



QUEENSTOWN
LAKES DISTRICT
COUNCIL

Quarterly Monitoring Report

National Policy Statement on Urban
Development Capacity

September 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 Infometrics. 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.

1 Executive Summary

This is the sixth 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 [here](#).

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

- Median house prices for the District rose by another 0.7% (\$6,563) to reach \$941,503.
- The number of dwellings sold decreased by 6.34% since YE June 2018.
- The number of dwellings in the District increased by 79 (up 0.47%) to reach 16,776.
- Dwelling sales as a share of the count of total dwellings continued to decrease.
- Average weekly rents increased by \$7/week (up 1%) to \$520. Rents are still highest in Arrowsmith Ward but the average in the Queenstown Ward is close.
- First home buyer affordability has decreased by 2.59 percentage points. Now it is estimated that 88% of first buyer households would have a below average residential income after paying housing costs.
- There has been a marginal decrease in rental affordability.
- 266 dwelling consents and 64 commercial building consents were issued (September quarter). Consent growth so far this year is below levels achieved in 2017.

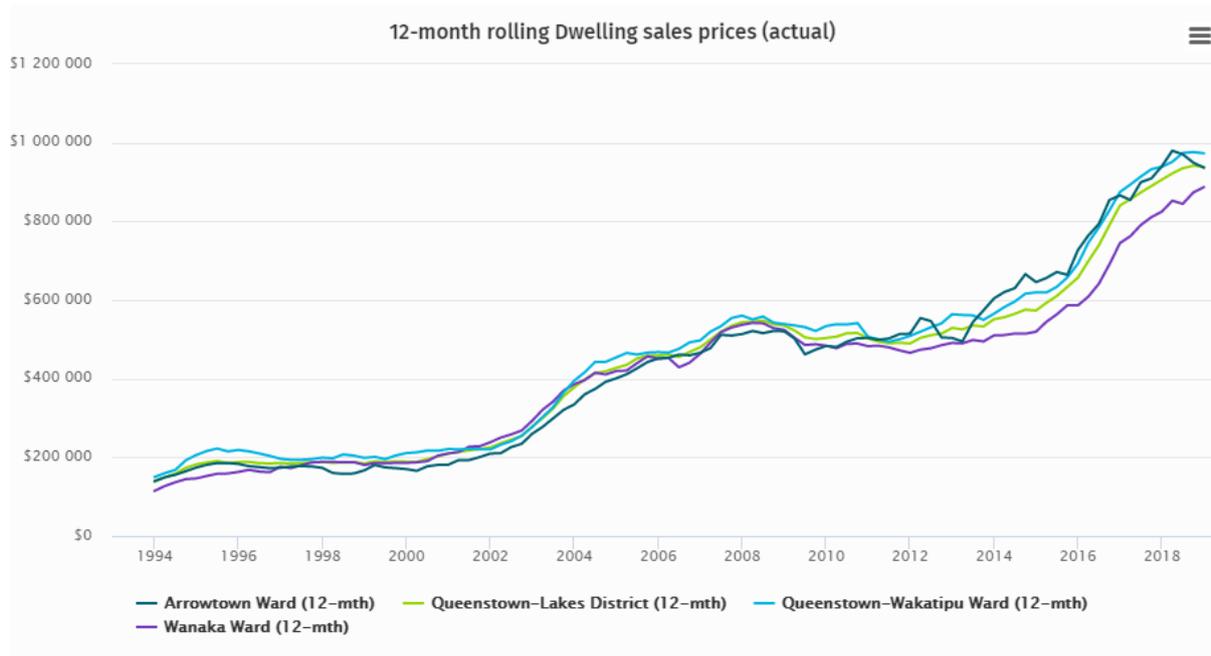
The next quarterly report (December 2018) will provide a more detailed update of these local indicators.

¹ The first Quarterly Monitoring Report was June 2017.

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:

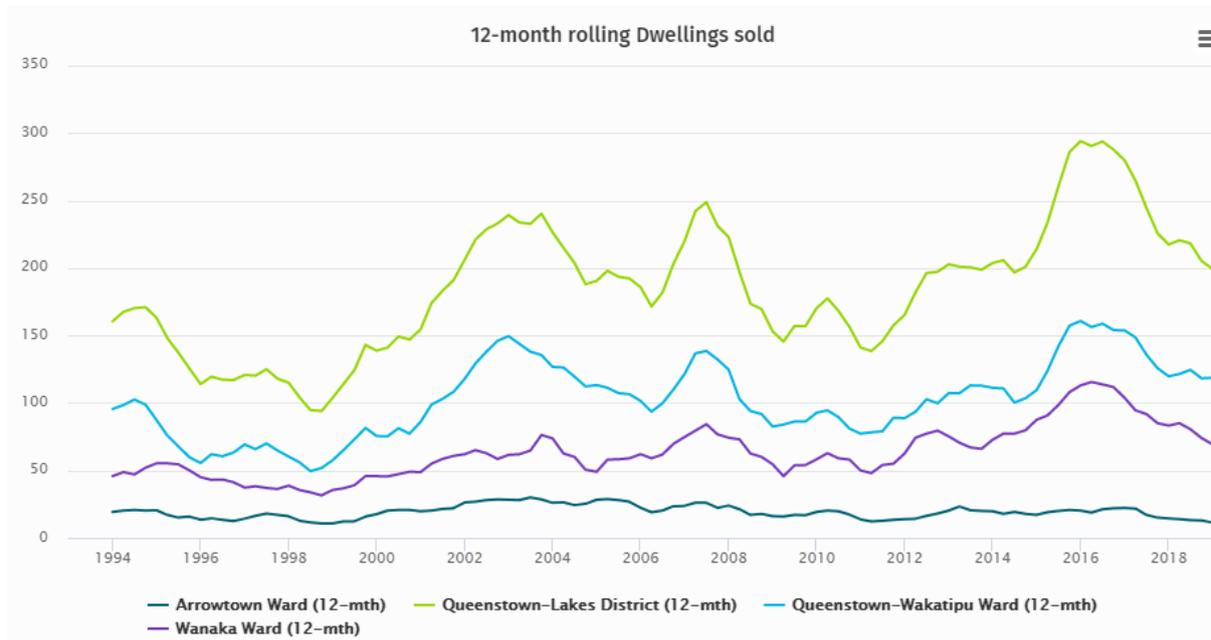
- In the year ending September 2018, the medium house price for QLD was \$941,503 compared to the \$934,940 in June 2018
- This is an increase of 0.7% (\$6,563) above the previous quarter (YE June 2018) and a 5.50% (\$51,784) increase compared to the same time a year ago (\$889,719 - YE Sept 2017).
- Medium dwelling prices are highest in the Queenstown Ward (\$975,938) YE September 2018 and lowest in the Wanaka Ward (\$873,375).
- Over the last 12 months, prices have increased strongly in Wanaka (7.76%) which is higher than both Queenstown and Arrowtown, which have increased at 4.66% and 4.41% respectively.
- Rates of increase in Arrowtown and Queenstown has slowed when compared to the previous 12 month, with Arrowtown having a 4.41% increase in Sept 2017 – Sept 2018 compared to the previous June 2017 – June 2018 7.88% increase. Queenstown has an increase of 4.66% increase for Sept 2017 – Sept 2018 compared to the 6.57% increase of June 2017 – June 2018.

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 Wakatipu Ward in recent years and although higher in the previous two quarters has dropped again. Recent data on average house prices (which differs from the median price reported in this indicator) shows the average current house value in QLD was up 5.2% in September 2018 compared with a year earlier. This means that the average price is growing at a faster rate than the median. Growth outperformed relative to the rest of NZ, where prices increased by 4.6%. The average house value was \$1,161,159 for QLD, which compares with \$676,427 across NZ (Corelogic Q3 Oct 2018 and infometrics 2018).

2.2 Dwellings Sold

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



Latest Results:

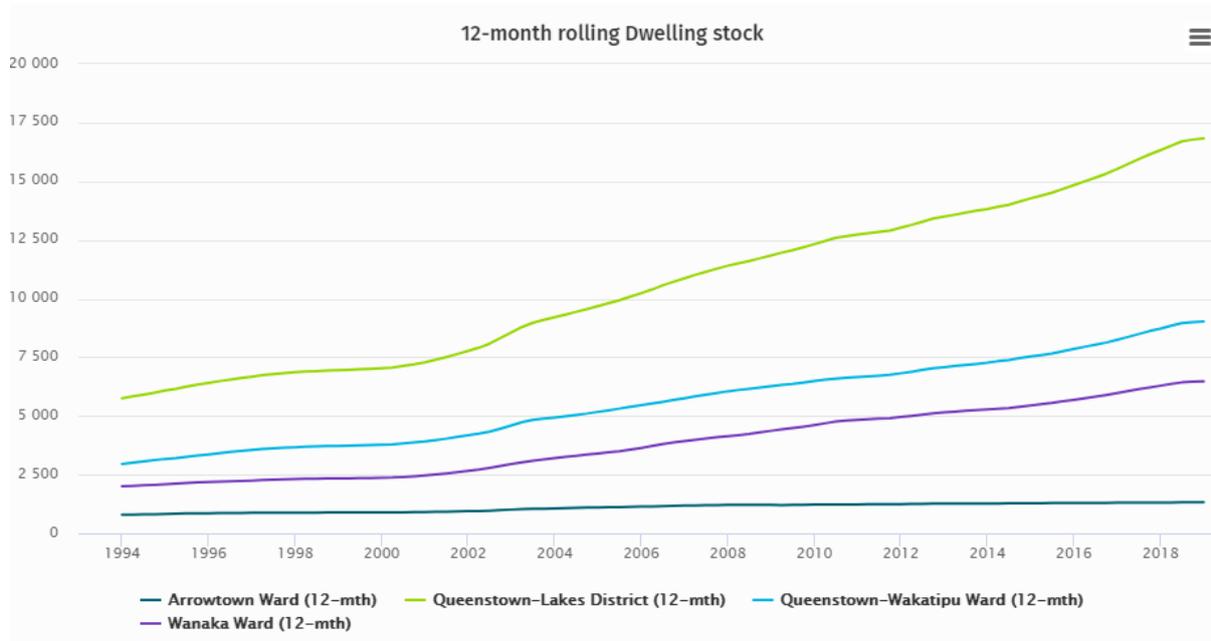
- In the year ending September 2018, the total number of dwellings sold in QLD was 205.
- This is an decrease of 6% (13 less dwellings sold) compared to the previous quarter (YE June 2018) and a 9.% decrease (21 less dwellings sold) compared to the same time a year ago.
- Over the last 12 months, the count of dwellings sold in Queenstown has decreased from 126 (YE September 2017) to 118 (YE September 2018) (down 6%). In Wanaka, the count has decreased from 85 to 74 (down 13%) and Arrowtown has decreased from 15 to 13 (down 13%).

Commentary:

The number of dwellings sold in the Queenstown and Wanaka Wards is continuing its decline 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 September 2017 and YE September 2018 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:

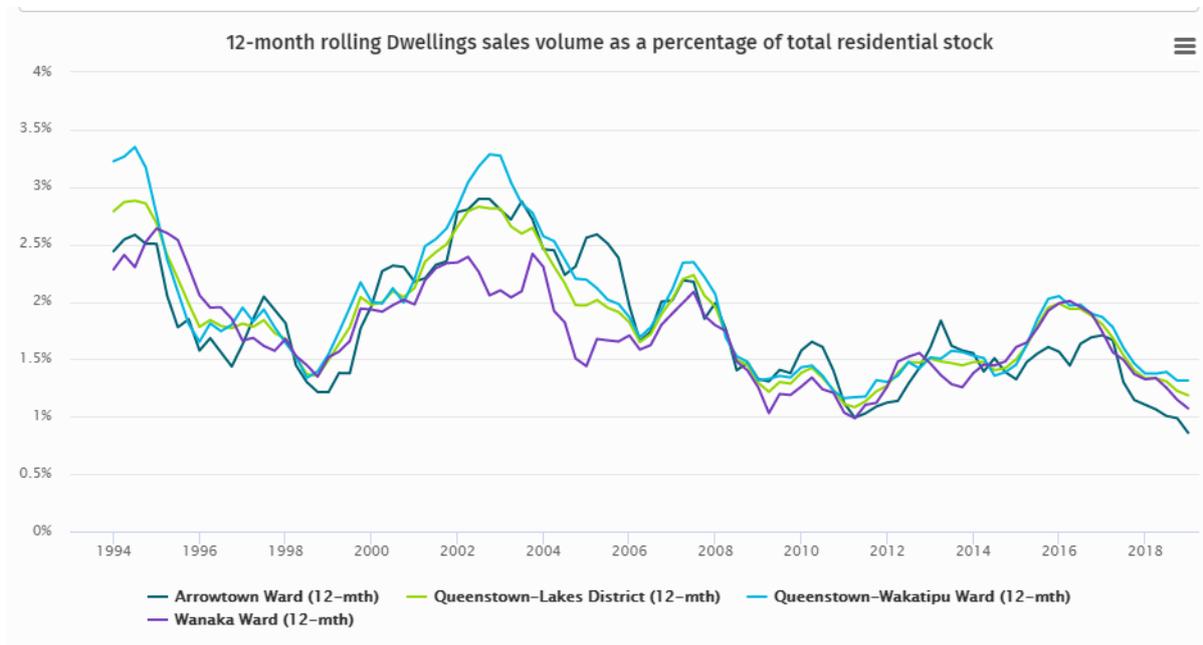
- In the year ending September 2018, the total number dwellings in QLD was 16,776.
- This is an increase of 0.47% (79 more dwellings) compared to the previous quarter (YE June 2018) and a 3.9% increase (634 more dwellings) compared to the same time a year ago.
- Over the last 12 months, the count of dwellings in Queenstown has increased from 8,616 (YE September 2017) to 9,001 (YE September 2018) (up 4.5% or 385 additional dwellings). In Wanaka, the count has increased from 6,215 to 6,457 (up 3.9% or 242) and Arrowtown has increased by 7 dwellings (0.5%) to reach 1,318.

Commentary:

The increase in the average sales price, the availability of land and the 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 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 8% respectively. 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:

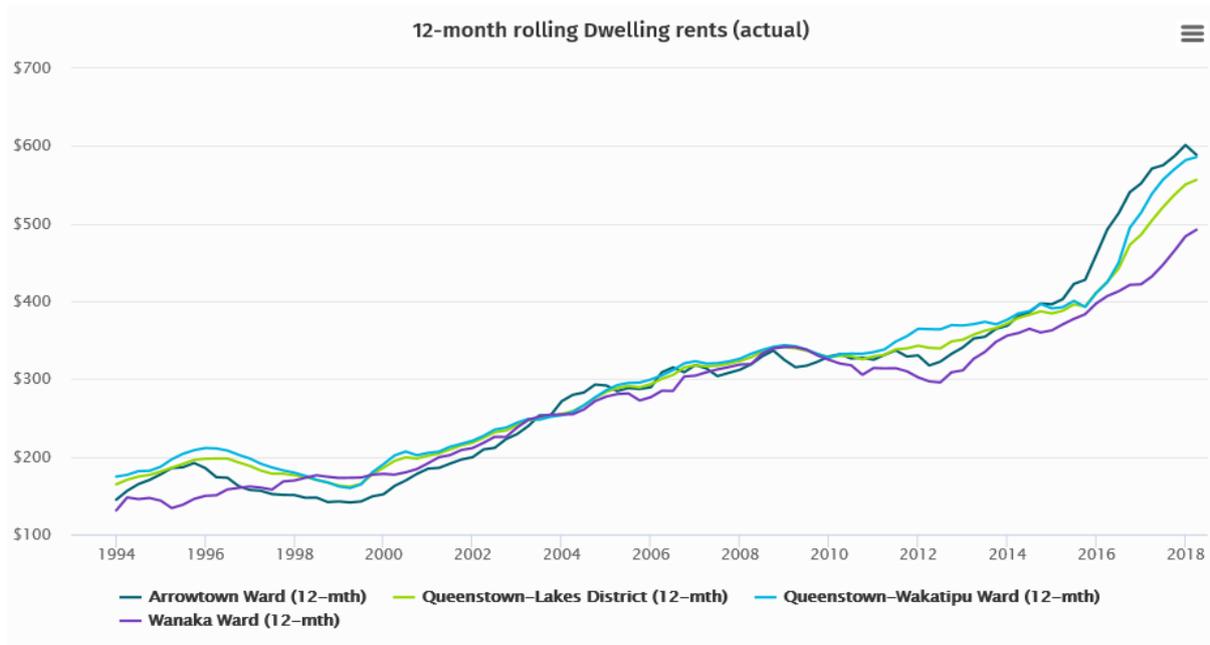
- In the year ending September 2018, the total number dwellings sold in QLD as a share of the dwelling stock was 1.224%.
- This is down on the previous quarter (YE June 2018) of 1.306%. The same time a year ago (YE September 2018), the percentage share was higher again on 1.402%. This is part of a continuous row of decline (i.e. since the last peak December 2015).
- The latest figures for Wanaka and Queenstown are very similar to the district overall (1.147% and 1.314% respectively). Arrowtown continues recent trends of a lower share of dwellings bought and sold (0.987% - YE September 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 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 (September 2018). 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 \$576 (YE September 2018). This is up \$7 per week (1%) compared to the previous quarter (YE June 2018). Compared to the same time 12 months ago (YE September 2017), average weekly rent has increased by \$47 or 8.88%.
- Rent in Wanaka is below the district average at \$520 per week. This has increased by \$64 compared to the same time a year ago (YE September 2017) and has shown the fastest rate of increase over that period (14%), followed closely by Arrowtown (up 13% or \$74 compared to the change in Queenstown (up 6% or \$32)
- Average rent in Queenstown currently sits at \$604 and is higher in Arrowtown at \$654 per week.

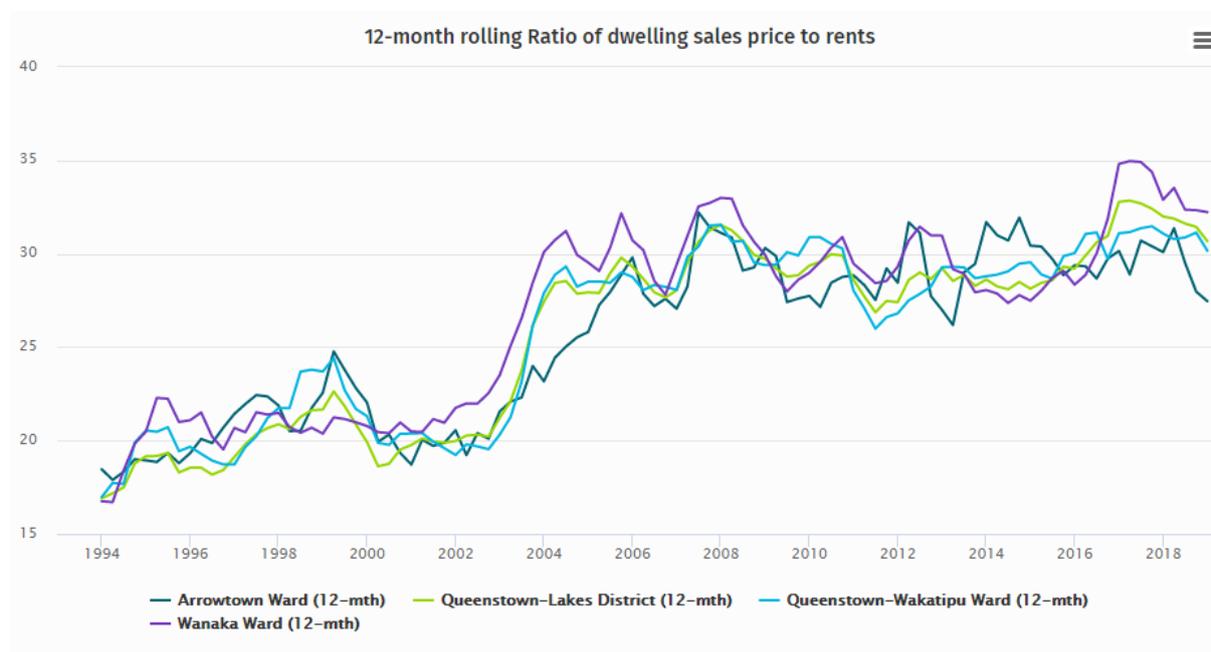
Commentary:

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. Whilst rents reduced fractionally in Arrowtown in the March 2018 quarter, it jumped 4% over each of the

next two quarters and remains the most expensive in the QLD at \$654 per week. The average rate of increase in Queenstown is a steady 1% since March 2017, whilst Wanaka is still steadily rising and is sitting at an average of a 4% increase over each quarter (YE March 2017 – September 2018)

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 27.973 (decreasing from the previous quarter (YE June 2018) where it was 29.514. Compared to the same time a year ago (YE September 2017), the average ratio is steadily decreasing (from 30.400) (that is, the gap between renting and buying is lessening).
- Wanaka remains the hardest place to transition from renting to home ownership. The current ratio is 32.334 (YE September 2018). The gap between renting and buying is decreasing in Arrowtown and has dropped by 2.47 when compared to 12 months ago (YE September 2018) and has the lowest price to rent ratio in the District

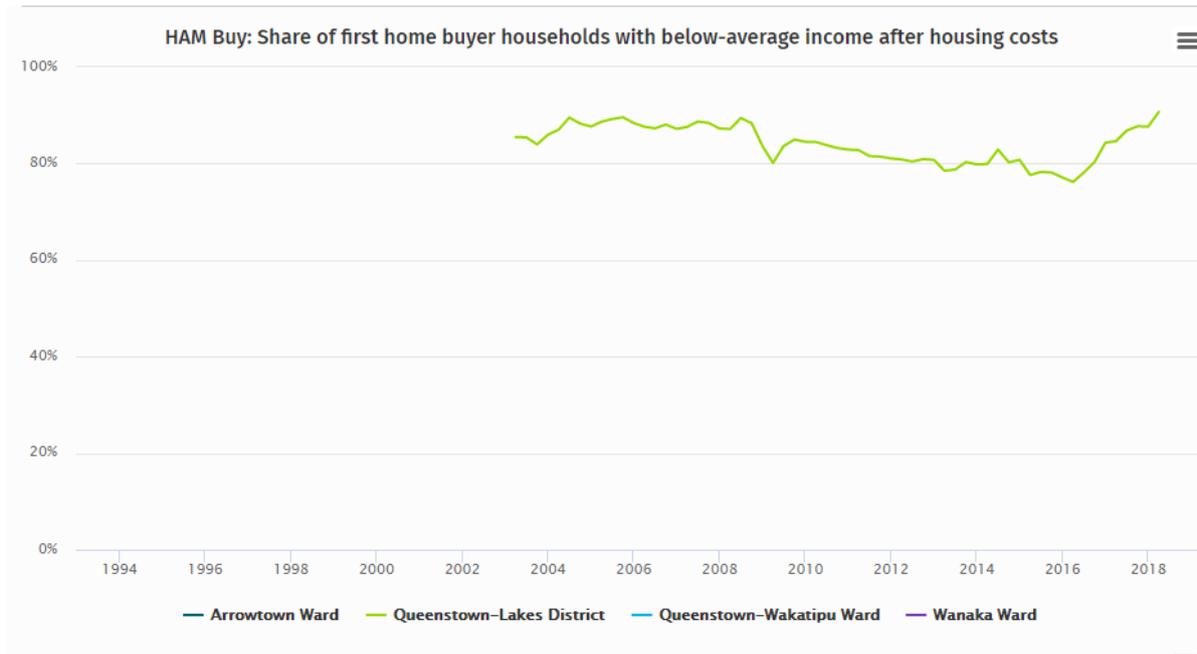
Commentary:

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. Notwithstanding this limitation, the recent decline for the

district overall 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 September 2017).

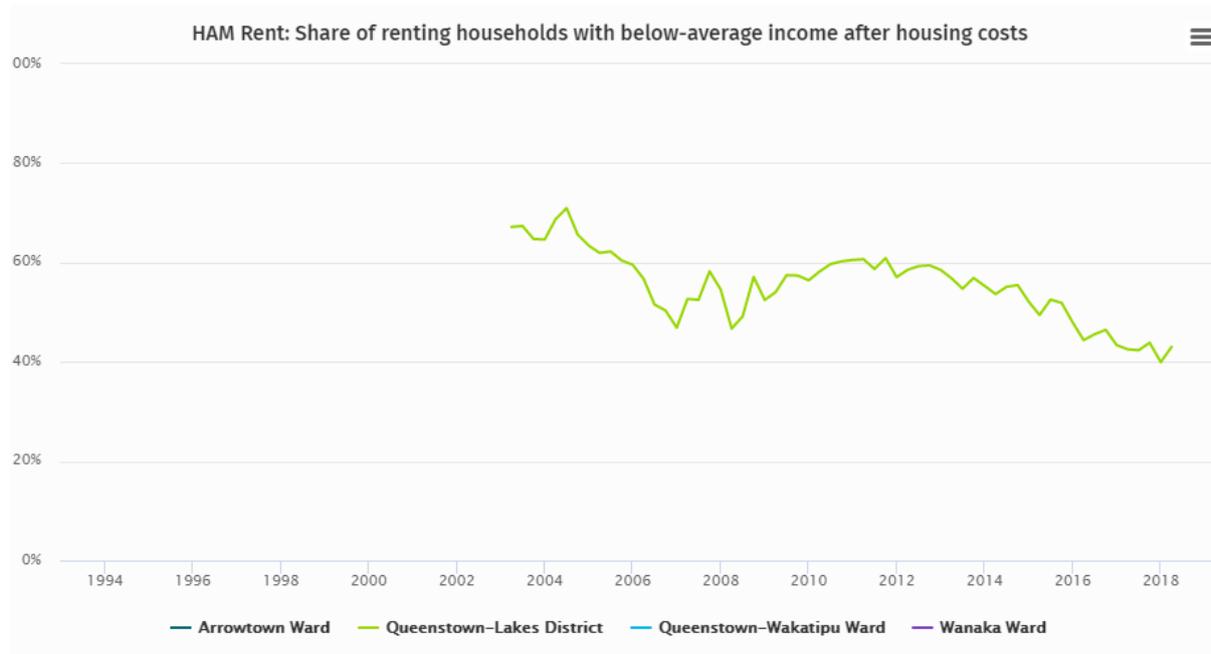
- The latest data shows that on average across QLD, 88% of first home buyer households would have a below average income after paying for housing costs.
- This percentage share has risen in the last quarter by 2.59 percentage points.
- Compared to the same time a year ago (YE September 2016), the percentage has risen by 7 percentage points (from 80.33%).

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 significant hospitality sector. There has been variability in this indicator over the time series with frequent ups and downs, previously there was a generally improving trend evident for first home buyer affordability since 2005. However there is now a reason for concern regarding the rises in this indicator as the incremental increases are bad news for first home buyers when affordability for first home buyers was already very low across QLD.

2.8 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 September 2017).

- The latest data shows that on average across QLD, 43.86% of renting households would have a below average income after paying for housing costs.
- This percentage share has increased in the last quarter by 1.53 percentage points (from 42.86% - the lowest level since the time series began in March 2003).
- Compared to the same time a year ago (YE September 2016), the percentage has fallen by 2.59 percentage points (from 46.45%).

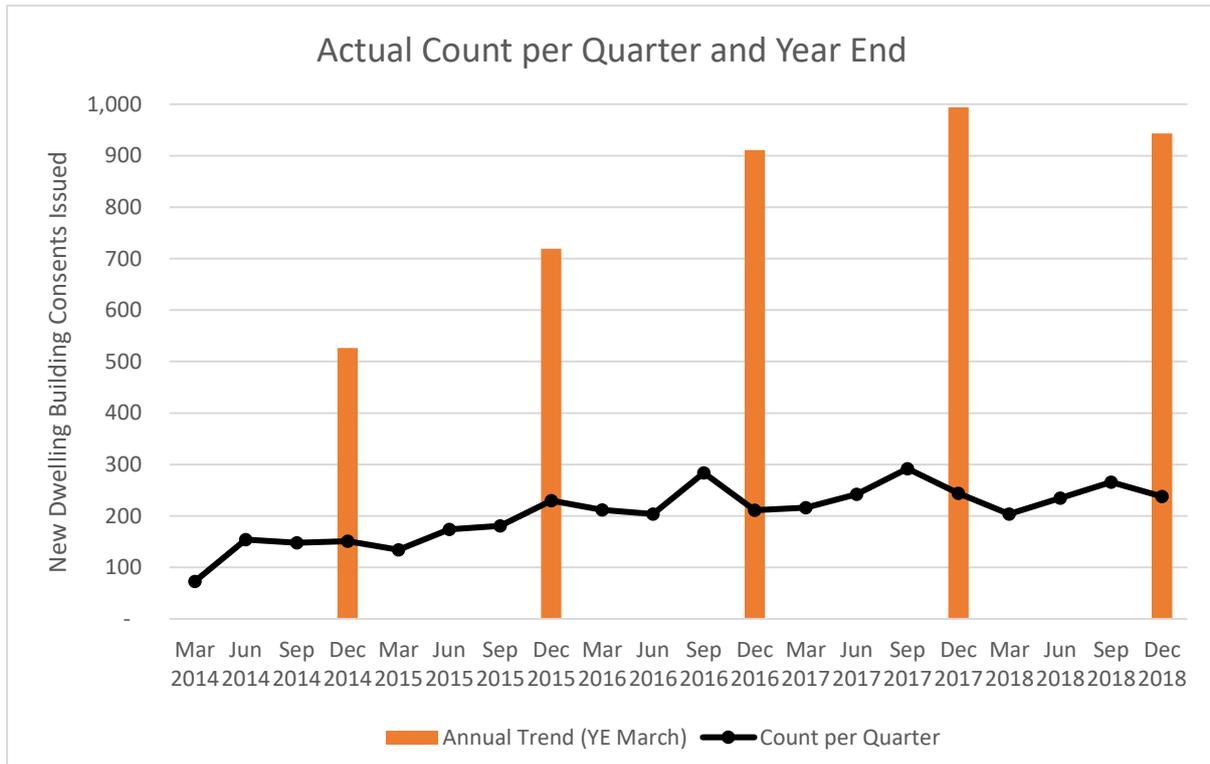
Commentary:

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 2018. 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

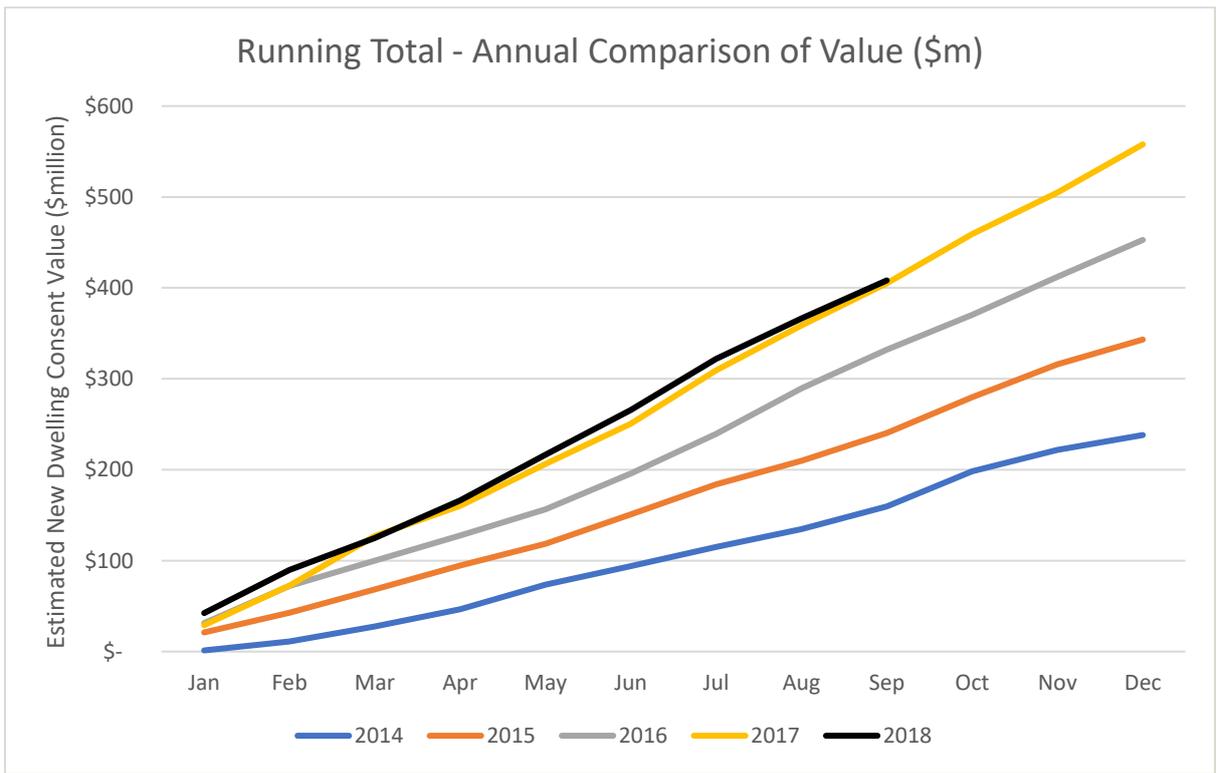
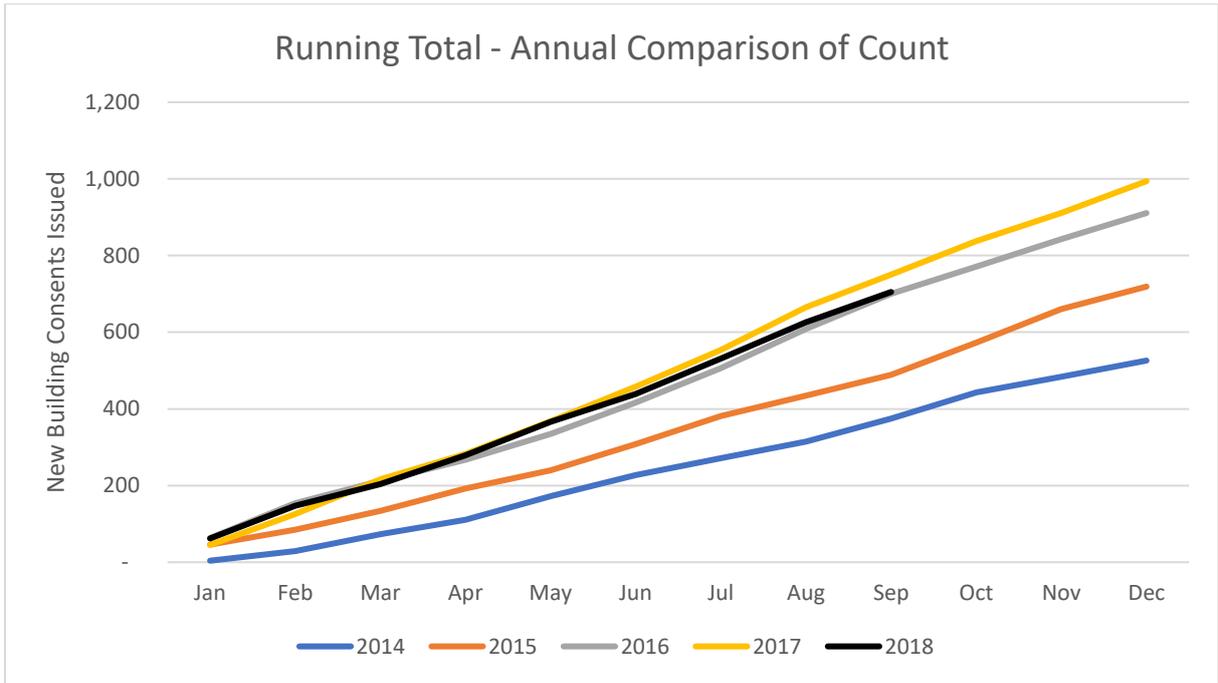
3.1 New Dwelling Consents Issued

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 266 new dwelling consents issued in the September 2018 quarter. This is 31 more consents issued compared to the June 2018 quarter (13%).
- This is slightly down on the same quarter a year ago (September 2017) where there were 292 dwelling consents issued.
- Over the last 12 months (YE September 2018), there have been a total of 949 new dwelling consents issued. This is a decrease of 12 consents (-1.25%) compared to the previous year (961 in YE September 2017).
- In terms of the estimated value of new dwelling consents, the total value in the September 2018 quarter was approximately \$408m, slightly above the equivalent quarter in 2017 (\$405m) and well above the same quarter in previous years.
- The average value of new dwelling consents issued in September 2018 was \$536,006. This was approximately \$5,782 higher than in September 2017 (up 1%) although 11% less than the average in the previous quarter (June 2018).

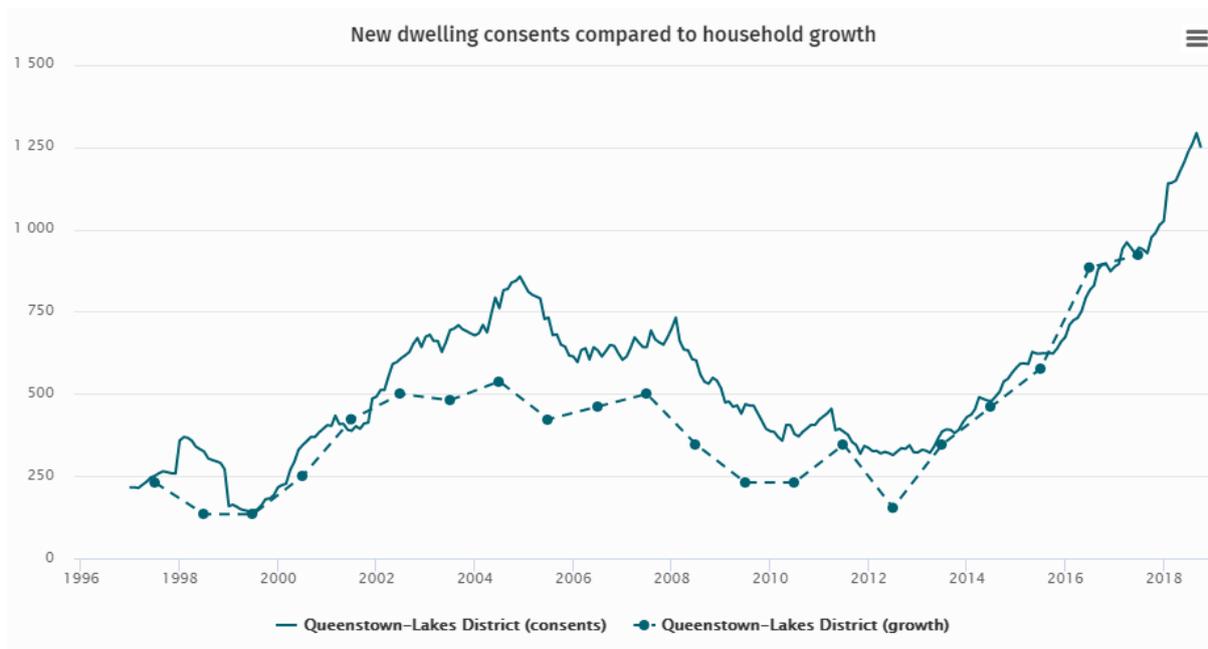


Commentary:

The count and value of dwelling consents got off to a good start in 2018 (above the count in early 2017). However, by September, the running total is lower than the count of the previous year, however annual comparison of Value is the same, indicating higher value consents.

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:

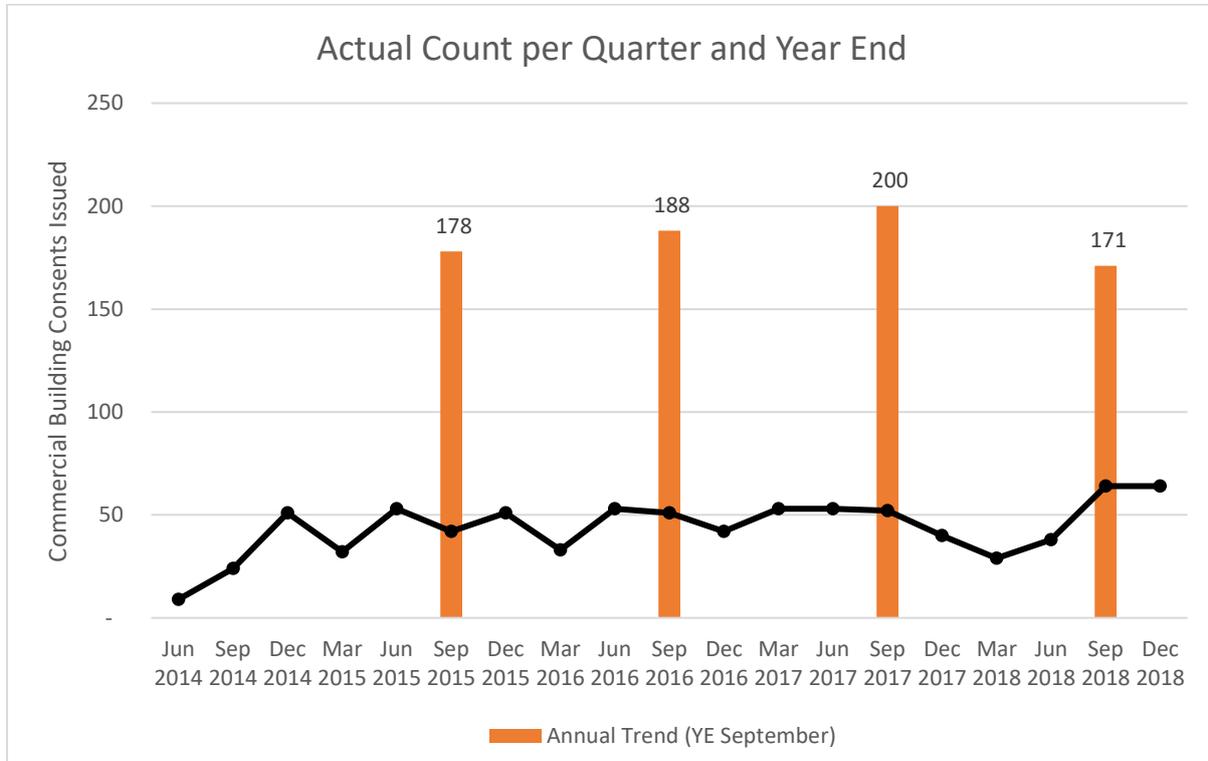
- This indicator contains new dwelling consents up to September 2018 and estimated household growth up to June 2017. Due to built in lags, care is needed when comparing new dwelling consent data with the previous indicator.
- The results show a steep increase in dwelling supply since August 2017.
- Annual growth in supply is well and truly at an all-time high and has been generally climbing steadily since 2013.

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 (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).

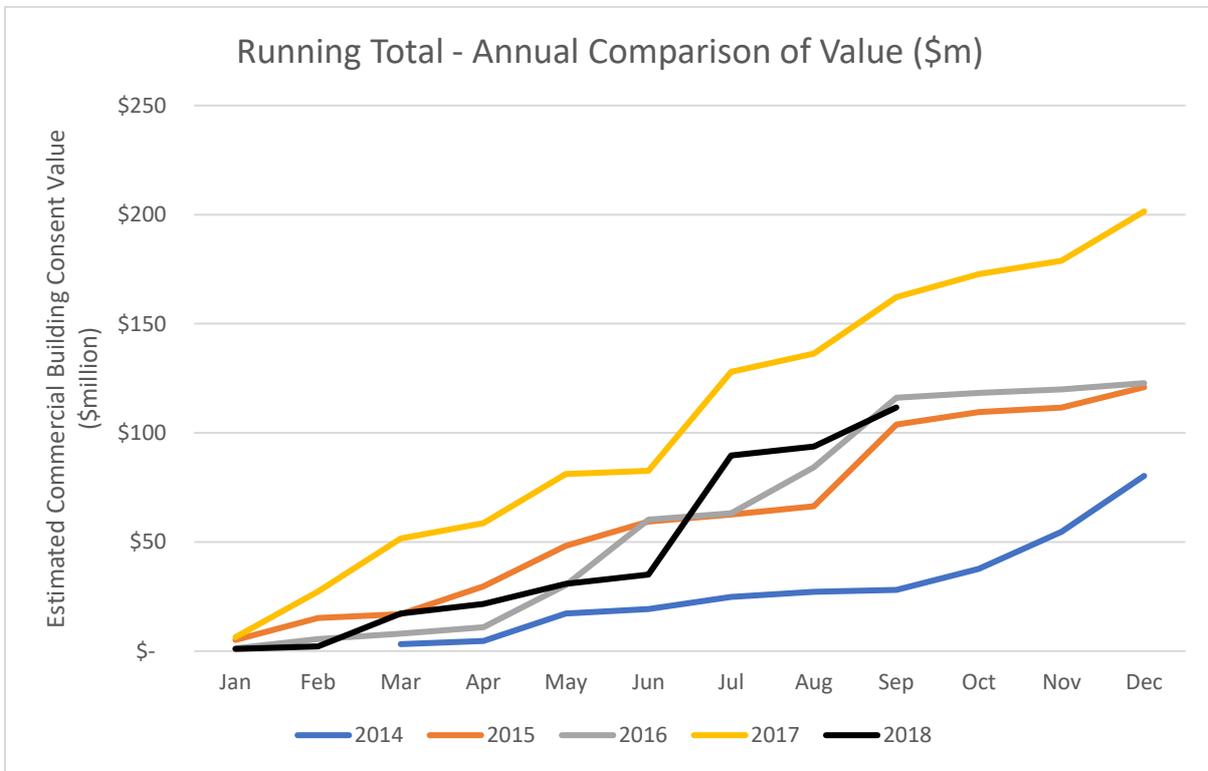
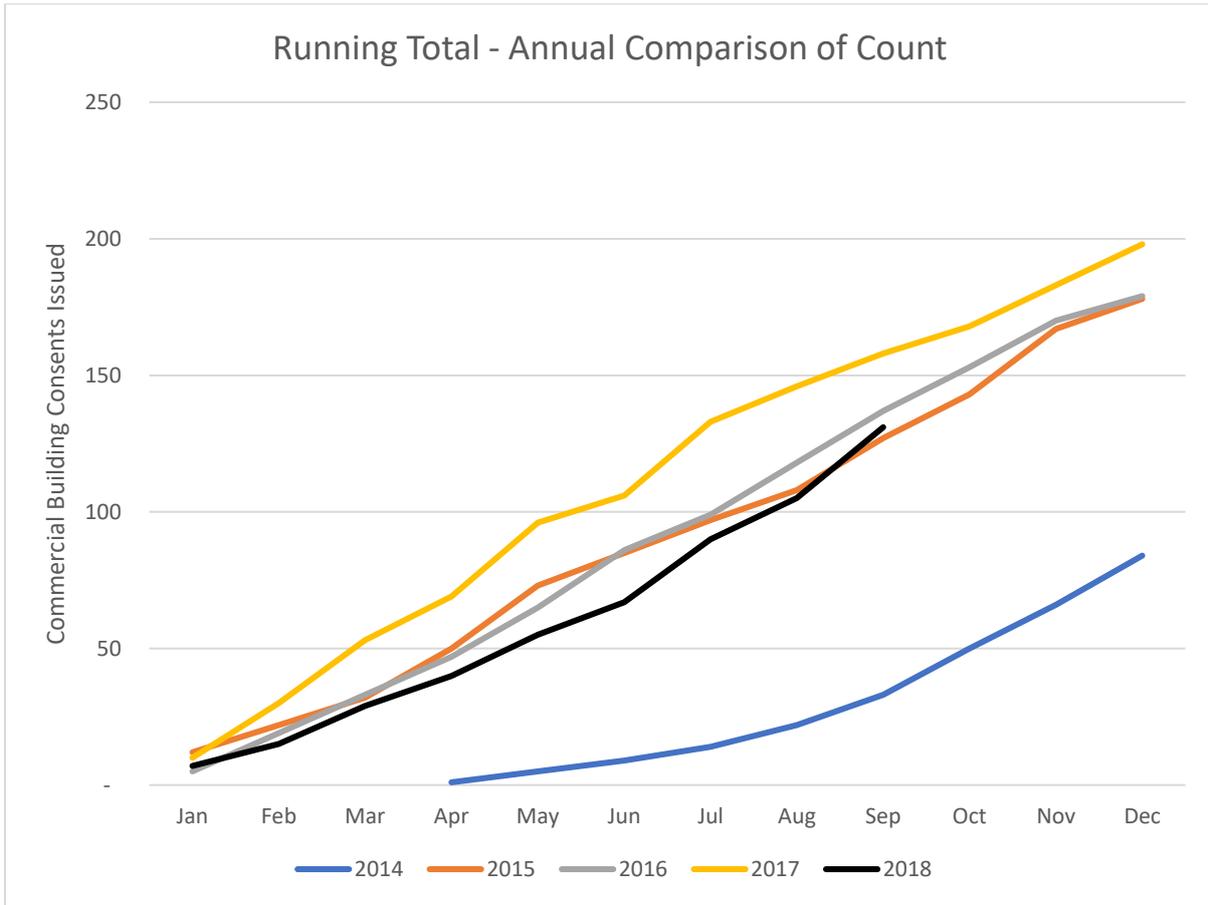
3.3 Commercial Building Consents Issued

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 64 commercial building consents issued in the September 2018 quarter. This is 26 more consents issued compared to the June 2018 quarter (68%).
- This is also up on the same quarter a year ago (September 2017) where there were 52 commercial building consents issued.
- Over the last 12 months (YE September 2018), there have been a total of 171 commercial building consents issued. This is a decrease of 29 consents (-15%) compared to the previous year (200 in YE September 2017).
- In terms of the estimated value of commercial building consents, the total value in the September 2018 quarter was approximately \$112m, significantly less than the equivalent quarter in 2017 (\$162m) although not dissimilar to the equivalent quarter in 2016 (\$116m).
- The average value of commercial building consents issued in the September 2018 quarter was \$1,196,207. This was approximately \$336,423 lower than in the September 2017 quarter (down 22%). It was also roughly \$728,090 more than the average value in the previous quarter (June 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. So far in 2018, both the count and value of commercial consents issued is low compared to 2017. It is too soon to tell if 2017 was just a particular busy year for commercial consents or if there will be new waves/stages of commercial development reaching consent stage later in 2018 (For example, Three Parks, Frankton Flats or Remarkables Park) that might see cumulative growth rise to levels seen the previous year.