



QUEENSTOWN
LAKES DISTRICT
COUNCIL

Quarterly Monitoring Report

National Policy Statement on Urban
Development

December 2022

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Executive Summary

This report provides an overview of Queenstown Lakes housing and business development capacity for the December 2022 quarter as per the requirements of the National Policy Statement on Urban Development 2020, which requires local authorities to be well informed about urban development activity and outcomes.

This is the 22nd quarterly report reviewing statistical indicators of house prices, housing affordability and housing development, as well as business land (retail, commercial, and industrial) for the Queenstown Lakes district.

The December 2022 Quarterly Monitoring Report provides the latest detailed overview of key trends and indicators in QLD. Key changes that have occurred between September 2022 and December 2022 are summarised below:

- Median house prices for the district decreased by almost -0.51% (\$6,667) to reach \$1,313,333.
- The number of dwellings sold has decreased by 44 dwellings when compared with September 2022 to 128.
- Housing stock has increased to 18,589, a 6% increase since 2018
- Dwelling sales as a share of the count of total dwellings continues to trend downwards.
- Average weekly rents increased by \$7/week to \$590. Rents are highest in the Arrowtown ward.
- The transition from renting to home ownership has decreased (smaller gap between renting and buying) but still remains extremely high overall (identifying that renting to home ownership continues to remain a struggle for residents).
- Mortgage serviceability continues to worsen and is now at its least affordable since 2012.
- Rental affordability is also worsening, continuing to trend down from its most affordable point in 2020 (a result of Covid19 and closed borders)
- 934 dwelling consents and 115 commercial building consents were issued (December quarter). A lower commercial count but a higher residential count when compared with the previous year.
- Greenfield development continues to account for the majority of new residential development (80%), predominantly within the Whakatipu). Infill and redevelopment account for 16% of all new residential sections or units created.
- The Southern Corridor SA2 area accounted for 46% of approved development, totalling 377 residential sections, followed by Cardrona SA2 at 12% (97 lots).
- Consent growth has reduced significantly when compared to 2020, this drop in consent applications, is likely due to the residual effects of Covid-19 and the continually raising

of the official cash rate to offset inflation all of which are predicted to put New Zealand into recession in 2023.

1 Introduction

This report is designed to meet the monitoring requirements of the Governments National Policy Statement on Urban Development 2020 (**NPS-UD**). The NPS-UD came into effect on the 20 August 2020, replacing the National Policy Statement on Urban Development Capacity 2016 (**NPS-UDC**). Whilst this is the first report published under the NPS UD, this is Councils fifteenth Quarterly Monitoring Report prepared under the National Policy Statement on Urban Development Capacity.

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

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

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

1.1 Purpose

The purpose of this report is to review indicators on house prices, housing affordability and housing development, as well as business land (retail, commercial, and industrial) for the Queenstown Lakes district for the quarter ending December 2021.

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

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

1.2 Data Sources and Ongoing Monitoring

This quarterly report draws on data contained on the Ministry for Business, Innovation and Employment's Urban Development Capacity Dashboard¹. It also includes data collected by QLDC. Some indicators are updated quarterly, while others are updated annually or less frequently.

Indicators updated annually are included in either the more comprehensive June Quarter report (includes New Zealand wide Analysis) or the December Quarter report (includes analysis on housing development by location).

The September and March Quarter reports are more condensed. Over time, QLDC may add, remove or replace indicators included in these regular reports to better align them with local data and local issues.

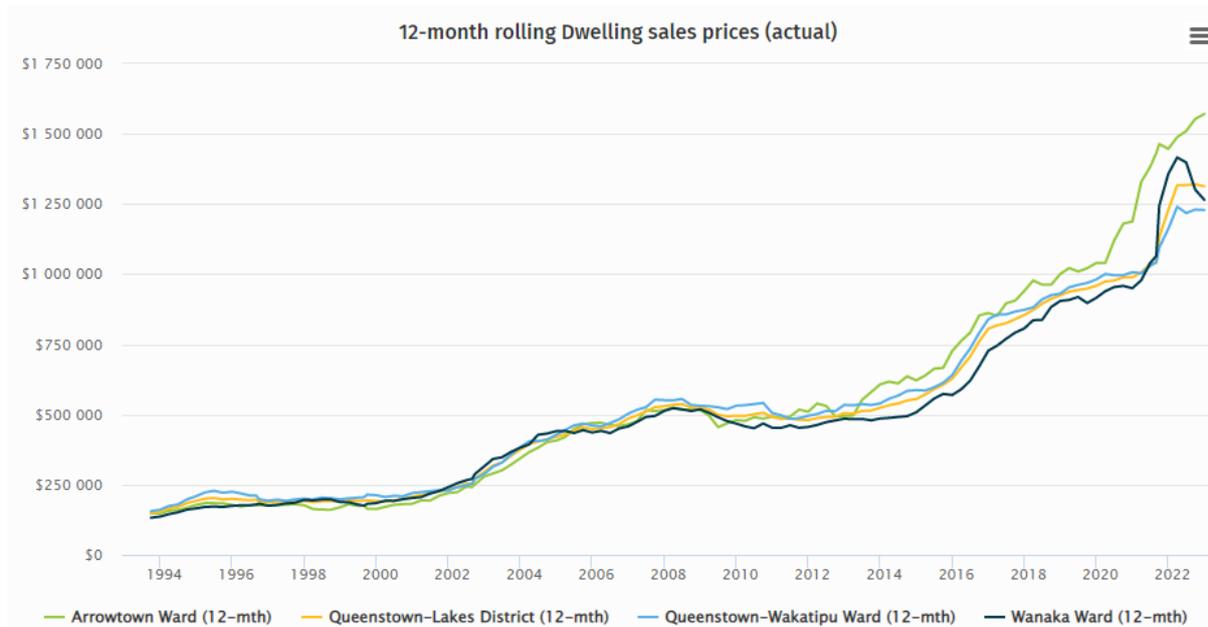
Any queries on this report should be directed to the Planning Policy Team.

¹ <https://huddashboards.shinyapps.io/urban-development/#> and <https://www.hud.govt.nz/stats-and-insights/change-in-housing-affordability-indicators/compare-regions/#tabset>

2. Sales Prices, Housing Stock, Rents and Affordability

2.1 Sales Prices

About this indicator: This indicator shows the median prices of residential dwellings sold in each quarter. This median price series is not adjusted for size and quality of dwellings. Prices are presented in nominal terms; they have not been adjusted for general price inflation.



Latest Results:

- In the year ending December 2021, the median house price for QLD was \$1,313,333.
- This is a decrease of -0.51% (\$6,667) above the previous quarter (September 2021) and a 10% (\$125,083) increase compared to the same time a year ago.
- Median dwelling prices continue to be the highest in the Arrowtown Ward (\$1,570,883-December 2021), followed by the Wanaka Ward (\$1,265,000), which continues the trend from June 2021. Prior to June 2021, Wanaka tended to have the lowest median dwelling prices. The lowest in the district is the Wakatipu Ward (\$1,228,667).
- Over the last 12 months, prices have increased in both the Wakatipu and Arrowtown Ward, 8% - \$99,073 and 6% - \$100,833 respectively), and decreased in Wanaka, -2%, - \$21,875.

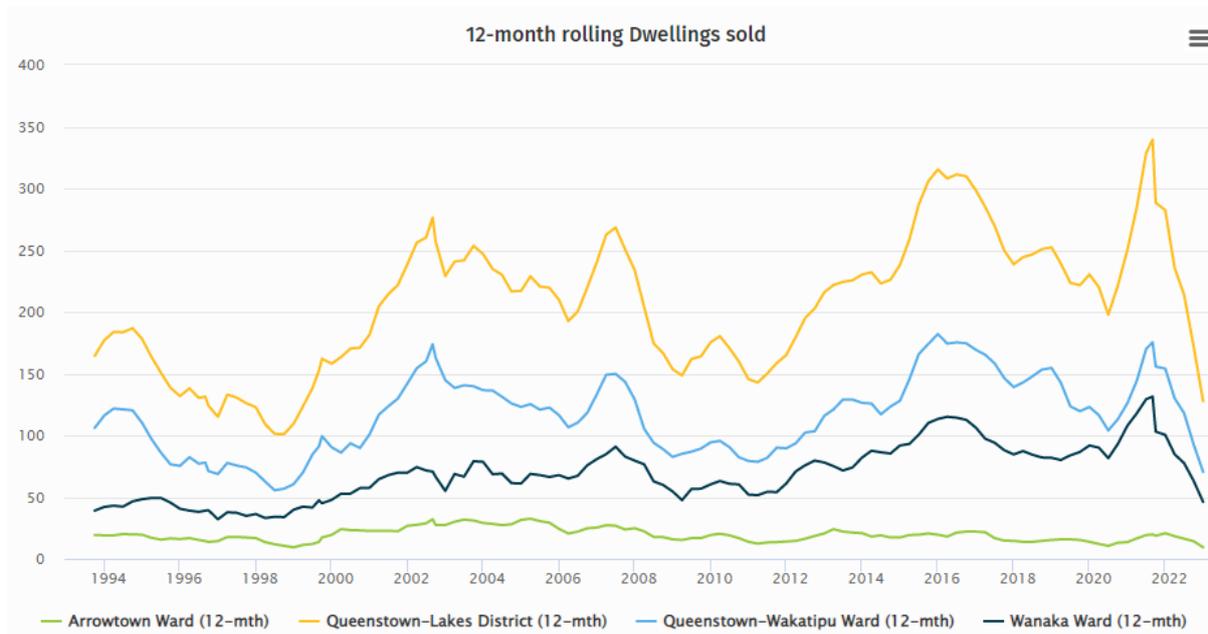
Commentary:

House prices in QLD are impacted by strong household growth, demand from international and domestic buyers (i.e. holiday homes) and increasing visitor numbers. Median prices in the Arrowtown Ward continue to be the highest in the district, the Wanaka ward has now

overtaken the Wakatipu Ward for having the highest median sales price (last 7 quarters - since June 2021).

2.2 Dwellings Sold

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



Latest Results:

- In the December 2021 quarter, the total number of dwellings sold in QLD was 128.
- This is a decrease of 44 compared to the previous quarter (September 2021) and 160 less dwellings sold when compared to the same time a year ago (December 2021).
- Over the last 12 months, the count of dwellings sold in Queenstown Ward has decreased by 86 dwellings sold (-55%), from 156 (YE December 2021)
- In Wanaka, the count has decreased from 104 to 43 (-56%). Arrowtown has also decreased with 9 dwellings sold compared to 21 (-57%).

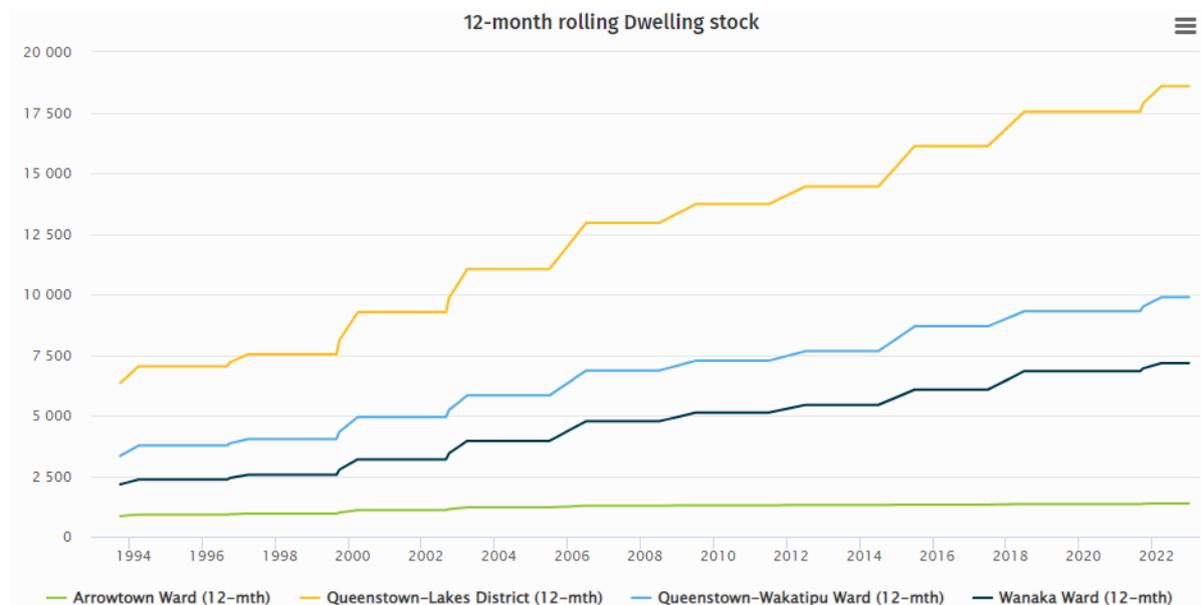
Commentary:

The number of dwellings sold in the Queenstown and Wanaka Wards has declined from the high point in 2021. An analysis of the building consent records below indicates that there has been a period of decline between YE December 2017, and YE December 2021 but the count of new dwelling consents is still relatively high. This indicates that the trend was being driven by fewer existing houses coming onto the market or fewer sections being used for construction company-led 'build and sell' dwellings and more being used for commissioned building

contracts where the owners occupy the dwelling upon completion. Overall, it is still a 'sellers' market' and this is supported by the dwelling price indicator where prices continue to escalate in the face of strong demand.

2.3 Housing Stock

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



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

- In the year ending December 2022, the total number dwellings in the QLD have increased to 18,589.
- The last year of official change data was in 2018, this resulted in an increase of 1051 new dwellings within that time period. (a 6% increase in dwelling stock).

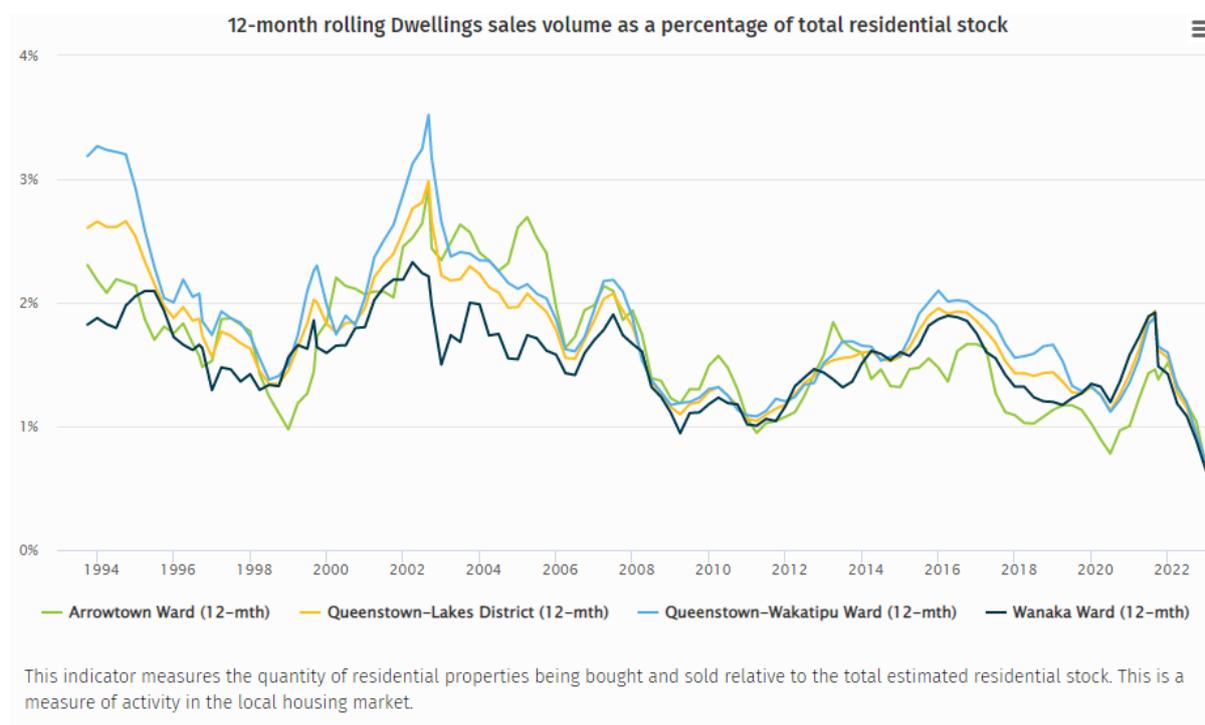
Commentary:

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 53% of the total dwelling stock, while Wanaka and Arrowtown make up 39% and 8% respectively (no change from the previous quarter). Over time, it is expected that Arrowtown will account for a relatively smaller share of the total given the significant Greenfield and infill growth capacity enabled in Wanaka and Queenstown.

2.4 Dwelling Sales as Share of Dwelling Stock

About this indicator: This indicator measures the quantity of all dwellings being bought and sold relative to the total stock. It is a measure of activity in the local housing market.



Latest Results:

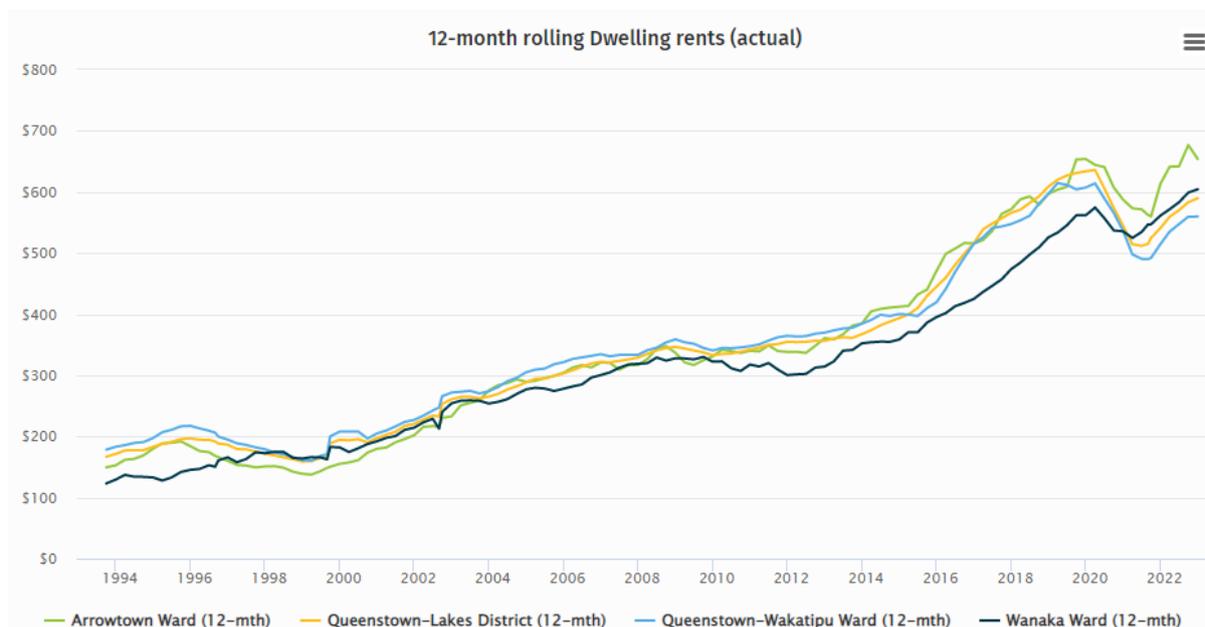
- In the year ending December 2021, the total number dwellings sold in QLD as a share of the dwelling stock was 0.687%.
- This is down on the previous quarter (September 2021) of 0.928%.
- Compared to the same time as a year ago (December 2021), the percentage share was lower, as December 2021 was 1.640%, this is down by -1.387 percentage points.
- The latest figures for Arrowtown, Wanaka and Queenstown are 0.680, 0.643% and 0.710% respectively.
- Arrowtown has previously had the lowest trend of a lower share of dwellings bought and sold but Wanaka has shown less movement in the December 2021 quarter.

Commentary:

This indicator shows a declining ratio of dwellings sold relative to total dwelling stock from the peak in early 2016, there was a sharp increase in sales between June 2020 and June 2021 but that was a reaction to the Covid19 response financial stimuli of 2020 making that period abnormal in terms of trends. Since then, the markets appear to have corrected and continues the downwards trend from 2016. A report by Colliers New Zealand² suggests that the declining sales volumes are a result of a number of factors including buyers' preferences towards improving properties due to construction risk and increased costs, combined with first home buyers weighing the relative cost of buying vs renting as interest rates increase.

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 \$590. This is up \$7 per week compared to the previous quarter (September 2021).

² https://issuu.com/colliersotago/docs/colliers_market_review_and_outlook_2022-23_hig_res?fr=sOTUxZjUzNjUyNjM

- Compared to the same time 12 months ago (December 2020), average weekly rent has increased by \$55 or 10.3%.
- Rent in the Wakatipu Ward is below the district average at \$560 per week. However, this has increased by \$34 compared to the same time a year ago (December 2021).
- The biggest decrease within the last quarter (Sept – Dec 2021) is Arrowtown Ward which is down -4% (\$-21). However, Arrowtown still has the highest weekly rent at \$654 per week.
- Average rent in the Wakatipu Ward is \$560, and Wanaka is \$604. Wanaka has seen the largest increase with a 21.5% increase since December 2021.

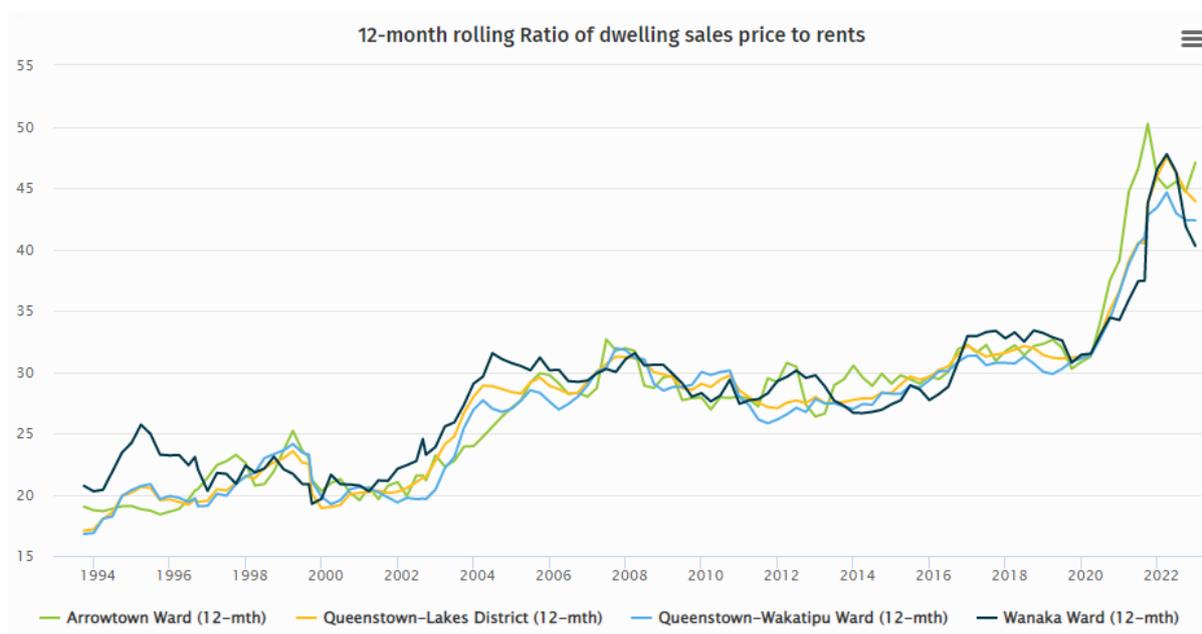
Commentary:

Historically rising rents in QLD have been a significant concern given the large number of residents who are transient, such as seasonal workers and/or are low-income earners combined with relatively static wage growth. Rising rents have been a result of an undersupply of long-term rental properties and strong demand. Implications of rising rents were seen in overcrowding and difficulties with recruiting and retaining workers from outside the district.

Since Covid-19 led to a lack of international visitors into the district, the number of transient residents also reduced, this led to an increase of more rental properties into the market and a corresponding reduction in rent. As of December 2022, the border has reopened, and rents have risen again and have almost reached the high point of June 2020. It is unclear whether this is a result of more properties being converted to short term visitor accommodation (Airbnb) or an increase in residents (or both).

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 43.917, decreasing from the previous quarter (September 2021) where it was 44.715.
- Compared to the same time a year ago (December 2021), the average ratio is down (from 45.985) (that is, the gap between renting and buying decreased).
- Arrowtown is the hardest place to transition from renting to home ownership. The current ratio is 47.863 (increase of 1.19 from December 2021).
- The ratio is down in both Queenstown and Wanaka in recent quarters.

Commentary:

This indicator is supposed to measure the ease of moving from renting to home ownership, comparing the average rental with the median sales price. There are inherent limitations in this measure; someone paying the average rental would not necessarily be in the market for the median house. Notwithstanding this limitation, the results show a continued rise for the district, minus the impacts of Covid19 which temporarily reduced the ratio. Transitioning from renting to home ownership continues to remain a struggle for QLD residents.

2.7 Housing Affordability Indicators – Mortgage serviceability, deposit affordability and rent affordability as a proportion of income

About this indicator: This indicator was introduced in 2022 to replace the [HAM – Buy](#) and [HAM – Rental](#) measure which is no longer available on the MHUD dashboard³.

³ <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, saving for a deposit, 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.



Latest Results:

- The change in mortgage serviceability indicator shows a sharp decrease from June 2018 and indicates that mortgages are at their least affordable since 2012
- Deposit affordability has been decreasing since a high point in June 2019 but has improved in the last quarter.
- Rent affordability has decreasing sharply since September 2020, the results identify a small improvement in affordability in the last quarter.

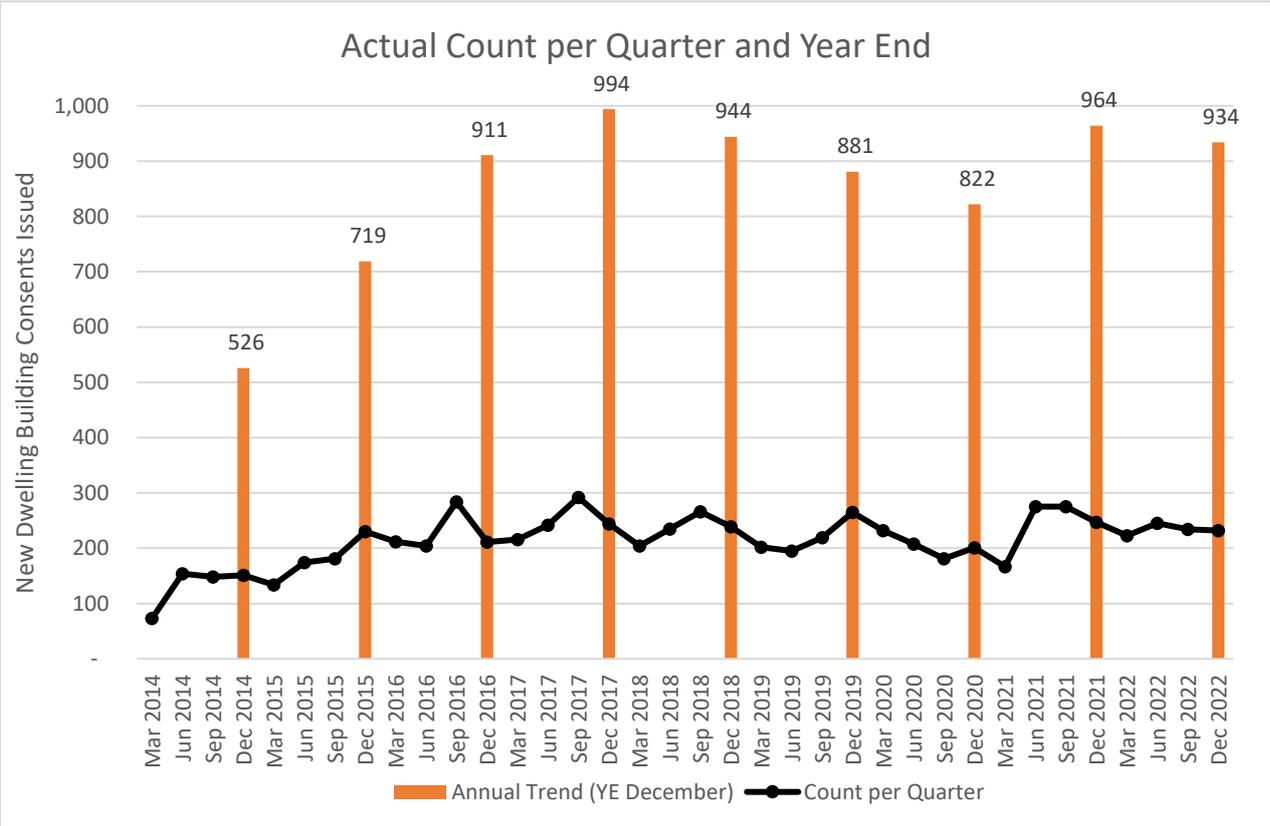
Commentary:

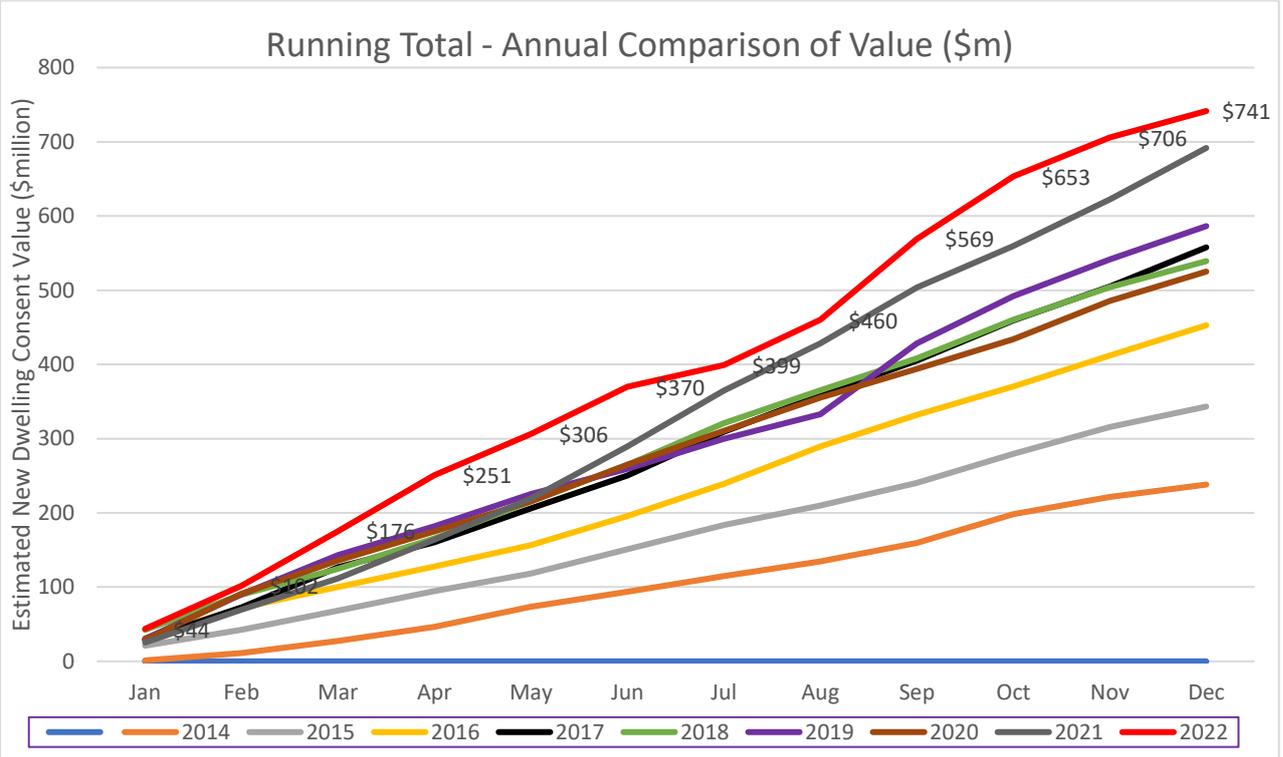
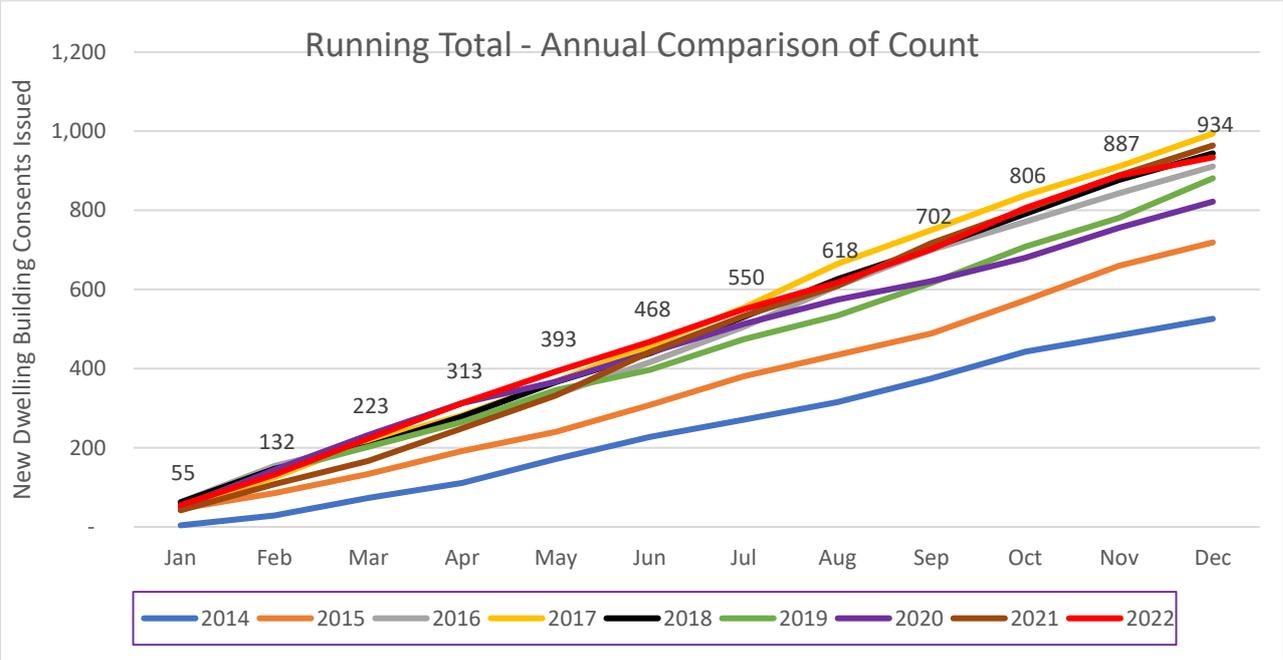
The data is consistently higher than the New Zealand average and consistently higher than Auckland (in comparison with incomes). This is bad news for renters, first home buyers and those with existing mortgages.

3 Building and Resource Consents

3.1 New Dwelling Consents Issued

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





Latest Results:

- There were 232 new dwelling consents issued in the December 2022 quarter. This is 2 less consents issued compared to the September 2021 quarter (-1%).

- This is less than the same quarter a year ago (December 2020) where there were 247 dwelling consents issued.
- Over the last 12 months (YE December 2021), there have been a total of 934 new dwelling consents issued. This is a decrease of 30 consents (-3%) compared to the previous year (964 in YE December 2021).
- In terms of the estimated value of new dwelling consents, the total value by December 2021 was approximately \$692m, which is higher than all the previous years.
- The average value of consents issued in the December 2022 quarter was \$172,217,419. This was approximately -\$15,659,124 lower than the average value in the December 2021 quarter and -\$27,169,225 lower than the previous quarter (September 2022).
- The average value of a dwelling each quarter in December 2021 was \$702,928. This was \$19,741 higher than the average value a year ago (December 2021) (3%) and -\$61,005 lower than a quarter ago (September 2022) (-8%).

Commentary:

The 2022 value of dwelling consents got off to a slightly higher start than previous years which has continued through to the end of the year. However, by December, the running total is higher than all previous years. However, it is noted that the consent numbers are lower than previous years. The higher dwelling prices are not unexpected, given that it has been reported that construction costs are rising. These cost increases are as a result of Covid-19 and the effect on supply chains as well as strong demand for housing⁴.

3.2 New Dwelling Consents Issued by location

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

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

⁴ <https://www.mbie.govt.nz/assets/building-and-construction-sector-trends-biannual-snapshot-may-2022.pdf>

Infill:

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

Redevelopment

Redevelopment involves the demolition or removal of existing dwelling(s) on site and replacing with a greater number of dwellings on the same site without changes to the lot boundary. The assessment has been based on the SA2 Statistical Areas, within the Whakatipu and Upper Clutha Urban Environment and identifies residential subdivision consents issued between 01/01/2022 and 31/12/2022⁵.

Residential Subdivision Consents –Development within the Urban Environment

2022	Consent #	Greenfield	infill	redevelopment	Grand Total
Wakatipu	60	493	63	1	557
Arrowtown	4	0	2	1	3
Arthurs Point	6	36	16	0	52
Eastern Corridor	1	4	0	0	4
Frankton	9	0	8	0	8
Frankton Arm	8	0	23	0	23
Kelvin Heights	6	17	4	0	21
Quail Rise	4	0	0	0	0
Queenstown Central	3	0	0	0	0
Queenstown East	1	0	4	0	4
Southern Corridor	10	377	0	0	377
Sunshine Bay-Fernhill	7	59	6	0	65
Warren Park	1	0	0	0	0
Upper Clutha	80	332	95	2	427
Albert Town	16	53	15	0	67
Cardrona	1	97	0	0	97
Lake Hawea	12	0	18	0	18
Luggate	1	83	0	0	83
Wanaka Central	13	31	10	2	43
Wanaka North	21	27	29	0	55

⁵ Consent Monitoring Dashboard -

<https://qldc.maps.arcgis.com/apps/dashboards/414132222389444ca772142f7f08cf4c>

Wanaka Waterfront	6	0	9	0	9
Wanaka West	10	41	14	0	55
Grand Total	140	825	158	3	984

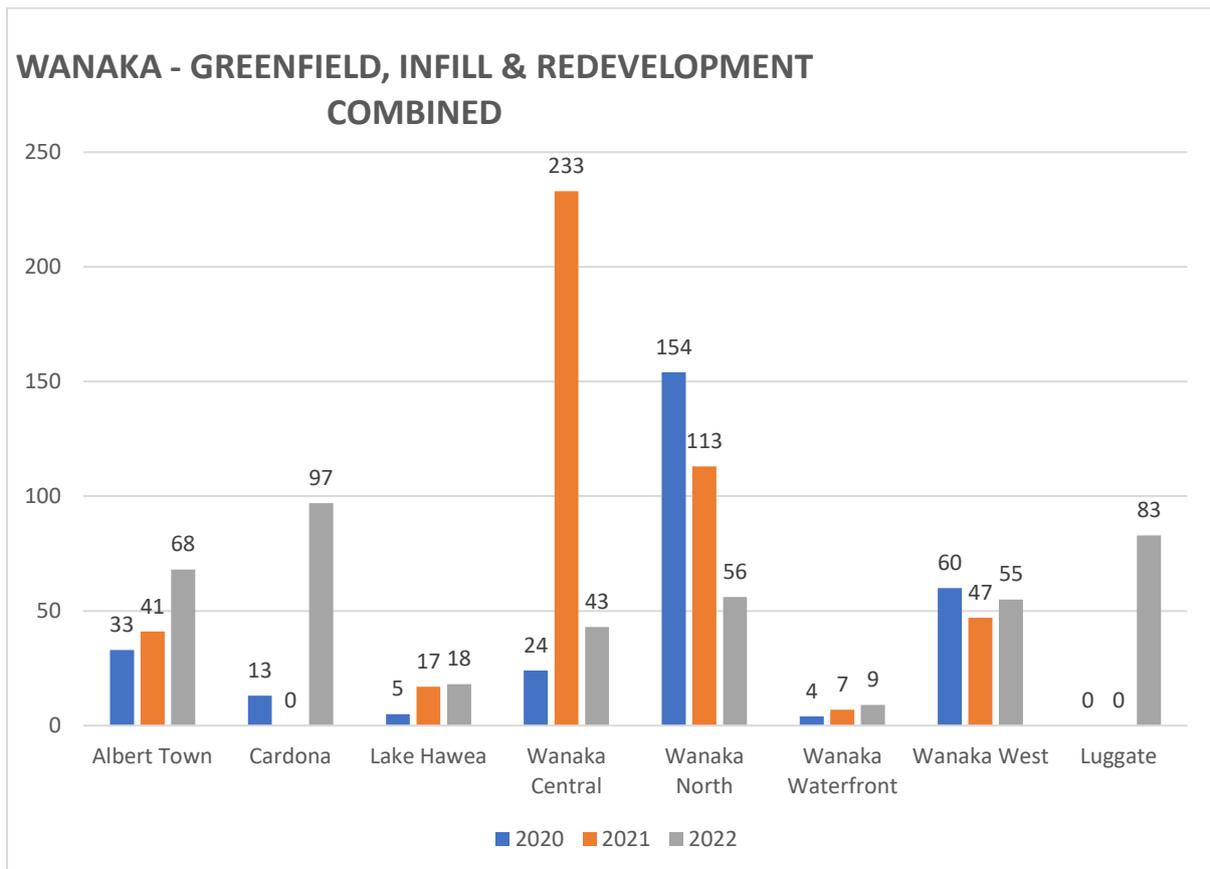
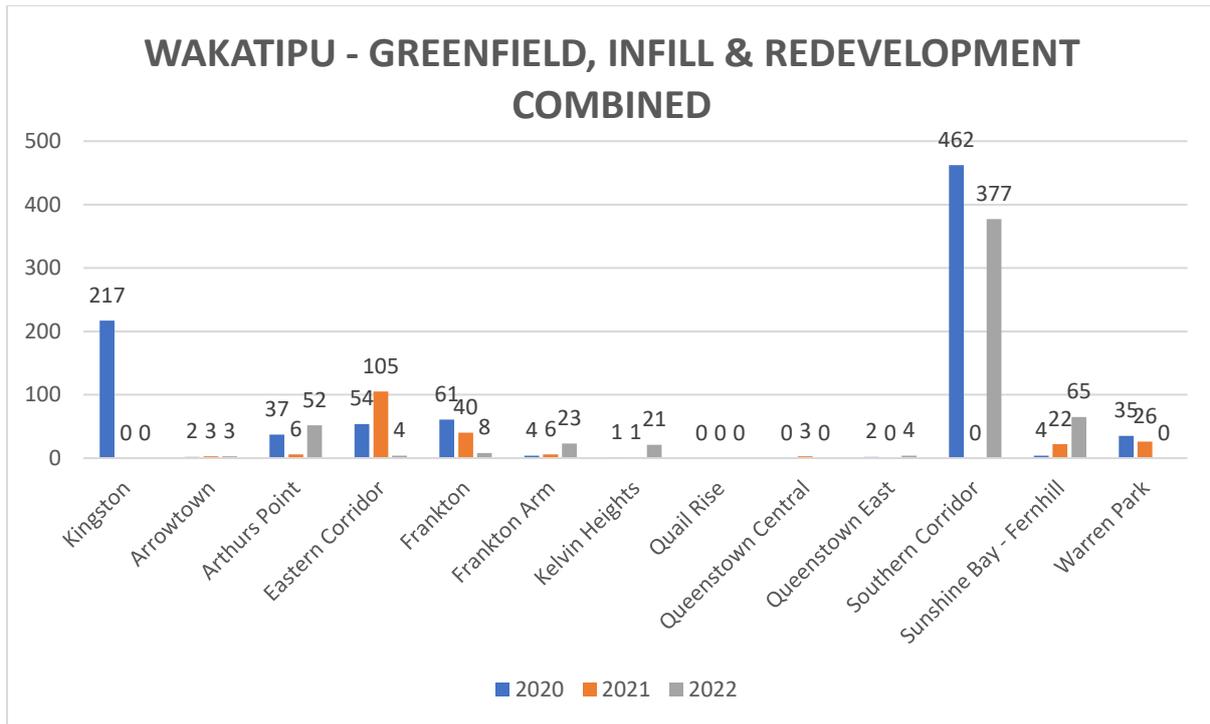
Latest Results for the year ending 2022:

Overall:

- 140 residential subdivision consents with a cumulative total of 986 lots consented.
- 51% of development approved is within the Whakatipu Ward compared with 43% in the Upper Clutha.
- Greenfield development accounts for 84% of new residential lots or units created, with infill at 16% and redevelopment 0.3%.
- The Southern Corridor (Jacks Point Zone) accounted for 46% of greenfield, totalling 377 consented residential sections, followed by the Cardrona SA2 (Cardrona Village) at 12% (97 lots).
- Infill accounts for 16% of development, with the largest amount occurring within the Wanaka North SA2 (South of Aubrey Road) (29 lots).
- Redevelopment accounts for 0.3% of development, with redevelopment occurring in Wanaka Central SA2 (2 lots) and Arrowtown SA2 (1 lot)

Comparison to previous years

- More residential subdivision consents consented compared to both 2021 and 2020 (140 vs 109 & 107)
- The cumulative total of 2022 is more than the number of lots consented in 2021 (670) but less than 2020 (1172).
- During 2021, the Upper Clutha ward accounted for the majority of subdivision development, in 2022 this has switched to the Whakatipu, similar to 2020, but
- Greenfield development continues to account for the majority of development within the district as per previous years. Infill and redevelopment continue to only account for a smaller percentage of overall consented development (16%).

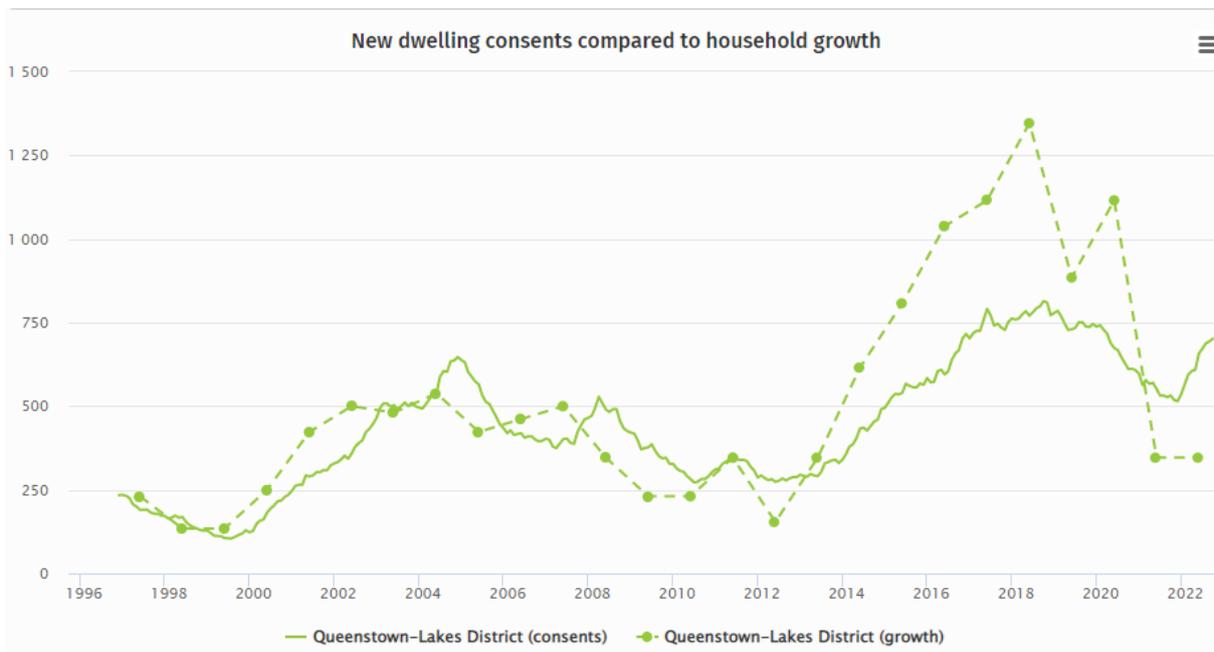


Commentary:

Greenfield development accounts for the majority of new residential development, with the majority occurring within the Upper Clutha. Infill and redevelopment only account for 16% of all new residential sections or units created, with the majority of infill occurring within the Upper Clutha, redevelopment only accounts for 1% of overall development and is occurring mainly in the Upper Clutha. As this is the third year of data, it is still too early to comment on trends.

3.3 New Dwelling Consents vs Household Growth

About this indicator: This indicator approximates the demand for, and supply of, new dwellings. It measures changes in demand and how responsive supply is. The number of new dwelling building consents is lagged by six months (presented as a 12-month rolling average), to account for the time taken from consenting to completion. It is used as a proxy for supply. The most recent resident population (updated each June), divided by the local average housing size, is used as a proxy for demand.



About this indicator: This indicator contains new dwelling consents up to December 2022 and estimated household growth up to December 2022. Due to built in lags, care is needed when comparing new dwelling consent data with the previous indicator.

Latest Results:

- Up until 2018, consents and growth had relatively kept pace (with consents levels just under actual growth)

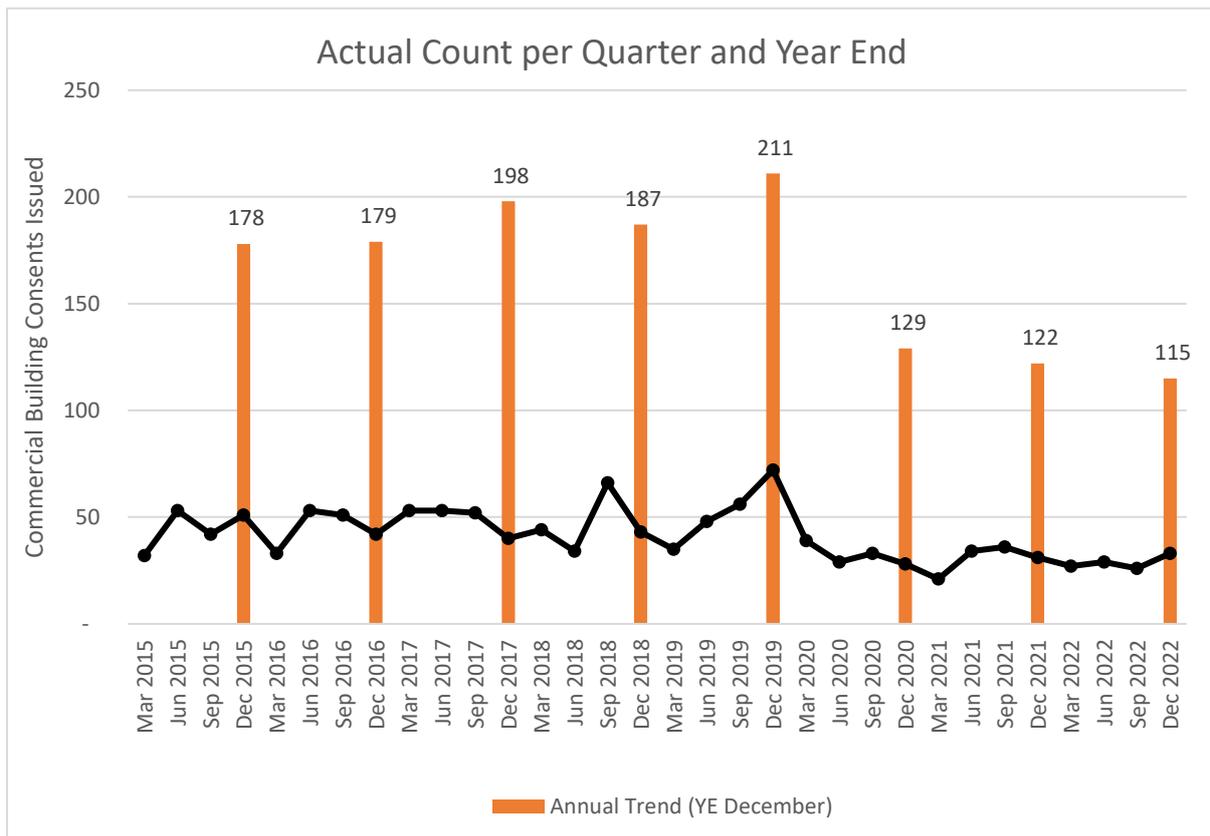
- Between 2021 and 2022, there has been a sharp decrease in growth from its high point in 2018 whilst consent growth climbs, though not yet back to the highest recorded levels in 2019.
- Currently, growth does not appear to be keeping pace with actual demand (consents).
- This drop in consent applications, is likely due to the residual effects of Covid-19 and may reflect the lack of international visitors to the district (see commentary below).

Commentary:

Since June 2013, household and new dwelling growth in QLD have been relatively close. That is, supply kept pace with resident demand (or vice versa) and consent and household growth have increased at generally the same rate. However, not all dwellings being built are available for resident households (i.e. they may be used for holiday homes, for non-local residents – including seasonal workers - or used for residential visitor accommodation). Care is therefore needed, as the two indicators are not directly comparable. Rising sales and rent prices indicate strong dwelling demand that may not be being met by the market.

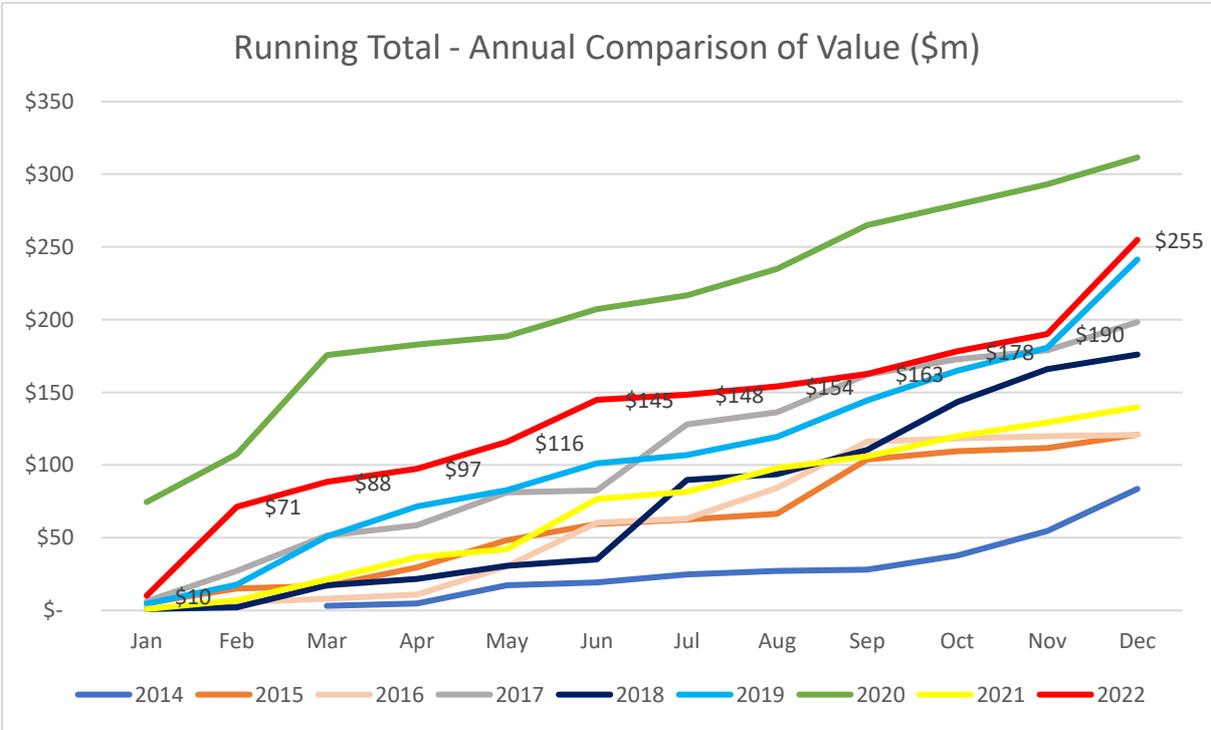
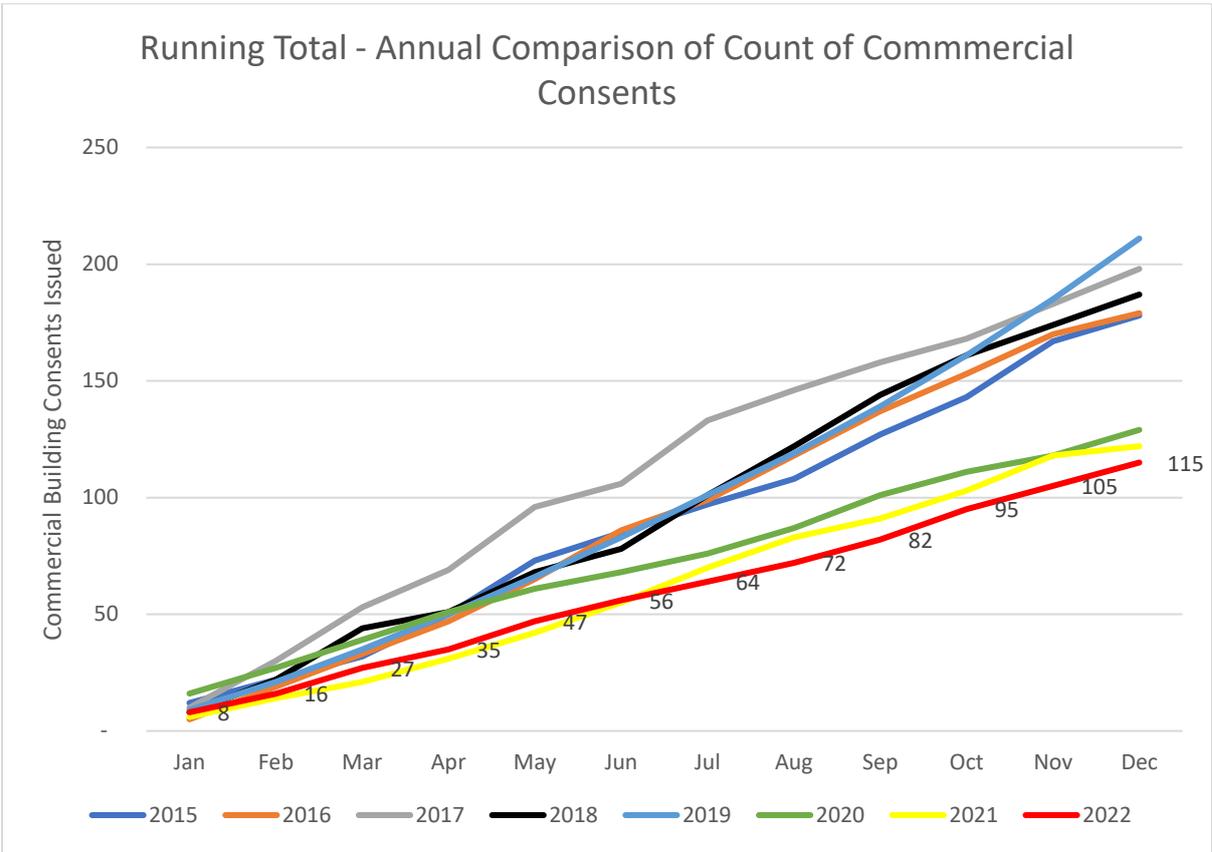
3.4 Commercial Building Consents Issued

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



Latest Results:

- There were 31 commercial building consents issued in the December 2021 quarter. This is 7 more consents issued compared to the September 2021 quarter (27%).
- This is an increase when compared to a year ago (December 2021) where there were 31 commercial building consents issued.
- Over the last 12 months (YE December 2021), there have been a total of 115 commercial building consents issued. This is a decrease of 7 consents (-6%) compared to the previous year (122 in YE December 2021).
- The average **value of consents** for the December 2022 quarter was approximately \$92m, an increase of \$58,441,250 the December quarter in 2021 (\$33,786m).
- The average **value of a commercial build** issued in the December 2021 quarter was \$2,794,773. This was approximately \$1,704,894 (156%) higher than the average value in the December 2021 and \$2,107,095 higher than the previous quarter (September 2021).



Commentary:

Commercial buildings have a less steady supply increase and are heavily influenced by a smaller number of large developments in new greenfield or brownfield commercial zones. Consent value is strongly influenced by the type of consent with greater variability in commercial consents than residential consents. Overall, 2022 outstrips the majority of the value of all commercial consents issued since 2014 (2020 being the highest).

However, this is not an indication of continued growth, given that the count of consents is the lowest of all years on record. Construction businesses have been experiencing higher demand for building activity, continuing supply-chain issues, and higher labour costs which have pushed up the costs of building activity. Additionally, 2022 saw the Reserve Bank continually raising the official cash rate to offset inflation all of which are tipped to put New Zealand in recession in 2023. All of these are drivers in reducing confidence and slowing down growth which is seen in the low consent numbers but high value of consents.