

Manukau City
Rural Economy & Lifestyle
Block Trend Study

Manukau Council

PROPERTY ECONOMICS

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SCHEDULE

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1. EXECUTIVE SUMMARY

Growth in demand for lifestyle blocks has raised concerns about the costs and benefits of this type of development, and the implications for the rural land resource and economy.

There are four key questions that are raised:

1. Will lifestyle block subdivision result in more money entering the City economy?
2. Will lifestyle block subdivision improve the amenity value of the City?
3. Will lifestyle block subdivision improve the environment?
4. Will lifestyle block subdivision impact on the future use of the land?

Following is a more detailed explanation of each of the above considerations.

(1) Will lifestyle block subdivision result in more money entering the City economy?

Different land uses generate different amount of expenditure, on a per hectare basis. A recent study undertaken by the Western Bay of Plenty has shown that lifestyle blocks of 3-4 hectares and above have a much greater propensity to have some agricultural use, and this in turn is likely to result in increased local economic activity. The provision for the growth of lifestyle blocks within Manukau City maintains the City's competitiveness within this market that is unlikely to be filled by other developments within the wider residential market. This provision in turn creates economic activity not only through increased retail and service demand but also improves employment opportunities within the rural catchment, in turn increasing its attractiveness and competitiveness within the regional market.

Western Bay of Plenty Report									
Probability a Subdivided Block will go to Residential, Farming or Business									
Land Use	<0.5	0.5-0.99	1.0-1.9	2.0-3.9	4.0-4.9	5.0-5.9	6.0-7.9	8.0-11.9	12 to 20
2000 Report									
Residential Only	85%	55%	64%	41%	33%	32%	14%	21%	11%
Farming	10%	29%	34%	54%	63%	68%	86%	79%	89%
Business only	5%	17%	2%	5%	4%	0%	0%	0%	0%
2005 Report									
Residential Only	77%	71%	64%	40%	28%	29%	13%	11%	4%
Farming	17%	24%	30%	57%	72%	71%	75%	83%	96%
Business only	7%	5%	5%	4%	0%	0%	13%	6%	0%

Source: Western Bay of Plenty District Council

(2) Will lifestyle block subdivision improve the amenity value of the City?

Rural amenity value refers to the value residents place on the attractiveness and pleasantness of the landscape. This applies to existing and new residents, as well as visitors.

It is therefore important to understand whether there is a potential reduction in amenity value that results from lifestyle block subdivision, as this may impact on the total demand for lifestyle blocks, and number of visitors to the

area. Surveys have shown that while amenity is important for residents and visitors, there is no consensus on whether there would be adverse effects on demand from lifestyle block development. This is likely to be because there are a range of qualities of development that may eventuate.

A key point here is the retention of the natural amenity available in this area while enhancing the 'built' and service amenity. Fundamental to this is a focused strategy on the development of settlements that minimises the impact on the rural and coastal landscape while creating an appropriate level of residential density that allows of these services.

(3) Will lifestyle block subdivision improve the environment?

Development often creates both negative and positive environmental externalities, such as increased native vegetation, or increased run-off.

(4) Will lifestyle block subdivision impact on the future use of the land?

Lifestyle block subdivision results in a reduction of the total agricultural land stock. However it can also result in opportunities for other niche agricultural activities, which are often highly productive. In broad terms it is a trade off between the increased productive value of smaller agricultural blocks and the proportion of blocks that are used for lifestyle activities (i.e. while smaller blocks are more productive a higher proportion of them are used for non-productive activities).

Economic Implications of Rural Subdivision

Analysis in this report indicates that lifestyle block subdivision increases the amount of high income households in the City, and encouraging higher yielding agriculture onto the land that remains in farming.

What are the key drivers of Manukau City's Rural Economy?

The most significant driver of Manukau City's rural economy over the last five years has been the growth in population and the resultant growth in retail trade and service industries that support them. Lifestyle blocks make up 20% of this growth and are more likely to contain high income households when compared to those moving into medium-high density residential areas.

Lifestyle block property is some of the highest valued property in Manukau City. Since 2001 the number of households earning over \$100,000 per annum has increased at a rate well above the national average.

The City's proximity to the Auckland urban area, and its rural and coastal amenity, has been identified as Manukau City's regional points of difference and 'comparative advantage' over other cities in New Zealand. As a consequence Manukau City has a growing share of lifestyle blocks nationwide.

Demand for lifestyle blocks is conservatively forecast to be at least 35 blocks per annum over the medium to long term future. Based on the average size of a lifestyle block (2.52 ha) this equates to at approximately 90 ha of rural land uptake per annum. However it is more than likely that not all of this will be 'new' lifestyle land as existing blocks are further subdivided. It is estimated that the new land requirements would average 65 ha per annum. The median price of a lifestyle block in Manukau is \$675,000 which means a household needs to have significant wealth or income to afford this type of property. This results in retail expenditure per hectare of \$20,000 annually. As an approximate guide this compares to a purely farming expenditure (excluding interest expenditure) per hectare per annum, with no household of: Sheep and Beef \$1,000; Dairy \$3,000; Asparagus \$14,000; and Viticulture \$17,000.

Proximity to Auckland was given as the main reason for buying a lifestyle block in Manukau City, followed by local amenities, space and outlook. Similarly, tourism providers gave the same reasons for why people visited Rural Manukau City; adding outdoor activities, the beach and countryside experience. Between 1998 and 2008 recreational services has seen the largest increase in both employment (7.5%) and value added (6%).

At the same time, agricultural GDP in Manukau City decreased by 0.27% p.a. and agricultural employment (EC) dropped by 0.18% p.a. This translates into a 0.1% p.a. decrease in productivity between 1998 and 2008 indicating a shift away from larger agriculturally based activities.

Gross margins can be used as a proxy for productivity as it indicates either an increase in farm revenue and/or a drop in costs. The Western Bay of Plenty Report (2000, 2005) indicated that gross margins increased on many smaller blocks due to the increase in higher margin types of agriculture such as horticulture and flower growing, as shown in the following table. The general conclusion from this table is that rural blocks below three hectares are less productive, indicating smaller blocks are less economic as agricultural units, or less likely to be used agriculturally.

Western Bay of Plenty Report											
Change in Average Gross Margin per hectare post subdivision											
Post Subdivided Size	<0.5	0.5-0.99	1.0-1.49	1.5-1.99	2.0-2.99	3.0-3.99	4.0-4.99	5.0-5.99	6.0-7.99	8.0-11.99	12.0-20.0
2005 Report											
Change	-98%	-5%	-20%	112%	74%	-23%	55%	21%	24%	34%	79%
Gross Margin post	27	910	2003	3483	1787	4358	2987	5260	5764	2063	2401
Gross Margin pre	1119	958	2500	1643	1027	5679	1927	4365	4636	1544	1343

Most significantly, subdivision of rural land to below 4 hectares results in less than 40 percent of land remaining in farming. Therefore at this level of subdivision, careful thought must be made of the key considerations as mentioned previously, particularly the existing farming potential of land, based on soils and topography. There is a potential for subdivision of productive land to result in increased higher yielding agricultural production if the subdivided lots are appropriately sized.

Recommendations for Further Research

1. A case study to substantiate the conclusions from the Western Bay of Plenty Report in the context of the Manukau. This would include a detailed sample or GIS based analysis of agricultural activity occurring on lifestyle blocks (i.e. 1-10 hectares)
2. Surveys to establish the importance of rural and coastal amenity to existing and new residents and visitors, and the desirability of lifestyle blocks over residential blocks.
3. An examination of any unique or potentially highly productive soils.
4. Demand assessment for lifestyle blocks by size (to determine whether larger blocks will reduce demand for lifestyle blocks).
5. A rural growth strategy designed to direct rural residential growth into sustainable settlements, retaining the natural amenity afforded by the area while adding to the constructed amenity.

2. INTRODUCTION

Property Economics has been engaged by Manukau City Council to undertake an assessment of Manukau City's rural economy. This is in response to rapid changes seen in property use throughout the rural parts of the city over the past ten years, and particularly in response to the rise in popularity of lifestyle block development.

2.1 Objectives

The main objectives of this report are to:

1. Determine the type of industry occurring in Manukau City's rural areas;
2. Forecast demand for lifestyle blocks;
3. Evaluate the implications of lifestyle blocks on agricultural activity;
4. Assess the number of tourists visiting the city, what attracts them to the area, and what impact if any rural subdivision may have on this sector;
5. Forecast future growth trends in the City's rural economy along with an assessment of value added sectors within this economy;
6. Prepare a Cost Benefit framework to assist the Council consider the implications of continued lifestyle block development.

2.2 Information Sources

Information has been obtained from a variety of sources and publications available to Property Economics, including:

- Census of Population and Dwellings 2001 - Statistics NZ
- Census of Population and Dwellings 2006 - Statistics NZ
- Agricultural Census 2002 – Statistics NZ
- Household Economic Survey - Statistics NZ
- Retail Trade Survey - Statistics NZ
- Agricultural Productivity Changes Due to Rural Subdivision in the Western Bay of Plenty City (2000 report and 2005 update) – Agriculture New Zealand Ltd
- Cost Benefit Analysis of Rural Subdivision in Karaka, Franklin City (October 1995) – Works Environmental Management Agriculture New Zealand
- Manukau City Economic Performance 1998 – 2008 – Berl January 2009
- Interviews conducted by Property Economics

3. CATCHMENTS

The following catchments have been defined for the purposes of this report and represent the key rural townships and surrounding rural catchments. The Study Area, as referred to later in the remainder of the report, refers to the combined area of all catchments.

FIGURE 1: CATCHMENT MAP

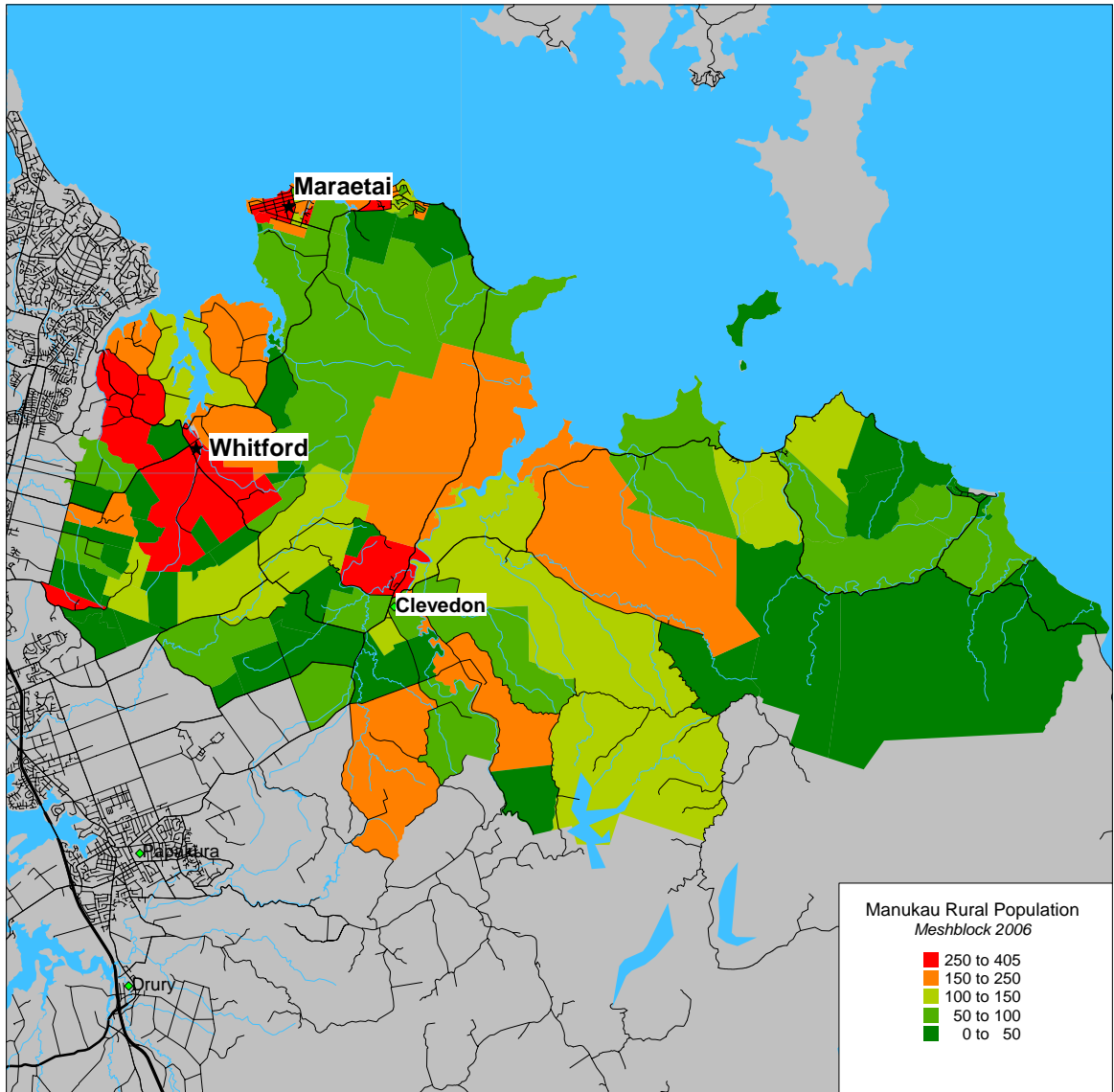


Figure 1 illustrates the distribution of the rural resident population throughout the identified catchment. The three identified settlements represent the areas with the highest current and proposed residential densities in the rural area. It is also important to recognise the distribution of lifestyle blocks. This distribution takes a fairly obvious form with the vast majority of smaller (<1 ha) lots focused closely along the eastern rural / urban fringe. There is also some concentration around the existing settlements (although these are not all considered to be lifestyle blocks in their purest form).

4. DEMOGRAPHIC TRENDS

Table 1 below outlines the comparative demographic trends representative in both Manukau City and the identified rural area. Note: The rural catchment is a subset of Manukau City.

TABLE 1: STUDY AREA DEMOGRAPHIC COMPARISONS

	Manukau City	Rural Study Area
General		
Population	340,577	12,793
Households	103,146	4,416
Person Per Dwelling Ratio	3.3	2.9
Age Profile		
Average Age	31	38
0-9 years	17%	16%
10-19 years	18%	15%
20-29 years	14%	8%
30-39 years	15%	15%
40-49 years	15%	19%
50-64 years	14%	19%
65 plus years	8%	9%
Household Income Profile		
Average (pa)	\$74,151	\$88,286
\$0-\$30,000 (pa)	23%	17%
\$30,001-\$50,000 (pa)	17%	12%
\$50,001-\$70,000 (pa)	16%	15%
\$70,001-\$100,000 (pa)	18%	19%
\$100,001 plus (pa)	26%	37%
Employment		
Employed - Full Time	74%	75%
Employed - Part Time	19%	22%
Unemployed	7%	3%
Not in Labour Force	34%	26%
Years at Residence		
Less Than 5 Years	59%	55%
5 - 14 Years	28%	32%
15 Plus Years	13%	14%
Immigration		
NZ Born	64%	82%
Immigrated 0-9 Years Ago	19%	8%
Immigrated 10-19 Years Ago	8%	3%
Immigrated 20 Plus Years Ago	8%	7%
Ethnicity		
European Ethnic Groups	36%	76%
Māori Ethnic Group	13%	7%
Pacific Peoples' Ethnic Groups	25%	2%
Asian Ethnic Groups	19%	3%
MELAA Ethnic Groups	1%	0%
Other Ethnic Groups	5%	12%

Source: Property Economics, Statistics NZ

	Manukau City	Rural Study Area
Qualification Attainment		
No Qualification	23%	17%
Secondary School	38%	35%
Trade / Vocational	15%	23%
Bachelor Degree	8%	11%
Higher Degree	3%	4%
Other	13%	9%
Industry of Employment		
White Collar	66%	75%
Blue Collar	34%	25%
Student Proportions		
Full Time	12%	8%
Part Time	6%	5%
Not Studying	82%	88%
Source of Income		
Unemployment Benefit	3%	1%
Self Employed/Own Business	9%	19%
Wages/Salary	46%	40%
Other Income	35%	36%
No Income	8%	4%
Weekly Hours Worked		
1 hr - 19 hrs	11%	13%
20 hrs - 39 hrs	18%	21%
40 hrs - 59 hrs	63%	54%
60 plus hrs	8%	13%
Number of Residents		
1 Residents	14%	15%
2 Residents	25%	36%
3 Residents	18%	17%
4 Residents	19%	19%
5 Residents	11%	9%
6 Residents	6%	3%
7 Residents	3%	1%
8 Plus Residents	4%	0%
Household Structure		
Single	13%	14%
Couple	23%	33%
Single Parent With Children	19%	8%
Two Parent Family	42%	42%
Other Multi-person	3%	3%
Home Ownership		
Residents Own / Mortgage	63%	76%
Rent	37%	24%

Source: Property Economics, Statistics NZ

Manukau City has exhibited rapid population growth over the past ten years, with many new residents seeking affordable homes, within a commutable distance of central Auckland.

Table 1 shows the 2006 socio-economic variables for the study area in comparison to the rural catchment. The key facts to be drawn from this table are:

- Manukau City has a high person per dwelling ratio, reflecting the low average age of 31 years, some 4 years less than the regional average.
- Manukau City has a lower proportion of NZ born residents (64%) compared to the Auckland region (67%).
- The rural catchment has fewer residents per household than the City
- The rural catchment represents a more affluent (nearly 20% greater average income) community.
- The rural resident is also more likely to be a white collar worker (75% compared to 66%)
- The rural catchment is comprised of 76% of residents with a European ethnicity, and has a greater proportion of owner occupiers.
- There are approximately 4,500 households represented in this catchment. This serves to show that approximately half of those living in this catchment reside in what are considered to be lifestyle blocks.

These demographics show a clear pattern towards more affluent older families and couples who, although living in a rural environment, are commercial workers.

5. EMPLOYMENT TREND OVERVIEW

Table 2 shows the Employee Count (EC) trend over the 2000-2008 period for the Study Area. EC's are defined as the total number of people employed for each industry sector.

TABLE 2: EMPLOYMENT (EC) COMPOSITION AND GROWTH (2000 – 2008)

	Manukau City			Rural Catchment		
	2000	2008	Growth	2000	2008	Growth
A Agriculture, Forestry and Fishing	820	730	-11%	246	267	9%
B Mining	65	50	-23%	15	9	-40%
C Manufacturing	22,890	24,320	6%	124	227	83%
D Electricity, Gas and Water Supply	560	1,320	136%	20	15	-25%
E Construction	3,810	5,670	49%	239	426	78%
F Wholesale Trade	8,430	10,990	30%	73	83	14%
G Retail Trade	11,930	14,310	20%	83	160	93%
H Accommodation, Cafes and Restaurants	5,020	6,870	37%	271	228	-16%
I Transport and Storage	10,760	15,430	43%	93	98	5%
J Communication Services	1,420	1,320	-7%	3	3	0%
K Finance and Insurance	1,070	1,770	65%	9	18	100%
L Property and Business Services	7,770	15,340	97%	108	217	101%
M Government Administration and Defence	2,880	4,250	48%	0	0	0%
N Education	7,760	11,480	48%	116	163	41%
O Health and Community Services	8,040	10,730	33%	33	62	88%
P Cultural and Recreational Services	980	1,400	43%	57	45	-21%
Q Personal and other Services	2,630	3,820	45%	64	112	75%
Total All Industries	96,835	129,800	34%	1,554	2,133	37%

The key employment trends that are evident across the Study Area are:

- Property & Business Services has achieved significant growth (7,570 additional employees) and is now nearly the second largest employment sector (15,430 employees).
- Other key growth sectors have been Finance & Insurance, Construction and Education.
- In terms of the Rural catchment there has been similar growth to that experienced in the suburban areas.
- Although Agricultural employment has increased by 9% within these 8 years this growth level is surpassed by 9 other employment sectors which show greater growth in the rural catchment over this period.
- The Manukau rural catchment has seen significant growth in amenity driven employment sectors such as Business and Finance. This has been followed (or even preceded) by retail business showing nearly 100% growth over this period.
- The majority of growth in Agriculture has been in medium sized businesses (20 – 49 ECs) with a dramatic reduction in larger businesses.

In general it is evident that there is a shift away from an agricultural based economy towards a service based economy.

The spatial distribution of employment has been mapped, and this is presented in Section 5.1 below. The specific trends evident here are also discussed in further detail under this section.

5.1 Employment Distribution

Figures 2 and 3 illustrate the distribution of business activity throughout the rural area. Figure 2 shows a clear concentration of activity within the identified settlements of Maraetai (Beachlands), Whitford, and Clevedon. These areas are explored in greater detail later in the report.

FIGURE 2: TOTAL EMPLOYMENT DISTRIBUTION (ECS)

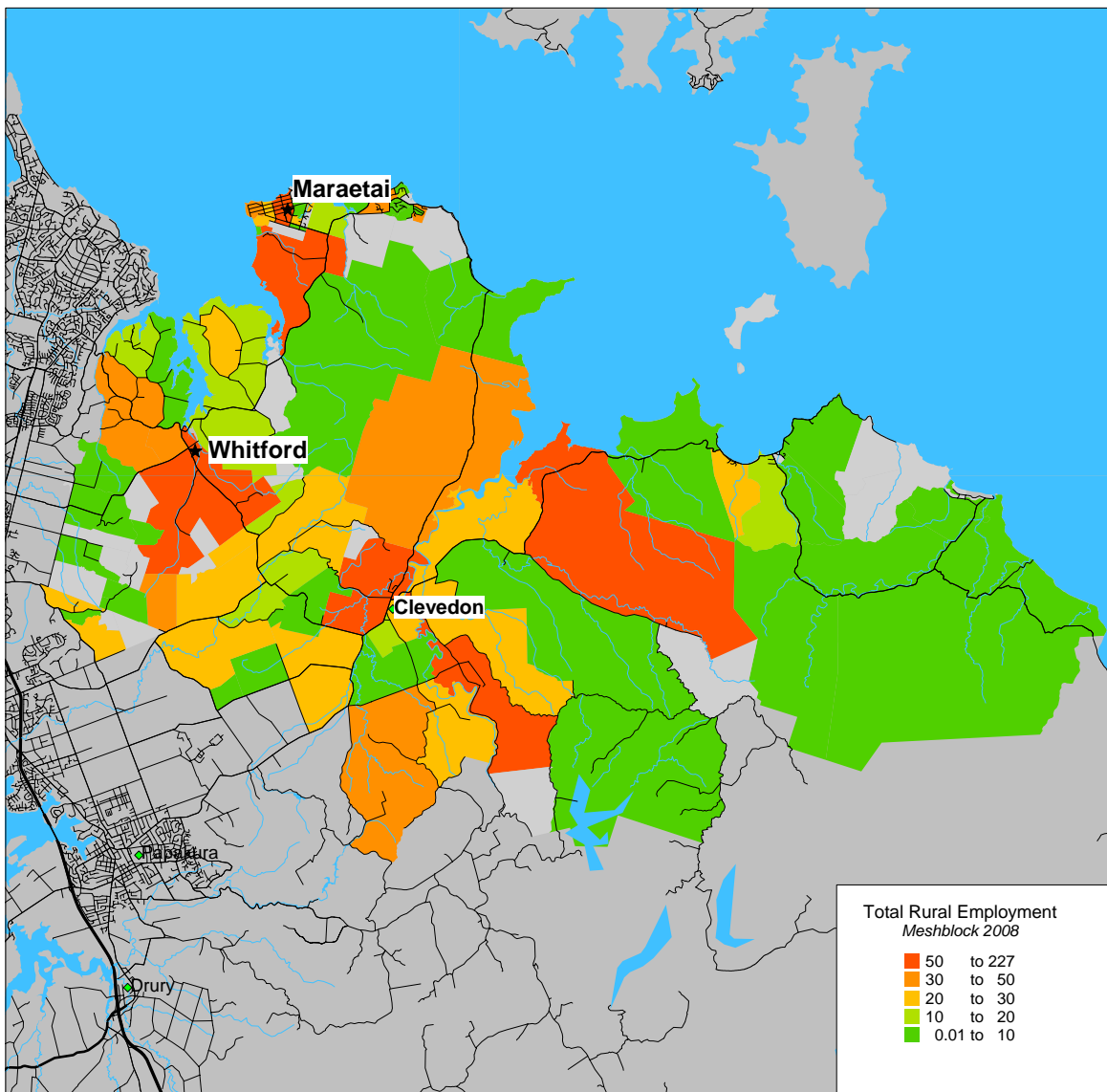
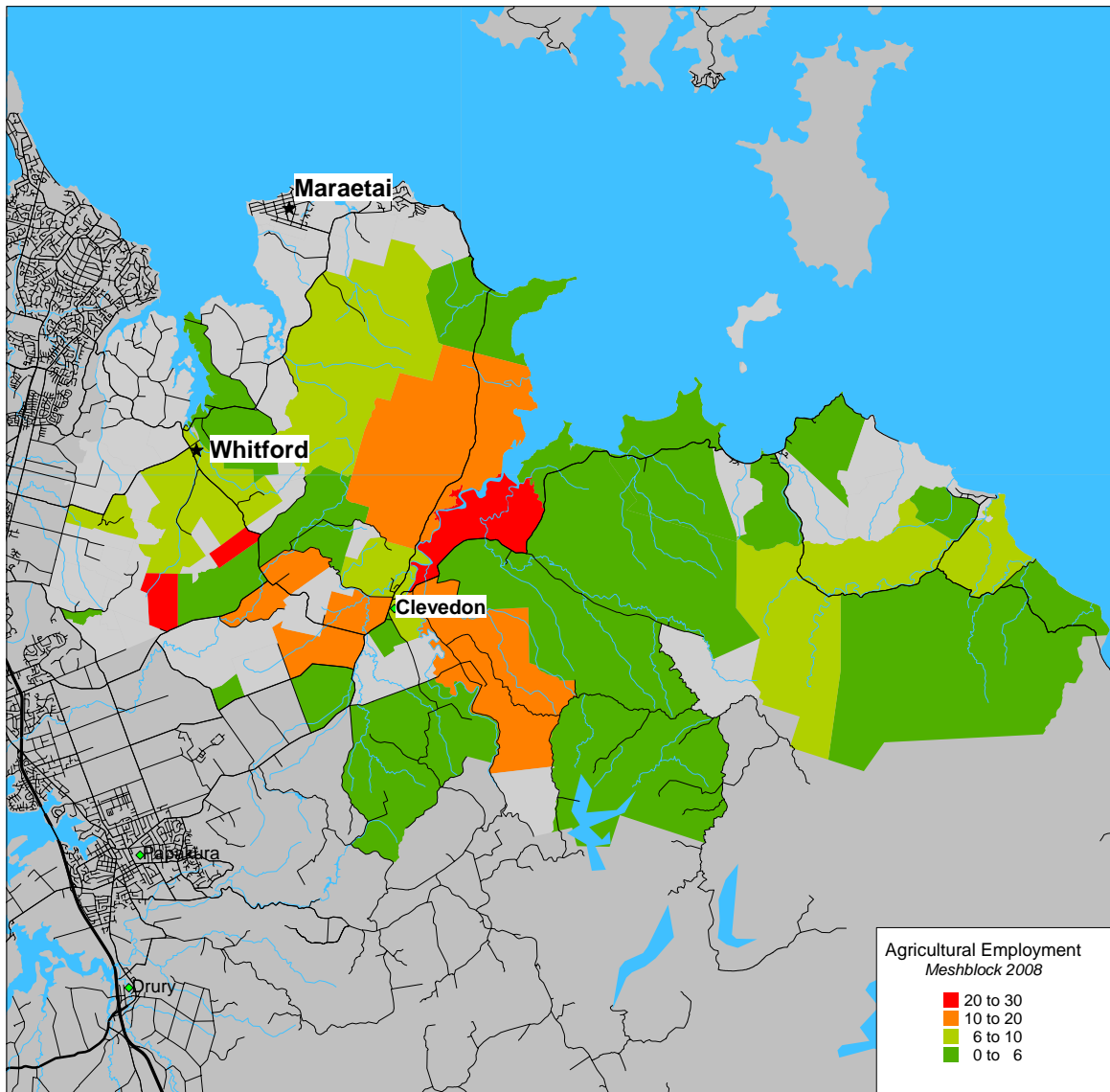


Figure 3 show more important trends with regard to agricultural activity distribution. This shows little activity along the eastern rural / urban fringe where the majority of small (< 1 ha) lifestyle blocks are situated. This gives some indication that there is limited (market) agricultural activity here. It is important to note that non market operations may be taking place on these properties however.

This figure also illustrates the limited degree of activity in the Maraetai and Whitford areas. However concentrated levels of agricultural employment are seen around Clevedon due primarily to non land farming related activities.

FIGURE 3: AGRICULTURAL EMPLOYMENT DISTRIBUTION (ECS)



6. AGRICULTURE IN THE MANUKAU CITY & NZ

This section provides a brief overview of Agriculture trends in Manukau City, and discusses the long term trends likely for NZ over the next ten to twenty years.

Table 3 presents a detailed breakdown of Agricultural Employment in Manukau City.

TABLE 3: AGRICULTURAL EMPLOYMENT

	2000	2008	Growth
A052 Agriculture and Fishing Support Services	50	280	230
A014 Sheep, Beef Cattle and Grain Farming	50	55	5
B10 Exploration and Other Mining Support Services	0	0	0
A015 Other Crop Growing	0	0	0
A018 Deer Farming	0	0	0
A041 Fishing	6	6	0
A017 Poultry Farming	18	3	-15
A012 Mushroom and Vegetable Growing	130	110	-20
B09 Non-Metallic Mineral Mining and Quarrying	65	45	-20
A016 Dairy Cattle Farming	60	35	-25
A019 Other Livestock Farming	65	40	-25
A020 Aquaculture	25	0	-25
A051 Forestry Support Services	30	0	-30
A030 Forestry and Logging	60	6	-54
A011 Nursery and Floriculture Production	170	110	-60
A013 Fruit and Tree Nut Growing	160	70	-90

The growth sectors have included:

- Services to Agriculture (230 employees)
- Sheep, Beef and Grain Farming (5 employees)

Several sectors have experienced a decline over the 2000-2008 period, including:

- Forestry and Logging (-54 employees)
- Fruit and Tree Nut Growing (-90 employees)
- Nursery and Floriculture (-60 employees)

In general terms there have been declines in most agricultural sectors which have been offset by growth in a few agricultural sectors. There are however more capital intensive farming techniques being relied upon, which in part reduces the need for manual labour, and for this reason the above data may be slightly misleading.

In order to obtain a more accurate understanding of the trends occurring in the Agriculture sector, an analysis of land use has been undertaken. This has involved an assessment of Property IQ data (formerly QVNZ).

The key trends to note from this data are:

- As of 2007 there were 2,268 'lifestyle blocks' in Manukau City at an average size of 2.52 hectares.

- The key areas of agricultural decline were experienced in Grazing land (80%), and tree and crop harvesting land.
- Land Values have increased across most sectors over the 2002-2008 period. Of key interest is the differential between the land intensive agricultural land (Dairy Factory, Fattening and Grazing) which is approximately \$10,000 - \$20,000 per hectare, and Lifestyle Blocks, which are worth in the order of \$150,000 per hectare. This substantial difference in part reflects the increased capital investments required per hectare in Lifestyle Blocks (services, driveways, etc), and ability to build a residential unit on a smaller parcel, however in large part shows a substantially greater value in Lifestyle Block property.

Overall it is clearly evident that there is a shift away from all forms of agriculture to lifestyle block development.

General outlook for Agriculture

The outlook in the medium to long term for agriculture is positive despite the recent strengthening dollar. Agricultural commodity prices have stabilised over recent months and are expected to remain stable even with recent subsidy issues likely to arise from the US and EU markets. The dollar is forecast to weaken over the next five years whilst agricultural prices are expected to rise resulting in a positive outlook for farmer returns.

Dairy which makes up one third of gross revenue for agriculture is expected to perform well, which is one of the main drivers of land use change in New Zealand, with many sheep farms shifting to dairy.

Beef prices have risen in recent years improving farmer returns however as supply increases from other sources prices are expected to soften.

Forestry which has suffered over the last decade has shown signs of recovery, and log prices are expected to rise. This is largely due to increased export taxes imposed by the Russian government on their own exported logs. However due to the past lean times, processing facilities have declined and most of the harvests will be exported as logs.

Quality has kept horticultural returns healthy and prices and demand are expected to rise with the continued Australian drought and increased demand for renewable energy production.

The price of wine has been particularly strong rising from \$5.63 per litre in 1997 to \$9.18 per litre in 2007. This increase has been fuelling the conversion of low yielding sheep farms and orchards into grapes. Wine prices in the future are expected to remain stable.

In the long term New Zealand agriculture is facing two key issues, sustainability and an expected short term rise in subsidised agriculture. Both of these have the potential to influence the demand and price of New Zealand agricultural products.

Sustainability not only reduces input costs and the long-term viability of farming but more significantly is recognised by consumers as a way of contributing to the improvement and ongoing sustainability of agricultural production. Both have the potential to improve the price received by farmers.

Outlook for Agriculture in Manukau City

Based on the general outlook farmers in Manukau can expect stable if not increasing prices for their products. For those who want to start a new farming enterprise in Manukau they face high land costs and rising interest rate costs. This will be a significant deterrent for new 'land intensive' farming enterprises in Manukau, however it is less likely to impact on niche agriculture.

Proximity to Auckland is a driver of the economy in regard to access to domestic visitors. A farmer can use this to sell niche agricultural products to this, often wealthy, market. Examples of this are wineries opening restaurants and farmers diversifying and selling at the gate, both offering a more interactive and unique experience. These types of activities increase the returns to farmers and bring in more people to the City, who invariably will spend more in the City.

Niche agriculture allows farmer returns to increase along with increasing national incomes. However it does mean that this sector of agriculture suffers the most in times of declining or stagnant income growth. Farmer returns from more general agricultural commodities, like dairy, beef and vegetables tend to increase at a slower rate than national incomes. This is due to the fact that basic food consumption remains static irrespective of someone's income. This means that their returns are more resilient in tough times. A balanced growth model that allows for both to co-exist creates a more robust economy that can benefit from the good times and better survive the tough times, without too much upheaval.

Rising transportation costs affect the viability of exports, meaning there is likely to be a shift towards 'value added' products over the medium-long term.

The GDP for the Primary sector in Manukau, as calculated by Berl Ltd, has shown a drop of \$26m (.27%pa) since 1998. This compares to a national increase in agricultural GDP since 2001 of 0.7%pa. This is consistent with the reduction of land available for agricultural production and the overall drop in Primary sector employment (200 EC's). However there has been a shift of agricultural activity from the rest of Manukau to the rural area. This has been in the form of 3 large firms increasing in size and the relocation of small agricultural business to the rural catchment.

7. CATCHMENTS OVERVIEW

This section analyses some of the key business data relating to the three identified catchments; Maraetai, Whitford and Clevedon.

Maraetai:

As table 4 shows Maraetai represents a significant proportion of the rural catchments economic activity (>25%). This is significant given it accommodates no agricultural activity at all, but has shown marked growth in traditionally urban employment such as construction, Property Services and Education. This shows a rising residential demand accompanied with the service requirements associated. Maraetai itself does not represent a market for lifestyle blocks as such but shows a demand for residential development on the coast. It is important for the retention of this areas amenity that growth here is aggregated in the existing settlements. This in itself will be facilitated by the development of jobs that do not rely on larger site sizes.

TABLE 4: MARAETAI EMPLOYMENT TRENDS

	2000	2008	Growth
A Agriculture, Forestry and Fishing	0	0	0%
B Mining	0	0	0%
C Manufacturing	12	33	175%
D Electricity, Gas and Water Supply	0	0	0%
E Construction	143	282	97%
F Wholesale Trade	27	15	-44%
G Retail Trade	50	51	2%
H Accommodation, Cafes and Restaurants	18	38	111%
I Transport and Storage	6	27	350%
J Communication Services	0	3	0%
K Finance and Insurance	0	0	0%
L Property and Business Services	33	57	73%
M Government Administration and Defence	0	0	0%
N Education	43	80	86%
O Health and Community Services	6	27	350%
P Cultural and Recreational Services	9	9	0%
Q Personal and other Services	6	42	600%
Total All Industries	353	664	88%

Whitford:

Whitford represents the transition between the urban fringe and the rural countryside. This is illustrated by its smaller service based economy. Although the business activity in this catchment has doubled over the past 8 years the employment categories have remained the same in terms of Retail trade, Education and Personal Services. This characterises the surrounding area with the majority of smaller (<1 ha) lots being located just to the east of here. This settlement is likely to remain a service centre as residents seek to reside here and commute to jobs elsewhere. In terms of residential demand this area is likely to continue to see the vast majority of lifestyle block demand as the main competitive advantage of this area is its proximity to the larger centres and ability to supply larger blocks.

TABLE 5: WHITFORD EMPLOYMENT TRENDS

	2000	2008	Growth
A Agriculture, Forestry and Fishing	9	9	0%
B Mining	6	0	0%
C Manufacturing	9	28	211%
D Electricity, Gas and Water Supply	0	0	0%
E Construction	0	12	100%
F Wholesale Trade	0	20	100%
G Retail Trade	3	15	400%
H Accommodation, Cafes and Restaurants	12	12	0%
I Transport and Storage	0	0	0%
J Communication Services	0	0	0%
K Finance and Insurance	3	3	0%
L Property and Business Services	9	15	67%
M Government Administration and Defence	0	0	0%
N Education	15	20	33%
O Health and Community Services	6	3	-50%
P Cultural and Recreational Services	12	12	0%
Q Personal and other Services	0	25	100%
Total All Industries	84	174	107%

Clevedon:

Clevedon has remained a relatively self contained settlement over the past 8 years. It facilitates the areas immediate service requirements and has shown relatively low growth over this period. In terms of the three settlements this accommodates the most agricultural activity. In terms of lifestyle blocks the surrounding area has a mix of smaller and medium sized (1 ha – 4 ha) lifestyle blocks. The size and location of these blocks along with the employment data would suggest that a high proportion of these blocks are productive. Although it is estimated that demand for smaller blocks in this area is limited it is important that these blocks do not forgo this productivity through further subdivision. This settlement is fundamental to the continued support of agriculture in the area.

TABLE 6: CLEVEDON EMPLOYMENT TRENDS

	2000	2008	Growth
A Agriculture, Forestry and Fishing	27	36	0%
B Mining	3	3	0%
C Manufacturing	55	37	-33%
D Electricity, Gas and Water Supply	0	0	0%
E Construction	9	18	100%
F Wholesale Trade	0	3	100%
G Retail Trade	18	31	72%
H Accommodation, Cafes and Restaurants	20	25	25%
I Transport and Storage	9	0	-100%
J Communication Services	0	0	0%
K Finance and Insurance	0	0	0%
L Property and Business Services	6	12	100%
M Government Administration and Defence	0	0	0%
N Education	31	36	16%
O Health and Community Services	6	20	233%
P Cultural and Recreational Services	0	3	100%
Q Personal and other Services	12	21	75%
Total All Industries	196	245	25%

The trends shown by the employment data for each of these settlements show a specific role played in the wider rural economy. Maraetai (Beachlands) has experienced increased residential demand over the past 10 years and this pressure is likely to continue. The ability for this to remain a destination is based on the natural amenity and should be enhanced by the built environment. This requires a focused settlement that enables increased commercial activity to service the local residents. Whitford represents a transition between the urban area and is likely to accommodate the majority of smaller lifestyle block growth. This will provide a basis for a high end service settlement with a high income local catchment of residents that are more likely to be employed in the urban centres. Clevedon is the key rural settlement more likely to support productive land and as such its infrastructure is key to supporting the rural economy and should be retained.

8. LIFESTYLE BLOCK MARKET

The current market for lifestyle blocks in the Manukau Rural catchment is outlined in Table 7. It shows a current supply of approximately 2,250 lifestyle blocks. Over 75% of these blocks are below 4 ha in size and are predominately located in the north east fringe of the catchment. This location gives the rural ‘feel’ while still maintaining the proximity to the urban employment and lifestyle. Growth in lifestyle blocks has slowed somewhat in the last 4 years, due in part to the changing economy but also due to a market awareness of the level of maintenance required to ‘keep up’ these blocks.

TABLE 7: CURRENT LIFESTYLE BLOCK MARKET (MANUKAU RURAL)

Lot Size	Quantity
0 - 2,500 sqm	288
2,500 - 5,000 sqm	201
5,000 - 1 ha	563
1 ha - 4 ha	644
4 ha only	181
5 ha - 10 ha	178
10 ha - 20 ha	213
Total	2,268

8.1 Estimated Demand

Currently 16% of the 36,000 ha of land in the rural catchment in Manukau City is made up of lifestyle blocks. Lifestyle blocks have historically accounted for 2.4% of all property sales in Manukau City. This ratio has been applied to forecast household growth to determine the likely demand for lifestyle blocks over the period out to 2060.

TABLE 8: FORECAST DEMAND FOR LIFESTYLE BLOCKS

Demand for Lifestyle Blocks	2008 - 2021	2021 - 2046	2046 - 2060
Growth in LSB Demand	565	800	431
Accumulative Demand Growth		1,365	1,796

Table 8 shows the cumulative demand for 1,800 additional lifestyle blocks (approximately 35 per annum) for the period out to 2060. Based on the demand characteristics this amounts to around 4,600 hectares (over a 50 year period). This amount is likely to overstate the total additional land required as some existing lots are likely to be subdivided further and is more likely to be a further 3,300 ha over this period. Along with the current supply of lifestyle blocks this would result in just over 9,000 ha of Manukau land taken up by this use, or 25% of the Rural catchment.

8.2 Market

Fifteen real estate agents spread throughout the City were questioned about lifestyle blocks in order to ascertain the demand for lifestyle blocks, who are buying these blocks, where the buyers are coming from and why they are buying in Manukau.

- The majority of the buyers and people looking to buy are couples with kids who make up 60%, and retirees who make up 15%.
- 60% are aged between 30 and 40, 20% between 40 and 50, and 10% are aged over 60. This indicates that the retirees may be people taking early retirement.
- The majority (90%) come from the Auckland Region and 10% from overseas.
- Of the 90% who come from the Auckland Region, 30% are from Auckland, 25% from the North Shore, 35% from within Manukau City, 10% from Waitakere. There are significant variations on where buyers come from with more North Shore and Auckland buyers in the Northern and Eastern areas and more Manukau and Waitakere buyers in the western areas.
- The 1-2 hectare size was the most popular (70%) followed by the 2-5 and 5-10 hectare size. The demand for smaller sizes is driven by affordability and availability with people downsizing and buying with a smaller mortgage.
- The agents felt that supply of blocks was very low with medium to high demand exceeding the supply, particularly for larger blocks. The most common prices were for bare blocks between \$300,000 and \$400,000 increasing to \$500,000 plus with a house on it. These price ranges varied across the City with Maraetai and Whitford exhibiting demand in the higher price brackets. Maraetai has experienced a considerable rise in demand over the past 10 years and is expected to continue this trend in the future.
- 80% of buyers want the lifestyle block as their primary home and intend to reside on their property despite increased commuting times. However some are looking to change lifestyle in the future hoping to avoid the commute by working from home.

Most important to the buyers is the proximity to Auckland which in the western areas will be enhanced by the Eastern Corridor extensions. The other major consideration was proximity to a town and its amenities, particularly schools, sports facilities, beaches and outdoor activities. This would be expected from families who still work outside the City but require the amenities for their children and retirees who require more health services and general amenities. Rural outlook was also of high importance, and amongst the older groups bush was seen as low maintenance. The younger families were more interested in bare land for animals and children.

9. VISITOR/TOURIST DEMAND

15 tourism market operators were interviewed for detailed information about the tourism industry in Manukau. The main findings are as follows:

- 60% of the respondents had experienced an increase in the number of tourists over the past several years; 27% had experienced a decrease, and the remaining 13% noticed no change.
- More than half (53%) of respondents believe that the close proximity to Auckland is the main driver for tourists visiting Manukau.
- 27% believed tourists came to Manukau for outdoor pursuits (including beaches), 20% for the countryside experience and 13% for the farmers markets.
- 40% of the tour operators believe the poor roading/public transport service is negatively affecting the tourism industry in Manukau. 13% believed that development of the tourism industry in Manukau City is not particularly encouraged by the City Council. 13% believe there is no coordination among the tour operators in Manukau City, and that the services are fragmented.
- 33% believe rural subdivision will have a positive impact on the industry because of the population growth caused by rural subdivision. However 27% expect rural subdivision will have a negative impact on tourism, mainly because it will ruin the “rural charm” of the area. Another 27% think there will not be any effect. The rest (13%) said it was hard to tell at this stage and will depend on the extent of the development from subdivision

The results of the survey and the statistics show that the number of visits to Manukau have and are expected to increase. The statistics also show that Manukau’s tourism sector has become more resilient and sustainable. The sharp drops in visits experienced by the region in 2003 and 2006 were felt in Manukau, particularly the regional drop in 2006.

As with lifestyle blocks, the foundations for tourism and its growth are its proximity to Auckland, the attraction generated from niche agriculture and the rural and coastal amenity.

The subdivision of land creates the opportunity for niche agriculture and increases the demand for tourist related activities. If left unregulated, most operators believe that these advantages would be lost if development occurs in a way that detracts from the rural and coastal amenity.

10. BUSINESS

Seventeen businesses were surveyed within the Manukau City rural catchment in order to gauge the state of business and what their outlook for the future was. They were also asked their opinion on lifestyle blocks and how they believe lifestyle blocks affect their business. The businesses were chosen based on the dominant industry sectors identified in the rural economy of the City overview. Where possible, businesses were chosen from diverse areas to give a general picture of the whole City. The results have been summarised as follows:

The businesses surveyed had been in operation in Manukau City on average 17 years.

- 50% of their customers came from Manukau City, 30% from the region and 20% from outside the region including overseas
- 85% of employees came from Manukau City, and the remainder were from the Auckland Region

The main disadvantages were

- Delivery problems due to traffic, the “rural area is quite hard to get delivery”, particularly from courier companies
- Urbanisation pressures; feel like they are “starting to get squeezed out”
- Manukau City Council due to “inflexibility”, “neglect” and “zero infrastructure”

All businesses surveyed were expecting to grow and expected the local economy to grow due to the increasing population. Many expect new development opportunities. However concern was voiced about what council may do about future development, and what affect the growing Flat Bush centre will have on their business.

- 18% believed the business environment had gotten better in the last 5 years which was mainly attributable to the increasing population in the area providing more workers and a greater market
- 24% believed there had been no change
- 52% believed the business environment had gotten worse in the last 5 years. The main reasons given for this were increasing compliance costs and paper work
- 28% expect to hire more people while the remainder expect to keep the same number of employees

To help business in Manukau City, the Council could:

- improve infrastructure; better roads, less power cuts, more street lighting, recycling
- be more user friendly/helpful, quicker at processing applications/consents

82% believed Lifestyle Blocks were good for the City but most positive responses were conditional on the following:

- “should be centred around towns”
- “needs to be controlled”
- “as long as blocks stay at a decent size so it still stays rural”
- “wouldn’t like it to be too developed”
- “as long as we still have a green belt”

Most believed further subdivision will increase their business due to the increasing amount of households because:

- “the type of people who can afford the lifestyle blocks in the area usually can afford the flasher homes therefore our kind of furniture”
- “the type of plants we sell are very suitable for the lifestyle blocks”
- “we sell ride on lawnmowers and chainsaws which is often needed when purchasing a lifestyle block”
- “more people will grow greenery etc which I can purchase from them locally”

The remainder were negative responses to lifestyle blocks. They had “seen enough of it” and were worried about the effects of urbanisation.

Reverse sensitivity issues were a particular concern of Crop farmers:

- “When we try to do things like spraying (etc) which we have been doing for years, they try to stop it”
- “As long as people are aware of the businesses that are already set up in the area”

The results of the survey reflect a mixed outlook for business in Manukau. Some businesses expect to grow and expect to hire more people. Much of the growth they believe stems from the increasing population within Manukau. While most businesses see subdivision as a large driver of this growth through household creation, many business owners have concerns over the effects this is having on the amenity value of the City.

11. EFFECTS OF RURAL SUBDIVISION

This section examines the implications of ongoing rural subdivision of lifestyle blocks on Manukau City, and in particular on agricultural production.

The value of land in many rural areas in Manukau is increasingly reflecting a value based on rural lifestyle block development, rather than agricultural production. This raises the question of whether a lifestyle block contributes more or less to the economy than an agricultural property. The social and environmental implications of lifestyle block development also need to be considered.

Land prices are driven by several factors: productive value, residential value and speculative value, as defined below.

Productive value is determined by the income derived from production on the land.

Residential value is based on the price someone will pay for the residential use of the land.

Speculative value is based on the expected future price of land after the development potential is realised.

These three values ultimately reflect the value a person (or business) gets from the land resource. If demand for lifestyle blocks increases relative to demand for agricultural land, then lifestylers will outbid farmers for this land.

It should be noted however that the price of many agricultural products are not determined by local factors and are based on a world price. This means that changes in the price of local factors of production (like land) will have little or no effect on the price of many agricultural products. In this case farmers cannot react to the increasing price of land by increasing product prices. They either have to become more efficient (i.e. change production techniques) or relocate.

A farm requires a rate of return over the cost of capital, and they achieve this through adding value, which requires expenditure. This means that a farm generates more expenditure than money in a bank earning interest. The vast majority of expenditure that comes from an empty block is the interest payment (cost of capital) on the loan to buy the property.

This means for an equal land value the farm generates more expenditure than a lifestyle block. This means if a viable farm was sold at the farm value, and then no longer operated as a farm, then this would be a net loss in expenditure and therefore a drop in GDP.

A gain or loss in expenditure depends on the difference between the value of a piece of land as a farm and the value of it as a lifestyle block. A lifestyle block generates more expenditure when the interest costs on the lifestyle block exceed the total running and interest costs of the farm. This occurs only when the price paid for the piece of farmland is significantly higher than would be paid as an operating farm.

Economic effects at the City level

The City benefits when the increases in land values result in the added interest expenditure remaining in the City. With a farm much of the expenditure remains in the area due in part to the immobility of labour which makes up a large cost of business. Usually the owner lives on site so their wages, rent and profits also remain in the City. This again relies on the owner and workers spending the money in the City. With a lifestyle block the interest expenditure invariably will go outside of the City; however a small portion will make its way back. The activity that takes place on the lifestyle block will then be the major contributor to the City.

If the lifestyle block adds value to the land say by building a house, this then benefits the City to a certain extent and combined with the ongoing maintenance and services through use, provides ongoing income generation. If they choose to live on the lifestyle block then a fair share of their expenditure will be spent in the City. Revitalisation of rural communities through increased subdivision that results in more households improves services to all the community and access to a larger workforce for local businesses. However council must assess the cost of added infrastructure and community services due to increased demand and ensure that those costs are recovered from the new residents that choose to live away from the centres and existing amenities.

When agricultural production remains after subdivision, subdivision results in increased land value and often a shift to higher margin agricultural production in order to either fully recover the cost of the land and provide a profitable income or supplement off farm income. In this case the subdivision may result in the added benefit that production remains due to the off farm income where it would not remain if left as a farm. This not only brings in more income and more diverse sources of income to the City but also retains some agricultural production and expenditure.

All local property owners benefit from an increase in land value particularly businesses, including farms that can now access more credit for investment purposes.

Future land use issues

In reality it is much easier to shift land use from a farm to a lifestyle block than from lifestyle blocks to a farm, particularly where land has been divided up into small lifestyle blocks with expensive houses built on them. For lifestyle blocks to be reconverted to farming, many landowners have to be bought out. This could result in very fragmented and less viable farms because many landowners will hold out for higher prices, delaying the conversion of land to farming and increasing the costs considerably. It is in this area that Councils can help to maintain the future flexibility of land use especially in areas where soil is exceptionally productive or land exhibits other unique traits. Council can particularly help in ensuring that the layout of subdivisions enables easier future potential aggregation.

The Western Bay of Plenty report (2000) on subdivision showed that for agricultural production on blocks subdivided to between 5 and 12 hectares gross margins increased due in part to a shift into higher margin agricultural production. The updated report in 2005 shows even more significant gains in gross margins for all sizes greater than 1.5 hectares except for the 3-4 hectare size. The 5-7 hectare size still remained the highest in terms of gross margin. Subdivision also increased the types of land use, lowering an areas financial exposure from adverse market fluctuations in a single commodity.

Subdivision may not necessarily lead to a decrease in economies of scale as witnessed by the increasing numbers of contract growers. Each plot of land does not need to own or have the necessary machinery to produce something off the land. The Western Bay of Plenty Report does however show that below 5 hectares gross margins did drop, and in the 2005 updated report all lots less than 1.5 hectares dropped in gross margin. This information can be used to limit the size of subdivided lots in certain areas to minimum sizes that allow agricultural production to be pursued if not now at least in the future.

11.1 Cost Benefit Analysis of Rural Subdivision

There are very few national or international examples of Cost Benefit Analysis that assess farm land use versus lifestyle block land. This is because of the inherent complexity of undertaking such as study. Some of the key costs and benefits that would need to be assessed are outlined below.

Direct Costs / Benefits

Subdivision & Construction Expenditure, e.g. new house build

Household Set-up Costs, e.g. new furniture and appliances, sourced local

Household Expenditure, e.g. ongoing retail expenditure locally

Business Expenditure, e.g. new businesses move into the City

Agriculture Expenditure, e.g. new agricultural businesses move into the City

Council Rates, e.g. Council received additional rates to offset infrastructure costs

Ability for Manukau to compete for wealthier residents

In-direct Costs / Benefits

Amenity Values, e.g. reduced rural amenity for visitors

Environmental Effects, e.g. Reduced agricultural run-off

Social Effects, e.g. Hollowing out of towns

In broad terms there are three future development scenarios that would need to be considered. These are briefly discussed below.

Scenario A: Allow subdivision of an additional block that is able to be used for residential (exclusively)

- If the existing farm operation is retained and the subdivision has no effect on its current production, then there is no loss of existing farm expenditure.
- If the land was marginal and not used for agriculture, then the subdivision frees up capital for the farmer to reinvest, thereby increasing productivity. Farming expenditure and employment may actually increase in this scenario.

Scenario B: Allow subdivision of an additional block that is able to be used for residential with a required secondary agricultural use

- If subdivision increases the amount of households in the area, and these are quite wealthy households (the demographics suggest this is the case in Manukau) then substantial flows of retail will come into the City. The amount of retail expenditure retained in each catchment (and Manukau City) will depend on proximity to retail centres.
- The new dwelling and associated construction will provide a one off substantial cash injection. Much of this will remain in the City. An even higher proportion of the ongoing maintenance expenditure remains in the City because of the locational characteristics of this service industry.
- The interest expenditure on the borrowed amount to purchase the land and build the house will be substantial, but only a small proportion of this will make its way back to the City.
- Subdivision, while increasing the price of land per hectare, does make available land that is cheaper nominally. This counter intuitively has the effect of providing the opportunity for more specialised and higher value agricultural uses, because the land price comes within the reach of more people.

Scenario C: No additional subdivision

This scenario will simply retain the status quo. There are however many vacant sites that would be utilised (primarily) for residential purposes if this was the case.