

Before an Independent Hearings Panel  
Appointed by Christchurch City Council

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*under:* the Resource Management Act 1991

*in the matter of:* proposed Plan Change 14 to the Christchurch District  
Plan

*and:* **LMM Investments 2012 Limited**  
(Submitter 826)

Statement of evidence of Fraser Colegrave (economics) on behalf  
of LMM Investments 2012 Limited

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Dated: 20 September 2023

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## **STATEMENT OF EVIDENCE OF FRASER COLEGRAVE ON BEHALF OF LMM INVESTMENTS 2012 LIMITED**

### **INTRODUCTION**

- 1 My full name is Fraser James Colegrave.
- 2 I am an economist and the managing director of Insight Economics, an economics consultancy based in Auckland. Prior to that, I was a founding director of another consultancy, Covec Limited, for 12 years.
- 3 I hold a Bachelor of Commerce (1st Class Honours) in Economics from the University of Auckland. I have over 24 years' commercial experience, the last 21 of which I have worked as an economics consultant. During that time, I have successfully led and completed more than 500 consulting projects across a broad range of sectors.
- 4 My main field of expertise is in undertaking economic assessments (whether for resource consent or plan change applications) in relation to land-use development. I have worked extensively in this area for many of the largest companies in New Zealand. In addition, I regularly advise Local and Central Government on a range of associated policy matters.
- 5 I also regularly appear as an expert witness before Councils, Boards of Inquiry, Independent Hearing Panels, the Land Valuation Tribunal, the EPA, the Environment Court, the Family Court, and the High Court of New Zealand.

### **CODE OF CONDUCT**

- 6 Although this is not an Environment Court hearing, in preparing my evidence I have reviewed the Code of Conduct for Expert Witnesses contained in Part 9 of the Environment Court Practice Note 2023. I have complied with it in preparing my evidence. I confirm that the issues addressed in this statement of evidence are within my area of expertise, except where I state that I am relying on the opinion or evidence of other witnesses. I have not omitted to consider material facts known to me that might alter or detract from the opinions expressed.

### **SCOPE OF EVIDENCE**

- 7 I am familiar with the land in Spencerville to which LMM Investments 2012 Limited's (*LMM Investments*) submission relates.
- 8 I previously undertook an assessment of the economic effects of a proposed 200 lot residential subdivision of the land (*2021 Economic Assessment*). A copy of my 2021 Economic Assessment is attached as **Appendix 1** to my evidence and I refer to it where relevant in my evidence.

- 9 I understand that through the Plan Change 14 process, LMM Investments is now seeking:
- 9.1 the application of the Medium Density Residential Standards to the areas shown as "Resort Community" and "Activity Areas A, A1 and A2" on the existing Outline Development Plan for the Specific Purpose (Golf Resort) Zone – Whisper Creek Golf Resort; and
  - 9.2 a maximum number of 350 residential units (being 250 residential units and 270 (or 100 residential unit equivalents) academy dormitory or resort apartments), based on three waters servicing capacity.
- 10 In the time available, I have not had the opportunity to assess the economic effects that could be expected as a result of the relief LMM Investments is seeking in this process.
- 11 The purpose of my evidence is to provide high-level comments on two economics-related matters in respect of the relief sought, largely in relation to the National Policy Statement on Urban Development 2020 (*NPS-UD*).

#### **NPS-UD**

- 12 I understand that the Council's Section 42A Report addressing LMM Investments' submission considers that the submission does not fall within the scope of Plan Change 14.
- 13 In response to the Council's position, I have been asked to make general comments from an economics perspective on the application of the NPS-UD in this context. My brief general comments are:
- 13.1 In my view, the site forms part of the wider Christchurch urban environment and, at a more local level, the north-east Christchurch housing and business markets. I consider that development of the site in the manner proposed would contribute to these markets, rather than functioning as a stand-alone area.
  - 13.2 In this location, the development enabled by LMM Investments' proposed relief will:
    - (a) Help to foster competition in the local land market, as envisaged by Objective 2 of the NPS-UD;
    - (b) Contribute to a well-functioning urban environment, as per Policy 1 of the NPS-UD, because it will enable a variety of housing typologies (residential, dormitory-style and apartments) in a high amenity, desirable setting, as is illustrated by the high demand for recent

nearby residential development (such as the Prestons subdivision); and

- (c) Provide a mix of housing options more suited to the market demand in this location, compared to what is currently envisaged under the Operative District Plan rules.

### **CONCLUSION**

- 14 In essence, while the level of development currently sought to be enabled by LMM Investments is “scaled-back” from what I assessed in my 2021 Economic Assessment, many of the benefits in terms of competition and housing mix remain applicable, albeit at a smaller scale.

**Fraser Colegrave**

**20 September 2023**



Final Report: 23 November 2021

# Brief Economic Assessment of Proposed Fast-Track Development in Christchurch

Prepared for:

**LMM Investments 2012 Limited & Mike Greer Homes North Canterbury Limited**

**Authorship**

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# 1. Introduction

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## 1.1. Context and Purpose of Report

LMM Investments 2012 Limited owns a large tract of land in Spencerville, in the northeastern reaches of Christchurch City, which is currently zoned for rural purposes. To enable residential development to occur and bring the land to market as quickly as possible, LMM Investments 2012 Limited & Mike Greer Homes (the applicants) seek consent under the COVID-19 Recovery (Fast-track Consenting) Act 2020. To assist, this report briefly assesses the likely economic effects of the development, particularly its impacts on GDP, jobs, and incomes. In addition, this report briefly considers a range of wider economic effects of the proposal.

## 1.2. Structure of Report

The remainder of this report is structured as follows:

- **Section three** identifies the location of the proposal and profiles the proposed new residential lots created.
- **Section four** estimates the proposal's impacts on GDP, jobs, and wages, and
- **Section five** briefly describes other likely economic effects of the proposal.

## 1.3. Summary of Findings

The proposed development will create a significant uplift in jobs and incomes for the local workforce, particularly during house construction, while also generating a range of wider economic benefits. These include including helping land/dwelling supply keep pace with demand (and therefore helping to contain house price pressures), increased land market competition, providing a range of homes/sections to meet differing needs, enabling the highest and best use of the land, and providing a strong signal of investment confidence for the city. Accordingly, we support the proposal on economic grounds.



## 2. About the Proposal

This section briefly describes the proposed development for which Fast Track consent is sought.

### 2.1. Location and Description

The proposed development is located in Spencerville, in the north-eastern reaches of Christchurch City. The site itself is bound by Spencerville Road to the north, the Styx River to the south-east and rural/lifestyle land to the south and west. The diagram below illustrates the latest site plan.

Figure 1: Indicative Site Plan (10 November 2021)



## 2.2. Indicative Lot Sizes

As illustrated above, the proposal includes a wide range of section types. These include:

- 30 dwellings on a comprehensive development site of nearly 1.5 hectares;
- 50 smaller lots of 300m<sup>2</sup> to 400m<sup>2</sup>, which are narrower to encourage duplex builds;
- 117 standard lots that range in size 400m<sup>2</sup> to 1200m<sup>2</sup>; and
- 20 large lots from 1400m<sup>2</sup> to 1.13ha, which provide a buffer to surrounding properties.

The figure below presents this information graphically. It assumes an average section size of less than 300m<sup>2</sup> for new lots created within the comprehensive development site.

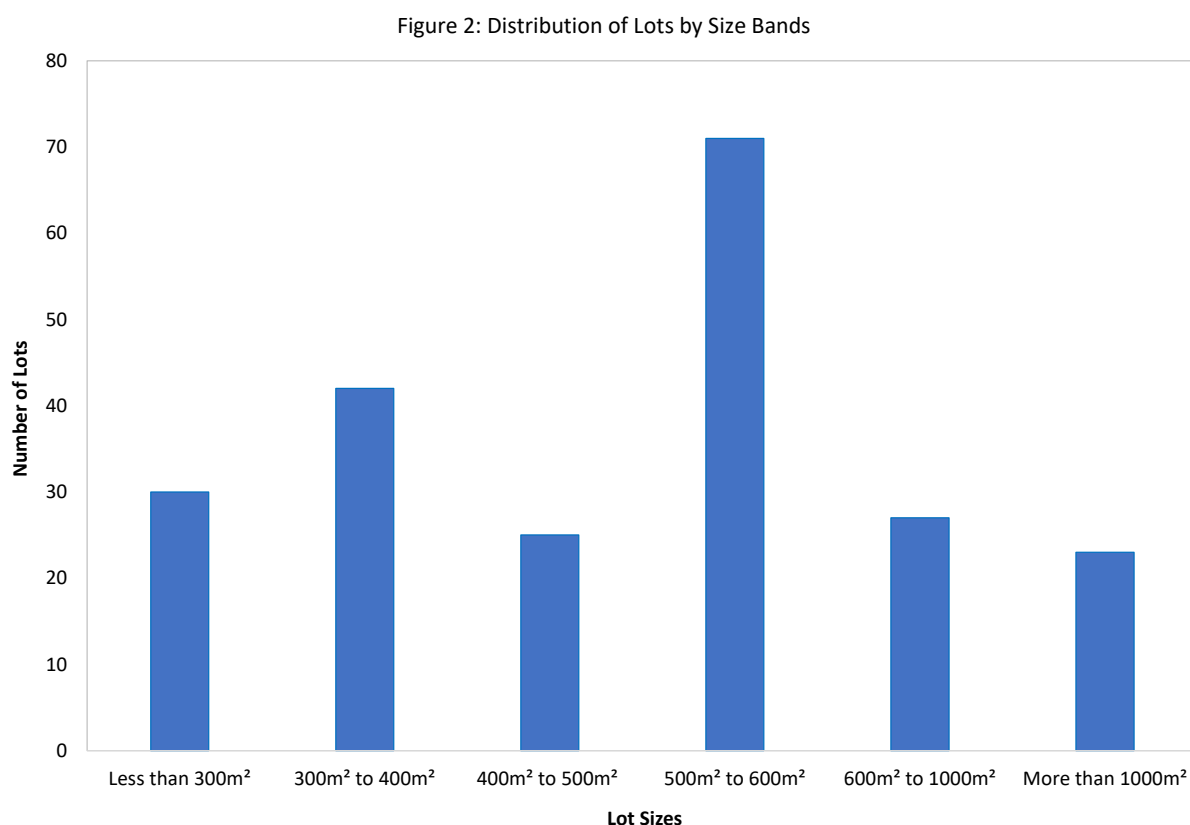


Figure 2 shows that the development will provide a wide range of lot sizes, including some smaller than 300m<sup>2</sup> in the comprehensive development area, and some greater than 1,000m<sup>2</sup> on the larger lots that buffer the site on its northern and western boundaries. Overall, however, the greatest concentration of lots is in the 500 to 600m<sup>2</sup> range, which appears to be the “sweet spot” for many of the residential developments across Greater Christchurch that we have recently worked on.

## 3. Impacts on GDP, Jobs, and Wages

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This section describes the methodology used to estimate the development's economic impacts.

### 3.1. Overview

The process of developing the land, then planning for, designing, and constructing the various homes that comprise the proposal will employ a wide range of workers across the city and region, and generate millions in wages and salaries. We quantified the likely one-off economic impacts of this activity using a technique called multiplier analysis, which is based on detailed matrices called input-output tables. These describe the various supply chains that comprise each economy, and therefore enable the wider economic impacts of a change in one sector (or sectors) to be traced through to estimate the overall impacts, including flow-on (supply chain) effects. These economic effects are usually measured in terms of:

- **Contributions to value-added (or GDP).** GDP measures the difference between a firm's outputs and the value of its inputs (excluding wages and profits). It captures the value that a business adds to its inputs to produce its own outputs.
- **The number of people employed** – this is measured in terms of employment counts, which include both part-time and full-time workers.
- **Total wages and salaries** paid to workers, which are reported as 'household incomes.'

### 3.2. Methodology

We developed a land development and building construction model to capture the likely costs of the activities by stage, including planning/design/consent, land development, and building construction. Then, we overlaid those cost estimates with corresponding economic multipliers to derive the one-off impacts on GDP, incomes, and employment. In addition, we captured the impacts of future spending by people directly or indirectly employed by the process, to estimate the overall impacts of the development, including its flow-on effects.

### 3.3. Inputs and Assumptions

The applicant provided us with estimates of planning/design/consent costs, which totalled \$450,000, plus land development costs, which were \$17.6 million. These cover all costs required to ready the site for development, including onsite infrastructure, but exclude development contributions payable to Christchurch City Council.

To estimate likely building costs, we first grouped sections by size to estimate the likely size of new homes built on them. Then, we converted implied total residential GFA to an estimate of total residential construction costs using average build rates provided in consent data, which suggest an average of about \$2,300/m<sup>2</sup>. This results in a total build cost of just over \$100 million. Table 1 presents our assumed dwelling sizes by section size band.

Table 1: Assumed Dwelling Sizes by Section Size

Section Size	No. of sections	Assumed FAR <sup>1</sup>	Avg. Land Area	Avg. GFA
Comprehensive development site	30	0.50	280	140
Up to 400m <sup>2</sup>	42	0.45	350	155
400m <sup>2</sup> to 500m <sup>2</sup>	25	0.40	445	180
500m <sup>2</sup> to 600m <sup>2</sup>	71	0.35	555	195
600m <sup>2</sup> to 1000m <sup>2</sup>	27	0.30	725	215
Over 1,000m <sup>2</sup>	23	0.25	4,190	385
<b>Total Development</b>	<b>218</b>		<b>830</b>	<b>200</b>

### 3.4. Estimated National Economic Impacts

We combined the methodology and inputs/assumptions above to estimate the one-off national impacts of the proposal by key stage of the development. Table 2 presents the results.

Table 2: One-Off National Economic Impacts (spread over 2 to 3 years)

Planning/Design/Consent	Direct	Indirect	Induced	Total
GDP \$m	\$0.31	\$0.15	\$0.17	\$0.63
Employment (People-years)	2.8	1.5	1.5	5.9
Household Incomes \$m	\$0.17	\$0.08	\$0.06	\$0.30
Land Development/Infrastructure	Direct	Indirect	Induced	Total
GDP \$m	\$6.2	\$8.2	\$5.3	\$19.7
Employment (People-years)	52	76	49	177
Household Incomes \$m	\$3.9	\$4.0	\$2.0	\$9.9
House Construction	Direct	Indirect	Induced	Total
GDP \$m	\$26	\$55	\$28	\$109
Employment (People-years)	302	555	258	1,115
Household Incomes \$m	\$14	\$27	\$11	\$51
Development Totals	Direct	Indirect	Induced	Total
GDP \$m	\$32	\$63	\$34	\$129
Employment (People-years)	357	633	308	1,298
Household Incomes \$m	\$18	\$31	\$13	\$61

Including flow-on effects, over a two- or three-year period, we estimate that the various tasks associated with developing the land and constructing dwellings could have the following impacts:

- A one-time boost in national GDP of \$129 million;
- Employment for 1,298 people-years (or 649 people employed full-time for 2 years); and
- Household incomes of \$61 million.

While this economic stimulus is spread across the entire development lifecycle, house construction represents the most significant component overall.

<sup>1</sup> For sections larger than 1,000m<sup>2</sup>, we assumed a floor ratio of 0.25 up to a maximum dwelling size of 400m<sup>2</sup>.

### **3.5. Direct & Indirect Full-Time Jobs by Project Stage**

Below we set out the expected number of direct and indirect full-time jobs by project stage based on the results in Table 2, and assuming 0.9 FTEs per employee.<sup>2</sup>

- In 2022, about 2.6 direct FTE jobs will be created in the planning/design/consent stages, with a further 1.4 FTEs created indirectly in sectors that support planning/design/consent.
- In 2023, 47 direct FTE jobs will be created in the land development and local infrastructure stages, with a further 69 FTE jobs created indirectly in sectors that support earthworks and local infrastructure.
- In 2024, 271 direct FTE jobs will be created in house construction, with a further 500 FTE jobs created indirectly in sectors that support house construction.

### **3.6. Support for Covid-Affected Workers**

Although New Zealand has done an outstanding job of stopping the spread of Covid-19 by entering lockdown earlier than most other countries, and has also benefitted from its isolated geography, the pandemic's economic effects have still been profound. While the proposed development is not a panacea for the economic woes foisted on the region by the pandemic, it will provide a strong, short-term demand for labour, some of which can potentially be filled by workers that have lost their jobs to Covid-19. Indeed, with construction expected to provide full-time employment for 649 kiwis for two years, it will provide a much-needed boost in short term employment.

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<sup>2</sup> The ratio of 0.9 FTEs per worker was derived from detailed Australian data on employment for the construction industry, which we assume reflects New Zealand's workforce.

## 4. Wider Economic Effects of Proposal

This section briefly considers a range of wider economic effects of the proposal.

### 4.1. Boost in Residential Land Supply

The proposed development will provide a substantial, direct boost in the city’s dwelling capacity, thereby helping to ensure that supply keeps pace with demand over time. This, in turn, will help the market to be more responsive to growth in demand, thereby reducing the rate at which city house prices grow over time (relative to the status quo).

This seems particularly important given the recent surge in city house prices, as demonstrated in the chart below (which incorporates the latest data NPSUD data to 30 September 2021).

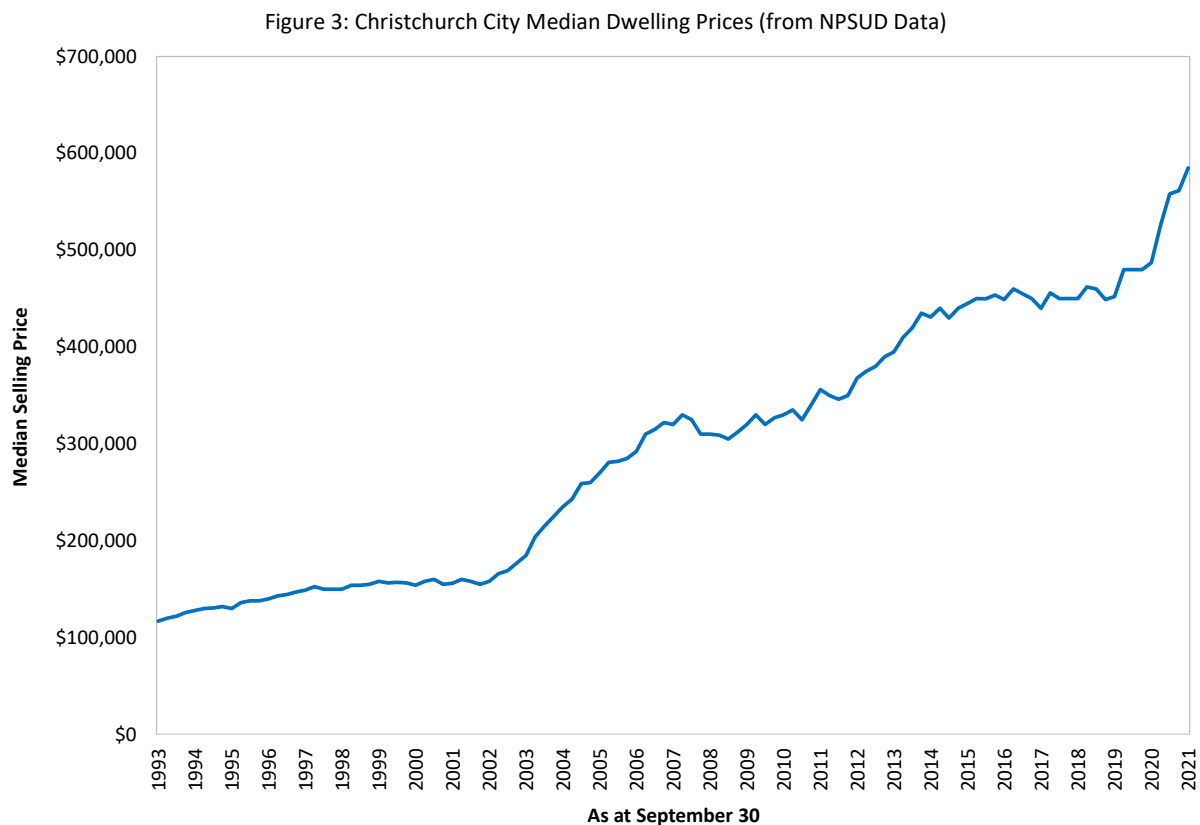


Figure 3 confirms that district dwelling prices have increased steadily over time, but that they recently shot up after a prolonged period of consolidation. In fact, they increased 20% over the 12 months ended 30 September 2021, which will be contributing to affordability issues.

### 4.2. Land Market Competition

In addition to directly boosting city dwelling capacity, the proposal will also help to foster competition in the local land market. This is important because, as recognised through objective 2 of the NPSUD, competition is the cornerstone of economic efficiency. When the land market becomes more competitive, land developers have a greater incentive to get their product to the

market in a more timely and cost-effective manner, thus further helping to keep district housing as affordable as possible.

Absent competition, landowners experience “market power”, which enables them to charge more for land and be slower in releasing it to the market. Both outcomes conspire against affordability and reduce the overall efficiency of the housing market.

#### **4.3. Providing for a Range of Dwelling Types**

As noted earlier, the proposal also provides a wide range of section sizes, which in turn will enable a wide range of dwelling types and sizes to be constructed on the land over time. This diversity of end use helps the proposal further give effect to the NPSUD, particularly Policy 1, which requires planning decisions to contribute to well-functioning urban environments that provide a variety of homes to meet the needs of a diverse population.

#### **4.4. Highest & Best Use of Land**

The proposal will also enable the land to be put to its highest and best use, which is a precondition for economic efficiency to hold in the underlying land market.

#### **4.5. Investment Signal Effects**

Finally, we note that the development will provide a strong signal of confidence in the city’s economy, which may help spur on, accelerate, or bring forward other developments.