



# Indigenous Residential Development and Property Investment

Michelle RUSKE<sup>1</sup>

<sup>1</sup>Lincoln University, Canterbury, New Zealand

## 1. INTRODUCTION

Indigenous property investment and residential development projects are an under-researched area both in New Zealand, and internationally. As such, minimal academic literature exists and this research note seeks to increase the knowledge on this topic.

In New Zealand, as iwi groups settle their Treaty of Waitangi Claims, they look to invest their settlements in order to provide for their people, now and into the future. The more knowledge they can acquire on indigenous property investment, the more well-informed they will be before they enter the high-risk but potentially high-return area that is property investment.

Property Investment is a highly significant investment, for at least two iwi in New Zealand - Waikato-Tainui and Ngai Tahu - as well as for indigenous groups in Canada. If carried out successfully, indigenous property development can benefit indigenous people, the nation's economy and as the final case study explores, it even has the potential to help solve large social issues such as 'affordable housing'.

This research is designed as a background to a study which aims to determine whether South Island's Ngai Tahu residential property developments are any different from other non-indigenous group residential property developments. It offers an international comparison, to determine whether Ngai Tahu as a leading iwi property investor could be considered leading in the world, or whether other indigenous groups and nations have best practice measures in

place that could be applied in the New Zealand context.

## 2. International Indigenous Investment and Property Development

Internationally, New Zealand appears to be leading the way in regards to indigenous groups investing in developments and property portfolios - both commercial and residential. An extensive search of databases (including Google Scholar and General One File), the Lincoln University library catalogue and Proquest found only a handful of academic articles mentioning 'indigenous' development. This may indicate that a shortage of internationally published case studies exist and that there is currently an opportunity for others to learn from the New Zealand experience.

Turning attention to our Australian neighbours, it is noted that little information was found on Aboriginal economic development in property. This may be because as Waretini-Karena & Armitage (2014, p.30) note: "Following the pluralist period New Zealand appears to [have] proceeded further towards developing social policies and administrative procedures which respect aboriginal values and culture than have either Australia or Canada" (Waretini-Karena & Armitage, 2014, p. 30). It may also be because in New Zealand, Maori are a predominantly more urbanised people, and hence more familiar with property (both commercial and residential). In 1981 for example, 84% of Maori in New Zealand were classified as 'urban', whilst in the same year just 39% of Aborigines in Australia were urban (Waretini-Karena & Armitage, 2014, p. 26).

Further evidence of the differing situation between Maori and Aborigines in regards to land and development can be seen in the 2005 decision of the Darkinjung Aboriginal Land Council to sell \$42 million worth (41 hectares) beachfront land on the New South Wales Coast, and with it, the shattering of the Darkinjung community's dream of becoming self-sufficient (Hills, 2005). This is in stark contrast to Ngai Tahu who have chosen to invest their settlement and develop their land to the extent that they have increased their property portfolio to over \$600m worth of assets (Harris, 2014).

It has been argued that majority of the land now under indigenous ownership in Australia is not commercially viable and already degraded (Altman & Dillon, 2005, p. 251) and that "Australian governments have historically under-invested in the management of these Crown lands that are now being transferred to Indigenous ownership, and this has exacerbated the situation that landowners now face" (Altman & Dillon, 2005, p. 251). Thus, the situation is challenging for Aborigine groups wishing to economically benefit from the land.

Another issue making Aboriginal economic development challenging is the difficulty that Indigenous groups face entering the market economy. "Commercial banks are reluctant to lend to Indigenous interests without realizable collateral because land cannot be easily used as security" (Altman & Dillon, 2005, p. 252) and other factors deter lending, such as group ownership.

Despite the difficulties facing indigenous investment in property and development, it has been recognised that "land and resources are the foundation upon which indigenous communities intend to rebuild the economies of their nations and so improve the socioeconomic circumstance of their people" (Anderson, Dana, & Dana, 2006, p. 46).

Canada has provided the best examples of indigenous groups that have utilised entrepreneurship to lead to success. The Osoyoos Indian Band (OIB) "conducts its entrepreneurship business development through the Osoyoos Indian Band Development Corporation (OIBDC).

The motto of the development corporation is 'working with business to preserve our past by strengthening our future'" (Anderson et al., 2006, p. 51). By 2006, nearly a decade ago, the indigenous group owned and operated nine enterprises which included a construction company, a forestry company, a grocery store and related to this research, two housing developments (Anderson et al., 2006, p. 51). Their website also currently details the development of a 112 acre business park. 'Senkulmen Business Park' has just released its first phase of sections for leasing (Osoyoos Indian Band, 2014). Like Ngai Tahu in New Zealand, the Osoyoos Indian Band has established a corporate arm to be responsible for commercial and economic business operations. The OIB term theirs the 'Osoyoos Indian Band Development Corporation' (OIBDC), whilst Ngai Tahu terms theirs 'Ngāi Tahu Holdings Corporations Ltd'. This structure, allows the indigenous groups operate their corporate business of managing assets at arm's length from the main tribal governance process. The OIBDC website even states "the Chief and Council of OIB are business people, and we desire to develop more business opportunities" (Osoyoos Indian Band, n.d).

Of note are the similarities that the OIB and Ngai Tahu share in regards to their commercialised websites advertising their property ventures. The Senkulmen Business Park, like Prestons and the Wigram developments in Christchurch has its own website detailing design guidelines, the master plan, a brief overview of the development's significance and more (Osoyoos Indian Band Development Corporation, 2014).

Another Canadian example of indigenous groups succeeding with investment from settlement claims is in regards to the approximately 4500 Inuvialuit that live in "six western Arctic communities that lie in and around the mouth of the MacKenzie River" (Anderson et al., 2006, p. 51). In 1984, the Inuvialuit Regional Corporation (IRC) was formed following negotiations between the federal government and the Inuvialuit people which saw 91,000km<sup>2</sup> of land remain in their title, and the indigenous group the recipients of \$45 million in cash compensation paid out over 13 years between 1984–1997 (Anderson et al., 2006,

p. 51). The IRC also formed a corporate arm - the Inuvialuit Corporate Group (ICG), and in 2002 the group listed a profit of \$15.1 million, of which at least \$5 million was paid to individuals and communities for non-business (i.e. social) purposes (Anderson et al., 2006, p. 51). This profit built on two previous years of substantial profit - \$14.7 million paid out in 2001 and \$11.6 million in 2000 (Anderson et al., 2006, p. 51). Anderson and others commented in their 2006 article that “in the case of the Inuvialuit, a just settlement of land claims has provided the capital for entrepreneurship and business development, and contributed to the rebuilding of the Inuvialuit ‘Nation’, by preserving the Inuvialuit culture, identity, and values within a changing northern society” (Anderson et al., 2006, p. 51). More recently, the Inuvialuit Development Corporation has invested in both residential and commercial properties through the subsidiary company ‘IDC Properties’ and claims that “Commercial space now totals over 66,000 square ft. Several of the primarily commercial buildings are mixed use and include residential units” (Inuvialuit Development Corporation, 2014). The IDC can also be recognised as continuing to enjoy economic success as Figure 1 shows.

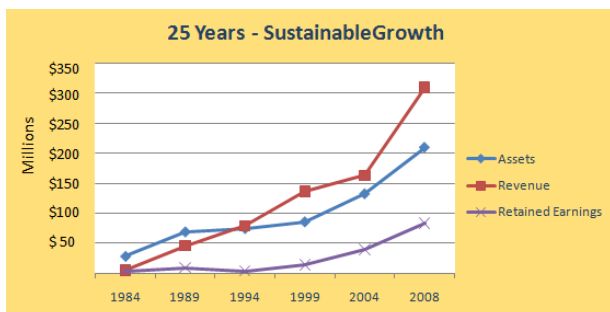


Figure 1. Continued Economic Growth for the Inuvialuit Development Corporation (Inuvialuit Development Corporation, n.d.).

### 3. New Zealand Iwi Property Investment

In New Zealand, iwi have become increasingly dominant in the property sector - both commercial and residential, and this is predicted to increase as more iwi settle their claims. Both Waikato-Tainui and South Island Ngai Tahu are leading the way after settling their Treaty of Waitangi claims early and generally investing wisely since (Harris, 2014). Both these iwi are also argued to have an advantage in that they are located close to large urban areas and hence enjoy

greater opportunities for commercial property investment (Gillies, 2014).

As of 2014, Waikato-Tainui has a substantial property portfolio that includes land under Waikato University, Hamilton shopping centre The Base, the Huntley Power station and commercial assets with Auckland Airport. The iwi's assets now total \$738 million (Harris, 2014). In addition, Waikato-Tainui is looking to develop a mixed use development on 485 ha of land it owns at Ruakura. To put that future development into perspective, one needs to consider that 485 ha is “8 per cent of Hamilton city's land” (Harris, 2014). Thus Waikato-Tainui has property investment at a large scale.

Ngai Tahu also has a substantial property portfolio, with \$600m worth of investments in residential, commercial and farming property. This is a particularly successful outcome when one considers that in 1998 the iwi received a settlement of \$170m (excluding fisheries and aquaculture assets) (Harris, 2014). For Ngai Tahu, property accounts for “56% of total assets and achieved earnings before interest and tax of \$38.2 million” (Hutching, 2013). Ngai Tahu's property assets include the Christchurch City Council Civic building (figure 2), the Tower Junction Mega Centre, Sockburn business park, the Christchurch, Queenstown and Dunedin police stations and more (Harris, 2014). Current residential developments for the iwi are extensive and include Wigram, Prestons and Te Whāriki (at Lincoln). Crucially, another advantage for Ngai Tahu is that “a contingent asset in respect of the Ngai Tahu deed of settlement with the crown in 1997 allows for a top up value of all Treaty settlements between 1994 and 2044 ends up being more than \$1 billion” (Hutching, 2013). In December 2012, the crown paid Te Runanga o Ngai Tahu an additional \$68 million as part of this top-up (Hutching, 2013). Waikato-Tainui also has this relativity mechanism included in their deed settlement (The Treasury, 2014). These top-up arrangements were an inducement to get the tribes to settle early and to assure them that they would not be disadvantaged in doing so, relative

to tribes that settled later in the Treaty claims process.



*Figure 2 The Christchurch City Council Civic Offices are part of the substantial Ngai Tahu Property Portfolio totalling \$600m (Phillip, 2010)*

A mix of property investments is seen as a wise way to play the game, particularly as commercial property is recognised as a good medium-long-term investment, offering a steady income stream (Harris, 2014).

It is important to note that there is great disparity and contrast between the different iwi in New Zealand. For example, Te Rūnanga o Nāgti Whātua (Auckland-Northland iwi) have not yet settled their Treaty of Waitangi claim and consequently own just \$12.5m in investments (Harris, 2014). Hapu within that iwi are doing substantially better with Ngati Whatua Orakei, a hapu within the runanga's territorial authority, having a commercial trust with assets totalling more than \$500 m (Harris, 2014). The deputy chairman of Ngai Whatua runanga's board of trustees articulated that many iwi would like to follow the success of Waikato-Tainui and Ngai Tahu (Harris, 2014). Subsequently last month, Ngati Whatua o Orakei Whai Rawa added to their assets by purchasing AECOM House in Quay Park, Auckland - a significant commercial purchase that is "set to add an eight percent yield to its cashflow" (Radio New Zealand, 2014). This was the tribe's first significant purchase since it settled in 2012 and the building is estimated to generate a "total net passing income of about \$5.4 million/year" (Colliers International, 2014).

There are also plans for residential development in the North Shore's Bayswater and Belmont areas with Ngati Whatua o Orakei looking at developing

230 existing residential properties on 25ha (Gibson, 2013). Like Ngai Tahu and the old Wigram Air Force base, Ngati Whatua o Orakei bought surplus Defence Force Land, and although the navy is leasing the properties in question until 2018, the iwi is already at work on plans to invest and progress this development following the lease expiry (Gibson, 2013). Although the plans are still a work in progress, the iwi wants to build more intensively, and at greater density than the Unitary plan allows, and a board member has stated that the original 800sq metre sections with 3 bedroom weatherboard houses built for navy staff are not the most efficient land use (Gibson, 2013).

Another iwi considerably behind Waikato-Tainui and Ngai Tahu in the property investment ladder is Ngati Awa (Eastern Bay of Plenty), where property investment makes up less than 5% of the tribes \$120 million asset portfolio (Gillies, 2014). This helps articulate the contrast between iwi investment in rural and urban areas. In general, iwi located in closer proximity to urban areas have a higher property investment component than those more rural iwi. This may also be related to the nature of the original claims of both Waikato-Tainui and Ngai Tahu but further analysis would be required here.

Many iwi groups have been investigating property investment and Ngati Whakaue is no exception. Near Rotorua, Ngati Whakaue has been investigating property investments and in 2010 was in the process of strategic planning for 1500ha of land in eastern Rotorua. A structure plan, was developed for a 150ha area, and went through the private plan change process with the Rotorua District Council (Poutasi, 2010). Notably, Ngati Whakaue Tribal Lands Inc. has approximately 4,500 Maori shareholders and is a major landowner in Rotorua (Poutasi, 2010).

Lastly, it the New Zealand Centre for Sustainable Cities has a current research project titled 'Tāone Tupu Ora - Māori involvement in urban planning and development' which sets out the hypothesis that "increasing authentic Māori participation in creating urban futures will significantly contribute to making New Zealand cities more resilient, liveable and competitive" (New Zealand Centre for



Sustainable Cities, 2013). The project, which is yet to be completed, uses a qualitative, mixed-methods approach to develop an understanding of the main drivers that impact on iwi involvement in urban planning and development (New Zealand Centre for Sustainable Cities, 2013)

#### 4. An Alternative to the Status Quo

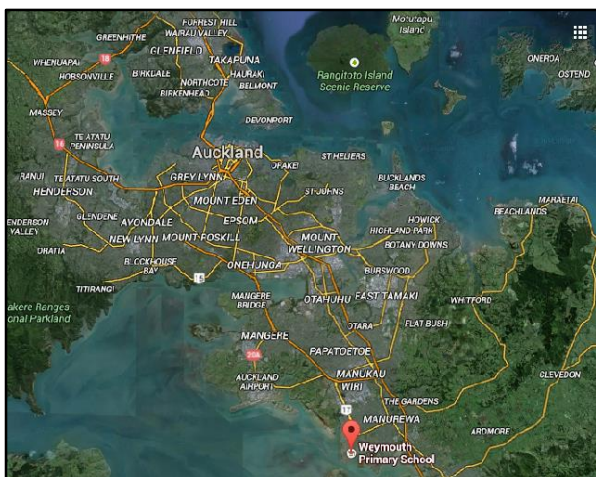
Tamati Collective’s low cost housing development at Weymouth, Auckland provides a new spin on indigenous property development and investment in New Zealand and is arguably a better use of investment for the people, not just the economy. This development, appears the first of its kind in New Zealand, is innovative and not solely consumer focused. The Tamati Collective comprises thirteen iwi that have joined together to form a partnership, alongside voluntary agencies to invest in a ‘low-cost’ housing development ("Iwi housing plan shows what Treaty really means," 2014). The location in question is of particular interest to iwi groups with the site sloping down from Weymouth Rd to the Manukau Harbour, occupying a low-income area. Indicative of the low-income status and mixed occupancy of the area is that “Weymouth Primary School is ranked decile 2, with a roll that is 43 per cent Pacific and 34 per cent Maori” (Collins, 2014).

The development will see the 16ha site contain 282 units, of which 127 (or 45 percent) will be sold on the open market, a further 99 units will be tenanted on either shared equity, or rent to buy agreements, and remaining units will be low rent tenancies that are administered by independent charities instead of the Government-owned

Figure 3. Waimahia Inlet Development is quite far out from the CBD (40km) as pictured by the red indicator on ‘Weymouth Primary School’ on the Auckland image.

Housing NZ ("Iwi housing plan shows what Treaty really means," 2014). To achieve the low-cost status, 90% of units are to be double-storied and built on less land than other statehouse areas like Otara and Glenn Innes ("Iwi housing plan shows what Treaty really means," 2014). The average lot sizes for the 92 houses in stage one is 274 square metres (Collins, 2014). The development is given the name ‘Waimahia’ the Maori name for Weymouth and the site is the first Auckland Council ‘special housing area’ that has enjoyed fast-track resource consents ("Iwi housing plan shows what Treaty really means," 2014). The development has a vision that “if it works to plan, there will be a constant turnover of rentals, enabling people in the most desperate need to be given adequate housing quickly and encouraging them in turn to move to at least partial ownership as soon as they can” ("Iwi housing plan shows what Treaty really means," 2014). The units are currently priced from \$322,000 for a two-bedroom unit to \$495,000 for a five bedroom unit (Waimahia Inlet Limited Partnership, 2014).

Social media comments regarding Waimahia have been a mixed bag, including those who doubt that Waimahia was the ‘Maori name for Weymouth’ and feel that there would have been better pre-existing Maori names that could be used, to those that think \$475,000 in Weymouth with little public transport, 40km from the CBD (figure 3) is not low cost ("Iwi housing plan shows what Treaty really means," 2014). Others feel that preference should be given to lower income Maori first, stating that “the point of treaty settlements is to help Maori meaningfully and immediately. Its not to help investors” ("Iwi housing plan shows what Treaty really means," 2014). Regardless, of what side of the fence one falls, this development offers a vastly different approach to other indigenous property developments seen in this country to date, and is attempting to offer innovation and assistance to a large-nationwide issue. Waimahia is a completely different approach to Ngai Tahu’s Wigram Skies and its target market, although the artist impressions of the units that are to be built do not look substantially different from those found in developments elsewhere (see figure 4).



At Wigram Skies, a new 3 bedroom two storied townhouse on 183 m<sup>2</sup> is currently on the market (figure 5) for approximately \$529,000 (Lewis, 2014) - showing that affordability is not the main goal in mind.



Figure 3. Artist Impression of a 3 bedroom house in the Waimahia development (Waimahia Inlet Limited Partnership, 2014)



Figure 5. An image of the three bedroom townhouses for sale at Wigram Skies for over \$500,000 which can be compared with the Waimahia option above for substantially less. As one can see these townhouses have connecting walls to other homes (Ruske, 2014).

## 5. Conclusion

In summary, it appears that in New Zealand Iwi as investors are “spreading their risk, both geographically and across investing in office, mixed-use and other commercial developments” (Gillies, 2014).

New Zealand and more specifically Waikato-Tainui and Ngai Tahu appear to be leading the way in regards to indigenous property development and

investment. Canadian Indigenous groups are also entering the property market but little international literature exists around other groups. This results in the conclusion that New Zealand and Canada are the only two countries where indigenous groups are becoming significant players in the property market.

## 6. References

- Altman, J., & Dillon, M. (2005). Commercial Development and Natural Resource Management on the Indigenous Estate: A Profit-Related Investment Proposal. *Economic Papers*, 24(3), 249-262.
- Anderson, R. B., Dana, L. P., & Dana, T. E. (2006). Indigenous land rights, entrepreneurship, and economic development in Canada: "Opting-in" to the global economy. *Journal of World Business*, 41, 44-55.
- Colliers International. (2014, 19 August 2014). Ngati Whatua buys Aecom House from Russells. *The Bob Dey Property Report*. Retrieved 29 August, 2014, from <http://www.propbd.co.nz/ngati-whatua-buys-aecom-house-russells/>
- Collins, S. (2014, February 4). Building a new future: Bold new vision for affordable housin, *The New Zealand Herald*. Retrieved from [http://www.nzherald.co.nz/business/news/article.cfm?c\\_id=3&objectid=11196167](http://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=11196167)
- Gibson, A. (2013, 20 August). Iwi pushing boundaries on housing, *The New Zealand Herald*.
- Gillies, A. (2014, 22 August). Iwi investments - the big chiefs in NZ's commercial property base, *The National Business Review*.
- Government of Canada. (2009). *Federal Framework for Aboriginal Economic Development*. Ottawa: Minister of Indian Affairs and Northern Development and Federal Interlocutor for Métis and Non-Status Indians.
- Harris, C. (2014, 29 June). Maoridom's property kingpins, *Sunday Star Times*, p. 18.
- Hills, B. (2005, March 7). \$42m land rights dream in ruins.(Darkinjung Aboriginal Land Council sells beachfront land)(Brief Article), *The Sydney Morning Herald*.

- Retrieved from  
<http://www.highbeam.com/doc/1G1-129792265.html>
- Hutching, C. (2013, October 4). Ngai Tahu undergeared and eyeing up investments, *The National Business Review*, p. 27.
- Inuvialuit Development Corporation. (2014). IDC Properties. Retrieved September 2, 2014, from  
<http://www.idc.inuvialuit.com/our-companies/management-and-real-estate/idc-properties/>
- Inuvialuit Development Corporation. (n.d.). 25 Years - Sustainable Growth. In *sustainable\_growth* (Ed.): Inuvialuit Development Corporation,.
- Iwi housing plan shows what Treaty really means. (2014, February 5). Editorial, *The New Zealand Herald*. Retrieved from  
[http://www.nzherald.co.nz/opinion/news/article.cfm?c\\_id=466&objectid=11196673](http://www.nzherald.co.nz/opinion/news/article.cfm?c_id=466&objectid=11196673)
- Jaafar, M., & Ali, R. (2011). A study on indigenous housing developers in Malaysia. *African Journal of Business Management*, 5(16), 5891-6000.
- Lewis, C. (2014). Horncastle Homes Peace of Mind: 52 Corsair Drive Wigram. Retrieved 2 September, 2014, from  
<http://www.realestate.co.nz/2338677>
- New Zealand Centre for Sustainable Cities. (2013). Tāone Tupu Ora - Māori involvement in urban planning and development. Retrieved 19 August, 2014, from  
<http://sustainablecities.org.nz/resilient-urban-futures/maori-involvement/>
- Osoyoos Indian Band. (2014). Senkulmen Business Park. Retrieved 2 September, 2014, from  
<http://oibdc.ca/businesses/senkulmen-business-park/>
- Osoyoos Indian Band. (n.d.). Osoyoos Indian Band Development Corporation. Retrieved 2 September, 2014, from  
<http://oibdc.ca/about-us/about-oibdc/>
- Osoyoos Indian Band Development Corporation. (2014). Welcome. *Senkulmen Business Park - "A place to work and create"*. Retrieved 2 September, 2014, from  
<http://senkulmenenterprise.ca/project-overview>
- Phillip, C. (2010). Christchurch City Council, Canterbury, New Zealand, 19th. Nov. 2010. Commons Wikipedia.
- Poutasi, N. R., Jason. (2010). Ngati Whakaue Leads the way with a 100 year Rotorua Eastern Blocks Structure Plan. In Beca (Ed.). Tauranga: Beca.com.
- Radio New Zealand. (2014, 19 August). Iwi takes more control of asset, *Radio New Zealand*.
- Ruske, M. (2014). Wigram Skies 3 Bedroom Townhouses for Sale. In W. S. B. T. f. Sale (Ed.).
- The Treasury. (2014). Other contingent liabilities. *Financial Statements of the Government of New Zealand for the Year Ended 30 June 2012*. Retrieved September 4, 2014, from  
<http://www.treasury.govt.nz/government/financialstatements/yearend/jun12/078.htm>
- Waimahia Inlet Limited Partnership. (2014). Waimahia Inlet - Choice Selling Now. Retrieved 2 September, 2014, from  
<http://www.waimahiainlet.co.nz/choice>
- Waretini-Karena, R., & Armitage, A. (Producer). (2014, 1 September 2014). Comparing the policy of Aborigal Assimilation in Australia, Canada and New Zealand. *Assimilation Policy Comparisons across Indigenous cultures*. [Powerpoint Presentation]