410	40	450	390	40	430	-385	50	-430
Settlements	Medium Term (10 years)	325	560	880	795	85	880	-305	60	-880
Settlements	Long term (30 years)	1,060	180	1,240	1,125	120	1,245	-1,050	35	-1,245
Kaikohe	Short term (3 years)	0	0	0	30	5	35	-30	-5	-35
Kaikohe	Medium Term (10 years)	0	0	0	65	5	70	-65	-5	-70
Kaikohe	Long term (30 years)	0	110	110	95	10	105	-95	100	5
Kaitaia	Short term (3 years)	0	0	0	30	5	35	-30	-5	-35
Kaitaia	Medium Term (10 years)	0	0	0	65	5	70	-65	-5	-70
Kaitaia	Long term (30 years)	0	55	55	95	10	105	-95	45	-50
Rural	Short term (3 years)	25	0	25	260	25	285	-235	-25	-260
Rural	Medium Term (10 years)	0	5	5	530	55	585	-530	-50	-580
Rural	Long term (30 years)	810	50	860	750	80	830	60	-30	30
Total	Short term (3 years)	720	410	1,130	1,295	135	1,430	-575	275	-300
Total	Medium Term (10 years)	1,200	820	2,020	2,650	275	2,925	-1,450	545	-905
Total	Long term (30 years)	3,125	1,015	4,140	3,755	400	4,155	-630	615	-15

Key observations:

The analysis suggests that at the district level, there is insufficient capacity to accommodate growth over the short and medium term. While it appears, a small shortage remains over the long term (-15), the demand includes a competitiveness margin. When demand (excluding the margin) is compared with potential supply, a surplus is revealed, suggesting there is adequate capacity to accommodate households, but according to NSP-UD definition there is a shortage. Important to note, when dwelling typologies are considered separately, a shortage of detached dwellings and surplus of attached units, emerge over the short, medium and long term. This suggests there is a mismatch between households' preferences and the types of homes that are feasible.

Considering locations separately, reveals a shortage in Kaitaia that remains over the long term, and sufficient overall capacity in Kaikohe emerges over the long term. In the rural area of the district, there is a shortage over the short and medium term, but over the long term this is turned around. Care should be taken with rural conclusions because farms usually have a commercial component, which might not be reflected in council valuation of the property. This suggests the feasibility calculations might not accurately reflect the sales prices which could be realised, and as such underestimate the FC in rural parts of the district.

[46] Detached and attached.

In Kerikeri-Waipapa, at the total level, there is expected to be sufficient capacity to accommodate growth over the short and long term, but a shortage emerges over the medium term. It is acknowledged that this includes the competitiveness margins, suggesting, a somewhat lower share will be required. Over the medium term, the additional demand (1,320 dwellings including the competitiveness margin) outstrips FC, so even if 100% of FC is taken up, a shortage of approximately 185 dwellings remains.

Lastly, across the housing settlements, while there appears to be sufficient capacity overall, analysis at a finer grain level reveals a mismatch between household preferences and the type of capacity (detached/attached) which could be developed, when affordability and feasibility are considered.

The sufficiency assessment recognises the interplays between dwelling affordability and commercially feasible requirements for developers. Developers' ability to accommodate lower income households through mainstream market development is limited by financial requirements, specifically the need to generate a high enough sales price to support a return (covering risk and capital investment). The ability of other segments to offer residential accommodation for the lower income households was not considered in this report, but we expect these segments to contribute to housing supply.

The consideration of future sufficiency is inevitably subject to key assumptions about the future circumstances. These include the projected population and household numbers, household preferences and incomes, and also key questions about the urban-rural split, the implications of economic growth on housing market parameters, and the importance of the current housing estate.

4.3.7 Other market segments

This section provides high level commentary on other subsectors which fall outside of the mainstream market. The main capacity assessment excludes these submarkets even if they still require consideration from a planning perspective.

Minor dwellings

Under the ODP, potential capacity for minor residential units (minor dwellings) is limited to the Rural production zone. A minor dwelling is a Controlled activity in this zone. The relevant rules[47] when attempting to estimate the development capacity, include:

- No larger than 65sqm GFA (plus a garage/car port not exceeding 18sqm).
- No more than one minor dwelling per site.
- Minimum net site area of 5,000 sqm.

The PDP makes similar provisions for these dwellings and is limited to the following zones:

- Rural production zone
- Rural lifestyle zone
- Rural residential zone
- Settlement zone

The modelling suggests that under the ODP around 8,340 minor dwellings are enabled with 5,740 under the PDP. The feasibility approach used in the wider of this assessment, is not directly transferable to estimating the commercial viability of minor dwellings. This is because they cannot be sold as a separate unit. It was

[47] Example of a rule that cannot be modelled is the separation distance between the minor dwelling and the principal residential unit that should not exceed 15m.

beyond the scope of this assessment to assess the rental segment of the market (potential supply), or expressly estimate the share of households requiring rental accommodation (demand).

Wider financial considerations will determine whether a landowner develops a minor dwelling or not, based on the intended use. For example, if the intended use is rental income, financial considerations will carry greater weight, compared to a situation where the minor dwelling is intended for multigenerational living. It is possible that some landowners will consider minor dwellings to utilise as short-term rentals/holiday accommodation as an additional income stream.

While minor dwellings can contribute to the overall development capacity, the share of demand that it would satisfy is likely very small because of the rural location. Under the ODP minor dwellings are plan enabled in the Rural production zone only. Under the PDP however, there might be a slightly larger portion being taken up. Under the PDP, in additional to the Rural production zone, minor dwellings are enabled in the Settlement, Rural lifestyle and Rural residential zones which are located closer to urban areas (relative to the Rural production zone).

Holiday homes and short-term rentals

The exact number of holiday homes across the district is uncertain and different datasets do not triangulate. Census 2018 indicated around 10% of homes are classified as 'empty dwellings' which includes empty dwellings and residents away. According to Census 2018, there was 2,874 empty dwellings in the district. Applying this share to estimates of current estate (28,800 dwellings) suggests that a similar number, i.e., around 2,880 homes could be holiday homes.

According to the improvement description code in Council's rating data, only 412 properties are described as 'BACH', and considering multiple unit properties, brings the number to 656 holiday homes. This is considerably lower than the other data sources.

Information from AirDNA[48] shows 2,144 available listings on Airbnb and Bookabach[49], of which 86% is reported to be an entire home. This implies 1,843 homes across Far North District is being used to some extent for holiday accommodation, based on this information. However, it is uncertain to what degree there is overlap between the two platforms, i.e., a property is listed on Airbnb and Bookabach simultaneously.

To conclude, there is a high degree of uncertainty when estimating the size of this segment, given its informal nature. There is no 'register' or licencing regime for this sector, comparable to commercial holiday accommodation (hotels, motels, etc.). This makes quantifying the size of this subsector challenging. Nevertheless, the number of holiday homes could be as small as 700 dwellings (but this is unlikely), or as high as 2,880 dwellings.

Retirement sector

Based on building consent data published by StatsNZ, construction activity in the retirement sector has seen a significant uptick in the recent past. This aligns with patterns observed across the rest of the country. Between 1996 and 2015, only 41 units were consented in total. Since then (2016-2023), 269 units were consented, implying an average of 34 per annum. Excluding 2018 when only four units were consented, suggests an annual average of 38 units.

[48] https://www.airdna.co/vacation-rental-data/app/nz/northland/far-north-district/overview
[49] Vrbo is the parent company of Bookabach.

For context, the expected annual demand was estimated by combining population projections (by age cohort)[50] and information published by JLL[51] about penetration rates[52] and average residents per unit. District-specific ratios are not published, so national rates and estimated Northland rates are used to provide a range.

The national average penetration rate (PR) has remained largely stable over the recent past at around 14%, with only slight variation experienced by some regions. According to the JLL report, the PR for Northland appears to be slightly below the national average at around 10%. Based on a resident-to-unit ratio of 1.3, between 880[53] and 1,230[54] additional units would be needed over the next 30 years. This suggests between 30 and 40 units are required each year, going forward to meet the expected demand. In five out of the last seven years, over 30 units were consented, so the estimates appear reasonable.

The HBA did not consider this sector separately. That is, the demand for retirement units is included in total demand, and similarly, potential supply of retirement village units was not estimated separately.

4.3.8 Concluding remarks

It is acknowledged that Council does not have the ability to influence all drivers of the housing market, and generally, the results underline the fact that addressing the affordability issues go beyond a pure planning response. However, planning regulations influence the supply of housing by determining where and how much housing can be built. This affects the overall availability of housing in the district, which in part impacts housing prices. Demand for housing is also influenced by factors like location and amenities, which are often regulated by planning policies.

[50] Sourced from Infometrics.
[51] New Zealand Retirement Villages and Aged Care. A whitepaper by JLL, New Zealand. August 2023. This report is based on JLL's work for New Zealand Retirement Village (NZRVD) and Aged Care (NZACD) databases.
[52] The estimated resident numbers in Retirement Villages as a percentage of the 75+ population.
[53] 10% penetration rate.
[54] 14% penetration rate.

Part 2: Business Capacity Assessment

5 Economic outlook

The size and structure of economy, as well as the growth outlook underpin the business land demand situation. This section provides a high-level description of the local economy in terms of the economic profile and historic trends. Importantly, the analysis looks through the volatility associated with the Covid-disruptions (i.e., lockdowns and the above-normal activity in the immediate aftermath of the lockdowns). However, the ongoing effects of the economic slowdown associated with monetary policy settings, are integrated into the analysis. GDP and employment are both used to describe the economy.

The growth outlook is based on M.E's proprietary model, the Economic Futures Model (EFM), a multi-regional input-output based model structure that traces the links between economic sectors. Shifts in the economy are modelled using a scenario approach with the potential drivers being sector level (48 sectors) and overall trends, covering:

- Population patterns, including demographic shifts,
- Exports,
- Gross fixed capital formation, and
- Productivity changes.

A business-as-usual scenario informs this analysis. The current situation and recent trends, as well as the growth outlook are discussed. Employment is used as core metric to describe the economic outlook using modified employee counts (MEC).[55] The link between employment and land use (or GFA) requirements is well established and is used to express economic growth as land requirements. Historic employment patterns (across sectors) assist with framing the growth outlook. Short-, medium- and long-term patterns were considered as part of the background analysis. Only the key points of the background analysis are reported and a 'full economic profile report' is outside the current scope[56]. The modelling is broadly calibrated to other available reports.

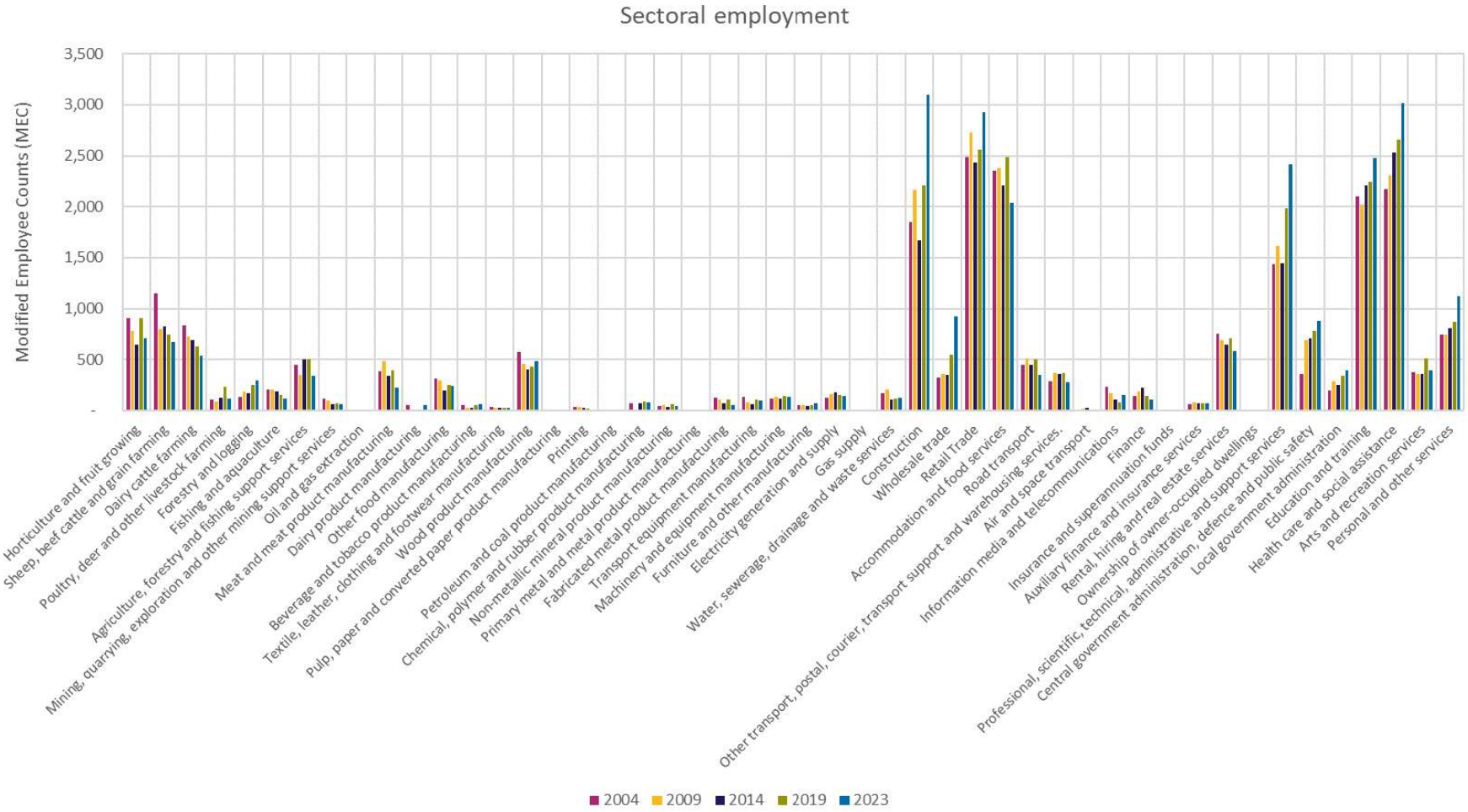
5.1 Current situation and recent trends

The Far North District's GDP is estimated at $3.1bn (March 2023, Infometrics). Over the past decade or so, the district has averaged annual growth of 3.1% per annum – marginally higher than the New Zealand rate of 3.0% per annum. This suggests that the district is enjoying a slightly faster rate of change relative to New Zealand. In terms of sectoral importance, the service sector[57] accounts of a third (35.2%) of the district's GDP. At 15.7%, manufacturing (i.e., goods-producing businesses) accounted for the second largest proportion of GDP and this is followed by the primary sectors with a contribution of 12.4%. Other sectors, such as retail, food and accommodation account for the balance.

In terms of employment, the district employs 25,900 MECs[55]. Over the past 20 years, district-wide employment increased by 3,420 – equal to 0.7% compound growth per year. The sectoral employment structure explains the distribution of employment across different parts of the economy.

[55] A Modified Employee Count (MEC) is a headcount of employees and included working proprietors.
[56] The Infometrics regional profile report can be accessed from: here
[57] Includes sectors providing personal and business services, such as financial and insurance services; rental, hiring and real estate services; administrative and support services; arts and recreation services; healthcare and social services, and so forth.

Figure 5-1: Employment Profile



The district's employment is relatively concentrated, with three quarters (76%) of MEC found in the ten largest sectors. These top ten sectors are:

- Construction 3,100
- Health care and social assistance 3,019
- Retail Trade 2,929
- Education and training 2,475
- Professional, scientific, technical, administrative and support services 2,415
- Accommodation and food services 2,036
- Personal and other services 1,125
- Wholesale trade 926
- Central government administration, defence and public safety 879
- Horticulture and fruit growing 705

The relative position of these top sectors has remained relatively constant since 2004. Some of the noteworthy movements include:

- Several agriculture sub-sectors have fallen in the rankings, including Horticulture and fruit growing. Sheep, beef, cattle and grain farming dropped out of the top 10, now ranking 11th, down from 7th. Likewise, Dairying dropped from being the 9th largest employer to 13th.
- Rental, hiring and real estate services remained relatively stable, shifting down from 10th to 12th position over the past twenty years.
- Sectors moving up the rankings include:
    - Construction, which shifted from 8th largest employer in 2004, to the largest in 2023. This move corresponds with the post-Covid construction lift and strong investment in buildings and activities in the Far North, as well as New Zealand (especially in the post-Covid environment). This sector is however characterised by boom-bust cycles, and some volatility can be expected over the short term.
    - Wholesaling showed a consistent move up the ranks, from 18th in 2004, to 8th in 2023. This pattern underpins structural shifts associated with a growing economy and population base, as well as changes in the local production base of the district.
    - Central government, defence and public safety – this sector has grown from 17th largest sector (broadly in the middle of the pack) to 9th. These changes are indicative of the changing nature of central government policies and delivery approaches.
    - Personal and other services continued to shift up, moving from 11th in 2004, to current sit at 7th position. These activities are associated with household spending and population growth patterns. The growth of some parts of the district as a destination for the visitor economy is another driver of this sector's rise.

Historic growth patterns and movements provide useful insight into the growth outlook and how economic performance could track. Understanding the growth outlook at a sectoral basis is essential because sectors have different land use requirements.

5.2 Economic Outlook

The economic outlook for the Far North is based on a business as usual growth outlook and is estimated using M.E's Economic Futures Model (EFM) (the outlook is based on a somewhat optimistic posture). The EFM

models the outlook across 48 sectors, and the results are summarised to 1-Digit ANZSIC sectors. With reference to Value Added[58] shifts, the economy is expected to grow linearly, increasing:

- 2022-2030 1.6%
- 2022-2035 1.5%
- 2022-2055 1.2%

These compound growth rates are based on the economy growing (in VA terms) from circa $2.7bn to approaching $4.1bn by 2055. The associated employment patterns are summarised in Table 5-1. The table shows the projected MECs using 10-year intervals, and the change between selected periods is also reported.

Table 5-1: Far North District -Employment Growth (MECs), 2023-2053

Sector	Projected MECs				Growth (change between periods)			
	2023	2033	2043	2053	2023-33	2033-43	2043-53	*2023-53*
Agriculture, Forestry and Fishing	2,750	3,050	3,125	3,075	300	75	-50	325
Mining	75	100	100	100	25	0	0	25
Manufacturing	1,700	1,825	1,900	1,900	125	75	0	200
Electricity, Gas, Water and Waste Services	300	325	375	375	25	50	0	75
Construction	2,725	3,025	3,275	3,475	300	250	200	750
Wholesale Trade	675	675	725	725	0	50	0	50
Retail Trade	2,775	2,975	3,100	3,100	200	125	0	325
Accommodation and Food Services	2,425	2,625	2,725	2,775	200	100	50	350
Transport, Postal and Warehousing	750	850	900	925	100	50	25	175
Information Media and Telecommunications	125	100	100	100	-25	0	0	-25
Financial and Insurance Services	200	200	200	200	0	0	0	0
Rental, Hiring and Real Estate Services	650	675	650	625	25	-25	-25	-25
Professional, Scientific and Technical Services	1,150	1,275	1,375	1,450	125	100	75	300
Administrative and Support Services	1,050	1,175	1,250	1,325	125	75	75	275
Public Administration and Safety	1,425	1,700	1,900	2,050	275	200	150	625
Education and Training	2,525	2,525	2,550	2,575	0	25	25	50
Health Care and Social Assistance	2,900	3,475	4,000	4,325	575	525	325	1425
Arts and Recreation Services	550	650	700	700	100	50	0	150
Other Services	1,125	1,225	1,325	1,375	100	100	50	250
SUM	25,825	26,725	30,250	31,125	900	3,525	875	*5,300*

The modelling suggests that over the short term, the growth will remain positive. This positive position is maintained despite the slowing economic conditions. This reflects economic uncertainties around the duration of the tight monetary conditions – but it should be noted that some bank economists are predicting downward revisions in the official cash rate from Q4 in 2024. At that point, economic activity should start to accelerate again.

Total employment levels are expected to grow at 1.0% (compound per year) to 2035, and the annual change in employment levels is expected to decelerate over the long term in response to macro-level shifts, such as population and demographic changes. The difference between the rate of change (compound growth) in Value Added (VA, as reported above) and employment growth rates is due to improvements in labour productivity[59].

Overall, the shift in employment in the Far North is estimated as follows:

- Ten years to 2033, +2,625 MECs,

[58] Similar to GDP.

[59] The shifts in labour productivity are accounted for when estimating the land requirements. However, some caution is needed because growing labour productivity reduces the employment that is needed. If that reduced employment is then used (unadjusted) to estimate the land requirements, then it could understate the land requirements.

- Next ten years to 2043 +1,800 MECs,
- Next ten years to 2053 +875 MECs, and
- **Total shift** **5,300 MECs.**

The drivers of economic activity differ across sectors. The sectoral distribution of employment is expected to remain relatively stable over the next 30 years. However, there are some core trends to consider as part of the land and capacity planning process. Sectors that will see the most employment growth in absolute terms over the long term are:

- Health care and social services (+1,425MECs),
- Construction (+750 MECs), and
- Public administration and safety (+1,610 MECs).

These sectors' normally have dispersed employment patterns, tending to be located near the communities they service. For construction, a portion of this employment relates to sole traders and consequently only a share of the change in construction jobs translate into demand for additional business land.

In percentage terms, the highest growth occurs in Health care and social services (+46%), Public administration and safety (+44%) and Mining (+33%, off a low base). Other observations are:

- Almost all sectors will see positive employment growth over the long term. This is consistent with a growing economy. However, the role of technology on the centralisation of some work is expected to reduce total employment in sectors such as information media and telecommunications.
- Education and training are expected to remain around existing levels, with only marginal shifts due to the changing population structure (i.e., the ageing population).
- The financial services sector is projected to have limited change in employment. This is based on trends around centralising the office (branch) functions of financial institutions, but also the change in financial intermediaries (brokers) that see these services located close to the communities they serve.
- The rural sector will see ongoing growth, even though the rate of change is expected to lag total, economy-wide growth. Reasons for the constrained patterns include natural limits on land-based activities and increased productivity. Changes in the technology used in the primary sector means that services to agriculture will see labour productivity growth, that will limit employment numbers.
- Manufacturing will see an employment lift, increasing 12%. Technology changes, and increasing productivity shifts, mean that the value of productivity (Value Added) is projected to grow faster than the associated employment levels. Local development initiatives around the Ngawha Innovation Park will drive new employment in high-value production. It is anticipated that these activities will be relatively capital intensive.
- The role of the visitor economy in the Far North, especially around key locations, will see the accommodation and food services grow in employment. The local retail sector is projected to grow in-line with population and economic trends.
- The district is dependent on the transport sector to access markets and to deliver goods from other locations. Warehousing and transport services are projected to increase by 23% over 30 years. These services have large spatial footprints, and access to quality road and transport infrastructure is essential. Connectivity to the rest of Northland, and Auckland will improve due to ongoing transport investments in roading and other modes. Safer and better connections will facilitate economic activity.

- Office based activities, such as professional services, and administrative support, are projected to see significant growth. These trends are based on the continuing organic growth as well as migration to the district from larger economic centres (Auckland) as people seek a better lifestyle.

6 Business land assessment

All activity occurs at specific locations, and new demand of land is a function of economic growth. The preceding section describes the anticipated shifts in employment and economic activity that is projected for the district. These changes are translated into business land requirements using employment densities and a set of assumptions. The densities are based on local and New Zealand ratios showing how businesses carry out their activities, and the area they use to accommodate workers, plant, and equipment, as well as other space requirements such as on-site transport requirements (e.g., loading bays).

In 2020, Business and Economic Research Limited (BERL) developed a tool for Far North District which estimated industrial and commercial land demand between 2019 and 2045. The tool uses a similar approach as the HBA insofar as employment projections are combined with employment densities to estimate demand for different types of business land. The BERL tool provides estimates of vacant land (commercial and industrial) at a SA2s level. This data formed a direct input into business land sufficiency assessment.

This section starts with an overview of the approach and then proceeds to outline the projected land demand estimates. The demand estimates are reconciled against supply estimates to illustrate the sufficiency position, followed by a suitability assessment.

6.1 Land use requirements and key assumptions

The land use requirements start with the economic and employment outlook (presented in the preceding section) and then an employment density is applied. The locally observed employment densities, as estimated using the BERL analysis, were used as the starting point. However, some locations' employment densities were significantly lower than those observed in the rest of the district, or in other Territorial Authorities. Some variability across industries, and between sectors, can be expected but the degree to which these densities varied form those normally observed means that a more refined approach is needed. It is argued that land values and development cost necessitate an efficient use of land resource – a business will seek to develop land in a way that optimises the overall return, including when allowance is made for future development opportunities and holding costs.

A range of different sources were used in identifying the employment densities to apply but the BERL estimates are locally relevant and therefore formed the starting point. Importantly, the sectoral/land use categories used by BERL differs from M.E's standard categories, and we used a concordance to link the different classification approaches. The BERL ratios show existing patterns, and not necessarily those that would materialise for new developments. Examples of the estimated (BERL) densities are:

- Commercial office space 196 – 358 square meter per employee.
- Factory 2,850 – 56,555 square meter per employee.

Table 6-1 reports the ratios used in the analysis. These ratios show the revealed patterns and spread across locations. The results show the diversity across locations, but it is important to recognize that there is a large degree of variation in how business use space.

The ratios are kept constant over time. This means that the analysis does not reflect improved capital/labour to land (building) use ratios that may occur going forward. This means that the ratios, and demand patterns derived using them, are towards the lower end of the spectrum. In the context of the BCA, this approach is appropriate, because it would not lower/reduce the land requirements or floor area.

Table 6-1: Employment to land area ratios (sqm per employee per space type)

Land Area per Employee (sqm per employee)			
Use type	Min	Max	Mean
Office---Commercial	13	100	38
Office---Retail	20	100	69
Shops---Commercial	10	100	31
Shops---Retail	15	200	101
Accommodation	15	400	275
Warehouse	100	600	358
Factory	80	500	278
Yard---Commercial	100	350	283
Yard---Industrial	100	350	181
Other Built---Commercial	20	500	195
Other Built---Industrial	20	500	122
Education	50	500	233
Note, the minimums and maximum values as reported do not necessarily relate to the same observation. The minimum and maximums (and mean) are across datasets and should therefore not be combined. The mean is included for information, and the actual ratios used may vary from the mean to reflect local conditions and observations.			

Several land use categories were defined to reflect the diversity. For example, commercial space may be occupied by a wide range of businesses and organisations across several sectors (e.g., accountants, lawyers as well as government departments and community services). The following core categories were defined:

- Industrial: This category captures light and heavy industry with the categories based on the type and nature of emissions into the wider environment, and other attributes, driving the difference. For example, heavy industrial activities generally need to be delivered/accommodated in a way that limits other activities' exposure to emissions and limit the risk of reverse sensitivity. Light industrial activities may capture the same set of Australia New Zealand Standard Industrial Classification (ANZSIC) codes, yet due to scale or nature of production processes, do not require the same level of buffering. Further, light industrial activities also include activities that are not necessarily associated with manufacturing. For example, these activities can include, yard-based storage, transport and distribution, construction, utilities, and wholesaling. Importantly, construction is diverse, and can have multiple different location types – therefore, some caution is needed when linking construction activities with locations. A portion of construction businesses is associated with tradespersons that tend to operate in a footloose way, with businesses registered to residential addresses. Therefore, associating all construction with industrial locations will misstate the business land requirements of this sector.
- Commercial: Commercial spaces are associated with business activities relating to office activities, public administration as well as professional services. The commercial category includes a portion of health care and education activities. However, activities such as a schools and hospitals are excluded from this category. Hospitals and schools are often located in specific locations that are close to communities and are not in primary business locations.
- Retail: The retail category includes a wide array of activities, including general retail activity as well as retail-based services such as repairs and maintenance of household goods, hairdressing, and other personal services. Some commercial activity such as real estate agencies, dentists, and optometrists are also included in this category.

The employment projections (described in the previous section) were used to estimate the change in land requirements. Translating employment to land requirements acknowledges the situation where the same (or similar) activities can be accommodated in different space-types. We have allowed a single sector to allocate across different space types.

The NPSUD has an urban focus, meaning that the important rural sector is excluded (in the policy and as part of the policy directive). However, considering the important role of the primary sector in the Far North context, it cannot be ignored. Land-based activities, such as forestry and farming occur outside the urban areas and directly generate demand for industrial or commercial land. The indirect (flow on) demand for industrial and commercial land generated by the rural economy, is integrated in the modelling and included in the demand assessment. The demand arises from activities such as services to agriculture and forestry. Sectors engaged in processing agriculture produce are captured under the appropriate manufacturing sectors.

6.2 Demand outlook

The estimated demand for business land is delineated below, highlighting the industrial and commercial segments. The estimated demand shows the anticipated change, over time and is based on the sectoral mix and how different sectors are expected to grow. The demand for land is influenced by the assumed employment densities. A sensitivity analysis is included as part of the sufficiency assessment (presented in the next section) to show the potential spread of outcomes. Table 6-2 reports the anticipated change in business land demand, broken down by the main groups introduced in the preceding section, as well as accommodation and other groups.

Table 6-2: Demand for business land – broad groups per 5-year blocks (change in ha)

Broad Groups	2023-2025	2025-2030	2030-2035	2035-2040	2040-2045	2045-2050	2050-2055
Commercial	2.6	3.8	4.0	3.5	3.0	1.7	0.9
Retail	0.8	0.7	0.8	0.6	0.5	0.2	-0.0
Industrial	4.8	4.9	5.0	3.8	3.0	1.8	0.8
Accommodation	0.4	0.1	0.3	0.2	0.2	0.1	0.0
Other	0.1	-0.1	-0.0	0.1	0.1	0.1	0.1

At a total level, over the period to 2055, the additional demand for business land across the broad groups is estimated as follows:

- Industrial 24.1ha
- Commercial 19.5ha
- Retail 3.6ha
- Accommodation 1.3ha
- Other 0.5ha.

The economic and employment growth is projected to change demand for business land over the short, medium, and long terms. The rate of change is weighted to the short and medium term and is in line with the long-term economic projections that expects the growth profile to flatten going forward. Industrial land uses are expected to require the largest increase in land area. This is a function of the land area that is required on a per employee basis, as well as the level of expected growth. Demand for industrial land is projected at 24.1ha. Commercial space is the second largest land use segment and is projected to see additional demand of 19.5ha over the long term. The demand for retail, accommodation and other space is more muted, and estimated at 3.6ha for retail and 1.3ha and 0.5ha for accommodation and other uses, respectively.

As with all projections and forward-looking work, an element of sensitivity remains. Close monitoring of the market conditions is required. A flexible and responsive approach to market trends will be needed because growth patterns can change. The retail land demand is estimated based on population and economic trends and is applied based on district-wide basis. Therefore, the finer spatial patterns might not be reflected in this aggregate result i.e., some areas might see a marginal decline in demand for retail space, and other could see large(r) increases in demand. Similarly, the accommodation estimates show standard industry ratios and might not reflect the unique attributes or development intentions of a specific development. The demand estimates provide an indication of the anticipate scale and direction of change. Close monitoring of development trends, and how land demand is supplied will be needed to identify emerging pressures.

Competitiveness Margin

The NPSUD Part 3 (in 3.26), requires councils to include a competitiveness margin. However, this requirement applies to tier 1 and tier 2 councils and is additional capacity that should be enabled (in addition to the projected demand), to support choice and support competitiveness in the business land market. Including a competitiveness margin in the Far North context is not a requirement. Regardless, Table 6-3 reports the overall demand and the associated competitiveness margins according to NPSUD requirements. Note that the values presented in this table differs slightly form the ones discussed earlier because different endpoints are reported – 2053 vs 2055 – this is because of a mismatch between different datasets and models. Where necessary, the datapoints are aligned by estimating the relevant annual values (using different estimation approaches).

Table 6-3: Business land demand – NPSUD years (Ha)

	Demand		
	3 years 2023-2026	7 years 2026-2033	20 years 2033-2053
Commercial	3.9	5.4	10.3
Retail	1.1	1.0	1.7
Accommodation	0.5	0.2	0.7
Industrial	6.8	6.9	11.1
Other	0.1	0.0	0.4
	Margin		
	3 years 2023-2026	7 years 2026-2033	20 years 2033-2053
Commercial	0.8	1.1	1.6
Retail	0.2	0.2	0.3
Accommodation	0.1	0.0	0.1
Industrial	1.4	1.4	1.7
Other	0.0	0.0	0.1

The additional space that would need to be include (to account for the competitiveness margin) in the sufficiency analysis is:

- Industrial 4.4ha
- Commercial 3.4ha
- Retail 0.7ha
- Accommodation 0.2ha
- Other 0.1ha.

The competitiveness margin is considered as part of the sufficiency assessment process, and its potential role is highlighted.

6.3 Sufficiency position for business land

The sufficiency assessment integrates the estimated demand and available capacity. Available capacity includes the capacity as identified in the BERL work, and draws on the 2023-year data in that assessment. The capacity is based on the vacant land across the district and an allowance is made for a share of growth to be accommodated via intensification. This portion captures improvements in how intensive the land resource is used by both existing businesses as well as new businesses establishing in the district. The net position is assessed at an aggregate, district-wide level but the spatial distribution is also considered.

The difference between the demand for industrial and commercial land, and commercial and industrial land capacity is assessed to estimate the sufficiency position. The sufficiency assessment provides information about the degree to which the Section 3.3 of the NPSUD is satisfied, that is, there has to be "*at least sufficient development capacity in its region or district to meet the expected demand for business land*".

The sufficiency assessment considers the total quantum (district-wide), as well as the spatial distribution. Information about the ability of existing infrastructure and planned infrastructure capacity[60] to accommodate and support business growth is however limited. This gap will need to be addressed as part of future work by the Council. The assessment reports the implications of including the NPSUD's competitiveness margin separately.

As with any forward-looking projections, there is some uncertainty with exceptional movements in economic indicators in post-Covid environment. The well-published high growth period immediately coming out of Covid disruptions, as well as the high inflation period and economic tightening phases, add uncertainty about the short-term outlook. However, the medium- and long-term outlooks align broadly with historic trends and expected changes. The anticipated growth is tempered by a rising interest rate environment, supply chain constraints, confidence levels and global geo-political uncertainties. These uncertainties are factored into the assessment and the short-term outlook, and growth pathway over the next 3-5 years. Irrespective of the eventual growth pathway, the Council will need to monitor development activity and how growth patterns evolve over the short to medium timeframe and respond through providing infrastructure capacity as appropriate.

The sufficiency assessment is informed by the sectoral classification used in the BERL information – this only has commercial and industrial capacity. The BERL data is reported using SA2s and therefore the business land capacity analysis is based on this spatial area and the spatial definitions underpinning the business land and residential land are not the same (the residential assessment uses a bespoke spatial classification that cannot be applied in the business land part).

6.3.1 Overall sufficiency

The sufficiency position is presented in Table 6-4. The table reports the vacant capacity as well as the intensification capacity. Intensification capacity is based on the differences between observed densities and those normally seen around New Zealand. The intensification capacity is based on a review of the BERL analysis and comparing the employment densities, employment levels as well as spatial patterns in the BERL data. In addition, the planning zones are related to the parcels, and SA1 employment levels. The total zoned area (m^2) is reconciled with sectoral employment (by SA1) and the resulting densities are estimated. The densities

[60] Based on future infrastructure investment plans.

(BERL-based, and SA1-based) are used to estimate the intensification capacity across different locations (SA2). While the analysis considered a range of measures and approaches, the lowest estimates are used to maintain a conservative position.

Table 6-4: Overall sufficiency position (ha)

Sufficiency excluding the margin

Commercial		Demand				
	Capacity (ha)	3y	7y	20y	Sub-Total	Total
Vacant Capacity	8	3.2	4.8	9.0	17.0	22.7
Intensification capacity	44	1.1	1.6	3.0	5.7	
Sufficient		Sufficient	Sufficient	Sufficient		
Remaining vacant capacity		4.7	-0.1*	-9.1*		28.9
Remaining intens. capacity		42.7	41.0*	28.9*		
		Vacant shortfall accommodated via intensification				
Industrial		**Demand**				
	Capacity (ha)	3y	7y	20y	Sub-Total	Total
Vacant Capacity	26	4.6	5.5	8.9	19.0	23.8
Intensification capacity	82	1.2	1.4	2.2	4.8	
Sufficient		Sufficient	Sufficient	Sufficient		
Remaining vacant capacity		21.7	16.2	7.2		84.0
Remaining intens. capacity		80.4	79.0	76.8		

Sufficiency including the margin

Commercial		Demand				
	Capacity (ha)	3y	7y	20y	Sub-Total	Total
Vacant Capacity	8	3.9	5.8	10.4	20.0	26.7
Intensification capacity	44	1.3	1.9	3.5	6.7	
Sufficient		Sufficient	Sufficient	Sufficient		
Remaining vacant capacity		4.1	-1.7	-12.1		23.3
Remaining intens. capacity		42.4	38.9	23.3		
		Vacant shortfall accommodated via intensification				
Industrial		**Demand**				
	Capacity (ha)	3y	7y	20y	Sub-Total	Total
Vacant Capacity	26	5.6	6.6	10.2	22.4	28.0
Intensification capacity	82	1.4	1.7	2.6	5.6	
Sufficient		Sufficient	Sufficient	Sufficient		
Remaining vacant capacity		20.7	14.1	3.9		79.8
Remaining intens. capacity		80.2	78.5	75.9		

The sufficiency assessment shows that at a total level:

- For commercial business land demand (commercial and retail combined):

- There is sufficient capacity to accommodate the short-term demand for commercial land using vacant capacity without any need to use intensification capacity.
- Over the medium and medium terms, a portion of the growth must be accommodated using intensification capacity.
- There is considerable capacity in existing business locations to accommodate more intensive land use for commercial (and retail activities).

- With reference to the industrial land sufficiency position:
  - There is sufficient capacity to accommodate all growth in the existing areas (vacant capacity) even without transferring demand to intensification capacity. It is unlikely that all (100%) of the growth will be accommodated through developing vacant land because a portion of the growth will occur through existing businesses developing existing land holdings, i.e., businesses making better use of under-utilised areas, and expanding on-site.

Repeating the sufficiency assessment with the NPSUD competitiveness margins included, returns the same findings. For the industrial land segment, there remains a sufficient capacity over the short, medium, and long terms. The commercial land component shows a deficit over the medium term (-4.9ha) if only vacant land is used to accommodate growth. However, this is unrealistic because a portion of growth will occur through redevelopment of existing sites and more intensive use of land resource.

6.3.2 Spatial distribution of sufficiency

The district is spatially extensive, with large rural areas accommodating rural activities such as agriculture and forestry, as well as conservation activities. The availability of suitable land for these activities determines the location and level demand for rural land (for productive purposes). Historically, employment in rural-economy type sectors have declined. Despite this decline, the economic value (GDP) has increased. Retaining the productive capacity of the rural sector is important and this is achieved by avoiding a situation where productive locations (from a rural economy perspective) are rezoned to other uses. Future use for rural-economy activities is a function of the soils and climate – it is not a case of simply zoning more land for agricultural uses.

The spatial distribution of sufficiency is assessed across the entire Far North District, and we draw on the BERL data for the vacant capacity across SA2s. The future demand for industrial and commercial land across the district is based on a spatial allocation method that distributes growth based on:

- Historic growth within each SA2 (across the main sectors)
- The share of growth that has occurred in SA2s (by sector)
- The relative size of the labour force (employment by sector) in each SA2

This process means that a portion of growth is allocated to SA2 even if they do not have a specific industrial or commercial zone. Such allocation reflects the fact that, historically, some SA2s see industrial and commercial growth even if there are no appropriately zoned areas in those SA2. While relatively minor, these patterns are reflected in the analysis. This approach means that some SA2s will accommodate some of the industrial and commercial growth even if they do not have those zones. This dilutes the total land area that will be demanded in the main urban locations. Table 6-5 provides commentary and observations across the different locations (SA2), and the sufficiency assessment. The historic growth patterns (employment, by sector, by location) assisted in allocated future growth distributions.

Table 6-5: Spatial observations about sufficiency

SA2 Code	SA2 Name	Comment
100100	North Cape	Rural area - limited growth
100300	Inlets Far North District	Rural area - limited growth
100200	Rangaunu Harbour	Rural area - limited growth
100400	Karikari Peninsula	Minor growth - long term provision
101400	Taemaro-Oruaiti	Rural area - limited growth
101000	Oruru-Parapara	Rural area - limited growth
101100	Taumarumaru	Some growth - sufficient
101500	Whakapaku	Rural area - limited growth
101800	Whakarara	Rural area - limited growth
100500	Tangonge	Rural area - limited growth
100700	Kaitaia East	Urban area, with growth - sufficient
100800	Kaitaia West	Urban area, with growth - sufficient
100900	Rangitihi	Rural area - limited growth
101300	Peria	Rural area - limited growth
101900	Kaeo	Rural area - limited growth
102400	Rangitane-Purerua	Rural area - limited growth
100600	Ahipara	Commercial sufficient, industrial pressure likely due to classification (e.g., construction)
101200	Herekino-Takahue	Rural area - limited growth
102000	Omahuta Forest-Horeke	Rural area - limited growth
102200	Lake Manuwai-Kapiro	Growth - potential out of zone considerations
102500	Waipapa	Industrial sufficient, commercial under pressure
104400	Russell Forest-Rawhiti	Rural area - limited growth
101600	Hokianga North	Rural area - limited growth
101700	Kohukohu-Broadwood	Rural area - limited growth
102300	Okaihau	Rural area - limited growth
103200	Ohaeawai-Waimate North	Some growth - commercial sufficient (based on intensification)
102600	Puketotara	Rural area - limited growth
103300	Puketona-Waitangi	Rural area - limited growth
103100	Kerikeri South	Potential growth - no zoning
102800	Riverview	Potential growth - no zoning
103000	Kerikeri Central	Growth - Long term pressure for industrial and commercial
103700	Haruru	Growth - sufficient (based on intensification)
103900	Paihia	Growth - sufficient (based on intensification)
103800	Russell	Growth - sufficient (based on intensification)
104200	Russell Peninsula	Potential growth - no zoning
103400	Ngapuhi	Sufficient, potential opportunities via intensification, Innovation Park
104100	Matawaia-Taumarere	Rural area - limited growth
103600	Pakaraka	Rural area - limited growth
104300	Opua (Far North District)	Growth potential - potential pressures for industrial and commercial
102100	Hokianga South	Rural area - limited growth
102700	Waima Forest	Rural area - limited growth
104000	Mataraua Forest	Rural area - limited growth
103500	Kaikohe	Sufficient industrial and commercial, based on intensification (otherwise some pressures over the long term)
104500	Moerewa	Sufficient - industrial (intensification)
104600	Kawakawa	Sufficient industrial and commercial, based on intensification (otherwise some pressures over the long term for commercial)
104700	Maromaku	Rural area - limited growth
102900	Waipoua Forest	Rural area - limited growth

The following key points are observed:

- The spatially extensive nature of the district means that several SA2 currently host some economic activity (employment) but these are characterised as 'out of zone' activities. This activity is small and unlikely to see considerable growth over the short, medium and long terms. Twenty seven SA2s fall in this category. The land demand associated activity in these wide locations is minor – less than 1% of total (30 year) growth for commercial demand and less than 3% of industrial land demand. This assessment disregards this component of the overall demand-supply pattern from a sufficiency perspective.
- With reference to the commercial segment, the spatial distribution of capacity and anticipated demand suggests that intensification capacity will have to play an important role in accommodating growth, especially in the main urban areas:

- In the Waipapa SA2, the long term position for commercial activity us likely to be under pressure due to anticipated growth,
- In Kaitaia (SA2s for both Kaitaia East and Kaitaia West), the analysis suggests that there is sufficient capacity over the long term. However, this is subject to successful redevelopment and better use of existing parcels in the urban environment. Ignoring the potential contribution of intensification opportunities suggests that a moderate deficit in capacity can be expected over the long term. Considering the location of the existing commercial areas within the overall urban form means that it is appropriate to include intensification potential because this aligns with development initiatives such as town centre revitalisation and redevelopment activities.
- In Paihia, Russell, Haruru, there is sufficient capacity for commercial activity over the long term. As identified across many other locations, intensification capacity will play a key role to accommodate growth. Without intensification, there is insufficient capacity. These areas have relatively distinct areas and geographic constraints will need to be considered as part of growth management.
- For Opua, the analysis points to a general sufficient position in Opua. However, the role of intensification to accommodate growth will be crucial. Without intensification of the existing commercial areas, pressure in the form of a deficit position can be expected over the medium and long term.
- Kaikohe has sufficient capacity to accommodate commercial growth based on the intensification potential. Without the intensification potential, there is insufficient capacity to accommodate future growth.
- In the Kerikeri (Kerikeri Central and Kerikeri South SA2s), the commercial growth is projected to face development constraints over the even medium to long term even with intensification options included. Excluding intensification options show that growth pressures are likely already influencing the location and can be expected to intensify going forward.
- Other, smaller locations around the district, such as Kawakawa, Moerewa, Ahipara and Taumarumaru have sufficient capacity to accommodate growth using an intensification approach.

- With reference to the industrial segment, the following points are noted:
  - The importance of intensification options to support growth and development shines through in the industrial sufficiency analysis. However, in contrast to the commercial situation, achieving intensification for industrial type development can be more complex and difficult to achieve. This is because industrial land can often be seen as 'vacant' or underutilised but individual businesses could have legitimate reasons for using the land resource in that way. Nevertheless, the analysis shows that some locations have very low use rates (based on employment density) suggesting that it is realistic to anticipate some intensification to accommodate growth. The intensification opportunity is based on observed employment densities, and amounts to an increase in density of 16% - the resulting densities remain considerably lower than those seen in other locations around New Zealand.
  - The main economic locations appear to have sufficient capacity if the intensification options are included. Excluding the intensification options suggest that the medium and long term will see growth pressures (insufficient capacity) in Opua as well as Moerewa.
  - The Ngapuhi[61] SA2, surrounding Kaikohe, is expected to see growth associated with the Ngawha Innovation Park. This area appears to have sufficient capacity to cater for growth over the long term.

[61] The SA2 within which the Ngawha Innovation Park is located.

The sufficiency analysis points to the potential role of intensification and making better use of land resource to accommodate growth. Despite the potential role of intensification, it will be important to retain a degree of flexibility when considering and evaluating market-led proposals of new industrial developments because, new and unique opportunities could emerge and the spatial/locational requirements of these opportunities could mean that existing locations (as considered in this assessment), might be sub-optimal – a key trade-off is likely to be between economic growth and development, capturing agglomeration benefits, and protecting land resource.

6.4 Suitability assessment

According to the NPS-UD, councils can define 'suitable capacity' in a way that reflects their local economic environment and context.

In larger urban environments, the assessment follows a Multi-Criteria Analysis (MCA) framework[62] with different business locations evaluated and scored against a set of weighted criteria and compared. The criteria reflect the development and locational decisions of developers. The scores enable a comparison between different locations to determine the suitability of available capacity. However, this type of analysis was not deemed appropriate in Far North, because of the size and isolated nature of townships in the district. The criteria for considering commercial and retail locations generally include the following:

Commercial and retail:

1. Access to major road/transport routes; good transport access, especially road/motorway
2. Proximity to market (households),
3. Exposure/profile/visibility,
4. Co-location or clustering with associated business activities e.g. (retail centre),
5. Parking availability,
6. Proximity to labour,
7. Low level of traffic congestion in vicinity,
8. Existing or proposed public transport,
9. Access to complementary/supporting business services, and
10. Diversity of space types.

Kerikeri is quite unique in that it is the district's largest retail and commercial centre, and an important growth node. The spatial sufficiency assessment in Section 6.3.2 indicates there is pressure in Kerikeri in terms of commercial capacity even over the medium term. The capacity assessment shows very little vacant capacity[63] in Kerikeri, but as already pointed out, employment density is low in Far North, and there are likely to be opportunities for intensification. Nevertheless, it appears additional commercial land will be required and by taking these factors into account, planners can identify and develop locations that maximize the potential for successful commercial (office and retail) locations.

Russell, Opua and Pahia are also unique markets, in that they are largely tourist-focussed retail and commercial centres, dominated by accommodation providers and food and beverage services.

Most other business locations across the district, in small townships, will score equally well (or poorly) on these metrics, which implies locations are equally suited for business activity and comparison between locations become a futile exercise. For example, most locations in Far North District score high for parking availability, and proximity to market and labour because of the size of the towns and the low employment density. In addition, there are generally low levels of traffic congestion in most of these locations because of the small

[62] An important difference is that the criteria are not grouped into categories with weights.
[63] Vacant capacity refers to vacant land and does not include buildings which are unoccupied currently.

population. Public transport is not widely used/available to access retail and commercial activities, so most locations would score equally poorly against this criterion. Conversely, most locations would likely score equally well for accessibility, i.e., ability to access major road or transport linkages.

It quickly becomes clear that the MCA framework would not be very useful in assessing the suitability of the commercial capacity in Far North. Generally, the locations all score high on attributes (criteria) associated with careful planning, and positioning of business locations (e.g., centre of township, close to market and labour, with good transport linkages). But most (if not all) lack profile and diversity of space types, and could benefit from development (uplift) initiatives to attract businesses and encourage households to shop and work locally. However, this points to an economic development question rather than a planning one. The current reality is that population concentration is low which results in small commercial centres serving the local communities.

With regards to industrial land, the criteria for scoring locations in larger urban areas, generally include the following:

Industrial land:

1. Access to major road/transport routes; good transport access, especially rail/road/motorway,
2. Flat land, large land parcel, or contiguous site (for industrial land),
3. Service infrastructure in place or proposed,
4. Area has potential for co-location or clustering with associated business activities or is contiguous with existing business land zoned for industrial activities, access to complementary/supporting business services,
5. Proximity to labour,
6. Ability to buffer adverse effects from residential and sensitive activities, distance from sensitive land uses,
7. Low level of traffic congestion in vicinity, and
8. Access to complementary/supporting business services.

As was the case with the business locations, the MCA framework provides a basic structure, and additional refinements are needed to assess the suitability of industrial capacity in Far North District. Nevertheless, it remains important to consider these factors when planning to provide additional industrial capacity.

These factors manifest differently for different business types, and include the following aspects for industrial type businesses:

- Direct transport costs, like:
    - Vehicle transport costs (operating and fuel),
    - Time and staff costs associated with travel,
    - Spoilage costs.
- Indirect transport costs and externalities
    - Delays and reliability issues,
    - Costs falling to employees commuting to/from work,
    - Additional costs associated with emissions (externalities),
    - A change in the social costs, like congestion and the accident costs.

The cost implications are key to assessing different industrial locations and are relevant when considering the potential to accommodate industrial growth in different locations.

Further, location of industrial zone in relation to nearby land uses is important because a buffer zone is often needed. This buffer helps manage and reduce issues related to reverse sensitivity, but these aspects can be effectively managed using appropriate planning strategies. It is also noted that infrastructure information is not currently available, so it is not known what level of additional industrial activity can be accommodated.

7 Conclusion

The outlook for the district remains positive, and historically, population growth often outstripped the lower official projections. When considering a long-term process, such as the NPSUD-based assessment, there is a risk that using too conservative (low) projections could understate growth with significant economic costs due to under-planning. Therefore, this assessment uses growth projections that are more optimistic that those historically applied when considering the growth outlook for the district.

The residential capacity results show that despite adequate PEC, a housing shortage remains due to the absence of FC at the lower price points and in locations and typologies that households prefer. This is largely due to high construction cost and affordability challenges. It is noted that information about infrastructure-ready capacity was not available at the time. It is expected that the assessment will be updated once it becomes available.

With regards to business capacity, the assessment revealed that employment densities in some locations were significantly lower than those observed in the rest of the district, or in other Territorial Authorities. This suggests there is opportunity to intensify existing business land use patterns, in addition to using vacant capacity to meet demand. Assessment of commercial land capacity (commercial and retail activity) shows there is sufficient capacity to meet demand at the territorial authority-wide level over the short term without the need for intensification capacity. Over the medium and long term, a portion of growth must be accommodated via intensification capacity. Similarly, assessment of industrial capacity shows there is sufficient capacity to accommodate growth in the existing areas (vacant capacity) even without transferring any of the demand to intensification capacity. However, it is likely that some businesses will use their current land holdings more efficiently to accommodate growth (intensification).

Appendices

Appendix 1: Planning parameters used in the capacity modelling

						Detached Dwellings			Attached horizontal			Attached vertical		
Operative District Plan	OPD_zone (in rating set)	Zone Code	Include (Y=1)	Min Lot size	Max bdg footprint	Sqm per dwelling LAND	FAR	Max Height	Sqm per dwelling LAND	FAR	Max Height	Sqm per dwelling GFA	FAR	Max Height
Residential zone (sewered)	Residential	1	1	600		600	45%	2	300	45%	2	na	na	na
Residential zone (unsewered)	Residential	1A	1	3,000		3,000	45%	2	na	na	na	na	na	na
Coastal Residential (sewered)	Coastal Residential	2	1	800	900	600	45%	2	na	na	na	na	na	na
Coastal Residential (unsewered)	Coastal Residential	2A	1	3,000	900	3,000	45%	2	na	na	na	na	na	na
Russell Township zone (sewered)	Russell Township	3	1	1,000		1,000	20%	2	na	na	na	na	na	na
Russell Township zone (unsewered)	Russell Township	3A	1	3,000		3,000	20%	2	na	na	na	na	na	na
Rural Living	Rural Living	4	1	4,000	2,400	4,000	10%	3	na	na	na	na	na	na
Coastal Living	Coastal Living	5	1	40,000	600	40,000	10%	2	na	na	na	na	na	na
South Kerikeri Inlet	South Kerikeri Inlet Zone	6	0	na		na	na	na	na	na	na	na	na	na
Rural Production	Rural Production	7	1	200,000		200,000	12.5%	4	na	na	na	na	na	na
General Coastal	General Coastal	8	0	na		na	na	na	na	na	na	na	na	na
Commercial zone (sewered)	Commercial	9	1	250		250	45%	3	83	45%	3	80	45%	3
Commercial zone (unsewered)	Commercial	9A	1	3,000		3,000	45%	3	na	na	na	na	na	na
Industrial zone (sewered)	Industrial	10	0	na		na	na	na	na	na	na	na	na	na
Industrial zone (unsewered)	Industrial	10A	0	na		na	na	na	na	na	na	na	na	na
Carrington Estate	*Carrington Estate*	*99*	*0*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*
Coastal Marine	*Coastal Marine*	*99*	*0*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*
Conservation	*Conservation*	*99*	*0*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*
Horticultural Processing	*Horticultural Processing*	*99*	*0*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*
Kauri Cliffs	*Kauri Cliffs*	*99*	*0*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*
Lakes & Rivers	*Lakes & Rivers*	*99*	*0*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*
Minerals	*Minerals*	*99*	*0*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*
Motoroa Island	*Motoroa Island*	*99*	*0*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*
Orongo Bay Special Purpose	*Orongo Bay Special Purpose*	*99*	*0*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*
Point Veronica	*Point Veronica*	*99*	*0*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*
Quail Ridge Country Club	*Quail Ridge Country Club*	*99*	*0*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*
Rail	*Rail*	*99*	*0*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*
Recreational Activities	*Recreational Activities*	*99*	*0*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*
Road	*Road*	*99*	*0*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*
South Kerikeri Inlet Zone Sensitive Area	*South Kerikeri Inlet Zone Sensitive Area*	*99*	*0*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*
Waimate North	*Waimate North*	*99*	*0*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*

						Detached Dwellings			Attached horizontal			Attached vertical		
Proposed District Plan	PDP_zone (in rating set)	Zone Code	Include (Y=1)	Min Lot size	Max bdg footprint	Sqm per dwelling LAND	FAR	Max Height	Sqm per dwelling LAND	FAR	Max Height	Sqm per dwelling GFA	FAR	Max Height
General residential zone	General Residential	11	1	600		600	50%	2	200	45%	2	na	na	na
Kororareka Russell Township	KororÃ¯keka Russell Township	12	1	800		800	20%	2	na	na	na	na	na	na
Rural Settlement	Settlement	13	1	3,000	600	3,000	35%	2	na	na	na	na	na	na
Rural Residential	Rural Residential	14	1	4,000	2,500	4,000	13%	2	na	na	na	na	na	na
Rural Lifestyle Living	Rural Lifestyle	15	1	40,000	600	40,000	10%	2	na	na	na	na	na	na
Rural Production	Rural Production	16	1	400,000		400,000	13%	3	na	na	na	na	na	na
Horticulture zone	Horticulture	17	1	100,000		100,000	13%	3	na	na	na	na	na	na
Mixed Use zone	Mixed Use	18	1	250		na	na	na	na	na	na	80	50%	3
Light Industrial zone	Light Industrial	19	0	na		na	na	na	na	na	na	na	na	na
Heavy Industrial zone	Heavy Industrial	20	0	20,000		20,000	na	na	na	na	na	na	na	na
Ngawha Innovation and Enterprise Par	Ngawha Innovation And Enterprise Par	21	0	na		na	na	na	na	na	na	na	na	na
Airport	*Airport*	*99*	*0*	*na*	*0*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*
Carrington Estate	*Carrington Estate*	*99*	*0*	*na*	*0*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*
Horticulture Processing Facilities	*Horticulture Processing Facilities*	*99*	*0*	*na*	*0*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*
Hospital	*Hospital*	*99*	*0*	*na*	*0*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*
Kauri Cliffs	*Kauri Cliffs*	*99*	*0*	*na*	*0*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*
MÃ¤ori Purpose - Rural	*MÃ¤ori Purpose - Rural*	*99*	*0*	*na*	*0*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*
MÃ¤ori Purpose - Urban	*MÃ¤ori Purpose - Urban*	*99*	*0*	*na*	*0*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*
Moturoa Island	*Moturoa Island*	*99*	*0*	*na*	*0*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*
Natural Open Space	*Natural Open Space*	*99*	*0*	*na*	*0*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*
Open Space	*Open Space*	*99*	*0*	*na*	*0*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*
Orongo Bay	*Orongo Bay*	*99*	*0*	*na*	*0*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*
Quail Ridge	*Quail Ridge*	*99*	*0*	*na*	*0*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*
Sport And Active Recreation	*Sport And Active Recreation*	*99*	*0*	*na*	*0*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*

Appendix 2 - Natural hazards and Overlays

Hazards and Overlays (qualifying matters)	Impact of hazard/overlay in model
Heritage	Exclude from development
NZHPT heritage sites	Additional cost of technical report
Kerikeri Heritage A&B	Exclude from development
Maori sites	Exclude from development
Waitangi Tribunal claim	Exclude from development
Nga whenua rahui	Exclude from development
Archaelogical site	Additional cost of technical report
Erosion prone	Additional cost of technical report
Esplanades	Exclude from development
Parks/Reserves	Exclude from development
Playgrounds	Exclude from development
Land contamination	Additional cost (HAIL assessment and resource consent)
Liquefaction Undertermined	Additional cost of technical report
Liquefaction Unlikely	No effect
Liquefaction Possible	Additional cost of engineering solution
Designation (e.g. education, water storage, etc.)	Exclude from development
Coastal erosion	Exclude from development
Coastal flood	Possible exclusion from development*
Pluvial floods	Possible exclusion from development*
River flooding	Possible exclusion from development*
Significant Natural Area (includes coastal)	Possible exclusion from development*
Outstanding Natural Landscapes/Features/Character	Possible exclusion from development*
Natural character	Possible exclusion from development*
District Plan Conservation zones	Possible exclusion from development*
DOC public conservation areas	Possible exclusion from development*
DOC protected natural areas	Possible exclusion from development*
Highly Productive Land (LUC 1/2/3)	Possible exclusion from development**
Historical site	Exclude from development
Height control (max storeys) - Pahia	No apartments (vertically attached dwellings) possible.
*If the affected area on a property is such that the mininmum lot size requirement cannot be met, then the property is excluded from development capacity calculations. **Exclusion if property in relevant zone and the affected area is such that minimum lot size requirement cannot be met.	

Appendix 3: Estimating capacity: Overview of technical process (infill and vacant capacity)

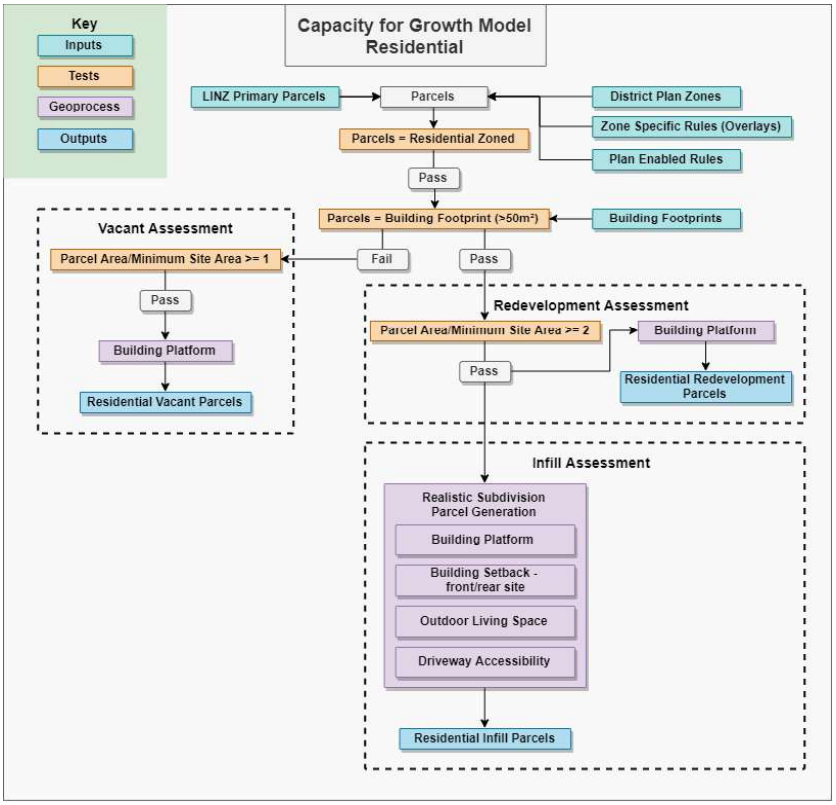
M.E developed a model to assesses the ability of identified properties to accommodate additional dwellings through 'infill' development. Several components are brought together in this process.

Compiling and pre-processing of the spatial datasets is carried out in a Geographic Information System, while the modelling process itself is carried out within FME (spatial data integration software) via a series of spatial and logical queries structured as algorithms.

The process for calculating plan enabled capacity (PEC) within the identified area is set out below. The process starts with the planning rules, and translates these into a rule-framework, linked to individual properties. The framework reflected:

- Minimum building footprint area,
- Minimum site area,
- Minimum building platform/shape factor radius (if applicable),
- Minimum building setbacks,
- Minimum vehicle access width,
- Minimum outdoor living space.

An overview of the complete FME model is provided in the accompanying figure. In the first stage, a spatial join is applied between the LINZ primary parcels and zone overlays.



The first test is to identify the parcels that reside within the relevant residential[64] zone. Those parcels that are not located within a relevant zone are disqualified from further analysis.

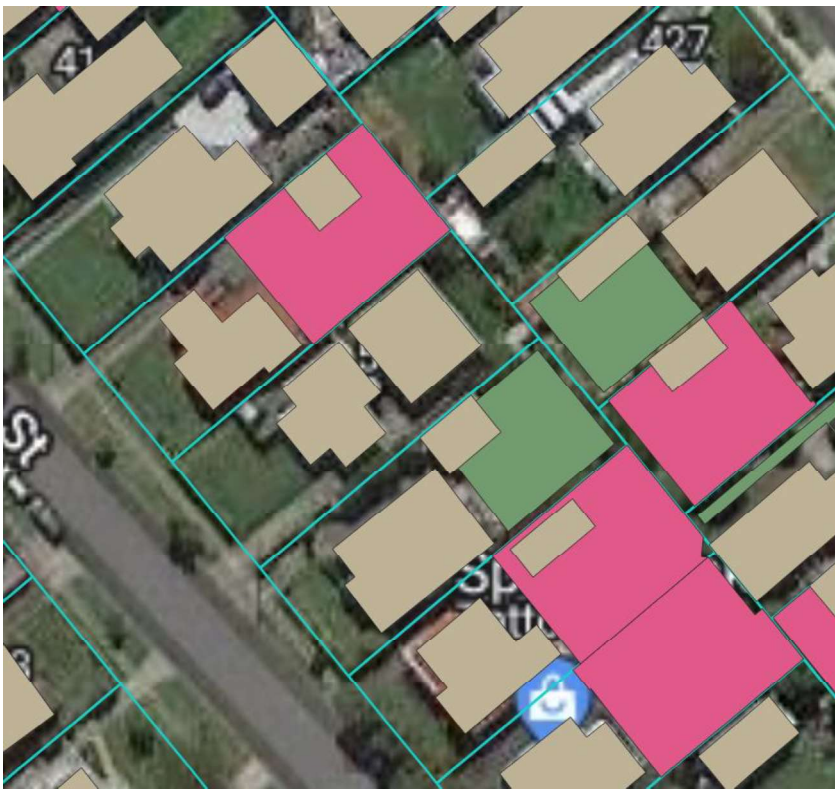
With the relevant parcels identified, this second test identifies vacant parcels, which are then tagged, and passed onto the Vacant Assessment process. Identifying these parcels is a case of executing a disjoint spatial selection between the residential zoned parcels and the building footprints (the Council rating data is also used to inform this process). This selection returns all parcels that do not at all contain or intersect a building footprint. In the vacant assessment process, vacant parcels are tested to see whether they can hold >=1 minimum sized parcel. The logic here being that each vacant parcel must be able to contain at least a single minimum sized lot for it to be developable. Those returning a value equal to or greater than one, are subjected to a building platform test to eliminate any unusually shaped parcels that may meet the minimum

[64] Includes zones where residential activity is enabled and expected by the Plan.

lot size test (e.g., a long and narrow site is excluded). The outputs are verified and controlled against the rating data.

When assessing non-vacant parcels for infill capacity, bespoke geoprocessing methods are applied to each parcel. This process involves creating a bounding box to simplify the building shape before implementing the building setbacks, offsets and so forth. The GIS/FME platform then finds the infill area within the parcel through triangulation, circle creation, and bounding boxes generation. This process simplifies the potential infill areas to a realistic parcel shape. Finally, for each potential infill area, the following minimum tests are applied (subject to planning rules and settings):

- Minimum site area requirement,
- Capacity for the minimum building platform,
- Building setbacks,
- Capacity for an outdoor living space (where applicable), and
- Road access and driveway capacity.



The included graphic presents a visual example of the FME outputs.

Pink indicates properties that can accommodate infill capacity, having passed all the 'tests'. Green indicates properties where there might be enough physical space for another dwelling, but the driveway test failed. That is, there would be no access if the backyard was developed.

Theme 1: Development costs inhibit local activity, and steers development patterns

- Greenfield development preferred by developers (easier and cheaper)
- Kerikeri-Waipapa is the growth node (infrastructure issues).
- Far North is spatially extensive, and it is not viable to development in some rural/isolated areas are not commercially viable for mainstream developers.
- Some policy settings from Central Government adds unnecessary complexity e.g., 'one size fits all' standards for building 'healthy homes'/H1 standards (e.g. Southland vs Northland same standards despite different climate)
- Risks as significant and needs to be priced in. this increases the required margins (greenfield 21%-22%; infill/intensification 30%)

Theme 2: Development costs are significant

- Fast rising construction costs – Northland most expensive according to QV cost builder. Increased by over 20% in year June 2023.
- $3,500-4,300/sqm (excl professional fees; land; ancillary costs; finance cost; GST)
    - Some say minimum more like $3,800-4,000/sqm
    - Some indicated that minimum costs are around $5,000sqm
- Margin: 20%-22% for greenfield; 30% for infill; 10% for social providers (excl KO)
- Contingency 8%-10%
- Finance cost – 8%-8.5% pa
- Acknowledge the need for DC/FCs; suggest negotiation between Council and developer in absence of policy.
- Development timelines (consenting) can add delays and costs.
- As with other parts of the country the Far North also has several Geotechnical challenges whether it be ground conditions or flooding zones, wetland areas and or poor ground conditions alongside potential HAIL issues.
- A significant barrier to large scale development of housing in the Far North is the cost of Finance. With interest rates being the highest in the last five years this continues to present significant challenges for both Developers and SHP's alike.

Theme 3: Different market focus areas

- There is a role for central government and social housing providers to provide dwellings for a portion of households.
- Market demand and relative size of dwelling demanded by the market varies.
    - developers indicating a range of 'preferred houses' (100sqm – 200sqm).
    - Range of house configuration – some indicated range is 1-2 beds, others indicated a 3-4 bed preference.
- Progressive housing development options is a potential alternative to social housing.
- Diverging housing markets (some indicated demand is from young families, others indicated demand is from older families)
- Some development types are willing to accept a lower margin because they operate in a different market (progressive housing).

- Significant and growing need for smaller typologies and the affordable rental and social housing tenures. The markets are very different across the district, Kerikeri/Waipapa is quite distinct and is one of the few 'developable' areas in the district, we're all aware of infrastructure capacity issues
- Demand exceeds supply for community development projects, and development timelines are significant.
- Papakainga housing provides for a different part of the population than the mainstream developers. Design is different. Multi-ownership of the land – agreement takes time. Lots of korero (discussion) and negotiation to agree on way forward, incl. design, etc.
- Rural development vs urban development for Māori is very different – infrastructure already in place in urban areas.

Theme 4: Far North is a challenging development market

- The Far North is vast, and settlements are greatly dispersed – leads to many challenges when providing infrastructure.
- Housing shortage is pushing prices up and this affects the ability to attract staff (due to mismatch between housing costs and salary/wage levels.
- Archaeological, Heritage, Significant Natural Area (SNA) sites – 'no-go' because costs are too uncertain.
- Growth is difficult to project and recent migration patterns add pressure to the housing market.
- We have seen significant increases in material prices throughout Northland in the last few years with prices still increasing. Whilst some materials have lowered slightly there is still stubbornness due to high inflation so we would expect to see prices lower with lower inflation, but this is yet to be seen and will take some time to take affect if any.
- Largest challenge is finding land – 2+ sites to amalgamate. Multiple landowners must be willing to sell.

Theme 5: Infrastructure

- Climate change is an important consideration when designing housing.
- Interplays between housing and services. When they offer employment, it's usually families moving in, and they struggle to find e.g. daycare for their children (long waiting lists).
- Social infrastructure is lacking. Find it hard to house their staff in Kaitaia (near 'work') – nurses turn down employment for lack of quality housing.
- Development sector acknowledges need to play a role in infrastructure i.e., via development or financial contributions (or agreed value).
- Infrastructure costs can make a development unviable.
- The Far North has had insufficient investment allocated to infrastructure so there are significant constraints around being able to connect to the infrastructure grid which puts additional costs on developers as Councils don't have the infrastructure in place.
- State Highway One from Kaikohe to Kaitaia over the Mangamukas has been closed for the last 18x months, reliability on this route and the future of this route is also a concern to suppliers and freight operators.
- The Transport costs of materials and labour has increased as most products and some resources come from outside the region.
- Infrastructure (transport networks) are vital for operation and growth.
- Growth inhibited by capital availability – large set up costs and takes time to become profitable.
- Infrastructure is a barrier to development - iwi is working to overcome, but it is costly.

- Important for Iwi and central and local government to all work together (financing, planning, operational).

Appendix 5: Spatial concordance for Residential Component

SA2_code	SA2_Name	Settlement_Name	Reporting Area
100100	North Cape	Other rural Far North District	Rural Area
100100	North Cape	Pukenui	Coastal Settlement
100200	Rangaunu Harbour	Awanui	Urban Area
100200	Rangaunu Harbour	Kaimaumau	Coastal Settlement
100200	Rangaunu Harbour	Other rural Far North District	Other Rural
100200	Rangaunu Harbour	Other rural Far North District	Rural Area
100400	Karikari Peninsula	Karikari	Coastal Urban Area
100400	Karikari Peninsula	Other rural Far North District	Coastal Urban Area
100400	Karikari Peninsula	Other rural Far North District	Rural Area
100400	Karikari Peninsula	Tokerau Beach	Coastal Urban Area
100500	Tangonge	Other rural Far North District	Rural Area
100600	Ahipara	Ahipara	Coastal Urban Area
100700	Kaitaia East	Kaitaia	Kaitaia
100800	Kaitaia West	Kaitaia	Kaitaia
100900	Rangitihi	Other rural Far North District	Rural Area
101000	Oruru-Parapara	Other rural Far North District	Rural Area
101100	Taumarumaru	Cable Bay	Coastal Urban Area
101100	Taumarumaru	Coopers Beach	Coastal Urban Area
101100	Taumarumaru	Mangonui	Coastal urban area
101100	Taumarumaru	Mangonui	Rural Area
101100	Taumarumaru	Taipa	Coastal urban area
101200	Herekino-Takahue	Other rural Far North District	Rural area
101300	Peria	Other rural Far North District	Rural Area
101400	Taemaro-Oruaiti	Hihi	Coastal Urban Area
101400	Taemaro-Oruaiti	Other rural Far North District	Rural Area
101500	Whakapaku	Other rural Far North District	Coastal Settlement
101500	Whakapaku	Other rural Far North District	Rural Area
101600	Hokianga North	Other rural Far North District	Rural Area
101700	Kohukohu-Broadwood	Kohukohu	Urban Area
101700	Kohukohu-Broadwood	Other rural Far North District	Rural Area
101800	Whakarara	Other rural Far North District	Coastal urban area
101800	Whakarara	Other rural Far North District	Rural Area
101800	Whakarara	Other rural Far North District	Rural Settlements
101800	Whakarara	Whangaroa	Coastal urban area
101900	Kaeo	Kaeo	Urban Area
101900	Kaeo	Other rural Far North District	Rural Area
102000	Omahuta Forest-Horeke	Other rural Far North District	Rural Area
102000	Omahuta Forest-Horeke	Other rural Far North District	Rural Settlements
102100	Hokianga South	Other rural Far North District	Coastal Settlement
102100	Hokianga South	Other rural Far North District	Rural Area
102100	Hokianga South	Rawene	Urban Area
102200	Lake Manuwai-Kapiro	Other rural Far North District	Rural Area
102300	Okaihau	Okaihau	Rural Settlements
102300	Okaihau	Other rural Far North District	Rural Area
102400	Rangitane-Pureru a	Other rural Far North District	Coastal Settlement
102400	Rangitane-Pureru a	Other rural Far North District	Rural Area
102400	Rangitane-Pureru a	Rangitane	Coastal Settlement
102500	Waipapa	Other rural Far North District	Rural Area
102500	Waipapa	Waipapa	Urban Area
102600	Puketotara	Other rural Far North District	Rural Area
102700	Waima Forest	Other rural Far North District	Rural Area
102800	Riverview	Kerikeri	Rural Area
102800	Riverview	Kerikeri	Urban Area
102900	Waipoua Forest	Omapere	Coastal Settlement
102900	Waipoua Forest	Omapere	Coastal Urban Area
102900	Waipoua Forest	Opononi	Coastal Urban Area
102900	Waipoua Forest	Other rural Far North District	Rural Area
103000	Kerikeri Central	Kerikeri	Urban Area
103100	Kerikeri South	Kerikeri	Coastal Settlement
103100	Kerikeri South	Kerikeri	Rural Area
103100	Kerikeri South	Kerikeri	Urban Area
103200	Ohaeawai-Waimate North	Ohaeawai	Rural Settlements
103200	Ohaeawai-Waimate North	Other rural Far North District	Rural Area
103300	Puketona-Waitangi	Kerikeri Inlet	Rural Area
103300	Puketona-Waitangi	Other rural Far North District	Rural Area
103300	Puketona-Waitangi	Waitangi (Far North District)	Rural Area
103400	Ngapuhi	Ngawha Springs	Urban Area
103400	Ngapuhi	Other rural Far North District	Rural Area
103500	Kaikohe	Kaikohe	Kaikohe
103600	Pakaraka	Other rural Far North District	Rural Area
103700	Haruru	Haruru	Coastal Urban Area
103800	Russell	Russell	Coastal urban area
103900	Paihia	Paihia	Coastal urban area
104000	Mataraua Forest	Other rural Far North District	Rural Area
104100	Matawaia-Taumarere	Other rural Far North District	Rural Area
104200	Russell Peninsula	Okiato	Coastal Settlement
104200	Russell Peninsula	Other rural Far North District	Coastal Settlement
104200	Russell Peninsula	Other rural Far North District	Rural Area
104200	Russell Peninsula	Other rural Far North District	Rural Settlements
104300	Opua (Far North District)	Opua	Coastal urban area
104400	Russell Forest-Rawhiti	Other rural Far North District	Rural Area
104500	Moerewa	Moerewa	Rural Settlements
104600	Kawakawa	Kawakawa	Urban Area
104700	Maromaku	Other rural Far North District	Rural Area

Appendix 6: Spatial Distribution of historic Growth

Historical growth patterns provide an indication of the locational preferences across sectors. Employment shifts were analysed to identify growth areas, and the spatial distribution of growth across the district. The analysis covered two decades and 48 economic sectors. The results are summarised into the following broad sectors:

1. Primary sector
2. Manufacturing and warehousing
3. Construction
4. Retail
5. Accommodation and food services
6. Professional services
7. Public and other services

Sectors such as utilities and education are excluded from the discussion. In the Far North context, utilities are associated with large operations such as Top Energy as well as some Council services, solid waste collection services. These activities are excluded from the discussion because the spatial classification often maps them to the head-office function, and not where the actual activity occurs. Education is excluded from the discussion because it includes schools which are often located in residential zones/locations, and developed near population concentrations.

The key points for each sector-group are summarised below and the results are discussed using four periods:

- 2004-2009
- 2009-2014
- 2014-2019, and
- 2019-2023.

The overall change (over the twenty year period) is also factored into the analysis.

Primary

The primary sector includes all agriculture activities, including sheep, beef and cattle farming, horticulture, dairy farming as well as forestry. Mining is also included in the primary sector but is small and very dependent on the location of the minerals.

The primary sector contracted over the long term, shedding employment across most locations. A short period of overall growth was observed between 2014 to 2019 when 290 MECs were added to sectoral employment. However, the post-Covid period (2019 to 2023) saw a return to long term trends with employment declining. These downward shifts are spatially consistent across the district, but slightly more pronounced around the urban areas as land is used for alternative activities. The downward shift in employment numbers does not signal the demise of the rural economy – GDP estimates shows that a change in the relative mix of primary activities with a move away from sheep, beef, cattle and dairy farming, towards forestry and logging and horticulture as well as other livestock farming. The drop in employment together with the increase in GDP suggests that the primary sector is seeing a transition towards higher value goods. This is consistent with local development initiatives such as the Ngawha Innovation Park development that seeks to enhance economic linkages between rural-economy type activities and high-value manufacturing.

Importantly, the primary activities occur in the rural areas. Areas (SA2) that have seen the largest downward shift in employment are:

- Riverview – with an overall decline of 200 MECs. This decline is despite growth of 260 MECs in the 5 years leading up to the Covid-disruptions. Most of this growth has been reversed since.
- Kerikeri South with a drop of 215 MEC over the long term.
- Okaihau saw the third largest employment drop, shedding 120 MEC over the long term.

In contrast to the generally widespread loss of primary sector employment, some SA2 saw an increase in employment, including:

- Waipapa, with a steady, upward trend in primary sector employment growth by 60 MECs over the 20 year period – almost doubling to 110 MECs. The growth has occurred over the past decade (since 2014). In the preceding decade, saw employment levels remain flat.
- Tangonge SA2 saw an increase of 45 MECs over two decades. This increase occurred in the 2004-2009 period and has been decreasing over the past decade or so.

Currently, primary sector employment is dispersed across the district and across all forty seven SA2 s, the average share of primary employment is 2%. Seven SA2 host 47% of primary sector jobs, with the largest being in the Rangaunu Harbour SA2 with 9%, followed by North Cape and Lake Manuwai-Kapiro with 7% each. These SA2 each have more than 200 primary sector jobs. Little employment change has occurred in these locations over the past two decades.

A selection of SA2 have around 5% of primary sector employment, including: Waipapa, Puketotara, Ngapuhi, Maromaku. The Waipaia and Ngapuhi locations are noteworthy because the Ngawha Innovation Park is located in the Ngapuhi SA2 and is expected to see growth associated with the primary sector, and the associated high value processing. The Waipapa SA2 is a growth area and expected to see a share of urban development, potentially displacing primary sector activities. However, a closer inspection of the detailed data shows the that agricultural employment in Waiapapa are associated with activities such as forestry support service as well as agricultural support services – therefore, the activities are not associated with businesses that operate in those locations (i.e., the actual work occurs elsewhere).

Manufacturing and warehousing

Manufacturing and warehousing have similar locational requirements, with accessibility and transport key factors. Over the past two decades, these activities have remained relatively stable in terms of employment, adding 60 MECs since 2004. These sectors have been relatively volatile, adding and shedding employment in line with economic conditions. Spatially, employment is located around the urban areas, with over half (52%) of manufacturing and warehousing employment located around:

- Kaitaia East 11%
- Moerewa 12%
- Lake Manuwai-Kapiro 11%
- Puketotara 8%
- Kerikeri South 6%
- Waipapa 6%

The importance of Kaitaia East as a location remains despite this location seeing substantial employment losses, with manufacturing jobs down 370 since 2004. Regardless, it is still and important manufacturing and employment locations in the District context. The data suggests that the employment losses were due to changes associated with a few large businesses relating to wood product manufacturing. Looking through these impactful events paint a more optimistic picture about manufacturing employment levels, with growth across other locations and manufacturing sub-sectors. However the scale of change has been moderate.

Some locations have seen material increases in manufacturing and warehousing employment when considered against 2004 levels, including:

- Lake Manuwai-Kapiro +200 MECs
- Waipapa +127 MECs
- Riverview +109 MECs

The growth in MECs over the long term must be viewed in the context of overall change. While employment expanded in some locations, the change appears to have been across diverse sub-sectors, reflecting organic growth across many small businesses that do not require large footprints. Warehousing developments associated with transporting and processing/supporting agricultural activities have been a driver of growth and distributed in the peri-urban locations around the urban centres of the district.

Construction

Construction includes an array of different cub-sectors, ranging from civil works, earth works as well as carpenters and trades people (electricians and plumbers). Consequently, employment is distributed across different areas, including residential, rural as well as industrial locations (and zones).

Over the long term, construction employment grew by 880 MECs – this growth occurred despite large declines in the period following the GFC when 495 construction jobs were lost. More recently, 2019-2023, 520 construction jobs were added. Most of the change is associated business registered in Kerikeri South, Lake Manuwai-Kapiro and Kaitaia East and Puketotara. Combined, these three locations accounted for 49% of construction job growth since 2004. Unsurprisingly, these areas also accommodate the larges shares of construction jobs. Other locations with large shares are:

- Rangaunu Harbour,
- Taumarumaru,
- Waipapa, and
- Puketotara.

The mentioned SA2 each have 5% of the district's construction jobs. Locations that have seen large declines in construction jobs include:

- Kerikeri Central,
- Haruru, and
- Kaikohe.

It appears that most of the job losses transpired in the period before, and immediately after the GFC, with some recovery post GFC. However, these declines were not erased during the recent economic growth period meaning that the overall level of construction jobs are still below historic highs.

As mentioned earlier, the business structure of the construction entities mean that a large share of construction businesses tends to be sole traders, meaning that those businesses are small, and generally the 'business location' is associated with the operator's home address. Therefore, only a portion of construction employment growth translates into business land requirements. Therefore, attributing all construction activity to industrial locations would inaccurately represent the business land requirements of this sector.

Retail

Retail encompasses a broad range of activities, including general retail and personal services such as household goods repairs, hairdressing, and personal services. It also includes some commercial activities like real estate agencies, dentists, and optometrists. Supermarkets are also included as retail. Retail is demand driven, and aligns with population and economic growth patterns. The district employment in retail has trended up with an overall increase of 280 MECs since 2004. Some cyclicality is evident in the data, showing the effects of economic patterns during and after the GFC, when around 290 retail jobs were lost as the economy slowed. These job losses have been reversed in the period leading up, and beyond the Covid disruptions.

Spatially, retailing is concentrated in the main urban areas, including:

- Waipapa 11%
- Kerikeri Central 24%
- Kaikohe 8%
- Kaitaia East 21%

Combined, these areas account for 64% of retail employment. Other noteworthy locations include the likes of Paihia (4%), Rangaunu Harbour (3%) as well as Kerikeri South, Haruru and Russell with 2% of retail jobs each.

The growth patterns over the past two decades show that retailing has grown in the key locations of Waipapa and Kaitaia have seen large shifts in retail employment. In Waipapa, the shifts have been constant since 2004, with a large spike in 5 years or so before the Covid disruptions – between 2014 and 2019, retail employment increased by 170 MECs and over the 2004-2023 period, retail employment increased by close to 300 MECs. This increase has been substantial, and from a low base of less than 20 retail jobs in 2004. The key changes include the establishment of:

- Supermarket and grocery stores,
- Hardware and building supplies retailing,
- Department stores.

In Kaitaia, the growth has been more diverse, spread over a greater variety of retailers, such as:

- Motor vehicle and related retailing (parts, tyres, cars)
- House improvements (floor and furnishings)
- Personal and recreational type goods (sports equipment, camping goods, stationery and jewellery).

The growth pattern and the mix of retailing that underpinned the growth suggests that Kaitaia's population and demographic patterns are demanding a more diverse retail offer and that it can support a wider variety (and more) in retailing. The link to the immediate and district wide population is essential for retailing. The role of tourism demand must also be considered.

The retail growth has been uneven, and not all parts of the district grew from a retailing perspective. Kaikohe and Kawakawa shed retail jobs. In Kawakawa the downward trend has moderated somewhat with most retail jobs lost during the GFC. However, these jobs have not returned. In Kaikohe, the loss of retail jobs appears to be downward in general. The shifts have been in activities associated with automotive retailing, automotive related activities (tyre sales), as well as hardware and building supplies retailing. In the context of the growth seen around Waipapa and Kerikeri in these retailing categories, it appears that a spatial reorganisation in line with demand patterns has occurred in line with the growth patterns. Going forward, retail growth is expected to be in line with population and demographic patterns.

Accommodation and food services

Accommodation and food services are related to the visitor economy as well as local households' entertainment spending (e.g., eating out). This sector has strong ties to the visitor economy on the Far North District. Tourism spending is discretionary with high correlation to economic cycles and the performance of regions beyond the Far North. Therefore, the effects of macro-economic events, such as the GFC and Covid-disruptions are evident in historic employment numbers. For example, in the timeframe covering the GFC (and post-GFC recovery) there was a decline in employment of 170 MECs in accommodation and food services. The sectors showed a strong recovery in the lead-up to Covid in 2019/2020 with employment growing by 290 MECs. However, the fell away again during Covid and the earlier peaks have not been reached since.

The spatial distribution across the district indicates a distinct concentration around the main urban areas. The largest accommodation and food services concentrations (in terms of MEcs) are in:

- Taumarumaru[65] 130 MEC
- Whakarara[66] 125 MEC
- Kaitaia East 185 MEC
- Kerikeri Central 315 MEC
- Paihia 461 MEC
- Russell 211 MEC

Other noteworthy locations with employment between 50 and 100 MECs in accommodation and food services include, Karikari Peninsula, Lake Manuwai-Kapiro, Puketona-Waitangi, Kaikohe, and Waipoua Forest.

The role of the visitor economy, in supporting these jobs is evident. Locations such as Paihia and Russell, that are exposed to international visitors have not seen the strong bounce-back in jobs in the post Covid environment. The long term change patterns are expected to align with the district natural endowments and the cultural assets that will continue to attract New Zealand and international visitors.

Professional Services

Professional services include a broad range of employment types and is a significant portion of local employment – estimated at 3,160 MECs. Professional services are associated with white-collar jobs and knowledge economy, or smart economy jobs also fall in this group. Further, professional services are connected to remote working situations. In the Far North context, the ability to work remotely is likely to support the district's relative attractiveness as a destination for knowledge workers looking to relocate to more rural parts of New Zealand.

Since 2004, professional services have added 535 MECs to the local labour force. The spatial distribution of these services is Overall employment growth, adding 491 MECs to its workforce, indicating a substantial post-GFC rebound. A further 183 MECs were added from 2019 to 2023. These changes were observed across various locations, each displaying distinct growth patterns. The largest concentration of growth has been in Riverview, Lake Manuwai-Kapiro, Kerikeri Central and Rangaunu Harbour. These locations account for a third (35%) of professional service jobs and saw an additional 530 MECs over the past two decades. Paihia and Kaikohe both saw large declines in professional service jobs since 2004. Data suggest that the main driver of the declines in Kaikohe related to

- Employment placement and recruitment services,
- Passenger car rental and hiring,

[65] Doubtless Bay area
[66] Large rural area around Matauri Bay and Whangaroa

- Newspaper publishing,
- Accounting services.

In Paihia, the shift has been in similar activities, but includes the losses in bank, real estate services and travel agency and tour operations. For these activities, the changes occurred in the GFC-period, and the activities have not returned. Reals estate services saw a brief lift in employment in the 2014 to 2018 period before Covid but has dropped to around 40 MECs.

These changes happened around the GFC, and it appears that the businesses did not return post-GFC. Regardless, professional services are expected to ongoing growth throughout the district, including the rural locations. These rends underscore the dynamic shifts in employment within professional services, across various locations and periods. However, office-based activities like professional services and administration may translate into demand for business land.

Public and other services

Public and other services in cover business and government activities. Health, and social services as well as police and safety services. Other services include the likes of interest groups, and religious services while personal services capture business activities that hairdressing, beauty services and repair services.

In total, these services have seen large increases in MECs since 2004 – total increases are estimated at nearly 2,150, taking the total employment to 5,990. The growth has been steady, occurring throughout the assessment period. After slowing tracking upwards post GFC, the growth in these sectors accelerate post-GFC. The growth reflects broad-based changes across government and private sector activities.

The largest downward shift occurred in the 2006-2008 period when social service activities shifted out of Matawaia-Taumarere. The specific reason for this unverified, but if could relate to the 2006 reorganisation of Ngāpuhi Iwi Social Services during which it became a subsidiary of Te Rūnanga-Ā-Iwi-Ō-Ngāpuhi. This re-organisation would suggest the location from where services were delivered changed (and not that those services were lost to the community). The step change in employment appear to align with large increases circa 2007/8 in similar employment levels in Kerikeri Central. However, the increase in public services delivered from Kerikeri Central, based on MECs, is considerably greater than just the re-organisation activities. Total public and other services employment in this SA2 increased by 735 and is approaching 1,100. Other locations that recorded strong growth in public and other services are:

- Kaitaia West 135 MECs
- Kerikeri South 100 MECs
- Kerikeri Central 735 MECs
- Ngāpuhi[67] 303 MEC

The role of central government services and the employment these services support is substantial. These services deliver social value and provide a baseline level of economic activity and support a range of wider social objective and community outcomes.

Spatially, the employment is concentrated in Kaitaia (East and West), Kerikeri Central and Kaikohe with these locations accounting for 54% of public and other service MECs. Unsurprisingly, these locations also accounted for more than half of sectoral growth over the past two decades. Notwithstanding these large shares, public and other services are located throughout the district, in virtually all SA2, servicing local communities.

[67] SA2 covering a large rural area surrounding Kaihohe, stretching past Kaihohe Aerodrome, close to SH12/Roger Road, to Lake Omapere.