

BEFORE THE SELWYN DISTRICT COUNCIL

IN THE MATTER of the Resource Management Act 1991

AND

IN THE MATTER of a private plan change by Four Stars
Development Ltd and Gould Developments
Ltd - PC71

SUMMARY EVIDENCE OF JOHN BALLINGALL



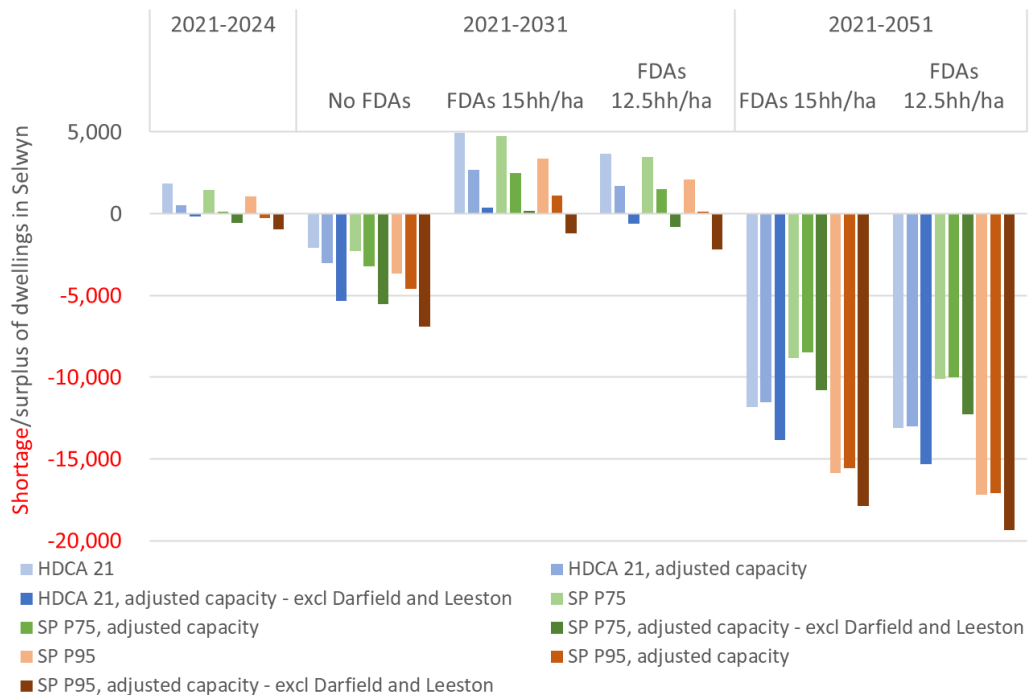
PC71: Summary of economics evidence

1. House and vacant section prices in Selwyn have surged in the past year. The demand for housing is clearly outstripping available supply and is putting further pressure on housing affordability and rental prices.
2. The rolling annual average¹ median house price in Selwyn rose by 29% or \$161,000 in 2021, to be \$724,362 in December 2021. This house price growth would not be seen in a housing market where there was adequate supply to cater for current and expected future demand growth.
3. A key reason for the strong demand is that population growth in Selwyn has been considerably higher than expected in previous housing demand and capacity assessments, driven in part by families being priced out of suitable homes in Christchurch city.
4. Actual housing capacity in Selwyn, in contrast, is likely to be considerably lower than expected in those assessments in the short- to medium-term as:
 - a. The Housing Development Capacity Assessment (HDCA21) estimates include 2,656 plan-enabled dwellings in Darfield and Leeston. However, these areas fall outside of the Greater Christchurch Urban Area as defined in 'Our Space'.
 - b. The Selwyn District Council assumption that 75% of greenfields sites will be available for residential development is optimistic. A more appropriate assumption is that 60% of existing greenfields sites is available for housing.
 - c. A significant area of Future Urban Development Areas (FUDA)-identified land is considered by Mr Sellars in his PC78 evidence to be long-term potential land.
5. Stronger-than-expected demand and lower-than-expected capacity point to dwelling shortages in Selwyn becoming more severe than current Council projections.
6. Given uncertainties around both housing demand and capacity, I use a range of projections to estimate the housing demand and capacity balance in Selwyn out to 2051, as shown in the figure overleaf.
7. I use a range to demonstrate the point that while experts can debate just how strong Selwyn population growth will be, and precisely how much local supply will come onstream, it pays to avoid false precision. Over a 30-year period, all experts will be wrong – it is impossible to make such predictions with absolute confidence.
8. In such circumstances, in my view Councils should consider the balance of evidence. That is, under a range of plausible assumptions and projections, does it seem more likely that demand will outstrip supply, or that there will be sufficient supply to cater for demand?

¹ I use a rolling average to smooth out seasonal and monthly variations. The monthly median house price in Selwyn for December 2021 was actually \$830,000, according to REINZ data.



9. In my view, the balance is clearly leaning towards demand outstripping supply – each column in the chart below² the zero line indicates a combination of demand and supply that will lead to a housing shortage and worsening home affordability.



10. My analysis suggests:

- In the immediate-term (2021-2024), the potential balance ranges from a surplus of 526 dwellings to a shortage of up to 963 dwellings;
- A shortage of between 2,089 to 6,920 dwellings for 2021-2031, when FUDAs are not included in the capacity estimates;
- A surplus of between 167 to 4,961 dwellings for 2021-2031, if all FUDAs are included in capacity at a density of 15hh/ha, unless the highest demand and lowest capacity scenario occurs, in which case there would be a shortfall of 1,213 dwellings;
- Significant shortages in the longer-term, with demand projected to outstrip capacity by between 8,498 and 19,369 dwellings by 2051.

11. Before continuing, I note here that in my evidence-in-chief, I used a figure of 660 dwellings proposed under PC71 to inform my analysis. I have since been advised that, based on a rough updated calculation by Mr. Salmond, the land in question could yield up to 715 dwellings, if the northern portion of the site increases from 12 hh/ha to 15hh/ha. This would drop to a minimum of 540 dwellings if the correct area under the noise contour

² Figure 4, paragraph 12.1 of my evidence in chief.



were to be deferred. I have therefore updated my analysis of economic impacts and other calculations to reflect PC71 yielding a range of 540 to 715 dwellings.

12. In my opinion, a yield of 540 to 715 dwellings is clear evidence that PC71 will make a significant contribution to dwelling supply in Selwyn in the medium term (2021-2031).

13. I estimate the construction of the 540 to 715 dwellings would:

- a. Generate an estimated 81 to 107 jobs per year in the region, for eight years;
- b. Inject between \$4.5 million to \$6.0 million of wages per year into the local community to support economic well-being; and
- c. Directly generate between \$10.9 million and \$14.5 million of value-added (or GDP) per year.

14. Assuming – as envisaged by the s42A report (page 20) – the All Stars horse training facility can be relocated elsewhere in the region, the economic costs are limited to the opportunity cost of GDP generated by the land under its current Rural Inner Plains zoning, which I estimate to be between \$50,500 to \$153,500 per year.

15. As such, in my opinion rezoning the PC71 land to generate new housing for between 540 and 715 families and to inject \$87 million to \$116 million of GDP into the local economy over eight years represents an efficient use of a natural resource.

Response to submissions

16. Mr Langman's evidence (paragraph 96) refers to a "perception of high demand".

17. There is no "perception of high demand" – there is ample *evidence* of high housing demand relative to available capacity.

- a. While Mr Langman is correct in his paragraph 101 (e) that there are many factors influencing house prices, basic economics tells us that when a resource is scarce (i.e. supply is constrained) and demand is strong, its price will rise. In Selwyn, that scarce resource is land available for housing. The rolling annual average median house price in Selwyn rose by 29% or \$161,000 in 2021 in December 2021. That increase is unequivocal evidence of demand outstripping supply.
- b. Demand is strong because, as I show in my evidence, population growth in Selwyn has been faster than expected. Indeed, Statistics New Zealand now expects Selwyn to be the fastest growing Territorial Authority area in New Zealand over the next 30 years.³ This population growth represents actual families seeking actual homes to buy or rent. There is no "perception" of high population growth, just evidence.
- c. By way of concrete example, in his evidence for PC78, local real estate agent Mr Gary Sellars mentioned that PC64 would comprise 970 lots in the Farringdon

³ See StatsNZ. 2021. 'Statistical area 2 population projections, by age and sex, 2018(base)-2048', released 21 December 2021.



subdivision. I understand that all 970 lots were sold within five months of consent being received. Again, this is clear evidence of high demand for housing that is running ahead of supply, forcing prices up.

- d. And as my evidence notes (paragraph 6.3) based on data from local real estate company Ray White, a four-bedroom, two-bathroom new build in Rolleston was sold in January 2020 for \$599,000. The same house sold in December 2021⁴ for \$950,500. This 59% increase over less than two years is evidence of local housing demand far outpacing supply, not “perception”.

- 18. I would add that this evidence of extremely high housing demand reinforces my overall opinion that a “no regrets” approach should be taken to the amount of capacity that is made available via rezoning decisions. It also reinforces the difficulty in predicting demand and supply based on a single projection approach.
- 19. Mr Langman (paragraphs 4(a) and 80) does not consider the additional 660 dwellings initially proposed under PC71, or the 440 dwellings initially proposed if the noise contour area development were to be deferred, to provide for ‘significant development capacity’. Yet he also notes “No threshold or conditions have yet been set for determining significant capacity” (paragraph 4(a)(ii)).
- 20. It would appear that – at least until further guidance is provided – significance is in the eye of the beholder. In my view, providing dwellings for between 540 and 715 families seeking a home in Selwyn⁵ is certainly significant.
- 21. The 540 to 715 dwellings now proposed for PC71 would account for between 4.7% and 6.2% of the new Selwyn District supply from private plan changes that Mr Langman documents (table, paragraph 79). In my opinion 4.7% to 6.2% is a “significant” share, given that the PC71 is within Rolleston where the highest demand is evident.
- 22. Indeed, the 540 to 715 dwellings would account for between 8.4% and 11.2% of the new capacity in Rolleston listed in that same table.
- 23. Mr Langman also concludes that PC71 “will not make a substantial contribution to housing bottom lines” (paragraph 4(a)(iv)). In my view as an economist, the ‘bottom line’ for housing should be that families in Selwyn are able to find suitably high quality accommodation in a location of their choosing, at a price that is manageable for their budget. Unnecessarily restrictive zoning requirements work against this.
- 24. Mr Langman states that “the government has targeted intensification of existing urban areas through the use of Medium Density Residential Standards (MDRS), with one of the reasons for doing so being to more productively and efficiently use urban land, and reduce

⁴ My evidence mistakenly referred to the second sale being in “December 2022”.

⁵ Mr Langman argues that the appropriate context for considering ‘significant development capacity’ is the Greater Christchurch region (paragraph 4(a)(i)). I defer to my planning colleague Ms. Aston and the s42A report in continuing my assessment at the District level.



pressure for urban expansion/sprawl into greenfield areas, including on to highly productive land” (paragraph 4(b)).

25. First, if the “highly productive land” covered by PC71 was a regionally scarce resource and in particularly high demand, one would expect to see agricultural producers outbidding residential developers for its use. As far as I’m aware, this has not occurred. This indicates the returns from agriculture are not sufficiently high to justify the land’s retention for rural activities.
26. There is no “agricultural land crisis” in Selwyn. The same cannot be said for housing.
27. Second, the intent of the Resource Management Amendment Act 2021 – Enabling Housing Supply and other matters [“The Act”] is to expand housing supply in urban areas. It is *not* designed to exclusively promote housing capacity via intensification at the expense of housing supply in greenfield areas elsewhere. It’s an “and” not an “or”.
28. A rationing-type approach that seeks to determine which families should live where, in which types of housing, is in my view contrary to the intent of The Act. And from an economics perspective, rationing of resources rarely ends well. History tells us that rationing reduces economic well-being by distorting market price signals, leading to the mis-allocation of resources, further shortages and reductions in household choice.
29. Third, in my view multi-dwelling units are much more likely to be located closer to the centre of Christchurch city – where land prices tend to be high relative to the capital value – than in Selwyn, where land prices are relatively low compared to the capital value.⁶
30. Mr Langman suggests (paragraph 101 (g)) that I do not consider the uptake of new vacant land for multi-unit development, enabled through the MDRS. The cost-benefit analysis of the MDRS conducted for the Ministry for the Environment ⁷ included multi-unit development across all existing properties in the ratings database, including vacant land. It is correct, however, that yet-to-be plan-enabled land was excluded from the analysis.
31. I note that analysis⁸ also suggests the expansion of capacity enabled by MDRS – primarily close to Christchurch city – will be demanded partly by residents of the urban area and partly by those from outside of the urban area, in roughly equal proportions. That is, intensification around Christchurch city will not reduce the demand for housing in Selwyn on a one-for-one basis.
32. Finally, Mr Langman suggests PC71 should not be approved until a new “comprehensive spatial planning exercise” is completed “within the next two years” (paragraphs 66, 113). He also considers any development onto highly productive land should be subject to “a

⁶ See chart of land value as a share of capital value for Christchurch City and Selwyn District at <https://huddashboards.shinyapps.io/urban-development/>. While this data only goes to mid-2018, I would expect the ratio of land prices to capital values to have increased by more in Christchurch city than in Selwyn, as land is essentially a fixed resource in the city.

⁷ <https://environment.govt.nz/assets/publications/Cost-benefit-analysis-of-proposed-MDRS-Jan-22.pdf>

⁸ See page 100 of the CBA: <https://environment.govt.nz/assets/publications/Cost-benefit-analysis-of-proposed-MDRS-Jan-22.pdf>



strategic review of development options across a regional and sub-regional basis” (paragraph 147).

33. I struggle to see the value – from an economics perspective – in pressing pause on approving further residential development or alternative uses of highly productive soils for another two years (at least) while more and more planning exercises are prepared. The housing crisis is here now; and it is real, not perceived.

34. In my view, sensible flexibility rather than rigid adherence to prescriptive policy provisions is needed to address the housing crisis. Taking a “precautionary approach” to PC71 (Mr Langman’s paragraph 4(c)) risks worsening the problem of excess demand for housing in the Selwyn District, making housing increasingly unaffordable and damaging economic well-being.

John Ballingall

Sense Partners

8 February 2022