



QUEENSTOWN
LAKES DISTRICT
COUNCIL

Quarterly Monitoring Report

National Policy Statement on Urban
Development Capacity

March 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 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 eighth 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, how planning may affect this, and when additional development capacity might be needed, QLDC must 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 provided by the Ministry of Business, Innovation and Employment. As they are updated infrequently, QLDC has provided a review of these in its three yearly Housing and Business Development Capacity Assessment reports. Further detail on Council's monitoring and evidence base requirements can be found on the <http://urban-development-capacity.mbie.govt.nz/> [click [here](#)].

The June 2018 Quarterly Monitoring Report provides a detailed overview of key trends and indicators in QLD. Key changes that have occurred between December 2019 and March 2020 are summarised below:

- Median house prices for the District rose by another 2.74% (\$27,125) to reach \$933,688.
- The number of dwellings sold has decreased by 8% since YE December 2019.
- The number of dwellings in the District increased by 98 (up 0.45%) to reach 21,219.
- Dwelling sales as a share of the count of total dwellings continued to decrease.
- Average weekly rents decreased by \$8/week (-1%) to \$552. Rents are the highest in Queenstown Ward, closely followed by the Wanaka Ward.
- First home buyer affordability worsened by 0.002 percentage points. It is now estimated that 84.1% of first buyer households would have a below average residential income after paying housing costs.
- There has been a decrease in rental affordability by 2.15% since December 2017.
- 202 dwelling consents and 35 commercial building consents were issued (March quarter). Consent growth so far this year is below levels achieved in 2018.

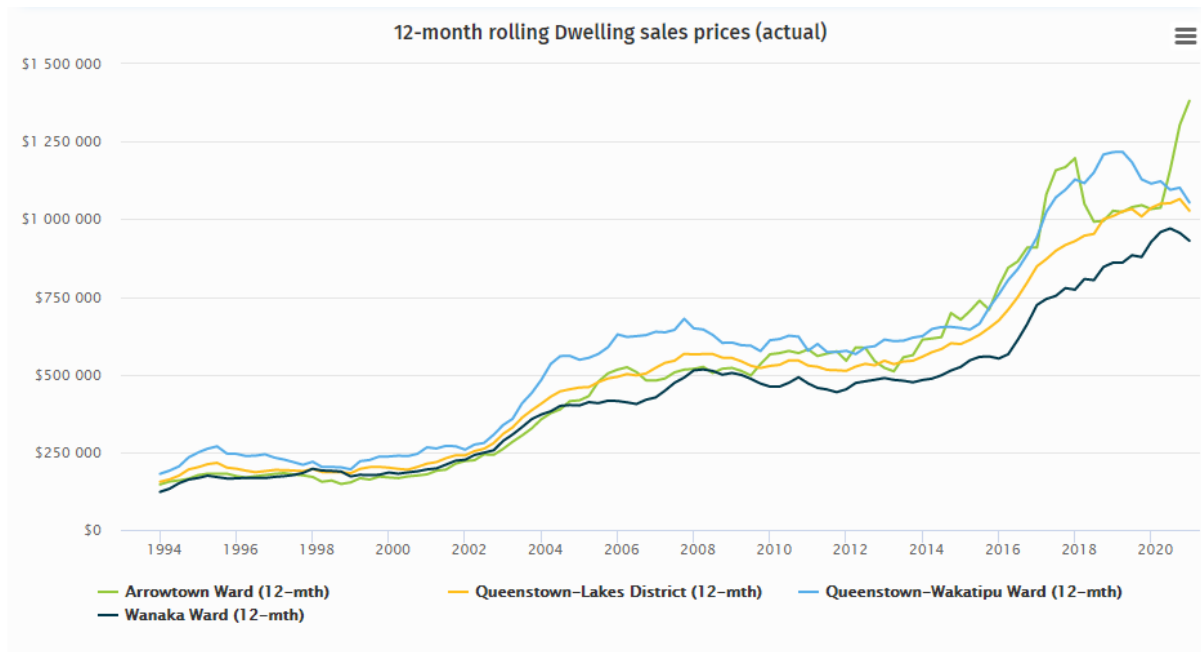
The next quarterly report (June 2019) will provide a more detailed update of these local indicators.

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 March 2020, the medium house price for QLD was \$1,018,250 .
- This is a decrease of 2.74% (\$27,125) above the previous quarter (YE December 2019) and an 8% (\$84,562) increase compared to the same time a year ago.
- Median dwelling prices are highest in the Arrowtown Ward (1,039,375. YE March 2020), followed by Queenstown (\$1,057,500), whilst the Wanaka Ward retains the lowest prices (\$963,750).
- Over the last 12 months, prices have increased strongly in both Wanaka (14%) and Queenstown (8%). The rate of increase in Arrowtown a slower 2% increase.

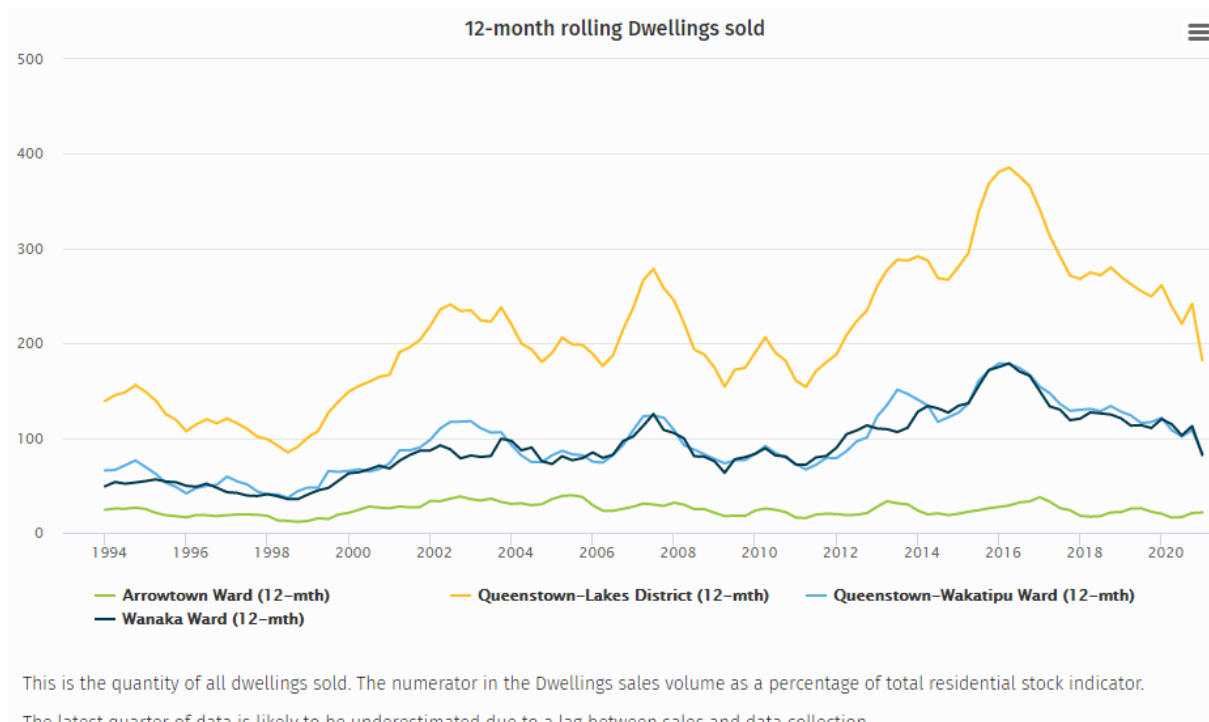
Commentary:

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 but have declined in the last quarter. 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 0.9% in March 2020 compared with a year earlier. This means that the average price is growing at a slower rate to the median (8%). The average house value was \$1,210,549 for QLD, which compares with

\$728,276 across NZ (CoreLogic QV March 2020 House Price Index, <https://www.corelogic.co.nz/>, March 2020).

2.2 Dwellings Sold

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



Latest Results:

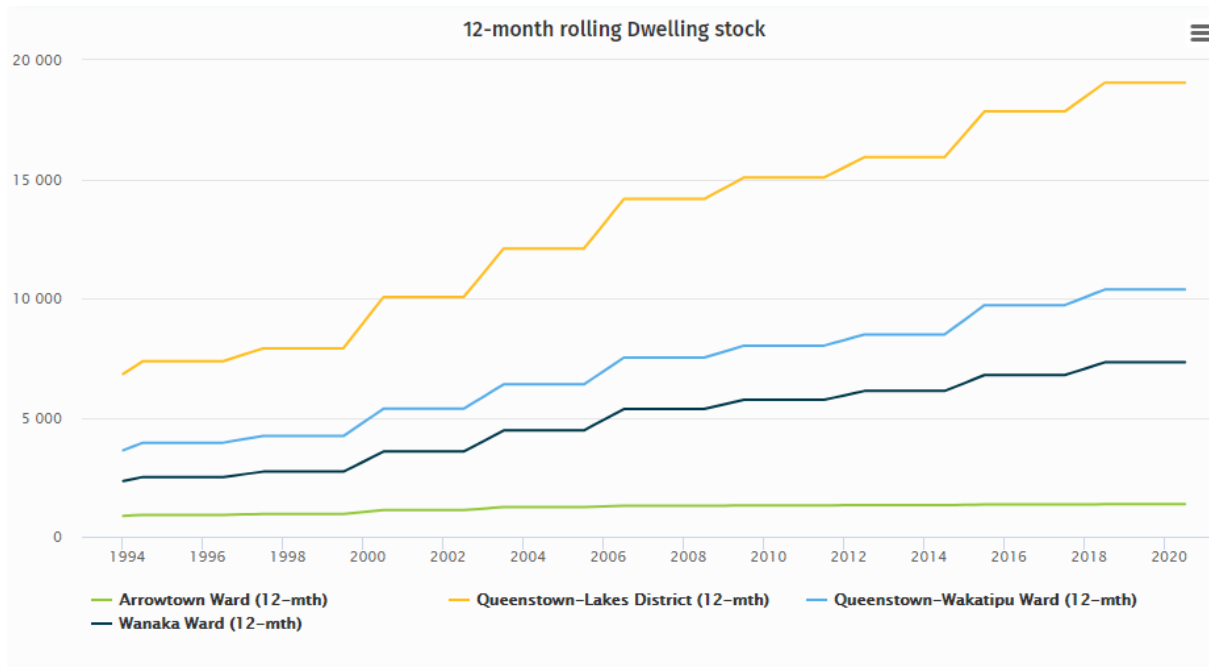
- In the year ending March 2020, the total number of dwellings sold in QLD was 239.
- This is a decrease of 8% (22 less dwellings sold) compared to the previous quarter (YE December 2019) and a 9% decrease (-22 less dwellings sold) compared to the same time a year ago.
- Over the last 12 months, the count of dwellings sold in Queenstown has decreased from 124 (YE March 2019) to 108 (YE March 2020) (down 13%). In Wanaka, the count has increased from 113 to 115 (2%) and Arrowtown has decreased with 26 sold YE March 2019 and 16 sold YE March 2020.

Commentary:

The number of dwellings sold in the Queenstown and Wanaka Wards is continuing to show a decline from the high point in 2016 and analysis of the building consent records on page 18 below indicates a similar decline in the count of new dwelling consents between March 2018 and March 2020. Overall, sustained high dwelling prices indicate it is still a seller's market and prices have continued to escalate in the face of strong demand since 2016.

2.3 Housing Stock

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



Latest Results: (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)

- In the year ending March 2020, the total number dwellings in QLD was 19,046.
- 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 March 2020, housing stock totalled 22,019, this is an increase of 800 dwellings since March 2019 (3.77%) (20,341).
- This is less than the increase of housing stock between March 2018 and March 2019, which had an increase of 881 new dwellings.

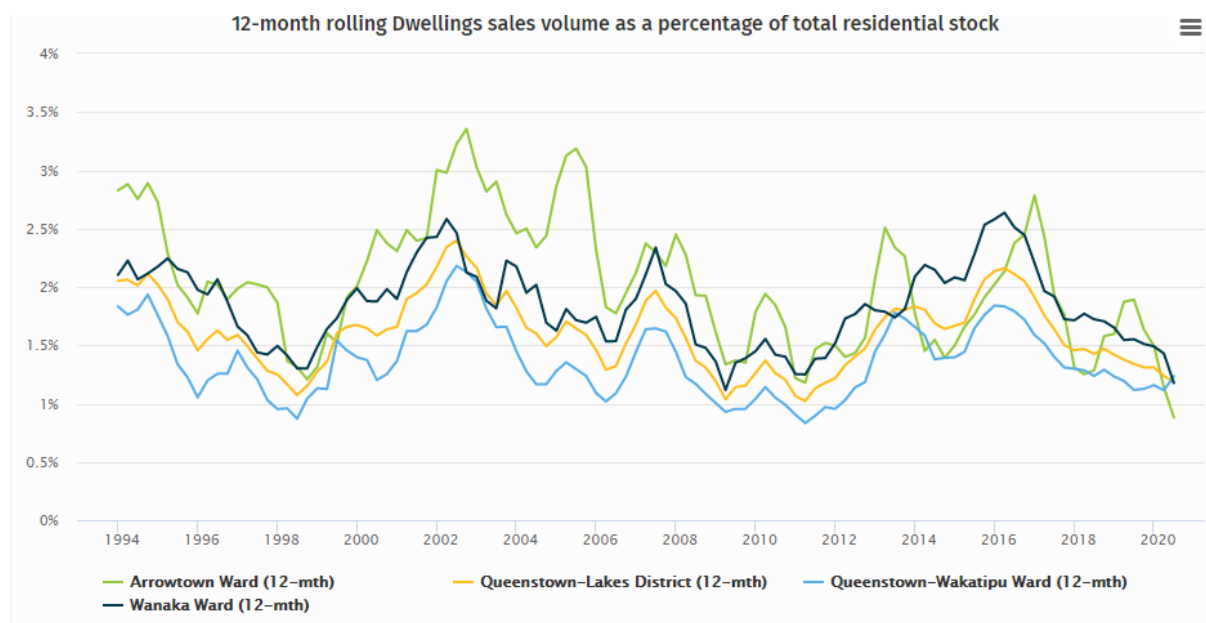
Commentary:

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 8.0% 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 of stock in the Districts wards. It is a measure of activity in the local housing market.



Latest Results:

- In the year ending March 2020, the total number dwellings sold in QLD as a share of the dwelling stock was 1.172%.
- This is down on the previous quarter (YE December 2019) of 1.232%. The same time a year ago (YE March 2019), the percentage share was higher again on 1.443%. This is continual 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 (1.142% and 1.237% respectively). Arrowtown continues recent trends of a lower share of dwellings bought and sold, sitting at 0.857 and for the first time since 2011 has dropped under 1.

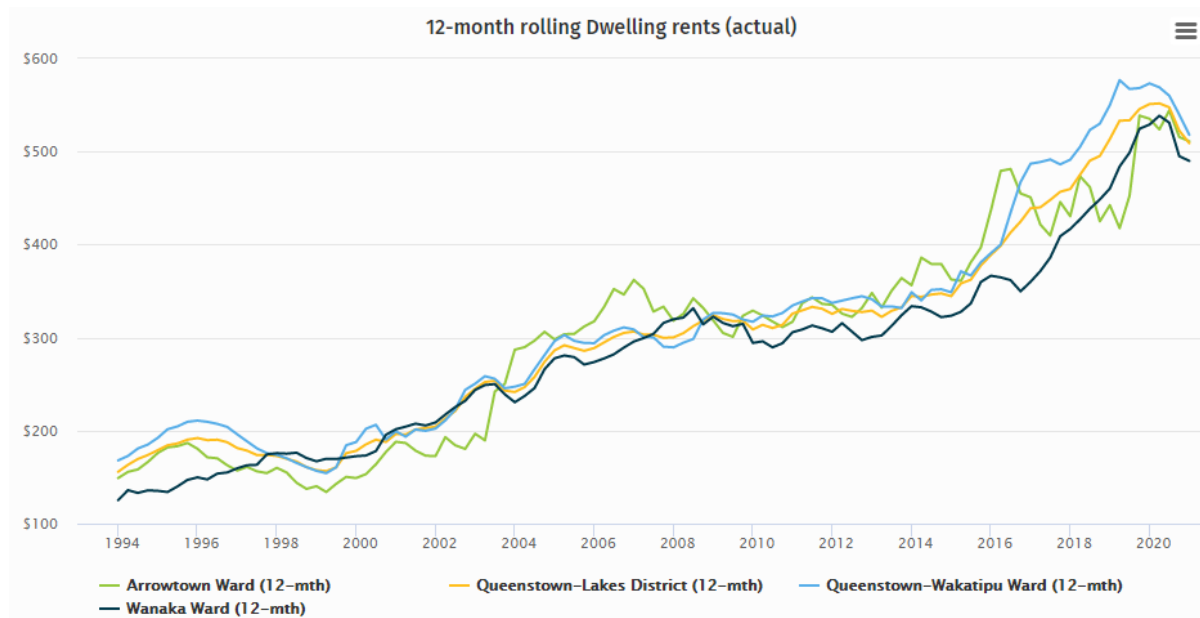
Commentary:

This indicator shows a similar trend to the dwellings sold indicator above, with a declining ratio of dwellings sold relative to total dwelling stock. That is, a declining share from the last peak in early 2016. Relative to other large cities in New Zealand, QLD shows a similar level of activity in its housing market – with Auckland and Greater Wellington having a slightly lower share of dwellings being sold and Greater Christchurch and Greater Tauranga having a slightly higher

share (March 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. 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:

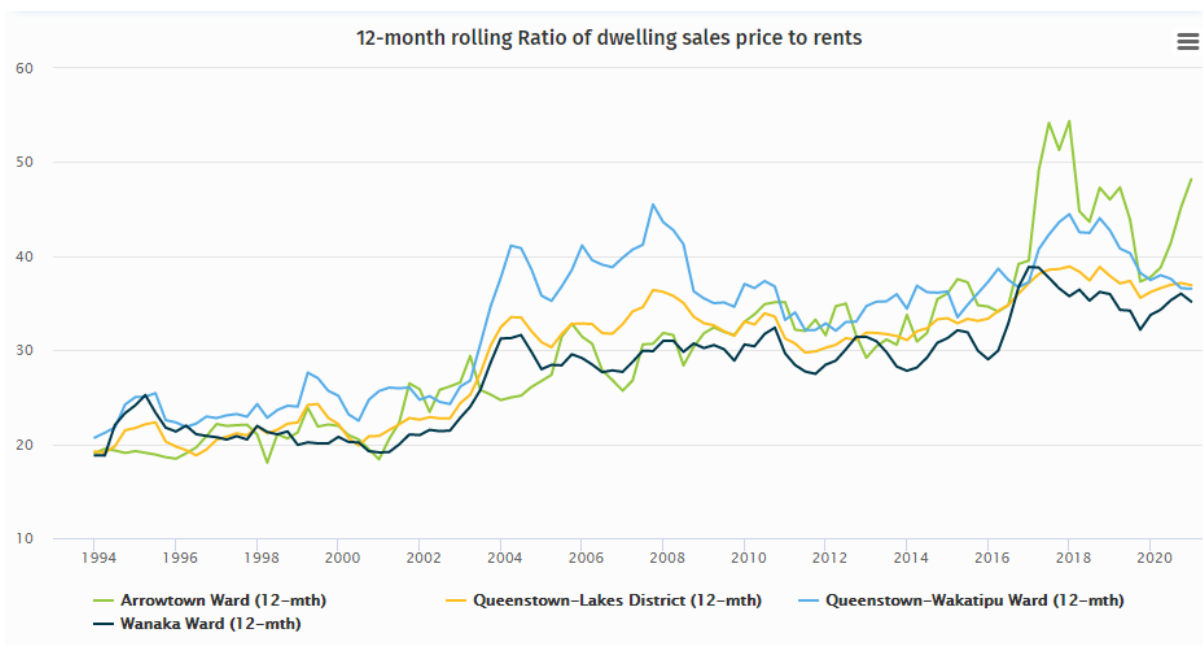
- The average weekly dwelling rent in QLD currently stands at \$552. This is up \$1 per week compared to the previous quarter (YE December 2019). Compared to the same time 12 months ago (YE March 2019), average weekly rent has increased by \$10 or 1.8%.
- Rent in Wanaka and Arrowtown is below the district average at \$539 and \$524 respectively per week. However they are both showing the largest yearly increases. Arrowtown has increased by \$93 (21.6%) and Wanaka by \$55 (11.4%) compared to the same time a year ago (YE March 2019). Queenstown has reduced in the last year, with a decrease of \$12 (-2.1%)
- Average rent in Queenstown currently sits at \$569 which is the highest in the District, whilst Arrowtown has the lower rent at \$524 per week.

Commentary:

Rising rents in QLD continue to be a significant concern given the large number of residents who are transient (i.e. 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. For the first time in years, rents have reduced in Arrowtown in the March 2020 quarter and the rate of increase has slowed in Queenstown and Wanaka. However it is too soon to know if this indicates a change to the strong upwards trajectory seen since 2014.

2.6 Sales Prices to Rent Ratio

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



Latest Results:

- The QLD current price to rent ratio is approximately 36.600 (increasing from the previous quarter (YE December 2019) where it was 36.177. Compared to the same time a year ago (YE March 2018), the average ratio is down (from 37.103) identifying that the gap between renting and buying has lessened slightly, and this appears to be a downward trend when compared with two years ago (YE March 2017) at 38.351.

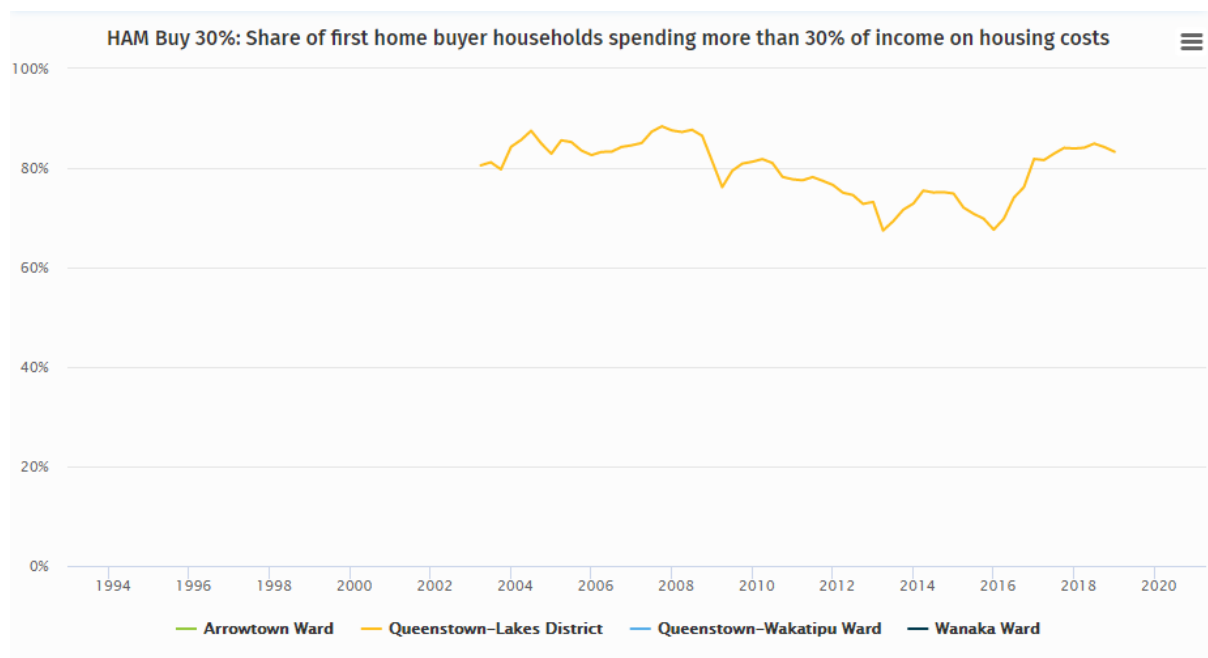
- Arrowsdown remains the hardest place to transition from renting to home ownership. The current ratio is 38.789 (YE March 2020). The gap between renting and buying has become wider in Arrowsdown.

Commentary:

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

2.7 Housing Affordability Measure – Buy

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



Latest Results: (There is a 12-month lag in this indicator - current data is for March 2018).

- The latest data shows that on average across QLD, 84% of first home buyer households would have a below average income after paying for housing costs.

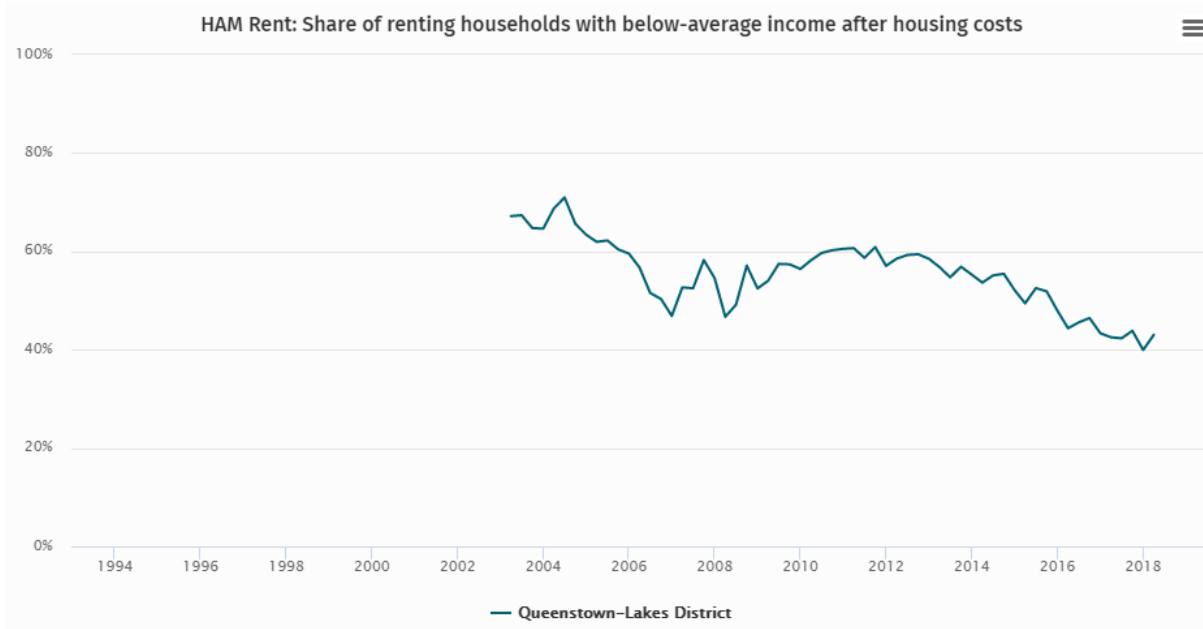
- This percentage share has risen in the last quarter by 0.002 percentage points.
- Compared to the same time a year ago (YE March 2017), the percentage has risen by 2.48 percentage points (from 81.60% points).

Commentary:

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

2.7 Housing Affordability Measure – Rent

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



Latest Results: (There is a 12-month lag in this indicator - current data is for March 2018).

- The latest data shows that on average across QLD, 36.55% of renting households would have a below average income after paying for housing costs.
- This percentage share has risen in the last quarter by 0.79 percentage points (from 35.76%).

- Compared to the same time a year ago (YE March 2017), the percentage has risen by just 2.51 percentage points (from 34.04 percentage points).

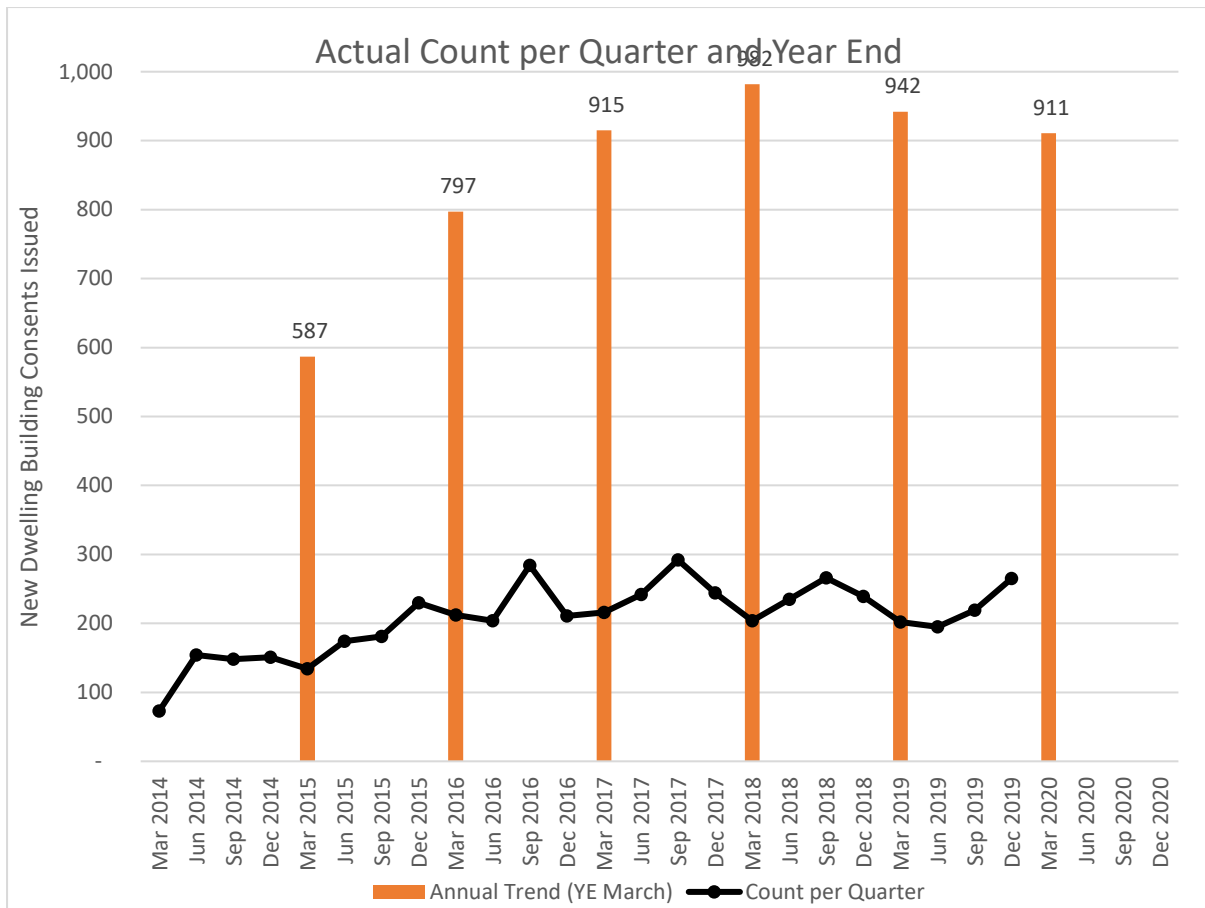
Commentary:

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

3 Building Consents

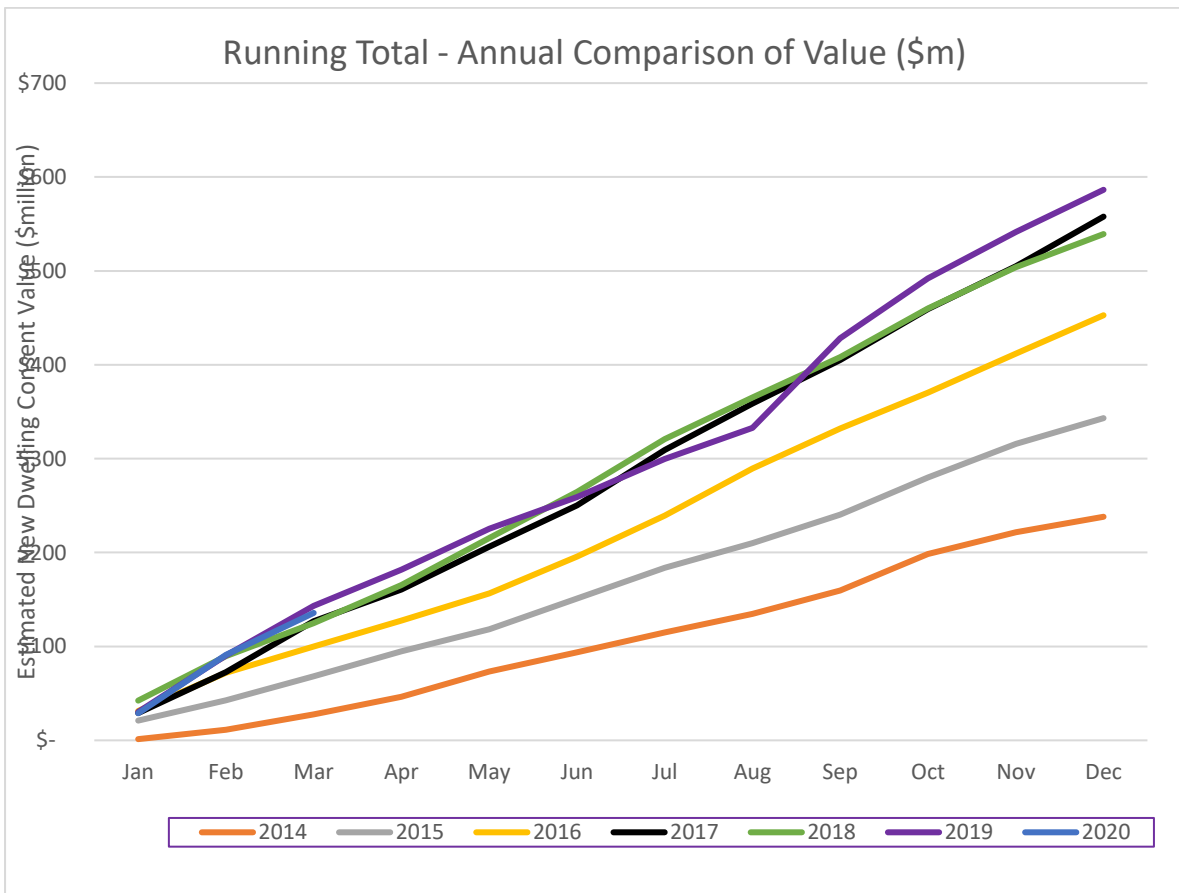
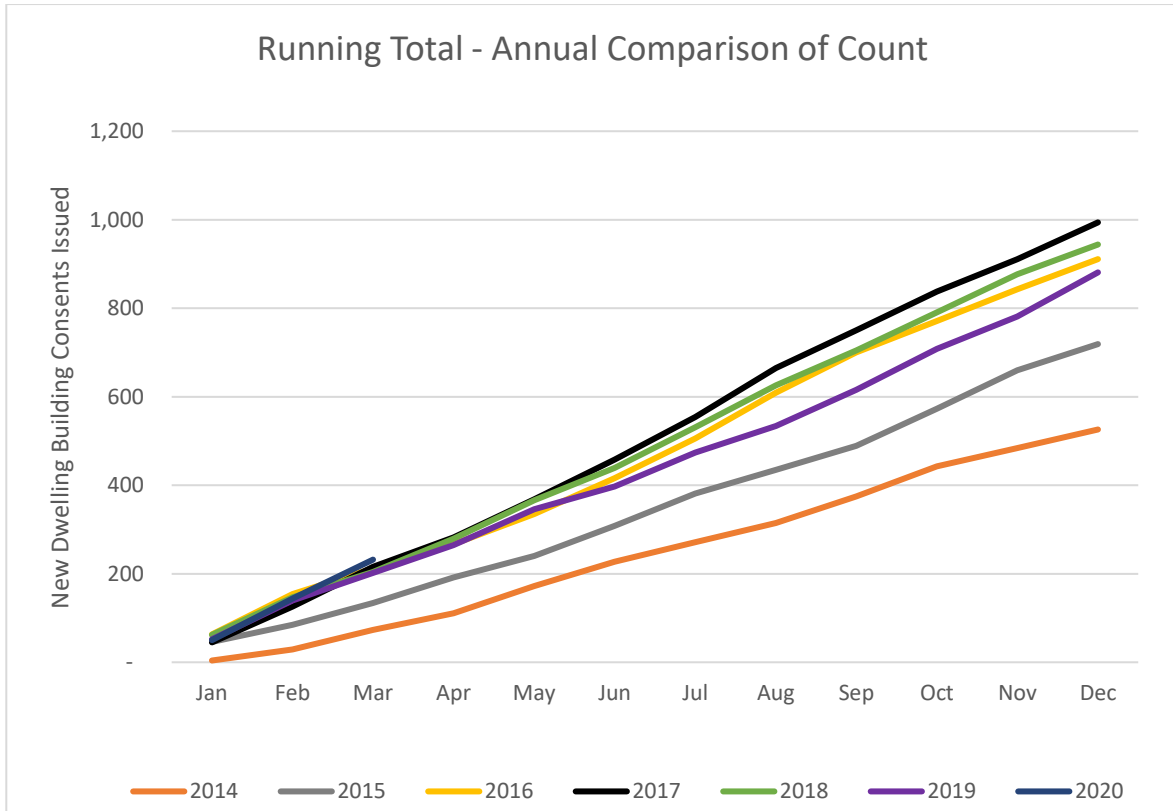
3.1 New Dwelling Consents Issued

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



Latest Results:

- There were 232 new dwelling consents issued in the March 2020 quarter. This is 33 fewer consents issued compared to the December 2019 quarter (-12%).
- This is up on the same quarter a year ago (March 2019) where there were 202 dwelling consents issued.
- Over the last 12 months (YE March 2020), there have been a total of 911 new dwelling consents issued. This is a decrease of 31 consents (-3%) compared to the previous year (942 in YE March 2018).
- In terms of the estimated value of new dwelling consents, the total value in the March 2020 quarter was approximately \$135m, down on the equivalent quarter in 2019 (\$143m) and above the same quarter in previous years.
- The average value of new dwelling consents issued in March 2020 was \$585,052. This was approximately \$27,017 lower than in March 2019 (-5%) and 2% less than the median in the previous quarter (December 2019).

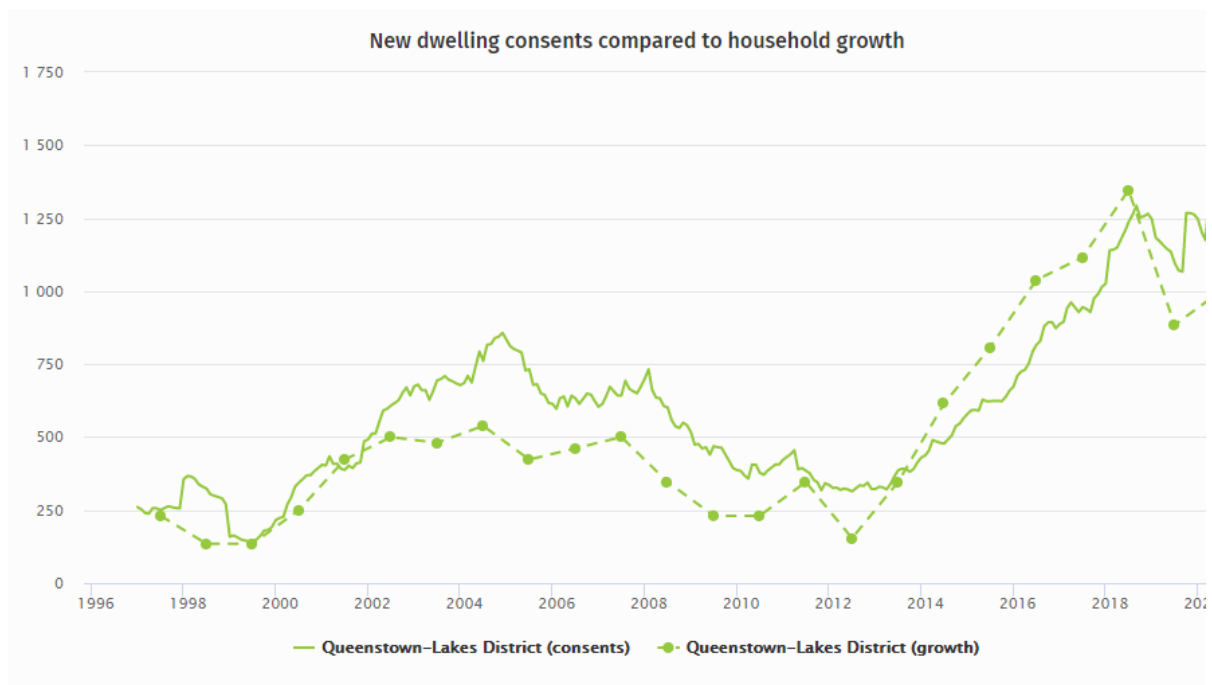


Commentary:

The count and value of dwelling consents got off to a similar start in 2020 compared to the count in early 2016 - 2019. It is too soon to tell if the count and value will continue to track higher than 2019 (continuing the trend of incremental annual growth).

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 lags 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 estimates of resident population (updated each June), divided by the local average housing size, is used as a proxy for demand.



Latest Results:

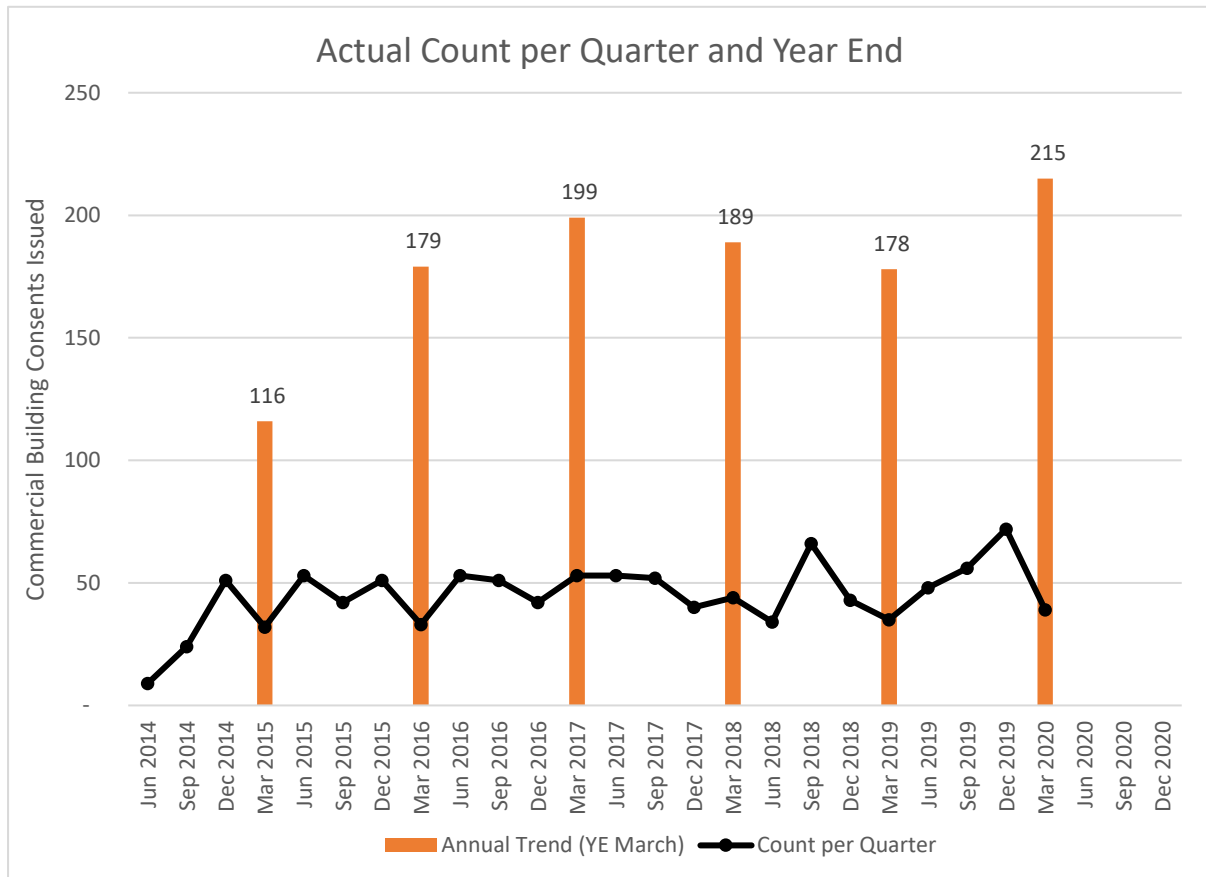
- This indicator contains new dwelling consents up to March 2020 and estimated household growth up to June 2018. Due to built in lags, care is needed when comparing new dwelling consent data with the previous indicator.
- The results show a relatively steady increase in dwelling supply since 2012 and a recent decline in household growth since June 2018.
- Annual growth in supply is well and truly at an all-time high and has been generally climbing steadily since 2013.
- Census data may amend the drop in household growth since 2017

Commentary:

Between June 2013 and 2018, household and new dwelling growth in QLD have been relatively closely aligned. That is, supply kept pace with resident demand (or vice versa) and consent and household growth have increased at generally the same rate. However, not all dwellings being built are available for resident households (i.e. they may be used for holiday homes, for non-local residents – including seasonal workers - or used for residential visitor accommodation). Care is therefore needed in interpreting this as the two indicators are not directly comparable (particularly in a slowing market). Rising sales and rent prices indicate strong dwelling demand that may not be being met by the market (or only just being met). The next quarterly result (June 2019) will include an update of household growth and we can then see if the close alignment with supply continues.

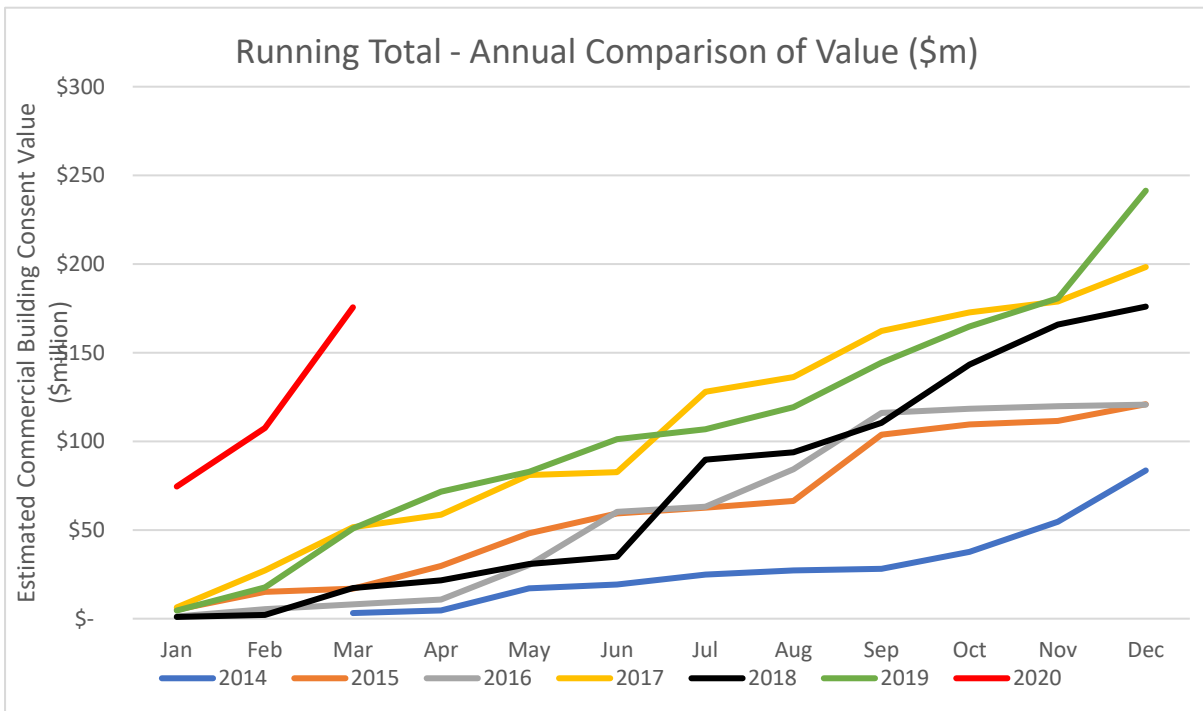
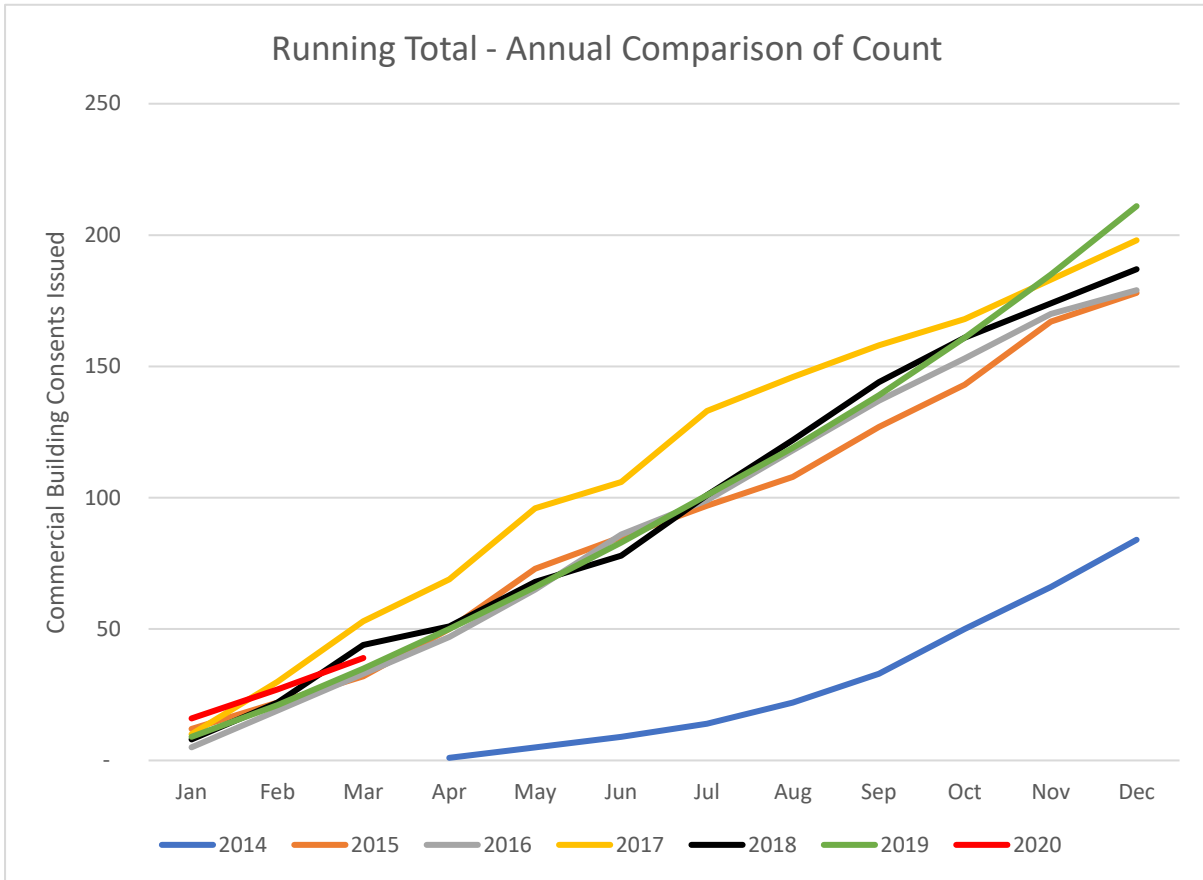
3.3 Commercial Building Consents Issued

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 39 commercial building consents issued in the March 2020 quarter. This is 33 fewer consents issued compared to the December 2019 quarter (-46%).
- This is up on the same quarter a year ago (March 2019) where there were 35 commercial building consents issued.
- Over the last 12 months (YE March 2020), there have been a total of 215 commercial building consents issued. This is an increase of 37 consents (17%) compared to the previous year (178 in YE March 2019).
- In terms of the estimated value of commercial building consents, the total value in the March 2020 quarter was approximately \$176m, significantly more than the equivalent March quarter in 2018 (\$50m).
- The average value of commercial building consents issued in March 2020 was \$4,502,163. This is \$3,049,032 higher than in March 2018 (up 68%). It was also approximately \$3,154,000 more than the average value in the previous quarter (December 2019).



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 2020, the count of commercial consents issued is similar when compared to 2019. However the values of the consent is exceptionally high when compared to all previous years. It is too soon to tell if 2020 will be a particular busy year for commercial consents.