



# Clyde Residential Growth & Demand Analysis

Private Plan Change Economic  
Assessment

28 February 2020 – Final

m.e  
consulting



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Private Plan Change Economic Assessment

**Prepared for**

The Clyde Claim Ltd, Houlahan Enterprises Ltd, CF Foster, VAG Gillies and Ostex Corporation Ltd

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# Executive Summary

The township of Clyde has experienced steady dwelling growth in recent years. Demand has primarily been driven from outside of the district in the form of retiree households, second homeowners and working households and families. These drivers of demand are expected to continue, and over the long term Clyde may expect an additional 274-289 urban households by 2048 assuming no constraints to growth.

However, the reliance on septic tanks and disposal fields in the Clyde township has constrained the density at which residential lots have been supplied in the past. It has also constrained the ability to intensify and further develop the commercial area to meet resident and visitor demand. With rising concerns about environmental effects associated with a large concentration of septic tanks, and new national policies put in place to manage effects on fresh water, further expansion of Clyde's urban area would have been inappropriate.

The effects of the imposed 'urban growth boundary' are now being felt. Capacity to accommodate projected dwelling growth, even in the short term, is not available. The current zoned urban area is largely developed, and no more zoned greenfield land remains to be subdivided. Dwelling growth has been slowing as the number of remaining vacant residential lots dwindles and is likely to cease altogether unless additional urban land is zoned (or consented for development). The consequences of high demand and insufficient capacity to grow are being felt in the form of steeply rising house and rental prices and these trends will continue if nothing is done to enable an increase in dwelling supply.

Council have now (2018) invested in a reticulated public wastewater network for Clyde and work is underway, albeit scheduled over a 25 year period. This infrastructure removes the impediment to urban expansion in Clyde and facilitates redevelopment and intensification in the existing urban area, although this is not expected to greatly increase the supply of dwellings in the long term.

In response to the opportunity now provided by the wastewater reticulation, The Clyde Claim Ltd, Houlahan Enterprises Ltd, CF Foster, VAG Gillies and Ostex Corporation Ltd are seeking to rezone their land on the urban boundary of Clyde to provide much needed greenfield expansion. M.E estimates that this new capacity would cater for projected growth over the next 10 years, or more, based on current data. The economic benefits of enabling future growth in this location are expected to outweigh any economic costs. The plan change will be effective in meeting demand growth in the short-medium term and is a more efficient use of the land than the current Rural Residential zoning. The plan change will also facilitate economic growth and opportunities for local and district wide employment.



# 1 Introduction

This report by Market Economics (M.E) provides a desktop assessment of future demand for residential dwellings/properties in the township of Clyde in Central Otago District (COD). This assessment provides the relevant context against which the economic cost and benefits of a proposed private plan change request by The Clyde Claim Ltd, Houlahan Enterprises Ltd, CF Foster, VAG Gillies and Ostex Corporation Ltd can be considered. This report is intended to contribute to the requestor's section 32 evaluation.

## 1.1 Objective and Scope

The Clyde Claim Ltd, Houlahan Enterprises Ltd, DF Foster, VAG Gillies and Ostex Corporation Ltd are owners of approximately 13ha of land currently zoned Rural Residential Resource Area in the operative COD District Plan. The land adjoins (across Sunderland Street) the current boundary of urban residential zoning and development in Clyde, which is a satellite community largely serviced by Alexandra 10km to the south. The land is also adjacent to the Dunstan Hospital and is in close proximity to recreation reserves and facilities (including the Clyde Golf Course). The land is bounded on three sides by State Highway 8, Sunderland Street and Mutton Town Road. Other adjacent land uses are rural and rural lifestyle properties, in keeping with the current zoning. This includes one lifestyle property in the south east corner of the proposed development site (Figure 1.1).

The purpose of the private plan change is to rezone the identified land to the operative Residential Resource Zone, thus providing a significant uplift in residential dwelling capacity and enabling the cohesive expansion of urban density residential land use within Clyde (Figure 1.2).

The objective of this report is to provide evidence that allows the economic costs and benefits of the plan change request to be evaluated. To do that, M.E has been tasked with analysing the current supply of, and future demand for, residential dwellings in the township of Clyde. This allows the rationale of the private plan change (to provide capacity for new residential development) to be tested and also allows the scale of the proposed additional capacity to be put in context. In particular, we address how much future demand the plan change provides for, and over what potential time frame. In this regard, we have adopted an indicative dwelling yield for the site of 150 dwellings<sup>1</sup>.

A detailed assessment of plan enabled and commercially feasible urban dwelling capacity within Clyde township is not addressed in the scope of this report. M.E has been advised by Patterson Pitts Group (planning, surveying and engineering advisors on the plan change) that the existing subdivided areas within the Residential Resource Area are largely developed (i.e. little or no vacant lots) and no greenfield sites remain within that zone.

Notwithstanding the current constraints on further infill subdivision due to the absence of reticulated wastewater (currently being addressed by Council and discussed in more detail later in this report), we

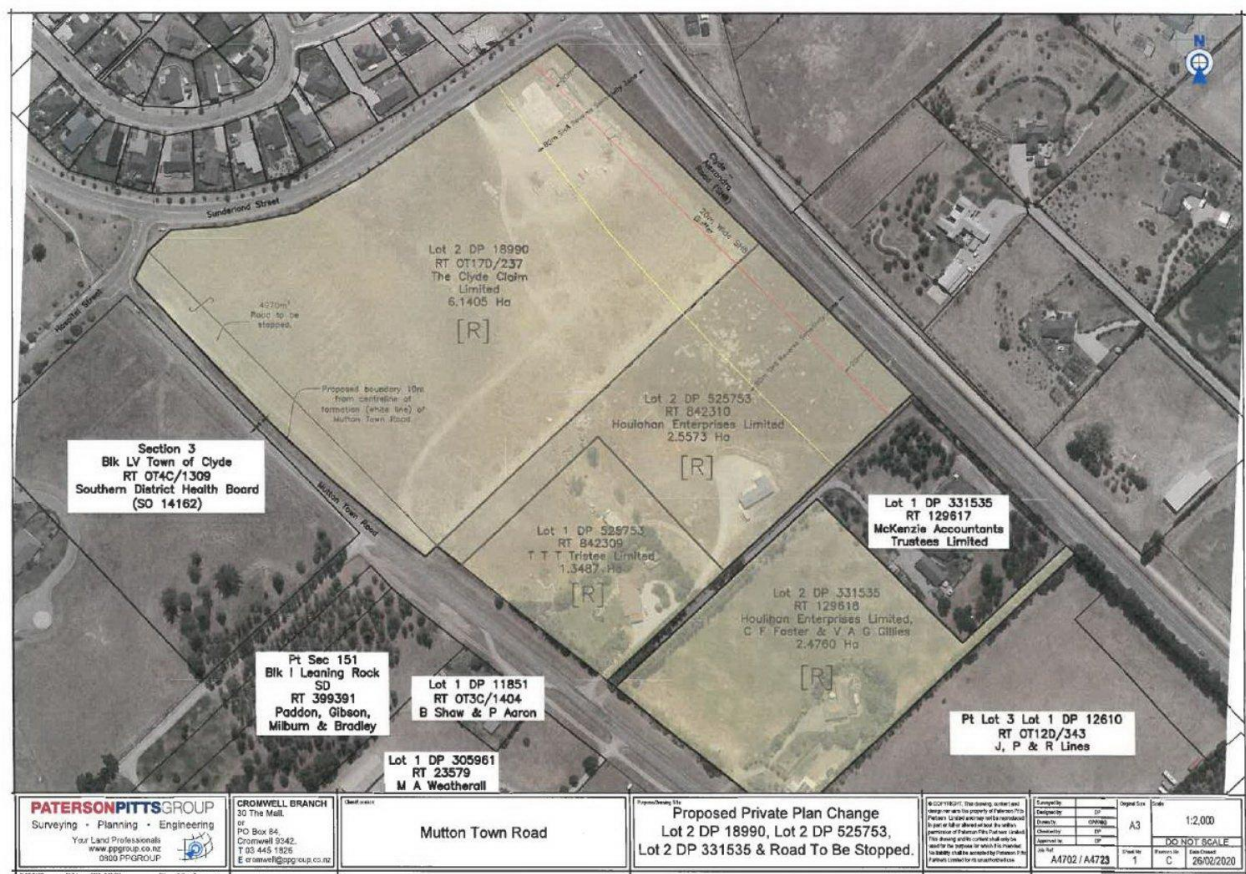
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<sup>1</sup> Advised by Patterson Pitts Group.



have also been advised that potential for infill and redevelopment in the long term<sup>2</sup> (once that constraint is addressed) is unlikely to yield any material additional capacity for growth. For the purpose of this report, we accept the advice of Patterson Pitts Group (whom we understand have been directly involved in much of Clyde's past subdivision and development) on the issue of current capacity for urban growth. Their advice is consistent with our preliminary observations of the Clyde market and statements made within the Council's current Infrastructure Strategy report.

Figure 1.1 – Proposed Residential Resource Area Zone (Plan Change Area), Clyde



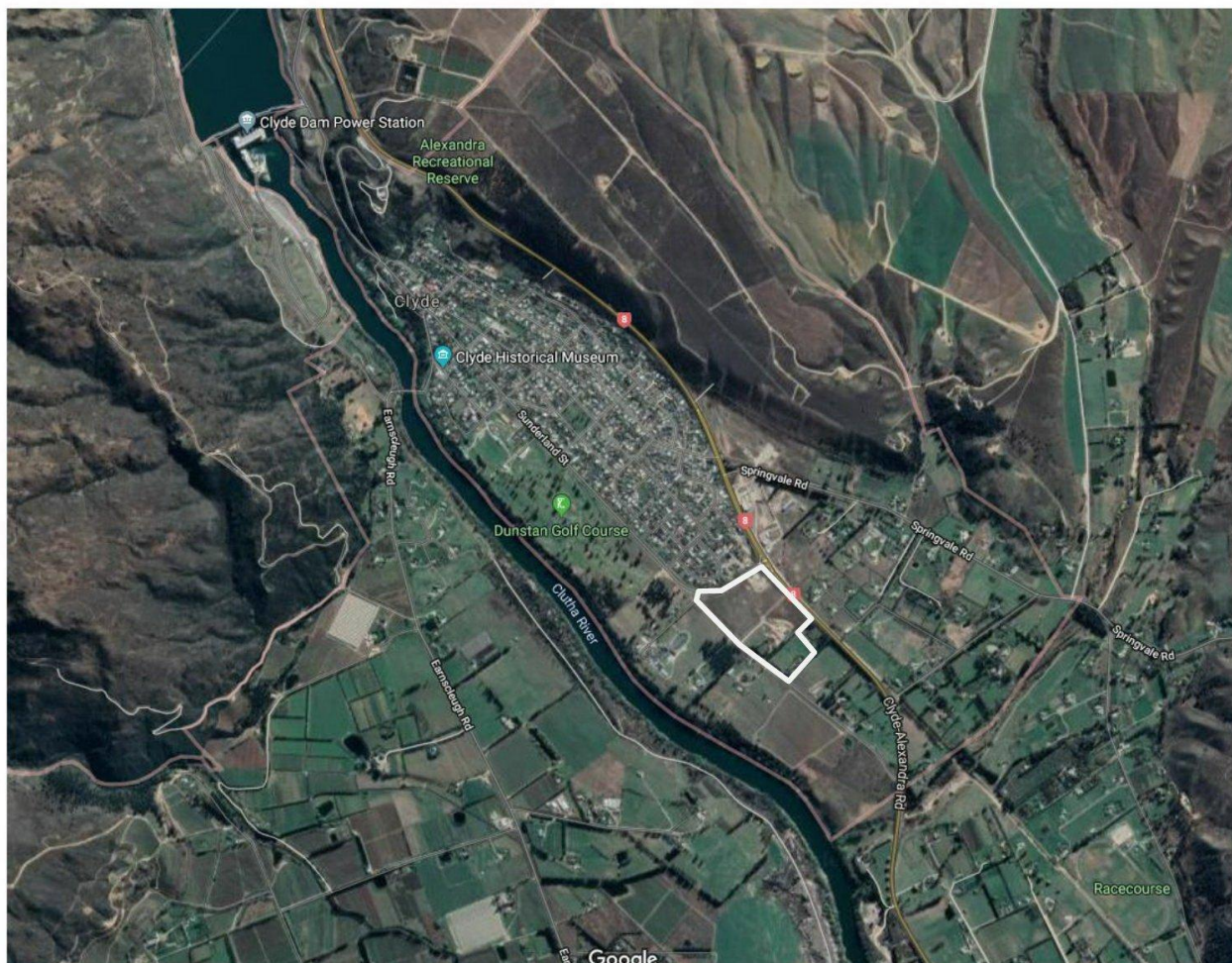
On that basis, this report broadly equates current supply with urban dwelling capacity in the Clyde township. At the outset, this determines that Clyde has effectively reached its limit for urban development and that the current zoning does not provide for further growth.

This report considers the validity of current demand projections for Clyde by examining recent trends in Clyde's residential property market and considering wider economic drivers of growth that will affect demand in this location.

<sup>2</sup> This report defines short term as a 3 year outlook, the medium term as a 10 year outlook and the long term as a 30 year outlook, in keeping with the approach in the NPS-UDC (2016).



Figure 1.2 – Plan Change Area in Wider Clyde Context



## 1.2 Assessment Approach and Report Structure

This report draws on a range of secondary data sources. Key sources of data include the 2013 Census, 2018 Census<sup>3</sup>, Statistics New Zealand annual sub-national population estimates, Statistics New Zealand Business Directory time series, the Ministry for Business, Innovation and Employment (MBIE) Housing Market Indicators Dashboard<sup>4</sup> and the Central Otago District Council (CODC) growth projections.


Statistical boundaries change over time, often becoming more accurate or changing to reflect the shifting patterns of land use on the ground, including Council zoning. As a result of the range of data sources relied on in this report, there is some variation in the statistical (geographic) boundaries that the data relates to<sup>5</sup>. This has implications for consistency and comparability of data. The key variation is between:

- Census Area Units (CAUs) which are a common geographic boundary used in the 2013 Census, the MBIE Dashboard and the Council's current growth projections, and

<sup>3</sup> Only limited data has been released to date from the 2018 Census. As such, aspects of the analysis rely on the earlier 2013 Census.

<sup>4</sup> <https://mbienz.shinyapps.io/urban-development-capacity/>

<sup>5</sup> <http://statsnz.maps.arcgis.com/apps/webappviewer/index.html?id=6f49867abe464f86ac7526552fe19787>

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- Statistical Area 2 (SA2) which are effectively the current equivalent of CAUs in that they apply at the broad suburb level, although in some locations boundaries have moved and areas that were once captured in one CAU are now split into one or more SA2. SA2 boundaries are used in the 2018 Census and now the Statistics New Zealand Business Directory<sup>6</sup>.

The key relevance of this variation for this report is the definition of Clyde itself, being the focus of the analysis, although it also impacts on the definition of Cromwell and Alexandra for example. The total district boundary is consistent across all data sources. **Appendix 1** shows the current SA2 boundaries for COD (and neighbouring districts (first map) and the second map highlights the boundary changes between CAU and SA2 for Clyde. For the most part, the area now excluded from the SA2 boundary is bare rural land and so would make little difference to demographic data. It does however capture an area of rural lifestyle properties, and this will contribute to some variation in dwelling and population counts as well as averages for housing market indicators. These variations are observed throughout the report but do not impact on the key findings of the assessment.

Section 2 of this report examines recent growth trends in Clyde. Section 3 summarises future growth projections for Clyde. Section 4 contains data on several housing market indicators for Clyde and discusses current constraints to growth. Section 5 evaluates the anticipated dwelling yield of the private plan change site relative to long term demand projections and provides a brief overview of key economic costs and benefits of the plan change.

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<sup>6</sup> M.E has converted its Business Directory Time series to SA2 boundaries using a concordance of 2017 meshblocks and 2020 SA2s.





## 2 Recent Growth Trends

Understanding past growth trends and the current characteristics of the Clyde community is essential in determining the town's future growth potential. This section assesses a range of statistical and demographic datasets to demonstrate Clyde's role within the district, how it's changed in recent years and what it looks like today.

### 2.1 Dwellings

Based on the Census 2018 estimate, the Clyde township (defined by the SA2 boundary which closely relates to the urban extent, Appendix 1) contained 786 dwellings in June 2018. Nearly 71% of those dwellings were usually occupied homes, just under 29% were usually unoccupied or vacant dwellings and less than 1% (or 6) were under construction at the time (Figure 2.1).

The share of unoccupied dwellings in Clyde is well above the district average (at just over 19% for 2018) and is especially high relative to the national average share of unoccupied dwellings (10.4%). This demonstrates that COD is a popular location for holiday homes generally and Clyde is an especially popular location for holiday homes within the district. In 2018, Clyde accounted for 6.9% of total district dwellings and 10.2% of total district unoccupied dwellings.

Figure 2.1 – Mix of Dwellings by Category in Clyde Township 2006-2018

Clyde (SA2)	Count			Share of Category		
	2006	2013	2018	2006	2013	2018
Total Occupied Dwellings	402	453	555	63.8%	64.5%	70.6%
Total Unoccupied Dwellings *	219	246	225	34.8%	35.0%	28.6%
Dwellings Under Construction	9	3	6	1.4%	0.4%	0.8%
Total Dwellings	630	702	786	100.0%	100.0%	100.0%

Source: Statistics NZ, Census 2018. \* Based on private dwellings only for 2006 and 2013.

In 2006, unoccupied homes totalled 219 and made up a much higher share of the total dwelling estate (just under 35%). The number of unoccupied homes grew by a further 27 to 2013, but the growth was consistent with total dwelling estate growth (i.e. the unoccupied share remained at 35% in 2013). Between 2013 and 2018, the number of unoccupied dwellings dropped by 21 despite total growth of 84 dwellings in that period (Figure 2.2).

This shows a shift in the market, likely driven by strong residential demand and rising property values meaning that a number of holiday homes transitioned into occupied dwellings (which includes long term rental properties). However, the net change in unoccupied dwellings in 2018 compared to 2006 is still positive (+6) and the current share of the dwellings that are unoccupied is still significant (28.6%). In future, M.E anticipates that unoccupied dwellings may continue to decline as a share of the total (moving closer to the district average over time).

Figure 2.2 shows that dwelling supply increased by 72 between 2006 and 2013 (growth of 11% or an annual average increase of 10 dwellings per year). The period between 2013 and 2018 showed an even stronger

rate of dwelling growth – a net increase of 84 dwellings (growth of 12% or an annual average increase of 17 dwellings per year).

Figure 2.2 – Recent Growth in Dwellings by Category in Clyde Township 2006-2018

Clyde (SA2)	Count			Net Change			Net Change %			Average Annual Change			
	2006	2013	2018	2006-2013	2013-2018	2006-2018	2006-2013	2013-2018	2006-2018	2006-2013	2013-2018	2006-2018	
Total Occupied Dwellings	402	453	555	51	102	153	13%	23%	38%	7	20	13	
Total Unoccupied Dwellings *	219	246	225	27	-	21	12%	-9%	3%	4	-	4	
Dwellings Under Construction	9	3	6	-	6	3	-67%	100%	-33%	-	1	-	
Total Dwellings	630	702	786	72	84	156	11%	12%	25%	10	17	13	

Source: Statistics NZ, Census 2018. \* Based on private dwellings only for 2006 and 2013.

The dwelling estate of Clyde is typically that of standalone dwellings – the significant majority of which have occurred without redevelopment. This means that recent dwelling growth was enabled by the provision of new vacant residential lots. As the Residential Resource Area Zone is now fully subdivided (not including limited potential for further infill subdivision) and those lots are anecdotally almost fully developed with dwellings, the recent rate of dwelling growth observed within the Clyde SA2 defined area will not be sustainable going forward and urban growth is expected to come to a halt in the short term unless further capacity is provided/approved.

## 2.2 Usually Residential Population

The age profile of the usually resident population of the Clyde (SA2 defined) township has shown steady change over the last three censuses (Figure 2.3). The share of children and young adults is declining, and the share of retired adults is increasing. The number of residents aged 65 and over has doubled since 2006. When compared to the total district, the concentration of retired people (aged 65+) in Clyde is apparent (a 29% share of the total resident population compared to a 23% share for COD). Furthermore, the national average share is just 15% of the population aged 65+ in 2018. Clyde has proven popular as a destination for retirement living.

Figure 2.3 - Mix of Resident Population by Age Group in Clyde Township 2006-2018

Clyde (SA2)	Count			Share of Category		
	2006	2013	2018	2006	2013	2018
Under 15 years	159	159	165	18%	16%	14%
15-29 years	105	102	99	12%	10%	9%
30-64 years	471	492	558	52%	49%	48%
65-74 years	108	165	207	12%	17%	18%
75 years and older	63	81	132	7%	8%	11%
Total Resident Population	906	999	1,161	100%	100%	100%

Source: Statistics NZ, Census 2018.

Figure 2.4 shows the growth in the usually resident population between 2006 and 2018. According to the Census 2018, Clyde township reached a population of 1,161. As with the trend in dwelling growth, the rate of growth between 2006 and 2013 was 10% (93 additional people), but the following period (2013-2018) experienced faster growth (16% or an average annual increase of 32 residents). This growth was facilitated by both the increase in dwellings and the transition of some unoccupied dwellings to occupied dwellings.



With urban dwelling capacity in the township anecdotally nearly full, the resident population of the Residential Resource Area Zone is expected to stabilise or may experience more modest growth if further unoccupied dwellings become available for permanent residents.

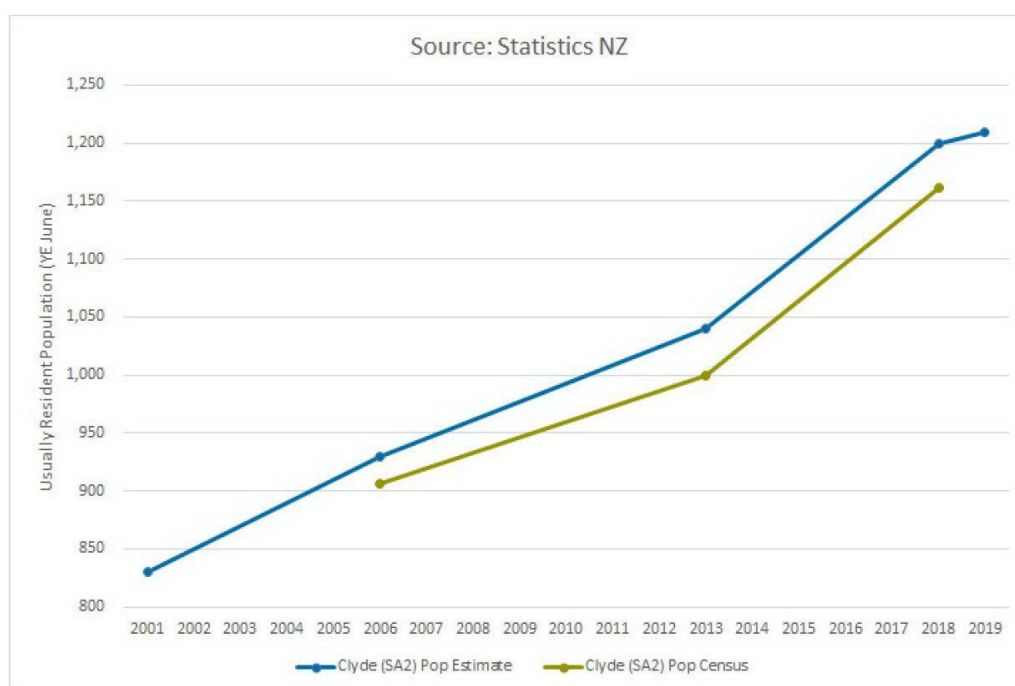
Figure 2.4 – Recent Growth in Resident Population by Age Group in Clyde Township 2006-2018

Clyde (SA2)	Count			Net Change			Net Change %			Average Annual Change		
	2006	2013	2018	2006-2013	2013-2018	2006-2018	2006-2013	2013-2018	2006-2018	2006-2013	2013-2018	2006-2018
Under 15 years	159	159	165	-	6	6	0%	4%	4%	-	1	1
15-29 years	105	102	99	-3	-3	-6	-3%	-3%	-6%	0	-1	-1
30-64 years	471	492	558	21	66	87	4%	13%	18%	3	13	7
65-74 years	108	165	207	57	42	99	53%	25%	92%	8	8	8
75 years and older	63	81	132	18	51	69	29%	63%	110%	3	10	6
Total Resident Population	906	999	1,161	93	162	255	10%	16%	28%	13	32	21

Source: Statistics NZ, Census 2018.

An alternative source of population data is the year end June population estimates from Statistics New Zealand. These annual estimates are also reported for the same SA2 defined area for Clyde but show a slightly higher figure than Census counts (Figure 2.5). While subject to further revisions, the growth trend in these estimates is consistent with Census trends. Of key relevance, the provisional 2019 estimate shows a slowing of population growth – likely driven by the constraints on dwelling growth within the urban area.

Figure 2.5 – Comparison of Population Estimates and Census Population - Clyde



Statistics New Zealand have provided some detail on the components of change in the usually resident population estimated between June 2018 and June 2019 (provisional) for the total district. Key results include:

- 11% of the net increase was driven by natural increase (excess of births over deaths).
- 89% of the net increase was driven by net migration (excess of people moving in over people moving out).

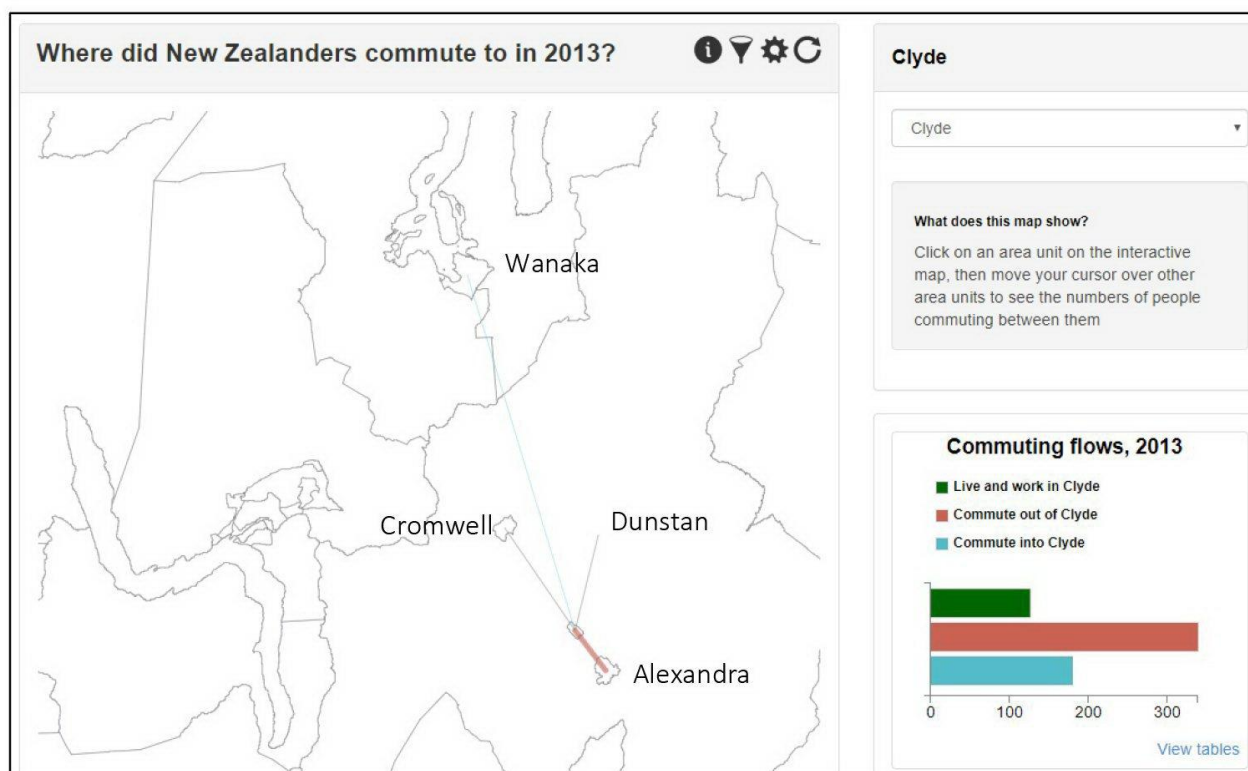
- Total district growth 2018-2019 equates to an estimated 1.2% of total New Zealand population growth. COD accounts for a below average share of total New Zealand natural increase growth (0.4%) and an above average share of total New Zealand net migration growth (1.6%).
- By comparison, while Queenstown Lakes District (QLD) experienced greater overall population growth (1,500) between 2018 and 2019, a higher share was driven by natural increase (20%) and a lower share was driven by net migration (80%) relative to COD.

While there is no data available at a sub-district level (i.e. for Clyde specifically), it is likely that recent population growth in Clyde township has been even more driven by net migration (i.e. people moving to the town) and less driven by natural increase compared with the district overall on account of the age profile of Clyde (a greater share of older cohorts and a lower share of young cohorts). The key implication of this is that demand growth for Clyde is heavily influenced by external factors - elsewhere in the district and elsewhere in New Zealand – particularly movement by retiring households.

## 2.3 Workplace Locations

Journey to work data from Statistics New Zealand<sup>7</sup> provides some insight on why working aged (non-retired) households may choose to live in Clyde, and in turn what may drive future demand for dwellings in Clyde township. This data is not yet available for 2018, and so 2013 data is the latest available.

Figure 2.6 – Visual Summary of 2013 Clyde CAU Journey to Work Data



<sup>7</sup> This data is summarised in the Statistics New Zealand experimental interactive mapping tool which can be found using this link: <https://www.stats.govt.nz/tools/commuter-view>.

Figure 2.6 and Figure 2.7 show the results for the Clyde CAU (refer Appendix 1 for geographic extent). It reveals both the estimated resident workforce of Clyde and also the count of people employed in Clyde.

Figure 2.7 – Summary of 2006-2013 Clyde CAU Journey to Work Data

Origin	Category	Count		People Employed in Clyde		Resident Clyde Workforce		Growth 2006-2013	
		2006	2013	Share 2006	Share 2013	Share 2006	Share 2013	Count	%
Resident Workforce	Live and Work in Clyde	108	126	46%	41%	30%	27%	18	17%
Non-Resident Workforce	Commute into Clyde	126	180	54%	59%			54	43%
<b>Sub-Total People Employed in Clyde</b>		<b>234</b>	<b>306</b>	<b>100%</b>	<b>100%</b>			<b>72</b>	<b>31%</b>
Resident Workforce	Commute out of Clyde	255	339			70%	73%	84	33%
<b>Sub-Total Clyde Workforce</b>		<b>363</b>	<b>465</b>			<b>100%</b>	<b>100%</b>	<b>102</b>	<b>28%</b>

Source: Statistics New Zealand, Commuter View

Key observations include:

- The 2013 resident workforce of Clyde was 465 people (indicatively 47% of the total resident population based on the Census population count).
- Of that workforce, 27% work within Clyde (down from 30% in 2006) and a significant 73% commute to work outside of Clyde (up from 70% in 2006). This is consistent with Clyde having a relatively small commercial centre (with fewer employment opportunities). Other key employers within the confines of the CAU are the primary school and the Dunstan Hospital.
- Local residents make up 41% of the people employed in Clyde, while 180 people who live elsewhere commute into Clyde for work and make up 59% of all people employed in the township in 2013. The majority of those that commute into Clyde live in Alexandra (approximately 47%), followed by those that live in Dunstan CAU<sup>8</sup> (39%), Cromwell (10%) and Wanaka (4%).
- Resident workers that commute outside of Clyde for work have grown by 33% between 2006 and 2013 (+84 people) while resident workers that work within Clyde have grown by just 17% (+18 people). This shows that total workforce population growth between 2006 and 2013 (+102) occurred at a faster rate than total employment growth in the township (+72). In short, many people do not live in or move to Clyde because of local employment opportunities. They see it as a place that they can commute from.
- The key locations<sup>9</sup> where the 339 resident Clyde workers (2013) commute to for work are Alexandra (approximately 68%), followed by Dunstan (21%) and Cromwell (11%). This shows that as employment opportunities increase in Alexandra or even Cromwell, more households may consider Clyde as a suitable place to live and commute from.

## 2.4 Employment Opportunities

Between 2013 and 2018 (i.e. the inter-census period following the journey to work data described above), employment tied to businesses registered within Clyde (SA2) township has grown by 173 jobs or an annual

<sup>8</sup> See Figure 2.6 for extent (potentially includes works living close and distant from Clyde).

<sup>9</sup> Locations with only a few commuters are not shown in the data to protect confidentiality. Percentages are calculated based on the locations listed in the data only.





average of 35 additional jobs per annum (34% of which is associated with growth in accommodation and food services, 18% is associated with growth in construction related tradesmen, 12% is associated with growth in health care and 36% is associated with growth in other sectors). This is total growth of 55% or an annual average of 35 jobs/per annum. We note that the construction jobs may or may not be tied to construction occurring in Clyde as sole trader construction workers (i.e. builders, electricians etc) typically register their business to their home address. This portion of growth may be driven by workers in the construction industry choosing to live in Clyde rather than employment opportunities in Clyde per se.

Even discounting the growth in construction jobs, in this period since 2013 it appears that the trend has switched and the number of jobs in Clyde township has grown faster than the estimated resident workforce<sup>10</sup>. That 2018 workforce does however still exceed the count of local jobs in real terms and further growth in the number of commuters leaving Clyde each day for work between 2013 and 2018 is anticipated (over and above the count in 2013) although has not been quantified. This cannot be validated until the Census 2018 journey to work data is released.

During that same period of 2013-2018:

- Employment tied to businesses registered within Alexandra North and South (SA2s) has grown by a combined 518 jobs (total growth of 13% or an annual average of 104 jobs/per annum);
- Employment tied to businesses registered within Cromwell East and West (SA2s) has grown by a combined 680 jobs (total growth of 25% or an annual average of 136 jobs/per annum);
- While further afield, employment tied to businesses registered within the southern half of QLD (Wakatipu and Arrowtown Wards) has grown by a combined 7,319 jobs (total growth of 47% or an annual average of 1,464 jobs/per annum); and
- Employment tied to businesses registered within the norther half of QLD (Wanaka Ward) has grown by a combined 2,576 jobs (total growth of 48% or an annual average of 515 jobs/per annum).

These trends show that destinations known to be within commuter distance of Clyde township have experienced continued growth in employment. To the extent that these recent growth trends are likely to carry on in the future, then Clyde can expect continued demand for households looking to reside in Clyde and commute to employment in surrounding employment areas.

## 2.5 Key Point Summary

- Clyde has grown steadily in recent years in terms of both total dwellings, resident population and job opportunities.
- The key drivers of recent growth include:
  - Holiday Homes – people purchasing dwellings for short duration stays (and may include short term rental).
  - Retirement Living – people moving to Clyde to retire.

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<sup>10</sup> Typically considered the population between age 15 and 65 years (see Figure 2.4).



- Commuter Living – people moving to Clyde to live while working elsewhere.
  - Local job opportunities – people living and working in Clyde.
  - Natural increase and household formation (albeit that this is a minor contributor relative to the above drivers).
- If unconstrained, there is evidence that demand for dwellings in Clyde would continue.
- This is because (a) many of the key physical features and attractions of Clyde (i.e. the town's amenity and relative accessibility) are unlikely to change materially in the future and (b) the drivers of Clyde's residential demand are expected to grow over time (i.e. an ageing population and more job opportunities in locations like Cromwell and Alexandra and potentially locally).



## 3 Future Demand Growth

This section examines dwelling growth projections for Clyde township based on CODC's own projection dataset. These demand projections assume unconstrained capacity for growth and therefore reflect the growth potential of Clyde over the long term, should that capacity be provided. Consistent with the findings of Section 2, the projections indicate continued growth and demand for Clyde.

### 3.1 Population Growth Projections

The Council's 2018-2048 growth projections are prepared by Rationale Limited. These projections were last prepared in August 2016<sup>11</sup> and the next update is scheduled for 2020 (to incorporate the Census 2018 results). Before focussing on Council's dwelling projections for Clyde, which is directly relevant to the proposed private plan change, it is useful to examine the Council's usually resident population projections for the township against the latest data.

The CODC projections incorporate Statistics New Zealand low, medium and high growth projections across the district, and a recommended growth projection that takes into account local level growth trends. In the Clyde CAU, the recommended projection adopted the high growth outlook for the short and medium term and a medium growth outlook in the long term.

Elsewhere in the district, recent growth has eclipsed short term recommended growth projections (i.e. growth has been faster than projected). In Cromwell for example, Rationale has since advised Council<sup>12</sup> to revert to the high growth scenario for the purpose of long term planning until such time as the projections can be updated. In keeping with the approach recommended for Cromwell, we have considered the high growth projections for Clyde in this assessment for all three time periods.

Figure 3.1 overlays the high scenario usually resident population projections for the Clyde CAU to 2048 with the recent Census population counts and annual population estimates – albeit that these are for a slightly smaller (SA2 defined) geographic area. While there is some variation around the historical data points, M.E consider that the high growth scenario still appears broadly appropriate for application in Clyde but is potentially conservative because growth between 2013 and 2018 has tracked slightly faster (steeper). Only when the projections are updated will it become evident whether Rationale considers that Clyde's growth rate should be revised upwards. In the interim, we have adopted the existing high growth projections for population and dwellings for Clyde.

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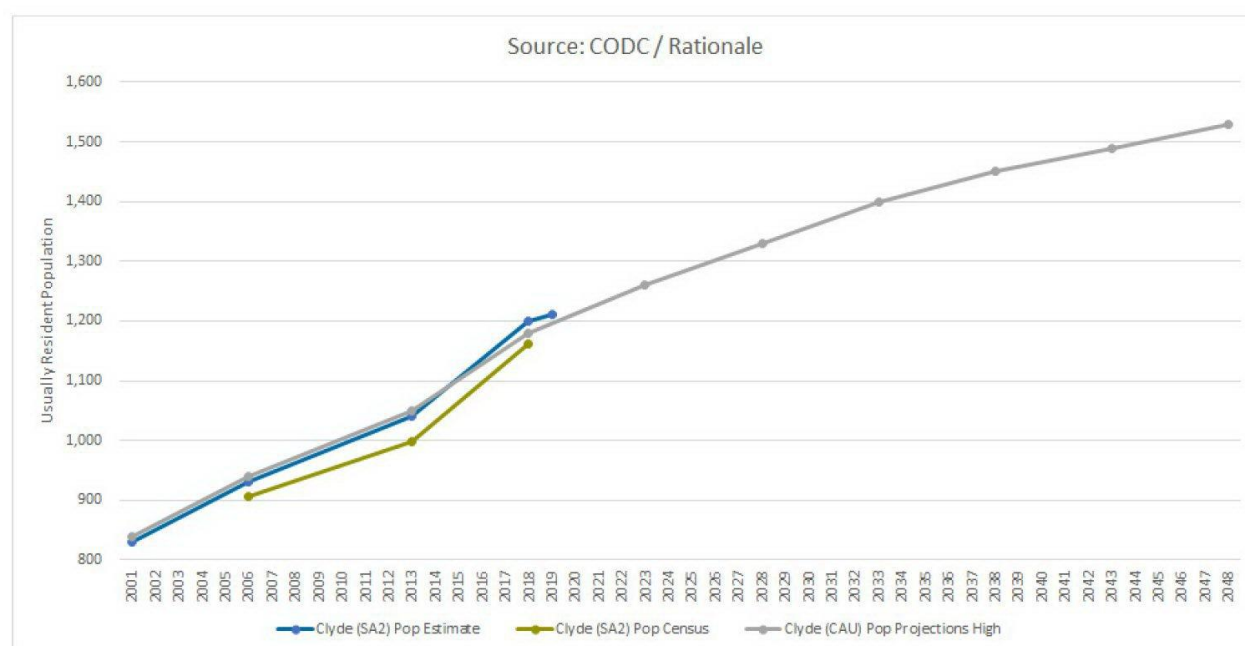
<sup>11</sup> CODC Growth Projections 2018 to 2048 – Resident Population, Visitors, Dwellings, Rating Units. Rationale Ltd, August 2016.

<sup>12</sup> Memo dated 20<sup>th</sup> September 2018 from Tom Lucas (Rationale) to Vivien Lightfoot (CODC).





Figure 3.1 – CODC Dwelling Growth Projections for Clyde CAU 2018-2048



## 3.2 Dwelling Growth Projections

Dwelling projections relate directly to capacity for residential lots<sup>13</sup> – which is the key purpose of the proposed private plan change (to supply additional urban density residential sections and therefore dwellings in Clyde). Further detail on Rationale’s approach to dwelling projections can be found in section 5.3 of their 2016 report.

Figure 3.2 shows that residential dwellings in the Clyde (CAU defined) township are projected to increase from 781 in 2018 to 1,055 in 2048. This is a total increase of 274 additional dwellings (a long term annual growth rate of 9 dwellings per annum) or total growth of 35%.

Potentially relevant, the surrounding rural environment of Clyde – defined as ‘Outer Clyde’ in the Rationale projections and mapped in Appendix 1 – is projected to grow by 134 additional dwellings between 2018 and 2048 (between 4 and 5 dwellings on average per annum or total growth of 70%). Such growth (if realised) would result in intensification of what is currently zoned Rural Residential or Rural Resource Area land.

Over the 2018-2048 time period, the same high projections show growth of only 51 ‘rating units’ in Outer Clyde. This indicates that the major share of projected dwelling growth in this area is anticipated to be absorbed on existing rural or dairy farm properties with a smaller share (indicatively around 40%) created on new rural lifestyle properties<sup>14</sup>.

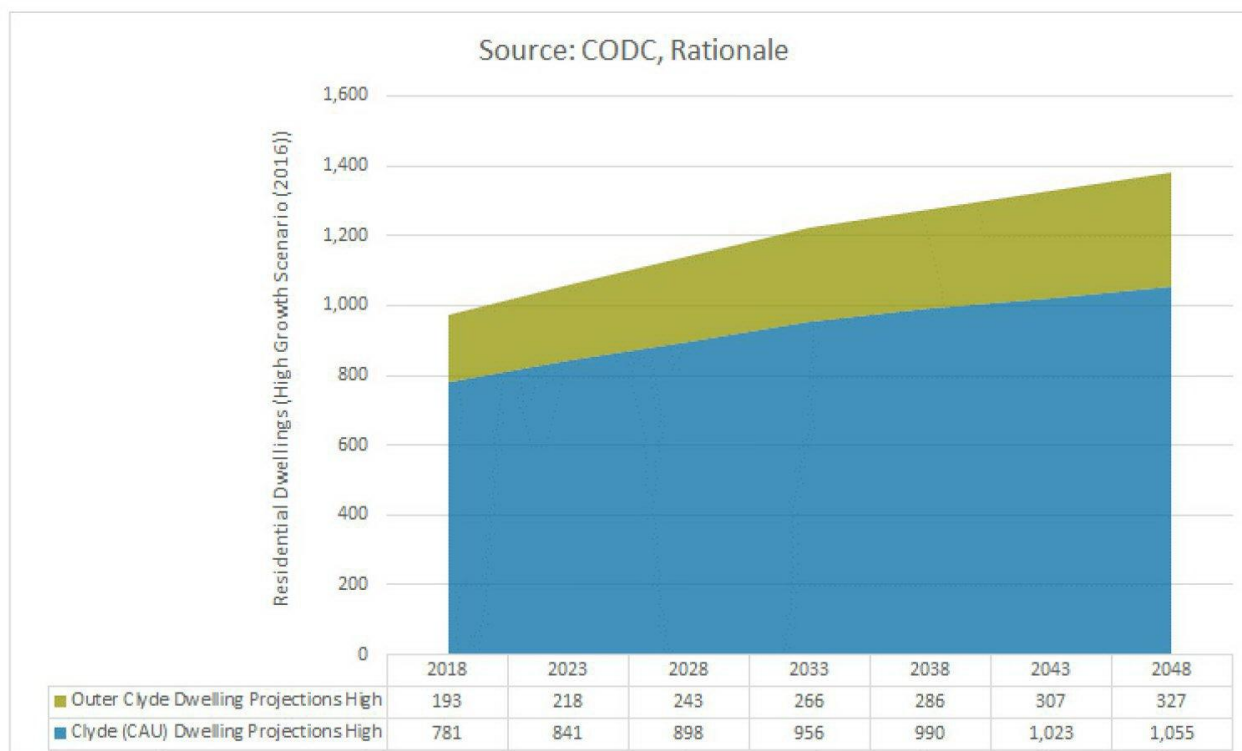
<sup>13</sup> We note that there is not necessarily a 1:1 relationship between residential lots and residential dwellings where planning provisions allow for the development of minor dwellings. For the purpose of this assessment we have equated dwellings with lots.

<sup>14</sup> Based on M.E.’s understanding of Rationale’s rating unit approach.



The proposed plan change site falls within the ‘Outer Clyde’ defined area. This means that there is strong demand to develop this site for rural lifestyle properties as well as potential to develop the site for urban residential expansion (i.e. to cater for a portion of the growth projected for the Clyde CAU/township). The most efficient use of the site (for these two potential outcomes) depends on the capacity of the current township to internalise projected growth. The capacity of the township to cater for further growth is discussed further in Section 5.

Figure 3.2 – Residential Dwelling Projections for Clyde and Surrounds (High) 2018-48



The Council’s dwelling projections provide the context against which the intent and scale of the private plan change can be evaluated. M.E considers two scenarios for this assessment:

1. Scenario 1: Projected dwelling growth within the Clyde CAU – being demand for urban dwelling capacity ‘in’ the Clyde township. As above, this is long term growth of 274 additional dwellings (to 2048). This forms our lower demand growth estimate.
2. Scenario 2: A portion of dwelling demand in Outer Clyde could (subject to market preferences) be satisfied through the provision of additional urban dwelling capacity instead of through additional (lower density) rural lifestyle capacity. The logical location of urban capacity within Outer Clyde would, in our view, be on the fringes of the Clyde township in order to maximise urban efficiency. Under this scenario, the urban component of projected dwelling growth in Outer Clyde would be additional to the projected urban dwelling growth within Clyde township (i.e. they would be combined). M.E has assumed indicatively that 30% of the 51 additional rating units projected for Outer Clyde could be satisfied through urban properties. This is 15 dwellings out of the total growth of 134 additional dwellings for Outer Clyde to 2048 (11% of the total). We have added these 15





residential dwellings to the township's dwelling growth of 274 to give an upper estimate of demand growth of 289 urban dwellings<sup>15</sup>.

The relationship between the private plan change request and there two demand growth scenarios is discussed further in Section 5.

### 3.3 Key Point Summary

- Clyde township is projected (assuming no constraints to capacity) to grow by an additional 274 to 289 residential dwellings between 2018 and 2048 based on current Council data.
- This demand is for urban density dwellings within or adjacent to the existing urban area of Clyde.
- This projected future growth is broadly consistent with recent growth rates (i.e. is a continuation of past growth trends). It is considered realistic based on an understanding of the drivers of demand for residential dwellings in Clyde.
- Even the upper range of demand growth may prove to be conservative, although this will not be clear until Council updates their growth projections in 2020.

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<sup>15</sup> Note, this upper estimate of urban dwelling demand growth (Scenario 2) does not account for the potential conservatism in the current council projections for Clyde.



## 4 Current Residential Market

This section takes a look at selected housing market indicators for the Clyde township (as defined by CAU boundaries). These indicators, supplied by MBIE in response to the National Policy Statement – Urban Development Capacity 2016, help to monitor the implications of demand, supply and capacity, and how these three factors interact in economic terms. They provide further insight on the potential relevance and effect of additional residential dwelling capacity in Clyde, as would be enabled through the proposed private plan change. This section also discusses the current constraints to Clyde’s urban growth.

### 4.1 Housing Market Indicators

Figure 4.1 contains data on the count of dwellings for each CAU of COD as well as the COD average. The data is derived from building consents (lagged to allow for building completion). Clyde is represented by the light green line. The number of dwellings in Clyde is relatively small compared to the likes of Cromwell, Alexandra and the extensive Dunstan CAU (which contains a mix of rural, rural lifestyle and urban settings). As at March 2019, Clyde accounted for 8.2% of the district’s dwelling estate according to this dataset. Compared to Cromwell and Dunstan which have increased dwellings by 8% each in the two years since March 2017, dwelling growth in Clyde has been modest at 6%.

Figure 4.1 – COD Count of Dwellings – Broken Down by CAU (MBIE)

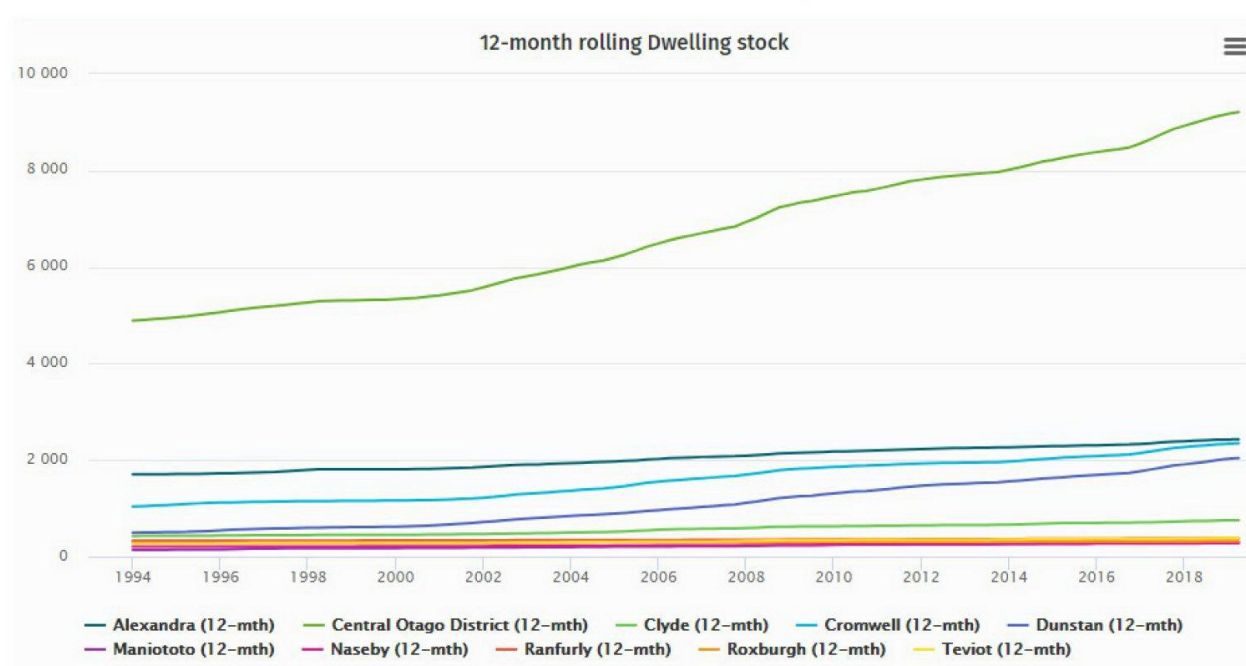


Figure 4.2 examines Clyde’s quarterly dwelling change in more detail. It is an indicator of residential building activity in the township and correlates strongly with the supply of residential sections to the



market. Residential dwelling construction has ranged from a low of 1 new dwelling per quarter, to as many as 8 new dwellings a quarter. The peaks follow a release of one or more residential subdivisions and the troughs represent the diminishing availability of bare sections. Importantly, Figure 4.2 shows that growth has been slowing since September 2017 with only two dwellings added in the March 2019 quarter. More recent data is not provided on the MBIE website but M.E anticipate that the rate of growth has further diminished over the rest of 2019. In the absence of any new residential capacity, particularly greenfield land, Clyde will cease to grow despite increasing demand for dwellings.

Figure 4.2 – Clyde CAU Dwelling Stock Supply Trend

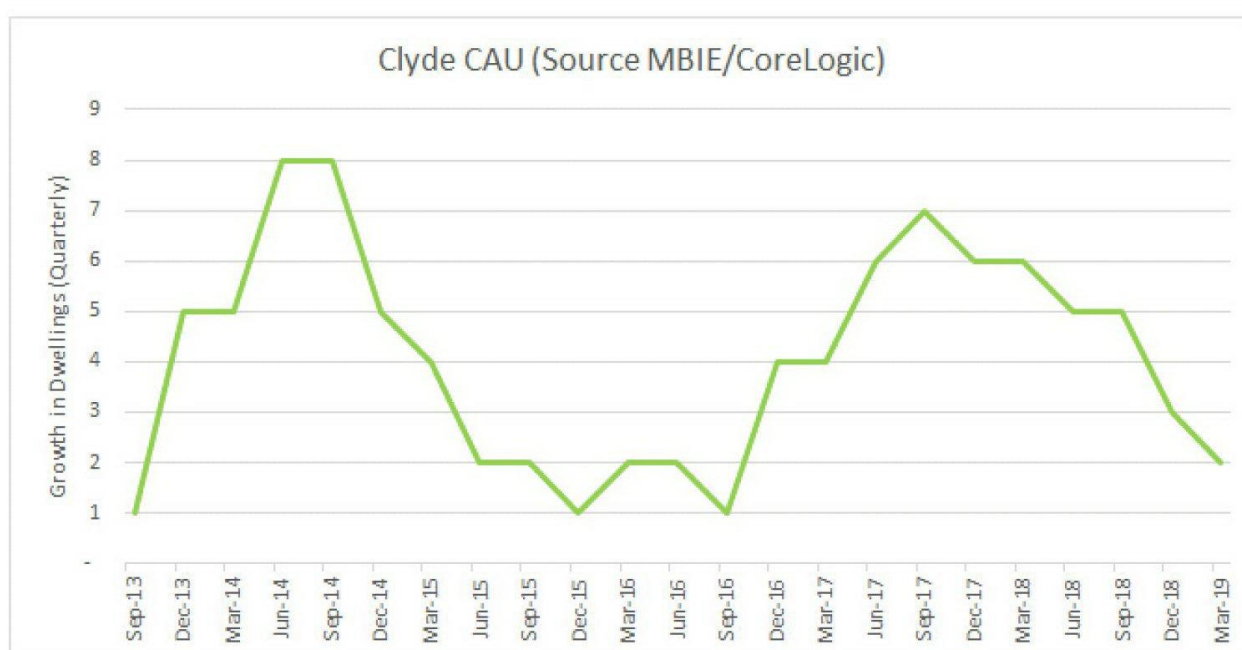


Figure 4.3 compares the median prices of residential dwellings sold in each quarter by CAU in COD. This median price series is not adjusted for size and quality of dwellings. Prices are presented in nominal terms; they have not been adjusted for general price inflation.

Sale prices are determined by the interaction of demand and supply, including for investment property. Across COD, there was little variation in house prices back in the early 2000s, but things are very different today where there is a broad range of values depending on the location. Between 2010 and 2015, Clyde had the second highest median house prices in the District (after Dunstan CAU which is strongly influenced by rural lifestyle properties but also satellite areas like Pisa Moorings and Bannockburn). During this period of slow but steady growth in dwellings, prices remained relatively stable. Prices in Clyde then decreased slightly to 2016 but have since accelerated rapidly and once again exceed median values in Cromwell.



Figure 4.3 – COD Dwelling Sales Prices – Broken down by CAU (MBIE)

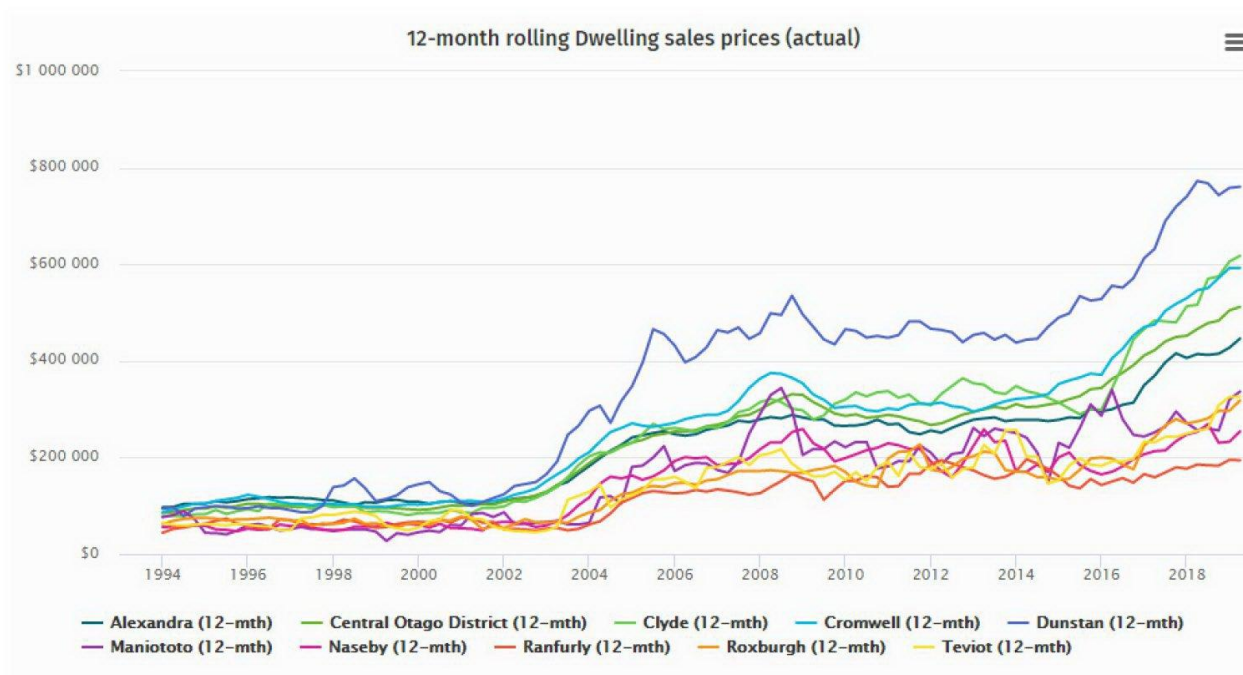


Figure 4.3 suggests a strong sellers' market in Clyde (high demand and limited supply). While typically satellite suburbs offer potential for lower house values as a trade-off for a commute to work for working households and families, it is likely that strong demand by the holiday home and (wealthy) retirement market has driven prices up<sup>16</sup> in conjunction with the constraints on further growth.

As supply is further constrained in Clyde township (due to the absence of expansion potential), prices can be expected to continue to rise in light of strong demand. This may further limit the affordability of Clyde for certain segments of the housing market.

Figure 4.4 reflects mean<sup>17</sup> rents as reported in new rental bonds lodged with MBIE by CAU across COD. Prices are presented in nominal terms; they have not been adjusted for general price inflation. The data is for private bonds only and so excludes any social housing. The data shows that at times, mean rent prices in Clyde have been among the most expensive in the district. Today, they are second only to Cromwell. Rent data for the March 2019 quarter is not yet included for Clyde, so it is not yet clear if rents have stayed stable or have risen again as was the case in Cromwell and Alexandra. If the supply of rental properties is further constrained in the light of strong demand growth, it is likely that landlords will be able to command higher and higher rents in Clyde and another step-change increase in mean rents (such as occurred in early 2017) may be likely.

<sup>16</sup> Loan servicing is less critical to these groups.

<sup>17</sup> The mean used is a geometric mean. The reason for using this mean is that rents cluster around round numbers and tend to plateau for months at a time (spiking up by say \$10 or \$20 at a time). This makes analysis of time series difficult and using the geometric mean is a way of removing this clustering effect.



Figure 4.4 – COD Dwelling Rent Prices – Broken down by CAU (MBIE)

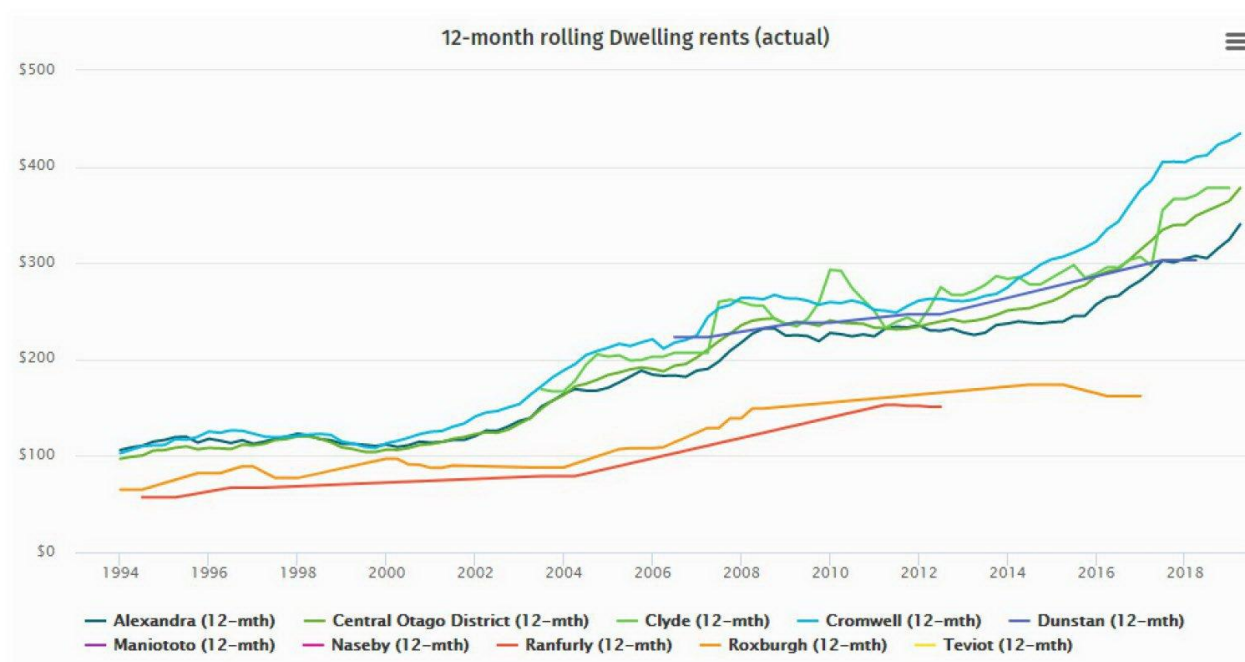


Figure 4.5 shows the mean land prices at each valuation period by CAU across COD. The mean is weighted by the number of dwellings in each component meshblock. The value of land in Clyde was relatively stable between 2008 and 2014. Elsewhere in the district, land values were decreasing during that period. Since 2014 (i.e. in the 2017 valuation), land values in Clyde increased, although this increase was felt in most of the district. Rising land values will have contributed to the rise in dwelling prices in Clyde in recent years to a minor degree. Land values are approaching those in Alexandra and may surpass Alexandra if the recent trends continue. Limited growth in supply (capacity) will further drive up land values.

Figure 4.6 shows the share of house values that are accounted for by land prices at each valuation period. A higher ratio indicates that land is more valuable relative to the buildings that occupy it. Compared to the high growth districts and aggregated areas, COD has a low percentage share (39.5% in 2016). In Auckland, land value in 2017 accounted for 70% of capital value (and is rising) and in QLD the share is 54%. COD is however similar to many other provincial districts and has a higher share than Dunedin and Invercargill cities.

Within COD, Clyde has one of the lowest ratios of land value to capital value at 35.2% - similar to Teviot and Maniototo CAUs. This shows that the value of property in Clyde is tied mostly to the presence of the dwellings. It is also an indicator that properties are relatively over-capitalised which makes redevelopment less likely. This is relevant when considering the potential for redevelopment to help cater for projected growth (i.e. through intensification/subdivision of existing developed lots). While this data presents only a high level average, it supports anecdotal evidence that infill and redevelopment opportunities cannot be relied upon to any significant degree to help cater for projected dwelling demand growth in Clyde township.





Figure 4.5 – COD Average Dwelling Land Value – Broken down by CAU (MBIE)

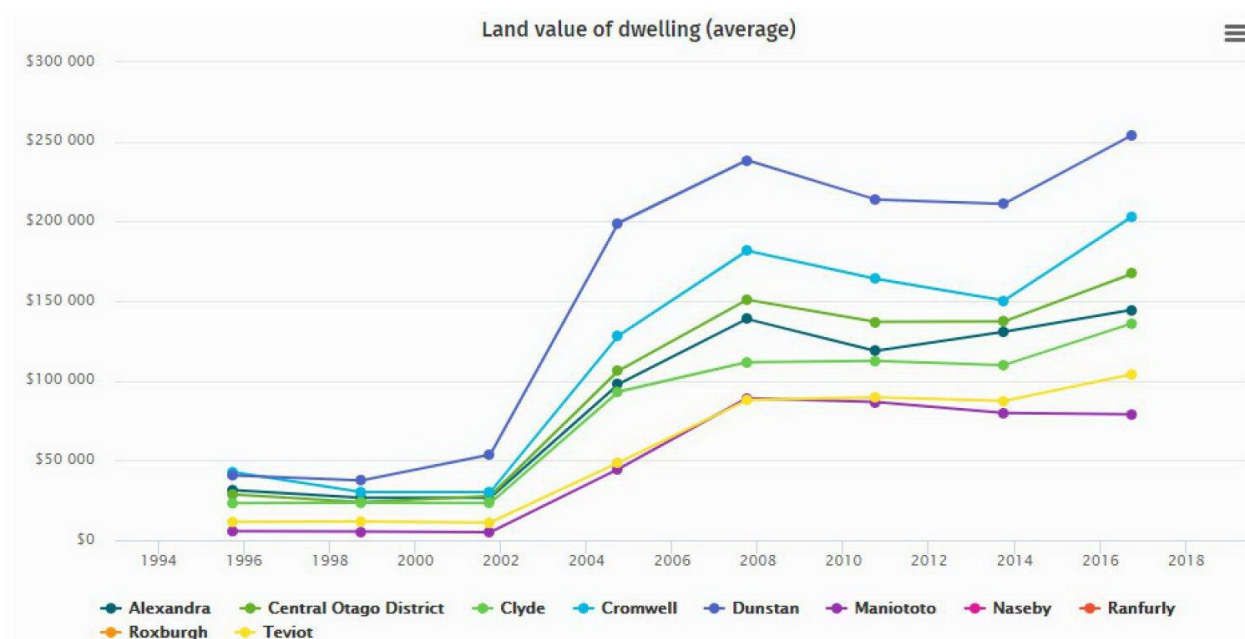
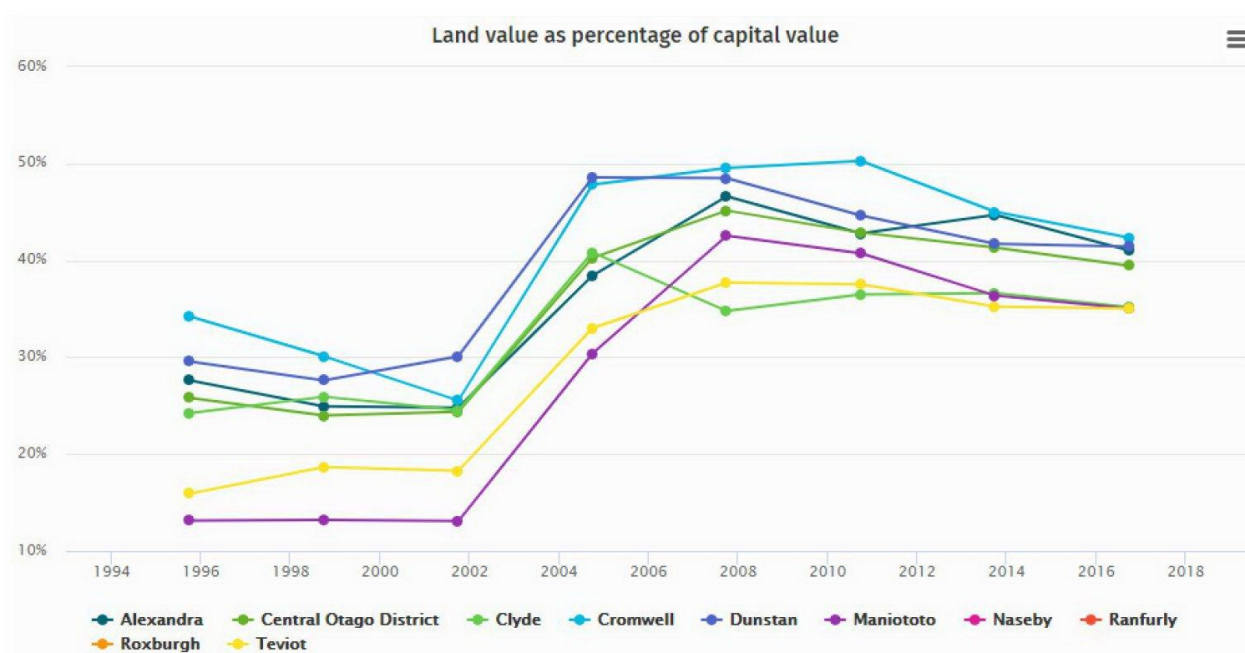


Figure 4.6 – COD Dwelling Land Value as a % of Capital Value – Broken down by CAU (MBIE)



## 4.2 Constraints to Clyde's Urban Growth

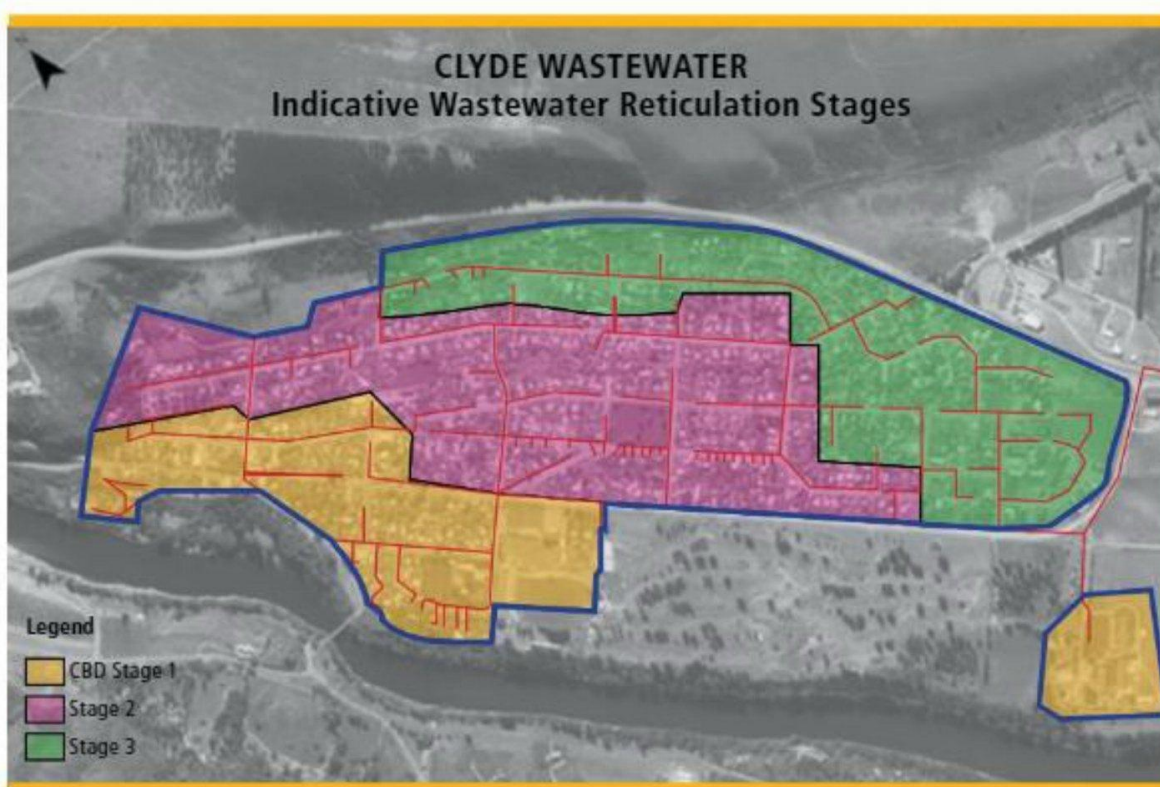
Residential and commercial properties in Clyde are reliant on individual septic tanks to manage wastewater. For this reason, further intensification of Clyde's existing urban area is constrained at a property level and further expansion of Clyde, which would increase the number of residential septic tanks and disposal fields increases the risk of adverse and cumulative environmental effects (contrary to the requirements of the

NPS on Freshwater Management). Managing tourist growth and economic development in the commercial centre is also potentially constrained by the ability to locate and service septic tanks.

It is M.E's understanding that until Clyde's wastewater management issues are addressed, the town's growth is limited to the current urban boundary. In response to growing demand pressure and environmental compliance requirements, CODC committed to the development of a reticulated wastewater network for Clyde in 2018. The new scheme will pipe wastewater to the existing treatment plant in Alexandra. *"Our third largest town can't remain reliant on septic tanks for environmental and economic reasons"* (2018 Long Term Plan, CODC, page 11).

This significant infrastructure project is already underway (with the main truck pipeline all but complete<sup>18</sup>). The reticulation will occur in three stages over a 25 year period, starting with the heritage and commercial precinct and all properties between Sunderland Street and the Clutha River<sup>19</sup> in Autumn 2020 (with funding allocated in the 2018 LTP). The staging allows the oldest septic tanks to transition to the new network first and the newest septic tanks to transition last (Figure 4.7).

Figure 4.7 – Indicative Staging of the Clyde Waste Water Reticulation Network



*"Installation of a public wastewater collection system removes the wastewater impediment to further subdivision in Clyde"* (2018 Long Term Plan, CODC, page 71). The Clyde wastewater project has now made further intensification and especially greenfield expansion of the township commercially feasible. The primary impediment now is zoned (or consented) capacity.

<sup>18</sup> <https://newsletters-api.datacomsphere.co.nz/public/16/views/5393ac5b-d4ea-4547-a3aa-269f5578d021>

<sup>19</sup> Includes the Dunstan Hospital and the Clyde camping ground.



## 4.3 Key Point Summary

- The lack of residential sections available for development in Clyde has significantly slowed dwelling growth. Dwelling growth is expected to cease unless additional capacity is provided.
- The absence of a wastewater infrastructure network has impeded the ability to plan or provide for growth.
- That impediment has now been removed.
- House and rental prices in Clyde have been rising strongly and are amongst the highest in the district.
- Strong demand growth and a lack of certainty about greenfield growth opportunities is likely to drive prices and rents higher still.





## 5 Conclusions

This section considers the proposed private plan change in the context of Clyde's projected dwelling growth and current residential capacity. It demonstrates the increasing shortfall of dwelling capacity in Clyde under the operative District Plan and the effectiveness of the proposed residential zoning to cater for demand growth over the medium term future.

### 5.1 Providing for Growth in Clyde

Current estimates of dwellings in Clyde township vary depending on the area considered (SA2 or CAU), the source of data (i.e. Statistics NZ Census or MBIE/CoreLogic) and the date of the data. Current (2018) demand for dwellings in the Clyde CAU is estimated at around 780 dwellings according to Council data, but this was a projection carried out in 2016 off a 2013 base. Broadly however, supply has been commensurate with demand as illustrated in Figure 5.1 for the period of 2013 and 2018.

Figure 5.1 – Proposed Plan Change Capacity Relative to Demand Growth



However, based on a combination of factual dwelling supply data and visual and anecdotal evidence, supply of vacant residential lots within the Clyde urban boundary has, or is about to, run out. There is no greenfield capacity to grow and the prospect of redevelopment and infill subdivision is relatively low, albeit more feasible once properties can connect to the public wastewater reticulation network in the years to come.



This indicates that dwelling supply will cease to keep pace with underlying dwelling demand – which is projected to be strong over the long term. Dwelling growth in Clyde will be severely constrained despite the impediment of wastewater management being addressed. Based on assumptions outlined in this report, the shortfall of capacity by 2028 could be in the order of 112-116 dwellings in the medium term (i.e. 2028), increasing to 269-284 dwellings in the long term (i.e. 2048) (Figure 5.1).

This analysis concludes that greenfield residential capacity is required if dwelling demand in Clyde is to be met. The timing of that additional capacity is urgent. Already prices and rents in Clyde are increasing at a rapid rate and this trend will be exacerbated if expansion is constrained and no certainty (confidence) for future growth is provided to the market.

The proposed private plan change indicatively provides additional capacity for 150 additional dwellings adjoining the current urban boundary of Clyde. For the purpose of Figure 5.1, M.E has staged the release of that capacity over a 10 year period (i.e. 75 lots by 2023 and a further 75 lots by 2028). This is indicative only. The key outcome however is that the proposed private plan change would provide capacity to meet demand growth over the next 10 years (and slightly beyond) based on current projections.

The private plan change would not meet all projected demand growth over the long term in Clyde and further zone capacity will be needed if this growth is to be met. This longer term shortfall is a matter that could be addressed as part of the current district plan review process<sup>20</sup>.

## 5.2 Economic Costs and Benefits of Request

There are a number of economic benefits arising from the proposed private plan change. Care is however needed to distinguish the benefits of providing for growth *per se* from the benefits of providing for growth in this location. The reason for this is that COD may still achieve the same overall growth if demand for dwellings in Clyde is deflected elsewhere (i.e. to Alexandra or Cromwell) in the absence of any additional growth capacity.

It is not possible to predict if households migrating to COD (they key driver of growth) with a preference to settle in Clyde would still move to the district if suitable housing in Clyde was not available (or available at a price they could afford). It is however reasonable to expect that holiday home buyers have specific location attributes in mind and not all towns in COD would be a substitute for what Clyde offers. The same may apply for retirement living. This suggests that at least a small portion of projected growth in the district is contingent on further residential capacity being enabled in Clyde.

The key economic benefits arising from the proposed plan change include:

- Provides housing capacity in a location of strong market demand. Helps address a projected shortfall of dwelling capacity in the medium term.
- Provides a greater choice of housing for retirees, working households/families, renters and holiday homeowners within Clyde. This will facilitate greater churn in the local housing market, allowing households to shift within Clyde as their housing needs change with life stage.

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<sup>20</sup> This could be in the form of a Future Urban Zone or a Deferred Growth Zone that provided certainty to the community and landowners on the future strategic growth direction for Clyde.



- Facilitates population growth, including growth of the local work force – supporting economic growth within Clyde businesses and businesses in Cromwell, Alexandra and the rural surrounds.
- The development of the land at urban densities (as opposed to rural residential densities) will have a direct impact on the COD economy (construction effects), helping to sustain the local and wider construction sectors over the short-medium term.
- Ongoing spend by new households (and users of holiday homes) within the proposed zone area creates demand for local goods and services, helping to sustain local businesses and investment.
- The location of the proposed residential zoning will result in a cohesive expansion of the existing urban area; this maximises the urban efficiency of Clyde as it expands to cater for growth, particularly in terms of trip making and provision of network infrastructure.
- Helps alleviate rising dwelling prices and rents driven by an imbalance between supply and demand.
- Provides greater opportunities for affordable housing options, including as a result of higher density development which was not otherwise feasible when septic tanks were required.

The potential economic costs of the private plan change are those typically associated with urban expansion (and are not unique to this location). This includes loss of capacity for rural residential dwellings on the fringe of Clyde, the potential opportunity cost of slower price rises for current Clyde dwelling owners and the additional pressure on local services, schools, roads, parking and infrastructure associated with additional households (including short term visitors). There is a cost associated with meeting this demand, although that cost depends on the ability of services and infrastructure to absorb further growth using current resources<sup>21</sup>.

Overall, M.E considers that the economic benefits of the private plan change will outweigh the potential economic costs.

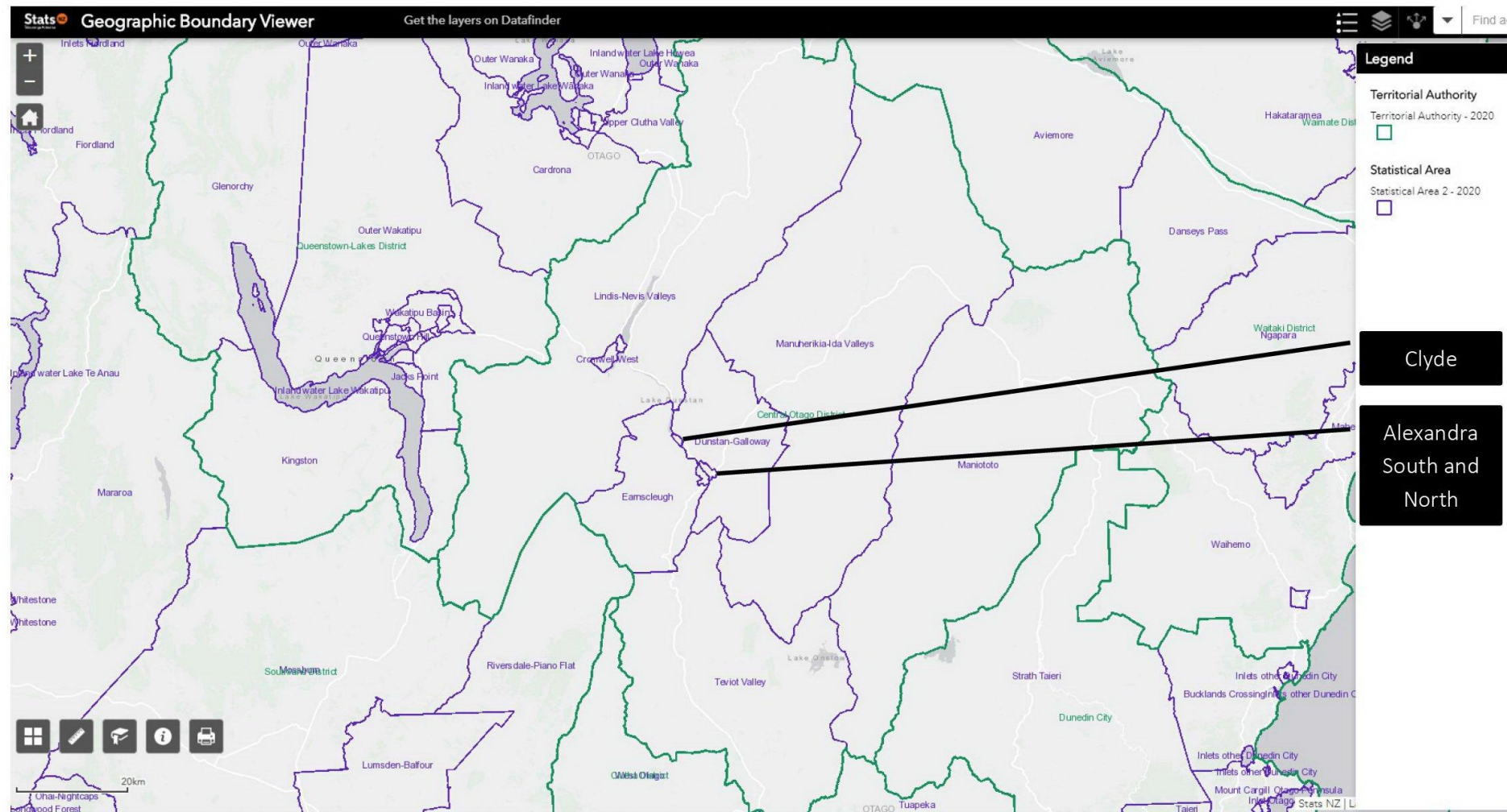
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<sup>21</sup> I.e., the ability of the school to take additional enrolments without needing a new classroom.



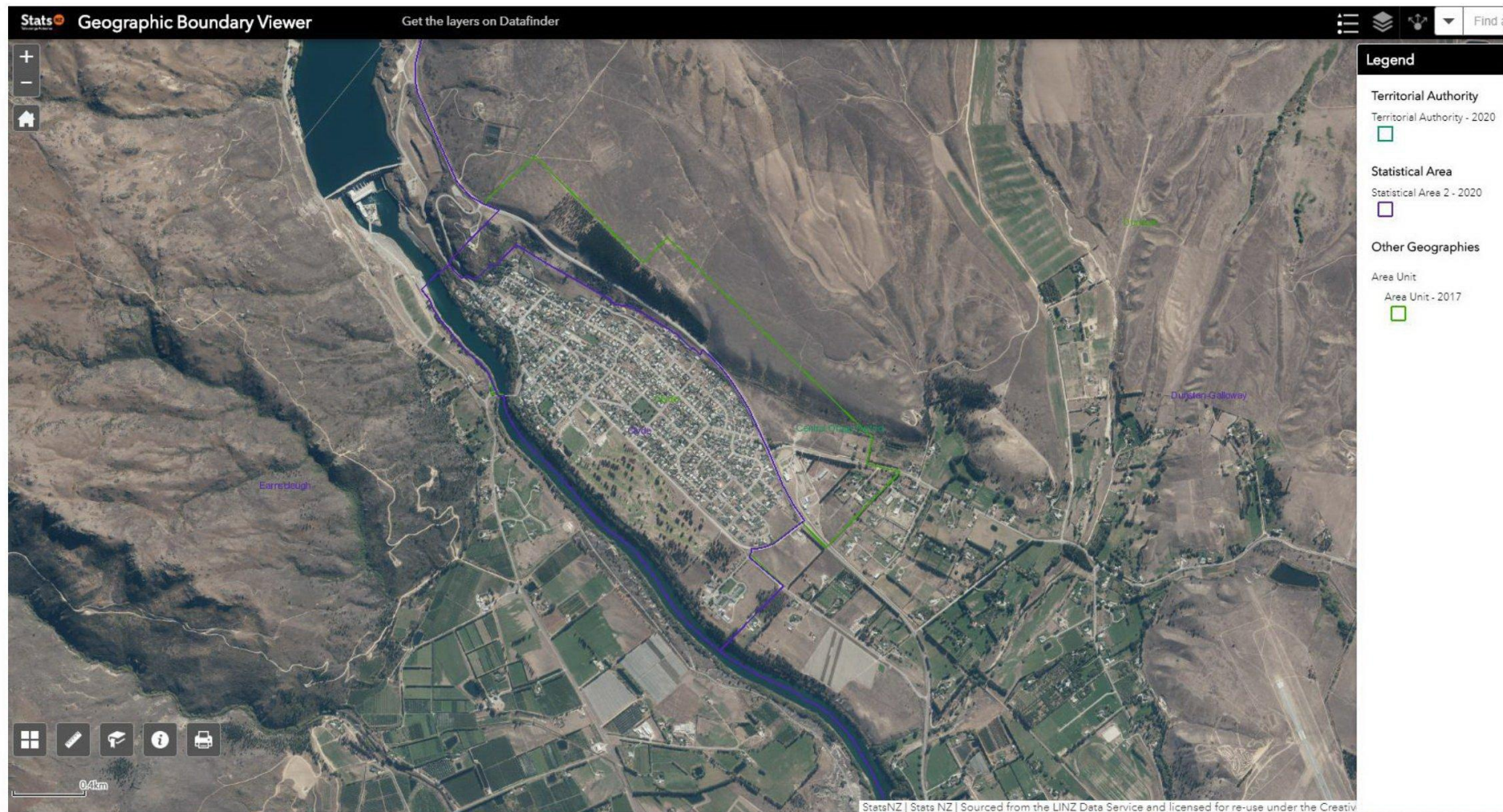
# Appendix 1 – Statistical Geographies

## Statistical Area 2 (2020) Boundaries – Central Otago District and Surrounds





## Statistical Area 2 and Census Area Unit Boundary Changes - Clyde







## CODC Growth Projections CAU Based Geographic Defined Areas

