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QUEENSTOWN
LAKES DISTRICT
COUNCIL

Quarterly Monitoring Report

National Policy Statement on Urban
Development Capacity

June 2020

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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. 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 Quarterly 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 Executive Summary

The NPS-UDC came into effect on the 1 December 2016. The purpose of the NPS-UDC is to provide direction to local authorities to ensure sufficient and feasible urban development capacity is provided to support housing and business growth. Its emphasis is to ensure there is enough feasible capacity to meet the growing housing and business demands over a 30-year period. The Queenstown Lakes District (QLD) is recognised as one of New Zealand’s “high growth areas” and is anticipated to see a doubling of the usually resident population between 2018 and 2058 increasing from approximately 38,000 to just under 75,000¹. In accordance with the NPS-UDC, QLDC is required to deliver on the legislative requirements of the High Growth Area policies as set out in the NPS-UDC.

This is the 13th Quarterly Monitoring Report prepared under the NPS-UDC. 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 [here](#).

QLD still has the highest median house prices of all the high growth areas in New Zealand² (\$1,010,750 YE June 2020), maintaining its lead on Auckland. House prices are rising in all high growth areas, this highlights that QLD is not alone in dealing with rising prices, however, the rate of growth in house prices in QLD is significant, increasing by \$72,062 in the last year alone.

Demand for dwellings continues to be strong and it is a ‘sellers’ market’. The share of total dwellings being sold each year is only small but is currently within the range of other New Zealand cities. This may change in the short term as the number of houses sold each year has been reducing steadily since 2016, down to 219 for the year ending June 2020 – a 4% reduction on the same time a year ago³.

¹ Rationale Population Projections 2017

² Includes QLD, Auckland, Greater Hamilton, Greater Christchurch, Greater Tauranga, Gisborne, New Plymouth and Whangarei as defined under the NPS-UDC.

³ Equivalent data on section sales has not been sourced but is especially relevant in QLD.

The overall size of the district's dwelling estate is growing steadily, although growth in Arrowtown Ward is limited as a result of little vacant capacity remaining inside the urban growth boundary. Overall, there were 934 new dwellings consented in the district in the year ending June 2020. A spatial breakdown of that growth will be prepared in the December 2020 Report, but it is expected that the major share of growth is occurring in Greenfield areas like Northlake and the Jack's Point Resort Zone (this includes Hanley Downs).

In Queenstown, Special Housing Areas (SHA) have also contributed to some of this growth, but this has slowed down compared to previous years with the retirement villages accounting for the majority of the SHA consents.

Similar to house prices, rent prices in QLD are also rising rapidly, maintaining the lead on Auckland for the fourth year (2016 – 2020), to be the highest rents of the high growth areas. The average rent (across all housing types and the district) is now \$606 per week (up \$79/week on the previous year). Arrowtown is the most expensive (\$641/week on average) followed by Whakatipu – Queenstown (\$589/week).

The ease of moving from renting to home ownership is consequently the hardest in Arrowtown and easier in Whakatipu – Queenstown in terms of the step-up in costs from renting to potential mortgage payments. However, this transition remains difficult or out of reach for a significant number of residents due in part to the districts lower than average wages.

When comparing median incomes with median house prices, QLD is the least affordable location in New Zealand and is getting rapidly worse due to rising prices. Caution is advised in interpreting these results as people earning the median income will be in the market for dwellings in the lower quartile rather than in the median. This is especially the case in QLD, where the median house price is heavily distorted by a large share of very high value homes that are not linked to local earning potential.

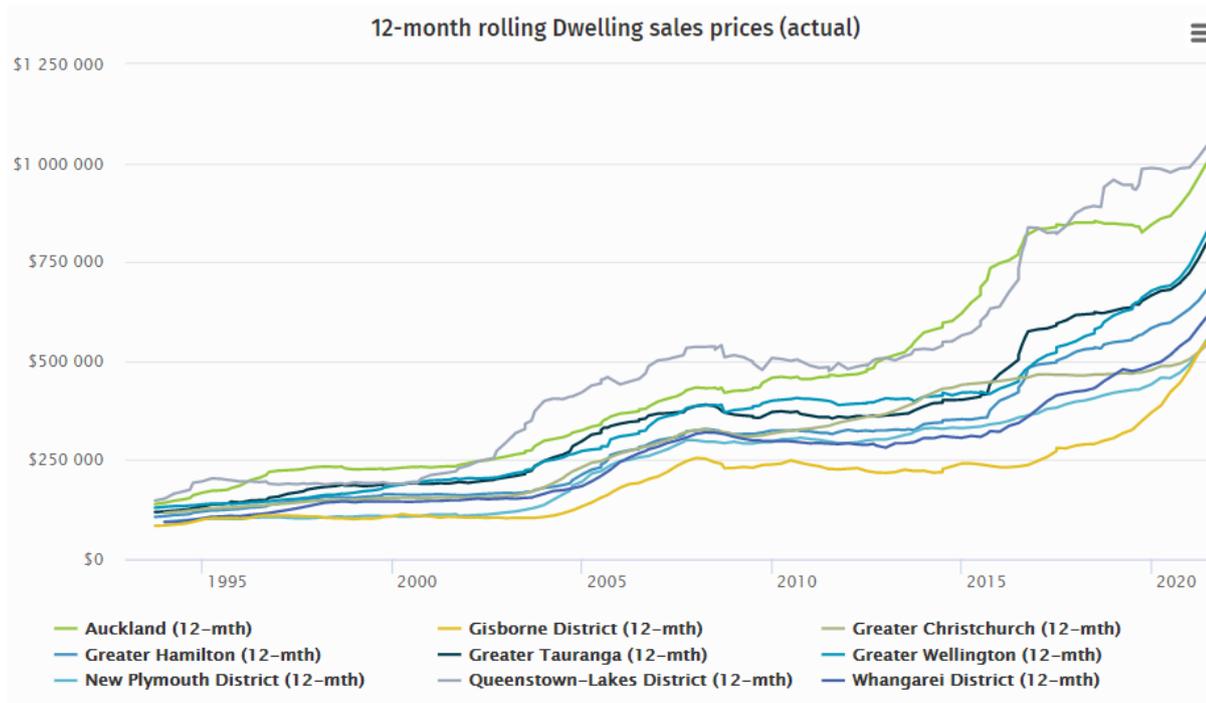
Monitoring of development capacity⁴, price and rent patterns, population growth, resource and building consent numbers and housing affordability indicators shows that QLD is experiencing significant levels of growth and faces some of the most significant challenges in terms of the cost of housing (and also commercial/industrial land and space). The next quarterly report (September 2020) will provide an update of these local indicators.

⁴ Covered in detail in the 2017 Housing and Business Development Capacity Assessment Reports.

2 Sales Prices, Housing Stock, Rents and Affordability

2.1 Sales Prices – Wider Context

About this indicator: This indicator shows the median prices of residential dwellings sold in each quarter for selected high growth areas (including amalgamated areas). 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:

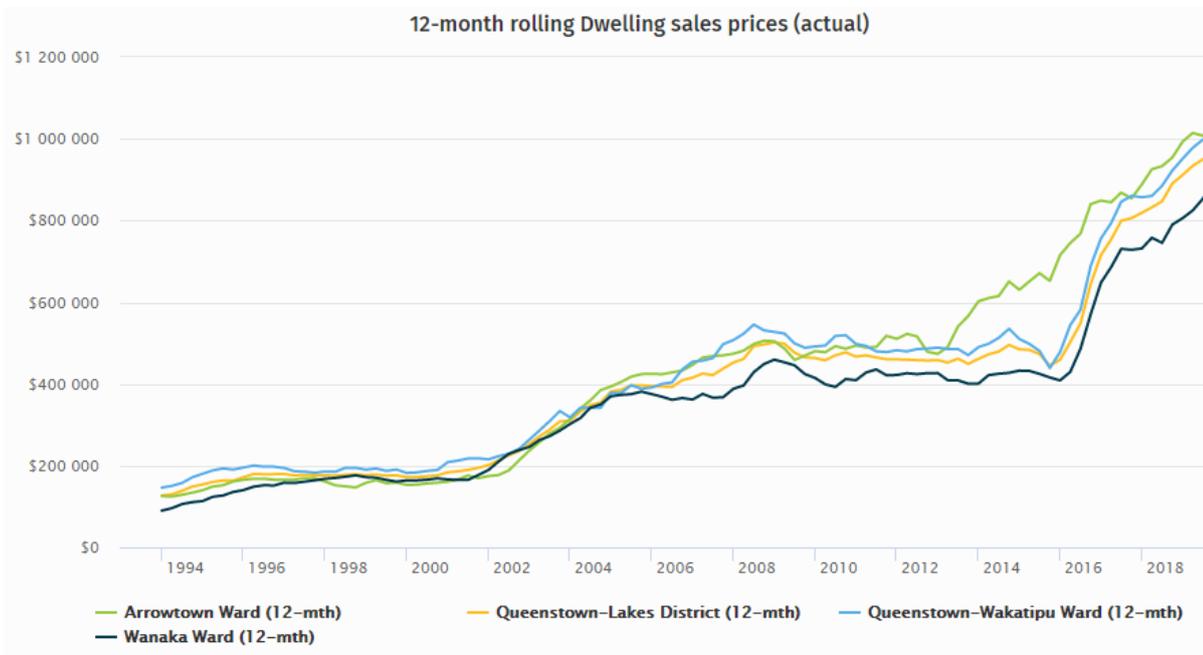
- The 12-month rolling average dwelling sales price data shows that QLD sales prices remain (on average) the highest in the country.
- At of 2020, the median house price for QLD was \$1,010,750, while the Auckland medium house price was slightly less on \$888,125.
- All high growth areas had positive growth in sales prices in the last 12 months (and since 2018). The QLD average house price has increased by 8% in that time. Only Auckland Greater Christchurch District had a lower percentage increase in prices in that period (4% and 5% respectively). By contrast, Gisborne increased by 22% and all the other high growth cities increased between 10% - 12%.
- In dollar terms, the growth over the last 12 months was highest in Gisborne (\$75,125), followed by Greater Wellington (\$74,902) and then Queenstown (up \$72,062). Greater Christchurch had the lowest increase of \$25,000.

Commentary:

Sale prices are determined by the interaction of demand and supply, including for investment property. The national trend over the past 5 years indicates that average house prices have been increasing at a steady rate in all high growth areas (with the exception of Christchurch and more recently Auckland and Tauranga). This indicates that increasing house prices is a national problem not confined to Auckland and QLD.

2.2 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:

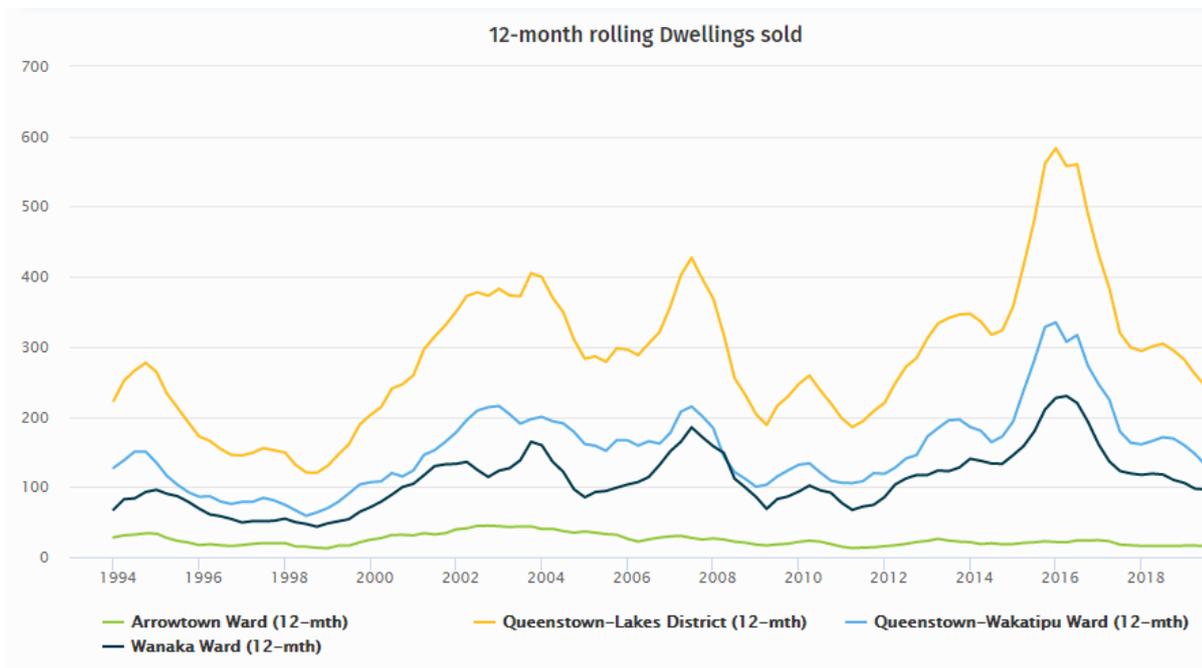
- In the year ending June 2020, the medium house price for QLD was \$1,010,750 compared to \$949,813 in June 2019, this is a 6% (\$60,937) increase over that YE period.
- That is a decrease of -0.74% (-\$7,500) from the previous quarter (March 2019).
- Medium dwelling prices are highest in the Arrowtown Ward (\$1,131,250, YE June 2020) and lowest in the Wanaka Ward (\$971,500).
- Over the last 12 months, prices have continued to increase in Arrowtown (11%, \$123,750) and Queenstown (6%, \$60,937) and in Wanaka (12%, \$118,187). These growth rates have increased since the same yearly period in 2018/2019 for both Wanaka and Arrowtown but decreased for Queenstown - Wakatipu.
- Since the last quarter (March 2020) there has been an 8.84% (\$91,875) increase in prices in Arrowtown, a 0.80% increase (\$7,750) in Wanaka and a -2.48% decrease (-\$26,250) in the Queenstown Ward.

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 small Arrowtown Ward have fluctuated above and below both Wakatipu and Wanaka Wards in recent years, but presently are the highest in the district. Over the past four quarters, median prices have increased at a similar rate in Wakatipu and Wanaka, while prices in Arrowtown have shown a big increase after the previous four quarters.

2.3 Dwellings Sold

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



Latest Results:

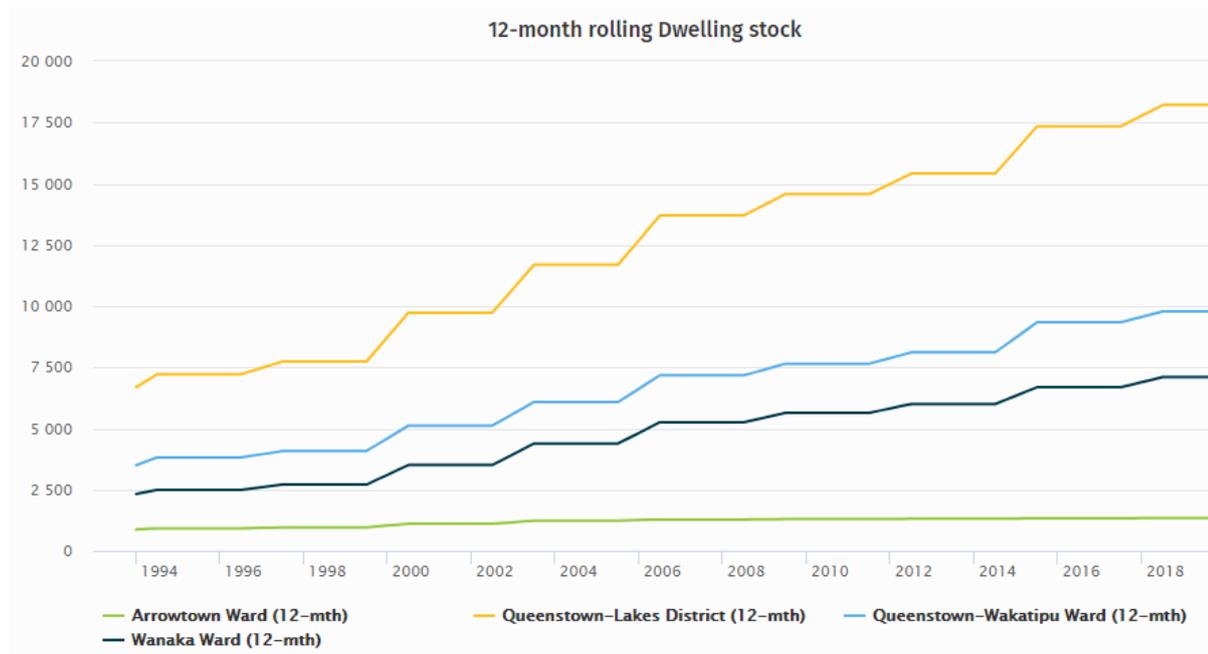
- In the June 2020 quarter, the total number of dwellings sold in QLD was 219.
- This is a decrease of 4% (9 less dwellings sold) compared to the previous quarter (March 2020) and a 5% decrease (12 less dwellings sold) compared to the same time a year ago.
- Over the last 12 months, the count of dwellings sold in Queenstown - Whakatipu Ward has decreased from 231 (June 2019) to 109 (YE June 2020) (-11%). In Wanaka, the count has increased from 89 to 92 (3%) and Arrowtown has also decreased with a sales count of 13 compared to 20 (June 2019) (-35%)

Commentary:

The number of dwellings sold in the Queenstown and Wanaka Wards has continued to decline from the high point in 2016. An analysis of the building consent records below indicates that it is not a slowing down of the new dwelling construction sector. This indicates that the trend is 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. The Arrowtown market is only small (geographically) but is generally more stable than in the other Wards. In all parts of the District however, the reducing count of houses available to buy has created a 'sellers' market' and this has driven prices up in the face of strong demand, as seen in the previous indicator.

2.4 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)

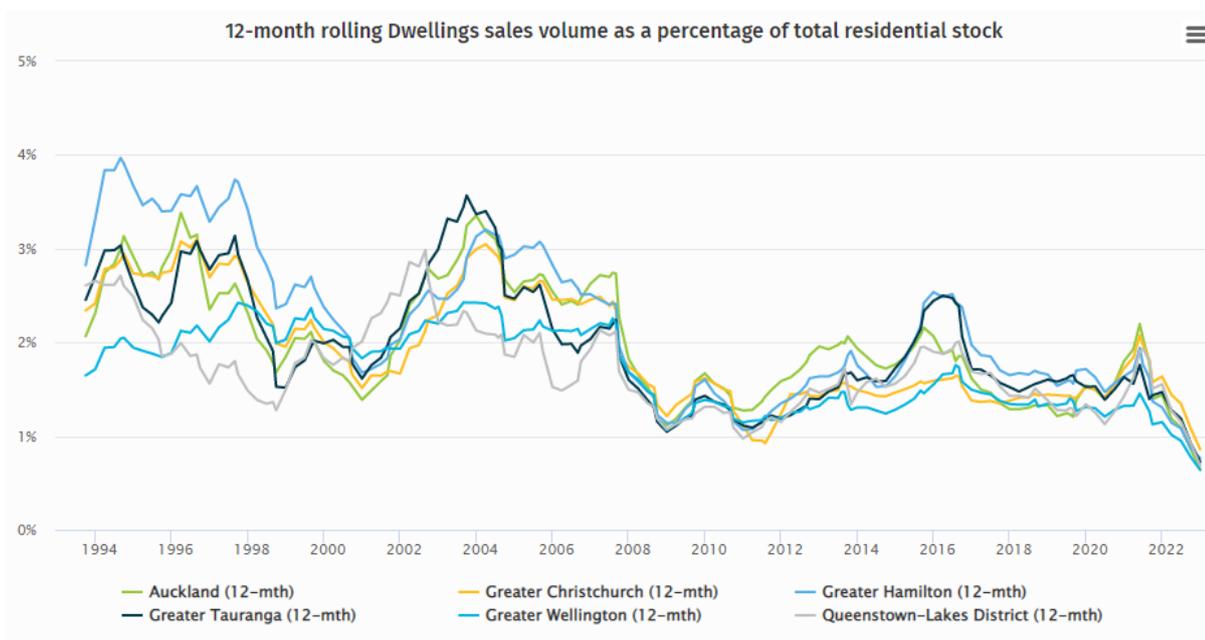
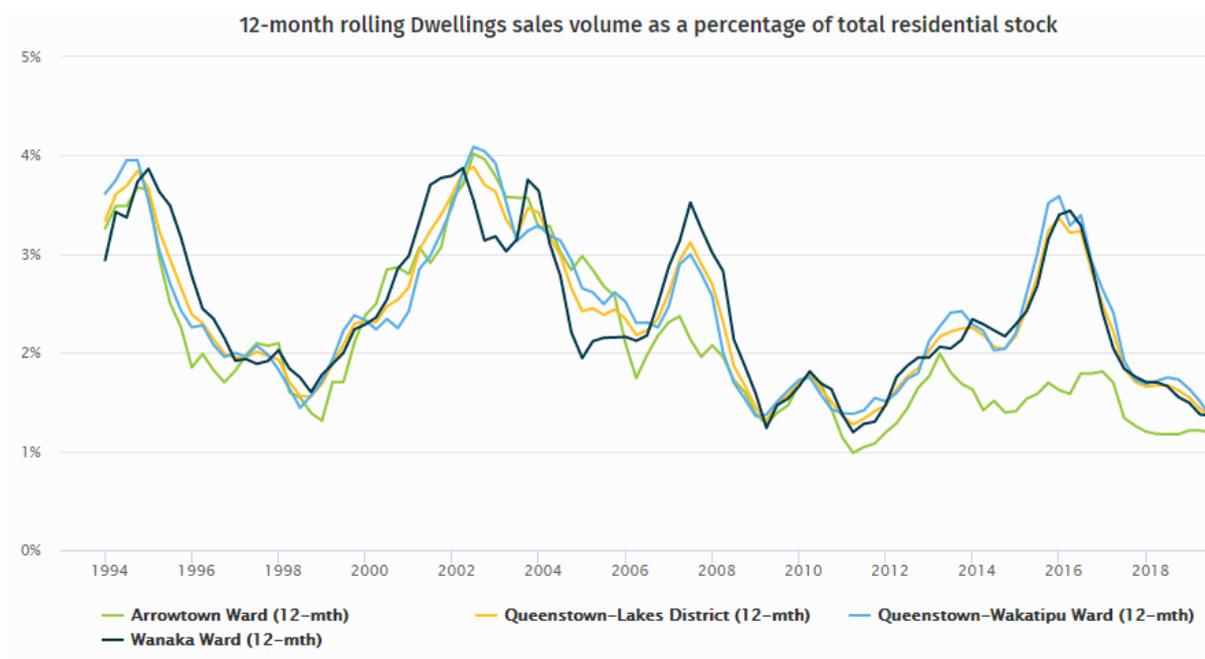
- In the year ending June 2020, the total number dwellings in the QLD was 17,534.
- The last year of change data was in 2018, the next year of change data will be in 2022.

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.

2.5 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:

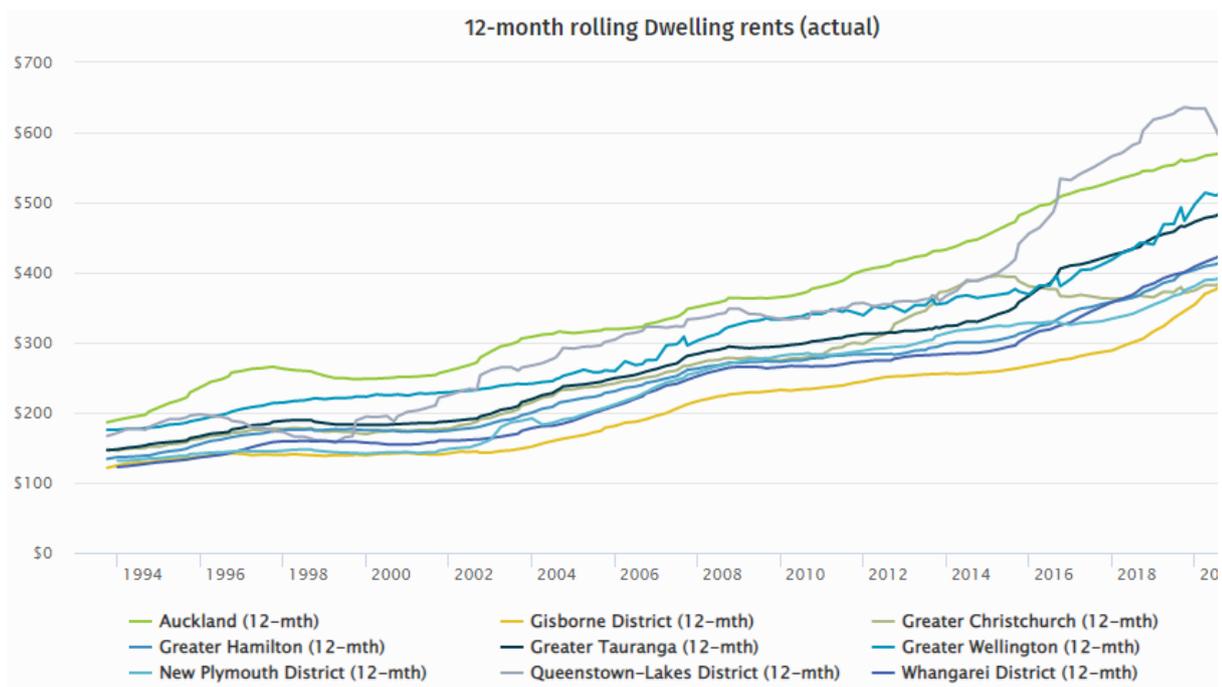
- In the year ending June 2020, the total number dwellings sold in QLD as a share of the dwelling stock was 1.071%.
- This is down on the previous quarter (March 2020) of 1.172%. The same time a year ago (June 2019), the percentage share was higher again at 1.338%. This is 18th quarter in a row of decline (i.e. since the last peak December 2015).
- The latest figures for the Wanaka and Queenstown Wards are similar to the district overall (0.944% and 1.217% respectively). However, this is the first time that Wanaka has dipped under 1%.
- Arrowtown continues recent trends of a lower share of dwellings bought and sold (0.671% - June 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. Relative to other large cities in New Zealand, QLD shows a similar level of activity in its housing market, but still has a lower share sold than Greater Wellington, Greater Tauranga, Auckland and Greater Christchurch which all have a slightly higher share (June 2020). 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.

2.6 Dwelling Rents – Wider Context

About this indicator: This indicator reflects nominal mean rents as reported in new rental bonds lodged with MBIE for selected high growth areas (including amalgamated areas). 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:

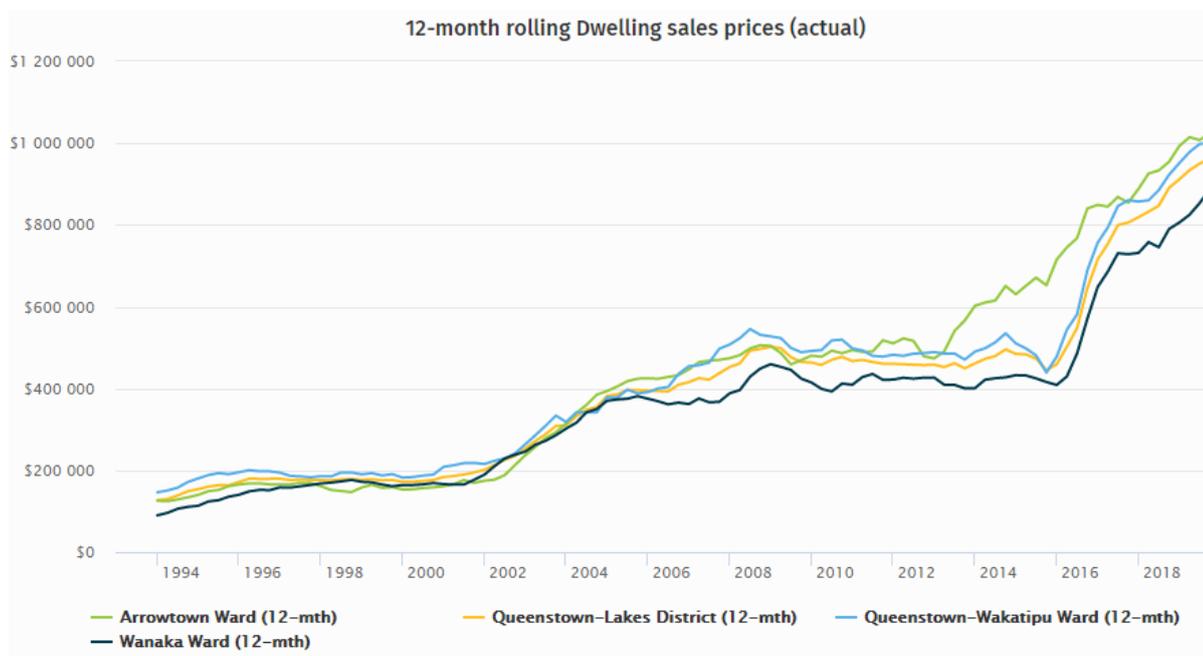
- The majority of high growth areas including Queenstown have shown a general increasing rental trend in the 12 months ending June 2020, two outliers to this trend saw a small decline for both Greater Christchurch and Greater Wellington.
- QLD rents have surpassed average rents in Auckland since December 2019.
- In June 2020, average rents in Auckland are \$569, while QLD average rents are \$606, Greater Wellington \$510 and Greater Tauranga \$481. All other high growth areas have average rents below \$460 per week. Gisborne has the lowest rent per week of \$376.
- Percentage growth in average weekly rents over the last 12 months has been led by Greater Wellington and Greater Tauranga with a significant 32% and 21% rise respectively. This compares with a growth rate of 11% per annum (YE June 2020) in QLD and 9% for Auckland.
- For all areas (excluding Greater Hamilton which has reduced), the level of yearly increase in average rents for 2020 is much larger than previous years.

Commentary:

QLD still has the highest average rents of all the high growth areas. Care is however needed because the type of rental properties available in the market influences the rental price. QLD has relatively few attached dwellings (flats and apartments) compared to cities like Auckland and standalone dwellings tend to be larger and support higher rentals. Notwithstanding this, rent increases in QLD underwent a clear step change in September 2005 that was not mirrored by any of the other markets.

2.7 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 \$606. This is down \$30 per week (-5%) compared to the previous quarter (March 2020). Compared to the same time 12 months ago (June 2019), average weekly rent has increased by \$79 or 15%.
- Rent in Arrowtown is highest within the district at \$641 per week, increasing \$32 per week (5.3%), compared to the same time a year ago (June 2019). Wanaka marginally has the lowest rents at \$557, and has increased by 2%, up \$32), with Queenstown Ward showing a slightly smaller downward trend compared to the other wards (down 3.8% or -\$23).

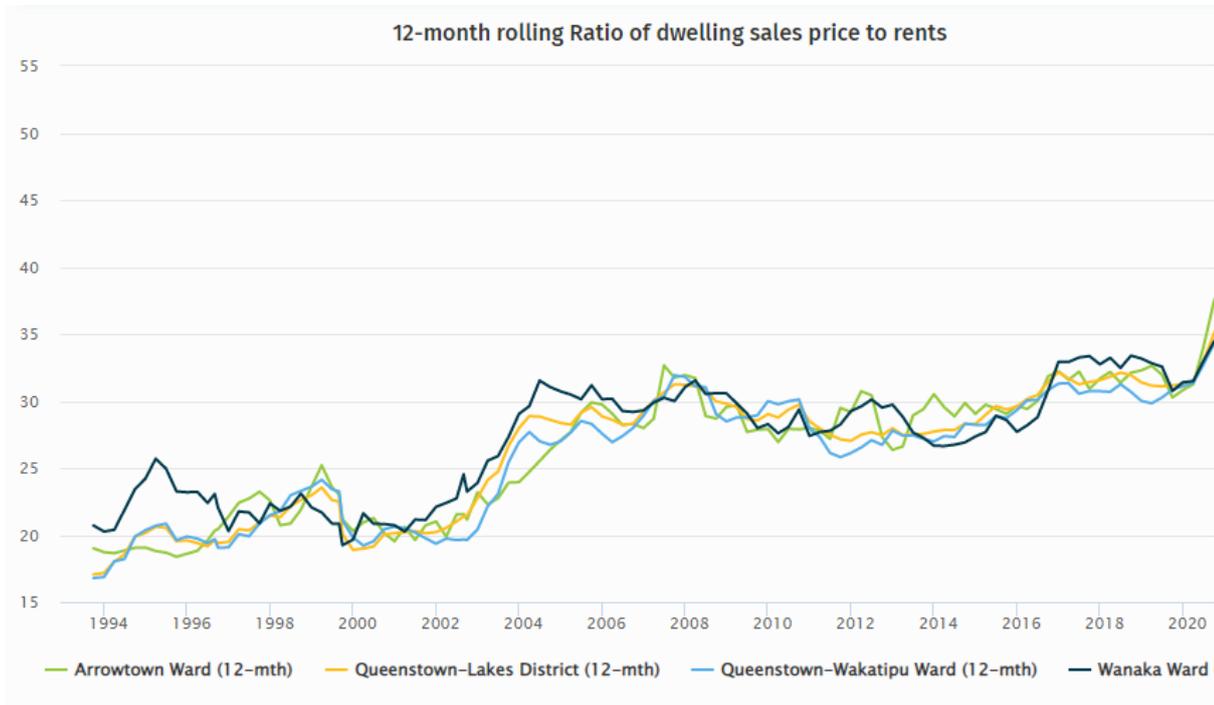
Commentary:

Rising rents in QLD continues to be a very big concern given the large number of residents who are transient (i.e. seasonal workers) and/or are low-income earners. 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 severe difficulties with recruiting and retaining workers from outside the District.

2.8 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 33.013, increasing from the previous quarter (March 2020) where it was 31.445. Compared to the same time a year ago (June 2019), the average ratio is up (from 31.146) (that is, the gap between renting and buying has increased).
- Arrowtown remains the hardest place to transition from renting to home ownership. The current ratio is 34.064 (June 2020).
- The gap between renting and buying has increased in the Queenstown ward in the last year (32.73) (5.99%) and has also increased in Wanaka (33) (0.19%) in that same period.

Commentary:

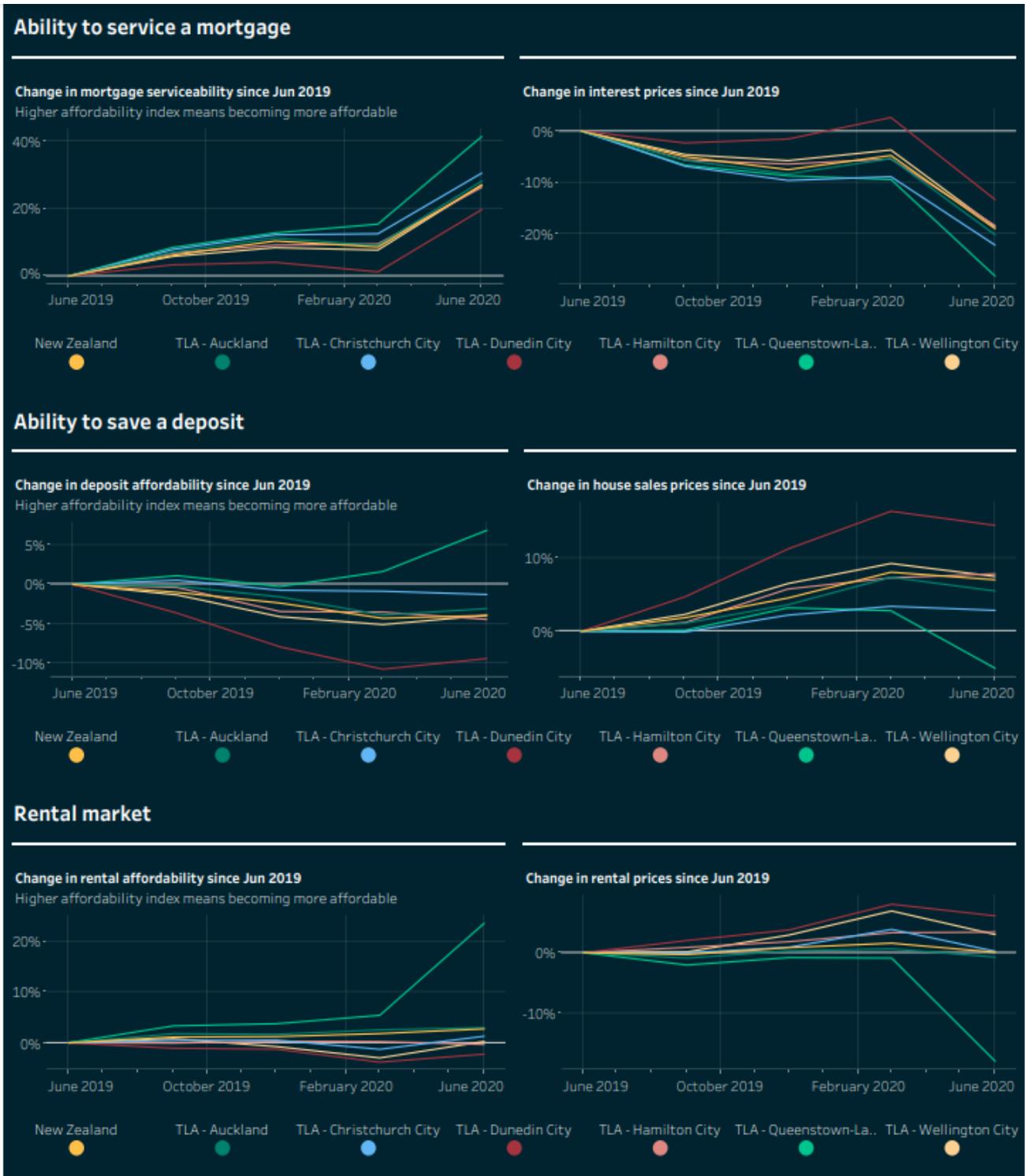
This indicator is supposed to measure the ease of moving from renting to home ownership, but it compares the average rental with the median sales price and does not capture the actual movements that would occur. I.e., someone paying the average rental would not be in the market for the medium house. The price to rent ratio has increased for all high growth areas, however QLD and Auckland remain high compared to the others

2.9 Housing Affordability Measure - Buy – Queenstown and the Wider Context

About this indicator: This indicator was introduced to replace the [HAM – Buy](#) and [HAM - Rental](#) measure which is no longer available on the MHUD dashboard⁵.

⁵ <https://www.hud.govt.nz/stats-and-insights/change-in-housing-affordability-indicators/compare-regions/#tabset>

The Change in Housing Affordability Indicators show how affordability of renting a home and servicing a mortgage for people entering the market has changed over time. Each indicator compares price change with growth in median household income. They provide insight into affordability nationally, regionally, and by Territorial Authority.





Results:

- Mortgage serviceability in the Queenstown-Lakes District has improved in the last 12 months, with the graphs identifying a corresponding reduction in interest rates.
- In Queenstown -Lakes District, the ability to save a deposit relative to median income has become more affordable (7% more affordable since 2019), assisted by a 5% reduction in house prices, Dunedin is the least affordable area to both raise a deposit and service a mortgage relative to income.
- All other main centres: Auckland, Christchurch, Hamilton and Wellington all show mortgage serviceability has become more affordable in the past 12 months, but the ability to save a deposit has become less affordable.
- Within the Rental market, Queenstown when compared to the other centres has become more affordable in relation to household median incomes which correlates with the steep change in rental prices which started to decrease in March/April 2020.
- In general, since 2012, rental affordability has remained relatively static for New Zealand. However, mortgage serviceability and the ability to save for a deposit has significantly reduced. Between 2019 & 2020 there was an increase in affordability, which relates to the impacts of Covid19 which is likely due to the residual effects of Covid-19 and reflects the lack of international visitors to the district

Commentary:

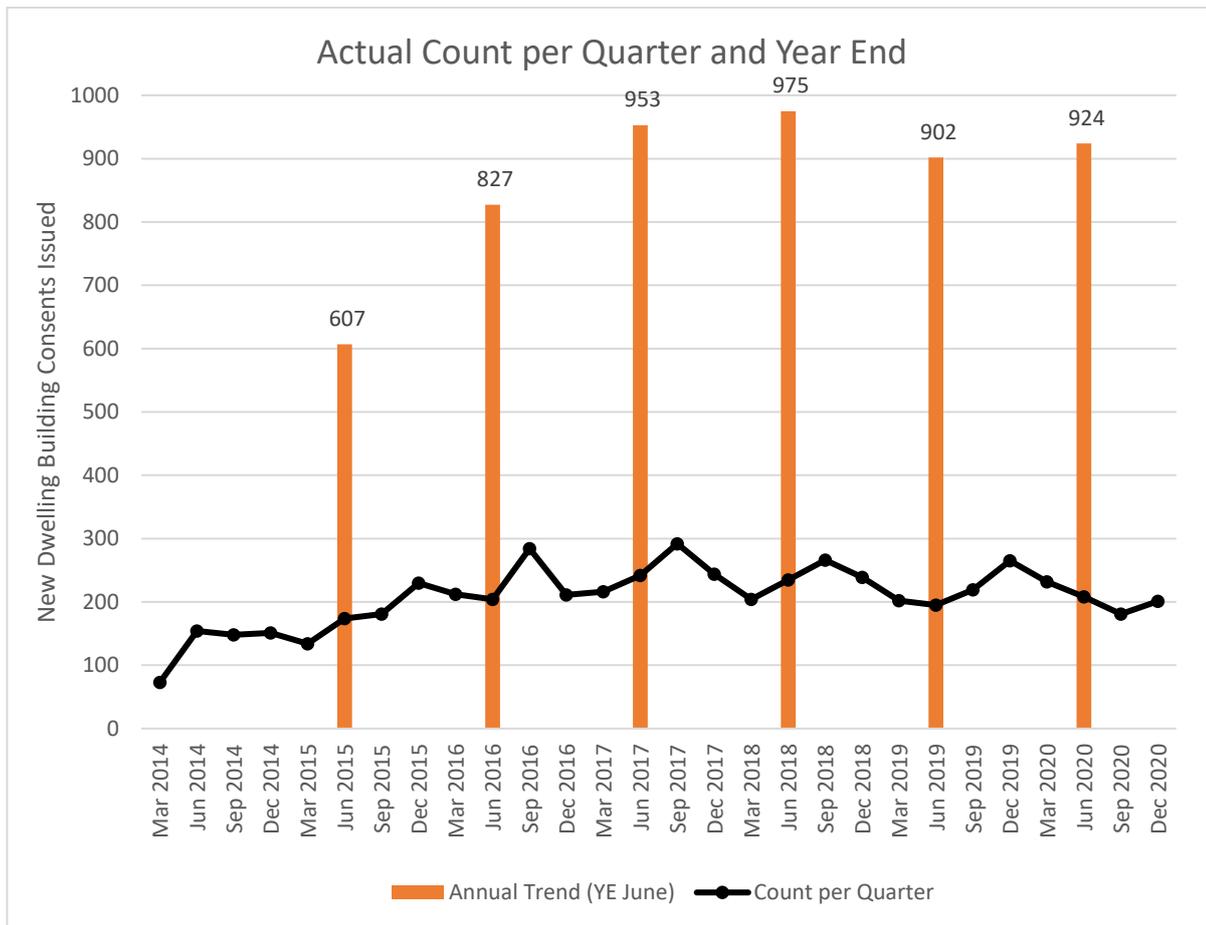
The **change in rental affordability** indicator compares changes in rental prices for new tenancies with the growth in median household disposable (after tax) income. Factors that can affect rental affordability are: Rental prices and Household disposable income. The **change in deposit**

affordability indicator compares changes in house sales prices with the growth in median household disposable (after tax) income. Factors that can affect deposit affordability are: House sales prices and Household disposable income. The **change in mortgage serviceability** indicator compares changes in the purchasing power of mortgage interest payments for new home loans with the growth in median household disposable (after tax) income. Factors that can affect mortgage serviceability are Mortgage interest rates, House sales prices and Household disposable income. Individual experience of affordability will vary, for example if household income doesn't change in line with the national median.

3 Building Consents

3.1 New Dwelling Consents Issued

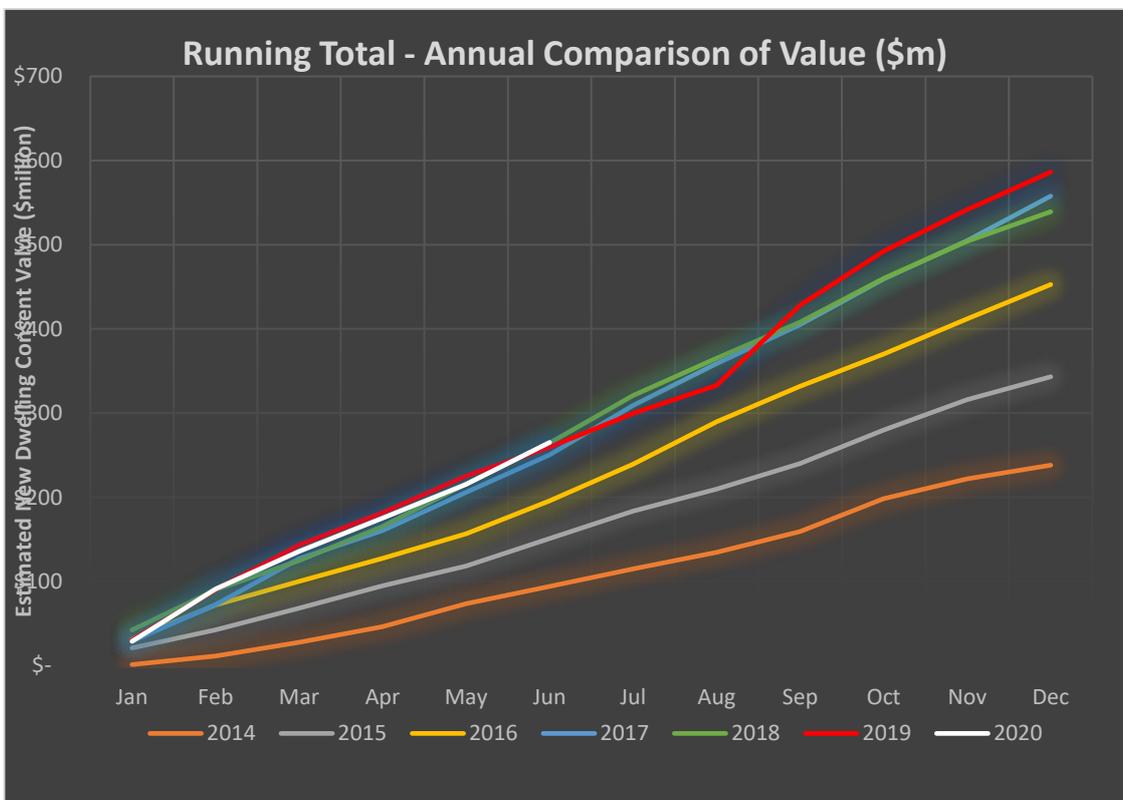
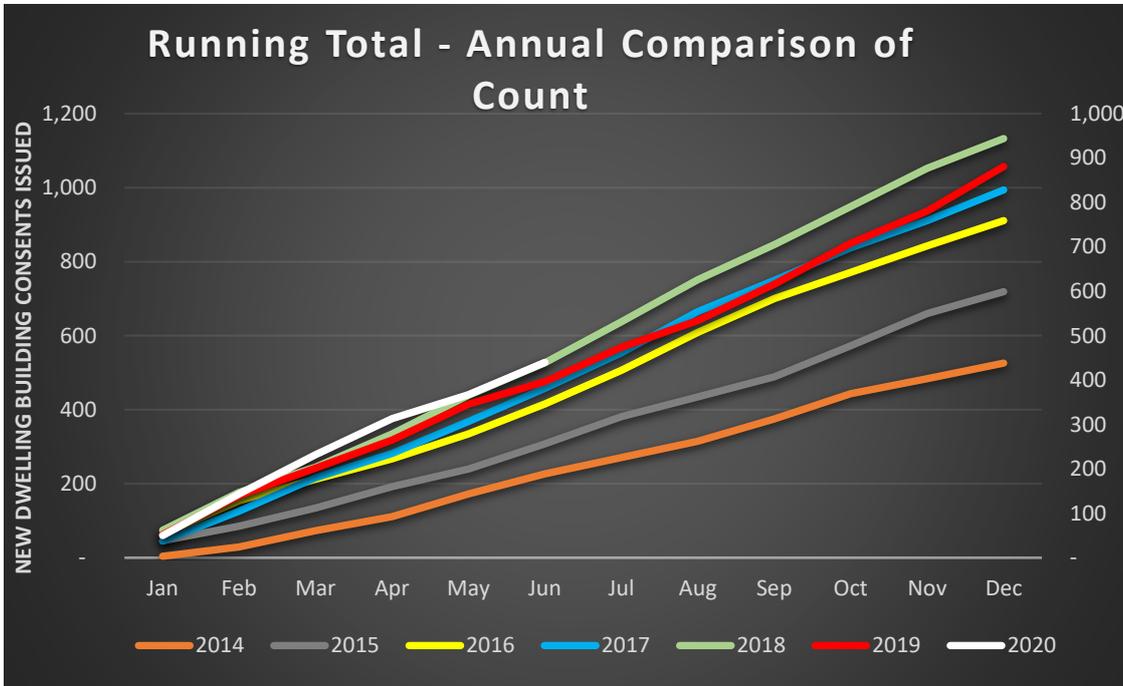
About this indicator: This indicator tracks the actual count of new dwelling building consents issued by QLDC each quarter and year (compiled from total district monthly data). Estimated value of consents is also monitored.



Latest Results:

- There were 208 new dwelling consents issued in the June 2020 quarter. This is 24 less consents issued compared to the March 2020 quarter (-10%).
- This is up on the same quarter a year ago (June 2019) where there were 195 dwelling consents issued.
- Over the last 12 months (YE June 2020), there have been a total of 924 new dwelling consents issued. This is an increase of 22 consents (2%) compared to the previous year (902 in YE June 2019).
- In terms of the average *value of new dwelling consents*, the total value in the June 2020 quarter was approximately \$129m, which has increased when compared to the equivalent June 2019 quarter (\$116m), (10% increase).

- The average value of a new dwelling issued in June 2019 was \$622,268. This was approximately \$27,335 higher than the equivalent June 2019 quarter (594,932, (5% increase)).

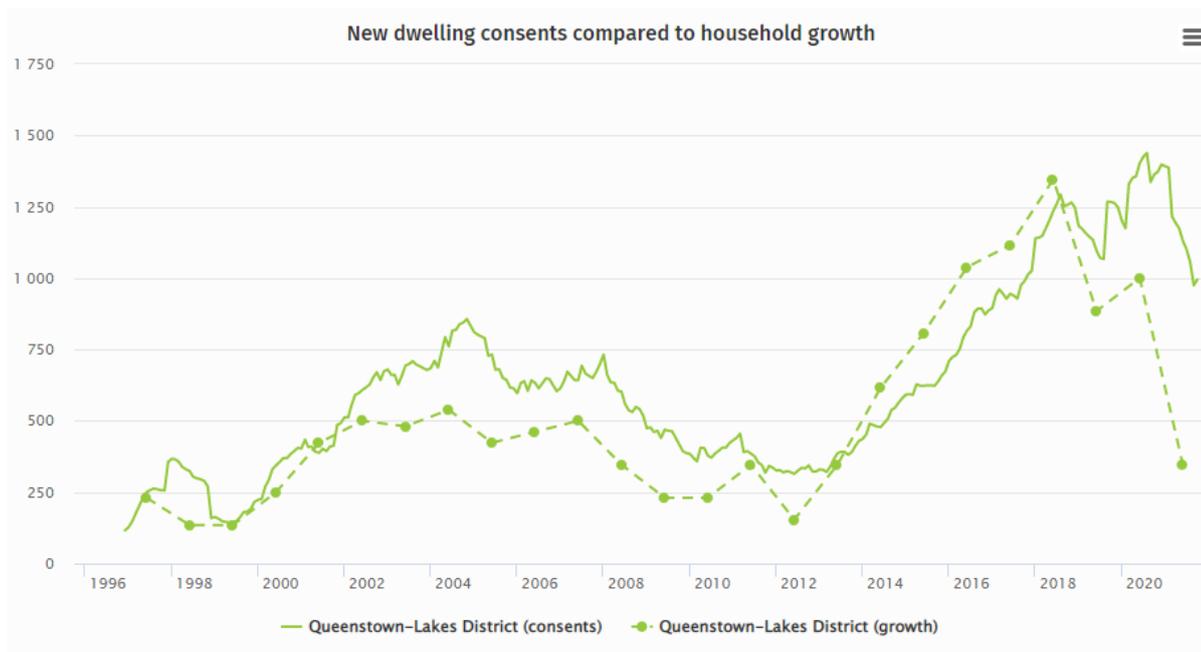


Commentary:

As of June 2020, the running total suggests there is going to be a slightly higher overall count for the full year compared to 2019, and on par with 2018 if current trends continue. In value terms however, so far in 2020, the annual trend of increasing dwelling consent values continues.

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:

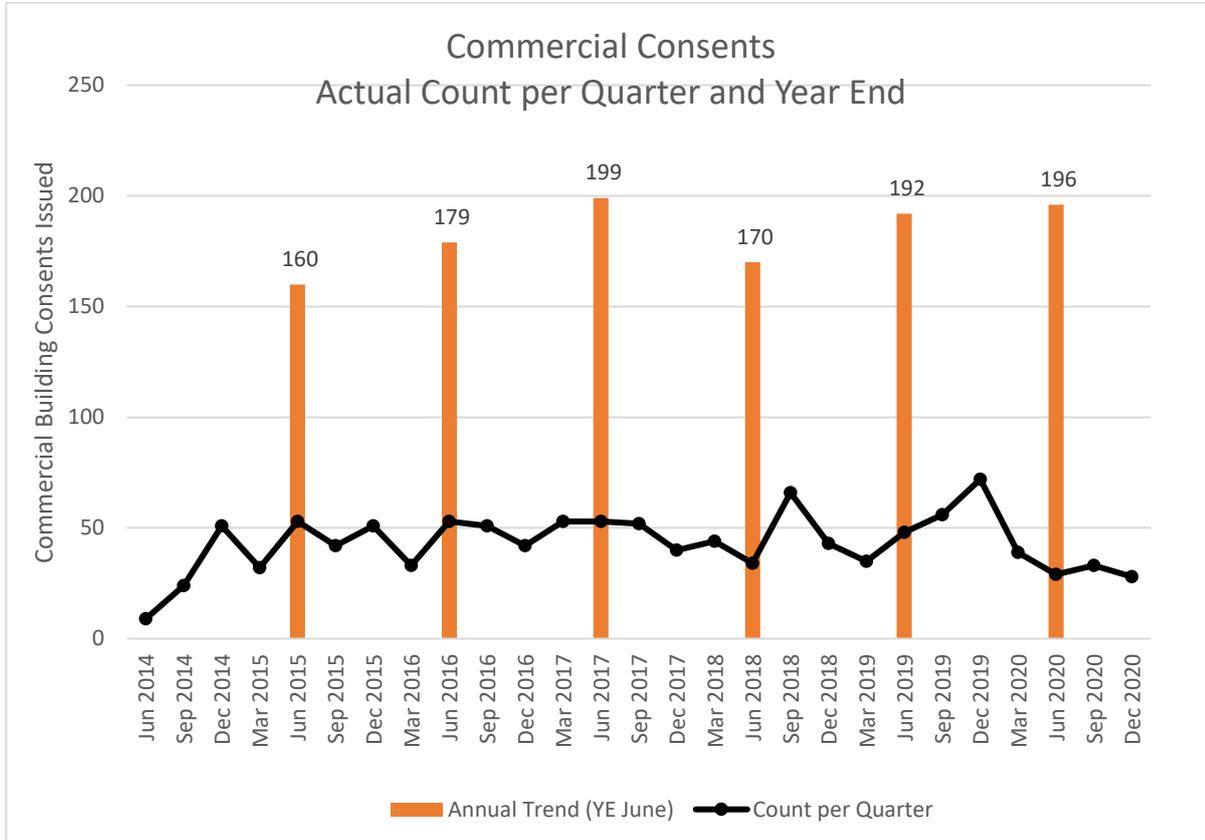
- This indicator contains new dwelling consents (supply) and estimated household growth up to June 2020. Due to built-in lags, care is needed when comparing new dwelling consent data with the previous indicator.
- For June 2020, supply of new dwellings is much higher than district growth. This drop in growth is a direct result of Covid-19 and the impact on international travel.
- The 2020 results show a decrease in dwelling supply relative to the previous year (June 2019), but generally, there have been ups and downs in the rolling average of supply in the previous few months, so this may be short-lived.

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.

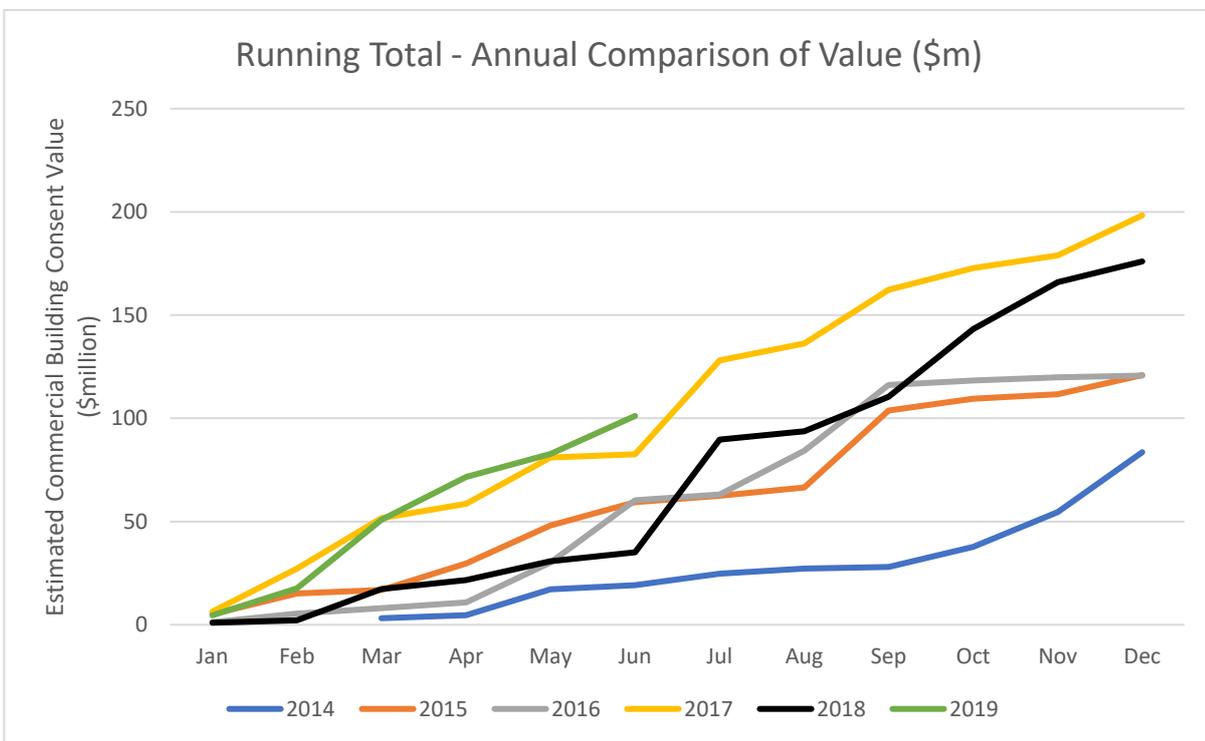
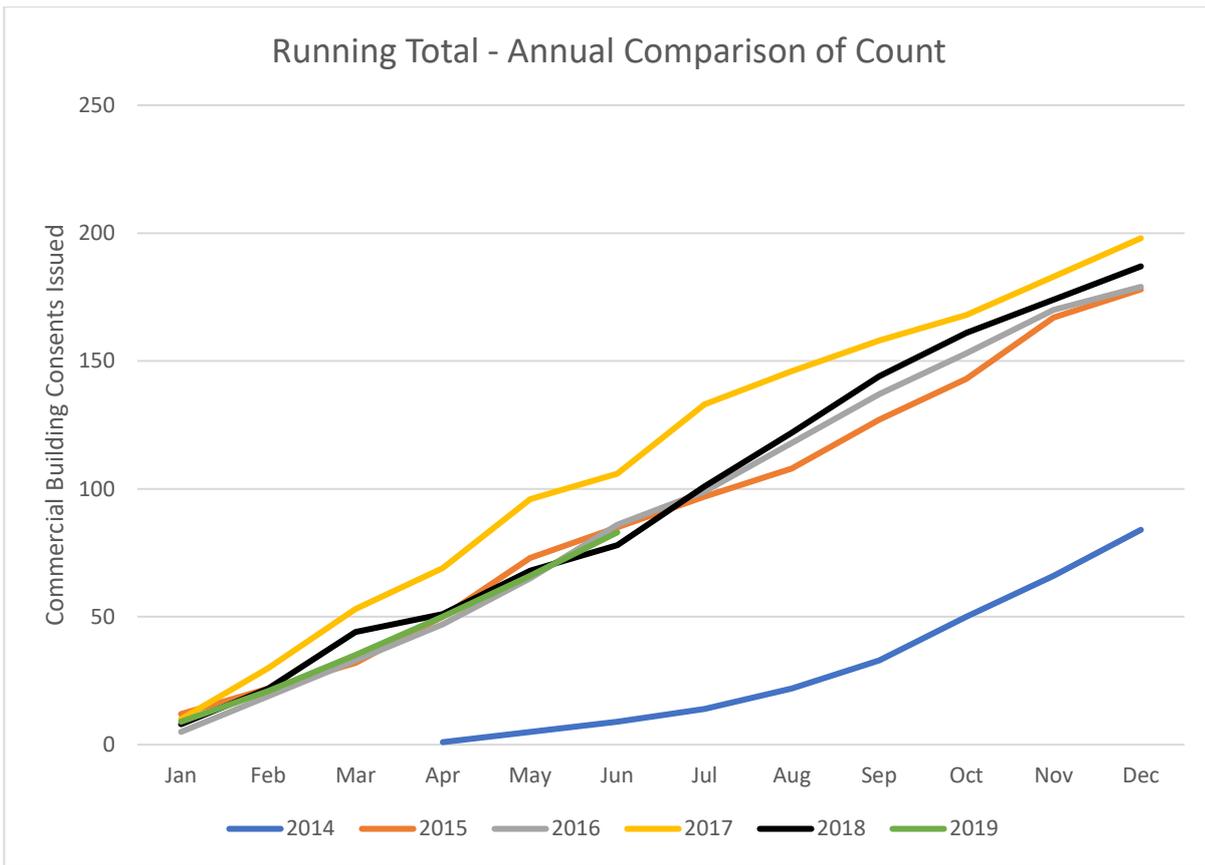
3.3 Commercial Building Consents Issued

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 29 commercial building consents issued in the June 2020 quarter. This is the less than the count of consents issued in the March 2019 quarter (39).
- This is also less than the June quarter a year ago (June 2019) where there were also 48 commercial building consents issued.
- Over the last 12 months (YE June 2020), there have been a total of 196 commercial building consents issued. This is an increase of 4 consents (2%) compared to the previous year (192 in YE June 2019).
- In terms of the estimated value of commercial building consents, the total value in the June 2020 quarter was approximately \$32m, significantly less than the equivalent quarter in 2019 (\$50m).
- The average value of a commercial build in June 2020 was \$1,091,377. This was approximately \$3,410,786 lower than the previous quarter in March 2020 (down 313%). However, the March quarter was exceptionally high when compared to all previous years (starting 2014)



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. So far (i.e. as at June), 2018 the count and value of commercial consents issued is lower than in the previous three years.