

National Policy Statement on Urban Development

Kāpiti Coast District Council Quarter 3 Monitoring Report

March 2023

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Executive Summary

This third quarter (Q3 2022/23) National Policy Statement on Urban Development (NPS-UD) monitoring report provides an update and analysis of changes across the development market for the 1 December 2022 – 28 February 2023 period.

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 (HUD) Urban Development Dashboard where available.

This quarter has identified a third consecutive decrease in median house values and house sales. There has also been a slight decrease in both resource consent and building consent numbers for the last quarter, but also across the last three quarters. Noting there is usually a seasonal dip of activity across the holiday period, current market conditions (increasing construction costs and supply challenges) may be a contributing factor to lower levels of applications coming forward during this period. Despite this, the district is also experiencing a number of larger scale and more complex developments coming through the consenting system. This is identified by another increase of potential net additional dwelling yield from resource consents for this quarter, up to 237 from the previous quarter's 111.

This report also provides an update on new Changes in Housing Affordability Indicators (CHAI). These have replaced previous measures first home buyer and rental affordability measures. The new indicators are discussed in more detail alongside an alternative set of affordability indicators published by Corelogic as part of their Housing Affordability Report.

A snapshot of indicator activity for 1 December 2022 – 28 February 2023 is summarised below:

| Indicator | Movement from Last quarter | Context |
|---------------------------------------|--------------------------------------|--|
| Building consent applications issued | Decreasing (by 9 as per Appendix 1) | 143 consents issued with a total value of \$53,473,843 |
| Resource consent applications granted | Decreasing (by 23 as per Appendix 1) | 53 consents granted <ul style="list-style-type: none"> - 47 residential - 6 non-residential - Indicating a potential net addition of 237 dwellings from new builds and subdivisions |
| House values | Decreasing | The median value of house sales has historically increased but has fallen from \$800,000 at 30/09/2022 to \$790,000 for the latest period at 31/12/2022. |
| House sales | Decreasing | The sales figures for 30/09/2022 were 186 (revised up from last reports 90), with a significant decrease for 31/12/2022 to 87. |

Several indicators continue to be less frequently updated on HUD's dashboard. The last known update is provided below and will be updated as new information is available.

| | | |
|--|------------|--|
| Nominal mean rent | Decreasing | Mean rent has started to decrease, dropping from \$575 for 30/09/2022 to \$569 at 31/12/2022. |
| Dwellings sale volume as percentage of stock | Decreasing | The ratio of housing sales to housing stock has fallen to 0.04% for 31/12/2022 from 0.09% for 30/09/2022. This reflects the significant drop in house sales from the average of 1.5% experienced since 2018. |
| Land value as percentage of capital value | Increasing | 53.6% for both 31/12/2022 and 30/09/2022, increasing from 47% at 14/08/2022 |
| Average land value of a dwelling | Decreasing | \$372,020 (as of 30/09/2020) decreasing marginally from \$372,040 at 30/09/2022 |

Kāpiti Coast District Council - Quarter 3 Monitoring Report March 2023

Introduction

This is the third quarter monitoring report implementing the National Policy Statement on Urban Development (NPS-UD). The report provides updated data and analysis of changes to the housing market for the 1 December 2022 – 28 February 2023 period.

Quarterly reporting identifies changes in development activity and a range of market and price efficiency indicators sourced from HUD's Urban Development Dashboard. However, most of these have not recently been updated so this report focuses primarily on development control activity.

Regular monitoring supports Council's work to understand and develop an assessment of development capacity and a fit-for-purpose evidence base for Council's decision-making on infrastructure investment and the future release of land to meet development needs.

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

Affordability Measures

New Changes in Housing Affordability Indicators (CHAI)

Two previous indicators used to report housing affordability (*HAM Buy: Affordability of first home buyer households* and *HAM Rent: Rental Affordability*) are now discontinued and have been replaced by Changes in Housing Affordability Indicators (CHAI).

The new CHAI 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 changes with growth in median NZ household income. This is estimated using tax data and is revised as further data becomes available.¹

The indicators track whether affordability is improving or worsening in an area but not how affordable an area is at a point in time. This means it is not possible to compare the level of affordability between areas using these indicators. Affordability in one area can improve more than another's over a period of time, while the level of affordability remains worse.

When reading the indicator results, a higher index means it is becoming more affordable, with positive values meaning it is more affordable than a year ago.

- **The change in rental affordability** compares changes in rental prices for new tenancies with the growth in median household disposable (after tax) income. This indicator is impacted by rental prices and household disposable income.
- **The change in deposit affordability** compares changes in house sales prices with the growth in median household disposable (after tax) income. This indicator is impacted by house sales prices and household disposable income.

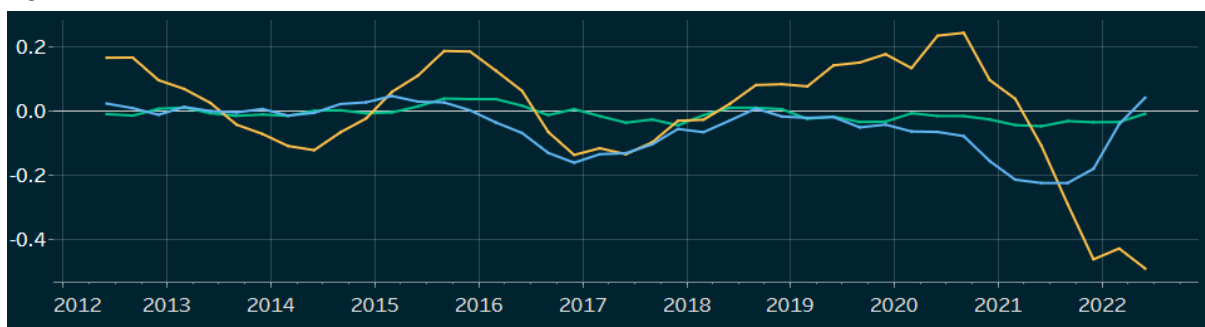
¹ [About the Indicators - Te Tūāpapa Kura Kāinga - Ministry of Housing and Urban Development \(hud.govt.nz\)](https://www.hud.govt.nz/about-the-indicators/)

- **The change in mortgage serviceability** compares changes in the purchasing power of mortgage interest payments for new home loans with the growth in median household disposable (after tax) income. This indicator is impacted by mortgage interest rates, house sales prices, and household disposable income.

The CHAI indicators are measured quarterly. The Kapiti Coast indicators as of 30 June 2022 when compared to 30 June 2021 were:

- Rental Affordability is -0.9% (worse than a year ago – more unaffordable)
- Deposit Affordability is 4.1% (better than a year ago – more affordable)
- Mortgage Affordability is -49% (worse than a year ago – more unaffordable)

The graph below shows quarterly changes to affordability for the Kāpiti Coast from 2021 – 2022.



Annual Change, Kapiti Coast District (by quarter).
Rental affordability – green, deposit affordability – blue, mortgage affordability – yellow.

Corelogic’s Housing Affordability Measures

Corelogic also publishes a Housing Affordability Report to monitor affordability, the most recent of which was released in February 2023 for Quarter 4 2022. Corelogic data is calculated using means, rather than medians which the CHAI data uses and provides more up to date than the CHAI data – which is lagged given availability of data inputs.

The Corelogic report provides a number of indicators, including average property values, average household income, value to income ratio (the share of household income required to service an 80% loan to value mortgage), mortgage servicing (% of income), years to save deposit (number of years it takes to save a 20% deposit, assuming 15% of income is saved), and rent affordability (proportion of household income required to pay the rent).

Unlike the CHAI indicators that focus on changes, Corelogics indicators provided a consistent baseline which enables relative comparison across council areas. Looking at and understanding some of the changes to our neighbouring districts is helpful to understand impacts and effects for the Kāpiti Coast District. When compared to our neighbours in Porirua and Horowhenua, the Kapiti Coast District is less affordable.

- Average property values are higher in Kapiti at \$865,338, compared to \$604,666 in Horowhenua and \$835,957 in Porirua.
- Average household income is in the middle at \$104,210 in Kapiti, compared to \$86,190 in Horowhenua and \$159,709 in Porirua.

- Value to income ratio is highest at 8.3 in Kapiti, compared to 7.0 in Horowhenua and 5.2 in Porirua.
- Mortgage servicing is highest at 57% in Kapiti, compared to 48% in Horowhenua and 36% in Porirua.
- Years to save a deposit is highest at 11.1 in Kapiti, compared to 9.4 in Horowhenua and 7.0 in Porirua.
- Rent affordability is in the middle at 27% in Kapiti, compared to 28% in Horowhenua and 20% in Porirua.

Further information on Core logic's reporting of housing affordability can be found at www.corelogic.co.nz/news-research/reports/housing-affordability-report.

GROWTH TRENDS

Both resource consent and building consent numbers for the third quarter have decreased slightly from the previous quarter (Q2 2022/23), while potential net additional yield from new developments has increased.

Building Consents²

Data on building consents helps identify development activity across the district. Between 1 December 2022 – 28 February 2023, 143 consents were issued. Of these, 44 related to new builds³ (down 16 from 60 in the last quarter) and 76 related to dwellings - additions and alterations (up four from 72 in the last quarter).

Compared to the last quarter (Q2 2022/23), building consent numbers have decreased (down from 152 to 143), but there has been an increase in the total value of work at \$53,473,843, up from last quarter's \$40,088,805. This increase in value may partially reflect increasing build costs⁴ being experienced by the sector but also reflects a number of multi-unit and larger scale developments within the overall consent activity for this period.

Building consents numbers are down when compared to the third quarter period last year (December 2021 – February 2022), from 164 to 143. The total value of work is also down from \$60,568,147 to \$53,473,843, with a notable drop in spending for *new (& prebuilt) House, Unit, Bach, Crib* spending from \$43,045,786 in the third period last year to \$28,508,314 this quarter.

Further detail on the number and type of building consents issued for this third quarter can be found in Table 1 of Appendix One.

² Note: Applications for garages, fireplaces, fences, retaining walls, 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

⁴ Average building costs: <https://www.interest.co.nz/property/113184/new-homes-are-getting-smaller-cost-building-them-getting-bigger>

Resource Consents⁵

Between 1 December 2022 – 28 February 2023, Council granted 53 resource consents. This included 34 land use consents, 14 subdivision consents, and 5 resource consents for deemed permitted activities that involved a boundary activity⁶. Overall, 47 of the consents granted related to residential activities and information from the consents suggests that these applications have the potential to yield 237 net additional dwellings. This is an increase from the 126 potential net additional dwellings reported last quarter (Q2 2022/23). This continues a recent trend of larger numbers of additional capacity coming through the resource consent process, which includes an increasing number of larger scale developments.

During this period, rural residential activities accounted for 11 of the 47 residential activities (accounting for 4 of the potential net additional dwellings), with most of the residential consents again coming from the wider Waikanae area (accounting for 64 of the potential net dwellings). Paraparaumu is notable for the quarter accounting for 12 of the residential consents which had a significant potential for net additional dwellings with 153. Raumati Beach and Raumati South accounted for 4 of the residential consents, however, this only yielded one potential additional dwelling. Ōtaki Forks (4), and Ōtaki (3) residential consents both had zero potential net additional dwellings.

There were also 6 non-residential resource consents granted during this period. These included the Paraparaumu Transport Hub and snapper kiosks for the train network.

Resource consent activity for this third quarter period is lower than for the same period last year, where 62 resource consents were granted. However, the number of potential net additional dwellings is up significantly from the 159 potential net additional dwellings identified for the same period last year. Four applications for significant housing developments account for this increase, with 134 potential net additional dwellings from one development in Paraparaumu with 29, and three in Waikanae with 29, 15, and 14 potential net additional dwellings each.

This quarter also identified two applications where a house is to be re-built. 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 further investment into a property.

The figures of residential and non-residential consents for the third quarter can be found in Table 2 of Appendix One.

⁵ Quarterly resource consent activity excludes applications that varies or changes consent conditions or outline plans, which are included in wider Resource Management Act monitoring.

⁶ Resource Management Act 1991, Sections 87BA, 87BB.

Appendix One: Building and Resource Consents

Table 1: Building consents issued by type, Kāpiti Coast District, first quarter 2022/2023, second quarter 2022/2023, and third quarter 2022/23 comparison.

| Application Type | 2022/2023 First Quarter | | 2022/2023 Second Quarter | | 2022/2023 Third Quarter | |
|---|---------------------------------|-------------------|--|-------------------|---------------------------------------|-------------------|
| | 1 June 2022 - 31 August 2022 | | 1 September 2022 - 30 November 2022 | | 1 December 2022 - 28 February 2023 | |
| | Number | Value \$ | Number | Value \$ | Number | Value \$ |
| New (& prebuilt) House, Unit, Bach, Crib | 83 | 46,983,457 | 60 | 27,646,080 | 44 | 28,508,314 |
| New Flats | 1 | 800,000 | 1 | 800,000 | 3 | 4,860,000 |
| New Retirement Villages - Excludes Dwellings | 1 | 16,000,000 | 0 | 0 | 0 | 0 |
| New Education Buildings – Other | 1 | 50,000 | 0 | 0 | 0 | 0 |
| New Childcare Facilities | 0 | 0 | 1 | 250,000 | 0 | 0 |
| New Farm Buildings – Other | 0 | 0 | 1 | 109,000 | 2 | 164,000 |
| New Factories | 1 | 261,000 | 0 | 0 | 0 | 0 |
| New Other Buildings | 1 | 500,000 | 2 | 205,000 | 1 | 21,000 |
| New Retail/Office/Warehouse | 0 | 0 | 0 | 0 | 1 | 260,000 |
| New Multi-purpose Bldg – Other | 0 | 0 | 0 | 0 | 1 | 4,216,000 |
| New Office/Warehouse Buildings | 1 | 669,000 | 0 | 0 | 0 | 0 |
| Education Buildings - New Foundations Only | 1 | 470,000 | 0 | 0 | 0 | 0 |
| Factories - New Foundations Only | 1 | 60,000 | 0 | 0 | 0 | 0 |
| New Flats - New Foundations Only | 0 | 0 | 1 | 92,000 | 1 | 1,500,000 |
| Multi-Purpose Buildings - New Foundations Only | 0 | 0 | 1 | 200,000 | 0 | 0 |
| Other Buildings - New Foundations Only | 0 | 0 | 0 | 0 | 2 | 22,000 |
| Dwellings - Alterations & Additions | 70 | 5,720,385 | 72 | 9,500,300 | 76 | 10,911,000 |
| Dwelling With Flats - Alterations & Additions | 1 | 50,000 | 1 | 105,000 | 1 | 300,000 |
| Resited Houses | 2 | 101,000 | 1 | 70,000 | 0 | 0 |
| Hospitals - Alterations & Additions | 0 | 0 | 0 | 0 | 1 | 450,000 |
| Education Buildings - Alterations & Additions | 1 | 250,000 | 2 | 133,400 | 2 | 1,813,129 |
| Shops, Restaurants - Alterations & Additions | 4 | 530,000 | 3 | 250,000 | 2 | 125,000 |
| Alterations & Additions - Office/Admin | 1 | 250,000 | 2 | 301,000 | 4 | 313,400 |
| Other Buildings - Alterations & Additions | 2 | 58,000 | 3 | 277,025 | 2 | 10,000 |
| Multi-Purpose Buildings - Alterations & Additions | 0 | 0 | 1 | 150,000 | 0 | 0 |
| Total | 172 | 72,752,842 | 152 | 40,088,805 | 143 | 53,473,843 |

Note: applications for garages, fireplaces, fences, retaining walls, 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, first quarter 2022/2023, second quarter 2022/2023, and third quarter 2022/23 comparison.

| Location | 2022/23 First Quarter 1 June 2022 – 31 August 2022 | 2022/23 Second Quarter 1 September 2022 – 30 November 2022 | 2022/23 Third Quarter 1 December 2022 – 28 February 2023 |
|---|---|---|---|
| | Number | Number | Number |
| Maungakotukutuku | 3 | 1 | 3 |
| Ōtaki | 6 | 6 | 3 |
| Ōtaki Forks | 3 | 9 | 4 |
| Paekākāriki | 1 | 2 | 1 |
| Paraparaumu (Central, North Beach, and South Beach & Otaihanga) | 18 | 19 | 12 |
| Peka Peka (Te Horo and Kaitawa) | 9 | 3 | 4 |
| Raumati Beach and Raumati South | 10 | 9 | 4 |
| Waikanae | 22 | 23 | 16 |
| Residential (total) | 72 | 72 | 47 |
| Maungakotukutuku | 1 | 1 | 0 |
| Ōtaki | 3 | 1 | 1 |
| Ōtaki Forks | 0 | 0 | 0 |
| Paekākāriki | 1 | 0 | 0 |
| Paraparaumu (Central, North Beach, and South Beach) | 2 | 0 | 5 |
| Peka Peka (Te Horo and Kaitawa) | 1 | 1 | 0 |
| Raumati Beach and Raumati South | 1 | 1 | 0 |
| Waikanae | 4 | 0 | 0 |
| Non-residential (total) | 13 | 4 | 6 |
| Total granted | 85 | 76 | 53 |

Source: Kāpiti Coast District Council resource consent data.

Table 3: Resource consents granted by type, Kāpiti Coast District first quarter 2022/2023 second quarter 2022/23, and third quarter 2022/2023 comparison.

| Resource Consent Type | 2022/23 First Quarter 1 June 2022 – 31 August 2022 | 2022/23 Second Quarter 1 September 2022 – 30 November 2022 | 2022/23 Third Quarter 1 December 2022 – 28 February 2023 |
|--|---|---|---|
| | Number | Number | Number |
| Deemed Permitted Boundary Activity | 13 | 7 | 5 |
| Land Use - Controlled | 0 | 1 | 2 |
| Land Use - Discretionary | 29 | 22 | 16 |
| Land Use - Non-complying | 8 | 6 | 4 |
| Land Use - Restricted Discretionary | 19 | 17 | 12 |
| Subdivision - Controlled | 0 | 1 | 0 |
| Subdivision - Discretionary | 10 | 4 | 3 |
| Subdivision - Non-complying | 4 | 15 | 10 |
| Subdivision - Restricted Discretionary | 2 | 3 | 1 |
| Total | 85 | 76 | 53 |

Source: Kāpiti Coast District Council resource consent data.

Table 4: Net dwelling increases for resource consents granted by location, Kāpiti Coast District first quarter 2022/2023, second quarter 2022/2023, and third quarter 2022/23 comparison.

| Location | 2022/23 First Quarter 1 June 2022 – 31 August 2022 | 2022/23 Second Quarter 1 September 2022 – 30 November 2022 | 2022/23 Third Quarter 1 December 2022 – 28 February 2023 |
|---|---|---|---|
| | Number | Number | Number |
| Maungakotukutuku | 2 | 15 | 15 |
| Ōtaki | 6 | 2 | 0 |
| Ōtaki Forks | 9 | 7 | 0 |
| Paekākāriki | 0 | 1 | 0 |
| Paraparaumu (Central, North Beach, and South Beach & Otaihanga) | 16 | 66 | 153 |
| Peka Peka (Te Horo and Kaitawa) | 4 | 2 | 4 |
| Raumati Beach and Raumati South | 0 | 2 | 1 |
| Waikanae | 54 | 16 | 64 |
| Total | 91 | 111 | 237 |

Source: Kāpiti Coast District Council resource consent data.