



## **Appendix E**

### **Market Commentary**



17-Sep-18

Kim Seaton  
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Dear Kim

### **Re: Wilfield Plan Change 2018**

You have asked that I provide commentary on the supply and demand for properties in the West Melton area and how this has evolved since the commencement of Preston Downs in 2010. That descriptive follows.

#### **1.0 Introduction**

Gillman Wheelans (GW) have been involved in the Selwyn and West Melton land supply market since 2007, with the purchase of undeveloped Preston Farm in West Melton. Following this purchase GW proceeded with a Plan Change, amending the rules from 3 underlying zones of 800m<sup>2</sup> (Living 1 Def), 1,000m<sup>2</sup> (Living 1) and 5,000m<sup>2</sup> (Living 2) averages to two new zones Living WM (Low Density) and Living WM (Medium Density).

The new Living WM (medium density) zone permitted properties to be subdivided down to 500m<sup>2</sup> and up to 3000m<sup>2</sup>. Further detail on section sizes, demand, yields etc. follows below.

In 2012 we purchased land in Rolleston for the development of Levi Park. The zoning of that land was Living Z, which permits lots down to 550m<sup>2</sup> with an average of 650m<sup>2</sup>. Further details follow below.

In 2014, a further land purchase was made in West Melton, south of SH73 (the Wilson block and later named Wilfield). This land also had three distinct zones, Living 2, Living 2A and Inner Plains. Whilst Living 2 has some flexibility, the Living 2A zone is rather rigid in that it requires a minimum area of 1Ha with no more than 10 lots to be created.

Our knowledge of demand and expectations of buyers through Preston Downs and Levi Park told us that these zones would not be ideal for the buyer profile.

#### **2.0 Preston Downs**

Preston Downs construction commenced in 2010, around the same time as the Christchurch earthquake sequence started in Selwyn, September 2010. 362 lots were created progressively as construction permitted.

Demand started slowly, however following the February 2011 earthquakes demand increased exponentially. Primarily buyers were wanting to purchase sites consistent with those they were living on in Christchurch City, being generally 700-900m<sup>2</sup>, however at the same time, they accepted larger lots as there was little in price differential between a 900m<sup>2</sup> lot than a 1500m<sup>2</sup> lot.

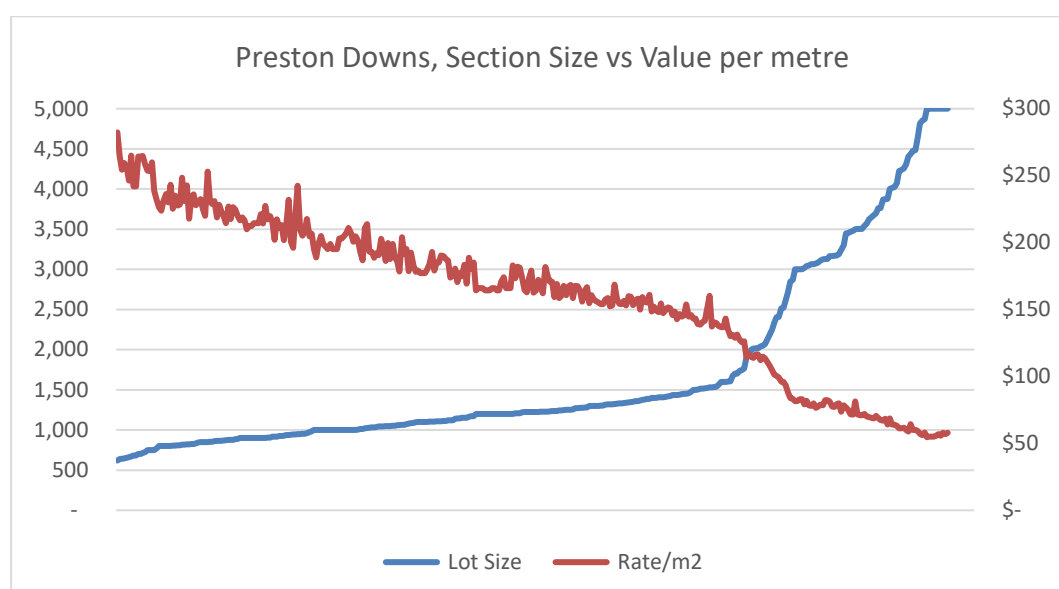
General statistics of Preston Downs as follows:

Overall Area	90ha
Number of Lots	362
Average Lot Size	1,700m <sup>2</sup>
Lots less than 1,500m <sup>2</sup>	250 or 70%
Average Lot size less than 1,500m <sup>2</sup>	1,070m <sup>2</sup>
Average price of lots less than 1,500m <sup>2</sup>	\$199,000
Average rate per m <sup>2</sup>	\$186/m <sup>2</sup>
Lots between 3,000m <sup>2</sup> and 5,000m <sup>2</sup>	68 or 19%
Average Lot size greater than 3,000m <sup>2</sup>	3,826m <sup>2</sup>
Average price of lots greater than 3,000m <sup>2</sup>	\$260,000
Average rate per m <sup>2</sup>	\$68/m <sup>2</sup>

Please note, 70% of the sites created were less than 1,500m<sup>2</sup>.

Preston Downs development was expected to take 10 years to sell. It was predominantly sold in 3.25 years, or 9 sales per month. Lots greater than 3,000m<sup>2</sup> in area sold at a mere 2.5 sales per month.

The interesting statistic in the above is the significant reduction in the marginal value of the properties when they reach a certain size, for instance the retail value of a 1,070m<sup>2</sup> site was \$186/m<sup>2</sup>. As shown in figure 1 below, when this site increased in size to 3,000m<sup>2</sup> or greater, the average value per metre is 1/3 of the smaller lot, being \$68/m<sup>2</sup>. What this says is that buyers will not pay substantially more for the additional land. By doubling the area being purchased, the price increased only 30%.



**Figure 1.** As the lots increase in size (left hand scale), the sale price per metre decreases significantly, right-hand side.

From an economic perspective the additional land is of little value to the end value to the owner.

### 3.0 Levi Park

Levi Park is located to the north of Rolleston, with two land purchases totaling 25Ha.

Being zoned Living Z there was some flexibility to create standard residential at 10 households per hectare. Levi Park took 21 months to sell out, being 10 sales per month, like Preston Downs.

General statistics of Levi Park as follows:

Overall Area	25ha
Number of Lots	223
Average Lot Size	764m <sup>2</sup>
Average Price	\$177,000
Average rate per m <sup>2</sup>	\$231/m <sup>2</sup>

An interesting statistic here is that while West Melton is viewed by some as offering a level of exclusivity as it is generally higher priced than Rolleston, the rate per square metre paid in Rolleston is higher than that in West Melton, again this is related to the value of the additional land being purchased in West Melton dropping off significantly once a desirable lot threshold is reached, at around 1,500m<sup>2</sup>.

### 4.0 Wilfield

Wilfield Zoning is Living 2, Living 2A and Inner Plains which has caused some level of difficulty in providing a comprehensive range in section sizes to suit the market. Living 2 has enabled some variety however the minimum average is the limiting factor, being that it requires the average lot be greater than 5,000m<sup>2</sup>.

Living 2A requires a minimum area of 1Ha or 10,000m<sup>2</sup>. As noted above, there is a very clear reduction in the marginal value of the bigger sites in Wilfield. No sales were achieved in the parcels greater than 1Ha.

The average section size in Wilfield, either developed or consented and yet to be developed with titles is 3115m<sup>2</sup>.

General statistics of Wilfield as follows:

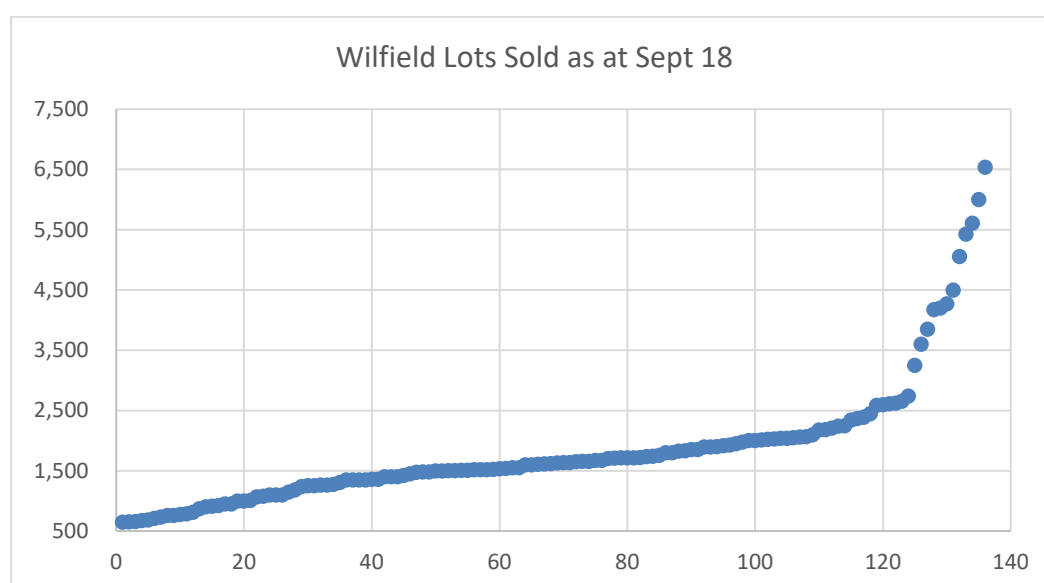
Overall Area	92ha
Number of Lots	189
Average Lot Size (excl Inner Plains)	3115m <sup>2</sup>
Lots less than 2,000m <sup>2</sup>	111 or 60%
Average Lot size less than 2,000m <sup>2</sup>	1,409m <sup>2</sup>
Average price of lots less than 2,000m <sup>2</sup>	\$256,500
Average rate per m <sup>2</sup>	\$182/m <sup>2</sup>
Lots less than 2,000m <sup>2</sup> sold (09/18)	99 lots or 89%
Lots greater than 2,500m <sup>2</sup>	38 or 20%
Average Lot size greater than 2,500m <sup>2</sup>	3957m <sup>2</sup>
Average price of lots less than 2,500m <sup>2</sup>	\$304,000
Average rate per m <sup>2</sup>	\$77/m <sup>2</sup>
Lots sold greater than	18 or 47%

Again, like Preston Downs, it is quite noticeable that once the desirable section size has been reached, the marginal increase in value drops considerably, with value per metre dropping from \$182/m<sup>2</sup> for a lot less than 2,000m<sup>2</sup> in area to \$77/m<sup>2</sup> for a lot greater in area than 2,500m<sup>2</sup>.

Whilst a purchaser may gain additional land for little further outlay, cost to improve and maintain the land increases considerably, including initial fencing, landscape, irrigation, lawn care and garden care plus also the cost of driveways and services from the road reserve.

With respect to sales, clearly the demand for larger lots drops off with 47% of those lots greater than 2,500m<sup>2</sup> released being sold compared to 60% of those less than 2,000m<sup>2</sup>. If we look at sales of lots less than 1,500m<sup>2</sup> in area, this sales rate lifts to 95%.

Figure 2 shows the sales to date in Wilfield. The left-hand scale relates to section size. The horizontal axis are the number of sales. Once the threshold of 2,500m<sup>2</sup> is reached, the sales activity decreases significantly.



**Figure 2.** Wilfield sales to date.

## 5.0 Summary

There has been a progressive acceptance of smaller properties in the greater Christchurch area, particularly in areas such as Leeston, Darfield and West Melton. Whilst this was occurring naturally the Christchurch earthquake sequence sped this up and enabled communities to evolve from what were predominantly low-density environments to a new mixed density style, ensuring the blend of living styles can be accommodated in townships scattered around the district.

West Melton was intended to be a low-density township, and this was reflected in its District Plan in 2006, however time has moved on. These Decisions heralded potentially decades of supply. 12 years on the and supply has all but been exhausted

The 'old community' has evolved, residents aged, and lifestyles changed. The rules around supply of services must move on as well.

The larger lots in Preston Downs Low Density zone (3,000-5,000m<sup>2</sup>) I believe sold at the time as alternative smaller stock was limited and insurance payouts were in buyers' hands. With that period

now reaching an end, buyers are affording greater consideration to land cost, build costs, servicing costs, and landscape costs.

With the alterations to the Highway network linking West Melton to Rolleston and Christchurch, the dynamics of this township will change and continue to change. District Plans need to change with that to keep in sync.

The requirement to provide lots of a minimum of 1Ha (Living 2A) is outdated, not based on demand and very poor utilization of land for urban uses.

We are seeking a change in the Living 2 and Living 2A zones to enable effective and efficient design and development, financially feasible sites that owners can maintain, and a range of living styles that overtime will cater for a wider age range.

Yours faithfully

A handwritten signature in blue ink, consisting of a stylized 'H' followed by a long horizontal stroke.

Hamish Wheelans  
GW Wilfield Ltd.