

NGĀI TAHU Property

CCG 29th April 2020

Client Experience – Ngāi Tahu Property, Alan Grove, Senior Development Manager

INTRODUCTION

- Quick personal resume, 17 years experience with Ngāi Tahu Property noting cyclical nature of property development, previous responses to crisis events including Canterbury earthquakes and GFC.
- Brief introduction to the Te Pa Tahuna project on the site of the former Wakatipu High School site, Gorge Road Queenstown
- Upwards of 350 new residential dwellings, of which around 100 to be KiwiBuild.
- 5-7 year program allows for ups and downs
- Crown /iwi partnership

PRE COVID19 PROGRAM

- Site cleared and civils contract about to commence
- Tracking towards RC lodgment and build contract for first 27 apartment units later this year
- Shortly followed by next building of 53 units, market dependent
- Indicators pointed towards a significant under supply of housing, particularly in the 'affordable range'. Majority of first releases would be KiwiBuild.
- Usual cost pressures of building in Queenstown were becoming apparent but not unassailable so long as the market was with us

POST COVID19 PROGRAM

- Civils (roads and services to super lot subdivision) remains a priority and looking to mobilise Downer ASAP
- Consents and engineering approvals already in place
- Completing enabling works provides platform for vertical builds when markets validated
- Most likely to still take first small building through RC
- Constant market testing to inform decision making

- Some delays along with cost and revenue fluctuation inevitable
- A lot of unknowns and hard to estimate a new build program at this point in time

CONSTRUCTION CONSIDERATIONS

- Previous mantra of 'scale and pace' for Queenstown housing no longer relevant
- More of a cautious 'wait and see', particularly around construction market (sub trades, resources, competition etc) and buyer enquiry levels
- Benefits of mobilising under a Level 3 versus a Level 2 alert level being reviewed, particularly around Queenstown seasonality
- Allow flex in development approach through super lot releases

CONSENTING CONSIDERATIONS

- QLDC efficiency will be under even more stress
- BMUZ (Business Mixed Use Zone) interpretation still a bit of a 'lottery'
- Timeliness of responses, less red tape, all the usual developer led concerns need to be addressed now more than ever so 'bounce' isn't constrained
- Government reform to the RMA? Conversation worth having

QUEENSTOWN CENTRIC CONSIDERATIONS

- Changes to the make up of the construction labour market
- Supply chain disruption, cost
- What is the competition up to?
- Decreased buyer enquiry from tourism and hospitality workforce
- New markets? Work from home, returning ex pats? Building design response.
- Alignment with QLDC, Housing Trust initiatives

CONCLUDING REMARKS

- Timing of re-entry to the market is critical. Lesson learned from GFC.
- Less about scale and pace, more 'relevance and risk'. Are we building the right product for the new market and what is an acceptable level of risk to accept whilst we continue to validate
- Ngāi Tahu Property have a strong commitment to regional development activity, including Queenstown
- Te Pa Tahuna remains a strong Crown / iwi partnership
- Ngāi Tahu Property can provide the 'bricks and mortar' to help with the recovery response. Housing typologies and tenure preferences may shift. Too early to tell.
- Innovative thinking to identify new markets to reposition Queenstown should be encouraged (eg work from home, tech hubs etc)

Q & A

- Q. What are the current concerns around cost price escalation and what that could do to project feasibilities?

- A. A recent RLB publication noted

In broad terms, in consideration of the factors above, we do expect escalation to fall in the near term in the residential and commercial sectors. **This maybe a decrease in the region of 4% to 6% in the next 12 months in residential and commercial. However, for horizontal infrastructure and for complex large vertical projects, we anticipate an increase in escalation is more likely of between 2% to 4%** because of the lack of large project capacity from Tier 1 contractors, the potential COVID-19 productivity and delivery risks in the near term, the increasingly fragmented sub-contract layers beneath them, and the less price-focused forms of Government procurement.

This is a NZ wide perspective and we expect greater variances and uncertainty in the Queenstown market as has often been the case previously. So yes, caution is warranted in how we assess a project's ability to move forward.

Kia Ora