



QUEENSTOWN
LAKES DISTRICT
COUNCIL

Quarterly Monitoring Report

National Policy Statement on Urban
Development Capacity

December 2020

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Executive Summary

This report provides an overview of Queenstown Lakes housing and business development capacity for the December 2020 quarter as per the requirements of the National Policy Statement on Urban Development 2020, which requires local authorities to be well informed about urban development activity and outcomes.

This is the 15th quarterly report reviewing statistical indicators of house prices, housing affordability and housing development, as well as business land (retail, commercial, and industrial) for the Queenstown Lakes district.

The December 2020 Quarterly Monitoring Report provides the latest detailed overview of key trends and indicators in QLD. Key changes that have occurred between September 2020 and December 2020 are summarised below:

- Median house prices for the district rose by almost 3% (\$20,125) to reach \$988,875.
- The number of dwellings sold has increased by 38 dwelling when compared with September 2020 to 248.
- No new dwelling stock to report on, with the last year of change data in 2018, the next year of change data will be in 2022.
- Dwelling sales as a share of the count of total dwellings is up on September 2020 but continues to decrease when compared to a year ago.
- Average weekly rents decreased by \$42/week (-7.6%) to \$509. Rents are highest in Queenstown-Wakatipu ward.
- The transition from renting to home ownership has increased by 1.01 of a percentage point (larger gap between renting and buying).
- Mortgage as a proportion of income is higher in the Queenstown Lakes District when compared to both Auckland and New Zealand as a whole (42.4% compared to 38.6% and 33.1% respectively).
- Rental affordability in the Queenstown Lakes District is low when compared to both Auckland and New Zealand as a whole (24.5% compared to 20.4% and 21% respectively).
- 201 dwelling consents and 28 commercial building consents were issued (December quarter). Lower than the previous quarter and year.
- Greenfield development accounts for the majority of new residential development, mostly within the Whakatipu ward. Infill and redevelopment account for 9% of all new residential sections or units created.
- The Jacks Point SA2 area accounted for 44% of approved development, totalling 462 residential sections, followed by Kingston at 217 consented sections and Wanaka North SA2 at 154 consented lots.
- Consent growth has increased to a high point not seen since 2018, actual growth has substantially decreased, this is likely a due to the residual effects of Covid-19 and may reflect the lack of international visitors to the district.

1 Introduction

This report is designed to meet the monitoring requirements of the Governments National Policy Statement on Urban Development 2020 (NPS-UD). The NPS-UD came into effect on the 20 August 2020, replacing the National Policy Statement on Urban Development Capacity 2016

(NPS-UDC). Whilst this is the first report published under the NPS UD, this is Councils fifteenth Quarterly Monitoring Report prepared under the National Policy Statement on Urban Development Capacity.

As a Tier 2 local authority, the NPS-UD requires Councils to assess housing and business demand and capacity across the district. The Queenstown Lakes District Council must provide sufficient development capacity for the Queenstown Lakes district to meet demand over a 30year period.

To determine the level of development capacity to meet the estimated population growth of the Queenstown Lakes District, the NPS-UD requires every tier 1, 2 and 3 local authority to monitor, quarterly, the following in relation to each urban environment in their region or district:

- a. The demand for dwellings
- b. The supply of dwellings
- c. Prices of, and rents for, dwellings
- d. Housing affordability
- e. The proportion of housing development capacity that has been realised:
 - (i) In previously urbanised areas (such as through infill housing or redevelopment);
 - (ii) In previously undeveloped (i.e. Greenfield) areas
- f. Available data on business land

1.1 Purpose

The purpose of this report is to review indicators on house prices, housing affordability and housing development, as well as business land (retail, commercial, and industrial) for the Queenstown Lakes district for the quarter ending December 2020.

This report fulfils the requirements of Clause 3.9 in the NPS-UD, summarising quarterly information for a range of indicators including:

- Current house and rental prices and residential and business land capacity by location and type, including changes over time (quarterly and yearly)
- The number of subdivision consents and building consents granted for urban development relative to population growth; and
- Indicators of housing and rental affordability, and supply of business space.

1.2 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](#)¹. 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 either the more comprehensive June Quarter report (includes New Zealand wide Analysis) or the December Quarter report (includes analysis on housing development by location).

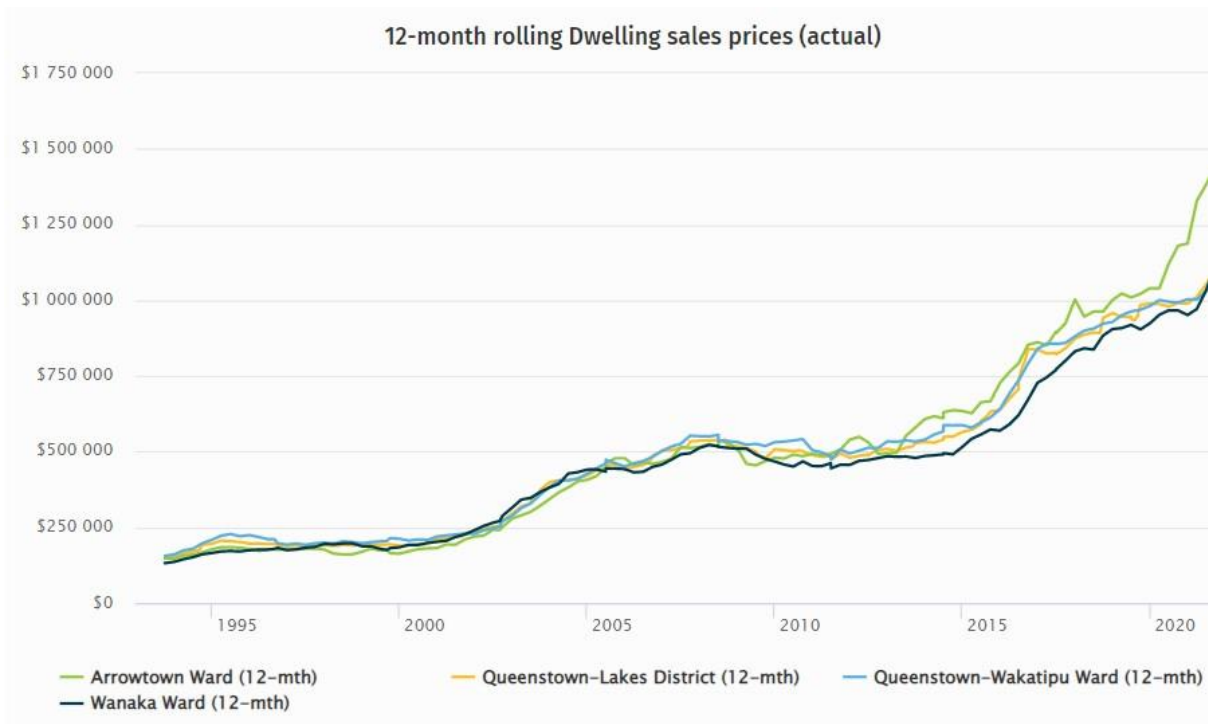
The September and March Quarter reports are more condensed. Over time, QLDC may add, remove or replace indicators included in these regular reports to better align them with local data and local issues. Any queries on this report should be directed to the Planning Policy Team.

¹ <https://huddashboards.shinyapps.io/urban-development/#>

2. 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 2020, the median house price for QLD was \$988,875.
- This is an increase of 2.8% (\$20,125) above the previous quarter (September 2020) and a -0.2% (-\$2,250) decrease compared to the same time a year ago.
- Median dwelling prices are highest in the Arrowtown Ward (\$1,187,575 - December 2020), followed by the Queenstown Ward (\$1,003,077) and lowest in the Wanaka Ward (\$951,250).
- Over the last 12 months, prices have increased strongly in Arrowtown (12%, \$145,075), and reduced in Queenstown (-2%, -\$24,423), whilst increasing in Wanaka (2%, \$15,000) respectively.

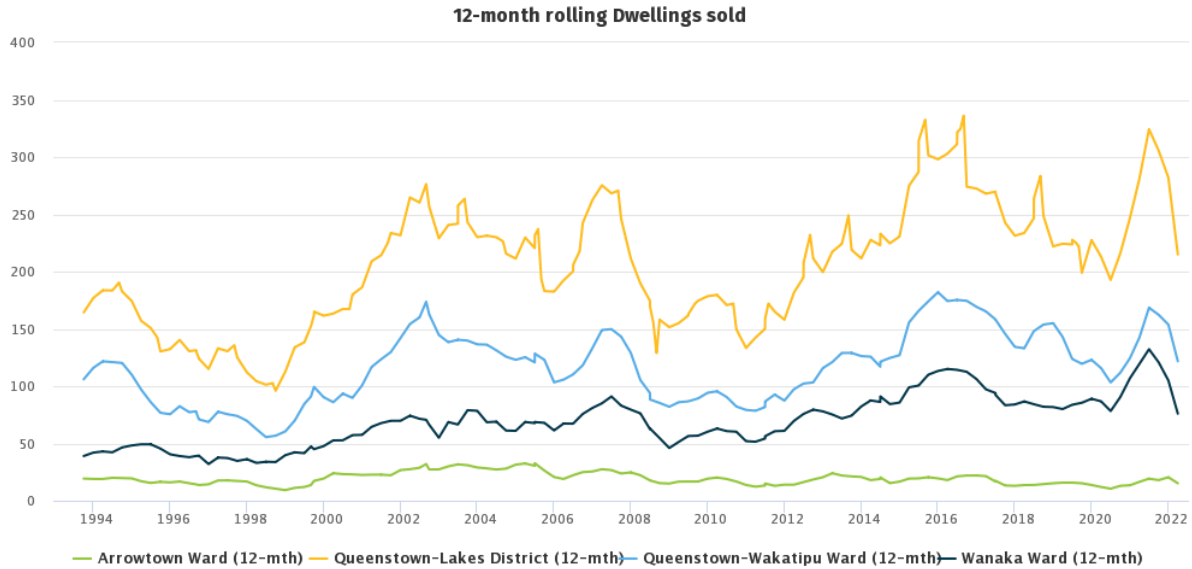
Commentary:

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 are again 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 risen dramatically 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 2020 quarter, the total number of dwellings sold in QLD was 248.
- This is an increase of 38 compared to the previous quarter (September 2020) and 18 more dwellings sold when compared to the same time a year ago (December 2019).
- Over the last 12 months, the count of dwellings sold in Queenstown Ward has increased by 8 dwellings sold (7%), from 117 (YE December 2020)
- In Wanaka, the count has increased from 82 to 106 (29%) and Arrowtown has also increased with 14 dwellings sold compared to 11 (27%).

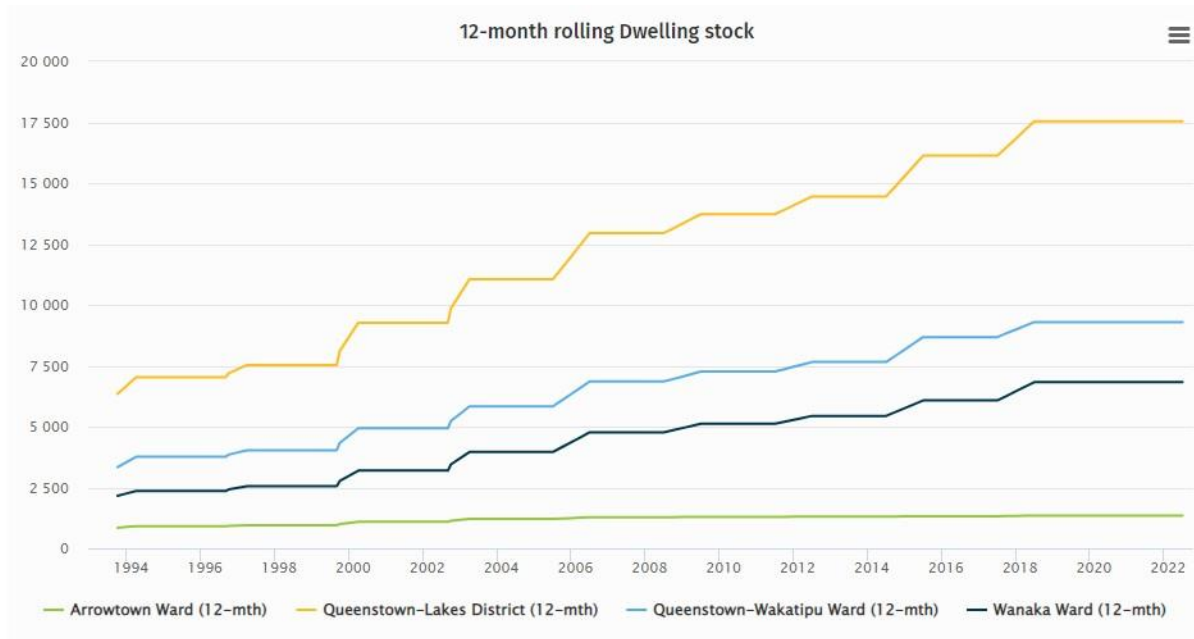
Commentary:

The number of dwellings sold in the Queenstown and Wanaka Wards has declines from the high point in 2016. An analysis of the building consent records below indicates that there has been a period of decline between YE December 2017, and YE December 2020 but the count of new dwelling consents is still relatively high. This indicates that the trend was being driven by fewer existing houses coming onto the market or fewer sections being used for construction company-led 'build and sell' dwellings and more being used for commissioned building contracts where the owners occupy the dwelling upon completion. Overall, it is still

a ‘sellers’ market’ and this is supported by the dwelling price indicator where prices continue to escalate in the face of strong demand.

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: (Note: There is rolling average which only shows one year of change, with two years of none, resulting in only one change being shown every three years. However due to Covid-19, the change was pushed out an additional year)

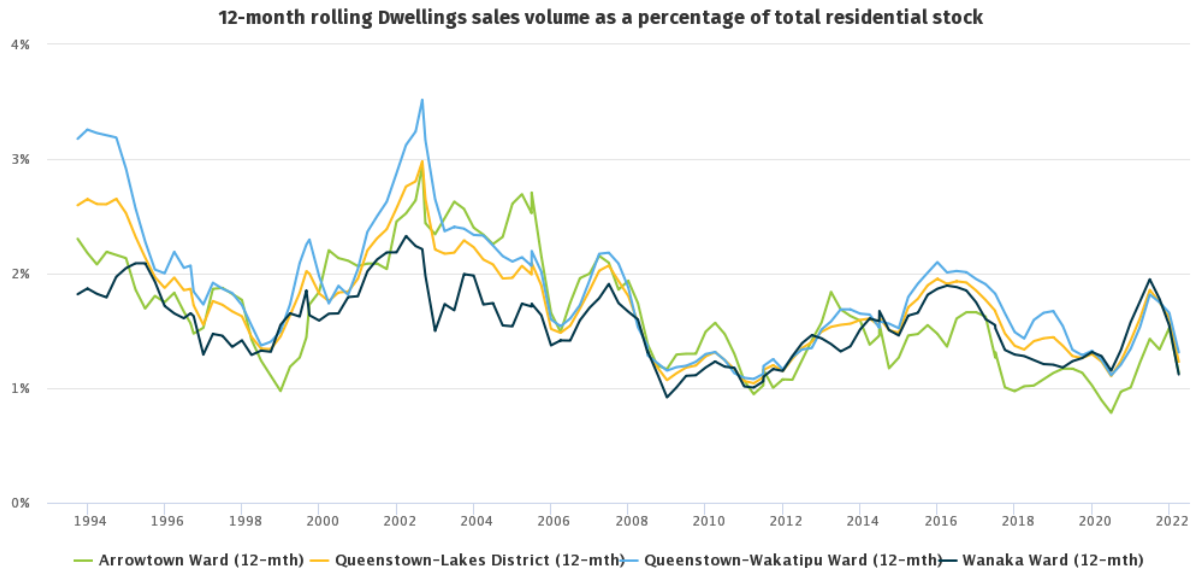
- In the year ending December 2020, the total number dwellings in the QLD was 17,534.
- The last year of change data was in 2018, the next year of change data will be in 2022.

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 54% of the total dwelling stock, while Wanaka and Arrowtown make up 38% and 7% 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 2020, the total number dwellings sold in QLD as a share of the dwelling stock was 1.413%.
- This is up on the previous quarter (September 2020) of 1.235%.
- The same time a year ago (December 2019), the percentage share was lower than December 2020 at 1.232%.
- The latest figures for Wanaka and Queenstown are 1.550% and 1.345% respectively. Arrowtown continues recent trends of a lower share of dwellings bought and sold (1.003%) (December 2020).

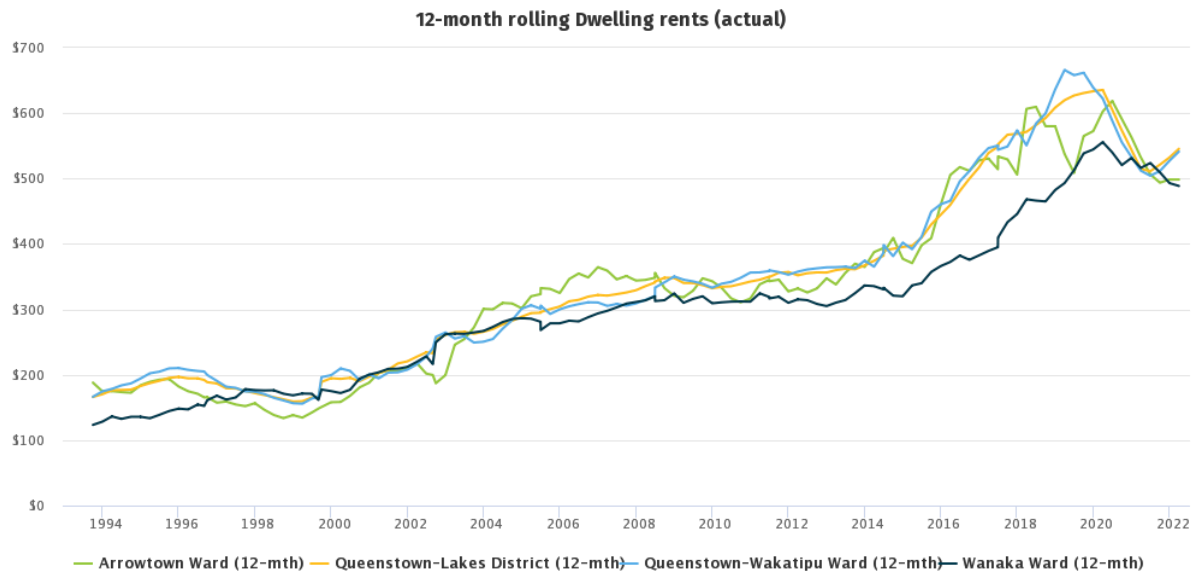
Commentary:

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 recent peak in early 2016. 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:

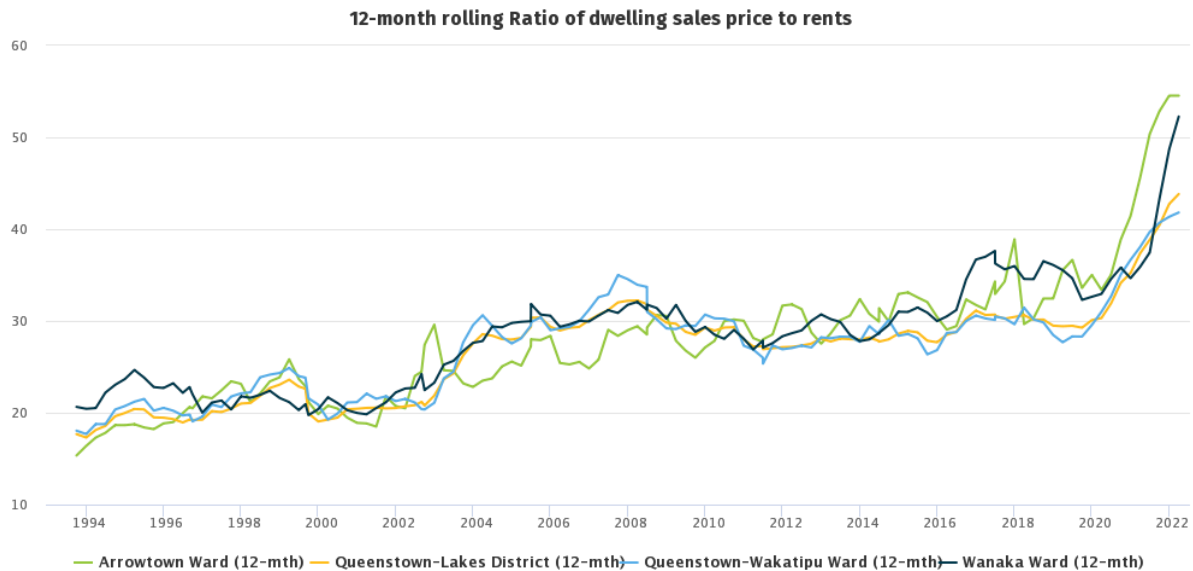
- The average weekly dwelling rent in QLD currently stands at \$509. This is down \$14 per week compared to the previous quarter (September 2020).
- Compared to the same time 12 months ago (December 2019), average weekly rent has decreased by \$42 or -7.6%.
- Rent in Wanaka continues to be below the district average at \$490 per week. This has decreased by \$39 compared to the same time a year ago (December 2019).
- The biggest decrease over the past 12 months is Queenstown Ward down -9.6% (\$-55), and the lowest change is within the Arrowtown Ward (down -4.5% or \$24).
- Average rent in Queenstown-Wakatipu Ward is the highest and currently sits at \$509, Arrowtown and Wanaka sit lower at (\$511 and \$490 respectively 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:

- QLD current price to rent ratio is approximately 35.032, increasing from the previous quarter (September 2020) where it was 34.018.
- Compared to the same time a year ago (December 2019), the average ratio is up (from 30.108) (that is, the gap between renting and buying increased), but it lower than where it was this time almost three years ago (YE December 2017).
- Arrowtown is the hardest place to transition from renting to home ownership. The current ratio is 39.389.
- The ratio is trending up in Queenstown, Arrowtown and Wanaka in recent quarters.

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 a period of strong rises (2015 – 2017) – 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.

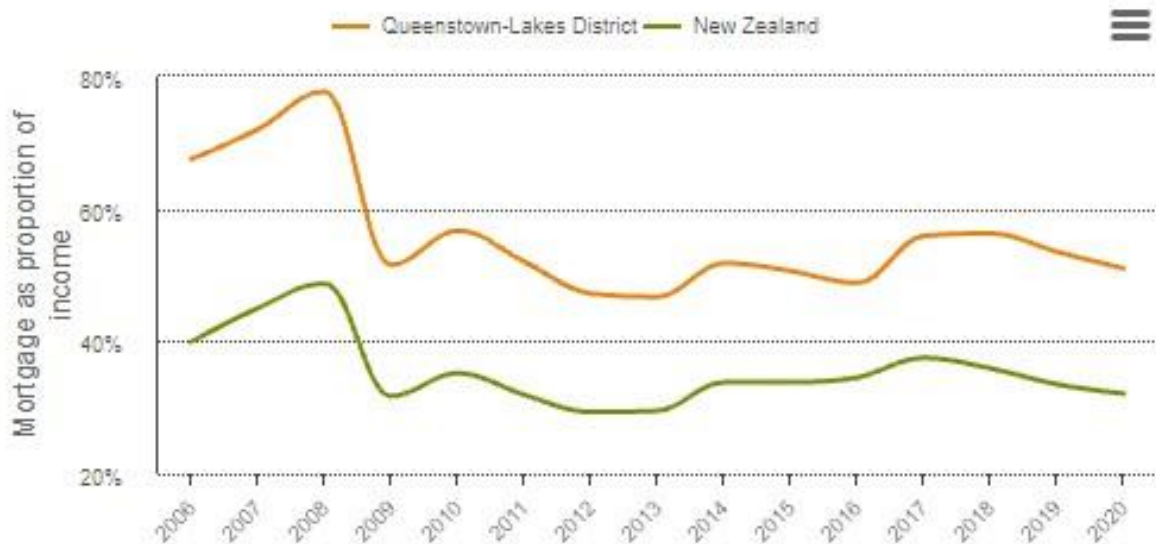
2.7 Housing Affordability Measure – Mortgage as a proportion of income

About this indicator: This indicator has been introduced to replace the [HAM - Buy](#) measure which is no longer available on the MHUD dashboard.

Affordable housing is important for people’s well-being. For lower-income households, high housing costs relative to income are often associated with severe financial difficulty and can leave households with insufficient income to meet other basic needs such as food, clothing, transport, medical care and education. High outgoings-to-income ratios are not as critical for higher-income earners, as there is sufficient income left for their basic needs.

Infometrics provides a housing affordability index² which is the ratio of the average current house value to average household income. A higher ratio, therefore, suggests that median houses cost a greater multiple of typical incomes, which indicates lower housing affordability.

The below graph identifies the proportion of average household income that would be needed to service a 20-year mortgage on the average house value, with a 20% deposit at average 2year fixed interest rates.



Latest Results:

- The mortgage affordability index for 2020 is 42.4% and has decreased 0.2% compared to 2019 (45.2%) which shows an improvement on the previous year.
- Overtime the affordability of mortgages as a proportion of income generally falling from a high point in 2009.

² https://ecoprofile.infometrics.co.nz/queenstown-lakes%2Bdistrict/StandardOfLiving/Housing_Affordability

- Mortgage as a proportion of income is higher in the Queenstown Lakes District when compared to both Auckland and New Zealand as a whole (42.4% compared to 38.6% and 33.1% respectively).
- This indicator will be directly affected by the official cash rate and subsequent mortgage rates which have been consistently falling over this same period.

Commentary:

The data is consistently higher than the New Zealand average and consistently higher than Auckland (in comparison with incomes). This is bad news for first home buyers when affordability for first home buyers was already very low within the QLD.

2.8 Housing Affordability Measure – Rental affordability measure

About this indicator: This indicator has been introduced to replace the [HAM - Rent](#) measure which is no longer available on the MHUD dashboard.

Informetric presents data by investigating the affordability of renting by comparing average weekly rents with average weekly household income.

The below graph presents a rental affordability index which is the ratio of the average weekly rent to average household income. A higher ratio, therefore, suggests that average rents cost a greater multiple of typical incomes, which indicates lower rental affordability.



Latest Results:

- The rental affordability index for 2020 is 24.5%, showing no change from 2019.

- Rental affordability in the Queenstown Lakes District is low when compared to both Auckland and New Zealand as a whole (24.5% compared to 20.4% and 21% respectively).
- However, rental affordability had shown improvement when compared to the high point of 2005 (25.8%). However, since 2015 rental affordability is showing an increasing trend back towards the 2005 rates

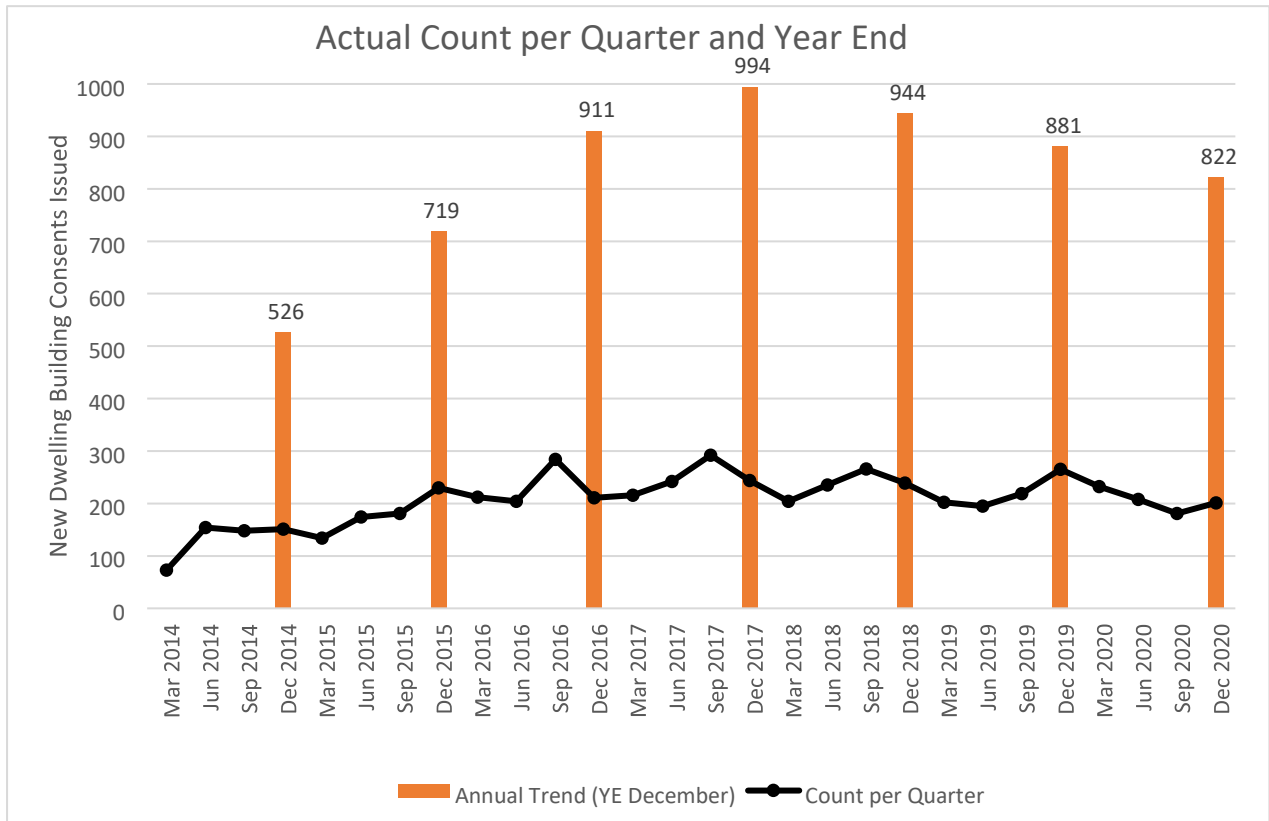
Commentary:

The data is consistently higher than the New Zealand average and consistently higher than Auckland (in comparison with incomes). This is bad news for renters within the QLD.

3 Building and Resource Consents

3.1 New Dwelling Consents Issued

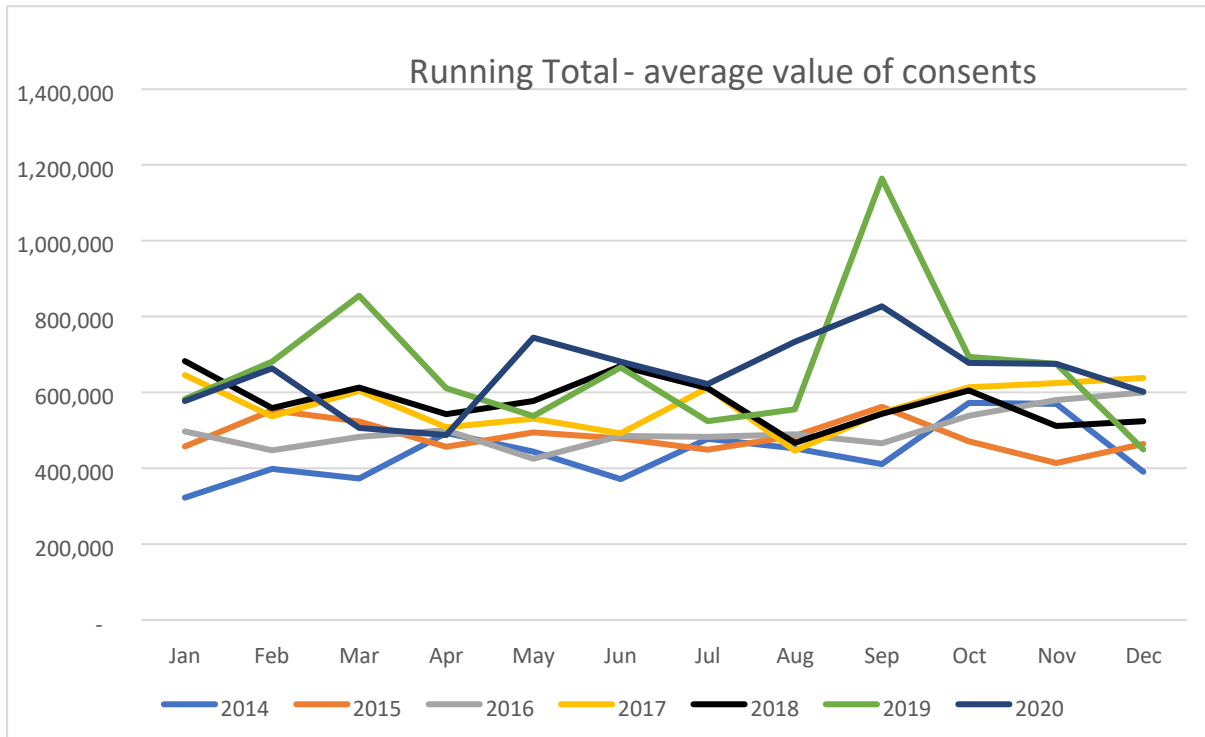
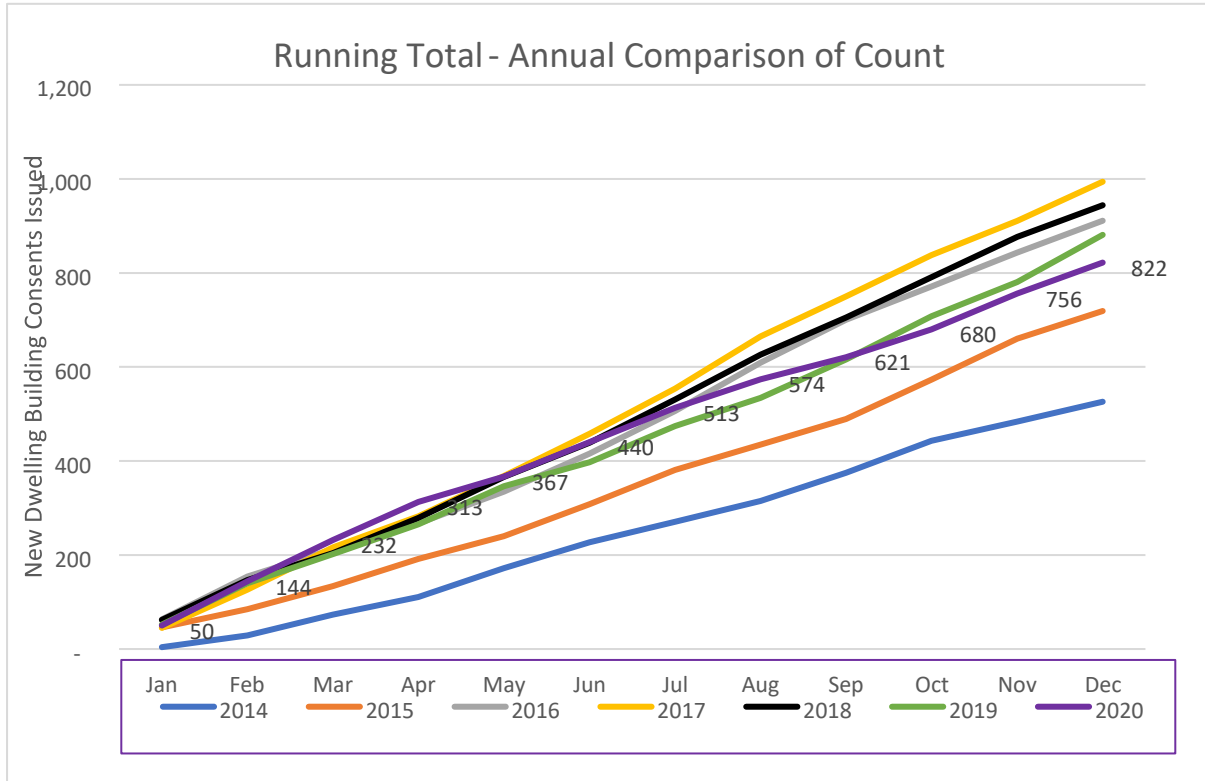
About this indicator: This indicator tracks the actual count of new dwelling building consents issued by QLDC each quarter and year (compiled from total district monthly data). Estimated value of consents is also monitored.



Latest Results:

- There were 201 new dwelling consents issued in the December 2020 quarter. This is 20 more consents issued compared to the September 2020 quarter (11%).
- This is down on the same quarter a year ago (December 2019) where there were 265 dwelling consents issued.
- Over the last 12 months (YE December 2020), there have been a total of 822 new dwelling consents issued. This is a decrease of 63 consents (-7%) compared to the previous year (944 in YE December 2018).
- In terms of the estimated value of new dwelling consents, the total value by December 2020 was approximately \$525m, which is lower than the previous three years.
- The average value of consents issued in the December 2020 quarter was \$131,016. This was approximately \$27,017 lower than the average value in the December 2019 quarter and \$2,029 higher than the previous quarter (September 2020).

- The average value of a dwelling each quarter in December 2020 was \$629,886. This was \$180,452 lower than the average value a year ago (December 2019) (-25%) and \$51,470 higher than a quarter ago (September 2020) (9%).



Commentary:

The 2020 value of dwelling consents got off to a similar start when compared with 2019. However, by December, the running total is higher than previous years except for 2017. Even though the consent values are higher, the consent numbers are much lower. This is not unexpected, given that it has been reported that construction costs are rising. These cost increases are as a result of Covid-19 and the effect on supply chains as well as strong demand for housing.

3.2 New Dwelling Consents Issued by location

About this indicator: This indicator tracks the count proportion of housing development capacity that has been realised in previously urbanised areas (such as through infill housing or redevelopment) as well as land that was previously undeveloped (i.e. greenfield areas). This indicator will be assessed annually.

For the purpose of this indicator and as per three yearly housing business capacity assessments. Special Zones and/or Structure Plans identified within the Operative District Plan and the Proposed District Plan are treated as greenfield. The rest of the urban environment is treated as either infill/redevelopment, with the only exception being larger parcels that have not yet been previously developed/subdivided.

Infill:

The number of additional dwellings that can be constructed within an existing urban area (not classified as a greenfield area) without the removal or demolition of any existing dwellings. Also includes additional development and/or subdivision on vacant (titled lots) not within a greenfield site.

Redevelopment

Redevelopment involves the demolition or removal of existing dwelling(s) on site and replacing with a greater number of dwellings on the same site without changes to the lot boundary.

The assessment has been based on the SA2 Statistical Areas, within the Whakatipu and Upper Clutha Urban Environment and identifies residential subdivision consents issued between 01/01/2020 and 31/12/20.

Residential Subdivision Consents –Development within the Urban Environment

SA2 AREA	Consent #	Greenfield	infill	redevelopment	Grand Total
Whakatipu 2020	52	820	26	33	879
Arrowtown	3	0	2	0	2
Arthurs Point	3	36	1	0	37
Frankton	8	54	7	0	61
Frankton Arm	5	0	4	0	4

Southern Corridor ³	12	462	0	0	462
Kelvin Heights	1	0	1	0	1
Eastern Corridor ⁴	6	51	3	0	54
Quail Rise	1	0	0	0	0
Queenstown Central	0	0	0	0	0
Queenstown East	2	0	2	0	2
Sunshine Bay-Fernhill	6	0	4	0	4
Warren Park	4	0	2	33	35
Upper Clutha Total	55	236	49	8	293
Albert Town	7	25	8	0	33
Cardrona	5	13	0	0	13
Lake Hawea	2	0	5	0	5
Wanaka Central	14	0	16	8	24
Wanaka North	13	141	13	0	154
Wanaka Waterfront	4	0	4	0	4
Wanaka West	10	57	3	0	60
Grand Total	107	1056	75	41	1172

Latest Results for the year ending 2020:

Overall:

- 107 residential subdivision consents with a cumulative total of 1172 lots consented
- 75% of development approved is within the Whakatipu Ward compared with 25% in the Upper Clutha
- Greenfield development accounts for 90% of new residential lots or units created, with infill at 6% and redevelopment 7%.
- The Jacks Point SA2 area accounted for 44% of all greenfield development, totalling 462 residential sections, followed by Kingston at 21% (217 lots) and Wanaka North SA2 at 13% (141 lots).
- Infill accounts for 6% of development, with the largest amount occurring within the Wanaka Central SA2 (21%) and Wanaka Central SA2 (17%).
- Redevelopment accounts for 3% of development, with the largest amounts occurring in Warren Park SA2 (60% & 33 lots/units) and Wanaka Central SA2 (15% & 8 lots)

Commentary:

Greenfield development accounts for the majority of new residential development, with the majority occurring within the Whakatipu ward. Infill and redevelopment only account for 9% of all new

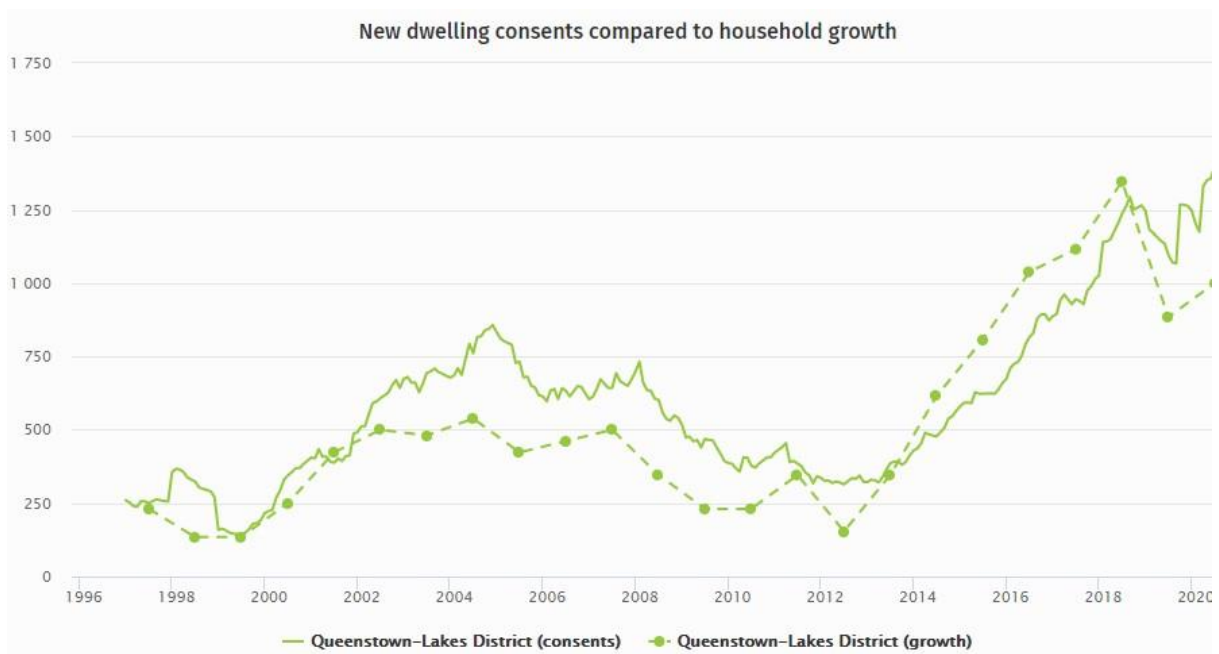
³ Jacks Point and Henley Downs

⁴ Shotover Country, Bridesdale, Queenstown Country Club & Lake Hayes Estates

residential sections or units created, with the majority of infill (65%) occurring within the Upper Clutha whilst redevelopment is mainly occurring in the Whakatipu.

3.3 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.



About this indicator: This indicator contains new dwelling consents up to December 2020 and estimated household growth up to December 2020. Due to built in lags, care is needed when comparing new dwelling consent data with the previous indicator.

Latest Results:

- Up until 2018, consents and growth had relatively kept pace (with consents levels just under actual growth)
- By December 2020, there is a sharp decrease in actual household dwelling growth from its high point in 2018 whilst consent growth climbs to its highest recorded levels.
- From that high point, growth does not appear to be keeping pace with actual demand (consents).

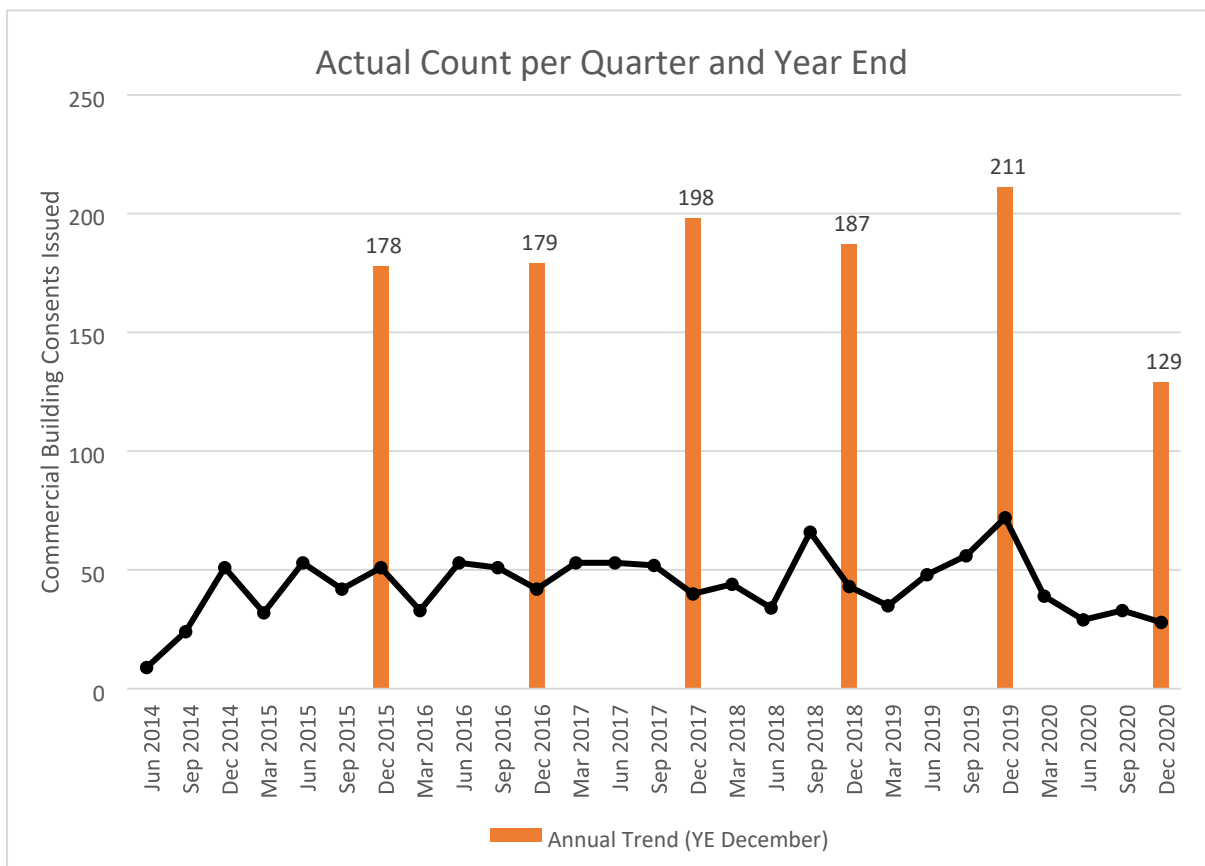
- This drop in consent applications, is likely due to the residual effects of Covid-19 and may reflect the lack of international visitors to the district (see commentary below).

Commentary:

Since June 2013, household and new dwelling growth in QLD have been relatively close. That is, supply kept pace with resident demand (or vice versa) and consent and household growth have increased at generally the same rate. 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, as the two indicators are not directly comparable. Rising sales and rent prices indicate strong dwelling demand that may not be being met by the market.

3.4 Commercial Building Consents Issued

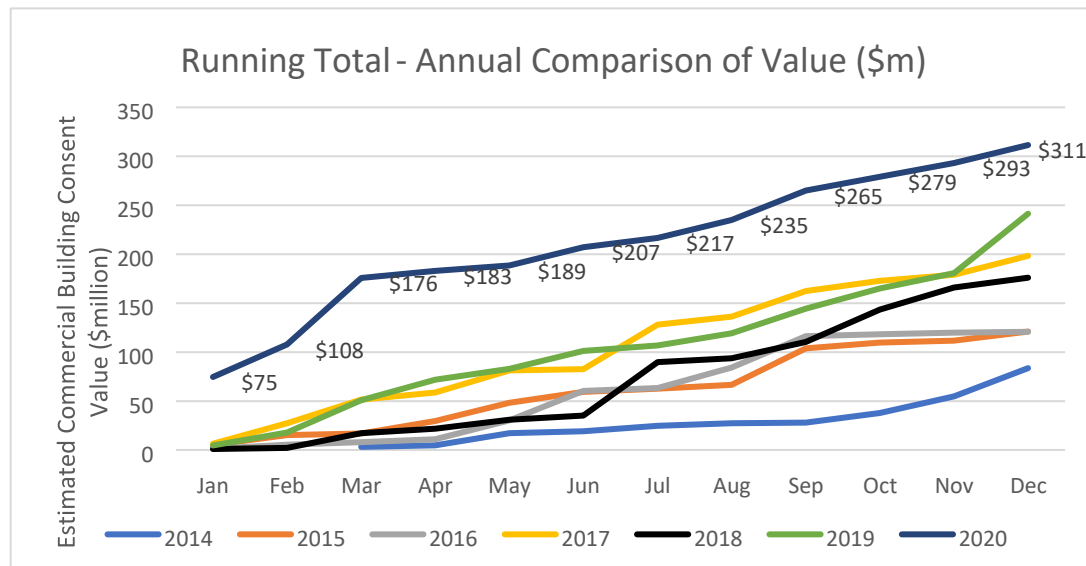
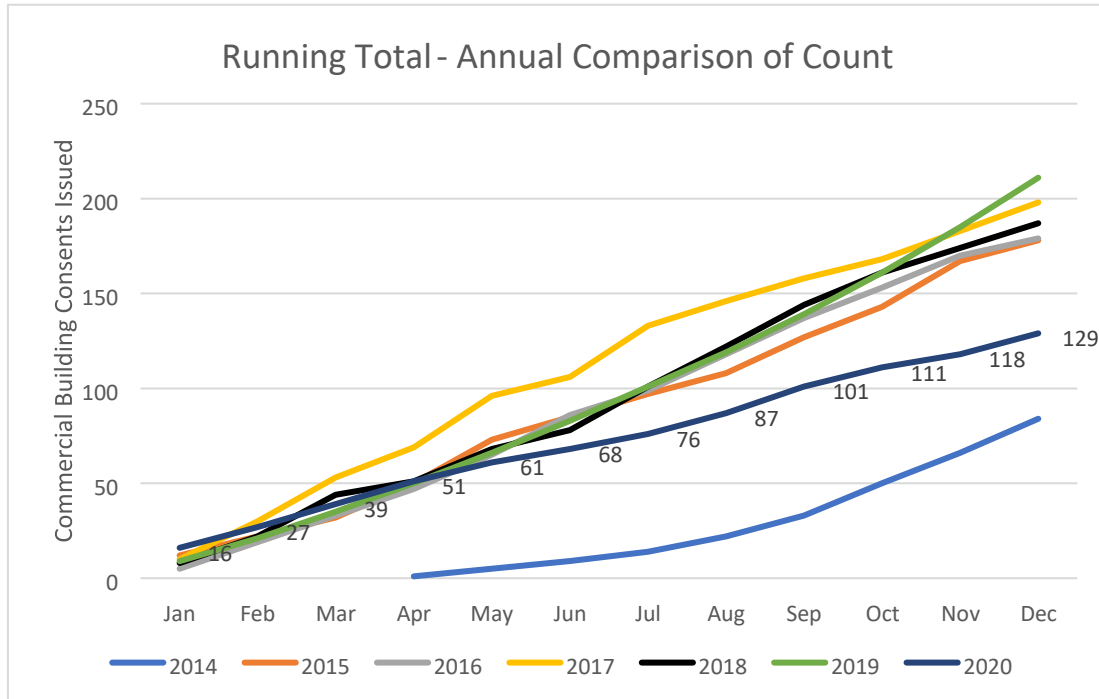
About this indicator: This indicator tracks the actual count of commercial building consents issued by QLDC each quarter and year (compiled from total district monthly data). Estimated value of consents is also monitored.



Latest Results:

- There were 28 commercial building consents issued in the December 2020 quarter. This is 5 less consents issued compared to the September 2020 quarter (-15%).

- This is substantially less than the same quarter a year ago (December 2019) where there were 72 commercial building consents issued.
- Over the last 12 months (YE December 2020), there have been a total of 129 commercial building consents issued. This is a decrease of 82 consents (-44%) compared to the previous year (211 in YE December 2019).
- In terms of the estimated value of commercial building consents, the total value in the December quarter was approximately \$97m, an increase on the December quarter in 2018 (\$65m).
- The average value of consents issued in the December 2020 quarter was \$46,541. This was approximately \$50,462 (48%) lower than the average value in the December 2019 quarter and \$11,150 lower than the previous quarter (September 2020) .
- The average value of a commercial build each quarter in December 2020 was \$1,662,886. This was \$314,912 higher than the average value a year ago (December 2019) (23%) and \$86,052 lower than a quarter ago (September 2020) (-5%).



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, 2020 outstrips the count and value of all commercial consents issued since 2014. The initial increase in 2017 prices was attributed to the increased levels of development in Frankton Flats and Three parks. The increase is an indication that developers are continuing to apply for and implement new consents and doesn't open up any 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.