Long-term Vacant Residentially Zoned Land in Auckland: Reasons for Prolonged Land Vacancy and Development Potential

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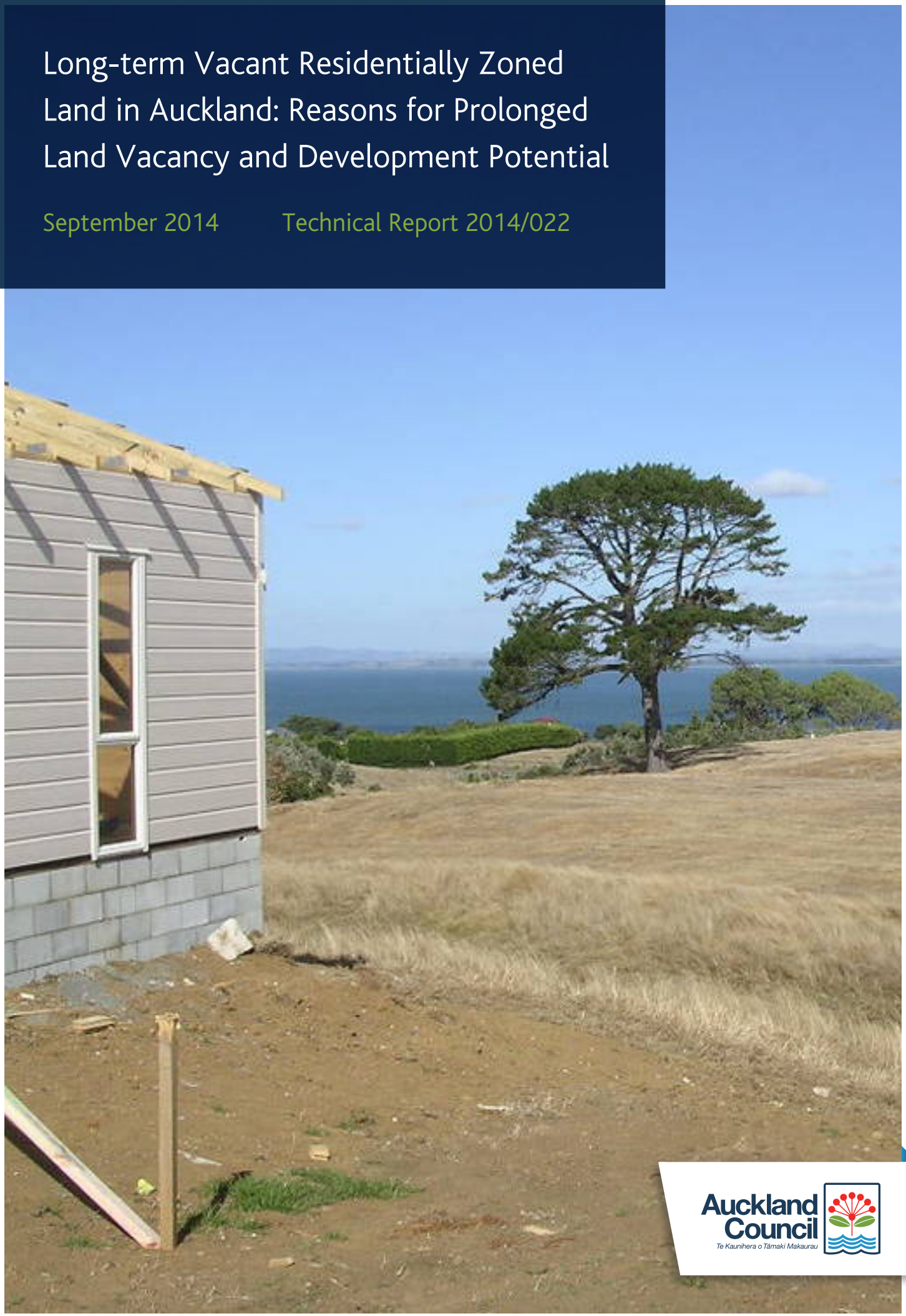

Auckland Council
Te Kaunihera o Tāmaki Makaurau

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Long-Term Vacant Residentially Zoned Land in Auckland: Reasons for Prolonged Land Vacancy and Development Potential

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Executive Summary

Recent research by Auckland Council on Auckland's capacity for growth (the Capacity for Growth Study) has identified a significant pool of 5007 vacant residentially zoned sections within the current built up area of Auckland. A related significant finding is that 3238 of these sections have been vacant since 2006 and earlier. In the current Auckland climate of acute shortage of land for building affordable homes, these findings from the Capacity for Growth Study pose questions as to reasons for prolonged land vacancy: what is the potential for building on these sections and how can the council and central government assist owners of these properties harness this untapped potential?

The aim of this research study is to make an assessment of the potential for housing development on vacant residentially zoned parcels[1] in Auckland's existing built-up area[2] that were identified as long-term vacant[3] in 2012 (referred to as LTV land parcels for short). The two specific objectives of the study are to analyse the ownership, land use and related property attributes of the total current stock of long-term vacant sections in Auckland's built-up area, and to elicit the perspectives of a sample of long-term vacant land owners relating to development of their land.

In order to address the above two objectives, the study was designed to focus on the following five research questions:

- What are the current ownership, land use, and related property attributes of the total stock of LTV land parcels zoned for residential development in Auckland's built-up area?
- What were owner intentions and underpinning drivers for acquiring their vacant land parcels in the first instance?
- Why have the owners not been able to develop their land parcels?
- What are the intentions of these owners for future development of their vacant parcels and the drivers underpinning these intentions?
- What are the perceived barriers to their development by the owners and how can these barriers be overcome?

The first research question was addressed by an analysis of key attributes of the stock of vacant residentially zoned parcels that were also vacant in 2006. The next four questions were addressed based on in-depth interviews with 29 owners of LTV land parcels. The research findings are summarised below.

Research findings

The quantitative analysis of the property attributes of LTV land parcels (research question 1) support the findings of the Capacity for Growth Study that the existing stock of LTV parcels constitutes a potentially significant asset to meet housing needs in Auckland. These plan enabled residentially zoned properties are located within the existing built-up area of Auckland and thus have access to existing infrastructure services such as stormwater drainage and public transportation. Building new dwellings on this land as a form of infill development will help to relieve pressure for urban expansion in green fields outside the built-up area of Auckland.

However, the research findings relating to the motives, practices and intentions of sampled LTV land owners (research questions 2 to 5), compel us to qualify the above positive assessment of the potential for development of vacant residentially zoned parcels. The in-depth interviews have provided valuable insights into perceived factors that have constrained development of vacant sections by their current owners. Even though the bulk of the LTV land parcels are physically suitable to be developed, the formal and informal institutional arrangements that have shaped the motives, practices and intentions of the land owners have acted as blockages in the development process and have thus prolonged land vacancy.

The genesis of LTV residentially zoned vacant parcels in Auckland may be traced to rezoning of rural land to urban residential uses by former Auckland territorial local authorities, dating back to the 1960s and the 1970s. In a well-functioning urban land market, residentially zoned and serviced sections should have been

[1] Vacant residential parcels are residential zoned parcels that are currently wholly vacant (no dwellings or buildings over 50m^2), either via subdivision or a dwelling as a right (CFG, 2012).
[2] The existing built up urban area includes all of the properties located within the Metropolitan Urban Limits (MUL) (2010) that do not have a rural zoning/are not in the rural area (CFG, 2012).
[3] Long-term vacant (LTV) parcels are those that were identified as vacant residential in both the 2006 and 2012 Capacity for Growth studies.

a transitional phase in the housing development process stretched over a number of years. However, the recent urban residential land development market in Auckland has lagged behind in developing these parcels despite persistent and acute shortages of affordable and accessible housing.

A number of inter-related supply side barriers perceived by LTV land owners have provided incentives to them to defer house building ventures. The perceived barriers relate to increased cost and risks of housing development as a consequence of factors including the global financial crisis (GFC), the cost of planning and building compliance, and the leaky homes syndrome. The alternatives of land banking and land speculation appear much more appealing seen against the backdrop of these perceived barriers. Likewise, land owners have had little incentive to sell their vacant land in the current market or when they do offer to sell, it is at an uncompetitive price. Vacant land has become an object of speculative investment for its own sake, instead of for its value in providing housing for Aucklanders.

Policy implications

The factors which have incentivised vacant land owners in Auckland to behave as passive land owners are deep seated and structurally embedded in the recent political economy of land and the housing construction sector in the city. These issues cannot be dealt with effectively in a piecemeal manner. A multi-stakeholder Auckland housing strategy is recommended to address the deep-seated structural barriers and to develop institutional mechanisms to absorb vacant sections into the market, by balancing supply and demand of vacant sections in terms of number and location.

Auckland Council has made progress during the last five years with policy initiatives that could be potentially construed as building blocks for a multi-stakeholder housing strategy for Auckland. These include the *Auckland Plan*, the *Proposed Auckland Unitary Plan*, the *Housing Action Plan* and *the Special Housing Areas.* These initiatives accord strategic importance to urban intensification and affordable housing. One means of accommodating new dwellings is by means of building on vacant land zoned for residential development. To facilitate this, the formal and informal institutional arrangements for land supply should be designed to encourage passive owners to join the ranks of active land owners instead of vice versa, as is the situation at present.

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1.0 Introduction

1.1 Vacant land supply as a planning issue in Auckland

The issues of adequate supply of vacant land for housing located in accessible locations and at affordable prices have been important concerns for central government, Auckland local government and the wider Auckland public over many decades (Laggatt-Cook, 2007; Memon et al 2007; Gray, 2010). During the last decade, concerns about vacant land availability and affordable housing have been fed by high levels of international and domestic migration into Auckland and an inelastic housing supply to respond to rising demand. Housing supply has been relatively inelastic to respond to surging housing demand partly on account of the adverse economic impacts of the global financial crisis on the Auckland construction sector, access to finance and land scarcity (NZ Productivity Commission, 2012).

The policy gaze of central government and many Auckland officials until relatively recently was predominantly focussed on harnessing greenfields beyond the built-up urban boundary deemed ripe for urban development. This focus has now broadened to include both urban intensification within the built-up urban area and greenfield development on the urban periphery as complementary policy levers to achieve urban sustainability policy outcomes. Building on existing vacant urban land within the built-up urban area is one approach to urban intensification[1].

The Auckland Council's *Auckland Plan (*Auckland Council, 2012a), the *Proposed Unitary Plan* (Auckland Council, 2013a) and the *Housing Action Plan (*Auckland Council, 2012b) accord strategic importance to urban intensification and affordable housing objectives. The availability of secure, healthy and affordable housing is deemed fundamental to the well-being of Aucklanders. Auckland political leaders and planners regard housing as a core component of social infrastructure, as well as a key contributor in shaping the development of Auckland as a compact, sustainable city. Approximately 60 to 70 per cent of anticipated new dwelling construction in Auckland in the future is expected to be located within the boundaries of the existing built-up urban fabric. One means of accommodating new dwellings will be by building on existing vacant sections zoned for residential uses.

The supply of vacant residential sections within the built up urban area has not been seen as a particularly significant policy option in Auckland either by central or local government until very recently. The current study on potential for development on residentially zoned vacant land in Auckland stems from recent Auckland Council research on capacity for growth which shows, amongst other things, that there remains significant development opportunity for new housing on plan enabled residentially zoned vacant land within Auckland's built-up urban area (Fredrickson and Balderston, 2013). This finding contrasts with the recent stance of the Ministry of Business, Innovation and Employment officers and the current government that sections for house building in Auckland are critically short in supply and a major cause of unaffordable housing (MBIE, 2013).

Vacant residential parcels are located across the Auckland region, in areas that have been newly developed, and to a lesser extent, within the interstices of built-up areas in existing suburbs. In broad terms, Fredrickson and Balderston (2013) identify four kinds of residential vacant parcels in Auckland, as illustrated in Figure 1:

1. New parcels that have been created through a small scale subdivision, and have yet to have a dwelling constructed on them.
2. Free standing parcels that have been vacant for a long period of time – their owner has chosen not to construct a dwelling on them to date.
3. Parcels that are used for other purposes, such as amenity value (a larger back yard or garden), recreation (have a swimming pool or tennis court), parking for adjoining parcels etc.
4. Parcels that have been created through recent large scale subdivision (greenfield developments, often via a structure plan) and have yet to have a dwelling constructed on them.

The Capacity for Growth Study 2012 (CFG) undertaken by the Research, Investigations and Monitoring Unit (RIMU) in the Auckland Council found that there are 5007 vacant residentially zoned parcels in Auckland (Fredrickson and Balderston, 2012). Notwithstanding Auckland's escalating housing needs, the CFG study also found that the rate of development of vacant sections during the last few years has progressed rather

[1] Urban intensification can be also achieved through a combination of brownfield redevelopment, demolition and rebuilding at higher densities and subdivision of larger sections with an existing house on them. However, these topics are beyond the scope of the current study.

slowly. Only a relatively small number (135 of the 3238 or less than one per cent) of the residential parcels vacant in 2006 and 2012 have had a building consent issued on them between 1 June 2012 and 31 December 2012. The CFG study suggests that if the remaining were developed for housing, they could yield approximately eight thousand dwellings. The above CFG study findings come as a surprise in view of the recent sustained high demand for housing by Aucklanders and concerns about scarcity of land supply referred to above.

Figure 1: Examples of vacant residential parcels (Source: Adapted from Fredrickson and Balderston, 2013)

Vacant land is a key resource (or factor of production) needed to build housing and its supply is constrained by physical geography, planning rules, passive land ownership, land banking and infrastructure provision amongst others. The Capacity for Growth Study referred to above has drawn attention to the potential of this resource in responding to the escalating housing demand and rising house prices (Fredrickson and Balderston, 2013). As vacant residential land is zoned, and almost all of it is already serviced, it provides opportunities for dwellings that are plan enabled (Fredrickson and Balderston, 2013) However, until now there has been very limited recent interest amongst New Zealand urban researchers and professionals to recognise and investigate the infill potential of vacant urban land zoned for housing within the urban area. Apart from the two studies by Auckland Council (Fredrickson and Balderston, 2013) and by Ministry of Business, Innovation and Employment (MBIE, 2013), the recent Auckland policy and planning literature on vacant land has had a strong bias towards the greenfields on the urban fringe (Memon, 2007; Rowe, 2012).

It has taken some time and effort on the part of the Auckland Council for the potential of vacant urban land zoned for housing within the city's built-up urban area to be recognised as a legitimate part of the policy negotiations between the central government and the Auckland Council pertaining to how to respond to an

escalating demand for affordable housing. This marks a reversal of a long standing, primarily market driven, trend perpetuating low-density urban expansion located in the greenfields (Haarhoff et al, 2012; Clapham, Clark and Gibb, 2012). A challenge for the Auckland Council is therefore to understand the attributes and ownership of vacant land in Auckland, what barriers have constrained land owners from building on their vacant sections, and how may the council assist to address these barriers. This study was designed to address this research need.

1.2 Scope of the research project

The aim of this report is to make an informed assessment of the potential for housing development on vacant residentially zoned parcels[1] in Auckland's existing built-up area[2] that were identified as long-term vacant[3] in 2012 (referred to as LTV land parcels for short).

Guided by the above study aim, the two objectives of the study are to undertake an inventory of the current *stock* of long-term vacant sections in Auckland's built-up area, and to elicit the perspectives of a sample of long-term vacant land owners relating to aspects of prolonged vacancy and development potential of the vacant parcels.

In order to address the above the two objectives, the study was designed to focus on the following five research questions:

- What are the current ownership, land use, and related property attributes of the total stock of LTV land parcels zoned for residential development in Auckland's built-up area?
- What were owner intentions and underpinning drivers for acquiring their vacant land parcels in the first instance?
- What are the reasons for the prolonged vacancy of LTV parcels?
- What are the intentions of these owners for future development of their vacant parcels and what are the drivers underpinning these intentions?
- What are the perceived barriers to their development and how can these barriers be overcome?

1.3 Report structure

The rest of the report is framed as follows:

Section 2 is the literature review. This section provides the broader conceptual context to inform the empirical study. It discusses the recent literature relating to land supply for housing development as an urban policy and planning issue, the process of private house-building in order to highlight the key role of the land owner as a developer, an overview of the structure and agency of the residential development sector and different types of barriers to development of vacant land.

Section 3 on the research methodology describes the methods employed to address the five research questions and the methods used to identify long-term vacant land parcels, to analyse the land and property attributes, and to interview LTV land owners.

Section 4 addresses the first research question: 'What are the ownership, land use, and related property attributes of LTV land parcels zoned for residential development in Auckland's built-up area?' Specifically, this section provides an overview of the number, current uses, size distribution, value, ownership characteristics, sales history and potential dwelling yield of residentially zoned LTV parcels in Auckland. This quantitative analysis of the physical attributes and ownership characteristics of LTV land is complemented by detailed insights from owners of long-term vacant properties in section 5.

[1] Vacant residential parcels are residential zoned parcels that are currently wholly vacant (no dwellings or buildings over 50m^2), either via subdivision or a dwelling as a right (as defined in the CFG, 2012 study).

[2] The existing built up urban area includes all of the properties located within the Metropolitan Urban Limits (MUL) (2010) that do not have a rural zoning/are not in the rural area (as defined in CFG, 2012 study).

[3] Long-term vacant (LTV) parcels are those that were identified as vacant residential in both the 2006 and 2012 Capacity for Growth studies.

Section 5 addresses the remaining four research questions relating to factors that have prolonged land vacancy in the context of owner motives and strategies for purchase and development of LTV parcels, perceptions of barriers to their development and how these barriers may be overcome.

Section 6 sums up the research findings and reviews the significance of the research findings for the council.

2.0 Literature review: The role of vacant land in urban residential development

2.1 Introduction

Section 2 of the report sets the broader conceptual context for the study and is structured as follows. Section 2.2 will discuss the analytical approach adopted for this study based on recent international and New Zealand literature relating to land supply for housing development as an urban policy and planning issue. This will help to contextualise the research findings presented in the rest of the report based on the Auckland situation. Section 2.3 briefly describes the process of private house-building in order to remind the reader about the key role of the land owner as a developer, the complexity and length of the process and the risks this entails for the land owner as a developer. As discussed in the study findings, from the perspective of several vacant land owners, many of the reasons for prolonged land vacancy of residentially zoned parcels stem from the challenges of land development and house building. Section 2.4 provides an overview of the structure and agency of the residential development sector and highlights different types of barriers to development of vacant land.

2.2 Insights into land supply for urban residential development

Urban residential development occurs through urban fringe and infill development. Generally, the definition of infill is the development of vacant, underdeveloped or underutilized sites within an urban area, rather than undeveloped land outside the city (Rowley and Phibbs, 2012). Infill development includes development located on brown field land, on already developed residential land which is subsequently redeveloped at higher densities and on scattered vacant land sites within the built-up urban area. While majority of literature has focussed on greenfield and brownfield development (as large sites for development) (McConnell and Wiley, 2010), the focus of this study is on the attributes and capacity of 'interstitial' vacant land – as a development type that has significant potential to influence the character and use of the existing built environment. This is an important topic to help us better understand the relationship between land and housing supply and, in particular, the challenges of increasing supply through infill development (Rowley and Phibbs, 2012).

The contextual situation relating to supply of vacant urban land for housing within built-up areas in Auckland and other New Zealand cities is arguably qualitatively different compared to the vacant urban land situation in larger European cities, some with a long history of industrial decline, such as Liverpool and Newcastle in the UK. The primary interest of European scholars in inner cities in countries such as the UK is in potential for re-development of large, derelict and contaminated brownfield sites. Thus, for example, while redevelopment of vacant urban land has been a key component of British planning policy for several years, this focus has been primarily directed at the legacy of vacant land created by the processes of deindustrialisation ('brownfield sites') in advanced economies (Adams et al, 2010; Ball, 2012). Understandably, primarily on account of lack of a tradition of industrialisation in New Zealand cities, redevelopment of brownfield land is not a significant issue in the New Zealand cities to the extent that it is in Europe or even in Australia. The scale of development and the technical and institutional challenges redevelopment of contaminated brownfield sites poses in Europe are large and complex and the research about redeveloping these may not be relevant from a New Zealand perspective. The Auckland and New Zealand urban landscape is quite distinctive in this sense because the vacant sections are primarily remnants of rezoning of land by local authorities from rural to urban uses and public or private land subdivision initiatives dating back to the long post-war building boom (1950s onwards). As noted earlier, these vacant sections are located in inner and newer outer suburbs, interspersed with houses. Thus, the reader should bear in mind that the focus of this study and research findings presented in this report reflect the distinctive historical geography of the Auckland urban landscape.

The distinctive Auckland socio-political context is also significant in another sense in studying the dynamics of urban residential development. As an aspect of this process, a recent innovative study based in Sydney, Australia draws attention to the significance of 'knockdown and rebuild' (KDR) housing processes as part of the wider process of inner city and suburban renewal (Wiesel et al, 2013). KDR involves the wholesale demolition by owners of older detached houses and their replacement with completely new dwellings. Wiesel et al (2013) characterise this process as the latest physical makeover of the traditional Australian suburb. Arguably, a parallel and emerging contributor to the housing stock in Auckland and shaping the urban landscape is development of hitherto dispersed vacant urban sections interspersed amongst existing

dwellings. The potential of dispersed vacant sections as an aid to infill development has manifestly gone unrecognised hitherto by urban researchers and planners. In our reading of the relevant planning and geographical literatures, there has been relatively very little analysis of the dynamics of small vacant parcels in contributing to infill development. The findings of this study are significant from this perspective.

2.3 The residential land development process

This study examines the development dynamics of vacant residentially land in Auckland. We argue in this study that the reasons many LTV parcels are still vacant stem from barriers to land development and house building. This section provides an overview of the residential land development and house building processes, and the range of actors involved in these processes, to provide a background for the discussion of barriers to development.

House building involves a wide range of activities to create a finished dwelling. This exercise can take a minimum of several months and entails a considerable degree of financial risk-taking by developer. The role of the land owner is fundamental in this respect and overseeing the successful completion of the house building process. Many of the barriers facing land owners in this study are synonymous with the observations in the urban development literature on challenges encountered during the house building process.

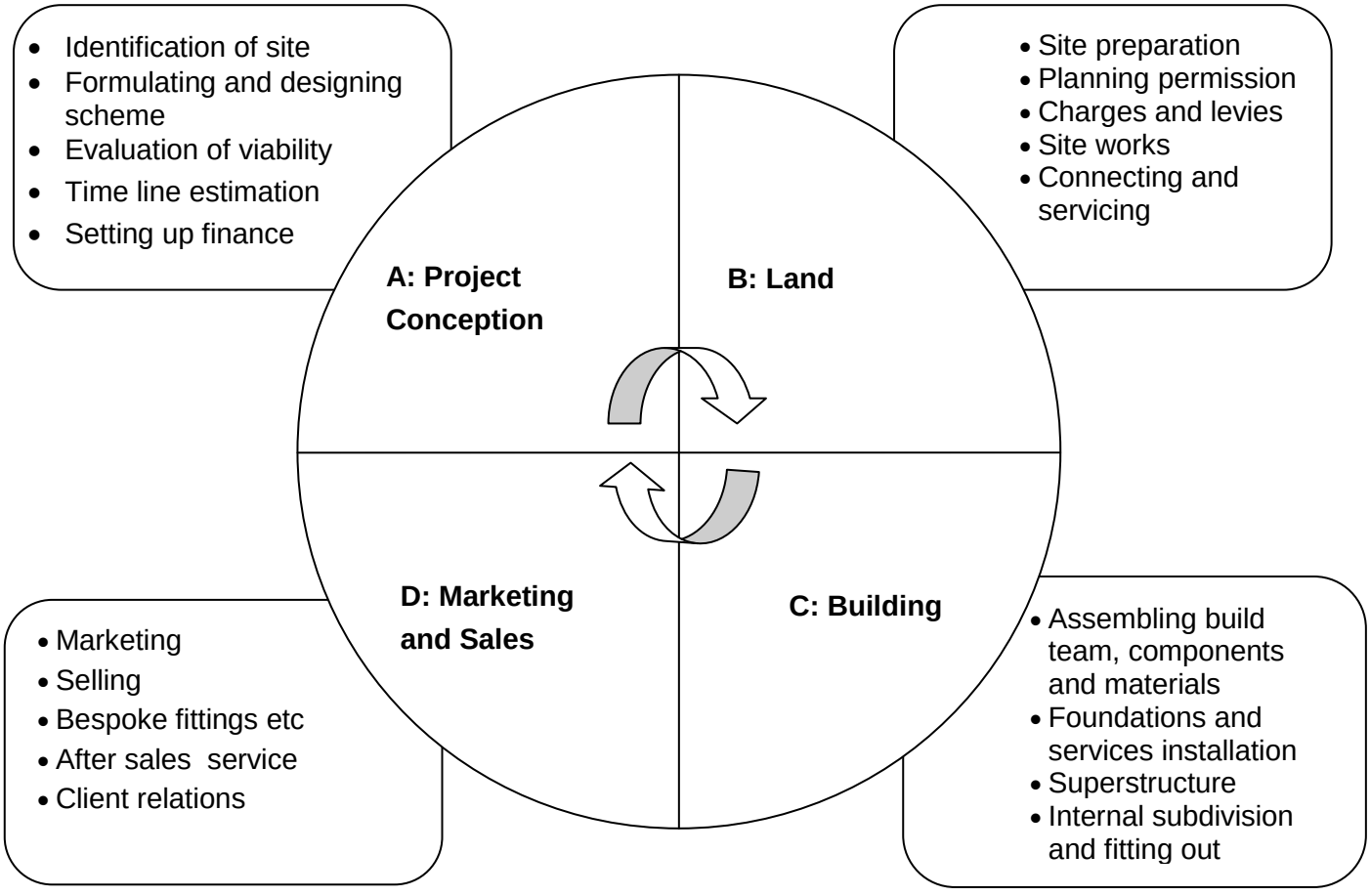


Figure 2: House building activities (Source: adapted from Ball, 2012)

Figure 2 describes the principal activities undertaken in private house building (Ball, 2012). Firms building several dwellings at a time as well as individual builders erecting a single dwelling will seek to dovetail the different activities in order to minimise costs.

As the first step, a house building project has to be formulated, evaluated and financed and be related to a land site identified as ripe for development. Land preparation is the next step in the house building process. Land has to be made ready for building in terms of site preparation and works, and also, in regulatory terms, by gaining planning and building consent approval and paying the assigned charges for connection to services. The building construction phase entails erecting the superstructure and internal fitting. This requires the logistics of bringing work teams, materials and components in the appropriate sequence to site over a time period, plus actual construction and the management and monitoring of it. Finally, the house has to be marketed to sale unless it is for owner occupation.

The term developer is a commonly used term in the planning literature but often not clearly defined. For the purpose of this study, the term developer is understood as one of the four factors of production: land (which receives rent as a return), labour (which receives wages or salary), capital (which receives interest) and enterprise (retains the profit as a reward). The primary role of the developer is as an entrepreneur who takes the risk to assemble all the factors of production together, primarily driven by the motive to make a profit. In addition to the entrepreneurial role, some developers may also own land and/or contribute personal financial capital for the land development and house building venture. As discussed in this report, all of the LTV parcels in this study were zoned for residential use, but have remained vacant despite increasing development pressures. For various reasons, their owners have chosen not to develop these sections, even though a number amongst them have been or are engaged in developing land for housing at other locations in city.

This situation highlights that in the context of small stand-alone land parcels in Auckland, developers may take a slightly different form and/or significance to the 'notional property developer' described in the literature, who undertakes large scale greenfield/brownfield development. The uptake of vacant land parcels is primarily dependent on owner decision-making, and is more likely to occur as 'owner driven' development. Therefore this study explores land development dynamics and the 'role of 'developer' through the lens of the land owner.

2.4 Identifying barriers to residential land development

This section provides an overview of the structure and agency model to conceptually understand development barriers faced by residential land owners.

The structure and agency typology[1] is a useful lens to examine the barriers facing vacant land owners (Gregory et al., 2009). With respect to housing development on vacant sections, the structure and agency approach focuses on examining the perspectives of the variety of actors, amongst them land owners, who exercise agency in the way they perceive and act in various ways upon the opportunities for land development and the structural barriers they encounter such as planning regulations (Schler, 1996, cited in Coiacetto, 2001). While there is substantial international literature in the property development field relating to the individual specialist components of the vacant land development process, such as finance and construction management, there is very little that focusses specifically on perspectives of the land owners who carry out urban development, in particular small and medium scale land owners and developers, and the formal and informal institutional barriers and incentives they face (Knight and Boyd, 2008). The strategies and practices of landowners as developers - the fabricators of the built environment - are still not well understood, and very little empirical work deals with diversity in the land and housing development industries (Coiacetto, 2001).

In the specific context of the current study of LTV land owners as potential developers in Auckland, motives and strategies by land owners to invest capital in land parcels are seen as drivers of the process of vacant land purchase and its development. This process involves a diversity of land owners and developers and their motives and circumstances and their perceptions (Coiacetto, 2001; Wiesel et al, 2013; Adams et al, 2002b). We argue in this study that the motives and strategies of these diverse land owners and the perceptions they hold of the broader economic and political context for their own decision-making are significant factors in understanding decision-making relating to investing in and building on vacant urban land and the barriers they face (Healey, 1992; Healey and Barrett, 1990; Adams et al, 2001 and 2002b).

[1] The debate is over the primacy of structure or agency in shaping human behaviour. *Agency i*s the capacity of individuals to act independently and to make their own free choice. *Structure* is the recurrent patterned arrangements which enable or limit the choices and opportunities available.

Barriers

A key objective of this study is to understand factors that have prolonged land vacancy. The key theme in the comparable literature on barriers to urban renewal and rehabilitation to overcome in inner-city land development in northern hemisphere cities is that such barriers are, wide ranging (Adams et al, 1988; Rowley and Phibbs, 2012). As noted earlier, while British, American and other Western cities contain substantial areas of brownfield vacant sites with potential for regeneration, there are very real constraints upon their immediate development. Several authors, including Farris (2001), argue that flexible planning policies will not in themselves guarantee inner city regeneration. Complex ownership, physical and price constraints act as blockages in the development process and prolong land vacancy, as summarised below. An important question to bear in mind is to what extent are these factors pertinent in the Auckland context.

Ownership barriers

Research on understanding the motives and practices of land owners has helped to understand the process of land supply for urban development (Adams and May, 1991).The transfer of land from passive to active ownership is one of the characteristics of the development process. Adams and May (1991) defines active landowners as those who develop their own land, enter into joint venture development or make their land available for others to develop.

In contrast, passive landowners take no particular steps to market or develop their land, even though they may intend to do so in the distant future. This category includes investors and speculators. On occasions, passive owners may be activated into development, but more often than not the development process requires a transfer of ownership from a passive to an active owner. Adams and May (1991) argues that the implication of the above distinction is that that brownfield redevelopment could be accelerated by a more fine-grained and participatory approach to urban land policy. This should aim to take advantage of the desire of most owners to promote redevelopment (or at least not to stand in its way) while encouraging the transfer of land away from the minority of owners who are hostile to redevelopment efforts.

Planning constraints

Many Western governments, including New Zealand, have come to view the town and country planning system as a constraint upon the free market and upon the prospects for economic recovery (Perkins and Thorns, 2001; Memon, 2003). In New Zealand, a shift to a neo-liberal political ideology was engineered by the recent Labour and National governments commencing with the advent of far ranging economic and state sector reforms in 1987. The strategic planning functions of former local authorities such as the Auckland City Council and the Auckland Regional Council were hollowed out because these were deemed as an unwarranted intervention in the urban land market and the ability of New Zealand to compete globally. Urban planning within the framework of Resource Management Act enacted in 1991 was expected to be based on the precepts of ‘light-handed” intervention limited to managing adverse environmental externalities. However, a number of recent observers question the high transaction costs of complying with local government RMA plans (NZ Productivity Commission, 2012; Ministry for the Environment, 2013).

By the same token, many local authorities have adopted user pays policies as part of the recent economic modernisation reforms in the local government sector enacted by central government (NZ Productivity Commission, 2012; Ministry for the Environment, 2013). These reforms have compelled land owners and developers to pay for a much bigger share of the costs of accessing local authority infrastructure such as sewage and water supply in form of development contributions.

Physical constraints

The physical condition of inner city sites is likely to cause developers more difficulty than greenfield urban fringe sites (Greenberg and Lewis, 2000; Wheeler, 2003). In the inner city, a developer must often remove the legacy of previous uses and in addition may find it difficult to fit a new development into the existing urban fabric of an area (Greenberg et al, 2001; Sharpin, 2006; Dunbar and McDermott, 2011). A distinction can therefore be drawn between endogenous constraints which are site specific and can be overcome by a single developer at a cost, and exogenous constraints which are not specific to an individual site but which may require co-operation among owners or public sector involvement in land assembly and/or infrastructure provision.

Price constraints

Vacant urban land may well be allocated for development and have the benefits of planning permission, may be entirely free from any site problems and on the market and available for sale but the vendor's expectation of the site's value may be considerably higher than that which any developer is prepared to pay. This has emerged as a major concern in Auckland with escalating real estate prices verging on highly unrealistic expectations of vendors and is referred to as capital gain (Dunbar and McDermott, 2011). At the same time, the cost of building has also significantly increased, partly as a function of the oligopolistic structure of the building materials supply sector (Dixon and Dupuis, 2002; NZ Productivity Commission, 2012).

This report will examine the nature of barriers that face development of LTV land parcels in Auckland and how they may be overcome against the backdrop of the above literature.

3.0 Research methodology

3.1 Introduction

A multi-pronged analytical approach was employed to address the five research questions defined in Section 1. To address the first research question, the researchers undertook a quantitative analysis of the physical attributes and ownership of vacant land parcels in Auckland, based on the results of the 2012 Capacity for Growth Study. The quantitative analysis was intended to provide a high-level, extensive description of LTV land in Auckland in response to the first research question. To address the remaining four research questions, a random subset of 29 properties was selected for more intensive qualitative analysis. The research team undertook in-depth interviews with owners of the 29 sampled LTV properties in order to obtain an insight relating to aspects of the development of their land.

The following sections describe the methods used to identify LTV land parcels, methods and procedures used to analyse the land and property attributes, and to interview LTV land owners.

3.2 Identification of LTV land parcels

This project was developed based on the results of the 2006 and 2012 Capacity for Growth (CFG) studies (Gamble, 2010; Fredrickson and Balderston, 2013). The 2006 CFG study used GIS analysis of aerial photographs, the cadastral database and building footprint data to identify which residential zoned land parcels in the Auckland region were vacant. According to the CFG study, parcels are vacant when they 1) contain no dwelling greater than $50m^2$, and 2) have no special designation that would prevent development[1]. This definition of vacancy does not preclude other structures or land uses in the parcel (e.g., car park, tennis court).

The 2012 study refined this analysis, using a bespoke geospatial model that integrated updated parcel boundary and building footprint information to identify vacant parcels (see Box 1). By overlaying the results of the 2012 study with the 2006 results, the researchers were able to identify the subset of 2012 vacant parcels that were also vacant in 2006 – i.e., were vacant for more than 6 years. We have termed these parcels 'Long-term Vacant' for the purposes of this study.

This study seeks to provide insight into the long-term vacancy of residential land in light of Auckland's housing crisis. As such, we refined the initial list of LTV parcels to only include those that are 1) residentially zoned (i.e., where residential dwelling construction is permitted as of right), and 2) occur in Auckland's existing built-up area (properties located within the Metropolitan Urban Limits (2010) that do not have a rural zoning/are not in the rural area).

This analysis identified 3238 LTV residentially zoned land parcels in Auckland's existing built-up area; these parcels formed the basis for the quantitative and qualitative analysis of LTV residential land in urban Auckland (described in sections 3.2 and 3.3).

[1] Parcels that were identified as having a district plan designation (under section 166 of the Resource Management Act 1991) that would severely restrict or prevent development were excluded from assessment for potential capacity.

Box 1. Capacity for Growth Study 2006, 2012: Overview of methodology (sourced from Gamble, 2010, Fredrickson and Balderston, 2013)

The Capacity for Growth Study is a quantitative plan-enabled assessment of capacity for development. It measures whether each parcel or title has the potential for more development under the operative rules (specifically subdivision, and some bulk and location provisions) of the district plans of the time. Both the 2006 and the 2012 study included an assessment of the residential capacity of vacant land in the urban area, based on the following parameters:

- Vacant (residential) land is defined as any parcel of land that is zoned for residential activities that contains no dwellings or buildings (over 50m^2). Sites with designations that significantly inhibit or prevent development are excluded from the assessment.
- Residential capacity measures the net number of additional dwellings units that could be built under operative planning rules. The residential capacity of the urban area is calculated by applying the district plan subdivision and bulk and location rules at the parcel level.
- The 'urban area' location type refers to all of the properties within the Metropolitan Urban Area (at the time of the study) that do not have a rural zoning/are not in the rural area (see Figure 3. below).

The studies calculate the 'residential vacant capacity' of the urban area - the total number of dwellings that can be yielded from residential zoned parcels that are currently vacant.

The 2006 Capacity for Growth Study used a custom built Geographical Information System (GIS) application to identify, assess and capture vacant sites. Extensive land information databases were entered into the Vacant Land GIS Application, which was then used to analyse the development potential of each land parcel. Every parcel with a residential zoning was checked to see if it was vacant, using the following databases:

- Digital Aerial Photography (circa March 2006): used to assist a visual on-screen assessment of vacant land candidate parcels
- Digital District Plan zoning from Auckland's territorial authorities (as at March 2006): used to identify operative planning rules for residential zones
- 2006 Digital Cadastral Database: provided information on parcel boundaries
- Digital Building Footprints (as at March 2006): used to assist a visual on screen assessment of vacant land candidate parcels.

Further information on the methods used to calculate residential capacity can be found in section 2.1 of Gamble (2010).

The 2012 Capacity for Growth Study followed a similar approach, but used a software programme called FME[1] to undertake the modelling process required to calculate capacity. The modelling process utilises a series of geo-spatial queries and assessments in order to calculate each type of capacity. This project drew on the results of the residential capacity (urban and rural towns) methodology. 'Residential vacant' capacity was calculated using the following data sets:

- Dwelling counts were sourced from the 2011 property valuations (provided by PropertyIQ Ltd) for each rates assessment area, and were then translated to parcel level using an allocation method.
- Building footprints (October 2012), captured from 2010 aerial imagery.
- Operative District Plan zoning from Auckland's territorial authorities (as at May 2012)

Further information on the methods used to calculate residential capacity, and the assumptions and limitations of this methodology, can be found in sections 2 and 5 (respectively) of Fredrickson and Balderston (2013).

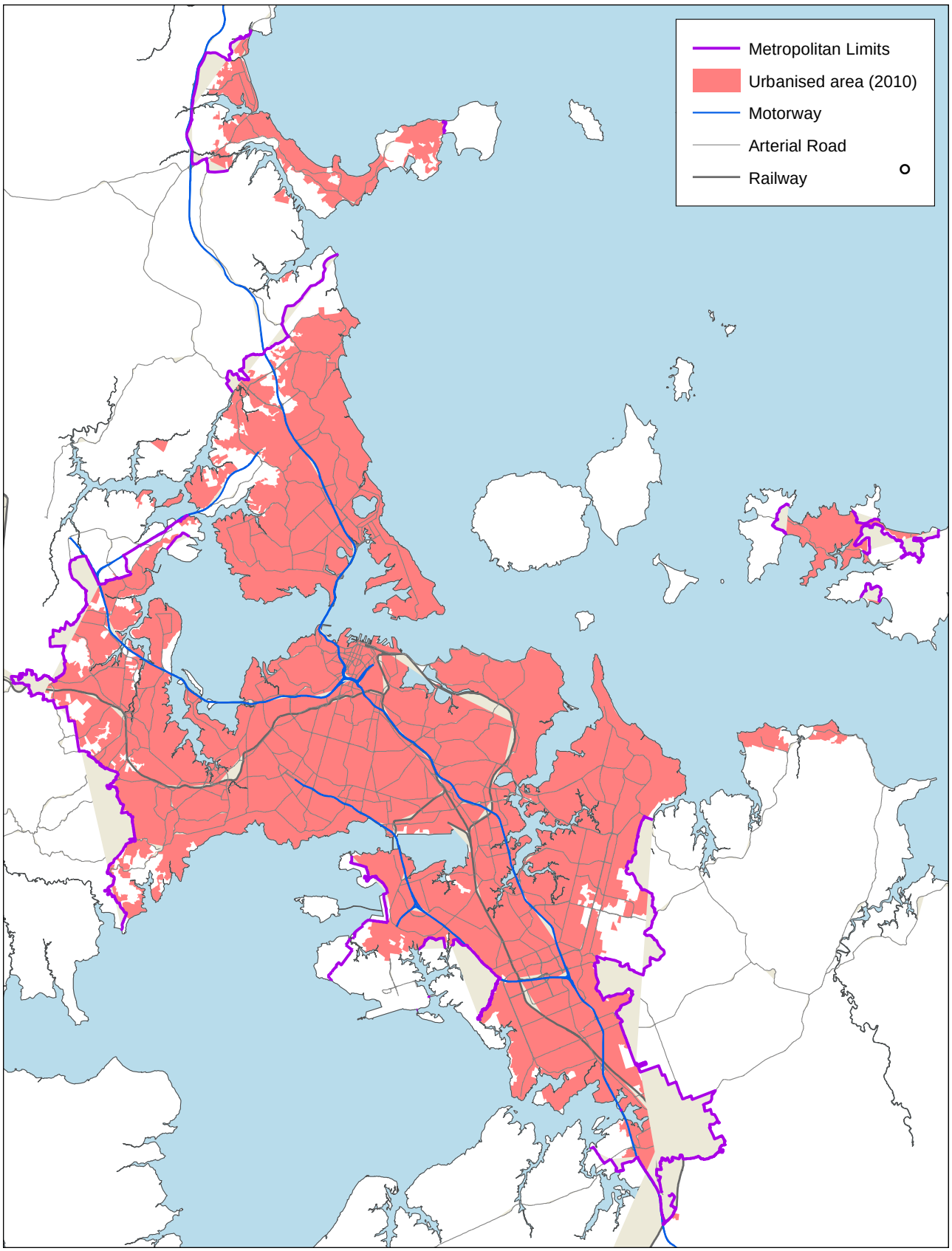


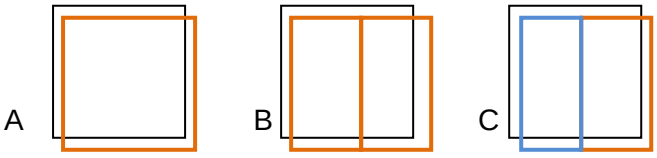
Figure 3: Extent of the urban area as defined in the 2012 Capacity for Growth Study

3.3 Quantitative analysis of LTV land parcel data

The quantitative analysis of LTV land parcels is based on the results of the 2006 and 2012 Capacity for Growth studies (see Box 1), combined with updated property information from Auckland Council's rating records (supplied by Property IQ). These two data sources provided data on residential land in Auckland using two different cadastral boundary types:

- The Capacity for Growth Study provided information on land *parcels.* A *parcel* is a cadastral polygon with a legal description, and can also be known as a property, section or lot. A parcel is the basic geographic unit to undertake capacity assessment within residential zones in the urban area.
- The council's rating records provided information on *rates assessment areas*. A *rates assessment area* (RAA) is the area of a rating unit, on which a valuation and a rates assessment is made A rating unit is based on a certificate of title - one certificate of title equals one rating unit - although there are some minor exceptions in the rules[1].

A *property* is akin to an RAA and may comprise one or more parcels. In some cases there is a 1:1 relationship between parcels and RAAs; in others there may be more than one parcel contained within a single RAA. Three scenarios representing the possible relationships between vacant parcels and RAAs are illustrated below:



In A, the parcel and RAA boundaries are identical (NB the parcel overlay is slightly displaced, representing overlapping boundaries), and both the parcel and the RAA are vacant; in this instance there is one developable parcel. In B, the RAA contains two parcels, both of which are vacant; there are two developable parcels. In C, the RAA contains two parcels, one of which is vacant and the other of which contains a dwelling; this RAA contains one developable parcel.

The CFG study (2012) provided the following information for all LTV residentially zoned parcels within the built-up urban area:

- Parcel identifier
- RAA identifier (RAA that the parcel was located within)
- Local board
- Parcel land area
- Parcel dwelling capacity (number of dwellings possible given the parcels size, dimensions and the operative planning rules)

These data were assembled as a database of information on LTV residentially zoned parcels in Auckland.

Using the RAA identifier listed for each LTV parcel, the researchers compiled a list of RAAs that contained at least one LTV parcel. 2979 RAAs that contained one or more vacant parcels were identified; 99 parcels were unable to be matched to a RAA. The data available for LTV parcels and RAAs is summarised in Table 1.
Property IQ provided the following rates assessment data for 2975 RAAs that contained a LTV residentially zoned parcel:

- Physical address (of the RAA)
- Land use category
- Date the RAA was created
- Capital value, land value, and improvements value
- Number of sales records

[1] For land for which no certificate of title exists, the rating unit is based on the nearest equivalent instrument of ownership.

- Last market sale date
- Last market sale price
- RAA land area
- Land owner(s) name (for up to two owners)
- Land owner(s) postal address (for up to two owners)
- Asking price (for properties that are currently on the market)

The LTV parcel data was matched to the RAA data (using the parcel and RAA identifiers), to create a complete database of information on RAAs that contained one or more LTV parcels. The RAA database combines RAA-level property information with the data on all vacant parcels contained in the RAA.

The LTV parcel and RAA databases were analysed in Excel, using a combination of single- and multi-variable analysis. Single variable analyses included measures of central tendency and variability, and distribution analyses (using bar charts). Multi-variable analyses included cross tabulations/pivot tables to calculate counts, measures of central tendency, minima, maxima and the sum of variables, as well as regression analyses. In accordance with the research questions, the following attributes formed the foci of the quantitative analyses:

- Number of LTV parcels and RAAs containing LTV parcels
- Current uses of LTV land
- Size distribution of LTV parcels and their RAAs
- Spatial distribution of LTV parcels
- Capital and land value distribution of RAAs containing LTV parcels
- Sales history and length of ownership
- Ownership of RAAs containing LTV parcels
- Number of RAAs containing LTV parcels that are for sale
- Potential dwelling yield of LTV parcels.

The RAA database was also used to randomly select RAAs containing LTV parcels for landowner interviews (see Section 3.4).

Table 1 Number of and availability of information on LTV parcels and RAAs

Number of LTV land parcels	**3238**
Number of LTV parcels that could be matched to a RAA	3139
Number of LTV parcels that could not be matched to a RAA	99
Number of RAAs containing a LTV parcel	**2979**
Number of RAAs for which rates assessment information was available	2975
Number of RAAs for which rates assessment information could not be retrieved	4

Data limitations

Additional interrogation of aerial photographs was used at this stage to ensure that the data provided accurate information on the vacancy of residentially zoned LTV parcels, and that sites with special designations were not included.

It is important to note that the accuracy of the LTV data analysis is influenced by the timeframes of each data input. In particular, the aerial photography used to create the building footprints for the 2012 CFG study is from 2010. The property valuation information, used to calculate the dwelling count of each parcel in the CFG study, is from 2011. Data provided by PIQ in 2013, including the property valuation, sales history and ownership of each RAA, are generally more recent (2012-2013), but are also affected by delays in updates to each database.

3.4 Interviews with owners of LTV land parcels

The quantitative analysis was followed by in-depth investigation of a subset of properties containing LTV parcels through semi-structured interviews with land owners. Over a three month period the research team undertook 29 interviews with the owners of LTV land parcels, to ascertain their motives for purchasing and owning residentially zoned vacant sections, the reasons for the current uses of the land, and their future development intentions.

180 RAAs containing LTV parcels were randomly selected from the list of 2975 RAAs provided by Property IQ using a random number generator. The ratepayer name and address for each RAA was identified using Auckland Council's GIS viewer. Each ratepayer was sent a letter of introduction and participant information sheet, explaining the purpose of the interviews and the overall study (see Appendix 1)[1]. Altogether 31 owners of LTV parcels agreed to take part in an interview; two later withdrew from the study.

Participants and their land holdings varied considerably; this suggests that the random selection process was reasonably successful in representing the diversity of vacant land ownership across Auckland:

- LTV parcels were geographically distributed across central, north, south, east and west Auckland (see figure 4), and were located within both urban centres (e.g. Parnell) and outer suburban areas (e.g. Whangaparaoa).
- LTV parcels varied in their size and current use; while the majority were small suburban/urban lots, several were large, high value areas.
- The majority of participants owned one vacant land parcel. Some participants owned more than one LTV parcel, either as contiguous parcels or in separate locations; a small number of participants owned subdivisions containing LTV parcels.
- Some of the land owner participants were developers, while others were private owners or co-owners; in one instance the LTV parcel was owned by a non-residential business, in another, a religious organisation.

Most of the land parcels were still vacant at the time of the interview. In three cases the owner had recently commenced development of the site – we spoke to these owners to gain insight into the reasons and processes by which the development potential of long-term vacant land was realised.

Interviews were undertaken in person and over the phone. Approximately one third of participants chose to be interviewed over the phone; the remainder were interviewed in a council meeting room, or in the home or office of the participant(s). Participants were informed of the purpose of the interviews, invited to ask questions, and asked to sign a consent form (see Appendix A) before the interview commenced. In most cases we spoke directly to the land owner(s); where the land owner was a company we spoke to a company representative (typically the director). In two instances we interviewed a family representative instead of the land owner, because the land owner was elderly and unable to participate in the interview. Interviews were typically 20-30 minutes in length, but in some instances lasted up to an hour. The majority of interviews were digitally recorded; in a few instances the participant did not wish to be recorded, and the interviewer took detailed notes.

The interviews with vacant land owners sought to elicit information on the current use(s) of vacant parcels, the motives and aspirations of the owners, barriers to development, and land owner perspectives on the development potential of vacant land under the proposed Unitary Plan. The interviews were semi-structured – while researchers used an interview schedule (see Appendix 1), they modified the order of questions and asked additional questions depending on the participants' responses. This allowed the researcher to gain more detailed insights on aspects of vacant land ownership and development that were relevant to each land owner and their specific context.

The interviews were transcribed and the transcripts sent out to participants, requesting consent for their inclusion in the study. Participants were asked to sign a transcript consent form (see Appendix 1) confirming that they either 1) accepted the transcript in its current state, 2) wished to withdraw specific sections of the transcript, or 3) wished to withdraw their entire transcript. Several participants also made minor changes to the transcripts for accuracy.

[1] Appendix 1 contains a copy of all the interview materials, including the participant information sheet, the initial consent form, the interview schedule and the transcript consent form.

The researchers conducted analysis of the interview transcripts with the objectives of picking out the dominant themes in responses, describing the diversity in range of responses, and identifying possible explanatory links between responses.

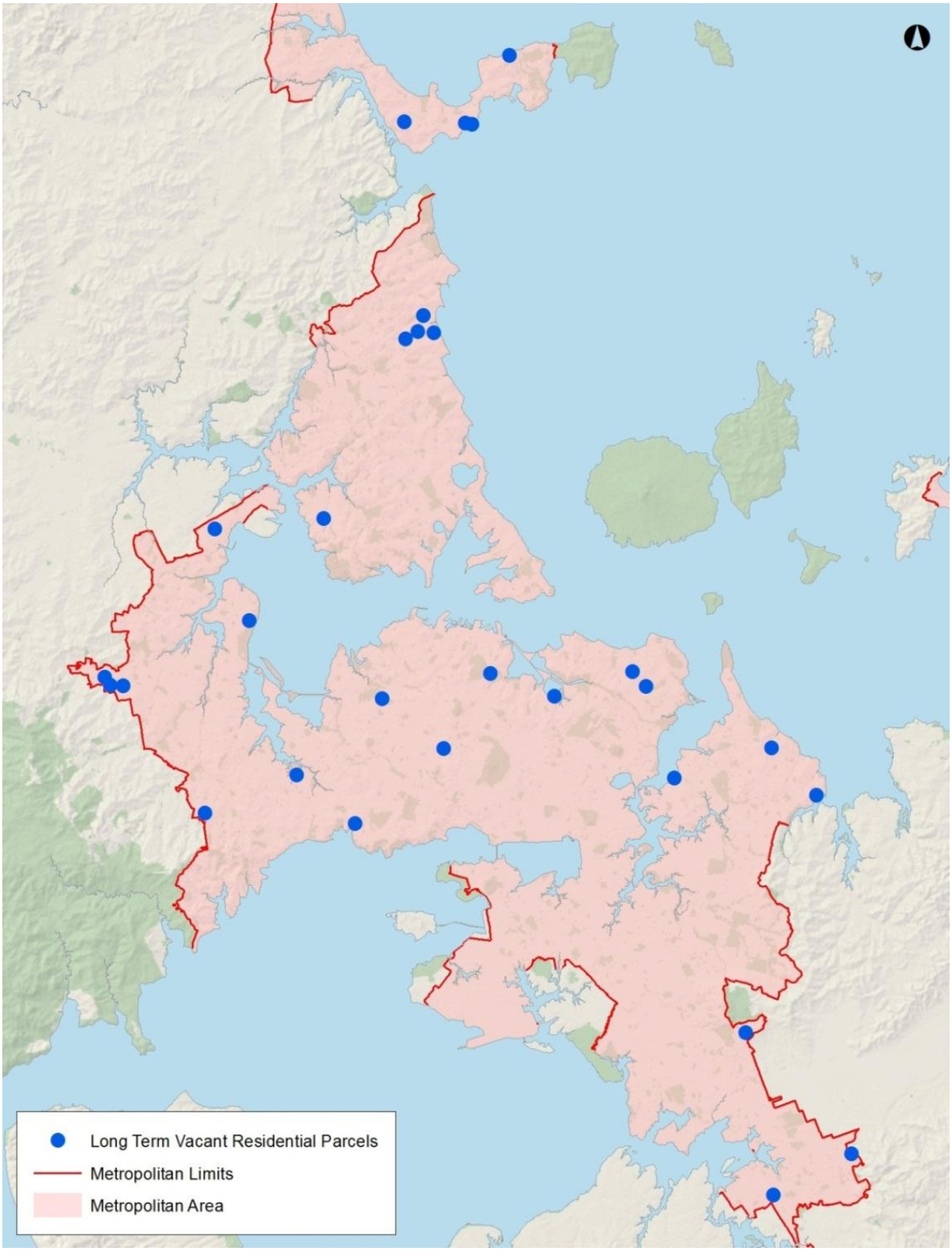


Figure 4 Location of LTV residentially zoned parcels whose owners were interviewed

4.0 Quantitative analysis of residentially zoned LTV land parcels

4.1 Introduction

Section 4 addresses the first research question: 'What are the ownership, land use, and related property attributes of LTV land parcels zoned for residential development in Auckland's built-up area?' Specifically, this section provides an overview of the number, current uses, size distribution, value, ownership characteristics, sales history and potential dwelling yield of residentially zoned LTV parcels in Auckland.

4.2 Number of LTV parcels and properties containing LTV parcels

The 2012 Capacity for Growth Study identified 5007 vacant residentially zoned parcels across Auckland (Fredrickson and Balderston 2013), 3238 of which were also vacant in 2006. These 'LTV parcels' were matched to 2979 RAAs (henceforth, 'properties') in the Auckland Council's rates assessment database. The marginally smaller number of properties than LTV parcels suggests that a small subset of properties contain more than one vacant parcel, as shown in Table 2[1]. The implication of this finding is that most properties containing LTV parcels only contain one vacant developable unit at present.

On account of the very small difference between the total number of parcels and matching properties, for all intents and purposes the reader can read the total number of parcels and properties as synonymous. The majority of the following analyses in this section focus on properties rather than parcels. This is because land use and ownership information is only available at the property scale.

Table 2: Number of properties containing one or more LTV parcels

Number of LTV parcels per property (#)	Count of properties containing # parcels	%
1	2921	98
2	26	1
3	16	1
4	3	0
5	3	0
6	3	0
8	3	0
9	2	0
14	1	0
17	1	0
mean number of LTV parcels	1.05	
Total	2979 properties	

[1] Most properties containing LTV parcels only contain one vacant parcel (98.2%). A small number (1.4%) of properties contain two to three LTV parcels, while just 0.5 per cent of properties contain more than three LTV parcels. The maximum number of vacant parcels in a property identified by the study is 17 LTV parcels.

4.3 Current uses of properties containing LTV land parcels

The current land use of the vacant properties is an important consideration in assessing their residential development potential. In some instances properties may be 'bare land' and therefore ready for development; in others the existing land use (e.g. commercial uses) may reduce the likelihood of development. Depending on the current use of the sites, the cost of development will vary based on requirements for land clearance and rehabilitation.

The current uses of properties containing LTV land parcels were analysed based on the land use categories provided by Property IQ (PIQ). The 71 detailed property category codes provided by PIQ were grouped into a smaller number of broad land use categories, using the first letter/two letters of the category codes (see Table 3). Table 3 highlights that the great majority of properties containing LTV parcels identified in this study are listed as residential vacant (74%) or lifestyle vacant (1%).The implication of the 'vacant' status is that these properties are 'ready to go' in terms of their potential for development.. They have fewer barriers to development, as they are relatively unencumbered by existing uses and have no special designation that would prevent development.

The fact that 17.4 per cent of the properties were categorised as residential (residential development or residential other) suggests that a significant proportion of LTV parcels form part of larger residential properties (e.g. as a 'backyard'). Table 3 also shows that a number (6%) of LTV parcels are located in properties with 'other' uses, such as education, religious use, or as reserves. These vacant parcels may in fact be school fields, car parks or grassed reserves. A small number of properties containing LTV parcels are listed as having commercial or industrial uses. The vacant parcels identified in these properties may be car parks, or unimproved concrete or grassed areas within commercial or industrial sites.

The above land uses, which together comprise 25 of the properties containing LTV parcels, have implications for the availability of the vacant parcels for residential development. It could be argued that some of these vacant parcels are 'tied up' by the dominant land use of the property; there may be personal or institutional barriers to development of the 'vacant' areas. For example, there may be a degree of inertia in a school board and/or the Ministry of Education's decision to develop and/or sell a vacant parcel adjacent to school grounds. In the case of properties that are currently being used for residential purposes, development of the vacant parcel may not occur unless the property is sold to owners directly engaged in house building. The process of freeing-up 'vacant' sites that are currently being used for other purposes may be relatively slow and expensive. The role of current land use in shaping the development potential of LTV parcels is further discussed in sections 5.4-5.

Table 3: Land use categorisation of properties containing LTV residential parcels (based on the property category codes provided by PIQ)

Broad land use category	Subcategories included	Count of properties	%
Residential vacant, lifestyle vacant	'RV', 'LV'	2236	75
Residential development	all categories beginning with 'RD'	409	14
Other use (including education, religious, reserves, health)	all categories beginning with 'O'	179	6
Residential other	all other categories beginning with 'R'	110	4
Commercial	all categories beginning with 'C'	17	1
All other categories	all categories beginning with U, D, H, P	15	1
Industrial	all categories beginning with 'I'	7	0
Lifestyle improved	all categories beginning with 'LI'	2	0
Total		2975	100

4.4 Size distribution of LTV land parcels

The size of LTV parcels is a key factor determining their capacity for subdivision and residential development. While the zoning and shape of the parcel will also influence its development capacity, in general larger parcels have a higher potential yield. It is therefore important to examine the size distribution of LTV parcels in order to assess their potential contribution to future residential development in Auckland.

Figure 5 depicts the size distribution of LTV land parcels in Auckland. Overall, small parcels account for the majority of LTV parcels in Auckland; 1929 parcels (60% of all LTV parcels) have an area less than 900m^2 (i.e. smaller than the traditional 'quarter acre section'), while only 372 parcels (11%) are over 2000m^2. The small size of these parcels suggests that the majority of Auckland properties containing one LTV parcel will yield few additional dwellings.

For example, under the notified Unitary Plan, the mixed housing suburban zone allows one dwelling per 300-400m^2 (depending on other conditions, such as the site frontage). Therefore, LTV parcels that are less than 900m^2 and located in the dominant mixed housing suburban zone could only be subdivided to produce 1-2 additional dwellings. Furthermore, just 771 LTV parcels (23.8%) would meet the 'minimum net site area of 1200m^2' condition for the maximum density provision in mixed housing urban and suburban zones. The development capacity of vacant parcels is further explored in Section 4.10.

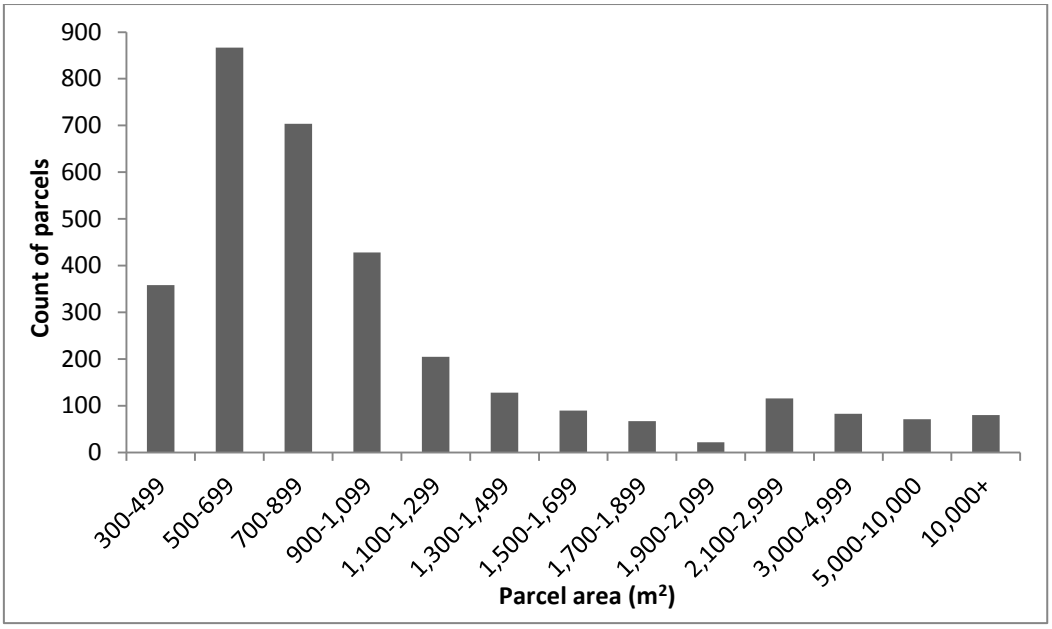


Figure 5: Size distribution of LTV land parcels in Auckland

Figure 6 compares the cumulative LTV land area of properties with the total land area of the properties. This graph shows that the size distribution of properties and their LTV parcels is very similar, with a large number of small properties (300-1099m^2) and a small number of very large properties (2000m^2 or more).

However, the land area of properties (mean 2952m^2) tends to be greater than the cumulative land area of LTV parcels in properties (mean 1915m^2). This is demonstrated by the smaller number of properties with an area less than 1499m^2, and the larger number of properties with an area greater than 2100m^2, compared with the cumulative vacant land area distribution. The larger size of properties compared with the sum of their vacant parcels suggests that there are a significant number of properties containing a LTV parcel that also contain a parcel with another use (e.g. an occupied residential parcel).

Therefore, the development potential of properties containing LTV parcels could be significantly increased if the existing use of 'non vacant' parcels was removed. This may not be efficient for smaller properties (where redeveloping the entire property may only result in one additional dwelling), whereas the development capacity (and return on investment) of larger properties could be significantly increased by removing existing uses. For example, 47 additional properties would have a developable land area of greater than 10,000m^2 if

their existing uses were removed[1]. This could open the door for more small scale subdivisions or intensive housing developments. These findings suggest that it is important to consider the development capacity of the whole property, as it may be possible to maximise the value of LTV parcel development (and therefore the likelihood of development) through redevelopment of adjacent parcels. The increased development potential may also mean that land uses adjacent to vacant parcels are more mutable.

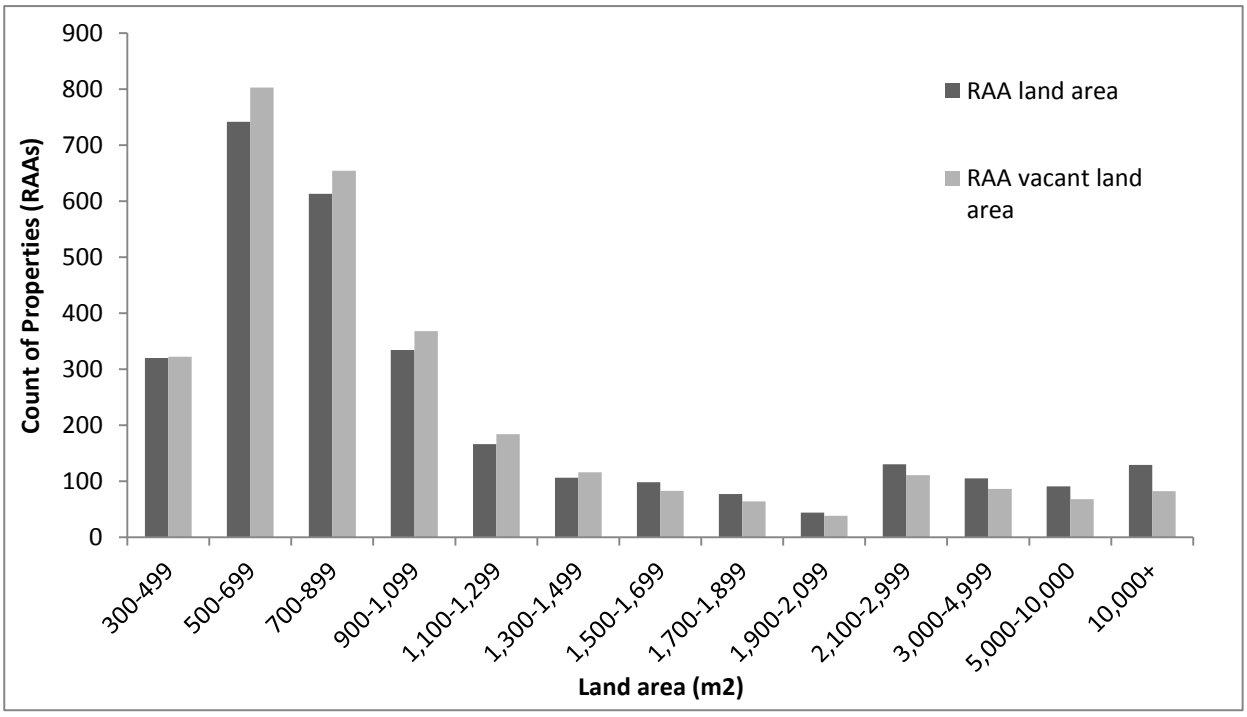


Figure 6: Size distribution of properties containing LTV residential parcels, compared with the total vacant land area of LTV parcels in each property

4.5 Number and size of vacant parcels by local board

Auckland has been characterised by diverse spatial development trends and patterns over time, resulting in differences in land use, property sizes, and development pressures across Auckland today. It was hypothesised that LTV parcels are also likely to vary in their distribution across Auckland, as the uptake of vacant land for development forms part of place-based trends. Examining the spatial distribution of LTV parcels across Auckland therefore provides some insight into the development history of suburbs, and their potential for future residential development.

Table 4 illustrates that there is significant variability in the number of vacant parcels located in each local board. The greatest number of vacant parcels is located in the peripheral northern and southern-most local boards. The northern boards of Hibiscus Coast and Bays and Rodney have the highest and second highest number of vacant parcels respectively, followed by Franklin in the south. Older central and southern local boards (e.g., Waitemata, Otara-Papatoetoe) have the lowest numbers of vacant parcels. Waiheke, due to its limited size, has the smallest number of vacant parcels overall. These findings reflect recent patterns of greenfield development and residential subdivision at the outermost extent of Auckland's urban area, and the longer history of development demand in central urban areas. These trends have resulted in a large number of vacant parcels that have not yet been developed in newer suburbs such as Gulf Harbour, Orewa, Maraetai, and Massey, while fewer parcels have been created and remained vacant in central areas such as Parnell and Mount Eden.

[1] 82 properties containing LTV parcels have a cumulative vacant land area of greater than 10,000m^2, compared to 129 properties containing LTV parcels that have a total land area of greater than 10,000m^2.

Table 4: Number of LTV residential parcels per local board, as a proportion of total residential parcels

Local board	Number of vacant parcels	Vacant parcels as a per cent of total residential parcels*
Albert - Eden	92	3
Devonport - Takapuna	76	2
Franklin	342	11
Henderson - Massey	241	7
Hibiscus and Bays	486	15
Howick	177	6
Kaipatiki	137	4
Mangere - Otahuhu	50	2
Manurewa	200	6
Maungakiekie - Tamaki	71	2
Orakei	173	5
Otara - Papatoetoe	40	1
Papakura	219	7
Puketapapa	65	2
Rodney	380	12
Upper Harbour	206	6
Waiheke	37	1
Waitakere Ranges	84	3
Waitemata	52	2
Whau	110	3
Total	**3238**	100

Figure 7 depicts the size distribution of LTV parcels in Auckland by local board. The graph highlights significant variability in the number and size of LTV parcels between local boards. Central city local boards (e.g., Waitemata, Albert-Eden) contain fewer, smaller vacant residential parcels, while areas of relatively new subdivision (e.g., Papakura, Henderson-Massey) have large numbers of small vacant parcels, and rural boards (e.g., Rodney, Franklin) contain the majority of large LTV parcels. The Hibiscus and Bays local board contains the largest number of vacant parcels of any local board, including 109 vacant parcels over 1200m2 in size (14% of all vacant parcels in this size category). This large number and size of vacant parcels reflects the area's settlement history, including the timing and style of residential development prevalent in this area compared to the rest of urban Auckland. These outer suburbs therefore have the potential to experience significant vacant land development in the future, adding to Auckland's existing sprawl patterns. The implications of this latent development capacity for the growth in service needs of outer suburbs should be considered for future infrastructure development and maintenance.

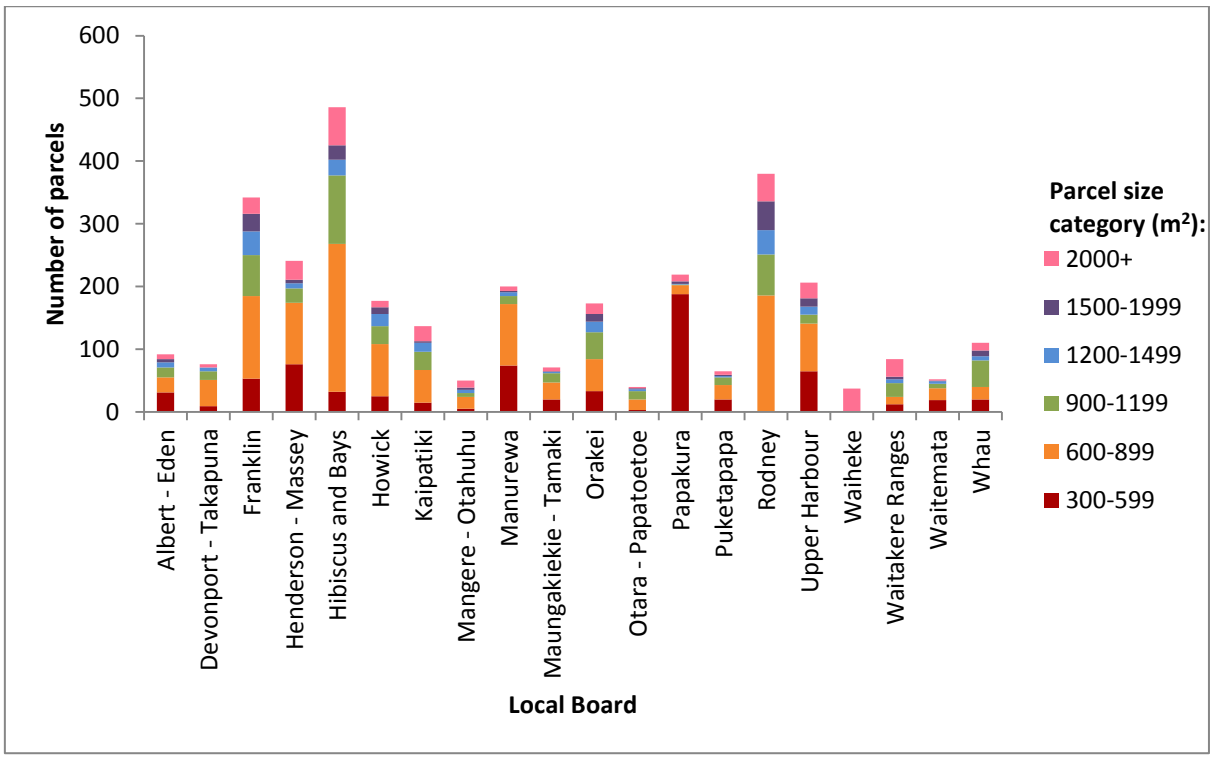


Figure 7: The size distribution of LTV land parcels in Auckland by local board

4.6 Capital Value and Land Value distribution of properties containing vacant parcels

The affordability of housing is a critical concern for all Aucklanders, and not only for the first home buyers. The ratio of annual household income to the value of housing loans has increased dramatically in recent years. One proposed strategy to reduce the pressure on the housing market is to promote the development of available land, thereby increasing the supply of houses. However, the relationship between housing supply, demand, and price is complex, so that increased development will not necessarily result in reduced house prices. In addition, whether and how vacant land is developed will depend on the cost of the land relative to the price that the developed properties will sell for. It is therefore important to analyse the value distribution of properties containing LTV parcels in Auckland; valuation data provides a sense of the affordability and development potential of LTV land in Auckland. However it must be noted that the actual price of the land and return on investment for developers will vary depending on a range of market factors.
Figure 8 illustrates the property value distribution of properties containing vacant parcels using two measures of value: the Capital Value, which combines the land value and improvements value (e.g. value of dwellings and infrastructure), and the Land Value. The value of improvements was not analysed because we were interested in the value characteristics of vacant land, not dwellings or other structures.

The majority of properties containing vacant parcels are valued between $100,000 and $499,999 (2185 (74%) properties' LVs occurred within this range, compared with 1923 (65%) properties' CVs). A small but significant proportion (287 properties) were valued at more than NZ$1 million in 2011. These findings suggest that a large proportion of LTV properties are unaffordable for low income earners. The Auckland Plan uses the Median Multiple Measure as a rough measure of the affordability of housing, based on the ratio of median household income to median house price. In the 2013 census, Auckland's median household income was $76,500[1]. Therefore, any property with a CV of greater than $229,500 would be considered unaffordable – 76 per cent of properties in this study.

The CV of these LTV properties is likely to be even higher once they have been developed. Unlike most residential properties in Auckland, the LVs and CVs of properties containing LTV parcels were very similar. This reflects the large number of properties that only contained LTV parcels, and therefore had no improvements value (i.e. CV=LV). However, the small proportion of properties that did contain parcels with

[1]http://www.aucklandcouncil.govt.nz/EN/planspoliciesprojects/reports/Documents/aucklandprofileinitialresults2013census201405.pdf

other uses (e.g. residential, commercial) resulted in a CV distribution (mean = $700,948) that is weighted towards higher values, compared with the LV distribution (mean = $544,435). These findings suggest that LTV land is unlikely to be a significant source of affordable housing in Auckland, although this will depend on the location of the property and nature of the development. Further subdivision of LTV land and/or intensive housing could reduce the LV contribution to property prices. The perceived demand and market for more intensive housing types (compared to stand alone housing), together with council's use of development strategies and market mechanisms, will determine whether LTV properties are developed for more intensive, affordable housing or other uses. Section 5.6 provides further insight into the likely future development of LTV properties based on current land owner perspectives.

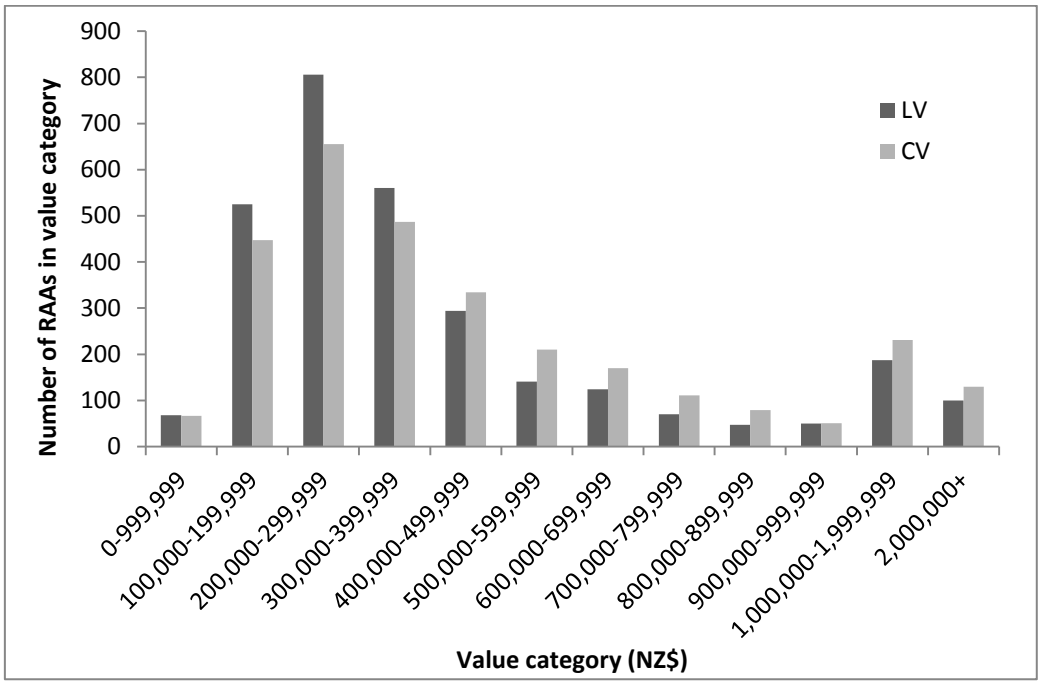


Figure 8: Capital Value (CV) and Land Value (LV) of properties containing LTV land parcels in Auckland (based on July 2011 Valuations)

4.7 Ownership of properties containing LTV parcels

Property ownership can become a sensitive political issue during periods when property supply is scarce and becomes ownership becomes inaccessible for some sectors of society. In addition, ownership type is one determinant of the use and development potential of LTV parcels. While some owner types (e.g. individuals, development companies) tend to have a higher property turn over, other owner types (e.g. schools, government ministries) may be reserving vacant land for a particular use or purpose, and are less likely to sell LTV properties to potential developers. The following analysis provides an indication of the land owner types with the largest LTV land holdings in Auckland. Each owner type is likely to be influenced by a range of factors when considering the future use, sale, or development of their LTV land. Further investigation of the factors influencing the owner types with the largest land holdings may suggest opportunities to increase the development potential of LTV parcels.

The property ownership information provided by PIQ was classified into a discrete number of owner types, as described in Table 5. Table 6 displays the results of this classification by owner type. The results highlight that the majority (65%) of properties containing LTV residential parcels are owned by individuals, including sole owners, couples (e.g. 'mum and dad' investors), partnerships and families. This owner type also owns the largest number of LTV parcels, and the largest amount of property land area and property land value. These results suggest a more fragmented development capacity than is common to brownfield and greenfield development, requiring different strategies to promote residential development. The use and development of the majority of LTV properties is likely to be influenced by the personal circumstances of the owners (e.g. age, finances, aspirations, family), and may change significantly with a change in ownership. The potential for development under new owners will depend on the type of current use, length of ownership (see Section 4.8), and the intentions of the current owners (see Section 5.6).

Limited companies are the second largest owner type, owning 19 per cent of properties containing LTV residential parcels, while Auckland Council and its affiliates come in at third (5% properties). Properties owned by limited companies for future sale or development purposes have a high likelihood of development under favourable market conditions. However, this is less likely where the company is using the site for other land uses (e.g. parking). Interestingly, the third largest owners by total property land value are religious groups and trusts (7% total property land value), who are also the fourth largest owner in terms of number of properties and LTV parcels. These findings suggest that religious groups and trusts own a significant number of small but high value properties containing LTV parcels in Auckland. The high value of these holdings may be due to religious sites being located in town centres, where land values are typically higher. Other significant vacant land owners by land area are government ministries (5% property land area) and trusts/trust boards (4% property land area). Recreational clubs and societies, Housing New Zealand, state owned services and schools are comparatively small LTV land owners across all analyses. The ownership arrangements governing the use, sale and development of LTV parcels owned by the council, religious organisations, ministries, clubs and schools are likely to be more complex than those of individual owners. Where organisations have an asset management policy, this may render the future ownership and/or use of the vacant land more mutable. However, complex decision making arrangements could also delay or act as a barrier to the sale or development of the property. The council may wish to consider how it can work with organisations that have large vacant land holdings to promote the most effective use of these sites.

Table 5: **Classification of owner type, based on first owner listed for each property in PIQ's database**

Owner type	Basis for classification of PIQ ownership information into type
Individual(s)	Personal name(s)
Limited company	Owner names that included 'Ltd'/'Limited' and were not state owned.
Auckland Council and affiliates	Auckland Council, Auckland's previous city/district councils and Watercare (a CCO)
Religious group or trust	Owner names that specified a religious group (e.g. Methodist, Christian) and/or included the word 'Church' or 'parish' or a similar religious term.
Trust/trust board	Owner names that included the words 'trust' or 'trust board', but did not have a religious affiliation.
State owned company/service	Owners that are known government organisations (e.g. NZ Defence Force, NZ Transport Agency)
Recreational club/society	Owners that were listed as incorporated clubs or societies (e.g. RSAs, Bowling Clubs)
Housing NZ	Housing New Zealand or Housing Corporation
Government Ministry	Ministries of Education, Social Development, Works and Development
School	Owner names that specified a school or college.
Other	Several health related services and foreign governments

Table 6: **Ownership of properties containing LTV land parcels in Auckland by owner type***

Owner type	Total number of properties owned	%	Total number of LTV parcels owned	%	Total land area (hectares) of properties owned	%	Total land value ($) of properties owned	%
Individual(s)	1931	65	1987	63	517.4	50	902,389,000	56
Limited company	575	19	600	19	220.7	21	294,215,000	18
Auckland Council and affiliates	153	5	183	6	111.1	11	71,925,000	4
Religious group or trust	83	3	92	3	32.9	3	109,393,000	7
Trust/trust board	48	2	52	2	38.4	4	48,185,000	3
State owned company/ service	30	1	33	1	14.9	1	17,787,500	1
Recreational club/society	16	1	24	1	7.2	1	36,918,000	2
Housing NZ	15	1	15	0	1.7	0	3,398,000	0
Government Ministry	13	0	21	1	57.0	5	40,437,000	2
School	5	0	12	0	20.2	2	10,565,000	1
Other	8	0	8	0	3.2	0	10,785,000	1
No owner information	101	3	112	4	18.0	2	72,063,000	4
Total	**2978**		**3139**		**1042.9**		**1,618,060,500**	

4.8 Sales history and length of ownership

To understand the potential for development of vacant properties, it is important to consider the length of ownership of properties. Owners that have owned a vacant property for a long period of time and have not developed it are unlikely to develop it unless there is a significant change in personal circumstances or the property market. Such properties are therefore likely to remain vacant until the property changes hands. Properties that are frequently on-sold are more likely to pass into 'active' ownership, and be developed. This section examines the age of property records, the length of ownership, and the sales frequency of properties containing LTV parcels based on the information available from PIQ.

The PIQ database lists the date that each property record was created for records created from 1990 onwards. Property records are created when a new title is created (e.g. through subdivision, amalgamation), or when a title is significantly altered (e.g. through application for rezoning). Figure 9 highlights that a significant proportion of property records (656 records, 22%) were created prior to 1990, while an additional 456 (15%) records were created in the 1990s. Therefore a large number of properties containing LTV parcels have not been subject to 'land development' (e.g. subdivision) for more than twenty years. However, the majority (1574, or 53%) of property records were created in the decade from 2000-2009, indicating that there are a large number of properties containing LTV parcels that have been created or altered through land development in the last thirteen years. It is possible that some of these more recently created properties were created for development purposes, and are therefore more likely to be responsive to changes in the property market and zoning.

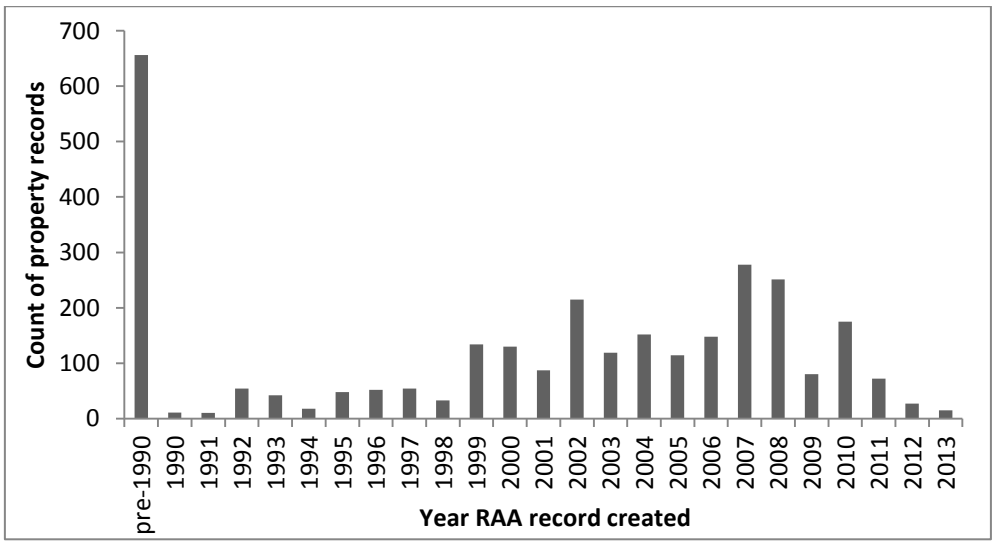


Figure 9: **Temporal distribution of property record creation dates, derived from PIQ's property records database (1990-September 2013).**

Figure 9 displays the first recorded sale date for properties containing a LTV residential parcel, providing an indication of the age of the properties with 'pre-1990' record creation dates. 335 properties sold for the first time in the late 1970s and the 1980s, 16 per cent of all recorded 'first sales'. This suggests that some of the properties containing LTV parcels were created at least 30 years ago. Since the date of first sale is not necessarily closely related to the date of record creation (e.g. owners may subdivide the land themselves), a number of properties may be considerably older than this. These findings indicate that a significant number of properties containing LTV parcels were created two or more decades ago. It is likely that many of these properties have contained vacant land/parcels since their creation, suggesting that these parcels are indeed long-term vacant. Such vacancy may be due to significant barriers or lack of incentives for development, or attachment to existing land uses (e.g. residential backyards).
Figure 10 highlights that the majority (1431 properties, or 67%) of recorded first sales have occurred since 2000. This is likely to be a reflection of the recent creation of the majority of property records, as identified in Figure 4.5. It may also be due to a greater accuracy of sales record keeping in recent years.

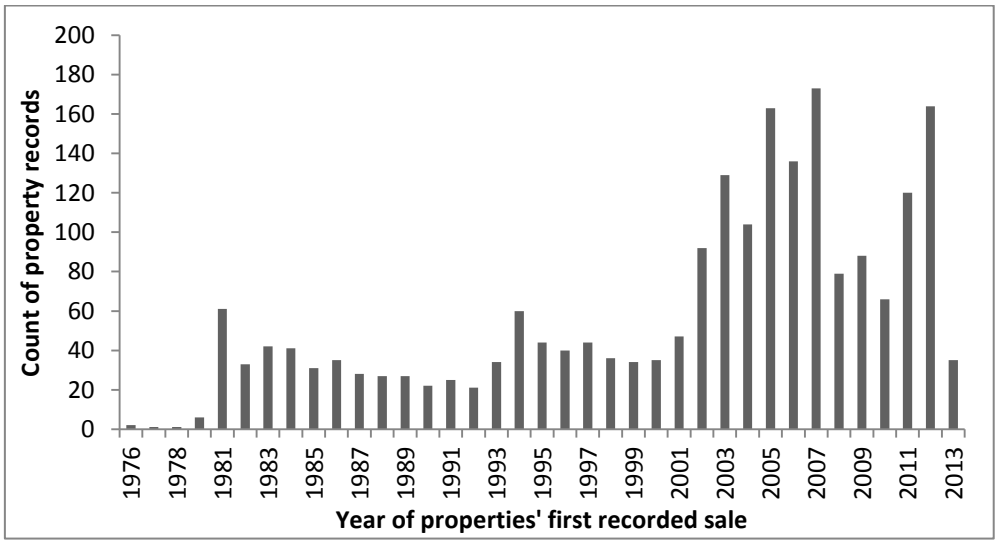


Figure 10: Temporal distribution of properties' first recorded sale, derived from PIQ's sales history database (as of September 2013)

Figure 11 shows that 1148 properties were last sold between 2008 and 2013, and have therefore been owned for less than 5 years (38.6% of all properties, 54.0% of properties with sales records). The mean length of ownership based on a property's last recorded sale is 7.13 years (i.e. since 2007). Since the

definition of 'LTV' is parcels that were identified as vacant in both the 2006 and 2012 CFG studies, these findings suggests that a significant proportion of properties have remained vacant despite changing ownership. 336 properties containing LTV residential parcels (15.8% of properties with sales records) have been owned by the same owner for more than 15 years. Again, the long-term ownership of these vacant parcels suggests that it is unlikely that they will be developed in the near future without a significant change in circumstances (such as ownership).

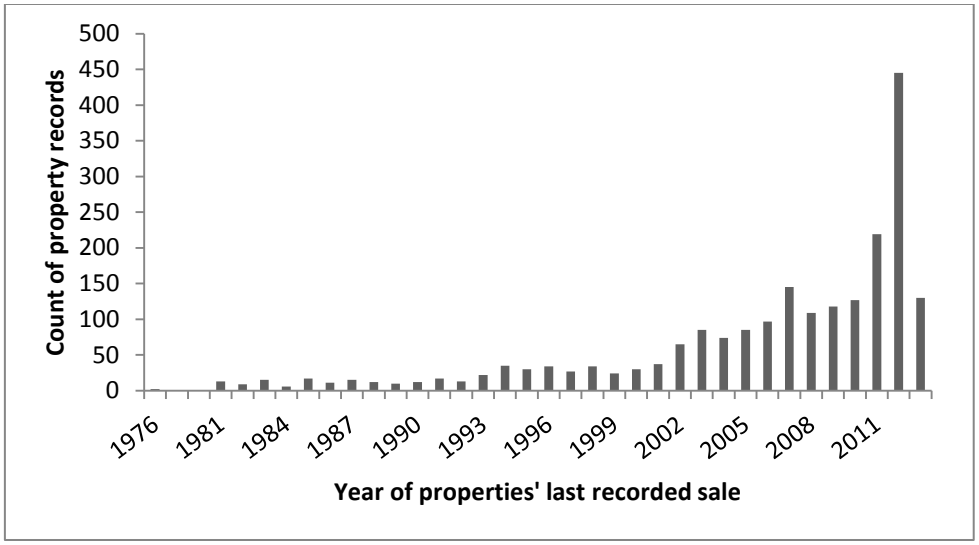


Figure 11: Temporal distribution of properties' last recorded sale, derived from PIQ's sales history database (as of September 2013)

However, it is also important to note that almost a third (29%) of properties have no sales history records (see Table 7). These may be properties that have been held by one owner for a long time (no available record of sale), have not been sold since the record was created (in the recent or distant past), or have been inherited or gifted rather than sold. These properties may be even less likely to be on-sold or developed. If the length of time since there was a change in ownership for these properties was known, the proportion of properties identified as having long-term ownership might be higher.

Table 7 Number of sales records for each property (from PIQ sales history database, as of September 2013)

Number of sales records	Count of properties	%
0	849	29
1	923	31
2	618	21
3	309	10
4	146	5
5	62	2
6	36	1
7	16	1
8	6	0
9	4	0
10	4	0
12	2	0
Total properties	2975	
Total sales records	4456	

Table 7 also highlights that properties containing LTV parcels are highly skewed towards low numbers of sales records. A third of properties are recorded as only having sold once since they were created, and less than 10 per cent of properties with recorded sales have sold five or more times. This is likely to be a combination of long-term ownership of properties containing LTV parcels, and the large number of properties that had recent record creation dates (44% of property records were created in the last ten years).

Overall, the property sales analyses indicate two main trends. The majority of properties containing LTV parcels were created and first sold since 2000, and were last sold after 2007. These properties are of more recent ownership, and may include a proportion of properties that were acquired for development that has not yet occurred. There is also a small but significant proportion of properties that were created and/or first sold prior to the 1990s (22% and 16% respectively), and that have been owned by the same owner for more than 15 years (16%). The fact that owners have owned properties containing vacant parcels without developing that land for 15 years suggest that long-term ownership may be a barrier to LTV land development, and that the parcels' existing use is likely to continue under its current owners.

4.9 The potential of LTV land parcels for future residential development

A key factor underpinning the potential development contribution of LTV land to housing demand in Auckland, and the likelihood of individual properties being developed, is the development capacity of LTV parcels. The development capacity of parcels was analysed through the Capacity for Growth Study based primarily on the zoning in the district plans and the size of residential parcels. This section examines the potential for future residential development on LTV properties based on the number of properties on the market, and the dwelling yield of LTV parcels.

4.9.1 Number of properties containing LTV parcels that were listed on the market

At the time of data collection, 195 properties (6.6%) were recorded as being listed on the market by PIQ, 125 of which had listed asking prices. These findings suggest that a small but significant proportion of properties containing LTV parcels may be on the market at any one point in time, and therefore available for development by a new owner. Asking prices ranged from $99,000 for an 888m^2 vacant property in Wellsford to $3,750,000 for a 416m^2 vacant property in Remuera. The average asking price was $519,528. These findings support the earlier analysis of property values, which highlighted that the majority of properties containing LTV parcels in Auckland's urban area have high CVs and are considered unaffordable. Given the high asking prices of these properties, they will need to have significant development capacity or be subject to high-end development in order to make development of the LTV parcels profitable.

4.9.2 Dwelling yield of LTV parcels

The CFG study enables assessment of the contribution of properties containing LTV parcels to the residential development potential for Auckland based on the most recent district plans' zoning and rules (which will continue to be the operative zoning for most areas until the Unitary Plan becomes operative). Dwelling yield is calculated as the number of whole dwellings that could be constructed on a parcel given minimum dwelling and developable area sizes (together with other conditions such as access way potential).

Table 4.7 displays the number of properties in which one or more additional dwellings can be constructed, and the resulting total new dwelling capacity of properties containing LTV parcels. The majority (65%) of properties containing LTV residential parcels have capacity for one dwelling. This is likely a reflection of both the large number of properties that contain just one LTV parcel, and the small size of many LTV parcels. Accordingly, a decreasing number of properties have large dwelling capacities; just 2 per cent of properties containing LTV residential parcels have capacity for more than 20 dwellings. Therefore in most cases development of LTV parcels will occur through the construction of individual houses; only a few properties have the potential for small-scale subdivision. However, it may be possible to maximise the development capacity of individual parcels and/or properties by (re)developing adjacent properties together, which may require amalgamation or realignment of property boundaries. Consideration of strategies to promote residential development should therefore consider both the factors promoting and constraining the

development of individual houses, and mechanisms to enable 'land development' (e.g. amalgamation) and thereby construction of multiple dwellings.

The LTV parcels in the 2975 properties identified by this study, together with the 99 LTV parcels that could not be matched to a property, have a total dwelling capacity of 8,608 dwellings. Table 8 highlights that a significant proportion (37%) of this dwelling capacity is derived from properties which can accommodate 1-2 dwellings on their LTV parcels. However the 11 properties that have capacity for 70 or more additional dwellings also make a significant (14%) contribution to the overall development capacity of properties containing LTV parcels. Strategies to encourage residential development will therefore need to consider both the small and medium scale developer in order to maximise the development potential of LTV land.

Table 8: **Count of properties with a total dwelling capacity of Y (sum of the dwelling capacity of their LTV parcels) based on the operative district plan zoning rules, and resulting total dwelling capacity**

Dwelling capacity of property (Y)	Total property count	%	Total dwelling capacity	%
1	1928	65	1928	22
2	573	19	1146	13
3	181	6	543	6
4	80	3	320	4
5	38	1	190	2
6	22	1	132	2
7	11	0	77	1
8	16	1	128	1
9-11	17	1	174	2
12-14	22	1	296	3
15-17	17	1	268	3
18-20	16	1	303	4
21-23	10	0	222	3
24-26	6	0	151	2
27-29	8	0	226	3
30-39	6	0	199	2
40-49	7	0	308	4
50-69	10	0	556	6
70+	11	0	1163	14
Total dwelling capacity	2979		8608*	

*NB includes the 278 dwelling capacity resulting from parcels that could not be linked to a property

Table 9 examines whether the dwelling capacity of properties is linked to the number of LTV parcels they contain. This table highlights that while the majority (1928, or 66%) of properties containing one LTV parcel have the capacity for just one additional dwelling, there are also a significant number of properties with one parcel that could result in 2-325 dwellings. There are therefore some properties in Auckland that contain very large vacant parcels, and have significant capacity to be subdivided for residential development. Housing strategists may wish to consider how they could enable the development of these high-yielding properties in accordance with the objectives of the Auckland Plan.

Among the properties that contain more than one LTV parcel, the higher the LTV parcel count is, the larger the dwelling capacity tends to be. However, of the few properties that have more than one LTV parcel, the majority still only have capacity for 2-4 dwellings. These results suggest that the majority of development potential in LTV residential parcels occurs in properties containing one vacant parcel only. The development potential of LTV land in Auckland is therefore more likely to be enhanced by promoting the amalgamation of adjacent properties, rather than the co-development of adjacent parcels.

Table 9: **Count of properties containing X number of LTV parcels that have a total dwelling capacity of Y (sum of the dwelling capacity of their LTV parcels), based on the operative district plan zoning rules**

Dwelling capacity of property (Y)	Number of LTV parcels in property (X)									
	1	2	3	4	5	6	8	9	14	17
1	1928									
2	566	7								
3	173	4	4							
4	69	7	2	2						
5	33	3	2							
6	18	1	3							
7	8	1	1			1				
8	13	1	1				1			
9-11	11		1		3			2		
12-14	20			1					1	
15-17	16	1								
18-20	14		1			1				
21-23	10									
24-26	6									
27-29	7					1				
30-39	6									
40-49	6		1							
50-69	8						1			1
70+	9	1					1			
Total dwelling capacity	7673	187	136	22	32	54	143	19	14	50

4.10 Summary of findings

Section 4 has addressed the first research question: 'What are the ownership, land use, and related property attributes of LTV land parcels zoned for residential development in Auckland's built-up area?'.

The quantitative analysis of cadastral and property data on LTV residentially zoned parcels in Auckland's built up area has enabled a high-level characterisation of LTV parcels in Auckland, and the properties they belong to.

The most prominent overall trend is the high level of variability among parcels and properties for every attribute analysed. For most attributes the majority of properties fell within a particular class or narrow range; however, there were also a small but significant number of outliers that deviated from this trend, suggesting that there are multiple types and drivers of LTV land in Auckland. This variability is significant for Auckland's development planning, as it suggests that a range of strategies will be needed for the council to work effectively with potential developers.

Specific trends highlighted by the quantitative analysis are summarised as follows:

- The majority (98%) of properties containing an LTV parcel contain only one LTV parcel
- The land use of the majority (75%) of properties containing an LTV parcel was residential vacant or lifestyle vacant, suggesting that the property was entirely comprised of LTV parcels
- A significant minority (17%) of properties containing an LTV land parcel were classified as residential, suggesting that the LTV parcel formed part of a larger property containing a residential dwelling
- The majority of LTV parcels in Auckland's built up area are small; 60 per cent of all LTV parcels have an area of 300-900m^2
- However 24 per cent of LTV parcels meet the minimum site area condition for mixed housing zones, and 11 per cent are over 2000m^2

- The larger land area of properties (than the cumulative land area of parcels in properties) suggests that additional development capacity could be made available through the redevelopment of large properties containing other uses
- The greatest number of LTV parcels is located in the peripheral northern and southern-most local boards, while older central and southern boards have the lowest numbers of LTV parcels
- Central city local boards contain fewer, smaller LTV parcels, while areas of relatively new subdivision have large numbers of small LTV parcels, and rural boards contain the majority of large LTV parcels
- The majority (65%) of properties containing LTV parcels are valued between $100,000 and $499,999 (CV)
- The majority (65%) of properties containing LTV parcels are owned by private individuals, which includes sole owners, partners, and families
- A significant minority of properties containing LTV residential parcels are owned by private companies, which includes investment and development companies, as well as unrelated companies using the land for other purposes (e.g. car parking)
- The Auckland Council and its affiliates (e.g. Auckland Transport) own a small number (153) of properties containing LTV parcels
- The majority (53%) of properties containing LTV parcels were created (in their current form) between 2000 and 2009, while the majority (67%) of 'first sales' also occurred since 2000. These findings suggest that a large number of LTV parcels are part of recently subdivided properties
- A significant minority of properties containing LTV parcels were created (22%) and first sold (16%) prior to 1990, suggesting that the parcels in these properties have remained vacant for a much longer period of time
- While the majority (54%) of properties containing LTV parcels (that have a sales record) have been owned for less than five years, a significant proportion (16%) have been owned by the same owner for more than 15 years
- Most properties (81%) containing LTV parcels have been sold 0-2 times
- A small number (195) of properties containing LTV parcels were listed on the market at the time of data collection, with an average asking price of $519,500
- The LTV parcels identified by this study have a total dwelling capacity of 8,608 dwellings (according to the most recent district plans' zoning and rules)
- The majority (65%) of properties containing LTV residential parcels have capacity for one additional dwelling
- 11 properties containing LTV section(s) have the capacity for 70 or more additional dwellings.

5.0 Factors that have prolonged land vacancy: Insights from conversations with LTV land owners

5.1 Introduction

The prolonged land vacancy in Auckland poses a number of questions relating to recent vacant land development dynamics in the wider Auckland residential housing market context:

- What were owner intentions and underpinning drivers for acquiring their vacant land parcels in the first instance?
- What are the reasons for the prolonged vacancy of LTV parcels?
- What are the intentions of these owners for future development of their vacant parcels and what are the drivers underpinning these intentions?
- What are the perceived barriers to their development and how can these barriers be overcome?

The above questions were addressed based on in-depth interviews with 29 owners of LTV land parcels. The findings are presented below.

5.2 Property[1] ownership context

Figure 4 shows the approximate geographic location of the LTV parcels whose owners were interviewed in this study. The pattern of location of these sections is dispersed, stretching from the older inner suburbs on the Auckland Isthmus to newer suburbs towards the edge of the city.

A majority of the 29 participant respondents have owned their land for at least five years but several of them have owned their land for significantly longer than that (Table 10). Thus, seven parcels have been owned by their current owners for over 31 years, including five for over 41 years. One may construe that owning vacant land this long, without a significant income stream, plus the burden of local authority rates and land holding costs, is an economic liability for the land owners, unless the financial cost of holding vacant sections is compensated by capital gain or the vacant sections are held as a land bank for a future building project. The long-term ownership of vacant sections without having built on these sections could also mean that for some owners non-financial considerations are more significant than financial factors when it comes to investing and holding on to vacant land parcels. This is the case with those who own vacant land as an amenity e.g. as a tennis court attached to their residence.

Table 10: **Length of property ownership**

Length	Number of years	%
Less than 5 years	3	10.3
6-10 years	7	24.1
11-15 years	4	13.8
16-20 years	2	6.9
21-25	2	6.9
26-30	0	0
31-35	1	3.4
36-40	1	3.4
41-45	1	3.4
Over 46 years	4	13.8
No response	4	13.8

5.2.1 Method of property acquisition

Almost all of the LTV properties were purchased by their current owners. Only 2 were either inherited or gifted (Table 11).

[1] The terms property, parcel and section are used interchangeably in this Section in a generic, every day usage sense.

A few respondents owned more than one vacant parcel in the locality where the original parcel is located. The mode of acquisition for purchased properties in such instances was typically incremental, as opportunities to buy arose. For example, this was the case with the following respondent:

"Did you purchase the two properties at the same time?
No, separately. I've had the other one for about thirty one years.
So at one point the adjacent parcel became available and you purchased it?
Yes."

In some instances, lager vacant parcels of land were purchased and subdivided by owners to create new titles with house building entitlements. The following respondent accumulated their property assets using this method and described the process as follows:

"[We] purchased it. We built our house on the property then subdivided it 10-13 years ago. We built another house on one of the resulting sections 7-8 years ago."

Table 11: Method of property acquisition

Method	Number of respondents	%
Purchased it	25	92.6
Inherited	1	3.7
Gifted	1	3.7

5.2.2 Method of ownership

Method of property ownership is an important consideration from a prudent financial perspective for land owners and property developers during the course of subdividing land and building a house either to live in, to rent or for sale. The process of subdividing and seeking planning and building consents, doing earthworks, installing services and building a dwelling normally takes over a year or more and entails a considerable degree of financial outlay and associated risk for the land owners and developers. Some of these land owners and developers may have borrowed funds from financial institutions to invest in these projects. The method of property ownership thus has an important bearing on the security of assets. Trusts and companies are the typically preferred modes of ownership in this respect compared to sole ownership for the relatively greater level of security trusts and companies provide.

Method of ownership amongst the cohort of 29 respondents is more or less evenly split amongst sole owners, family trusts and limited liability companies (Table 12). A number of respondents across all ownership categories were small scale 'mum and dad' type investors. The dominance of family in the property ownership structure in this study reflects the importance of home ownership or ownership of a rental investment property as dominant motives for owning a vacant section for many New Zealanders.

Sole or joint husband/wife ownership has in the past been the conventional mode of family property ownership in New Zealand. Now-a-days, this function is being increasingly assumed by family trusts and limited liability companies for the advantages they offer in providing security for other family owned investments in case things go financially wrong with the building project and, in some cases, for reasons of tax advantages. The following is a typical example of how family trusts are constituted for property ownership:

"The history of the land is my father bought it in [year] and he always intended to farm it which he did [until he died]… the property is [now] owned under a family trust, …giving my mother a life interest in the farm property and upon her death the farm is [to be] bequeathed to the surviving children...."

Trusts can also be of other types. For example, a charitable religious trust owns a relatively large site, a rural-residential property.

Apart from one exception, all the rest of the LTV land respondents manage their own properties instead of employing a management agency to do this for them. For many, this reflects the relatively small scale of their holdings.

Table 12: Method of property ownership

Method	Number of respondents	%
Sole owner	10	34.5
Private company	9	31
Trust	10	34.5

5.2.3 Other investment properties owned

Seventeen LTV respondents did not own any other property, apart from their residence and/or a holiday home property. Many of them are 'mum and dad' type small scale investors whose primary intention is to own a section at a time in order to build a house for personal residence, for rent or for re-sale in the current buoyant property market.

The remaining twelve vacant-land owners indicated they own other investment property (residential and non-residential) in and around Auckland. Some of these respondents are engaged in the business of small/medium scale property development and/or property investment in Auckland. The vacant properties may be owned as a land bank for future building projects or as an investment for capital gain.

However, the above twelve respondents are not necessarily a homogenous group. The following two narratives, selected from the responses of LTV land owner respondents who own other investment property, provide insights into diverse attributes of these respondents in terms of scale of their operations:

Respondent X:
"*Vacant land, this is the only one. Commercial properties only in the mid-city. Two units".*

Respondent Y:
"*I own a lot".*
"Are they residential or commercial?"
"Both."
Are they being developed?
"Some have been developed, some are in the process of getting developed and some are just land-banked."

The first respondent is a small scale mum and dad type property investors while the second respondent above is medium size house building company in Auckland.

A further point to note is that the second respondent above stated he owns some vacant land as land-banking for future development projects. It is quite common for construction firms to land bank on the basis of anticipated needs for vacant land to build on. But aside from this, an important driver for land-banking during the recent Auckland property boom has been the motive for capital gain. Vacant land owners, such as the respondent above, are sometimes held responsible for 'drip feeding' the land development market and thus create an artificial land shortage that leads to escalating land prices.

5.3 Past owner intentions and drivers

Respondents were asked about their intentions and underpinning drivers for acquiring vacant land parcels and holding on them. The dominant intention amongst respondents for acquiring a vacant parcel was to subdivide it and/or to build on it. However, there were multiple iterations of this response, as illustrated by the following narratives:

a. Building a family home or a holiday home in a location with good amenities was the most common motive:

Owning a detached suburban home on a private section is a widely shared New Zealand aspiration. For example, one respondent explained that:

"When we purchased this property of two acres at the time we had a young family and we were looking for a bit more space for three boys that were outgrowing our small section in town. So we purchased this property which at that time had a cottage on it and eight years later we built a house. "

In the past, it was common for some families to build their dwelling or holiday cottage by managing the building project by themselves and getting assistance from hired tradesmen, members of the extended family and friends. This is the kiwi DIY ('do it yourself) tradition (Mackay, 2011). Sometimes, it took several years before house construction was finally completed.

b. Raising capital for house building was highlighted by some respondents:

Raising capital to build a dwelling was a variant of the theme above. Subdividing a section off the original property (with or without a dwelling on it) and selling it was one way for some families to raise capital to build their first home. For example, a respondent stated that:

"As soon as I purchased it, the aim of the project was to subdivide as soon as possible so I could then sell off the house … and then build on [number]…"

The method of generating capital to build a house by subdividing and selling off a spare section was perhaps more easier in the past when council subdivision compliance requirements were not as onerous and financial contributions for service provision were more affordable. This approach also works well during an environment of rising land and property prices, as has been the case in Auckland during the last few decades.

c. Making profit was emphasised by others:

This was a significant driver for some respondents, such as the one below, who were in the business of investing in land subdivision and housing development in Auckland:

"We have a family Trust so we have funds, cash that's available to put into development so it beats putting it in the bank when you're only getting four per cent or whatever. "

The motive to make a financial investment for future security reflects a common preference on the part of many New Zealanders to put their savings into real estate. While investment experts caution against putting all nest eggs into one basket, most people who have invested in real estate have benefited from a buoyant property market during the last few decades.

A few respondents had bought sections 'out of zone' with the expectation of land to be rezoned in the near future*:*

"In terms of purchasing land that is that out of zone, what was the intent at the time of purchase?"
"Well, the intent is to develop it always; it's not to land-bank it. It's always to develop it as soon as possible."

The Proposed Unitary Plan for Auckland will, amongst other things, up-zone significant land areas to allow more intensive development. This is expected to bring windfall gains to vacant landowners and is awaited with anticipation.

While the individual motives of respondents have been identified above, it is important to point out that many respondents had multiple motives.

5.4 Current interim uses of vacant land

A majority of the parcels are currently vacant, in the sense that they are not built on. However, a number of the land parcels are under a range of interim rural, peri-urban and urban type uses. Examples of such uses include car parking, a tennis court, grazing horses, open space, a home garden or a farm.

Arguably, vacant land parcels that have been held by their owners without building on them during a period of housing shortage constitutes an inefficient use of such land. When asked to explain the reasons for the presence of interim, apparently uneconomic land uses, a variety of explanations were offered by respondents for using their land in this manner:

- have not yet decided what to do with properties
- cost of development was too high
- neighbours are opposing development
- intended for future development
- waiting for plan change to determine potential for subdivision
- retained as a future option
- best left in existing use
- enjoy gardening; also provide space for parking as parking on the narrow roads is dangerous
- to retain open space
- provide education, as well as rural lifestyle for residents
- owner lives in rest home
- earn income from selling farm produce

Two observations can be made relating to the above responses. First, underpinning a range of above explanations for putting their land into interim uses is desire for capital gain. Second, scanning though the list of reasons above, it is also evident that in the eyes of the respondents, a number of the explanations for making interim uses point to delays in getting their intended house building projects off the ground. Perceived barriers to getting their building projects off the ground given by the respondents included rising building costs in Auckland, tighter council compliance requirements, cost of building on difficult sections and personal circumstances and intentions of respondents.

5.5 Reasons why land parcels are still vacant

In order to gain further insight into reasons for prolonged land vacancy, respondents were asked why their sections have been sitting vacant for several years, when their intention, was to build when first purchased. Once again, a range of explanations were offered, reflecting diversity of situations, personal circumstances and underlying drivers amongst respondents:

a. Difficult financial situation

Unfavourable financial situation in a tight business environment during the last decade in Auckland, associated with the Global Financial Crisis (GFC), was perceived as a major barrier by several respondents, including the following respondent:

"What timeframe did you intend to build…?"
"Immediately but a couple of other better projects came along so that got put on hold and then the great financial crisis came and basically shut everything down as far as property development was concerned. "

A number of second tier financial lending institutions, on whom some Auckland property developers relied upon for borrowing, were compelled to cease trading on account of having funded high risk construction projects without adequate security, as pointed out earlier.

b. Role of Auckland Council

A number of respondents blamed the Auckland Council for the way it carried out its building and planning regulatory and compliance functions as reasons for not having been able to build on their land. The respondents included smaller 'mum and dad" vacant section owners intending to build a house as well as those land owners who were in the business of land subdivision and development on a larger scale. As evident in the following narrative, a major perceived concern was lack of consistency in how different officers in different parts of the council interpret and apply council building and planning rules and regulations:

"Were there any particular factors?
Well, going through the consent process, because you've got all the different arms [of Council] in different locations."

It is likely that, for some respondents their perception of the Auckland Council was coloured by their interaction with the council during the transitory period of recent wide ranging local government institutional reforms.

c. Difficult sites to build on

Sites with land hazards such as slips or land erosion may be initially relatively cheap to purchase by the owners but become costly to develop due to additional earthworks and other precautionary measures required to mitigate these hazards. The precautionary approach adopted by local authorities following the "leaky buildings" crisis may likewise have had an impact on perceptions of developers about the council.

d. Land banking

Some respondents do not yet wish to develop their parcels because they are land banking or are attracted by the prospects of capital gain. For example, as the following respondent indicated, they were in no particular hurry to build:

"We are happy to hold onto the land – for a future decision."

e. Lifestyle reasons

Preference for the current rural lifestyle for their family was important for some:

"What is the rationale for continuing to use it as a [farm]?
Because my mother, she's [xx years old] now, her whole life she's only known to live on a farm and it would devastate her to have to sell the farm because this is her place."

5.6 Future intentions for the property

Most respondents indicated they expect to develop and/or to sell their vacant land parcels. However, the time frames for doing this are highly variable. This is a reflection of the varying situations and specific aspirations of individual landowners. Also, while a majority of respondents say they want to build and/or sell their land, there are a number of iterations of this intention reflecting diversity amongst landowners, as discussed below:

a. Subdivide and build to sell

The following two respondents are medium sized property business owners who subdivide and develop land and build houses to sell to owner occupiers and investors. They have to work within tightly defined relatively short-term time frames since they are reliant on funds borrowed from commercial banks. Their projects range in size by New Zealand standards from relatively small/medium scale to relatively large scale:

Respondent A:

"They want to build about eleven houses."
"In terms of developing it, do they have a time frame in mind?"
"I believe it's already in Council's consent application…
They will split it into eleven lots."

Respondent B:

"What is intended for that site?"
"Well we've just - we're creating about 110 residential sections."

b. Build a house and sell

In comparison to the above two respondents, the following two respondents are small scale 'mum and dad' type developers. They typically build one house at a time to sell or to occupy. As is evident from their respective narratives, both intend to build and sell but, once again, the time frames for doing so are still open ended**:**

Respondent D:
"... I've got two options; I either sell the section or sell both together. It might be both house and section together. "
...
"Is selling just the section likely or in what circumstances would you do that?"
" I'd be pretty desperate to do that…"

Respondent E:

"Just hold it until it becomes more attractive to build a house on it basically. Put something there with a margin to make a profit on it; otherwise it can just sit there growing trees."

c. Sell vacant parcel as is, without subdividing it or building house

The following respondent expects to sell their land parcel in its vacant state, as it is:

"... I've given up the idea of building a small [retirement] house on that section because I haven't got the funds to do it."
"So your aim, your hope is to be able to find a buyer for the section?"
"I think it's boiling down to that, I think it's inevitable."

d. Subdivide and build for self or to rent out

The following respondent expects to subdivide the vacant parcel and to build dwellings on each section in a few years and has no immediate intention to sell. Note, once again, that the time frame for subdivision and building is open ended:

"I'm off to [overseas country] for a couple of years… When I come back I intend to try and subdivide myself at that point… "

"In terms of developing the properties, if you subdivide them would you then put houses on them yourself or would you sell them off?"
"Probably the intention would be to put one on the top side and live in that and either sell the existing one or probably more likely to let it. "

e. Hold on to the vacant parcel as a rural-residential amenity

The following respondent intends to continue using the vacant section as a backyard tennis court:

"In terms of your future intentions for the [vacant] property [next door to your house], do you intend to maintain it as a tennis court?"
"Yes, we are."
"That would be as long as you own the property then?"
"Yes."
"Do you intend to use it as anything else than a tennis court?"
"No, not really."

While rural-residential properties such as this are a feature of the urban-rural fringe landscape, in the long-term, as land for housing becomes more scarce and expensive, these properties also face the prospects of being subdivided for development in the long-term.

f. Subdivide and sell spare section

The following respondent intends to subdivide their land and sell the spare section, as a one-off initiative to capitalise on the *Proposed Unitary Plan* provisions to encourage high density in-fill development:

"When the Unitary Plan was drafted we thought there's an opportunity there that we could subdivide it off. It's currently zoned Residential 5 and we're just under the threshold by about 250 square metres to be able to subdivide as of right so that's why we thought we'd design this place in such a way that if in the future we could subdivide it would be easy, Now the Unitary Plan is looking like it's going to happen so we thought we might as well make the opportunity, the way the market is . "

g. Sell sports club property for housing development

There have been some cases of sports clubs in Auckland capitalising on shortage of land for house building by selling off land they own. The following sports club respondent explains why a similar outcome may materialise for the land owned by their club:

"Basically the [sports] club is asset rich but is cash poor and in the next couple of years they're looking at a plan what to do next – plans include amalgamation [with another club] and redevelop the land or some other option like selling up or moving to a different site."
"Is that because of the value of that particular parcel of land?"
"The land is worth quite a bit and the [sports] club… in the foreseeable future is going to be unsustainable with the current financial situation."

h. **Still undecided**

Almost all respondents were able to articulate their future intentions even though the timeframes for implementation are very flexible. In contrast, the following respondent stands out as still being very vague about what they want to do with the land they own:

"Now I'm in the process of possibly on [street number] putting another house behind the existing old dwelling that used to be my parents. I'm not really the developer type person, I like the bush, I think it's a shame what's happened in some respects to the area around there, that it's getting well built-up but I also understand that that's progress but I don't seem to be the type of person that's in a hurry to split the stuff up."

5.7 Nature of intended development on the site

Building on the above questions about their past intentions, respondents were requested to envisage the nature of intended development on their sections. Many respondents envisage that conventional detached or semi-detached homes or low rise apartments will be built on their land. One respondent, a larger property developer, proposes to develop a mixed use retail and housing project.

5.8 Perceived factors that may enable or hold back future development

Not surprisingly, many respondents identified multiple enablers and barriers. Over all, the respondents are more articulate and emphatic about potential barriers compared to enabling factors. The enabling factors appear a function of the circumstances of individual respondents (for example, family situation, desire to make a profit on sale and opportunities afforded by retirement) while the barriers are more related to structural considerations such as unwillingness of financial institutions to lend at favourable interest rates and local government planning regulations.

The following narratives demonstrate respondent perceptions of significant enablers and barriers:

a. Personal and family circumstances

Personal and family circumstances are fundamental considerations in shaping respondent assessment of future barriers and enablers:

"Do you have any idea what the feeling is within the family about the future of the [farm]? Will it be sold or retained by the family?"

"I am realistic about the future of the [farm]. I'm not married; I don't have children. None of my nephews or the younger generation are interested in keeping the farm going so clearly, once my mother goes it won't exist in its current state….. So bearing that in mind I envisage the future of the land will head towards some sort of development."

b. Auckland Council building and planning consent processes

Respondent perceptions of enablers and barriers relating to future development are significantly mediated by their recent experiences with local government building and planning process. Readers will recall that concerns about the council bureaucracy were also articulated in earlier narratives of respondents relating to factors that had prevented them from developing their parcels after acquisition and recent experiences during the process of local government reform in Auckland.

The following respondent was one amongst a number who was critical of the council in a number of related respects. He recounted his past experience with building and planning procedures as follows:

"Are there any other comments you'd like to make around the factors that encourage or prevent development in similar pockets of land or other experiences with Council processes?"

"Yeah ...this was the last project I did as far as development was concerned so having had the experience I had there, there was no way I was going to take on any further projects from that point of view. I couldn't really comment on current day situations, I just haven't been involved at all and still would be very reluctant to do so to this day really at this stage. It was a costly and time consuming process and that really needs to be changed. Developers need more assistance to free up land and that sort of thing really to build more dwellings on."

c. Financial risk

Drive to make a profit and accumulate wealth is a major factor in respondent assessment of enablers and barriers. The risk of the Auckland property bubble bursting as a consequence of a repeat of the GFC was clearly of concern to this and many other vacant land owners:

"What would enable you to develop the land or to put it to some gainful use? "

...the expectation that I wouldn't have to sell it at a colossal discount. "

d. Access to affordable finance

Land owners and property developers are reliant on access to finance from commercial banks and mezzanine floor lending institutions, as the following respondent explains. Commercial banks became very cautious about lending for property following the GFC and its impact in New Zealand during the last decade. This has forced some borrowers to resort to second tier finance houses which lend at higher interest rates:

"Are there any other significant factors that enable or prevent you to develop that parcel apart from market prices?

Yeah. Bank funding will be an issue, what their attitude is toward lending on the facility on the project. You never use your own money, you always use borrowed money for these sorts of things so that would have a big impact on just what's to be built there and that sort of thing. "

5.9 Attitude towards selling the property

Respondents were asked if they have been approached by potential buyers or developers to sell or would consider selling their property to a potential buyer/developer and, if so, what has kept them from selling the property.

Not surprisingly, several respondents, such as the one below, are not averse to selling provided the right price is offered:

"In the future you're saying you might consider selling ... Would you then move to a smaller area?
Yes. Downgrade."
"Is there something in the back of your mind or is it a plan?"
"Well, I'm no spring chicken and I do all the work myself and there comes a time in life when you really do have to go down to something smaller. I like a very quiet lifestyle.…"
"Is there anything else that's likely to affect your decision?"
"Not really. I suppose if somebody came and gave me a good offer then you might think about it. It's such a nice area that then you've got to turn around and find somewhere else that you like…."

Also, a number of respondents indicated have sought to sell their parcels recently but have not been able to. This may be on account of the heated land market in Auckland and the unrealistic expectations by some land owners.

Once more, the time frame for selling is variable and in a few cases there appears little urgency on part of respondents to sell as they are happy to stay-put.

5.10 Summary of findings

As stated at the beginning of this Section, the prolonged land vacancy in Auckland poses a number of questions relating to recent vacant land development dynamics in the wider Auckland residential housing market context:

- What were owner intentions and underpinning drivers for acquiring their vacant land parcels in the first instance?
- What are the reasons for the prolonged vacancy of LTV parcels?
- What are the intentions of these owners for future development of their vacant parcels and what are the drivers underpinning these intentions?
- What are the perceived barriers to their development and how can these barriers be overcome?

The research findings were presented in this Section and are summarised below.

A large majority of the LTV properties were purchased by their current owners some years ago. With the exception of a few larger company held properties, most of the properties are owned by individuals or couples, or owned by family trusts or small companies. Several respondents interviewed were small scale 'mum and dad' type investors. Half of LTV respondents do not own any other property, apart from their residence and/or a holiday home property. Once again, they are 'mum and dad' type small scale investors whose primary intention is to own a section in order to build a house for residence and/or for sale for pecuniary gain.

The remaining vacant land owners own other investment property (residential and non-residential) in and around Auckland. Some of these respondents are engaged in the business of small/medium scale property development and/or property investment in Auckland in addition to owning one or more vacant residentially zoned parcels. They own vacant land as land banking for future development, including prospects for capital gain. Even though the primary driver for acquiring a vacant parcel was to subdivide and/or to build a house, there were multiple variations of this response, indicating heterogeneity amongst respondents. A majority of the parcels are currently vacant, in the sense that they are not built on. However, a number of the land parcels are under a range of interim rural and urban type uses. From a narrow economic perspective, interim uses constitute an inefficient use of the land until marketplace dictates an investment commensurate with the land's potential value.

A variety of reasons were mentioned by respondents to explain reasons for current interim uses of vacant properties. Some respondents pointed to delays in getting their building projects off the ground as the justification for making interim uses: Barriers to getting their building projects off the ground included rising building costs in Auckland, tighter council compliance requirements and cost of building on difficult sections.

To drill deeper into perceived barriers encountered by respondents to develop their vacant land, they were explicitly asked to why their sections have been sitting vacant for several years, when their intention was to build when first acquired. A range of explanations were offered, reflecting once again heterogeneity amongst the respondents and underpinning drivers:

- *Difficult financial situation*
- *Role of Auckland Council*
- *Difficult sites to build on*
- *Land banking*
- *Capital gain*
- *Lifestyle reasons*

While a majority of respondents stated their future aim is to build on and/or sell their land, once again there were a number of iterations to this intention:

- *Develop land to subdivide and build and/or sell sections*
- *Build a house to sell*
- *Sell vacant parcel as it is, without subdividing it or building houses*
- *Subdivide and build for self and to rent out*
- *Hold on to the vacant parcel as a rural- residential amenity Subdivide section and sell spare section*

- *Sell sports club property for housing development*

These multiple intentions, once more, reflect respondent diversity. However, a small number of landowners indicated their wish not to build for varying reasons, including:

- *Intention to sustain survival of rural farm*
- *Enjoy rural residential amenities e. g tennis court besides the house*

Finally, respondents identified multiple enablers and barriers when asked about factors that may enable or hold back future development:

- *Personal and family circumstances*
- *Auckland Council building and planning consent processes*
- *Financial risk*
- *Access to affordable finance*
-

6.0 Discussion and Policy Implications

Framed within the wider context of the recent Auckland housing market dynamics, this report has focussed on the following five research questions relating to LTV residentially zoned land parcels:

- What are the current ownership, land use, and related property attributes of the total stock of LTV land parcels zoned for residential development in Auckland's built-up area?
- What were owner intentions and underpinning drivers for acquiring their vacant land parcels in the first instance?
- What are the reasons for the prolonged vacancy of LTV parcels?
- What are the intentions of these owners for future development of their vacant parcels and what are the drivers underpinning these intentions?
- What are the perceived barriers to their development and how can these barriers be overcome?

The findings relating to the first research question were presented in Section 4 while the findings relating to the subsequent four questions were presented in Section 5. The purpose of this final Section of the report is to assess the wider significance of the research findings and to suggest possible policy and planning significance of the findings for the Auckland Council and central government.

6.1 Interpretation of research findings

The quantitative analysis of the property attributes of LTV land parcels presented earlier (research question 1) support the findings of the Capacity for Growth Study that the existing inventory of LTV parcels constitutes a potentially significant resource to meet some of the pent up demand for housing in Auckland (Fredrickson and Balderston. 2013). The plan-enabled residentially zoned properties are located within the existing built-up area of Auckland and thus have access to existing infrastructure services such as stormwater drainage and public transportation. Building new dwellings on this land will help to relieve pressure for urban expansion in green fields outside the built-up area of Auckland.

However, the research findings relating to the motives, practices and future intentions of sampled LTV land owners (research questions 2 to 5) compel us to qualify the above positive assessment of the potential for development of vacant residentially zoned parcels. The in-depth interviews have provided valuable clues into factors that have constrained development of vacant sections by their current owners. Even though the bulk of the LTV land parcels are suitable to be developed, the motives, practices and intentions of the land owners have acted as blockages in the development process and have thus prolonged land vacancy, as explained below.

From a conceptual stance, urban literature highlights the role of *active* land owners as a key ingredient in the urban land development process (Adams et al, 1988; Adams and May, 1991; Healey and Barrett, 1990; Healey, 1992; Rowley and Phibbs, 2012). Active landowners are those who develop their own land, enter into joint venture development or sell their land for others to develop. They may try to overcome site constraints to make land more marketable or suitable for development. This could involve applying for planning consent or tackling physical or infrastructural constraints. In contrast, *passive* landowners take no particular steps to market or develop their land, even though they may intend to do so in the distant future (Adams and May, 1991). Thus, they contribute little to the development process. They seek unrealistic prices from other potential developers and rarely attempt to overcome constraints in order to make land more marketable or suitable for development.

Informed by the above perspective, our research to unravel the motives, practices and future intentions of vacant land owners in Auckland has enabled us to better understand why these land owners have chosen not to either develop or to sell their sections. The evidence presented from in-depth interviews about the motives, practices and intentions of respondent landowners manifestly demonstrates that they display attributes of passive land owners. These land owners may be deemed to have been active when they first purchased their sections but have drifted to become passive land owners over time. The reason for assuming a passive role is on account of formal and informal institutional arrangements for the urban property market in Auckland which encourage a passive role for land owners. Even though our analysis has confirmed the bulk of the 5000 odd plan-enabled LTV land parcels in the latest Auckland Capacity for Growth study are physically suitable to be developed, the formal and informal institutional arrangements that have shaped the motives, practices and intentions of the land owners have created blockages in the development process and have thus prolonged land vacancy.

A number of aspects of formal and informal institutional arrangements for the Auckland urban property market, akin to rules of the game, have provided signals to vacant land owners not to develop or sell their land but instead hold on to it in its undeveloped status. If available for sale, the land owner expectation of the vacant site's value may be considerably higher than that which any developer is prepared to pay. The current institutional arrangements strongly encourage speculation for capital gain, with escalating real estate prices verging on highly unrealistic expectations of vendors (Dunbar and McDermott, 2011). At the same time, the perceived adverse impact of the GFC (Global Financial Crisis) has increased the financial risk for land owners to embark on new land development projects. From the perspective of vacant land owners, the physical condition of urban sites is likely to cause developers more difficulty in seeking compliance than green field urban fringe sites. The cost of building in Auckland has also increased, on account of the oligopolistic structure of the building materials supply sector in New Zealand (Dixon and Dupuis, 2002; NZ Productivity Commission, 2012). All of the above increased perceived risks of land development in the current Auckland institutional setting continue to encourage passive behaviour by vacant land owners.

There are other related factors that emerged from in-depth interviews that have also encouraged speculation for capital gain and passive behaviour by vacant land owners. There is a perception among some land owners, reflecting the views of wider business community, that urban planning within the framework of Resource Management Act enacted in 1991 based on the precepts of 'light-handed" intervention has instead increased transaction costs of complying with RMA plans (NZ Productivity Commission, 2012; Ministry for the Environment, 2013). More recently, local authorities have been compelled to adopt user pays policies as part of the recent economic modernisation reforms in the local government sector enacted by central government (NZ Productivity Commission, 2012; Ministry for the Environment, 2013). These reforms compel developers to pay for a much bigger share of the costs of accessing local authority infrastructure such as sewage and water supply in form of development contributions.

The findings of our study also contribute to recent debate in the international literature about barriers to urban intensification in form of infill housing development in Western cities. This study has demonstrated the need to make a conceptual distinction between infill housing development on scattered, relatively small vacant sections that have never been built-on before and land parcels that were once used but now that use has ceased leaving the site abandoned (the so called brownfield sites). In the European and North American settings, the bulk of vacant land parcels with potential for infill housing development fall in the second category, whereas in Auckland, the bulk of the vacant parcels with potential for infill housing development are in the first category. Our study has specifically provided an understanding of the barriers to harnessing the potential of these scattered land parcels in the New Zealand urban context. The findings of the Auckland study in some respects parallel the comparable recent research on dynamics of 'knockdown and rebuild' housing processes involving demolition of old detached dwellings on relatively small, scattered land parcels in inner and suburban Sydney by new housing construction (Wiessel, 2013). Thus, the significance of small vacant parcels dispersed in inner and outer suburbs of New Zealand and Australian cities, to augment the supply of land for house building, is arguably a distinctive Antipodean urban phenomenon.

6.2 Policy implications

The purpose of this study was to identify barriers to development of vacant residentially zoned sections in Auckland and to recommend how Auckland Council and central government may assist in remedying these barriers.

The genesis of LTV residentially zoned vacant parcels in Auckland may be traced to rezoning of rural land to urban residential uses by former Auckland territorial local authorities, dating back to the 1960s and the 1970s. In a well-functioning urban land market, residentially zoned and serviced sections should have been a transitional phase in the housing development process stretched over a number of years. However, the recent urban residential land development market in Auckland has lagged behind in developing these parcels despite persistent and acute shortages of affordable and accessible housing fed by high levels of international migration to Auckland.

A number of inter-related perceived supply side barriers embedded in formal and informal institutional arraignments for the Auckland property market have arguably provided incentives to vacant land owners to defer house building ventures. The perceived barriers relate to increased cost and risks of housing development as an outcome of inter-related factors including the global financial crisis (GFC), the cost of planning and building compliance and the leaky homes syndrome, as explained above. From the land owner worldview, the alternatives of financially more rewarding land banking and land speculation options look much more appealing when seen against the backdrop of these perceived barriers. Likewise, land owners have had little incentive to sell their vacant land in the current market or when they do offer to sell, it is at an

uncompetitive price. Vacant land has become an object of speculative investment for its own sake instead of for its value in providing housing for Aucklanders.

Our study confirms that barriers to infill housing development on scatted vacant parcels are, indeed, wide ranging (also see Adams et al, 1988; Farris, 2001; Rowley and Phibbs, 2012). While Auckland has a substantial inventory of plan-enabled vacant sites with potential for infill housing development, there are very real constraints upon their immediate development.

The factors which have incentivised vacant land owners in Auckland to behave as passive land owners are deep seated and structurally embedded in the recent political economy of land and the housing construction sector in the city. These issues cannot be dealt with effectively in a piecemeal manner in a short time. A multi-stakeholder Auckland housing strategy is recommended to address the deep-seated structural barriers and to develop institutional mechanisms to absorb vacant sections into the property development market and by balancing supply and demand of vacant sections in terms of number and location within different parts of Auckland.

Auckland Council has made progress during the last five years with policy initiatives that could be potentially construed as building blocks for a multi-stakeholder housing strategy for Auckland. These include the *Auckland Plan*, the *Proposed Auckland Unitary Plan*, the *Housing Action Plan* and *t*he *Special Housing Areas.* These initiatives accord strategic importance to urban intensification and affordable housing. One means of accommodating new dwellings is by means of building on vacant land zoned for infill residential development. To facilitate this, the formal and informal institutional arrangements for land supply should be designed to encourage passive owners to join the ranks of active land owners instead of vice versa, as is the situation at present.

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8.0 Appendix: copies of participant information sheets etc

Copies of the participant information sheet, the initial consent form, the interview schedule and the transcript consent form.

INVITATION TO PARTICIPANTS

15 July 2013

Greetings,

I would like to invite you to participate in a study of vacant residential land in Auckland.

In the context of the current housing situation in Auckland, the Auckland Council is investigating the current uses of vacant residentially-zoned land in Auckland, and landowners' intentions for its future use or development. The purpose of this research is to improve the Council's understanding of the uses of 'vacant' land, landowners' experiences and motivations, the development potential of Auckland's vacant land, and how the Council may assist landowners to overcome potential barriers to development. This research is intended to capture a range of vacant landowner perspectives, rather than to provide information about specific pieces of land.

You have been identified as owning a vacant lot based on analysis of the Council's ratepayer database. 'Vacant' land is defined as a lot that does not contain a permanent dwelling. This vacant lot may be a stand-alone property, one of multiple vacant lots, or part of a larger property.

If you agree to participate, you will be interviewed by a member of the Auckland Council's research unit. Our intention is to interview approximately forty landowners, and analyse these interviews to identify themes in landowner responses. Your responses will remain confidential, and neither you nor your property will be identified in the results of the study. The attached information sheet provides further details on the purpose and nature of this research.

Please let me know if you are happy to participate in an interview, by completing the enclosed consent form and returning it in the prepaid envelope, by July 22nd. If you have any questions or concerns regarding this research, you may contact my team leader: Regan.Solomon@aucklandcouncil.govt.nz, 09 484 6248.

I look forward to your response,

Dr. Ali Memon
Senior Researcher
Research, Investigations and Monitoring Unit
Auckland Council
ali.memon@aucklandcouncil.govt.nz | Ph (09) 484 8811

CONSENT FORM FOR PARTICIPANTS

Project: The perspectives of owners of vacant residentially zoned land in Auckland

I have read the Information Sheet for this project and understand the purpose and content of the research. All my questions have been answered to my satisfaction. I understand that I am free to request further information at any stage.

I understand that:-

1. The interview will focus on my views and intentions in relation to the vacant residentially zoned property that I own.
2. My participation in the interview is entirely voluntary
3. My responses will remain confidential:
    a. My responses will only be used for analysis by the project team
    b. I will not be personally identified or identifiable in any of the resulting publications.
4. I may decline to answer any particular question(s).
5. I will receive a copy of my interview transcript. I am free to withdraw from the project or to request that parts of the transcript be removed up to a week after the receiving the transcript without any disadvantage.
6. Personal identifying information (such as transcribed interviews and audio files) will be password protected and securely stored for at least five years, after which it will be destroyed.
7. The results of the project will be published as an Auckland Council technical report and may also be published in an academic journal.

I agree to take part in this project ☐

I DO NOT wish to take part in this project ☐

I agree to have this interview recorded: Agree ☐ **Disagree** ☐

....

(Signature of respondent) **(Date)**

....

(Full name of respondent) **(Phone number of respondent)**

☐ I would like a copy of the final research report once it has been completed.

If yes, please indicate below whether you would prefer a paper or electronic copy, and where you would like the report sent: (**paper copy/ electronic copy**)

Address/email:

.....

INFORMATION SHEET FOR PARTICIPANTS

Project: Investigation of the 'small scale' residential development sector in Auckland
Principal researchers: Dr Ali Memon (Auckland Council) and Kiely McFarlane

What is the aim of the research?

In the context of the current housing crisis in Auckland, the Research, Investigations and Monitoring Unit (RIMU) at Auckland Council wants to better understand the perspectives of owners of vacant residentially zoned land. Some of the questions we are interested in are: why is the land vacant?; what are the aspirations of landowners?; do landowners face barriers to developing their land, and how could Auckland Council assist in overcoming these? This research is designed to collect this information from landowners.

Who is being interviewed?

We would like to interview fifty representatives of companies and sole traders who play a key role in residential development projects in Auckland.

What will participants be asked to do?

You will be interviewed by a researcher from the University of Auckland, who is undertaking the field data collection on behalf of the Auckland Council's research unit. This interview may be completed over the phone or in person. The interview will take approximately 30 minutes.

With your consent, the interview will be recorded.

During the interview, you may choose not to answer any particular question(s). You may also choose to amend your answers up until a week after receiving the record of your responses.

What uses will be made of the data?

The interviews will be analysed by RIMU researchers and the results presented in an Auckland Council technical report in a way that protects your identity. Your responses may be used as anonymous quotes. Your name and company will not be included in the report or related documents.

Electronic copies of your recorded responses and digital recordings will be retained in secure storage for five years, after which they will be destroyed.

If you have any questions, please feel free to contact me by email or phone.

Kiely McFarlane | Analyst
Research, Investigations and Monitoring Unit
Auckland Council
kiely.mcfarlane@aucklandcouncil.govt.nz | Ph (09) 484 6256

INTERVIEW SCHEDULE

Date:
Interviewer:
Respondent:
Vacant property address:

Introduction

This interview is part of a study on residentially zoned land in Auckland that is currently vacant (i.e. does not contain a permanent dwelling). This vacant land may be a standalone site, multiple vacant parcels, or a vacant parcel that is part of a larger property. The purpose of this research is to understand the current uses of vacant land, the reasons behind its current use, and landowners' intentions with regard to its future use and development.

Before we begin, I need to make sure that you understand the purpose and nature of this research, and that I have your consent to undertake the interview.

<Go through consent form and request them to sign. If necessary, go through information sheet and answer any questions they have>

This interview contains approximately 20 questions, some of which are short answers and some which may require further description and/or explanation. I may prompt you for further information depending on your responses. The questions are designed around four key themes.

Please let me know if you have any queries or feel uncomfortable with a question at any stage of the interview. You have the right to choose not to answer any question.

Do you have any further questions?

1. **To describe the attributes of LTV land in Auckland**

Q1. (Mode of land ownership). Do you own this property as a:

- Sole owner
- Partnership
- Private company
- Public company
- Trust
- Any other *(specify)*

Q2. For how many years have you owned this property?

Q3. How did you acquire it?

- Purchased it
- Inherited it
- Developed it

Q4. If you purchased it, what were the main reasons then for purchasing the property?

Q5. If you inherited the property, what were your intentions in relation to the property when you acquired it?

Q6. If you developed it, what were the main reasons for doing so, and what were your intentions regarding the property at that time?

Q7. Does an agent manage the property for you? Why?

Q8. Is this the only property you own/ part own?

- *If no, prompt for high level attributes of the other properties (e.g. number of properties, are they adjacent to the vacant parcel, are they commercial vs residential, size, what is their land use, are they under development)*

2. To describe the current uses of LTV land within Auckland's built up area

Q9. What is the current use(s) of the property? This includes temporary uses.

Q10. Why is the property used in this way?

Q11. *(if relevant)* Do you earn any income from the property? Please explain nature of income earned.

3. To understand the reasons why LTV land has remained vacant (i.e. owner motivations and strategies, and barriers to development)

Q12. How was this property used in the past?

- Were there any building and/or structures located on it in the past?

Q13. When did its use change? Why?

Q14. Your property currently contains a vacant parcel that has not been developed for some years. Can you please explain why the parcel is vacant/you have not developed it?

(Ask follow on questions as appropriate to explore and elaborate the reasons.)

Q15. In the past, have you considered developing the property? Please elaborate.

Q16. If your intention in the past has been to develop the property, can you please describe the reasons/barriers that have prevented you from developing it.

Ask follow on questions as appropriate to elaborate the barriers/constraints.

4. To identify the likely future use of LTV land, in particular its potential for future residential development

Q17. What are your current intentions with respect to this property?

Ask follow on questions as appropriate to elaborate the intentions.

- Do you intend to keep or sell the parcel?
- Do you intend to develop the parcel? If so, when?
- Do you intend to use the parcel in another way – what?

Q18. If you intend to develop it, can you please briefly describe the nature of the intended development?

Q19. What will **enable** or **prevent** you from developing the land? *(Prompt as appropriate):*

- What would make it more likely for you to develop the land?
- What would make it less likely for you to develop the land?
- Would anything affect the timing of your intended development?
- Would anything affect the nature of your intended use/development?

After asking this as an open-ended question, prompt for knowledge of and reaction to the Unitary Plan and other development provisions:

- *Are you aware of the zoning and provisions under the Unitary Plan?*
- *Is the Unitary Plan likely to affect your property and your intentions for its future use/development? How?*

Q20. If your intention is not to develop the property, would you consider selling the property to a potential buyer/developer?

Q21. Have you been approached by one or more potential buyers/developers? If so, what has kept you from selling the property?

Thank you for participating in this interview. Once all of the interviews have been completed and transcribed, we will send you a copy of your interview transcript to look over. After you have received the transcript, you will have a week to review your transcript and request any withdrawals.

TRANSCRIBER'S CONFIDENTIALITY AGREEMENT

Project: The perspectives of owners of vacant residentially zoned land in Auckland
Principal researchers: Dr Ali Memon, Kiely McFarlane, Emma Fergusson, Regan Solomon (Auckland Council)

I _____ agree to maintain full confidentiality in regards to any and all audio recordings and documentation received from Auckland Council related to their study of the perspectives of owners of vacant residentially zoned land in Auckland.

Furthermore, I agree:

1. To hold in strictest confidence the identification of any individual that may be inadvertently revealed during the transcription of recorded interviews, or in any associated documents;

2. To not make copies of any recordings or transcripts, unless specifically requested to do so by the principal researchers;

3. To store all study-related recordings and materials in a safe, secure location as long as they are in my possession;

4. To delete all electronic files containing recordings or transcripts from my computer hard drive and any backup devices once they have been provided to the principal researchers.

Transcriber's signature _____

Date _____

NOTICE OF INTERVIEW TRANSCRIPT

19 September 2013

Address

Greetings,

I would like to thank you for participating in our study of vacant residential land in Auckland. Your interview has added to our understanding of the decisions and trade-offs made by owners of vacant land.

Based on the notes we took during the interview, we have written up your responses to the interview questions. We have tried to be as accurate as possible in capturing your responses. However, we are aware that misunderstandings may have arisen during the interview, or that you may wish to add further detail to your responses. We are therefore offering you an opportunity to add further notes to the recorded responses, if you think that information has been missed out or misrepresented.

As stated at the beginning of the interview, you may also choose to withdraw from the research or to request that parts of the transcript be removed up until a week after receiving the interview transcript.

Please indicate below whether you are happy with the current transcript, wish to add further notes or wish to withdraw all or part(s) of the transcript;

I am happy with my transcript in its current state ☐

I wish to add further notes to my interview transcript ☐

I wish to withdraw part(s) of my interview transcript ☐

I wish to withdraw my entire interview transcript ☐

Please record any additions or deletions on the attached transcript and return this form and the transcript and using the prepaid envelope by Monday, 30 September.

Once again, thank you for your participation in our study. If you have any questions or concerns regarding this research, you may contact my team leader: Regan.Solomon@aucklandcouncil.govt.nz, 09 484 6248.

Sincerely,

Dr. Ali Memon
Senior Researcher
Research, Investigations and Monitoring Unit | Auckland Council
ali.memon@aucklandcouncil.govt.nz | Ph (09) 484 8811

Find out more: phone 09 301 0101
email research@aucklandcouncil.govt.nz
or visit www.aucklandcouncil.govt.nz

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