

RE: Land prices

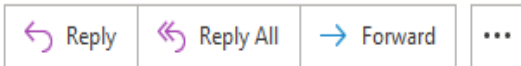
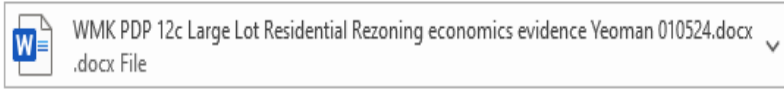


Rodney Yeoman <rodney@formative.co.nz>

To Mark Buckley

Cc Peter Wilson

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Wed 1/05/2024 11:31 AM

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Hi Mark

Here is an update of my evidence (just minor edits for typos), did you have any comments and when do you need me to finalise this?

Also in terms of your question below, here is my opinion.

### **Large Lot Residential and Rural Land Values**

Broadly, economic theory suggests that land values are linked to the net benefits that an owner can expect to receive from the land. This includes both the net benefits during the time that they hold the land and the net benefits from the disposal of the land. The value derives from both financial benefits/costs and also non-financial benefits/costs.

In terms of rural land I consider that

1. Generally, most of the value will be associated with financial benefits and costs associated with operating rural production (i.e. the net profit received each year) and the potential sale of the operation as a going concern to the next farmer.
2. However, there will also be non-financial benefits/costs which will include natural amenity (i.e. climate, outlook, etc) from living in the area, which will impact the value of the farmland.
3. Also, in the case of Waimakariri rural land there will be benefits associated with having access to urban amenities (i.e. a wide range of community services, schools, health, etc) and jobs (there will be many people living on farms that have jobs off-farm, which is high paid).
4. Furthermore, in the case of land very close to urban boundaries there will also be value associated with the chance that the land could be used for higher value uses – i.e. rural lifestyle, LLRZ, or urban subdivision.

For rural land in Waimakariri that is close to LLRZ or urban boundaries I would expect that the values associated with 3 and 4 would be significant.

Hypothetically, lets say we have a rural parcel that is surrounded by other rural parcels but is close to an urban boundary. At that this point in time the landholder would expect that there is a probability (maybe

close to zero) that this rural land may be needed for urban use in the future, and if this occurs the owner will receive a sale price for the land that is higher than normal farm land which is not close to the urban boundary. Now all else being equal, if the neighbouring property is zoned LLRZ then I would expect that the landholder of the still rural land would observe this change and would reasonably believe that the probability of his land also being upzoned would now be higher (maybe small) and I would expect that the market would also take this information into consideration. Therefore, the land value would likely increase. However, I would expect that the values in 1-3 will still make up most of the value of the land and that 4 would be a small addition. I would expect that this value will not make rural production unsustainable, at least not until the probability of rezoning is much higher.

As an example, this phenomenon should also be observed in the FDA area, which is rural land but with a much higher probability of rezoning occurring. In this case the value of 4) above will make up most of the value of the land, and there would be no way that a farmer could financially buy this land and operate a viable farm. Basically, it is sitting as landbank until it is needed, and any rural production is incidental and in most cases not relevant to the landholders purpose for holding the land.

I hope this is helpful, get back to me if you feel that you need more of explanation.

Ngā mihi

**Rodney Yeoman**

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**Sent:** Wednesday, April 17, 2024 11:58 AM

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**Subject:** Land prices

Hi Rodney

Are you able to provide an opinion on the impacts of rural residential development (Large Lot Residential Zoning) on land pricing of neighbouring rural land?

We are aware of reverse sensitivity effects, but the issue of direct impacts on land prices has not adequately been addressed. As you may have noticed that we have a number of large farms within the rural zones (both) stating that it is uneconomic to farm yet they are between 50 to 70ha and on class 2 or 3 land.

Let me know if you have any questions. If you have capacity to do this by first week of May would be good.

Thanks

**Mark Buckley | Principal Policy Planner**

Development Planning Unit

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