

BEFORE THE SELWYN DISTRICT COUNCIL

UNDER	the Resource Management Act 1991
IN THE MATTER	of Proposed Plan Change 78: East Rolleston
APPLICANT	Urban Estates Limited

**STATEMENT OF EVIDENCE OF GARY RUSSELL SELLARS ON BEHALF OF
URBAN ESTATES LIMITED**

REAL ESTATE

Dated: 18 October 2021

Christchurch
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A handwritten signature in dark green ink that reads "Anthony Harper". The signature is written in a cursive, flowing style.

1 INTRODUCTION

- 1.1 My full name is Gary Russell Sellars. I am the Director of Valuation and Consultancy at Colliers Valuation. I have been in this position at Colliers for 13 years. Prior to that, I was the Managing Director of Fright Aubrey, where I worked for 23 years.
- 1.2 I am a Registered Valuer, Fellow of the New Zealand Institute of Valuers and a Fellow of the Property Institute of New Zealand. I was registered in 1976 and have been in continuous practice as a Registered Valuer since that time, including four years employed by the Hong Kong Government. I have been involved in the public sector since 1985 in Christchurch in positions with Fright Aubrey and more recently Colliers Valuation. I specialise in commercial, industrial and land development valuation and consultancy within the CBD and suburban locations of Christchurch and major metropolitan areas in the South Island. I complete research on Christchurch office vacancies on an annual basis and regularly complete research on Greater Christchurch residential land and industrial business land supply and take-up.
- 1.3 I have been involved in the valuation of a number of large residential subdivision developments during the last 35 years including Pegasus Town, Ravenswood, Wigram Skies, Te Whariki, Yaldhurst Park, Karamu, Prestons and Belfast Village. I have during this period regularly prepared and presented expert evidence before various courts or tribunals in relation to zoning applications and arbitrations.
- 1.4 I have recently prepared and presented evidence on behalf of GW Wilfield Ltd for a plan change application at West Melton (PC67). My evidence for that matter included an analysis of the West Melton, Prebbleton and Rolleston vacant land markets.
- 1.5 I have been instructed by Urban Estates Limited to complete research and prepare and present evidence on the residential land market in Rolleston, including providing information on the supply of residential sections and the impact that this may have on market choice and price. Other than this instruction, I have not been involved with Urban Estates Limited in completing valuation work.

2 CODE OF CONDUCT

- 2.1 I have read the Code of Conduct for Expert Witnesses contained in the Environment Court Practice Note 2011. I have complied with it in preparing this evidence and I agree to comply with it in presenting evidence at this hearing. The evidence that I give is within my area of expertise except where I state that my evidence is given in reliance on another person's evidence. I have considered all material facts that are known to me that might alter or detract from the opinions that I express in this evidence.

3 SCOPE OF EVIDENCE

- 3.1 My evidence addresses the current supply of residential sections in Rolleston and quantifies the current imbalance of supply and demand which has resulted in recent

significant price escalation. I have also reviewed the economics evidence of Mr. Ballingall and refer to sections of his evidence in my consideration of these matters.

4 SUMMARY

- 4.1 The residential property market in Greater Christchurch has experienced significant demand during the last 12 months which has placed stress on the supply of both vacant and improved product resulting in significant price escalation. This market cycle is well publicised and results from a mix of low interest rates and constrained supply.
- 4.2 The average annual volume of vacant residential sales in Rolleston has fluctuated during the last ten years rising from a low of 100 sales in 2011 immediately following the Canterbury earthquake sequence to 620 in 2013 and then settling to an average of at or around 448 sales per annum for the period from 2014 – 2018. Since 2018 there has been a sharp increase culminating in 902 sales in 2020. The average residential section sale price in Rolleston has followed a relatively regular upward trend from 2011 until 2020 and then there has been exponential growth well in excess of 100% during the last 12 months.
- 4.3 The supply of vacant residential land has failed to keep pace with the ongoing level of demand. In the Rolleston market there are virtually no vacant sections available for purchase. Recent small releases of sections has resulted in significant price escalation.
- 4.4 The current land market in Rolleston exhibits a dysfunctional market where there is virtually no current supply or choice with uncompetitive market practices being adopted by vendors and extreme price escalation. In my opinion the only solution to this situation is immediate increased supply.

5 RESEARCH METHODOLOGY

- 5.1 My research team at Colliers Valuation has physically inspected on the ground and identified all developed and undeveloped land in Rolleston to quantify the current number of vacant residential sections available and completed research on residential section land that has sold or is available for sale. All development land has been inspected and development potential quantified together with a review of all plan changes notified. Section sale data has been obtained from the respective developers or real estate companies involved and base sale data was obtained from Property Guru, Corelogic and REINZ.

Rolleston

- 5.2 Rolleston is a fast developing satellite township located 22 kms south west of Christchurch adjacent to State Highway No. 1 (SH.1). Major infrastructure has been developed at Rolleston including a significant commercial hub with associated schools and amenities and a large industrial district situated to the north at Izone and IPort.

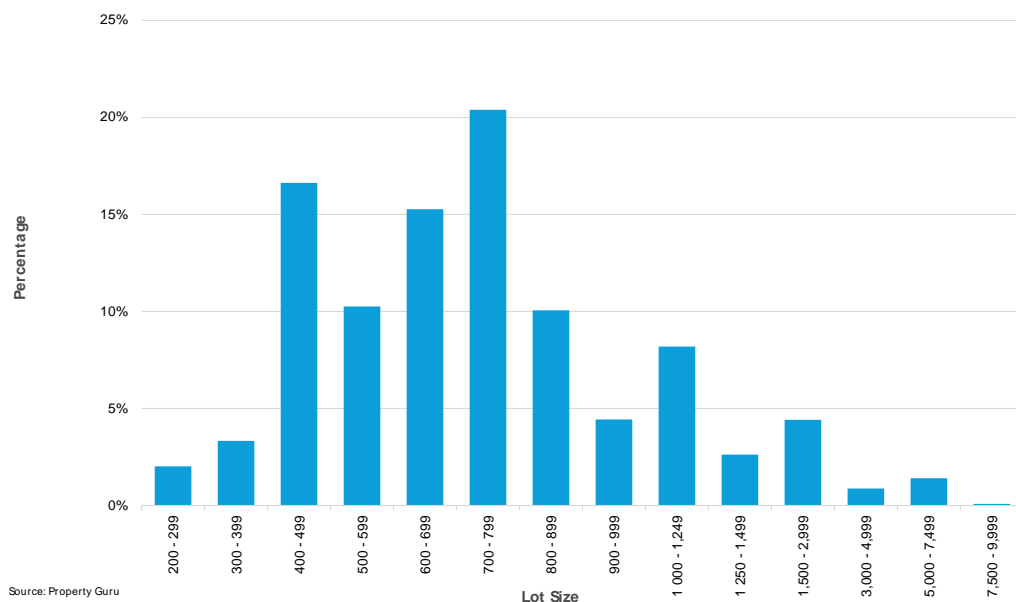
5.3 Rolleston experienced significant growth following the Canterbury earthquakes and has been developed in a typical urban form similar to the outer residential suburbs of metropolitan Christchurch.

5.4 The following table provides an analysis of lot sizes in Rolleston.

Rolleston Lot Size Analysis		
Lot Size	# Lots	%
200 – 299	178	2.0%
300 – 399	293	3.3%
400 – 499	1,464	16.6%
500 – 599	903	10.3%
600 – 699	1,344	15.3%
700 – 799	1,795	20.4%
800 – 899	886	10.1%
900 – 999	391	4.4%
1,000 – 1,249	721	8.2%
1,250 – 1,499	231	2.6%
1,500 – 2,999	389	4.4%
3,000 – 4,999	77	0.9%
5,000 – 7,499	124	1.4%
7,500 – 9,999	8	0.1%
Total	8,804	100.0%

5.5 There are 8,804 titled lots of which 7,254 (82.4%) sit in the 200 – 999 sqm size category with lots between 400 – 899 sqm accounting for 72.6%.

Rolleston - Lot Size Analysis



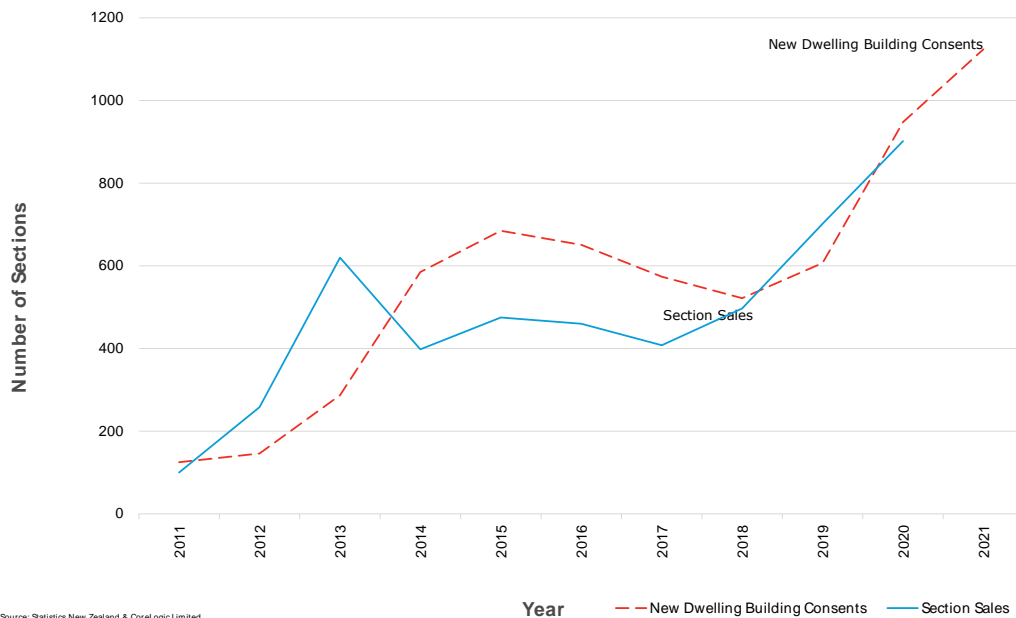
5.6 We have completed research on the supply of residential sections analysing the number of sales and new dwelling building consents issued during the last ten years.

5.7 The following table provides an analysis of the number of vacant residential section sales and new dwelling building consents in Rolleston for the period from 2011 – 2021.

Rolleston Section Sales & Building Consent Analysis		
Year	Sales	Building Consents
	#	#
2011	100	125
2012	258	146
2013	620	287
2014	398	585
2015	475	685
2016	460	651
2017	408	574
2018	497	522
2019	702	607
2020	902	948
2021 (Part Year)	122	1,124

5.8 The same information shown in the following graph which illustrates number of vacant residential section sales and new dwelling building consents in Rolleston for the period from 2011 – 2021:

Rolleston - Number of Sections Sold & New Dwelling Building Consents



5.9 The volume of vacant residential section sales has fluctuated over the last ten years rising from a low in 2011 of 100 and rising to a sub peak in 2013 of 620 which resulted from the demand from relocated red zone owners following the earthquakes. During the period from 2014 through to 2018 there was a relatively consistent pattern of volume in a range of between 398 – 497 sales per annum. From 2018 there has been a sharp increase in volume rising from 497 sales in 2018 to 902 in 2020.

5.10 The volume of sales is a reflection of supply and demand. If supply is constrained then this will affect volume. We are of the opinion that once all sales are recorded for 2021 that there is likely to be a decline below the number sold in 2020 because there is now virtually no supply to satisfy current demand.

- 5.11 New dwelling building consents in Rolleston have generally followed a similar trend line as the number of sales however in the period from 2011 until 2013, building consents lagged well behind section sales. From 2014 to 2018, the number of building consents was well ahead of section sales.
- 5.12 The lag in building consents in the period from 2012 – 2013 potentially resulted from relocated red zone owners purchasing sections and then delaying construction whilst settling insurance claims. This explains why building consents outstripped section sales in the following years from 2013 – 2016.
- 5.13 Rolleston has expanded significantly during the last ten years and is now the most dominant township in Selwyn District in terms of residential land activity. During the last five years from 2016 – 2020, 57.9% of all Selwyn District vacant residential land transactions occurred in Rolleston with the next largest activity township being Lincoln at 25.3%. The following is a table summarising the number of lots sold in each of the residential townships in Selwyn District during the period from 2016 – 2020

Vacant Selwyn District Residential Section Sales 2016 – 2020		
Township	#	%
Rolleston	3,444	57.9%
West Melton	207	3.5%
Lincoln	1,504	25.3%
Prebbleton	412	6.9%
Tai Tapu	50	0.8%
Darfield	130	2.2%
Kirwee	91	1.5%
Leeston	82	1.4%
Southbridge	32	0.5%
TOTAL	5,952	100.0%

- 5.14 There is market evidence that the shortage of available residential sections in Rolleston coupled with the increased prices is resulting in buyers looking further afield where there is both availability and cheaper section prices in the likes of Darfield, Kirwee and Leeston¹.
- 5.15 The following table provides an analysis of the average vacant residential section sale price in Rolleston for the period from 2011 – 2021:

Vacant Rolleston Residential Section Sales	
Year	Sale Price \$
2011	164,996
2012	171,686
2013	168,635
2014	172,696
2015	169,526
2016	176,402
2017	181,874
2018	178,951

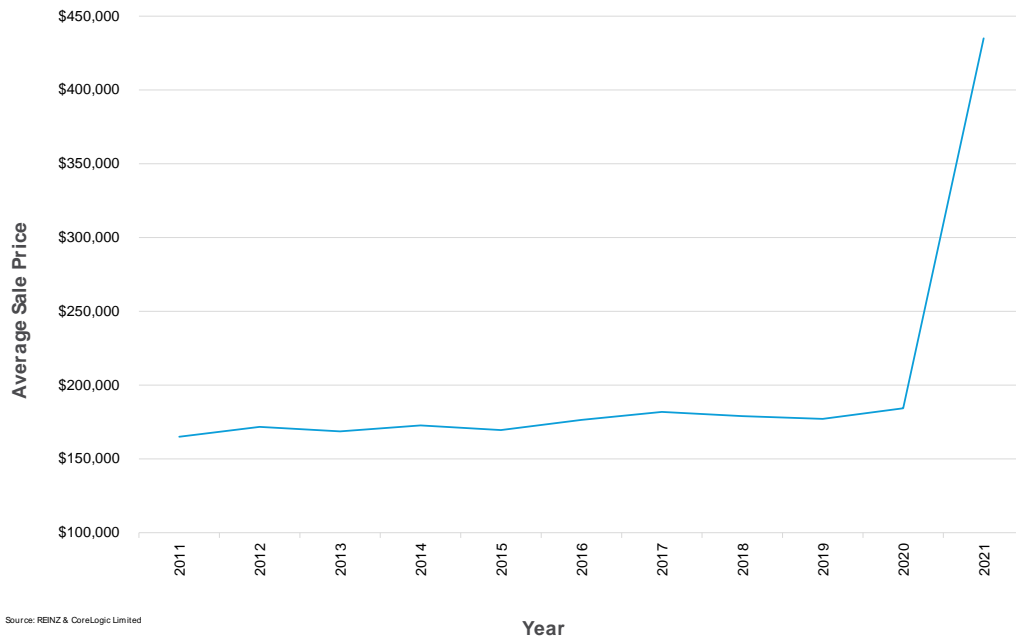
¹ For Darfield and Kirwee, see Property Brokers Report for PC 63 in Darfield – Appendix 5 to evidence of Fiona Ashton.

2019	177,069
2020	184,352
2021	435,000*

*Current Sale Price

5.16 This same information is shown in the following graph which illustrates the sales price trend line for Rolleston.

Rolleston - Vacant Residential Section - Average Sale Price



5.17 The above data, apart from 2021, is for titled sections only. The sale data for 2020 and 2021 provides only part of the true picture of the current situation. Many sections sold in late 2020 and in 2021 have not been constructed or titled and therefore this sale data has not been captured by the recorded data. In the case of 2021, I had adopted a sale price referenced from the latest sale prices from recent section releases which are referred to later in this evidence. The adopted sale price of \$435,000 correlates with a section size relating to the average sale price in 2020 of \$184,352.

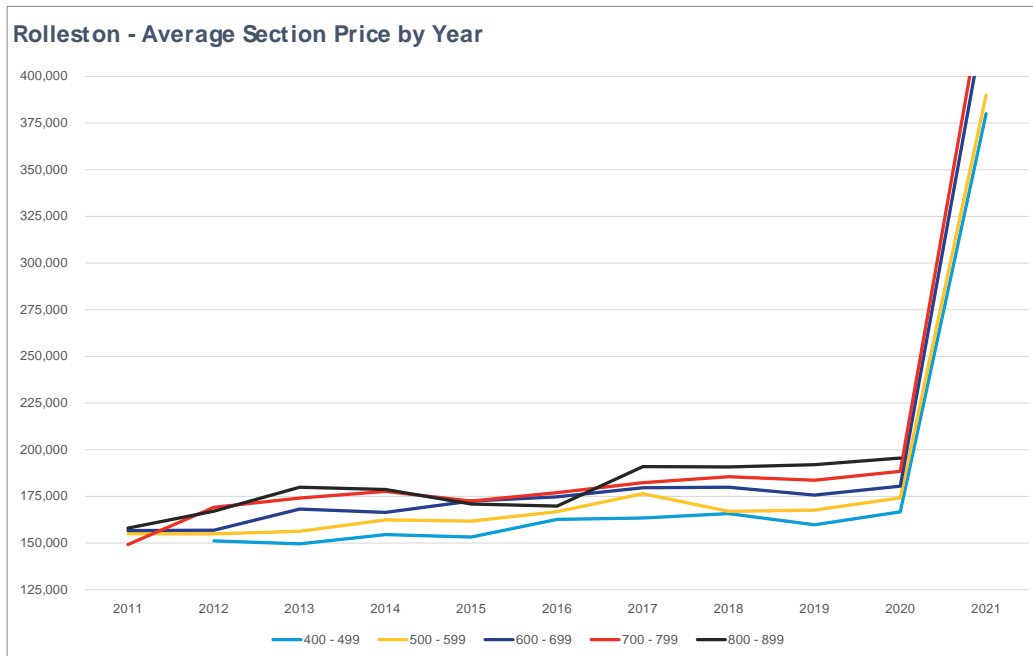
5.18 I have also completed size specific analysis on the average residential section sale price and concentrated on the predominant section area range of between 400 – 900 sqm. In addition, I have replaced the 2021 recorded evidence with actual sale price evidence which illustrates the exponential growth that has occurred during the last 12 months. Examples of sale price comparison are provided later in my evidence.

Vacant Residential Section Sales – 400-900 sqm range					
Year	400-499	500-599	600-699	700-799	800-899
2011	-	155,000	156,636	149,199	157,959
2012	151,172	154,926	156,849	169,127	167,084
2013	149,589	156,277	168,157	174,128	179,919
2014	154,519	162,390	166,399	177,660	178,668
2015	153,223	161,705	172,501	172,490	170,862
2016	162,655	166,798	174,723	176,980	169,798
2017	163,417	176,419	179,597	182,375	190,909
2018	165,718	166,972	179,916	185,552	190,795
2019	159,739	167,660	175,699	183,602	192,015

2020	166,717	174,185	180,431	188,409	195,518
2021	380,000*	390,000*	435,000*	450,000*	

*Current Sale Price

5.19 The same information is shown in the following graph which illustrates the sale price trend lines in Rolleston for the five primary land area categories.



5.20 The above data illustrates a relatively consistent average sale price range of between \$150,000 and \$200,000 in the nine year period from 2011 – 2020. In 2021 there has been an extremely sharp increase in sale price in all categories. For example, in the 400 – 499 sqm range, the average sale price increased from \$166,717 in 2020 to \$380,000 in 2021.

5.21 The market in Rolleston has accelerated at an even faster rate during the last eight months.

5.22 I have reviewed recent sales in Rolleston subdivisions transacted in 2020 and 2021 to quantify the price escalation that has occurred during the last 12 months.

Goulds Estate Price Escalation Comparison			
Address	Date mth.yr	Area Sqm	Sale Price \$
39 Chris Drive	08.20	631	180,000
Lot 12	09.21	600	435,000
Price Escalation			142%

Acland Park Price Escalation Comparison			
Address	Date mth.yr	Area Sqm	Sale Price \$
30 Lomu Way	09.20	414	166,500
Lot 565	09.21	402	380,000

Price Escalation			128%
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Silverstone Price Escalation Comparison			
Address	Date mth.yr	Area Sqm	Sale Price \$
7 Peregrine Crescent	10.20	456	\$171,000
Lot 111	09.21	450	\$385,000
Price Escalation			125%
19 Tobollie Drive	09.20	505	185,000
Lot 110	09.21	510	390,000
Price Escalation			111%
61 Lady Isaac Drive	11.20	598	190,000
Lot 104	09.21	600	407,000
Price Escalation			114%

Hanks Run Price Escalation Comparison			
Address	Date mth.yr	Area Sqm	Sale Price \$
22 Soar Terrace	09.20	632	185,000
Lot 37	08.21	624	380,000
Price Escalation			105%

5.23 It is noticeable that the sale comparisons for the two subdivisions where the latest sales were in early August and early September at Hanks Run and Silverstone respectively, the price escalation is between 105% - 125%.

5.24 Where more recent sales evidence has occurred in late September 2021 at Acland Park and Goulds Estate, the price escalation is between 128% – 142%. I am aware of significant price increases occurring on a monthly basis. To quote a real estate agent, "Sales one month old are historic".

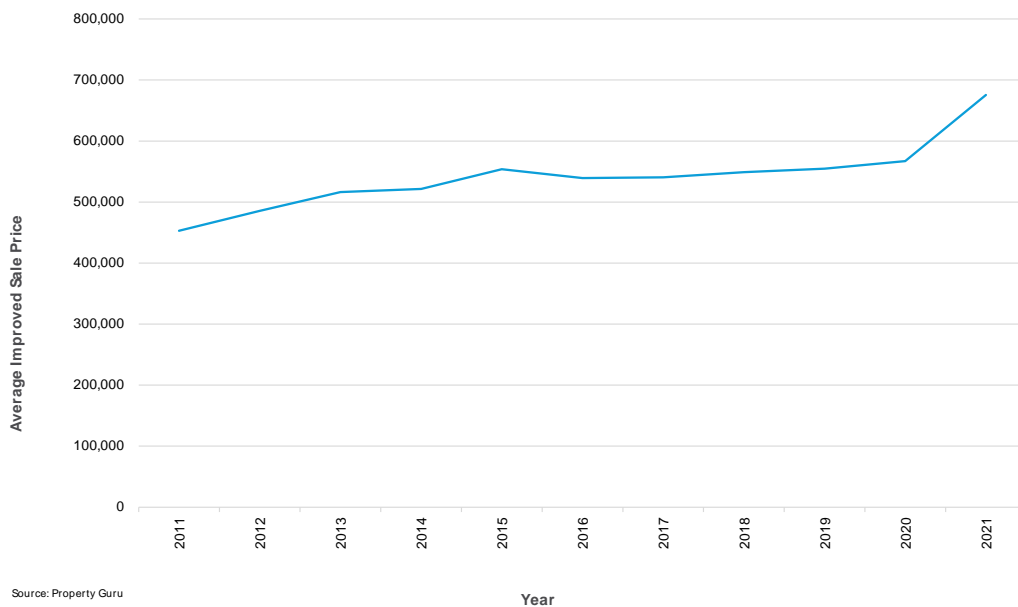
5.25 These levels of price escalation are extreme even in a buoyant market and provide a clear indication of a constrained supply.

5.26 A similar pattern can be seen with house prices. The following is an analysis of the average residential dwelling sale price in Rolleston for the period from 2011 – 2021:

Rolleston House Price Analysis		
Year	Sales #	Sale Price \$
2011	119	453,042
2012	166	485,433
2013	244	516,380
2014	297	521,532
2015	390	553,680
2016	498	539,326
2017	450	540,546
2018	538	548,966
2019	650	554,690
2020	1,014	567,134
2021 (Part Year)	523	675,413

5.27 The same information is also shown on the following graph which illustrates the sales price trend line for Rolleston.

Rolleston - Average Improved Sale Price



5.28 Analysis of the average improved residential property sale price in Rolleston illustrates a relatively consistent upward trend from 2011 through to 2020 and then a sharp increase in 2021 to date. The 2021 average sale price is likely to under represent the actual market with the most recent sales occurring in the last three months not yet recorded. The actual trend line for 2021 will be steeper than shown on the graph above but nothing like the level of escalation that has occurred in the vacant section market.

5.29 The annual increase for improved residential properties in Rolleston from 2020 – 2021 is 19.1%. REINZ data indicates that the average improved residential property in Selwyn District for 2020 – 2021 increased 25.6% and in Christchurch City for the same period, 31.3%.

6 ROLLESTON SUPPLY

6.1 I have categorised the residential market for vacant sections in Rolleston under the following headings:

- (a) Developed
- (b) Under Development
- (c) Plan Change Applications
- (d) Undeveloped – Piecemeal
- (e) Future Urban Development Area (FUDA) – Piecemeal

6.2 The following are summary tables of each of the above land categories and associated commentary.

Rolleston – Developed

Rolleston Developed				
Zone	Vacant #	For Sale#	Builder#	Total #
Rolleston - L1	39	-	5	44
Rolleston - LZ	127	1	36	164
Rolleston - L1B	1	-	-	1
Rolleston - L1C	4	-	-	4
Rolleston - L3	6	-	2	8
Total	177	1	43	221

6.3 There are 221 vacant sections in Rolleston of which 43 sections have a building company sign and one section has for sale signage. There is just one residential section offered for sale on TradeMe, or any other real estate platform.

6.4 Colliers Valuation has surveyed the number of developed vacant sections in Rolleston in August 2021 and October 2021. During this period the total number of vacant sections has reduced from 273 to 221.

Rolleston – Under Development

6.5 The following is a summary of the current status of land that is under development:

Rolleston Under Development							
Develo pment	Zone	Total #	UD #	Sold #	Hold #	For Sale #	Potential #
Goulds Estate	LZ	105	105	22	73	10	-
Acland Park	LZ	362	204	204	-	-	158
Silverstone	LZ	118	118	118	-	-	-
Darussette	LZ	22	22	-	-	-	-
Silverstar Estate	LZ	21	21	-	-	-	-
Hanks Run	LZ	42	42	42	-	-	-
189 Lowes Road	L1B	7	7	7	-	-	-
Total		677	519	393	73	10	158

6.6 In Goulds Estate, the developer is holding back 73 sections for its own house and land developments. In Acland Park there is land available for potential development of 158 additional sections. Across all developments, out of a total of 519 sections currently under development, there are just 10 sections that will be available for sale. The developers of Goulds Estate advise that the sections available for sale will be offered to the market in the near future. It is anticipated these sections will sell immediately.

Rolleston Potential Supply

6.7 The following is a summary of the land which is currently subject to plan change applications.

Rolleston Potential Supply			
Plan Change Applicant	Area Ha	Zone	Lots #
PC 64 – Hughes Development Ltd	83.8993	LZ	970
PC 70 – Hughes Development Ltd	65.3260	LZ	800
PC 71 – Four Stars Development & Anor	53.8800	LZ	660
PC 73 – Rolleston West Residential Ltd	160.2000	LZ	2,100
PC 75 – Yoursection Ltd	24.7000	LZ	280
PC 76 – Dunweavin 2020 Ltd	12.9690	LZ	155
PC 78 – Urban Estates Ltd	63.3512	LZ	750
Total	464.3255		5,715

6.8 Hughes Development (PC 64) released 190 sections to the market in the Westwood part of the Faringdon subdivision prior to rezoning, all of which sold immediately. A further 25 sections were retained by the developer for show home purposes.

6.9 Hughes Development Limited recently obtained consent for a 970 lot subdivision of the PC 64 land via a decision under the Covid 19 (Fast Track Consenting) Act 2020. The 970 lots can therefore be added to the "Under Development" category in the very near future, if not immediately.

6.10 Of the remaining six plan change areas **if approved** will release a further 380.4 ha or 4,745 sections to a market which is desperate for supply. Note the majority of the proposed supply will likely be of similar typology and density, being 12 HH/hectare ha.

6.11 In addition to the potential supply from plan change applications, there are two other categories of land where there is further medium or long term potential.

6.12 I have quantified the potential area of land and lots that could be developed on land which is currently zoned for residential development but is in piecemeal ownership and generally currently in the form of lifestyle properties with most parcels containing an existing dwelling.

6.13 Likewise the same situation applies to land which is currently zoned Rural Inner Plains but within the Future Urban Development Area (FUDA).

6.14 For clarity, of the plan changes listed at paragraph 6.7 above, the following are identified within a FUDA:

(a) PC 64

(b) PC 70

(c) PC 75

(d) PC 76

(e) PC 78

6.15 PC 73 is located outside the FUDA's. Approximately 1/3 of PC 71 is within an FDA, with the balance outside.

6.16 In order to quantify the developable potential of this land in both cases, I have deducted a land curtilage area around the existing residential dwelling and adopted a yield of between 5 - 12 lots per ha depending on the underlying zone. Development of this land is difficult to achieve without amalgamation of large blocks and adoption of a master plan. The potential supply from the Living Z, 1, 1B & 1C zoned land is constrained by owners intentions and should be viewed in the medium term window, otherwise it is likely it would have already been available to the market. The FUDA area must be considered as long term potential if at all. The following is a summary of these two potential land categories:

Rolleston – Additional Potential Supply		
Category	Area Ha	Lots #
Zoned – Potential Piecemeal Ownership	60.1363	641
Unzoned (FUDA) Potential Piecemeal	173.3230	2,069
Total	233.4593	2,710

Overall Summary

6.17 The following is a summary of the overall situation in Rolleston:

Overall Summary – Short Term		
Category	For Sale	Potential
Developed	1	-
Under Development	10	158
PC 64 Hughes Development		970
Total	11	1,128

Overall Summary – Medium Term		
Category	For Sale	Potential
PC Potential	-	4,745
Zoned – Potential Piecemeal	-	641
Total		5,386

Overall Summary – Long Term		
Category	For Sale	Potential
Unzoned (FUDA) Potential Piecemeal	-	2,069
Total	-	2,069

6.18 Currently there are potentially only 11 sections available for sale in Rolleston. I am aware that the 10 sections under development are not currently on the market but will be offered for sale in the short term and the expectation is that all of these sections will sell immediately. The current market is at a situation where developers are selling their entire stock in the space of hours prior to commencing development. There is currently insatiable demand for residential sections throughout Greater Christchurch although the market in

Rolleston in particular is what could be described as frenzied, resulting in unprecedented price escalation due to demand outstripping supply.

7 MARKET CONSEQUENCES

- 7.1 It is generally well understood that any disruption to the supply and demand in any market normally results in significant price fluctuation. For the residential property market to function without major price fluctuations, a reasonably regular supply and range of choice is required.
- 7.2 Excluding Rolleston, the current residential section market in Greater Christchurch is characterised by price escalation with increases of generally between 20% - 50% during the last 12 months.
- 7.3 Greater escalation is prevalent in Rolleston where price escalation during the last nine months is in excess of 100% movement. There are numerous examples of recent releases of residential sections in Rolleston where the vendor has sold sections by deadline treaty or tender in order to extract the maximum price. The situation in Rolleston with price escalation at between 100% - 140% within the last nine months has resulted from extremely limited supply.

8 SECTION 42A REPORT – APPENDIX 7:GROWTH PLANNING IN SELWYN DISTRICT

- 8.1 I have reviewed Mr. Baird's Appendix 7 to the section 42 Report, the focus of my review being on the analysis of capacity, particularly in Rolleston.
- 8.2 As outlined above, Colliers' analysis of capacity is the result of on-the-ground research and discussions with developers active in the Rolleston market. Colliers approach is therefore different to the model based approach used by the Council.
- 8.3 Paragraph 70 -72 of Appendix 7 contain a series of tables outlining assessed capacity and demand for Selwyn District and sub areas such as Rolleston and Lincoln in the Medium to long term.
- 8.4 It is unclear to me from these tables if FUDA's are included in medium term capacity (2,154) and/or long term capacity (7,910), which is a total of 10,064 lots.
- 8.5 According to my calculations the capacity in Rolleston measured in terms of land within the FUDA areas only is 6,054 lots compared to the SDC total of 10,064 lots. My capacity calculation excludes developed and undeveloped land that has already been sold.
- 8.6 Fundamentally however, I agree with the conclusions of Appendix 7 that there is a current shortfall in short term capacity. That much is evident from the Rolleston market, as detailed above.
- 8.7 I also have no reason to think that the Council's prediction of medium and long term shortfalls is incorrect. In terms of the capacity side of the equation, my research indicates that this is approximately 40% less than SDC's assessment.

9 CONCLUSION

- 9.1 Rolleston is developing into a major urban area on the edge of Christchurch which has a significant commercial hub with associated schools and amenities and a large industrial district to the north at Izone and Iport.
- 9.2 Since 2012, there is evidence of consistently high demand for sections in Rolleston. This demand has spiked significantly since 2018.
- 9.3 Currently there are virtually no vacant residential sections in Rolleston with the only future supply potentially available via the Plan Changes identified above.
- 9.4 It is difficult to quantify what level of supply is required in order for a normal rational market to exist. However from my experience, it is preferable that there is an oversupply of appropriately zoned land at all times so that the market can determine when and if it is developed into sections dependent upon demand. In addition, in my experience, for a land market to function properly, it is necessary that it is competitive. That is, the greater the number of suppliers in the market, the more likely that purchasers of sections will benefit.
- 9.5 The current land market in Rolleston exhibits a dysfunctional market where there is virtually no current supply or choice with uncompetitive market practises being adopted by vendors and extreme price escalation. The only solution to this situation is an immediate increase in supply.

Gary Sellars

18 October 2021