

# **National Policy Statement on Urban Development**

## **Kāpiti Coast District Council Quarter 1 Monitoring Report –**

### **Including annual update**

*September 2020*

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## Executive summary

This first quarter National Policy Statement on Urban Development (NPS-UD) monitoring report for 2020/21 provides an update and analysis of changes across the development market for the 1 June 2020 – 31 August 2020 period, as well as analysis on key changes across the last year from 1 July 2019 – 30 June 2020.

Quarterly reporting identifies changes in development activity and a range of market and price efficiency indicators sourced from the Ministry of Housing and Urban Development's (MHUD) Urban Development Dashboard.

### Key point of interest from this report include:

- The initial impacts of Covid-19 have only had a limited impact on development activity for this reporting period. Anecdotally<sup>1</sup>, demand for housing in the district has actually increased as people look to seek more affordable housing and lifestyle opportunities.
- Average sales prices continue to rise – now at of \$642,500 for Kāpiti, increasing \$40,125 from June 2019 to June 2020.
- Latest affordability data sees Kāpiti becoming more unaffordable, with levels of affordability to buy and rent remaining higher (worse) than regional and national levels.
- Applications for the social housing register continue to increase – up by 52 from June 2019 to June 2020.
- The Kāpiti Recovery Plan was recently adopted and it's suite of actions will support the district recovery.
- Work is currently underway to develop a future growth strategy for Kāpiti. This will coincide with work underway to develop a Regional Growth Framework and requirements to support growth both up and out under the recent National Policy Statement on Urban Development.

A snapshot of indicator activity for the 1 June 2020 – 31 August 2020 is summarised below:

Indicator	Movement from Last quarter	Context
Building consent applications issued	Increase (by 19 as per Appendix One)	126 consents issued with a total value of \$33,834,768
Resource consent applications granted	Increase (by 17 as per Appendix One)	68 consents granted <ul style="list-style-type: none"><li>- 67 residential</li><li>- 1 non-residential</li><li>- Indicating a potential net addition of 72 dwellings from new builds and subdivisions</li></ul>
House sales	Decreasing	The sales figures for 31/12/2019 were 316, followed by a decrease for 31/03/2020 to 271. Last quarter experienced a significant drop at only 126 sales for 30/06/2020.
House values	Increasing	The median value of house sales has historically increased, rising from \$602,375 in 30/06/2019 to \$640,000 in 31/12/2019. It sits at \$642,500 for the latest period to 30/06/2020.
Nominal mean rent	Increasing	Mean rent has continued to increase, strengthening from \$438 for 30/06/2019 to \$455 in 31/03/2020. This increased again during the latest quarter to \$466 per week in 30/06/2020.

<sup>1</sup> <https://www.stuff.co.nz/life-style/homed/real-estate/122815431/people-looking-for-property-eye-up-the-kpiti-coast-as-demand-heats-up>

Indicators not updated for this quarter are below, including their status from the previous September 2019 report for information. These will be updated in the next quarterly report subject to updates made by the Ministry of Housing and Urban Development.

<i>Dwelling stock (number of dwellings)</i>	<i>Increasing</i>	Baseline stock numbers have not been revised since 30/09/2019 where they sat at 22,415.
<i>Dwellings sale volume as percentage of stock</i>	<i>Decreasing</i>	Data has not been updated since 30/09/2019, where the ratio of sales to volume sat at 1.1%.
<i>HAM Buy: share of first home buyer households with below-average income after housing costs</i>	<i>Decreasing (improving)</i>	Latest data sees affordability to buy improve as it declines from the recent peak of 0.82 in June 2018 back to 0.80 as at 31/12/2018.
<i>HAM Rent: share of renting households with below-average income after housing costs</i>	<i>Decreasing (Improving)</i>	Data has not been updated since 31/12/2018 where the affordability had slightly improved to sit at 0.40.
<i>Land value as percentage of capital value</i>	<i>Maintaining</i>	Maintaining 47% (as of 30/09/2017)
<i>Average land value of a dwelling</i>	<i>Increasing</i>	\$265,405 (as of 30/09/2017) increasing since 2014

# National Policy Statement on Urban Development

## Kāpiti Coast District Council - Quarter 1 Monitoring Report September 2020 – including Annual Update

### Introduction

This is the first quarter monitoring report for 2020/21 implementing the National Policy Statement on Urban Development 2020 (NPS-UD). The report provides updated data and analysis of changes to the housing market for the 1 June 2020 – 31 August 2020 period, as well as analysis across key changes for the year 1 July 2019 – 30 June 2020.

The report provides an update of local development activity as well as data on house sales, sales values and rental costs from the Ministry of Housing and Urban Development's Urban Development Dashboard (the dashboard) over this period. Updated Census 2018 data has also been included to provide context on factors affecting growth and development in Kāpiti.

An overview is also provided on a number of recent changes affecting housing and future growth. The overview includes:

- The new National Policy Statement on Urban Development 2020 which replaces the National Policy Statement on Urban Development Capacity 2016
- Covid-19 and its potential impacts on growth and development in the district
- Work underway to develop a Regional Growth Framework for the greater Wellington region and
- The commencement of the review of our own local growth strategy for the Kāpiti District.

Regular monitoring supports Council's work to understand current and future housing and business needs in the district and provides an evidence base on which to support planning and decision-making to meet those needs. This is particularly important as we monitor the impacts of Covid-19 on the district alongside growing pressures on housing affordability.

Previous monitoring reports are available at: [www.kapiticoast.govt.nz/Our-District/The-Kapiti-Coast/urban-development-capacity](http://www.kapiticoast.govt.nz/Our-District/The-Kapiti-Coast/urban-development-capacity)

### National Policy Statement on Urban Development 2020

On 20 August 2020 the National Policy Statement on Urban Development (NPS-UD) came into effect, replacing the previous NPS-UDC. The new NPS-UD retains and builds on many of the components of the NPS-UDC and its objectives for well-functioning urban environments that provide for people's needs now and into the future.

A key change under the NPS-UD is that Kāpiti is now recognised as a Tier 1 Urban Environment, along with Porirua, Upper Hutt, Lower Hutt, Wellington City, and Greater Wellington. This effectively sees the Wellington area move from a medium growth to high growth area under the previous NPS-UDC.

As a Tier 1 Urban Environment, the requirements to undertake a housing and business assessment every three years and regular monitoring, remain largely the same. One new addition is that the Wellington urban area is now required to develop a Future Development Strategy, which was previously only required for high growth areas under NPS-UDC.

Another key difference of the NPS UD is that it provides greater direction on a number of matters in urban areas and for administering councils. The direction includes requirements for enabling greater intensification, the removal of car parking minimums from district plans, and to be responsive to unexpected plan change requests, where these would contribute to desirable outcomes.

Council is initially required to review its housing assessment of development capacity by July 2021, change its district plan to remove car parking standards no later than February 2022, and notify a change to the district plan to enable intensification by mid-2022.

Work is currently underway to scope Councils response to meet its NPS-UD requirements.

Further information on the NPS-UD can be found at <https://www.mfe.govt.nz/national-policy-statement-on-urban-development>

### **Developing a Regional Growth Framework**

Over the last 18 months' councils across the Wellington region and the Horowhenua District Council have been working in partnership with central government and mana whenua to develop a Regional Growth Framework to understand and manage future growth across the wider Wellington area.

The Regional Growth Framework is a spatial plan that will provide a long-term vision for how the Wellington region will grow, change and respond to key urban development challenges and opportunities in a way that achieves the best outcomes across the region.

The Framework addresses immediate and longer-term challenges around housing supply and affordability, urban development and supporting infrastructure. It explores how and where future growth could be accommodated across the region at much higher levels than existing strategies and plans envisage.

Objectives of the Framework work include:

- Providing more housing choice which will make housing more affordable and liveable.
- Development of walkable communities that are easy to get around with easy access to services and employment.
- Making better use of the region's limited greenfield land for development by looking at medium and higher density housing and developments and ensuring all greenfield developments have access to frequent public transport services.
- Developing urban areas along already established transport corridors making it easier for people to get around.
- Unlocking new areas for housing and urban development and improving our resilience as a region by investigating options for a major west-east multi-modal corridor.
- Delivering transformational housing and development outcomes for iwi/Māori.
- Addressing the challenges of climate change and transitioning to a zero-carbon economy regionally.

The Regional Growth Framework will help coordinate the response and management of growth across the greater Wellington area. Longer term, the intent is also to use the Framework as the basis of a Future Development Strategy that is required for the Wellington Urban Environment under the NPS-UD.

Formal endorsement is currently being sought from project partners with an aim to seek community feedback on a draft Regional Growth Framework in the first half of 2021. Further information on the Framework can be read here <https://wrgf.co.nz/>

### **Review of the Local Growth Strategy for Kāpiti**

The current District Growth Strategy, the Development Management Strategy, sets out the vision and principles for achieving sustainable development for the growth and development of the district.

The Strategy was adopted in 2007. Over the last 13 years the district has seen significant change and steady growth, with its accessibility, affordability and lifestyle opportunities expected to continue to attract people to the area.

The review of the Strategy follows the completion of Council's first Housing and Business Assessment of Development Capacity (HBA) in 2019. The assessment identified the review of the Strategy as an initial first step to identify the best future shape and form of growth and development across the district, and to enable further development capacity to meet the district's growth.

A refreshed Growth Strategy will champion sustainable growth and development on the Kāpiti Coast into the future, while balancing the district's social, cultural, economic and environmental needs and community and iwi aspirations. Investigations into future residential development areas will also be part of this work.

The development and implementation of the Strategy will also integrate Regional Growth Framework (RGF) and NPS-UD requirements to deliver the best outcomes for the district.

Council will be working closely with its iwi partners to develop the Strategy. Council will also be looking to engage with the community, local development sector and stakeholders to explore the shape of future growth for Kapiti alongside the district's next Long-Term Plan.

## **CONTEXT FOR GROWTH AND DEVELOPMENT ON THE KĀPITI COAST**

### **Growth, housing, and business headlines for Kāpiti**

The following section provides a summary of key statistics and information that help provide a picture of the drivers and pressures for the district relating to housing and business needs.

Most population and housing statistics below are based on data and projections drawn from the 2018 Census or data sourced through .ID, Infometrics, and MHUD's Urban Development Dashboard.

#### **Growth**

- Kāpiti Coast District's population has increased from 49,104 to 53,673 between the 2013 and 2018 Census's (an increase of 4,569). The annual average rate of growth across this period was 1.8%. The most recent Estimated Resident Population from Statistics NZ estimates that the figure was slightly higher at 55,200 in 2018 with

provisional figures for 2019 and 2020 seeing population increase further to 56,000 and 57,000, at an annual average increase of 1.5% and 1.9%.

- Kāpiti is expected to continue to grow. The completion of Transmission Gully and Peka Peka to Otaki roading projects are expected to further increase accessibility and demand to live and work in the district.
- Growth will occur across all age groups, with families set to increase alongside a significant growth in the population of persons over 50 years of age.

## **Housing**

- The total number of dwellings for Kāpiti increased from 23,550 to 24,924 from 2013 to 2018. This saw an increase in the total number of occupied dwellings from 20,619 to 21,906 during this period and a drop in unoccupied dwellings from 2,931 to 2,892. The average annual rate of growth across this period is 1.0%, with the total number of occupied dwellings increasing by 1.2% per annum and the total number of unoccupied dwellings decreasing by 0.3% per annum.
- Future forecasts expect households with couples without dependents and single person households to increase, making up 66.4% (39.0% and 27.4%) of Kāpiti households by 2043. Couples with dependents families are also expected to increase significantly, up 20.5% by 2043. Between 2013 to 2018 there were 525 additional households with couples with dependents. Households that had couples with no dependants and sole households increased by 342 and 249 respectively.
- Current dwelling stock is predominately three-bedroom dwellings (45.1%) with numbers of two (23.8%) and four-bedroom (20.9%) dwellings similar to elsewhere in the Wellington region. The percentage of one-bedroom dwellings (4.8%) however is just over half that of the Wellington region (at 8.1%). The overall percentages of dwelling stock by size also closely reflect the percentage of the size of dwellings being built between 2013 and 2018, with 46% being 3 bedroom, 23% 2 bedroom, 20% 4 bedroom, and 11% 1 bedroom.
- Kāpiti has higher levels of separate housing and lower levels of medium and high density housing than both the Wellington Region and national averages.
- In 2018, 20.8% of households were low income in Kāpiti with the annual median personal income of \$26,700 and annual mean household income of \$89,531, both below the national medians of \$31,800 and mean of \$103,673 respectively.
- Although falling slightly from 2013, the home ownership rate in Kāpiti remains higher than most places at nearly 68%, with 19.7% of households renting, 2% of which are renting social housing. Between 2013 and 2018 there has been a 1.8% increase of households renting privately.
- There has been a 7% increase in people renting in Ōtaki from 2013, with approximately 35% of households renting (including social housing rentals) in 2018. Paekākāriki also has a high proportion renting households, at 26%.
- Kāpiti continues to have a higher proportion of unoccupied private dwellings than the Wellington region, concentrated in Waikanae Beach, Peka Peka, Te Horo, and Ōtaki Beach areas.

## **Public Housing**



- In its June 2020 quarterly update, the Ministry of Social Development National Housing Register for Kāpiti has 145 eligible applicants as of June 2020. This has increased by 26 since the previous March 2020 quarter, with the overall number of applicants increasing by 52 over the 12-month period June 2019 to June 2020. 52.4% of current applicants require a one-bedroom home, 31.0% of applicants require a two-bedroom home and the remaining 16.6% of applicants require three or more-bedroom homes; the bedroom requirements are very similar to the previous year.
- Compared to the June 2019 quarter, registrations in Kāpiti have increased by 55.9% from 93 to 145. This follows the national trend where overall registrations have increased from 12,311 to 18,520, an increase of 50.4% for this period comparison.
- Kāinga Ora Homes and Communities currently own 209 properties for public housing in the Kāpiti district. Kāinga Ora have built or are committed to building eight further properties in Kāpiti (from the commitment in the Central Government's Public Housing Plan to build 13), with no plans from any other providers to meet the need for the remaining 27 properties in Kāpiti. A new Public Housing Plan is expected by the end of 2020 where it is expected there will be a significant increase in the need for public housing in the District.
- In 2019 Council identified through engagement with the district's housing sector that the hidden demand for public housing in Kāpiti was estimated at 205. The total demand for public housing in the district is over 300 (including those from the Social Housing Register), however this is likely to be continuing to rise due to increasing housing and rental prices, the impact of Transmission Gully and the bypass between Waikanae and Ōtaki, and the impact of Covid-19.
- A Council-led housing need and social impact assessment is due to start in early 2021.

### **Air BnB use in Kāpiti**

- The Wellington Region Housing and Business Assessment of Development Capacity 2019 identified the commercial use of private accommodation as having an increasing impact on the overall demand for housing across the region.
- In its August 2020 update, Air BnB data showed that for the period between June 2020 – August 2020 Kāpiti Coast District held 17% of the entire place listings for the Wellington Region with 269 local listings of the 1592 regional listings. This has increased from 14% from the June 2019 – August 2019 period.
- During the latest period Kāpiti Coast District had an average of 39.9% occupancy for entire place listings (compared to Wellington Region's 49.8%), with an average of 37.1% during the period a year prior (compared to Wellington Region's 50.3%).
- Further work will be undertaken as part of future HBA work to try and identify the location and extent to which Air BnB activity might be having on local housing pressures.

### **Business**

The following information provides an update on the local business market. Please note that these figures are pre-Covid and the impacts have not yet been accounted for in this update.

- Over the year to March 2019, there were 17,693 filled jobs on the Kāpiti Coast, an increase of 299 jobs from 2018. These additional jobs equate to a 1.7% per annum lift in employment, which was just below the national average growth of 1.9% per annum.
- In 2019, construction was the largest industry in the area, with 2,805 filled jobs (15.9%). Health care and social assistance was second, with 2,540 (14.4%), followed by retail trade (2,146) (12.1%), professional, scientific and technical services (1,650) (9.3%) and education and training (1,559) (8.8%) industries.
- Over the last ten years, employment in Kāpiti Coast has increased by around 2,244 filled jobs. The largest contributor to this growth was the health care and social assistance industry, where 852 (38%) of these additional jobs were created. The second and third largest contributors to employment growth over the last decade was the construction industry which added 454 jobs, and the professional, scientific and technical services industry, which added 442 jobs.
- The Kāpiti Coast has a high proportion of workers who are self-employed. In 2019, Infometrics estimates that 27.9% of the local workforce were self-employed. This high self-employment rate compares to 16.2% of the national workforce being self-employed. This work highlighted that the construction industry and professional, scientific and technical services industry had high rates of self-employment.
- Kāpiti Coast's labour market remains strong, with both the unemployment and 'Not in Education, Employment or Training' (NEET) rate falling over the last year.
- The NEET rate has fallen from 13.5% in 2018 to 12.6% for 2019, which is closer to the national average of 12.1%.
- Of the working resident population in Kāpiti, 25.2% travelled outside of the area to work. Conversely, 6.7% of employees in the district travel from outside of the area to work in Kāpiti.
- Information on the Gross Domestic Product (GDP) by industry is also important when understanding industry in Kapiti. The top GDP industries in Kapiti include Health Care and Social Assistance 10.2% (\$203M), Rental, Hiring, and Real Estate Services 9.8%, (\$196M) Professional, Scientific and Technical Services 9.8% (\$194M), Construction 9.2% (\$184M), and Manufacturing 9.1% (\$182M).
- Over the year to March 2019, an additional 39 businesses were recorded on the Kāpiti Coast, compared to 2018. This equates to growth of 0.7%pa, which was below the national average of 1.8%pa.

### **Growth pressures – current and future**

- Regional and district demand for housing continues to push up house prices and rent. This is having an increasing effect on the affordability for many current residents, particularly those on fixed or lower incomes.
- Migration is expected to continue to have a strong influence on growth in the district. While Covid-19 is expected to have a short-term impact particularly on international migration, increasing demand for flexible working, more affordable housing and better work and lifestyle balance are expected to continue to drive demand in the district.

- The proportion of retired residents will increase, potentially creating further pressures on people's ability to pay and Council's ability to provide future levels of services.
- Recent demand for public housing has been increasing – increasing affordability issues could impact this even further.
- There is a gap between the current provision of three-bedroom dwellings and the future need for more one and two-bedroom dwellings – with an absence of affordable housing and medium and high-density housing.
- Completion of Transmission Gully and the Peka-Peka to Ōtaki Expressway is expected to further lift residential and business demand in the District.
- Older population growth for Kāpiti presents both opportunities and challenges for the local economy. Additional employment will be needed to support expected growth in various sectors including services to the older age group. The current gap in younger workers could mean that it is difficult to maintain the area's local current workforce levels in light of the current population demographic and the continuing demand for highly skilled workforce.
- The professional, scientific and technical services industry has an increasing concentration in Kāpiti making it a potentially attractive destination for Wellington region based organisations' looking to spread risk and build resilience into their business operations. Greater connectivity provided by fibre and 5G are also drivers for technical work to be undertaken more remotely.

### COVID-19 impacts on the local housing market

The Covid-19 pandemic has had a significant economic, social and cultural impact on New Zealand, from the initial lockdown and border restrictions in March 2020, to the regional restrictions to control a second wave of infection, and the current space we find ourselves in.

Locally, Kāpiti is no exception and is also experiencing a range of impacts across our communities. Economists' initial estimations for the district highlight 1600 job losses by March 2021 and 11% forecast decline in house prices by the end of 2021. Gross domestic product was not expected to bounce back to pre-pandemic levels until the end of 2022 or 2023, with a recovery expected to take several years at least.

As one of our largest employment sectors, job losses within the local construction sector was expected to be particularly affected. With the district already facing challenges around housing affordability and deprivation, there are concerns over the extent to which Covid-19 will impact and exacerbate these and wider social issues.

With regards to the impacts on the local housing market, we have not seen the significant drop in building activity and house prices as originally anticipated. Inversely, government actions to help aid the recovery from Covid-19 impacts, including the relaxing of the loan to value ratio has provided an opportunity for some investors and first time home buyers to look at opportunities to purchase property whereas they were previously unable. Additionally, on the back of lockdown, many are also looking to achieve a better work life balance and are looking to Kāpiti with lower property prices than Wellington and high-quality lifestyle attractions. Options have also been further supported by a greater capacity for working remotely as the pandemic has forced many organisations to improve their systems and practices in this area.

While this means that the local housing market has increased demand, this will add to the existing pressure and availability of stock to meet local needs, exacerbating social issues and financial distress.

A number of these impacts are reflected (for this reporting period) in the previous public housing discussion and consent activity described below. However, the impacts of the pandemic are still unfolding as the situation continues to evolve globally, with local impacts also changing as the government looks to review its support packages.

We will continue to monitor housing statistics to understand these impacts as part of this report. Wider impacts of Covid-19 will be monitored as part of the recently approved Kāpiti Recovery Plan which sets direction for the district's recovery from the pandemic.

## GROWTH TRENDS

Building and resource consent numbers for this quarter are slightly up from the last quarter, with the total number of potential net additional dwellings slightly down. There is a decrease in overall activity from the same period last year, however the total value of work is only marginally lower. Given New Zealand's lockdown period and the subsequent impacts such as decreased consumer confidence and job losses, consent activity and consent values are tracking well.

### Building consents<sup>2</sup>

Data on building consents helps identify development activity across the district. Between 1 June 2020 – 31 August 2020, 126 consents were issued which is up from 107 issued last quarter. Of these, 48 related to new builds<sup>3</sup> (just up from 47 from the last quarter), 68 related to dwellings - additions and alterations (up from 44 from the last quarter), and 1 related to a re-sited houses (down from 3 in the last quarter).

Despite the increase in overall consent numbers, the overall value of work has decreased to \$33,834,768 down from last quarters \$37,034,140. Closer examination of building activity from the first quarter identifies that while alterations and additions were higher than last quarter these were for a lower average value and commercial activity was limited, with one new office/warehouse development alongside the predominantly residential activities for the period.

Compared to the same period last year the number of building consents is lower, down from 148 to 126, however the total value of work is similar having marginally decreased from \$33,865,584 to \$33,834,768.

Overall, activity for the 1 June – 31 August 2020 quarter has decreased from 2019/20, as shown in the following table:

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2 Note: Applications for garages, public toilets, fireplaces, domestic re-roofing, fences, retaining walls, outbuildings, other outbuildings, conservatories, swimming and spa pools, and other construction (e.g. signs and pergolas) are excluded from this analysis of building consents.

3 From statistics category for New (& prebuilt) House, Unit, Bach, Crib

Reporting Year	Number of Building Consents	Value of Work	Average New Build Consent Value	Average Alteration or Addition Value
2019/20	125	\$33,834,768	\$590,673	\$56,816
2018/19	148	\$33,865,584	\$456,798	\$101,603
2017/18	131	\$24,671,786	\$386,285	\$68,948
2016/17	193	\$48,644,150	\$369,329	\$73,810

Looking at averages also identifies an increase in the average value of new build work and a decrease in value of alterations work.

Further detail on the number and type of consents issued for the 1 June 2020 – 31 August 2020 quarter can be found in Appendix One.

Figure 1 below compares Statistics New Zealand data for new buildings consented by Kāpiti Coast District Council for the last year (July 2019 – June 2020) against activity back to 2007 - 2008. While overall numbers from 2019 - 2020 are down from a peak in 2016 - 2017, they remain relatively consistent with a similar level of activity stretching across the last seven years following the recovery of building activity post Global Financial Crisis of 2008. Figure 2 highlights that new build dwellings remain dominated by separate houses, with a small numbers of townhouses starting to emerge over the last five years.

Figure 3 also shows a continuing increase in number of residential alterations. This increase may be attributable to people's decision to upgrade their existing house due to increased value. Ongoing monitoring of long-term data will help better understand any associations between levels of alterations and market conditions.

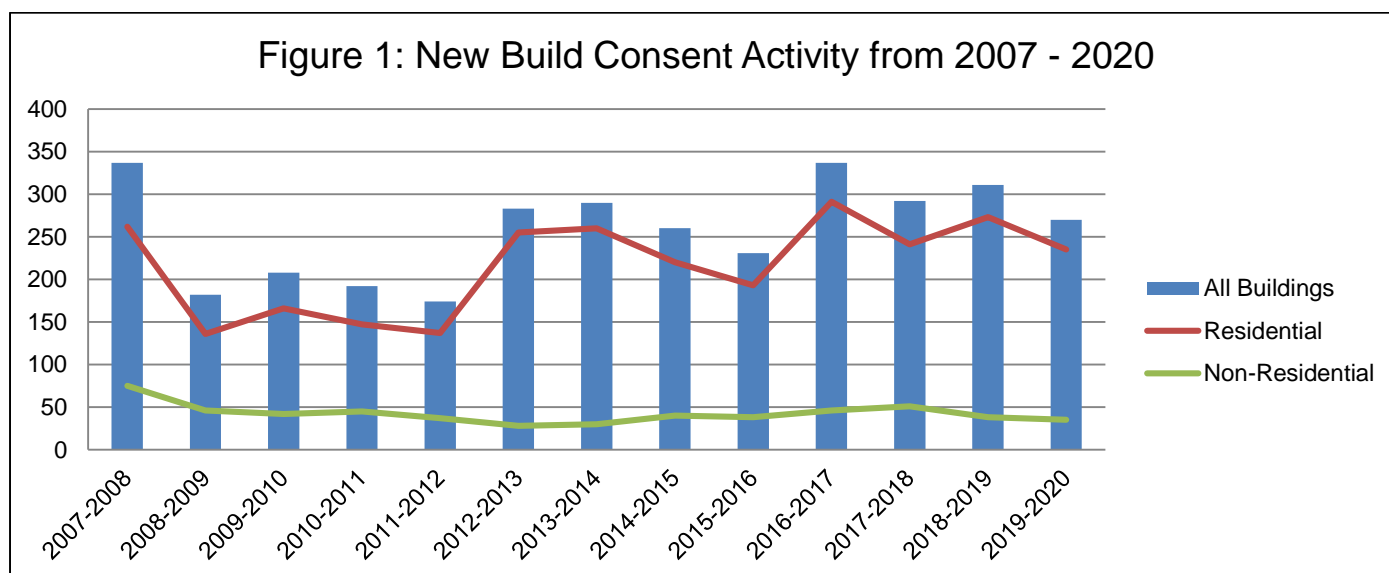
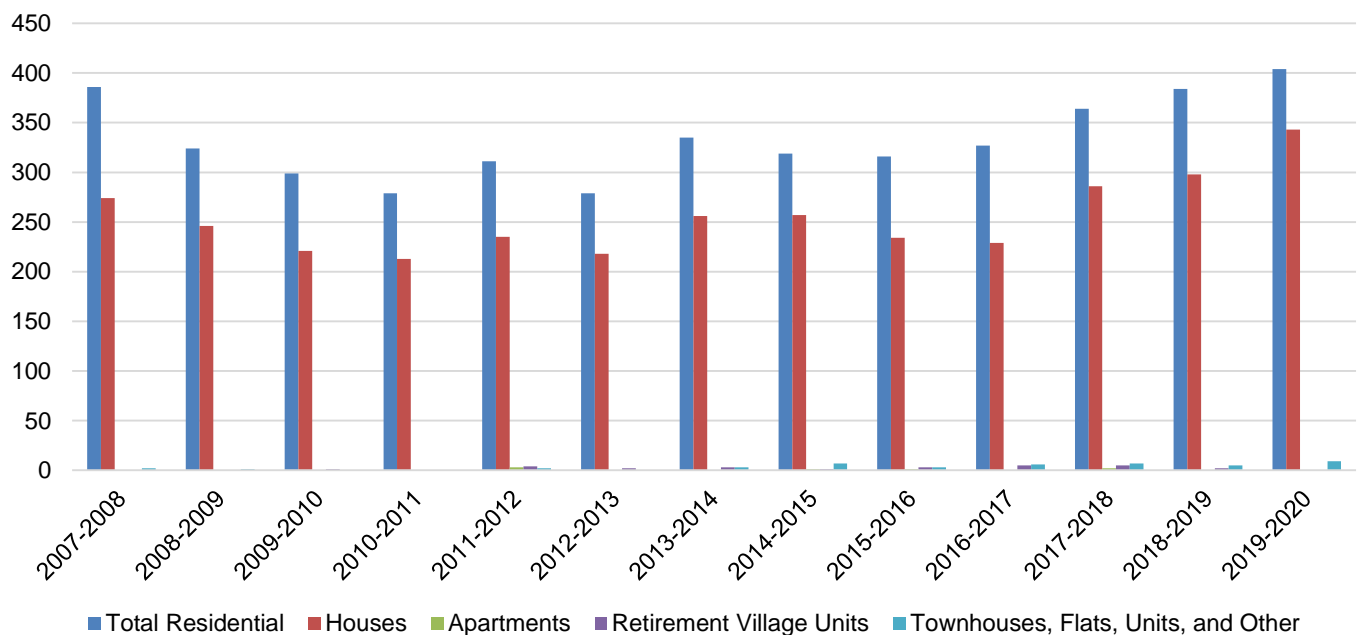


Figure 2: Type of New Dwellings being Consented



Figure 3: Altered Residential Activity 2007 - 2020



### Resource consents<sup>4</sup>

Between 1 June 2020 – 31 August 2020, Council granted 68 resource consents. This included 42 land use consents, 18 subdivision consents, and 8 resource consents for deemed permitted activities that involved a boundary activity<sup>5</sup>. Overall, 67 of the consents granted related to residential activities and information from the consents suggests that

<sup>4</sup> Quarterly resource consent activity excludes applications that varies or changes consent conditions or outline plans, which are included in wider Resource Management Act monitoring.

<sup>5</sup> Resource Management Act 1991, Sections 87BA, 87BB.

these applications have the potential to yield 72 net additional dwellings. This is down from the 82 potential net additional dwellings reported last quarter.

During this period, rural residential activities accounted for 11 of the 67 residential activities (translating to 14 of the potential net additional dwellings). For residential activities, the majority of the consents (27) again came from the wider Waikanae area (accounting for 53 of the potential net additional dwellings), with the Raumati Beach and Raumati South area replacing Paraparaumu with the second-most consents (14 consents accounting for 3 potential net dwellings), and Paraparaumu in third (8 consents for 3 potential net dwellings).

There was only one non-residential resource consent granted during this period, in Ōtaki, for the installation and operation of a mobile asphalt plant. Overall, activity for this quarter is slightly lower than the same period last year where 72 resource consents were granted, with the potential net additional dwellings also decreasing from 85 to 72.

This quarter also identified three applications where a home was to be removed with two new homes to be built to replace it, seven applications for new builds, one application for a mixed use property of residential and non-residential activities, and one application where a cross-lease is being updated. We continue to monitor these activities as they provide an indication of the market and the extent to which the increase in value supports opportunities for improving or for further investment into a property.

The table of residential and non-residential consents for the last quarter can be found in Table 2 of Appendix One. Resource Consents with net additions can also be found in Appendix One.

Figure 4 shows that despite Covid-19 potentially having an impact on activity for part of the 2019/2020 year, levels of activity remain similar to recent years, and higher than those between 2008 to 2013 off the back of the Global Financial Crisis.

Figure 4:

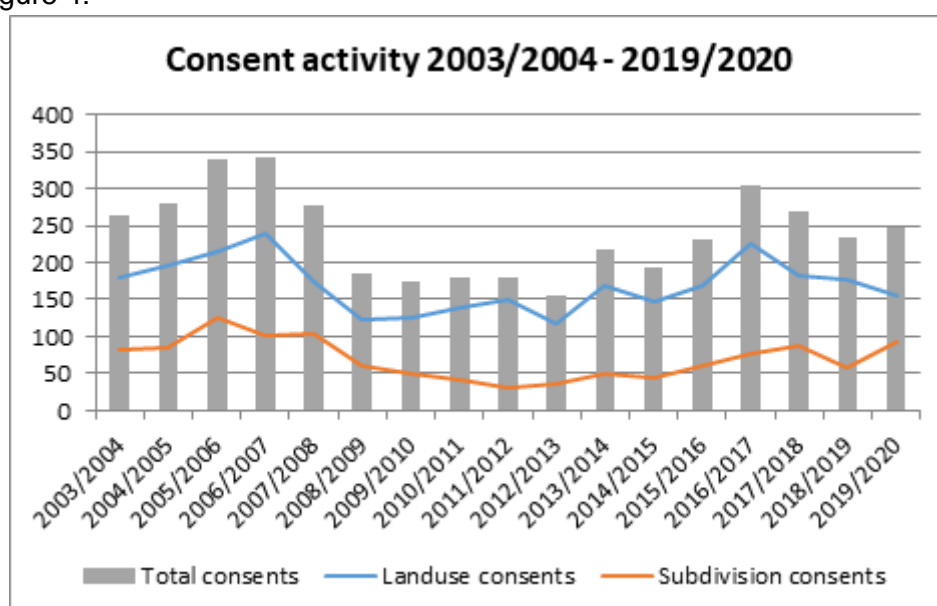
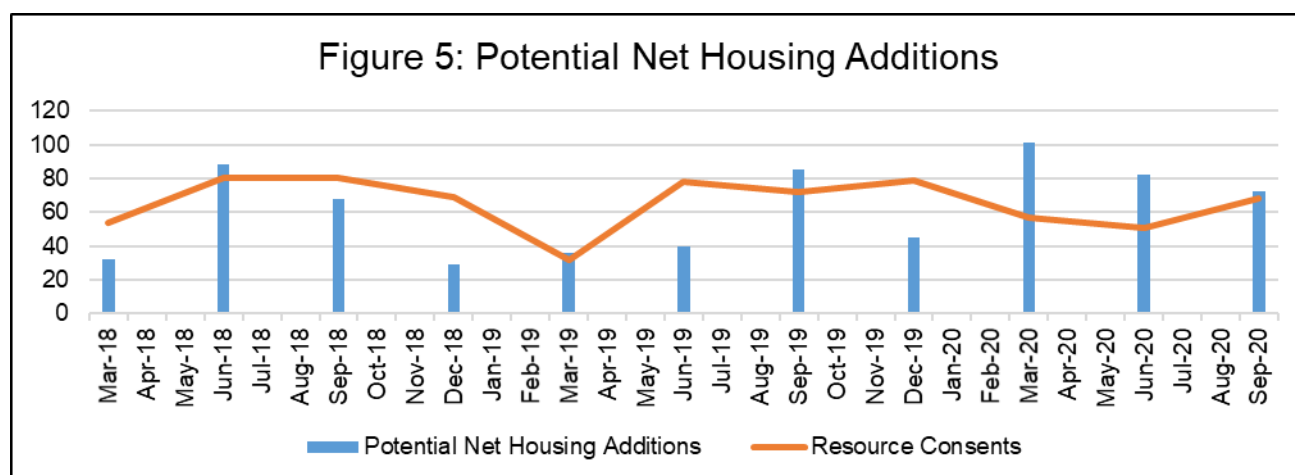




Figure 5 provides an indication of potential net additional dwellings. As not all residential development requires a resource consent, monitoring this measure helps provide one measure of development capacity coming through the system. Building consents data then provides more certainty around the actual construction of new dwellings. The last year shows consistently higher net additions emerging which may be a sign of supply coming forward to meet increasing demand, but there is not yet enough longitudinal data to yet draw any firm conclusions.



## MARKET INDICATORS

The following section provides an update of market indicator information published on the Urban Development Dashboard. Market indicators were last updated in July 2020 with most information updated to the end of June 2020.

### New Housing and Sales

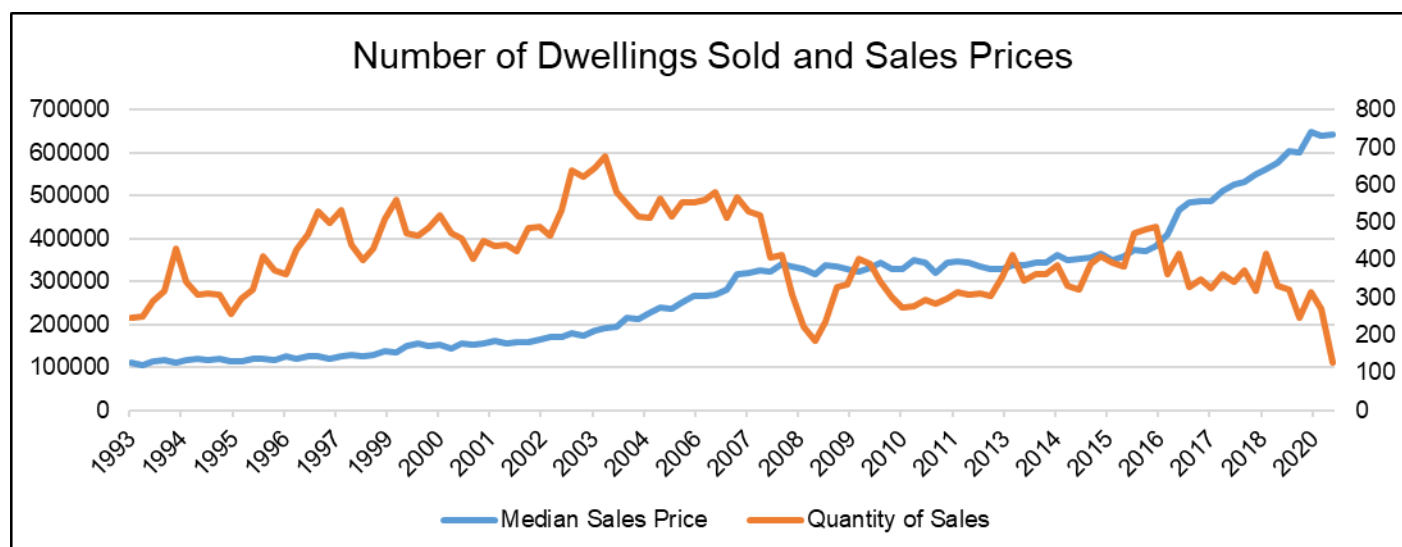
The average dwelling sales price indicator reports the prices of residential dwellings sold each quarter (in nominal terms, not adjusted for inflation, size or quality of dwellings). The average dwelling sales price (actual) in Kāpiti has increased from \$115,856 in 1993 to \$642,500 in June 2020, despite being relatively flat from 2007 to 2015.

The number of dwellings sold per annum has dropped from a high of over 500 dwellings in 2003, and fell sharply during 2007 and 2008 following the Global Financial Crisis (GFC). Activity has steadily increased since 2009 through to 2016, where we entered a period of steady decline. Sales dropped sharply over the first half of 2020 as the impacts of the Covid-19 pandemic have begun to be felt.

Both trends in house prices and sales show a level of correlation between activities. Comparing the trends shows that house sales started to increase again post GFC and were looking to reach towards previous high levels. However, from 2016 we can see a sharp increase in house value and a sharp fall-off of house sales. Some of this drop in sales activity is a likely result of price increases making housing unattainable for many, particularly first time home buyers in the area, removing that activity from the market. Government also introduced loan to value ratio loan restrictions and required banks to hold more funds in reserve, restricting the extent to which they provided loans to potential property investors

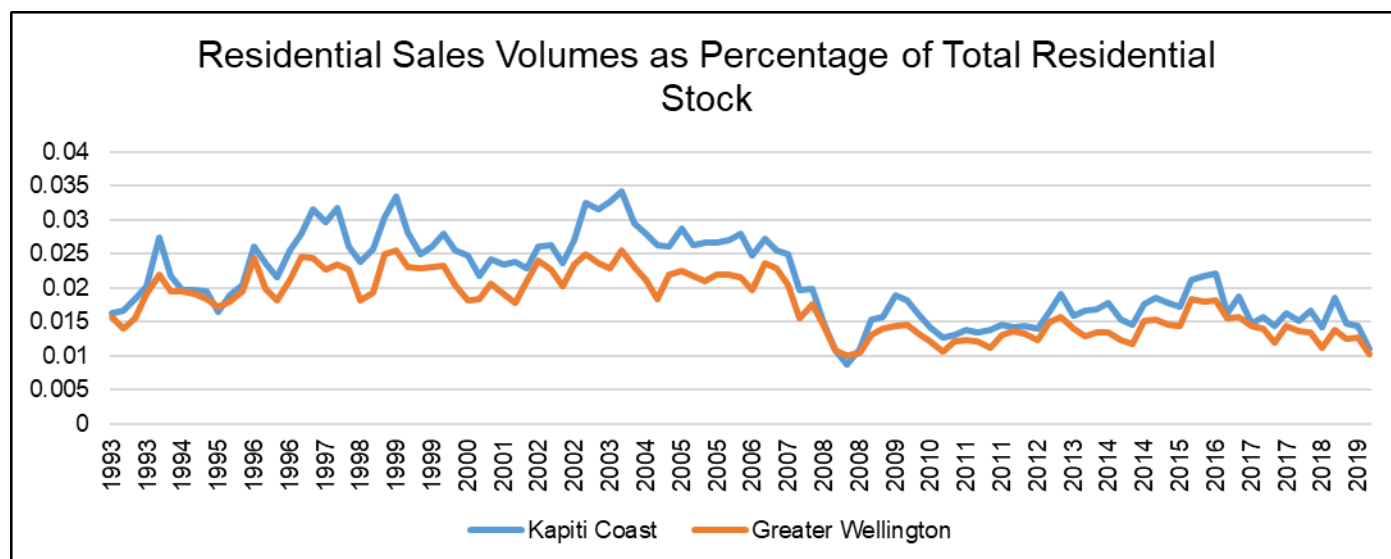


and first time home buyers. These trends for Kāpiti reflect similarly across the Wellington region, albeit at a lesser scale of sales numbers and house values.



The residential sales volumes as a percentage of total residential stock 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.

This indicator has not been updated since September 2019, however at this point it was similar to the previous indicators, with 1996-2006 seeing high levels of proportional sales to stock activity which has since dropped by around 1%. This shows that many more sales of stock were occurring that have since dropped off. This corresponds with the GFC and then subsequent increases in house prices.



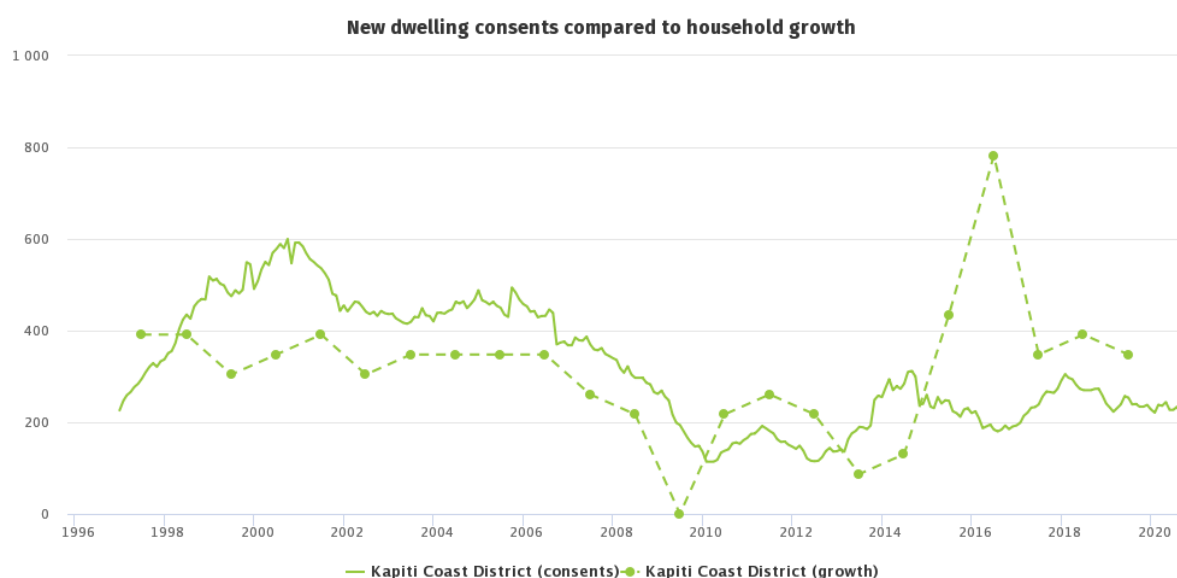
### New Dwelling Consents Compared to Household Growth

This indicator approximates the demand against supply of new dwellings by using population estimates against building consents for new dwellings as proxy measures. The number of new dwelling building consents is lagged by six months, to account for the time taken from consenting to completion. It is not adjusted for non-completions, or for demolitions. It is used

as a proxy for supply. The most recent resident population, divided by the local average housing size, is used as a proxy for demand. Both sets of data are sourced from Statistics New Zealand.

The data indicates that between 1998 and 2008 there was a sustained period and trend of consent numbers remaining higher than population growth levels. However, this changes post GFC, where consent activity drops off but continues to respond following peaks in population growth from 2012.

This suggests that more recent activity shows a level of responsiveness between consent and population growth in Kāpiti. The change noted above may also reflect the changing nature of land availability in the 2019 HBA, where large areas of remaining land were being developed in Paraparaumu through the early 2000's with development then moving to available land to the north to Waikanae and more recently Ōtaki. The HBA also identified long-term availability of land as a factor which may also be a contributing factor to the changing nature of the graph from oversupply to undersupply.

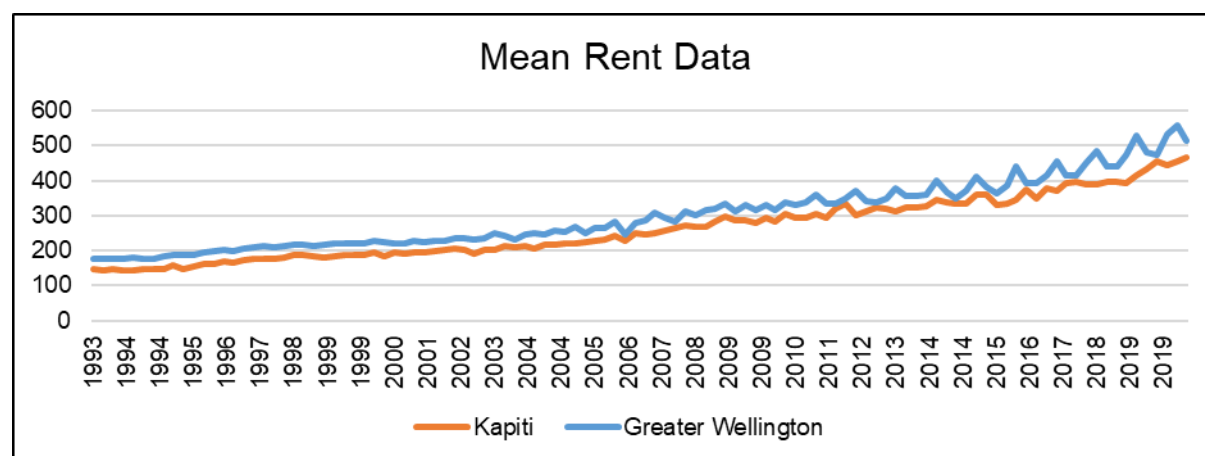


## Rentals

The mean rent data 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 (spiking up by say \$10 or \$20 at a time). This makes analysis of time series difficult, and using the geometric mean is a way of removing this clustering effect. Prices are presented in nominal terms; they have not been adjusted for general price inflation. The data is for private bonds only and so excludes social housing.

Mean weekly rent in Kāpiti changes from \$146 in 1993 to \$466 as at the end of June 2020. Rental rates continue to increase to historic highs. This increase in weekly rental rates reflects similar trends experienced by the wider Wellington Region, but at a lower level. This identifies similar pressure on the demand and availability of rentals across the district and Region.

Over the last 12-months from June 2019 to June 2020 mean weekly rent in Kāpiti increased from \$438 to \$466. This reflects a similar increase across the Wellington Region from \$482 to \$516 the same period.

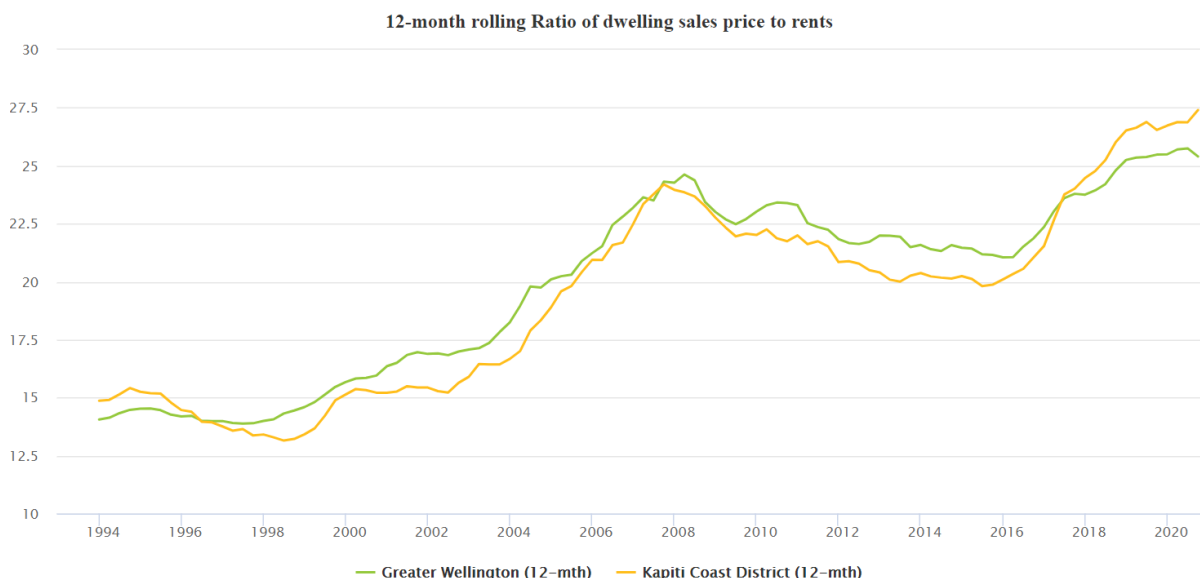


The ratio of dwelling sales price to rent measure is also useful to understand market pressures. This indicator shows the ratio of nominal median dwelling prices to nominal (geometric) mean rents, and indicates changes in the ease of moving from renting to home ownership. The higher the ratio, the greater the financial gap between renting and buying. Average returns to investors from renting out a dwelling decrease as the ratio increases.

This indicator remains high at 26.8 as at the end of June 2020 and has increased year on year from 2016. While both house prices and rent have been steadily increasing, the ratio indicates that house prices are growing at a greater rate, increasing the gap to mean rent. This increase suggests that there is on-going pressure and difficulty for people to transition into ownership due to the higher sales prices of housing in the area. This trend may also link to the slight drop in ownership levels which have traditionally been high in Kāpiti.

Recent reporting has identified that changes made by the Reserve Bank, including easing of loan to value ratios and cheaper interest rates, has seen an increase of house buying activity, and in particular, increased activity from investors and first time home buyers. While this may be a trend increasing demand in our district, the increasing local gap between income and house prices might suggest that any additional activity in this area is most likely to come from those coming out from Wellington who are looking to secure a more affordable property on the coast. The lack of properties for sale alongside this swell in demand is likely to continue driving house price increases in the short-term. We will monitor and report any potential links and changes in the next annual report.<sup>6</sup>

<sup>6</sup> <https://www.stuff.co.nz/life-style/homed/real-estate/122815431/people-looking-for-property-eye-up-the-kpiti-coast-as-demand-heats-up>

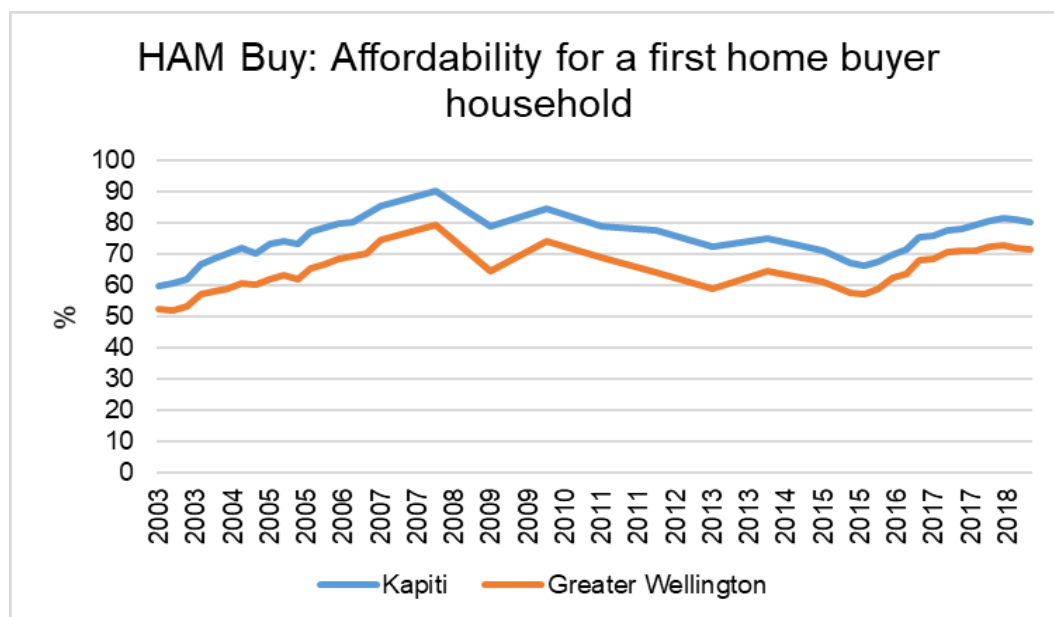


The Housing Affordability Measure (HAM) measures trends in housing affordability for the first home buyer household. It was last updated in 2019 with data to the end of 2018.

For potential home-owning households, HAM Buy calculates the share of potential first home buyer households who would be spending over 30 percent of their income on housing costs if they were to buy a modest first home in the area in which they currently live. 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 on the chart indicates a higher proportion of households are below the average and therefore have a lower level of affordability.

Affordability for housing is consistently higher (worse) in Kāpiti than both the national and regional average. The dynamics between increasing prices of housing coupled with lower medium income levels are likely contributors to the higher impact of affordability on Kāpiti.

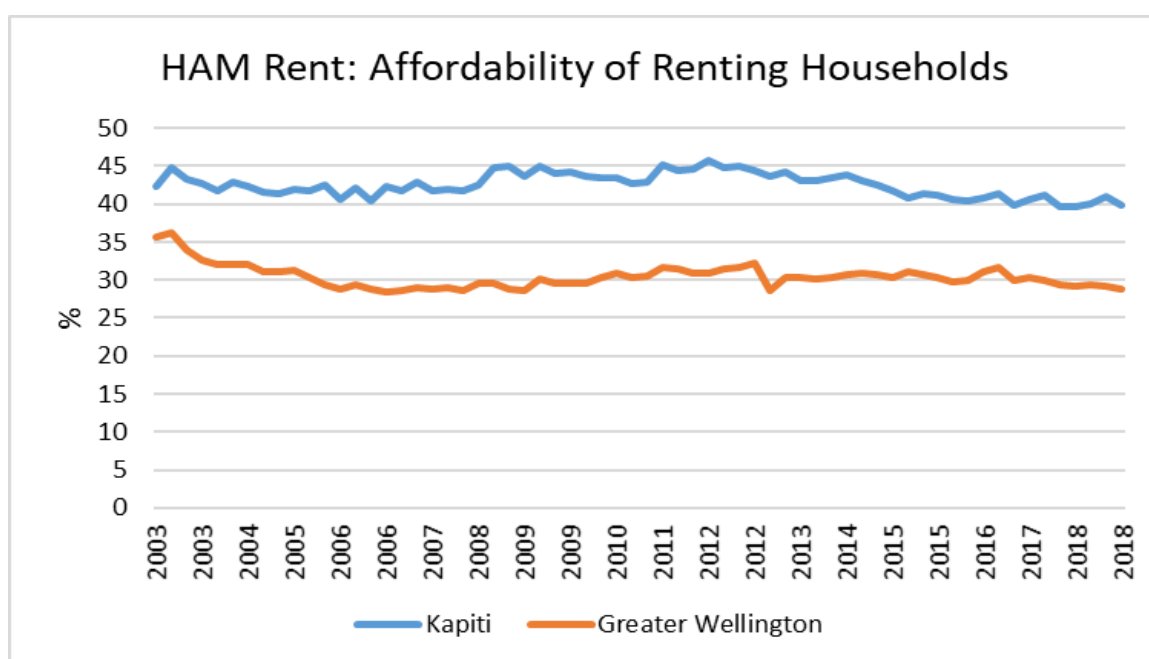


The Housing Affordability Measure (HAM) measures trends in housing affordability for the renting household. It was last updated in 2019 with data to the end of 2018.

For renting households, HAM Rent calculates the share of renting households spending more than 30 percent of their income on 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 a higher proportion of households are below the average and have a lower level of affordability.

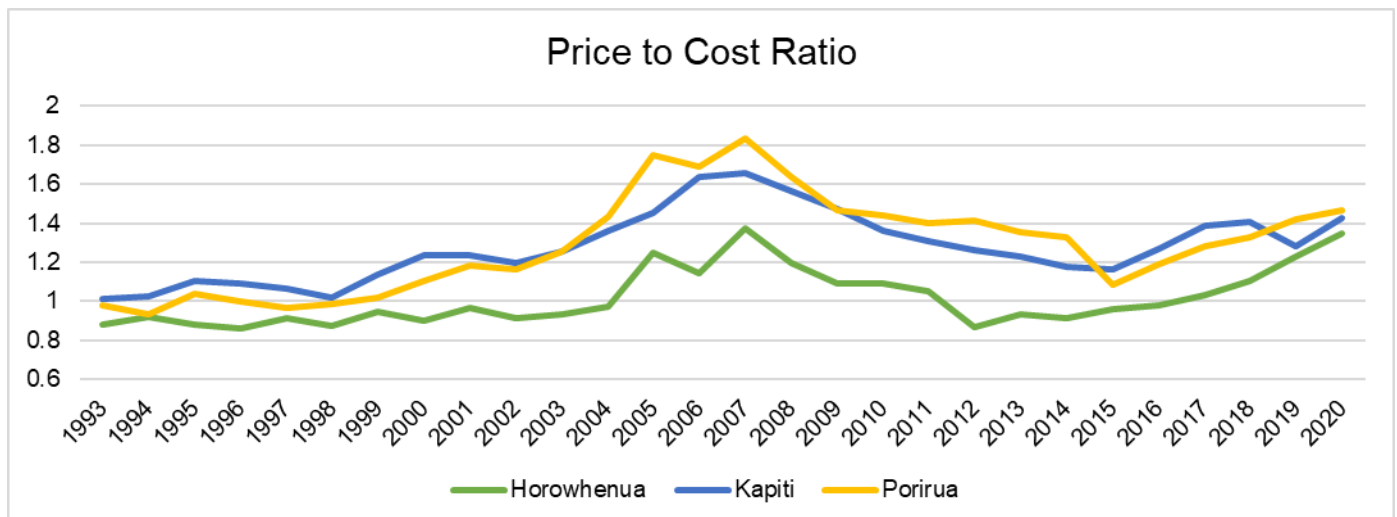
Similar to HAM Buy, affordability to rent in Kāpiti is higher (worse) than both the national and regional average and has been relatively static from 2003 to 2018. This has a slight improvement from 2013 to 2018.



### Housing price to cost ratio

The price-cost indicator identifies the cost of land against the construction costs to build a dwelling. In short, the cost of land should be around a third of the cost of a house with construction cost being the other two thirds. Where land supply is restricted it pushes this ratio up, with anything between 1 to 1.5 considered to be a responsive supply of land. More detail on the methodology for this indicator is available in the last June 2020 Quarterly report.

The latest data shows the ratio for Kāpiti dipped from 2018 to 2019 indicating potential responsiveness of supply to the market, but has since rebounded. The increase from 2015 is generally consistent with our neighbouring councils and is likely to be attributable to the increasing demand and pressure on available land for development.



## Appendix One: Building and Resource Consents

**Table 1:** Building consents granted by type, Kāpiti Coast District, for the current quarter and the same period last year.

Application type	1 June 2019 – 31 August 2019		1 June 2020 – 31 August 2020		Total Number
	Number	Value \$	Number	Value \$	
New (& prebuilt) House, Unit, Bach, Crib	51	23,296,701	48	28,352,304	99
New Flat(s) added to existing dwelling	2	247,000	0	0	2
New Flat(s) added to existing bldg other	1	90,000	0	0	1
New Showrooms	1	15,000	0	0	1
New Offices	1	5000	0	0	1
New Warehouses	1	250,000	0	0	1
New Farm Buildings - Other	1	35,000	2	175,000	3
New Other Buildings	2	1,430,000	1	149,000	3
New Office/Warehouse Buildings	0	0	1	650,000	1
Dwelling with flats - New Foundations on	0	0	1	125,000	1
Other Buildings - New Foundations only	0	0	1	80,000	1
Dwellings - Alterations & additions	76	7,721,883	68	3,863,464	144
Dwelling with flats - Alterations & additions	5	540,000	1	200,000	6
Resited Houses	2	110,000	1	150,000	3
Shops, restaurants - Alterations & additions	3	115,000	0	0	3
Farm Buildings - alterations & additions	0	0	1	80,000	1
Other Buildings - alterations & addition	1	5,000	1	10,000	2

Note: applications for garages, new public toilets, fireplaces, domestic re-roofing, fences, retaining walls, outbuildings, other outbuildings, conservatories, swimming and spa pools, and other construction (e.g. signs and pergolas) have been deliberately excluded.

Source: Kāpiti Coast District Council building consent data.

**Table 2:** Resource consents granted by location, Kāpiti Coast District, for the current quarter and the same period last year.

Location	1 June 2019 – 31 August 2019	1 June 2020 – 31 August 2020
	Number	Number
Maungakotukutuku	2	2
Ōtaki	11	5
Ōtaki Forks	2	4
Paekākāriki	1	3
Paraparaumu (Central, North Beach, and South Beach & Otaihanga)	15	8
Peka Peka (Te Horo and Kaitawa)	4	4
Raumati Beach and Raumati South	3	14
Waikanae	22	27
<b>Residential (total)</b>	<b>60</b>	<b>67</b>
Maungakotukutuku	3	0
Ōtaki	4	1
Ōtaki Forks	0	0
Paekākāriki	0	0
Paraparaumu (Central, North Beach, and South Beach)	2	0
Peka Peka (Te Horo and Kaitawa)	0	0
Raumati Beach and Raumati South	1	0
Waikanae	2	0
<b>Non-residential (total)</b>	<b>12</b>	<b>1</b>
<b>Total granted</b>	<b>72</b>	<b>68</b>

Source: Kāpiti Coast District Council resource consent data.



**Table 3:** Resource consents granted by type, Kāpiti Coast District, for the current quarter and the same period last year.

Resource Consent Type	1 June 2019 – 31 August 2019	1 June 2020 – 31 August 2020
	Number	Number
Compliance Certificate	1	0
Deemed Permitted Boundary Activity	11	8
Land Use - Controlled	1	1
Land Use - Discretionary	20	17
Land Use - Non-complying	7	8
Land Use - Restricted Discretionary	15	16
Subdivision - Controlled	1	0
Subdivision - Discretionary	1	7
Subdivision - Non-complying	10	6
Subdivision - Restricted Discretionary	5	5
<b>Total</b>	<b>72</b>	<b>68</b>

Source: Kāpiti Coast District Council resource consent data.

**Table 4:** Net dwelling increases for resource consents granted by location, Kāpiti Coast District, for the current quarter and the same period last year.

Location	1 June 2019 – 31 August 2019	1 June 2020 – 31 August 2020
	Number	Number
Maungakotukutuku	2	1
Ōtaki	10	2
Ōtaki Forks	0	7
Paekākāriki	0	1
Paraparaumu (Central, North Beach, and South Beach & Otaihanga)	27	3
Peka Peka (Te Horo and Kaitawa)	16	2
Raumati Beach and Raumati South	1	3
Waikanae	29	53
<b>Total</b>	<b>85</b>	<b>72</b>

Source: Kāpiti Coast District Council resource consent data.