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## Residential Development Underwrite

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The Ministry of Housing and Urban Development (*MHUD*) has recently announced a time-limited underwrite initiative aimed at stimulating residential construction activity during the economic recovery.

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The Residential Development Underwrite (*RDU*) is targeted towards developments which:

- can deliver significant housing supply to the market;
- are situated in locations in most need of such supply (i.e. the main urban centres); and
- present a low risk/cost for the Crown.

For successful applicants, the RDU involves the Crown committing to buy a specified number of houses within a residential development for which the developer cannot secure pre-sales, at an agreed discount to the market price. The RDU will, arguably, enable developers to achieve the funding pre-conditions set by their lenders, boosting supply to the market in the next 6 to 12 months.

MHUD is now inviting applications for the RDU. The applicant must:

- be an established residential developer with a proven track record of successfully building and selling houses of a similar size and scale;
- have ownership or use of the land (or an option to do so);
- have all necessary resource consents for the development;
- be able to prove that the underwrite is needed for the development to proceed within 6 to 12 months of the application (for example, reasonable attempts to market the development have been made, finance approval is conditional on securing pre-sales and the developer has procured the contractors for the development); and
- be able to provide a recent market valuation for the development/houses from a registered valuer.

In addition, the development must have a minimum of 30 houses or, if the development is staged, the relevant stage must have a minimum of 30 houses.

Priority will be given to developments which can deliver the most houses (in locations that most need them) for the least risk and cost to the Crown. This means MHUD will favour those developments situated in the main centres (primarily Auckland, Hamilton, Tauranga, Wellington and Christchurch), which have a lower number of houses needing pre-sales underwritten, and a lower underwrite price. Developments which need 100% of pre-sales underwritten will not be accepted. While most developments are likely to be located in the main centres, developments in other locations may be considered where such developments meet the criteria.

There is no price cap on the sale of houses within a development, meaning the RDU is not limited to providing an underwrite for affordable housing only.

Applications will be generally assessed against the following assessment framework:

Risk and net cost to the Crown	35%
Project readiness	25%
Volume and nature of supply	20%
Location	20%

More details in relation to the assessment framework for RDU and the application process can be found on the [Ministry of Housing and Urban Development website](#)\*. Applications opened on 7 October 2024 and, while MHUD has specifically indicated that the availability of the RDU is time-limited, no final closing date for applications has yet been specified. MHUD has been clear that applications are **not** being assessed on a “first come, first served” basis and are encouraging applicants to take the time necessary to prepare high quality applications.

\*Click on the wording *Ministry of Housing and Urban Development website* in the article above to follow the link.

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