



QUEENSTOWN
LAKES DISTRICT
COUNCIL

Quarterly Monitoring Report

National Policy Statement on Urban
Development Capacity

September 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 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 at pdpenquiries@qldc.govt.nz.

1 Executive Summary

This is a Quarterly Monitoring Report¹ prepared under the National Policy Statement on Urban Development Capacity 2016 (NPS-UDC)². 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).

To understand how the market is functioning, how planning affects the market, 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 2020 Quarterly Monitoring Report provides the latest detailed overview of key trends and indicators in QLD.

¹ The first Quarterly Monitoring Report was June 2017

² The National Policy Statement on Urban Development 2020 (NPS UD) came into effect on the 20 August 2020, replacing the National Policy Statement on Urban Development Capacity 2016 (NPS UDC). However, as the data is for the previous three months, it is still relevant to assess under the NPS UDC.

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 2020, the median house price for QLD was \$968,750 compared to \$962,000 in September 2019, an increase of 1%.
- There was a decrease of 4.16% from the previous quarter median house value of \$1,010,750 (June 2020).
- Median dwelling prices are highest in the Arrowtown Ward (\$1,298,250) and lowest in the Wanaka Ward (\$967,500) in the September 2020 quarter.
- Over the last 12 months, the percentage change in prices have been seen most strongly in Arrowtown, up 21%. Wanaka is up 8%. In contrast, the Queenstown Wakatipu ward is down 4%.

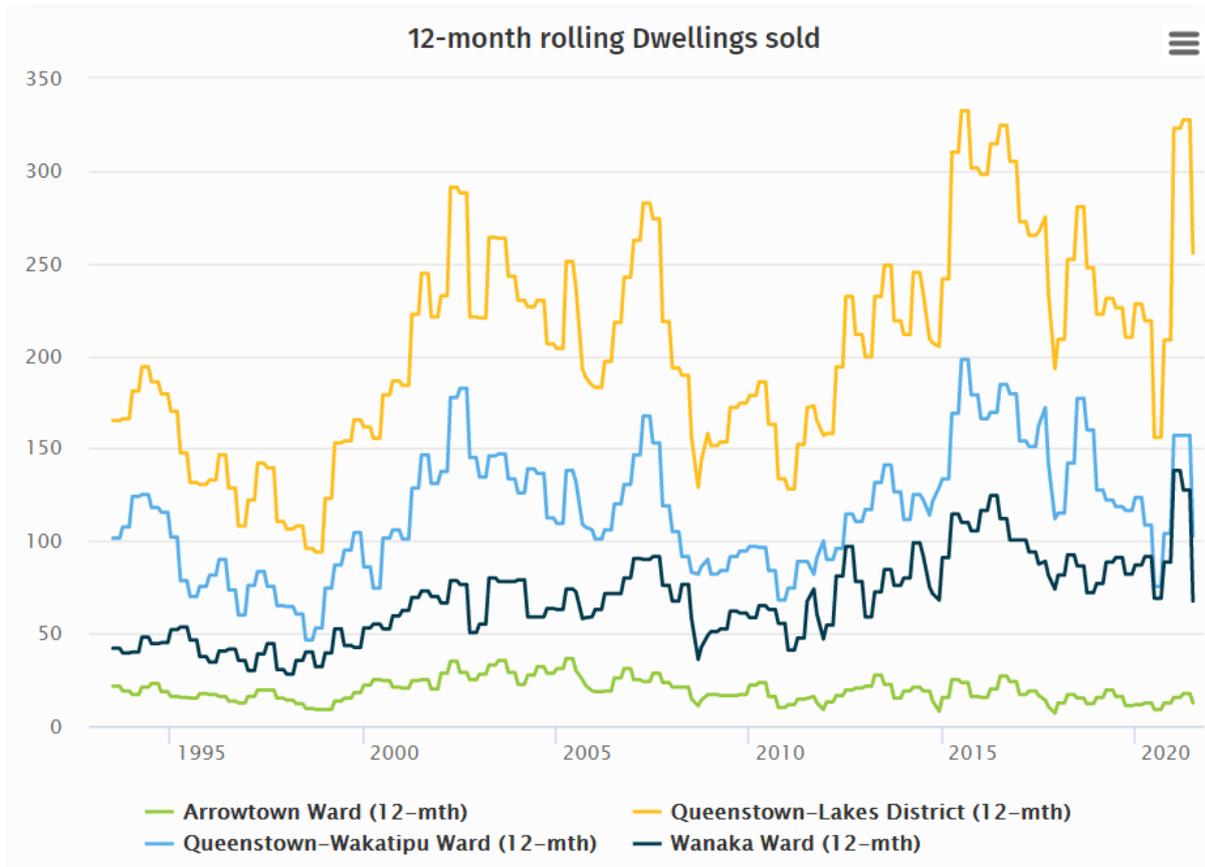
Commentary:

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, however this quarter is showing the median house price in Wānaka is now slightly higher than the Queenstown Wakatipu ward in both median value and percent growth.

Median prices in the small Arrowtown Ward continue to be the highest in the district in this quarter in both value and percent gain on the year prior.

2.2 Dwellings Sold

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

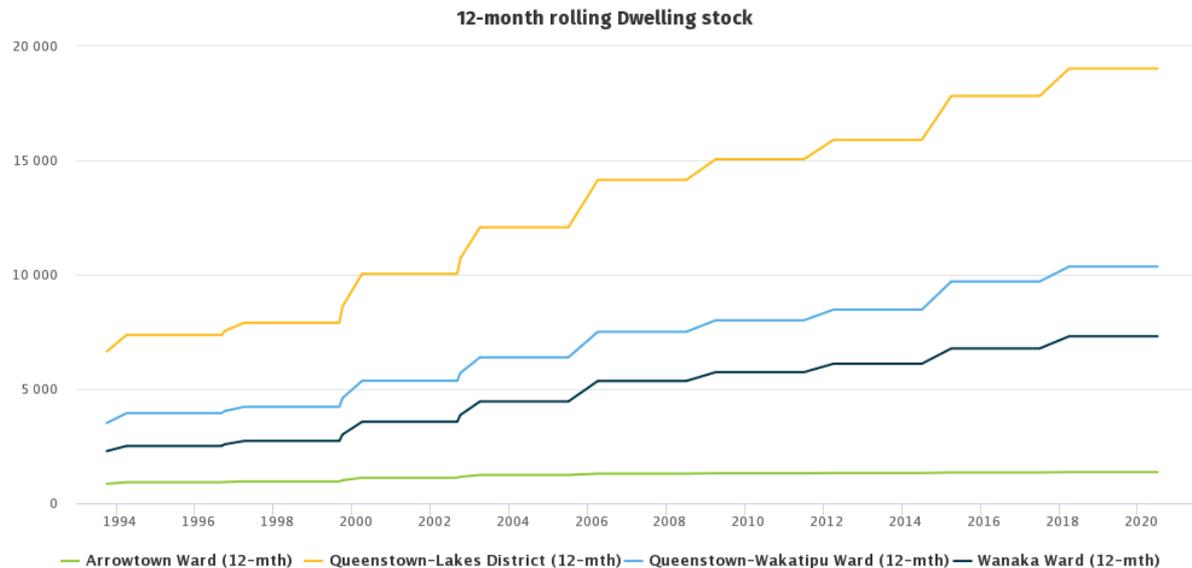


Latest Results:

- In the year ending September 2020, the total number of dwellings sold in QLD was 813.
- For the September 2020 quarter, the total number of dwellings sold in QLD was 156.
- There was a decrease of 63 dwellings sold (-29%) compared to the previous quarter (June 20) and a 31% decrease in total dwelling sales compared to the same time a year ago.
- Overall, the number of dwellings sold in each ward was significantly less than the year prior. Arrowtown demonstrated the least activity with only 9 sales, down from 16 sales dwellings sold in the Sept 19 quarter.

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 and is only updated periodically by the government (presently every three years – the last update was in June 2020).



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)

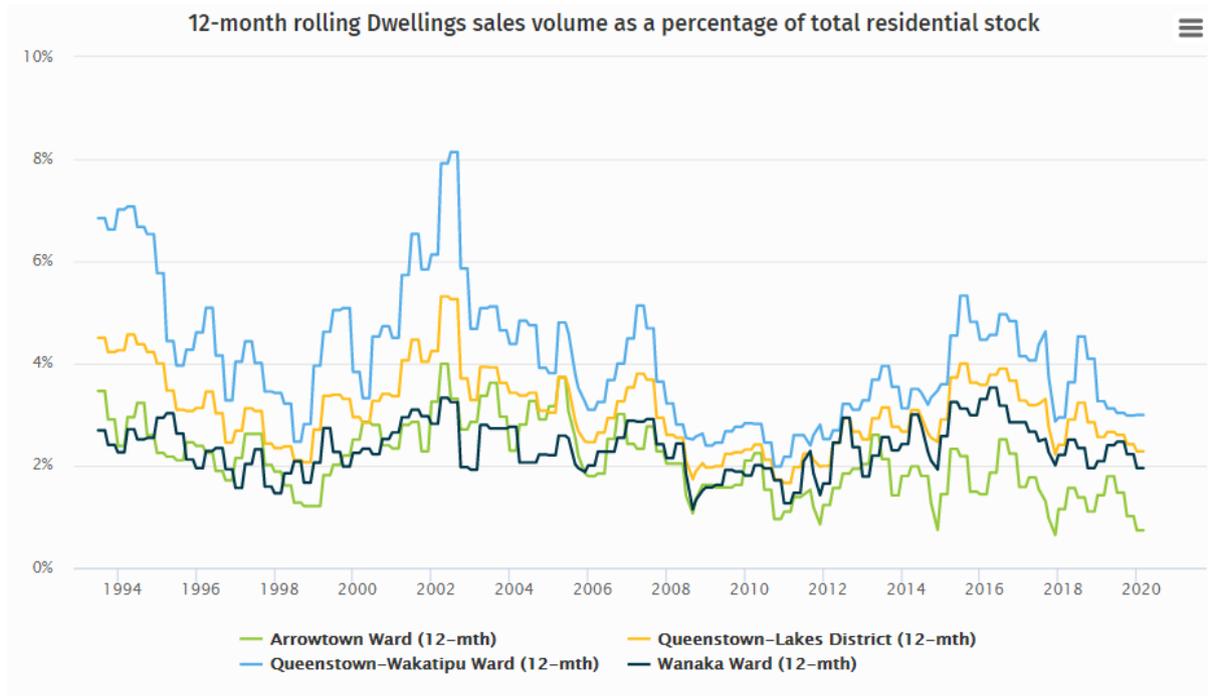
- The last year of change data was in 2017, the next year of change data will be March 2021.
- Given that change data is only available every third year, raw data has been accessed from the Ministry Housing and Urban Development (HUD) for the number of properties at a District level.
- As per the data from HUD, in the year ending Sept 2020, housing stock totalled 22,204, this is an increase of 729 dwellings since Sept 2019 (3.39%) (21,475).
- This is more than the increase of housing stock between Sept 2018 and Sept 2019, which had an increase of 643 new dwellings.

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 7.0% 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:

- There are no results past June 2020, however as can be seen from the graph, the total number of dwellings sold in QLD as a share of the dwelling stock has been steadily decreasing since September 2018.

Commentary:

This indicator shows a similar trend to the dwellings sold indicator in section 2.2, with a declining ratio of dwellings sold relative to total dwelling stock. That is, a declining share from the last peak in early 2016. 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, as well as private rentals which do not use government tenancy services (the quanta of which is unknown).



Latest Results:

- Across all locations weekly rent has decreased compared to the previous quarter, and year. The average weekly dwelling rent in QLD currently stands at \$523 (YE September 2020). This is down \$25 per week compared to the previous quarter (YE June 2020). Compared to the same time 12 months ago (YE September 2019), average weekly rent has decreased by \$36 or 6.4%.
- Rent in Wanaka is \$495 per week and is below the district average of \$523 per week.
- Average rent in Queenstown is the highest in the district at \$540, and has also dropped the most significantly compared to a year prior, down 7.2% or \$42.

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:

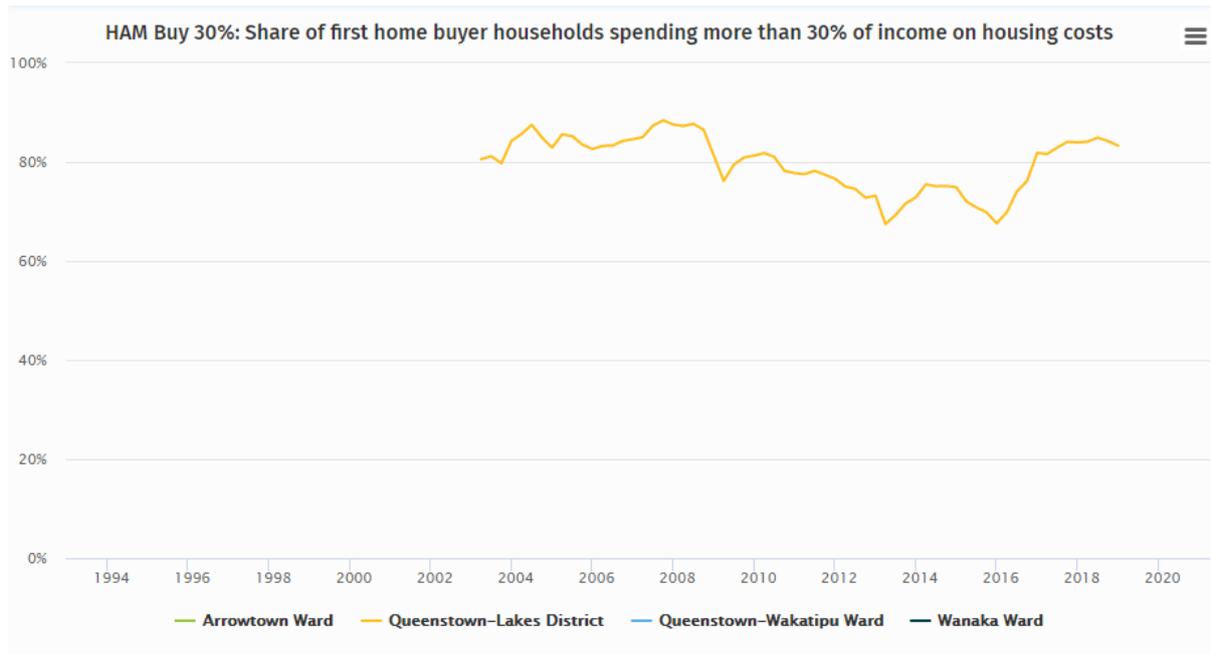
- The QLD current price to rent ratio is approximately 34. Compared to the same time a year ago the average ratio is steadily increasing (from approximately 29). This means that the gap between rental and home ownership is increasing.
- The gap between renting and buying is significant in Arrowtown ward (37), though it has been volatile over the last three years, showing perhaps that the overall number of units in the ward are less, making this data set more sensitive to fluctuation.

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 (not including Arrowtown which shows a significant decline). 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 three year plus lag in this indicator - current data is for March 2018).

Given the lack of data since March 2018, as an alternative, the infometrics data portal for housing affordability and mortgage as a proportion of income has been used³.

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About this alternative indicator: Affordability can be measured by comparing average current house values with mean household income. A higher ratio (above 30%), suggests that median houses cost a greater multiple of typical incomes, which indicates lower housing affordability. 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.

³ https://ecoprofile.infometrics.co.nz/queenstown-lakes%2bdistrict/StandardOfLiving/Housing_Affordability



Latest Results:

- The mortgage affordability index for 2020 is 51% and has decreased 2.5% compared to 2019.
- Overtime the affordability of mortgages as a proportion of income generally falling from a high point in 2009.
- 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 – 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.

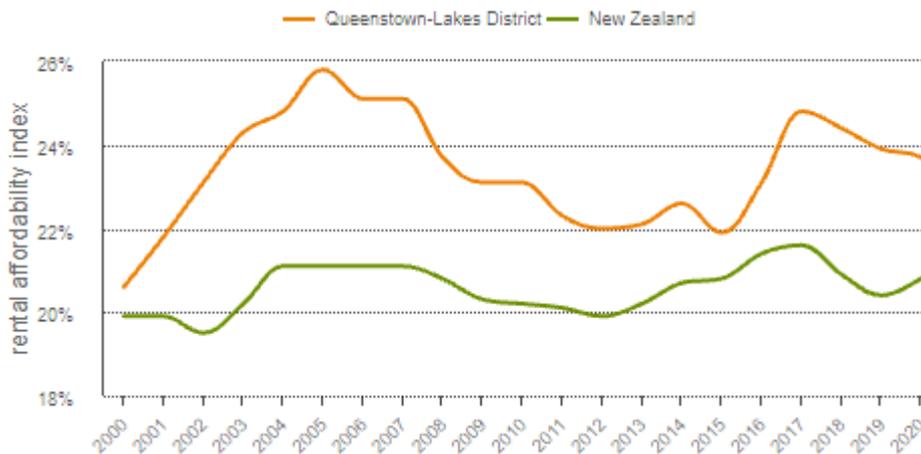
Given the lack of data since March 2018, as an alternative, the infometrics data portal for rental affordability has been used.

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About this alternative indicator: This indicator from Infometrics⁴ compares average weekly rents with average weekly household income resulting in rental affordability index. It is a less sophisticated measure of affordability than HAM, but is also a more simple measurement to

⁴ <https://ecoprofile.infometrics.co.nz/queenstown-lakes%2bdistrict/StandardOfLiving/RentalAffordability>

compute. This ratio shows 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 23.7% , which has decreased from 23.9% (0.2% points) from 2019.
- Over a longer period, the rental affordability is improving compared to previous years, particularly in 2017 when it was 24.8%.

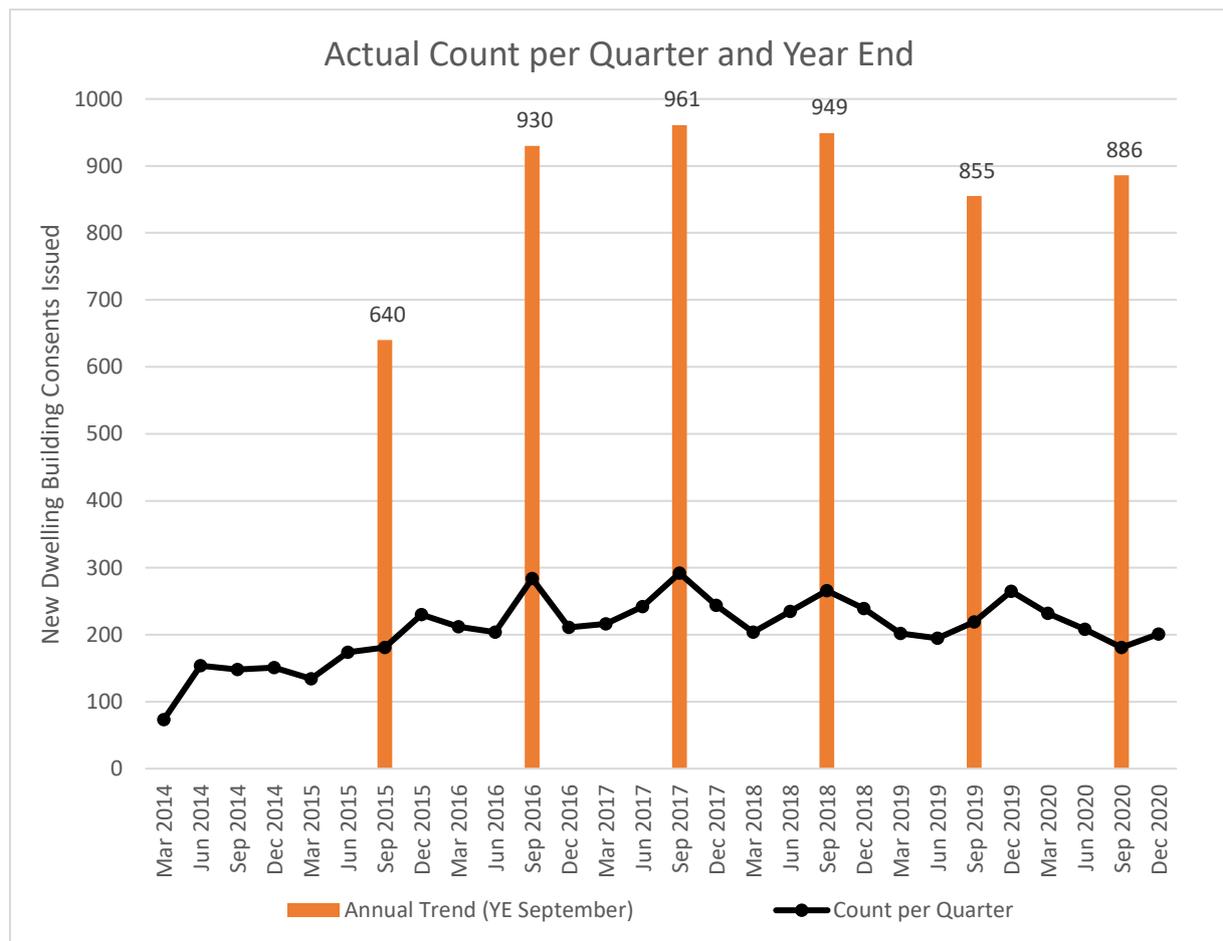
Commentary:

The data is consistently higher than the New Zealand average and consistently higher than Auckland (in comparison with incomes). And whilst the results are showing an improvement in rental affordability when compared to 2017 and 2003, the overall affordability in the district remains poor compared to New Zealand generally.

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.

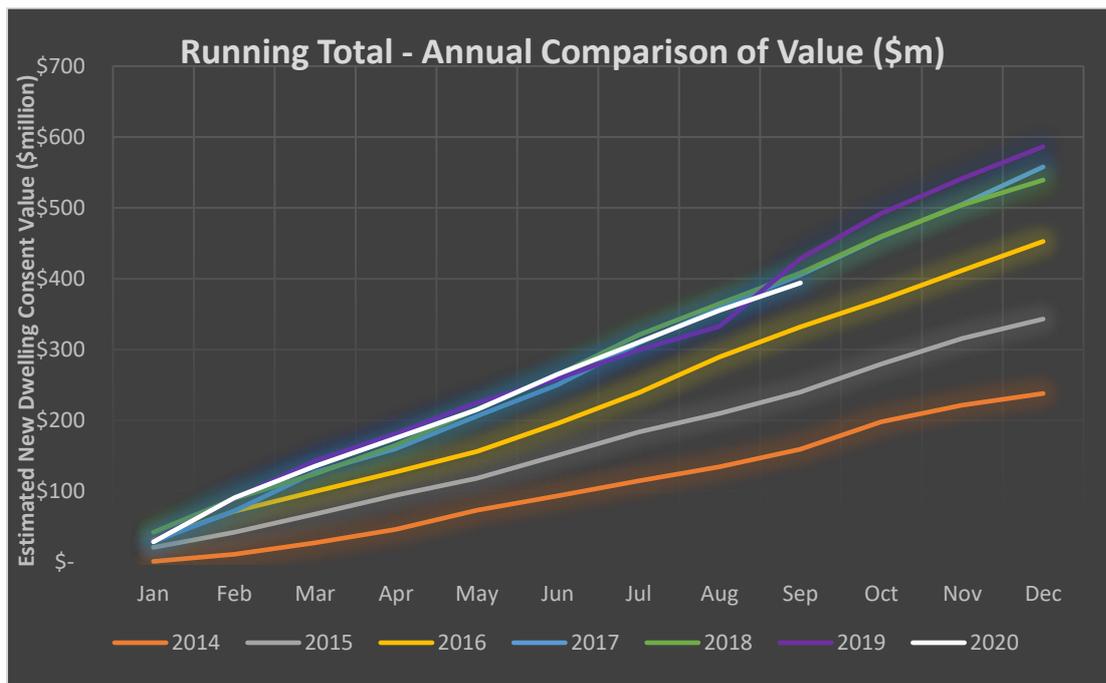
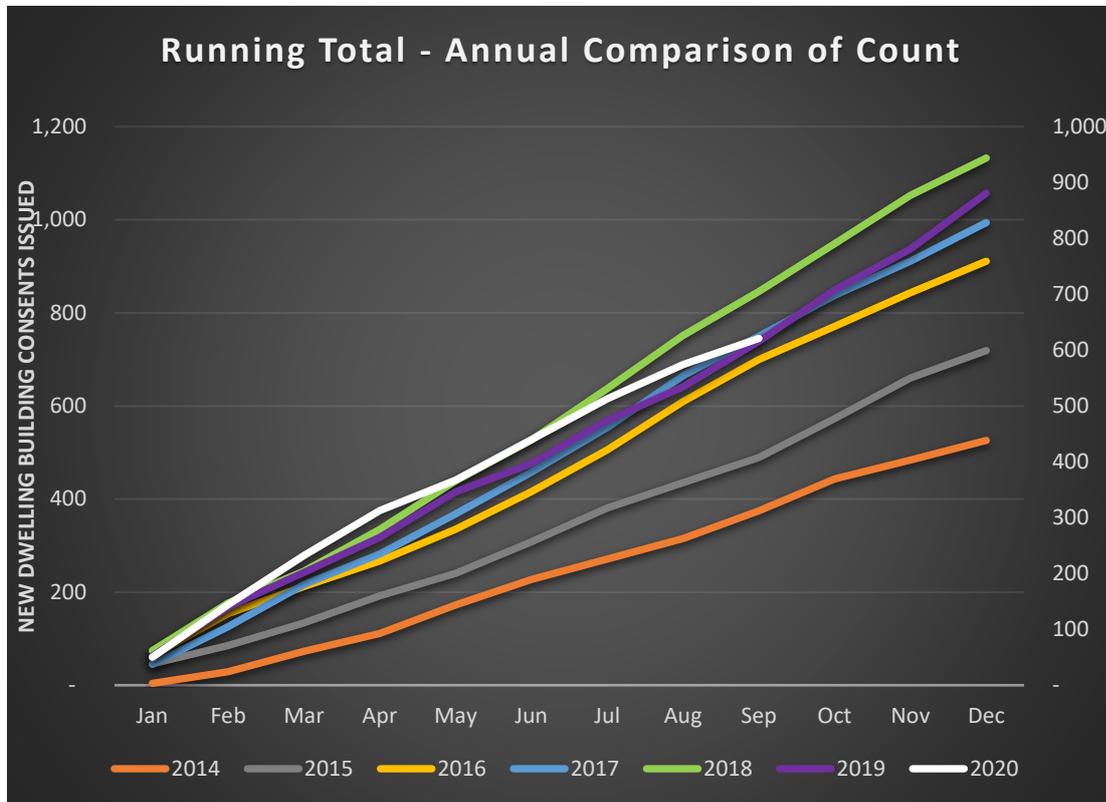


Latest Results:

- There were 181 new dwelling consents issued in the September 2020 quarter. This is 27 fewer consents issued compared to the June 2020 quarter (-13%).
- This is down on the same quarter a year ago (September 2019) where there were 219 dwelling consents issued.
- Over the last 12 months (YE September 2020), there have been a total of 886 new dwelling consents issued. This is an increase of 31 consents (-3%) compared to the previous year (855 in YE September 2019).
- In terms of the estimated value of new dwelling consents, the total value in the September 2020 quarter was approximately \$129m, down on the equivalent years quarter in 2019 (\$169m) as well as down on all quarters post 2015.

- The average value of a new dwelling in September 2020 was \$712,635. This is approximately \$90k higher than the previous quarter in June 2020 (18%) and approximately \$60k less (-8%) less than the previous year (September 2019).

New Dwelling Consents Issued and Values – annual comparisons

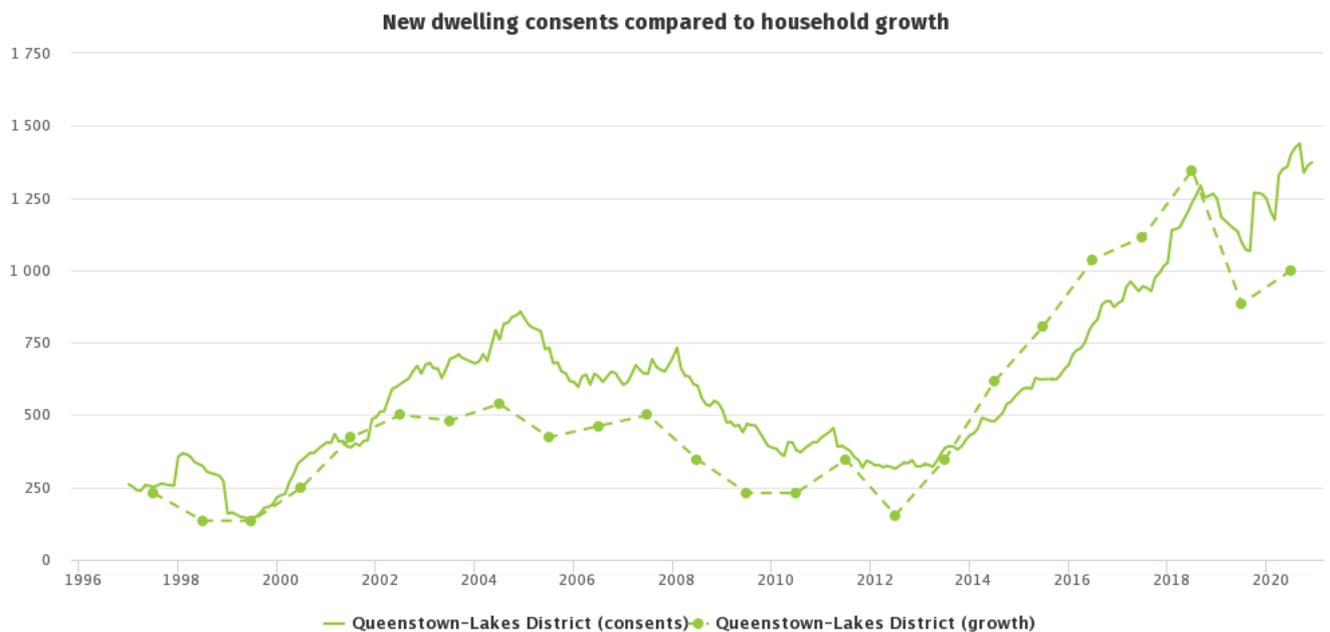


Commentary:

The count and value of dwelling consents got off to a similar start in 2020 compared to the count in early 2016 - 2019. Consent numbers are tracking similar to 2017 and 2019 but lower than 2018. Consent Values are following a similar trajectory to 2017 and 2018 but lower than 2019. This drop in the number of consents consented (and corresponding values) reflects a range of factors, which includes the direct impact of Covid-19 on plans to build, as well as any changes to how consents were lodged and processed by Councils during the lockdowns. There is also the uncertainty around the implications of Covid-19 on the future supply of homes⁵.

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 2020 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.

⁵ <https://www.stats.govt.nz/news/drop-in-number-of-new-homes-consented>

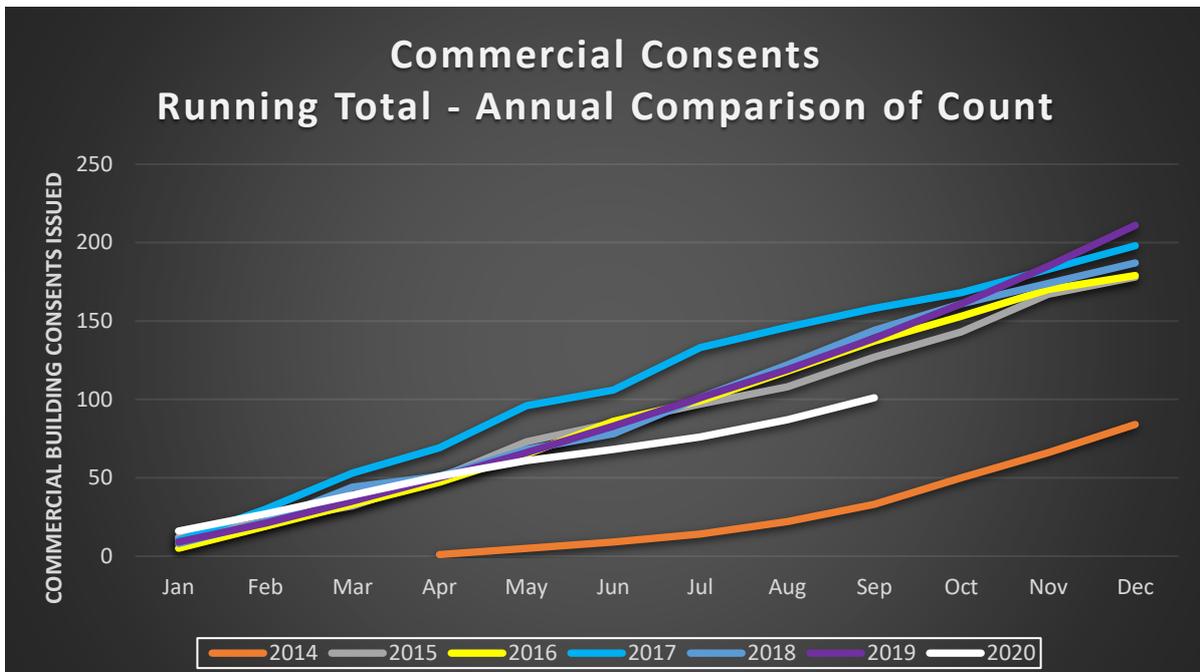
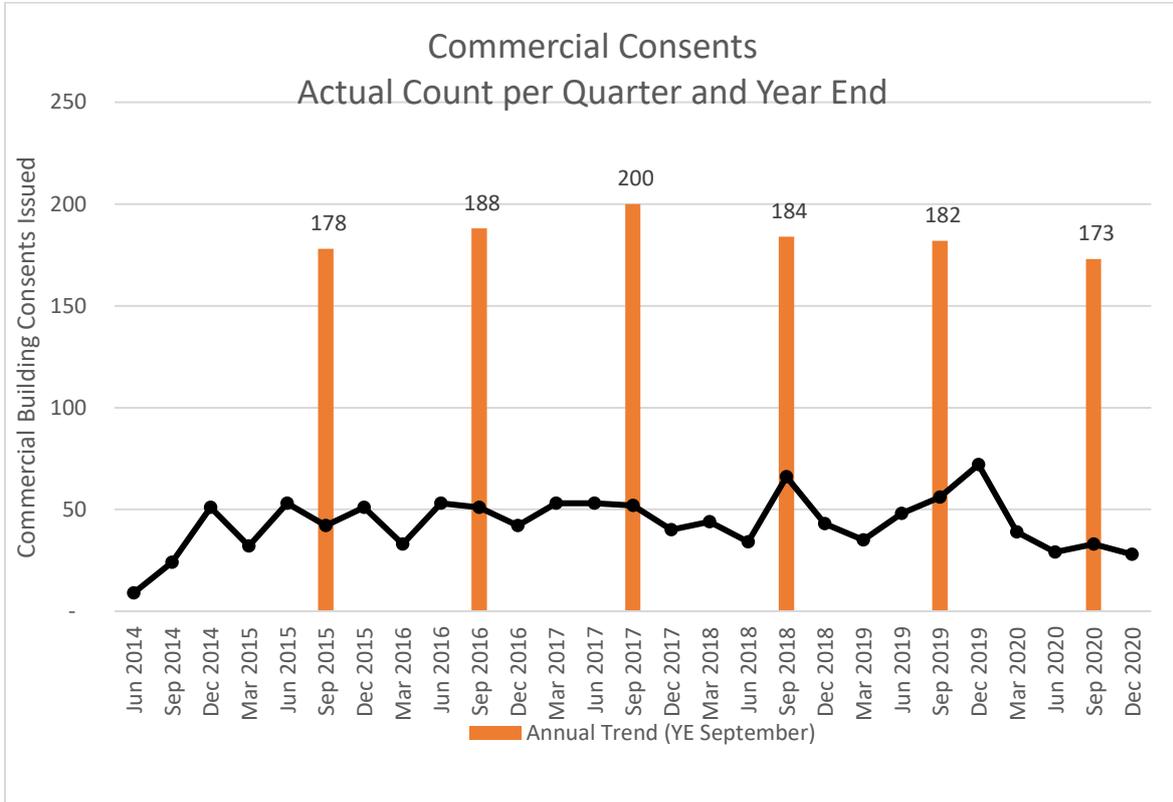
- The results show a relatively steady increase in dwelling supply since 2012, followed by a sharp decline in household growth between June 2018 and June 2019, with an increase oc.
- Annual growth in supply is well and truly at an all-time high and has been generally climbing steadily since 2013.
- The results show a drop in building consent applications as of Sept 2020, 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 (particularly in a slowing market).

3.3 Commercial Building Consents Issued

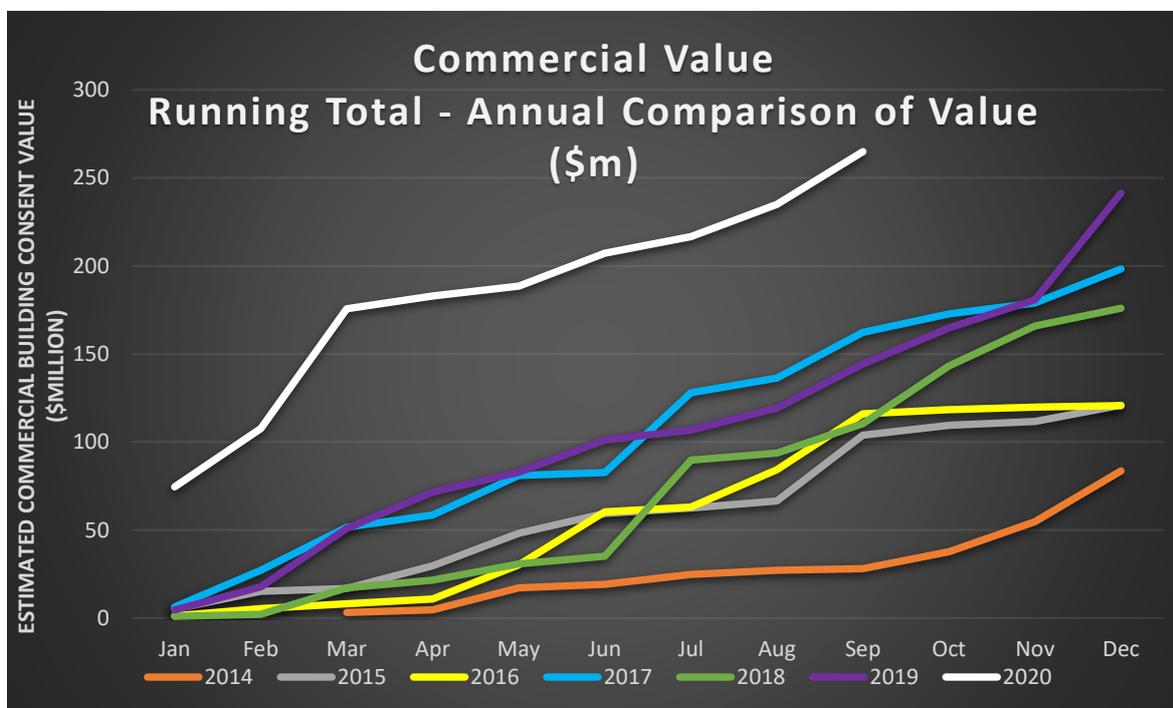
About this indicator: This indicator tracks the actual count of commercial building consents issued by QLDC each quarter and year (compiled from total district monthly data). Estimated value of consents is also monitored.



Latest Results:

- There were 33 new commercial consents issued in the September 2020 quarter. This is four more consents issued compared to the June 2020 quarter (14%).
- This is down on the same quarter a year ago (September 2019) where there were 56 commercial consents issued.
- Over the last 12 months (YE September 2020), there have been a total of 173 new commercial consents issued. This is a decrease of 9 consents (-5%) compared to the previous year (182 in YE September 2019).
- Compared to previous years (2015-2019), the running total of commercial consents is tracking low, this is likely due to the residual effects of Covid-19 and may reflect the lack of international visitors to the District (see commentary below)

New Commercial Consents Issued and Values – annual comparisons



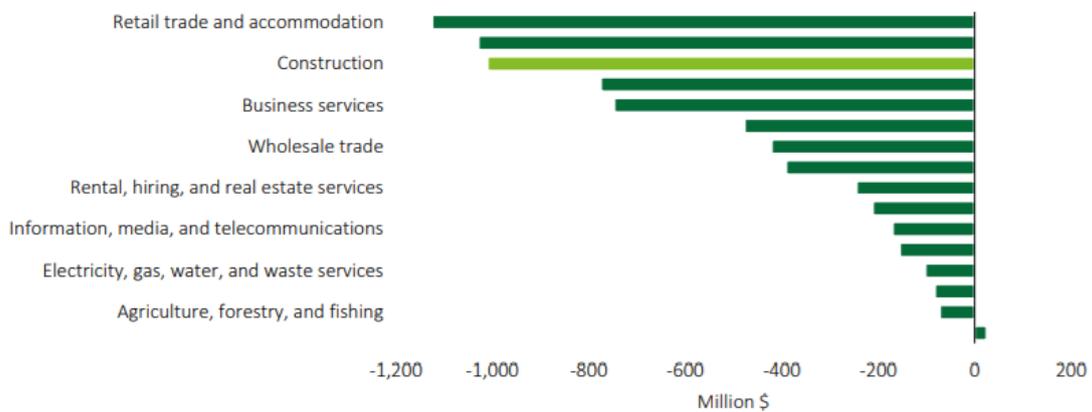
Latest Results:

- In terms of the estimated value of new commercial consents per quarter, the total value in the September 2020 quarter was approximately \$58m, up on the equivalent quarter in 2019 (\$43m) but down on all other quarters post 2016.
- The average value of commercial building builds each quarter (September 2020) was \$1,748,241. This is \$976,743 higher than in September 2019 (up 62%). It was also approximately \$656,864 more than the average value in the previous quarter (June 2020).
- 2020 got off to an unusually high start due to the commercial value of the March quarter, this dropped back in both the June and September quarters (lower than average values) but has remained tracking above all previous years.

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. For the September quarter of 2020, the count of commercial consents issued is lower when compared to 2015-2019. Given the effects of Covid-19 which saw the construction sector as one of the hardest hit (retail trade and accommodation being the worst), this is not unexpected as can be seen from the Chart below⁶

Chart 7 Gross Domestic Product by sector, change from Q1 2020 to Q2 2020 (\$ Millions)



Source: Statistics New Zealand

⁶ <https://infracom.govt.nz/assets/Uploads/Construction-Sector-Covid-19-Recovery-Study.pdf>