QUEENSTOWN LAKES DISTRICT COUNCIL

Quarterly Monitoring Report

National Policy Statement on Urban Development Capacity

December 2018

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Data Sources and Ongoing Monitoring

This quarterly report draws on data contained on the Ministry for Business, Innovation and Employment's Urban Development Capacity Dashboard. It also includes data collected by QLDC and sourced from CoreLogic and Colliers. Some indicators are updated quarterly, while others are updated annually or less frequently. Indicators updated annually are included in the more comprehensive June Quarter report only. The September, December and March Quarter reports are more condensed. Over time, QLDC may add, remove or replace indicators included in these regular reports to better align them with local data and local issues.

Any queries on this report should be directed to the Planning Policy Team.

Executive Summary

This is the seventh Quarterly Monitoring Report prepared under the National Policy Statement on Urban Development Capacity (NPS-UDC)[1]. As a high growth area, Queenstown Lakes District Council (QLDC) must develop a robust, comprehensive and frequently updated evidence base to inform planning decisions in urban environments (Objective B1). Specifically, QLDC must monitor on a quarterly basis:

a) Prices and rents for housing, residential land and business land by location and type; and changes in these prices and rents over time;
b) The number of resource consents and building consents granted for urban development relative to the growth in population; and
c) Indicators of housing affordability (Policy B6).

In order to understand how well the market is functioning and how planning may affect this, and when additional development capacity might be needed, QLDC must also use information provided by indicators of price efficiency in their land and development market, such as price differential between zones. This relates to Policy B7 of the NPS-UDC and these indicators are available from the Ministry of Business, Innovation and Employment. As they are updated infrequently, QLDC has provided a review of these in its three yearly Housing and Business Development Capacity Assessment reports. Further detail on Council's monitoring and evidence base requirements can be found on the http://urban-development-capacity.mbie.govt.nz/ [click here].

The June 2018 Quarterly Monitoring Report provides the latest detailed overview of key trends and indicators in QLD. Key changes that have occurred between September 2018 and December 2018 are summarised below:

- Median house prices for the District rose by another 6% ($56,641) to reach $998,144.
- The number of dwellings sold has reduced by one dwelling since YE September 2017 to 216.
- The number of dwellings in the District increased by 145 (up 0.9%) to reach 16,589.
- Dwelling sales as a share of the count of total dwellings continued to decrease.
- Average weekly rents increased by another $26/week (up 2.6%) to $602. Rents are still highest in Arrowtown Ward.
- The transition from renting to home ownership has improved marginally by 0.558 of a percentage point.
- First home buyer affordability is the same with an estimated 88% of first buyer households having a below average residential income after paying housing costs.
- There has been a marginal improvement in rental affordability according to the HAM – Rent indicator.

[1] The first Quarterly Monitoring Report was June 2017.

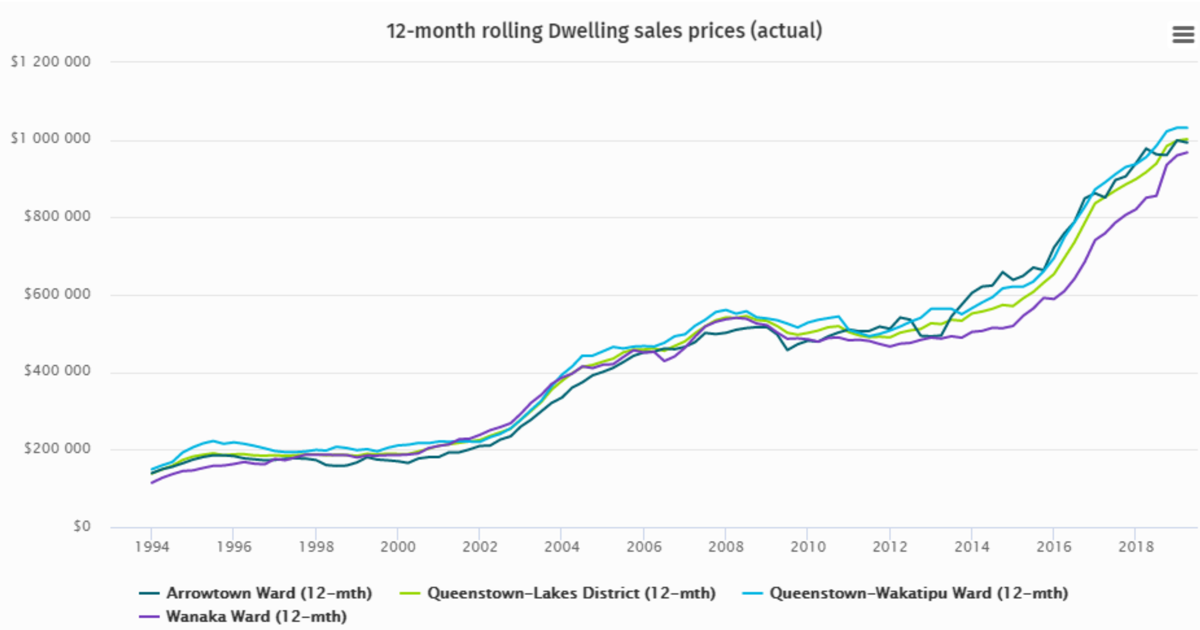
- 239 dwelling consents and 43 commercial building consents were issued (December quarter). Consent growth has decreased when compared with 2017.

The next quarterly report (March 2019) will provide an update of these local indicators.

Sales Prices, Housing Stock, Rents and Affordability

2.1 Sales Prices

About this indicator: This indicator shows the median prices of residential dwellings sold in each quarter. This median price series is not adjusted for size and quality of dwellings. Prices are presented in nominal terms; they have not been adjusted for general price inflation.



Latest Results:

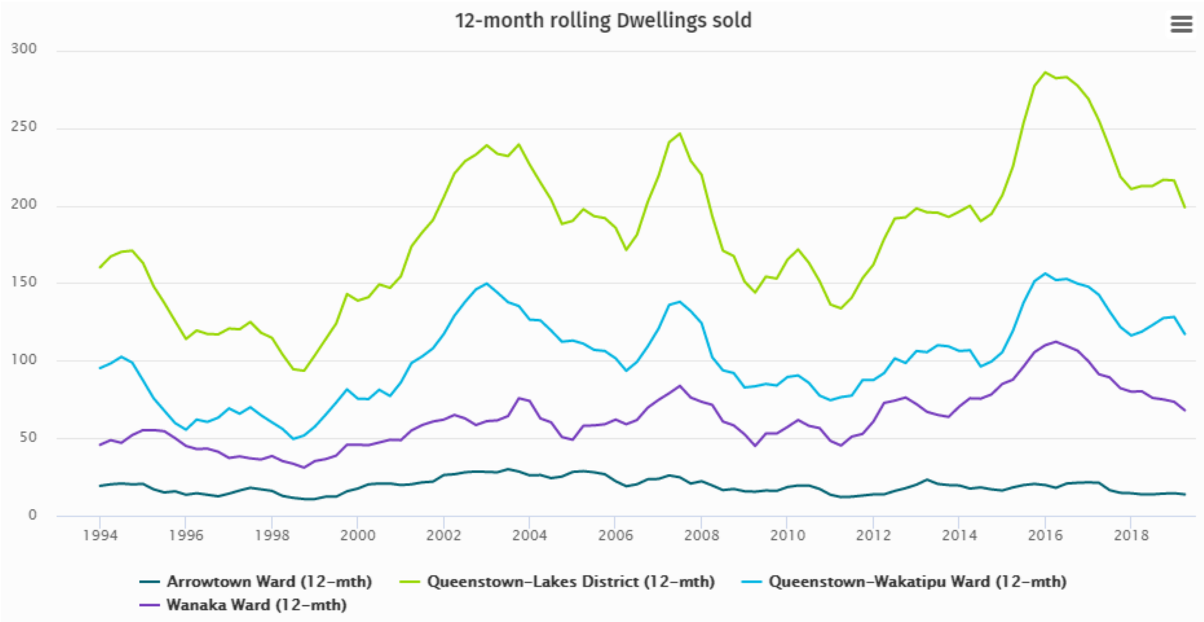
- In the year ending December 2018, the medium house price for QLD was $998,144.
- This is an increase of 6% ($56,641) above the previous quarter (September 2018) and a 10% ($91,894) increase compared to the same time a year ago.
- Medium dwelling prices are highest in the Queenstown Ward ($1,031,500 December 2018), followed by the Arrowtown Ward ($998,875) and lowest in the Wanaka Ward ($960,000).
- Over the last 12 months, prices have increased strongly in Queenstown (10%, $58,625), Arrowtown (6%, $92,750) and more rapidly in Wanaka (16%, $135,125).

Commentary:

House prices in QLD are impacted by strong household growth, demand from international and domestic buyers (i.e. holiday homes) and increasing visitor numbers. Within QLD, median sales prices in the Wakatipu Ward have consistently been higher than the median in the Wanaka Ward, certainly since 2005. Median prices in the Arrowtown Ward continue to be the highest in the District. Over the past four quarters, median prices have increased at a similar smooth rate in Wakatipu and Wanaka (with Wanaka slightly faster), while prices have shown both positive and negative movement in Arrowtown during the same period.

2.2 Dwellings Sold

About this indicator: This is the quantity of all dwellings sold.



Latest Results:

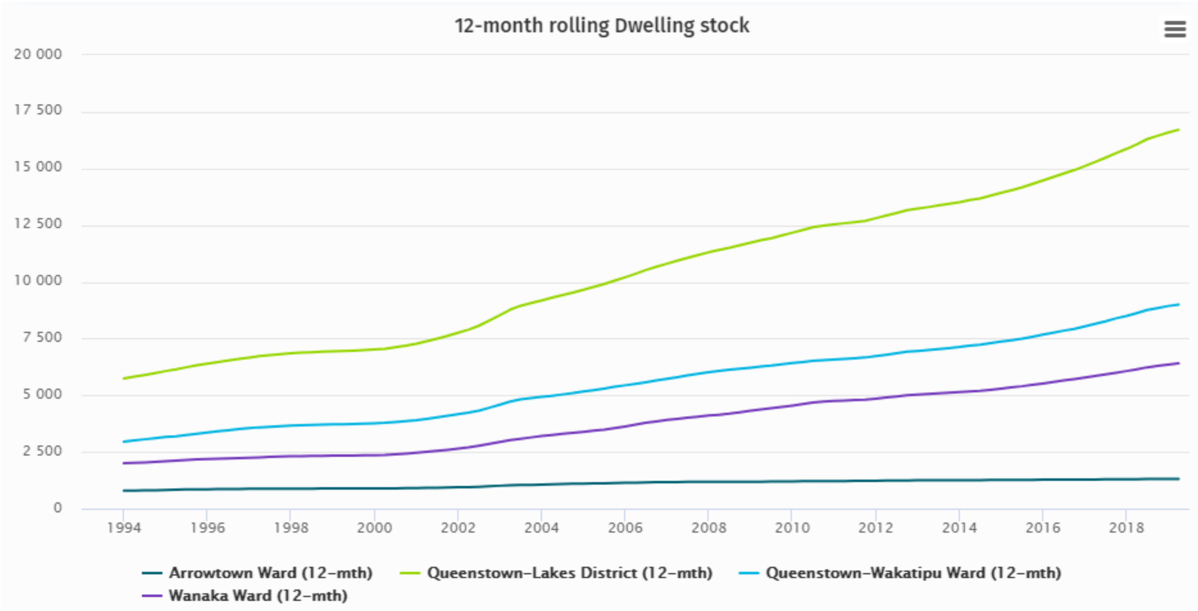
- In the December 2018 quarter, the total number of dwellings sold in QLD was 216.
- This is an insignificant decrease (one less dwellings sold) compared to the previous quarter (September 2018) and an insignificant decrease (one less dwellings sold) compared to the same time a year ago.
- Over the last 12 months, the count of dwellings sold in Queenstown Ward has increased by 7%, from 120 (YE December 2017) to 128 (YE December 2018).
- In Wanaka, the count has decreased from 83 to 74 (down 11%) and Arrowtown has remained the same (15 dwellings sold in December 2017 and December 2018)

Commentary:

The number of dwellings sold in the Queenstown and Wanaka Wards is continuing to show a decline from the high point in 2016 and analysis of the building consent records on page 18 below indicates a similar decline in the count of new dwelling consents between December 2017 and December 2018. Overall, sustained high dwelling prices indicate it is still a seller's market and prices have continued to escalate in the face of strong demand since 2016.

2.3 Housing Stock

About this indicator: This is the estimate of dwelling stock. It is the total count of dwellings allowing for new builds each quarter and taking into account any demolition of dwellings. Dwellings include standalone houses, attached dwellings and apartments. This indicator informs growth in overall dwelling supply.



Latest Results:

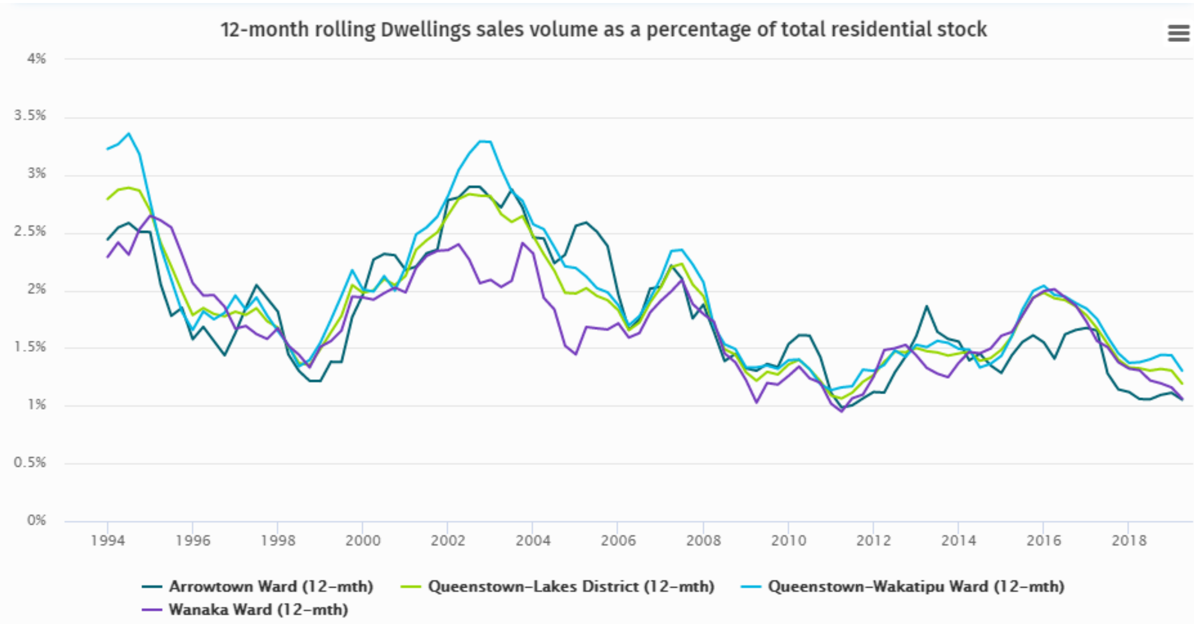
- In the year ending December 2018, the total number dwellings in QLD was 16,589.
- This is an increase of 0.9% (145 more dwellings) compared to the previous quarter (YE September 2018) and a 4.6% increase (727 more dwellings) compared to the same time a year ago.
- Over the last 12 months, the count of dwellings in Queenstown Ward has increased from 8500 (YE December 2017) to 8934 (YE December 2018) (up 5.1% or 434 additional dwellings).
- In Wanaka, the count has increased from 6065 to 6351 (up 4.7% or 286 additional dwellings) and Arrowtown has increased by seven (0.5%) dwellings to reach 1304.

Commentary:

The increase in the average sales price, the amount of zoned land available and high demand for property are the key factors that impact on this trend. The growth of the District's overall housing stock continues to increase at a steady rate although the Arrowtown Ward has contributed very little to this growth (relative to the other Wards) due to limited vacant land capacity within its urban growth boundary. Queenstown Ward currently makes up 53.4% of the total dwelling stock, while Wanaka and Arrowtown make up 38.5% and 8.1% respectively (no change from the previous quarter). Over time, it is expected that Arrowtown will account for a relatively smaller share of the total given the significant Greenfield and infill growth capacity enabled in Wanaka and Queenstown.

2.4 Dwelling Sales as Share of Dwelling Stock

About this indicator: This indicator measures the quantity of all dwellings being bought and sold relative to the total stock. It is a measure of activity in the local housing market.



Latest Results:

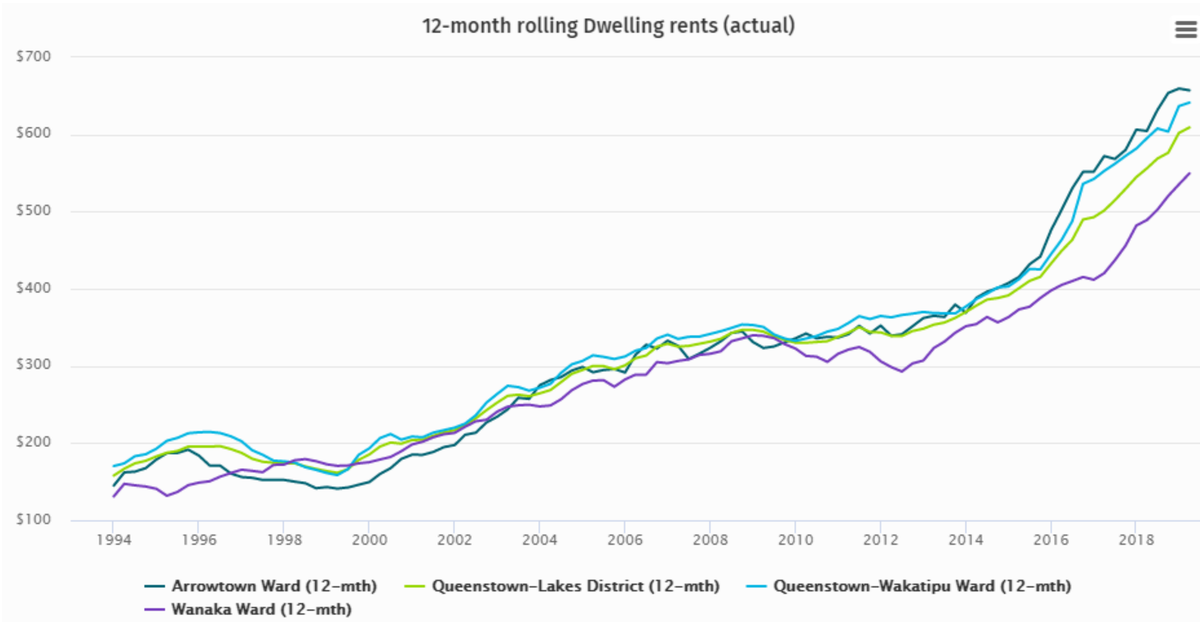
- In the year ending December 2018, the total number dwellings sold in QLD as a share of the dwelling stock was 1.305%.
- This is down on the previous quarter (September 2018) of 1.319%. The same time a year ago (December 2017), the percentage share was higher again on 1.334%.
- The latest figures for Wanaka and Queenstown are 1.158% and 1.437% respectively. Arrowtown continues recent trends of a lower share of dwellings bought and sold (1.112% (December 2018).

Commentary:

This indicator shows a similar trend to the dwellings sold indicator above, with a declining ratio of dwellings sold relative to total dwelling stock. That is, a declining share from the last peak in early 2016. Relative to other large cities in New Zealand, QLD shows a similar level of activity in its housing market – with Auckland and Greater Wellington having a slightly lower share of dwellings being sold and Greater Christchurch and Greater Tauranga having a slightly higher share (March 2019). All of these cities have shown a similar downward trend in recent quarters and this is to be expected as steady growth represents a smaller and smaller share of the total. Unless growth is accelerating, this will be the case. The much lower 'churn' of the market in Arrowtown again reflects a very stable market with strong demand and limited opportunities for growth.

2.5 Dwelling Rents

About this indicator: This indicator reflects nominal mean rents as reported in new rental bonds lodged with MBIE. The mean used is a geometric mean. The reason for using this mean is that rents cluster around round numbers and tend to plateau for months at a time. This makes analysis of time series difficult and using the geometric mean is a way of removing this clustering effect. The data is for private bonds only and so excludes social housing.



Latest Results:

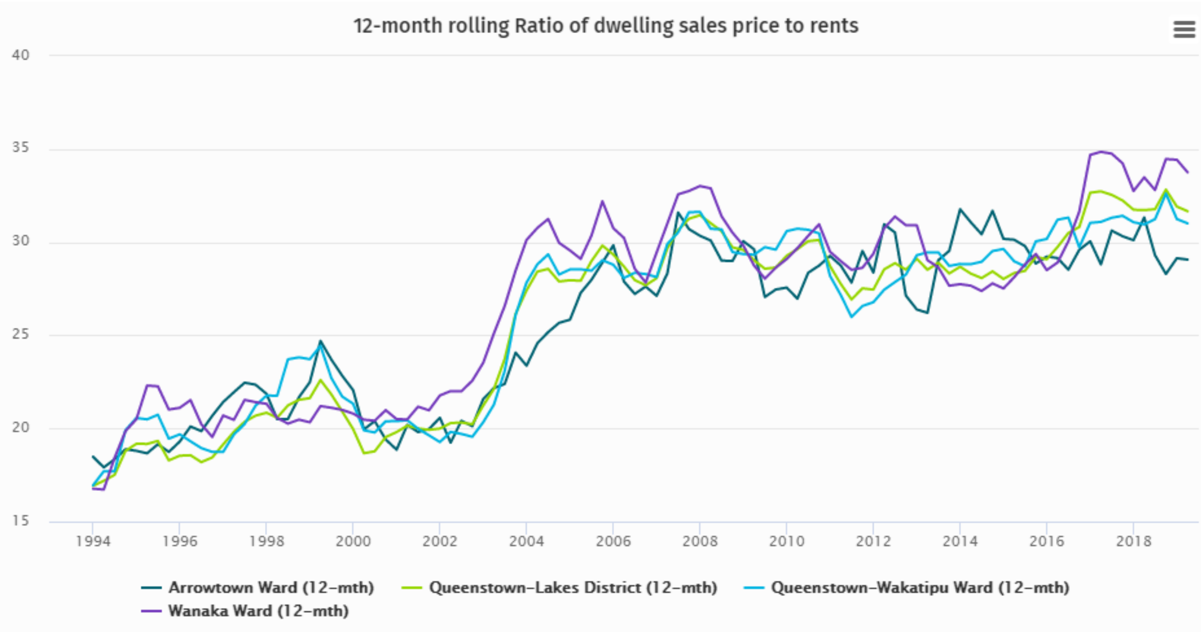
- The average weekly dwelling rent in QLD currently stands at $602. This is up $26 per week compared to the previous quarter (September 2018). Compared to the same time 12 months ago (December 2017), average weekly rent has increased by $58 or 10.7%.
- Rent in Wanaka is below the district average at $535 per week. This has increased by $53 compared to the same time a year ago (December 2017) and has shown the fastest rate of increase over that period (11% compared to the change in Queenstown Ward (up 9.5% or $55) and Arrowtown (up $8.9% or $54).
- Average rent in Queenstown Ward currently sits at $637 and is only slightly lower than in Arrowtown ($660 per week).

Commentary:

Rising rents in QLD continue to be a significant concern given the large number of residents who are transient, such as seasonal workers and/or are low-income earners combined with relatively static wage growth. Rents are rising due to an undersupply of long-term rental properties and strong demand. This is despite the large number of unoccupied dwellings in the District which are retained as holiday homes or used for short stay visitor accommodation. Key implications of rising rents are overcrowding and difficulties with recruiting and retaining workers from outside the District. The rate of increase continues to rise in Queenstown but has slowed in Arrowtown and Wanaka. It is too soon to know if this indicates a change to the strong upwards trajectory seen since 2014.

2.6 Sales Prices to Rent Ratio

About this indicator: This indicator measures the ease of moving from renting to home ownership, and also shows trends in possible investor yields. A higher house price/rent ratio reflects a larger gap between renting and buying. Higher ratios also indicate that rental yields for investors are lower.



Latest Results:

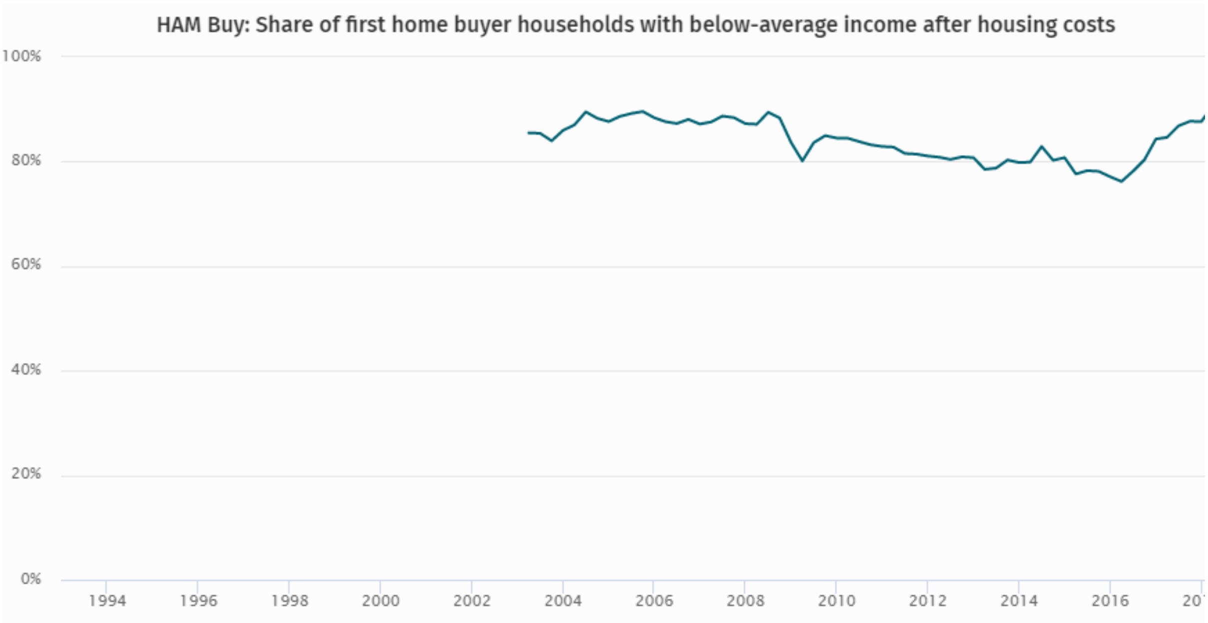
- The QLD current price to rent ratio is approximately 30.677 (decreasing slightly from the previous quarter (September 2018) where it was 31.442. Compared to the same time a year ago (December 2017), the average ratio is down (from 32.000) (that is, the gap between renting and buying lessened slightly), but is higher than where it was this time two years ago (YE December 2016).
- Wanaka remains the hardest place to transition from renting to home ownership. The current ratio is 32.231.
- The ratio is trending down in Queenstown, Arrowtown and Wanaka in recent quarters, lessening the gap between the wards.

Commentary:

This indicator is supposed to measure the ease of moving from renting to home ownership, comparing the average rental with the median sales price. There are inherent limitations in this measure; someone paying the average rental would not necessarily be in the market for the median house. Notwithstanding this limitation, the most recent results show a decline for the district which followed two years of strong rises – yet overall the ratio has not changed significantly in net terms since 2007. In more recent years (since 2012), the price to rent ratio has increased for all high growth areas, however QLD and Auckland remain high compared to the others. Transitioning from renting to home ownership continues to remain a struggle for QLD residents.

2.7 Housing Affordability Measure – Buy

About this indicator: The HAM - Buy measures trends in housing affordability for the first home buyer household. For potential home-owning households, HAM - Buy calculates the residual income after housing costs if they were to buy a modest first home in their area. Affordability is affected by dwelling prices, mortgage interest rates and the incomes of rental households. Average income is determined using the average New Zealand household, both homeowners and renters, nation-wide, in June 2013. A higher number indicates a lower level of affordability.



Latest Results: (There is a 12-month lag in this indicator - current data is for December 2017)

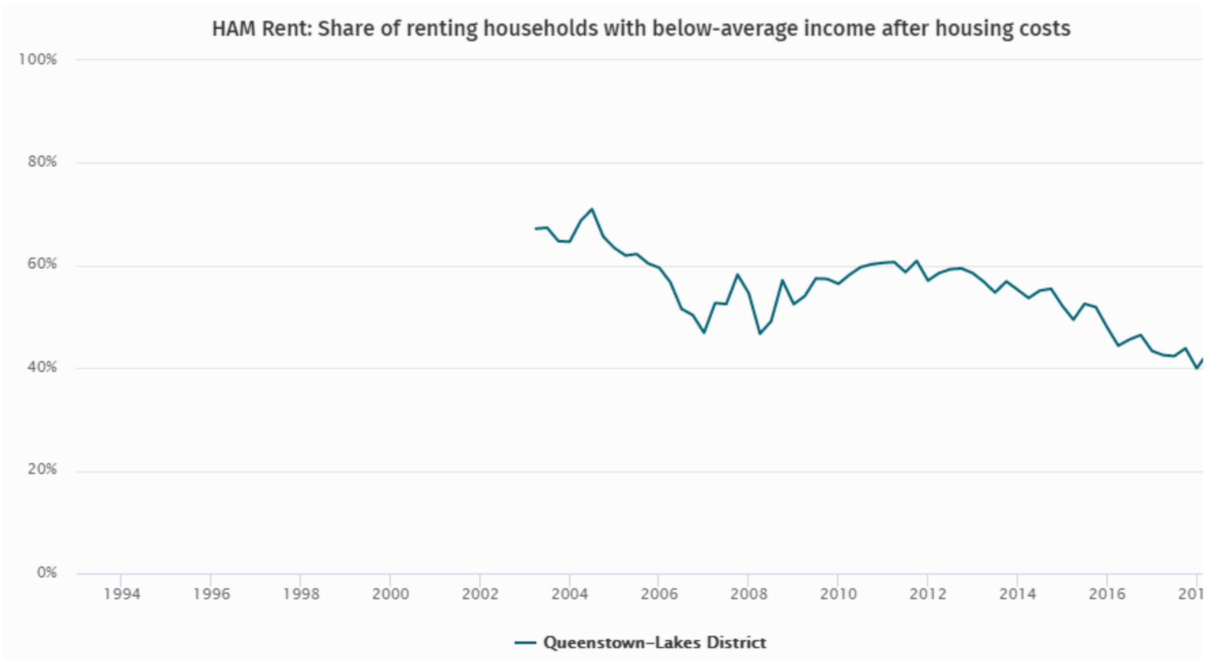
- The latest data shows that on average across QLD, 88% of first home buyer households would have a below average income after paying for housing costs.
- This percentage share has decreased in the last quarter by -0.04% percentage points.
- Compared to the same time a year earlier (YE December 2016), the percentage has risen by 3.36 percentage points from 84%.

Commentary:

This indicator needs to be interpreted with care as the average NZ income does not reflect local earning conditions in QLD – where the average income is generally lower due to the number of seasonal workers and people the hospitality sector. There has been variability in this indicator over the time series with frequent ups and downs. However the data is showing a consistent quarterly rise, and has surpassed Auckland which has decreased to 83.815 over the last 12 months. This is bad news for first home buyers when affordability for first home buyers was already very low within the QLD.

2.7 Housing Affordability Measure – Rent

About this indicator: The HAM - Rent indicator measures trends in housing affordability for the renting household. For renting households, HAM - Rent calculates what their residual income would be after housing costs. Average income is determined using the average New Zealand household, both homeowners and renters, nation-wide, in June 2013. A higher number on the chart indicates more households are below the average and a lower level of affordability.



Latest Results: (There is a 12-month lag in this indicator - current data is for December 2017).

- The latest data shows that on average across QLD, 39.95% of renting households would have a below average income after paying for housing costs.
- This percentage share has decreased in the last quarter by -3.91 percentage points (from 43.86%).
- Compared to the same time a year earlier (YE December 2016), the percentage has decreased by -3.41 percentage points (from 43.36%).

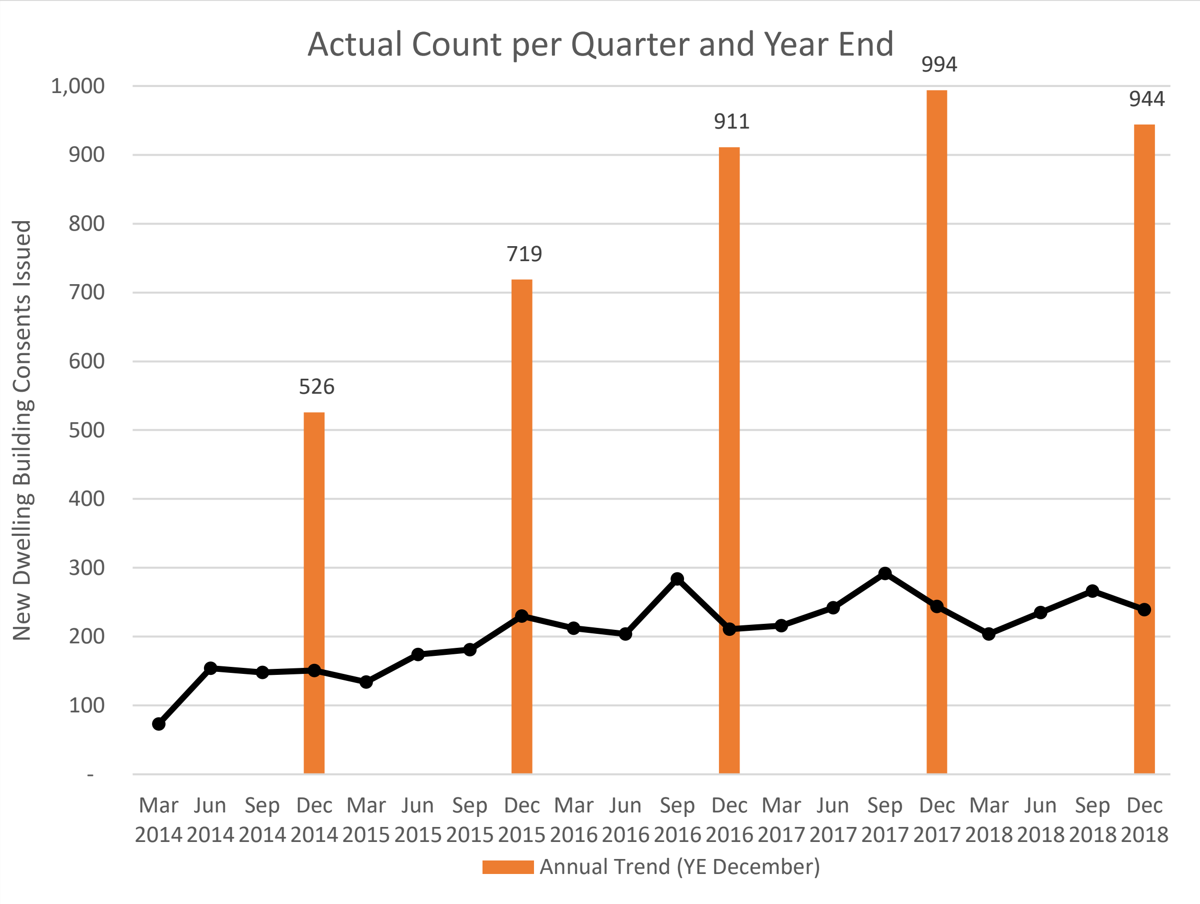
Commentary:

As above, this indicator needs to be interpreted with care as the average NZ income does not reflect local earning conditions in QLD – where the average income is generally lower. This measure indicates that rental affordability has generally improved across the QLD between 2011 and early 2019. Given that rental prices have been rising rapidly in the District during that time, this implies that average incomes (NZ) have been rising at a faster rate. This raises some concern about how accurate this indicator is in the context of QLD. Particularly as there is evidence of overcrowding and sub-letting of bedrooms in Queenstown rental properties in particular to help manage/share high and rising costs.

3 Building Consents

3.1 New Dwelling Consents Issued

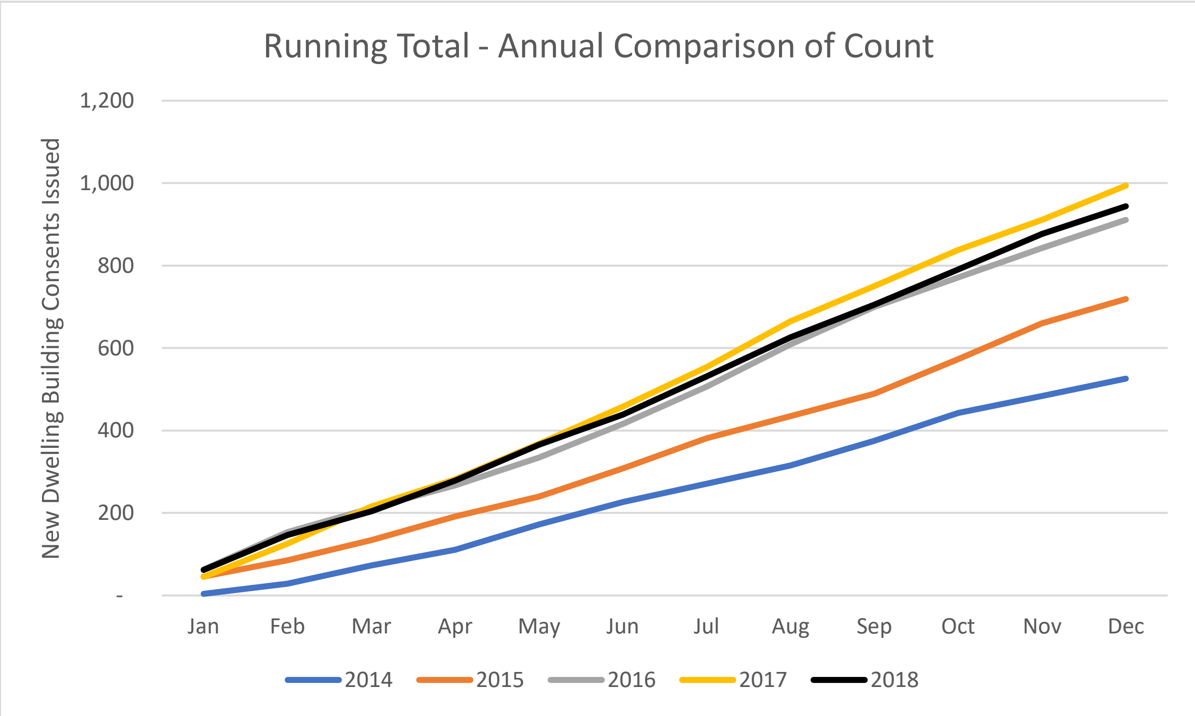
About this indicator: This indicator tracks the actual count of new dwelling building consents issued by QLDC each quarter and year (compiled from total district monthly data). Estimated value of consents is also monitored.

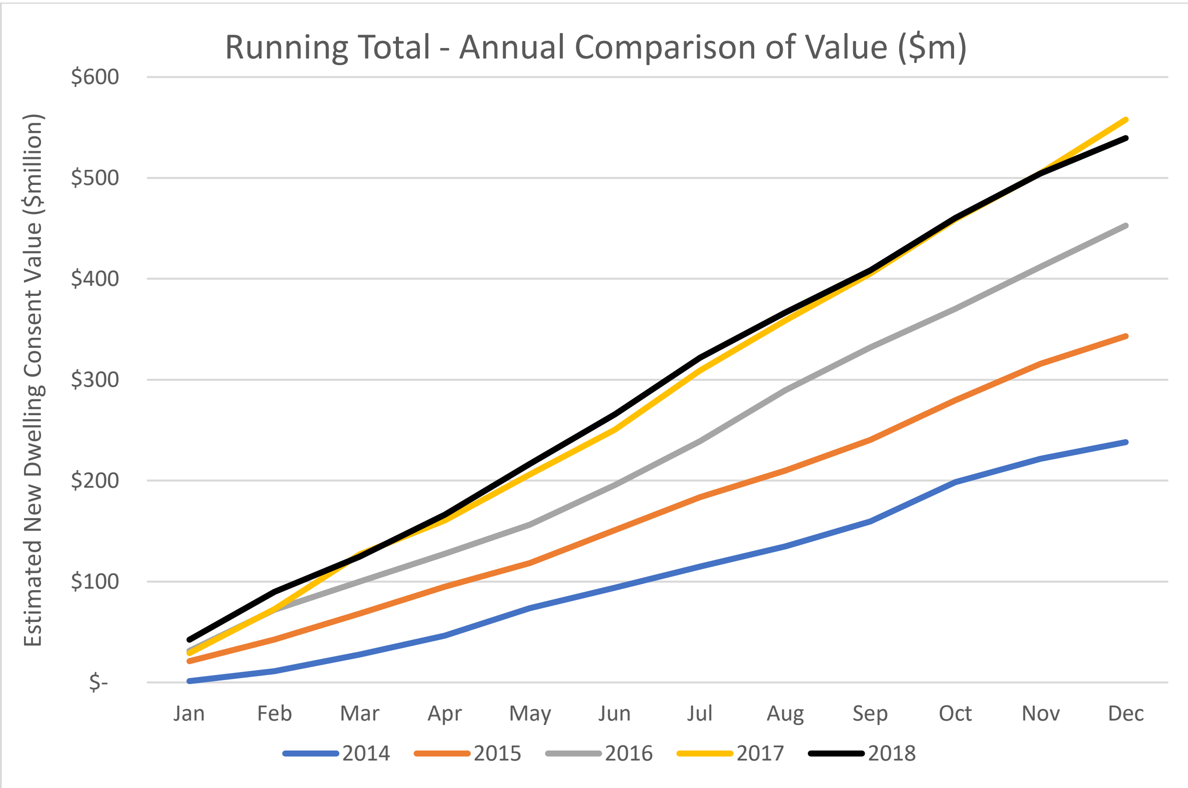


Latest Results:

- There were 239 new dwelling consents issued in the December 2018 quarter. This is 27 fewer consents issued compared to the September 2018 quarter (-10%).
- This is slightly up on the same quarter a year ago (December 2016) where there were 211 dwelling consents issued.
- Over the last 12 months (YE December 2018), there have been a total of 944 new dwelling consents issued. This is a decrease of 50 consents (5%) compared to the previous year (994 in YE December 2017).
- In terms of the estimated value of new dwelling consents, the total value in the December 2018 quarter was approximately $131m, which is a significant decrease compared to the equivalent quarter in 2017 ($152m).

- The average value of new dwelling consents issued in the December 2017 quarter was $549,322. This was approximately $13,316 high than the average value in the September 2018 quarter (up 11%).



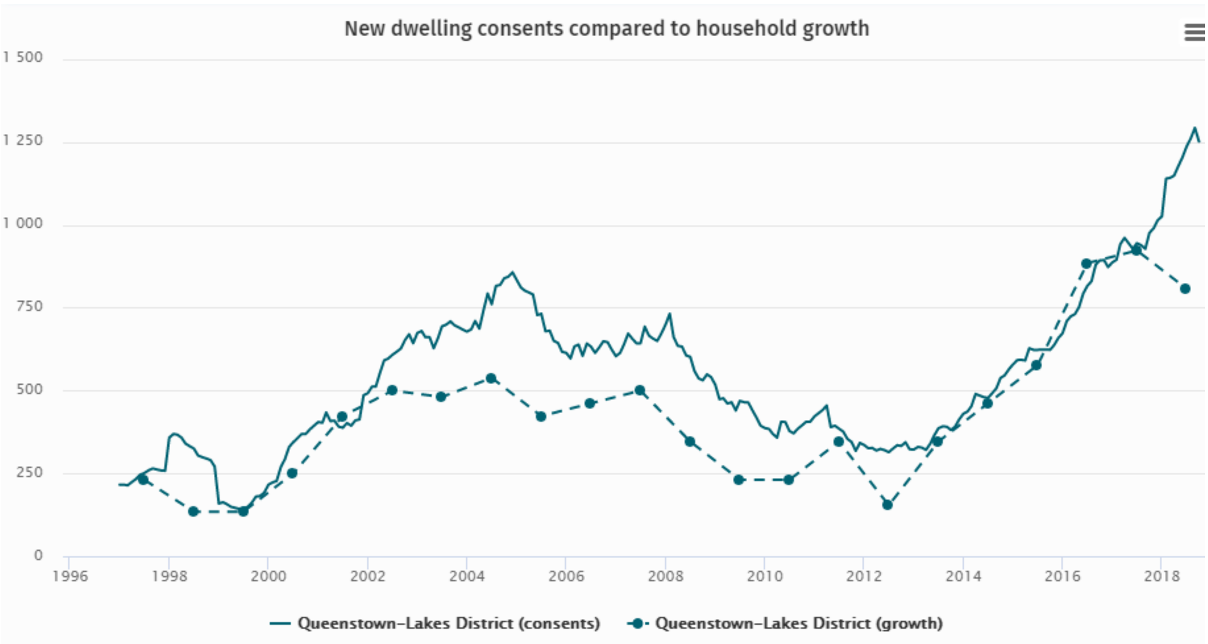


Commentary:

The count of dwelling consents got off to a swift start in 2018, with counts higher than previous years, continuing the consistent increase year on year between 2014 and 2016. As at December 2018, the running total for the year is slightly less in count compared to 2017 and also less in value terms. However, 2018 does show an increase year on year compared to years 2014 to 2016.

3.2 New Dwelling Consents vs Household Growth

About this indicator: This indicator approximates the demand for, and supply of, new dwellings. It measures changes in demand and how responsive supply is. The number of new dwelling building consents is lagged by six months (presented as a 12-month rolling average), to account for the time taken from consenting to completion. It is used as a proxy for supply. The most recent resident population (updated each June), divided by the local average housing size, is used as a proxy for demand.



Latest Results:

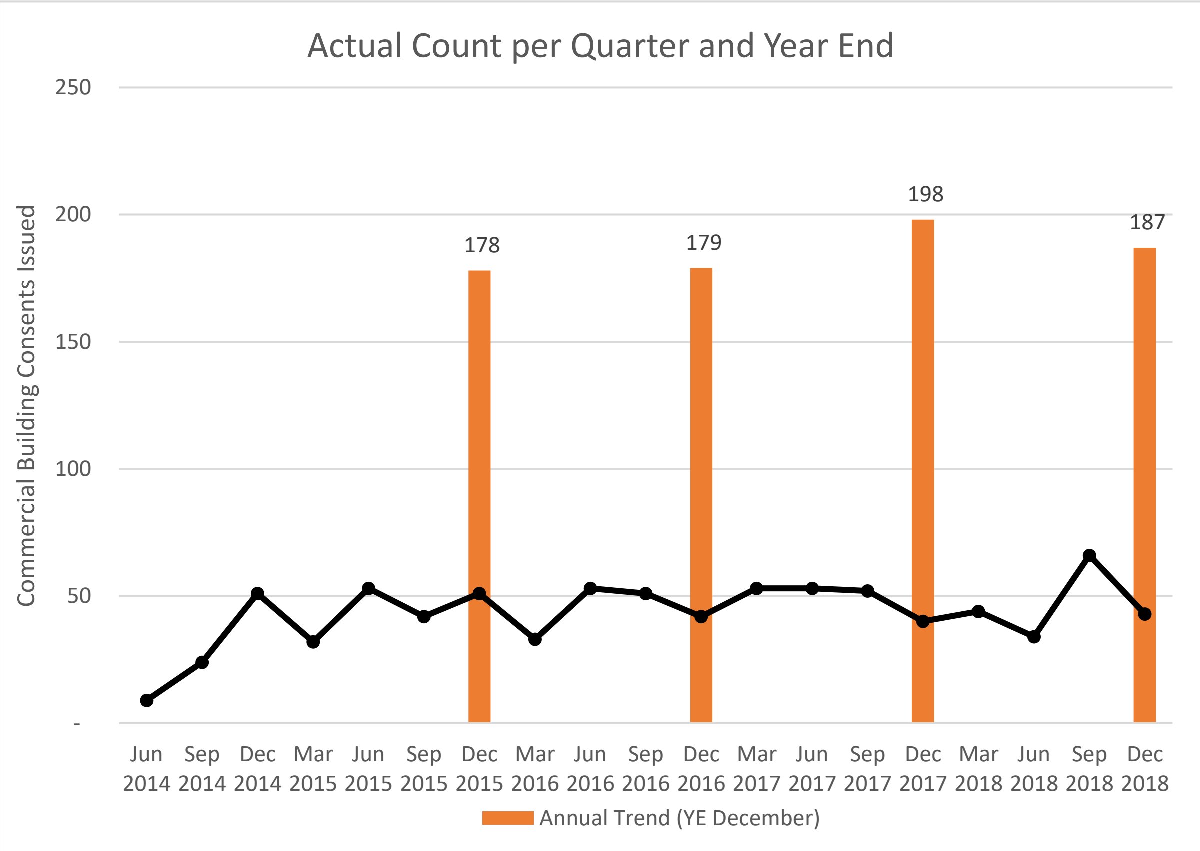
- This indicator contains new dwelling as at December 2017 and estimated household growth up to June 2017. Due to built-in lags, care is needed when comparing new dwelling consent data with the previous indicator.
- The results show a steep and continuous increase in dwelling supply since August 2017.
- Taking a longer-term perspective, there has been a steady and strong increase in housing supply overall since 2013.
- Census data may amend the drop in household growth since 2017

Commentary:

Between June 2013 and 2017, household and new dwelling growth in QLD have been relatively closely aligned. That is, supply kept pace with resident demand (or vice versa) and consent and household growth have increased at generally the same rate. Census data may amend the drop in household growth since 2017. However, not all dwellings being built are available for resident households (i.e. they may be used for holiday homes, for non-local residents – including seasonal workers - or used for residential visitor accommodation). Care is therefore needed in interpreting this as the two indicators are not directly comparable (particularly in a slowing market). Rising sales and rent prices indicate strong dwelling demand that may not be being met by the market (or only just being met). The next quarterly result (June 2019) will include an update of household growth and we can then see if the close alignment with supply continues.

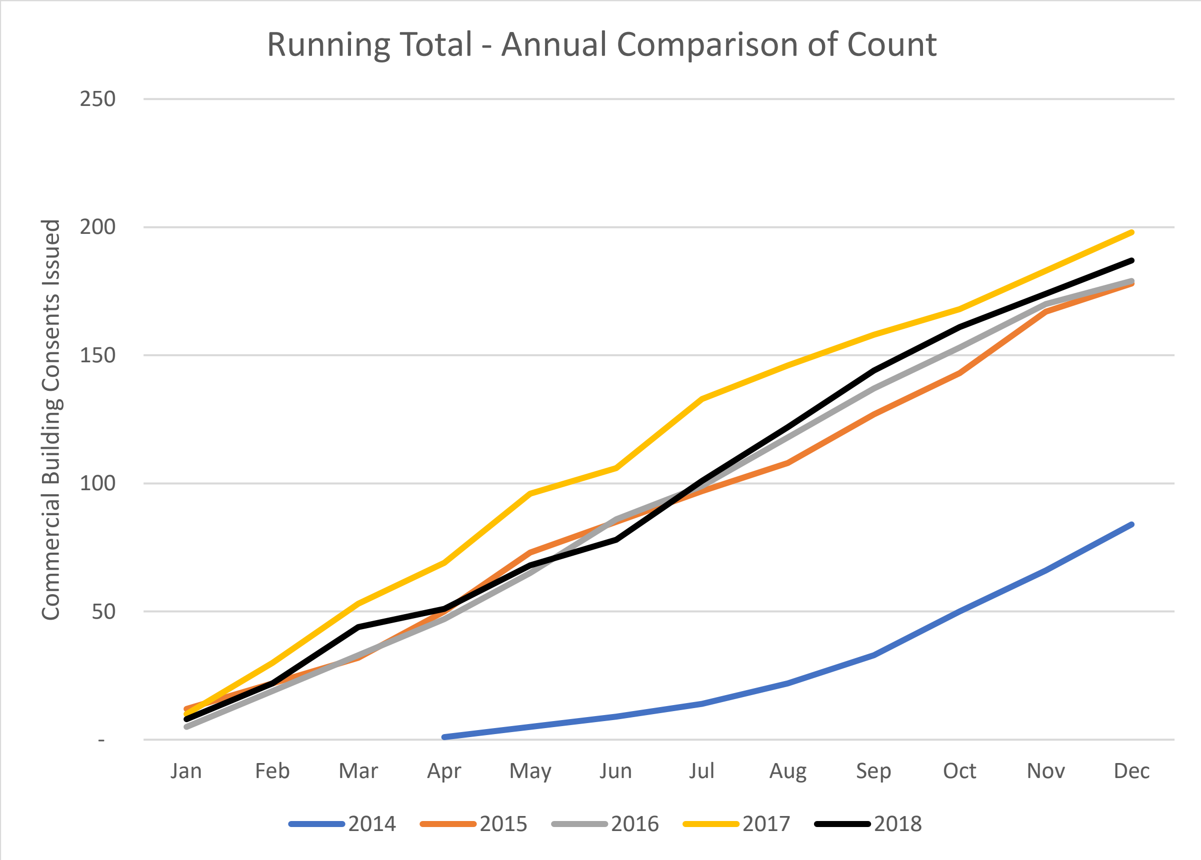
Commercial Building Consents Issued

About this indicator: This indicator tracks the actual count of commercial building consents issued by QLDC each quarter and year (compiled from total district monthly data). Estimated value of consents is also monitored.

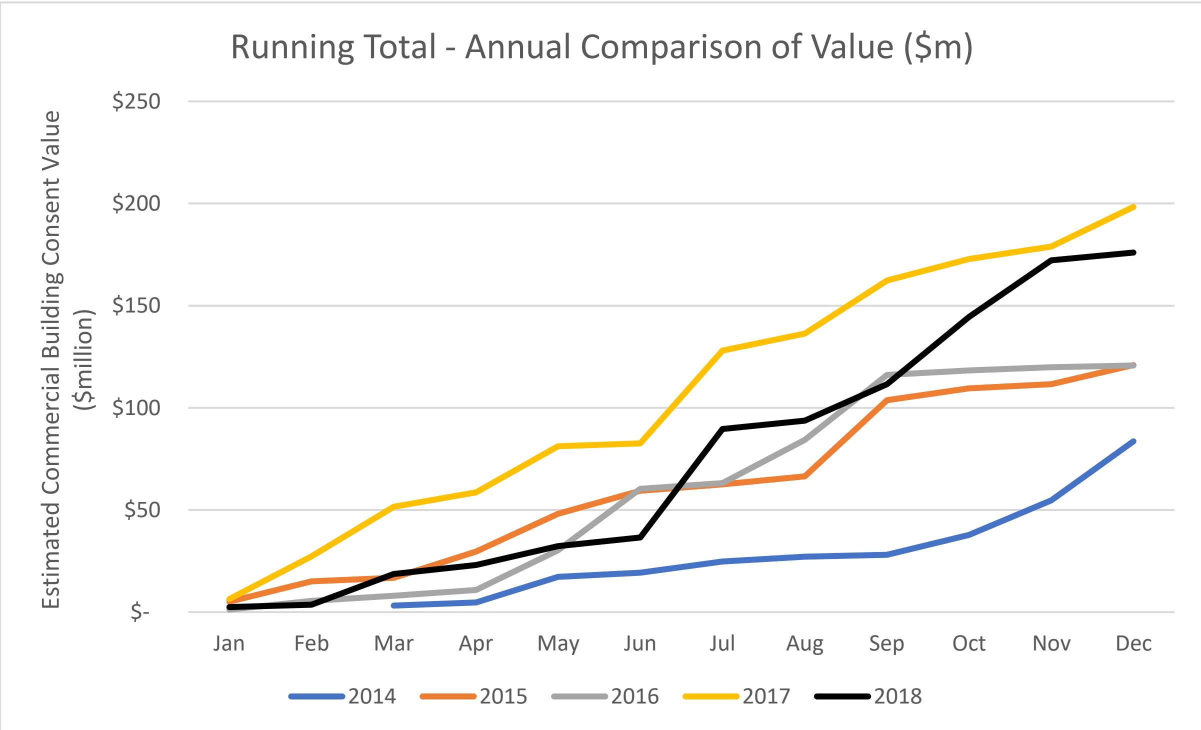


Latest Results:

- There were 43 commercial building consents issued in the December 2018 quarter. This is 23 fewer consents issued compared to the September 2018 quarter (-35%).
- This is similar to the same quarter a year ago (December 2017) where there were 40 commercial building consents issued.
- Over the last 12 months (YE December 2018), there have been a total of 187 commercial building consents issued. This is a decrease of 11 consents (6%) compared to the previous year (198 in YE December 2017).
- In terms of the estimated value of commercial building consents, the total value in the December quarter was approximately $64.3m, significantly more than the December quarter in 2017 ($36.1m) and significantly higher again than the equivalent quarter in 2016 ($4.6m).
- The average value of commercial building consents issued in the December quarter was $1,496,767. It was also roughly $359,000 (40%) more than the average value in the previous quarter (September 2018).



Running Total - Annual Comparison of Count
Commercial Building Consents Issued
250
200
150
100
50
-
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
2014
2015
2016
2017
2018



Running Total - Annual Comparison of Value ($m)
Estimated Commercial Building Consent Value ($million)
$250
$200
$150
$100
$50
$-
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
2014
2015
2016
2017
2018

Commentary:

Commercial buildings have a less steady supply increase and are heavily influenced by a smaller number of large developments in new greenfield or brownfield commercial zones. Consent value is strongly influenced by the type of consent with greater variability in commercial consents than residential consents. Overall, 2018 outstrips the count and value of commercial consents issued between years 2014 – 2016 but falls short of the count and value of consents issued in 2017. The initial increase in prices was attributed to the increased levels of development in Frankton Flats and Three parks. The decrease may be an indication of developers implementing those consents obtained in 2017, concerns around the details and impacts of new government's policies and/or affordability and pricing constraints which can be drivers in slowing down growth.