

National policy statement on urban development capacity

Kāpiti Coast District Council Quarter 4 Monitoring Report

June 2018

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Executive summary

This fourth quarter NPS-UDC monitoring report provides an update and analysis of changes across the housing market from the last quarter (1 March 2018 – 31 May 2018).

Key points of interest from this report include:

- Numbers of resource consents and building consents are up from the previous two quarters with a particular cluster of resource consents coming through from the Waikanae North Development Zone.
- The average value of house sales continued to increase up to \$515,688 from \$503,675, while sales numbers continue to slowly decline; and,
- Quotable Value's estimate of dwelling stock for the district increased by 63 dwellings.

Recent data on the Housing Affordability Measures (HAM) shows that that affordability to buy in Kāpiti has slightly worsened over the period March 2016 - March 2017, whereas rental affordability has slightly improved.

A snapshot of indicator activity for the last quarter is summarised below¹:

Indicator	Last quarter	Context
Building consent applications issued	Tracking	151 consents issued with a total value of \$29,805,132
Resource consent applications granted	Tracking	80 consents issued - 58 residential - 22 non-residential - Indicating a potential net increase of 88 to dwelling stock
Dwelling stock	Increasing	Baseline increased 63 dwellings to 21,973 as at 31/03/2018
House sales	Decreasing	Third quarter numbers have been revised up from 275 to 330 sales with the last quarter down to 285 as at 31/03/2018
Dwellings sale volume as percentage of stock	Decreasing	Third quarter figures were revised up with updated sales information to 1.257 up to 1.501 with a drop down to 1.293 for the last quarter. Overall downward trend.
House values	Increasing	Increasing to an average of \$515,688 as at 31/03/2018 – up from 503,675 as at 31/12/17
HAM Buy: Share of first home buyer households with below-average income after housing costs	Increasing	Recent data shows that following a slight decline and plateau of affordability across the March 2015 - March 2016 period, it reversed this through the last year to March 2017, increasing from 0.78 to 0.80.
Nominal mean rent	Increasing	Up to \$400 from a previous high of \$ 397 30/09/2017.
HAM Rent: Share of renting households with below-average income after housing costs	Decreasing	Recent data shows the slight improvement of rental affordability reported up to the last reported year ending March 2016, has continued across the last year to March 2017, where affordability has fallen from 0.66 to 0.64.
Land value as percentage of capital value	No update provided in latest dashboard	Maintaining 47% (as of 30/09/2017)
Average land value of a dwelling	No update provided in latest dashboard	\$265,124 (as of 30/09/2017) increasing since 2015

¹ Apart from consent information, market indicators were last updated at the end of May 2018, with most information updated to the end of March 2018 unless stated otherwise.

National Policy Statement on Urban Development Capacity

Kāpiti Coast District Council - Quarter 4 Monitoring Report March 2018

Introduction

This is the fourth quarterly monitoring report implementing the National Policy Statement on Urban Development Capacity (NPS UDC). The report provides updated data and analysis of changes to the housing market from the last quarter (1 March 2018 to 31 May 2018).

This report includes changes to market and price efficiency indicators identified under the NPS-UDC; and other information and research released over the last three month period.

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.

Further information on Kāpiti's projected future growth, its make-up and housing pressures is available alongside previous results from monitoring reports at: www.kapiticoast.govt.nz/Our-District/The-Kapiti-Coast/urban-development-capacity.

Update on the housing and business development capacity assessment

Work to assess the future demand for business land has been substantially completed by economic consultants Sense Partners. Underlying data is currently being finalised to complete the piece of work. The next stage of work will look at the current availability for business capacity and availability to meet future demand. This will be undertaken and included in discussions with the wider development community later in the year.

Council is working with Wellington City Council, Upper Hutt City Council, Hutt City Council, and Porirua City Council to complete an assessment of housing and business capacity across the Wellington medium growth area.

Information on development controls and geographic limits and constraints has now been prepared and provided to Wellington City Council to support the modelling process. Modelling of greenfield areas is likely to be started soon and followed by brownfield modelling later in the year. Initial results are expected towards the end of August 2018, after which, we will engage with key stakeholders, infrastructure providers, and the wider development community to discuss the costs and overall feasibility of development in both greenfield and brownfield areas.

GROWTH TRENDS

Both resource consent and building consent numbers are up over the last quarter compared to the previous two quarters, but are still below numbers for the previous year.

Building consents

Data on building consents helps identify development activity across the District. Between 1 March 2018 and 31 May 2018, 115 consents related to new buildings and alterations to buildings were issued. While the number of new builds fell from the last quarter (from 59 to 49), overall numbers were up, with more alterations and additions consents issued (up from

52 to 75) with a total value of work at \$29,805,132. However, when compared to the same period last year, overall activity is down where a total of 174 consents were issued at a total value of \$46,488,942. Detail on the number and type of consents issued can be found in appendix one.

Resource consents

Between 1 March 2017 and 31 May 2018, Council granted 80 resource consents. This included 56 land use consents, 17 subdivision consents, and seven resource consents for deemed permitted activities that involved a boundary activity². Overall, 60 of the consents issued related to residential activities and information from the consents suggests that these applications have the potential to yield 88 net additional dwellings. During this period, it is interesting that rural residential activities (primarily through subdivisions) account for 25 of these, with 63 coming from residential areas with the majority from the Waikanae North development area.

During this period, 20 non-residential resource consents were granted. This includes activities in industrial, business, and rural zones. These consents relate to changes to conditions (operating hours), development of tourist accommodation, and undertaking earthworks, with a number related to expressway work at Ōtaki.

Consent information also revealed two cases where houses were being fully replaced and one instance where cross-lease arrangements were being transferred into freehold title. It will be interesting to track the level of this activity in future, including the number of alterations and additions, to gauge the extent to which current home owners might be looking to invest and improve their current properties to realise higher values in a market that appears to have high demand.

The table of residential and non-residential consents for the last quarter can be found in appendix one.

MARKET INDICATORS

The following is an update of market indicators published by the Ministry of Business, Innovation, and Employment (MBIE) and Ministry for the Environment (MfE). Market indicators were last updated at the end of May 2018, with most information updated to the end of March 2018 unless stated otherwise³.

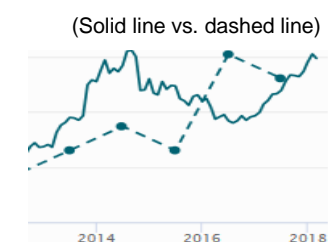
The previous trend has continued this quarter where house sales have contracted while the average value of houses sold in Kāpiti has continued to increase from \$503,675 to \$515,688.

New housing and sales

Trends and movements to the end of May 2018 include:

- Consent growth continues to increase a year on from the last peak in population growth, with consent numbers peaking at 305 in January 2018 almost a year after population growth peaked at 304 in 2016. This continues to support the assumption that the local market continues to be responsive to demand.

Consent growth vs. population growth



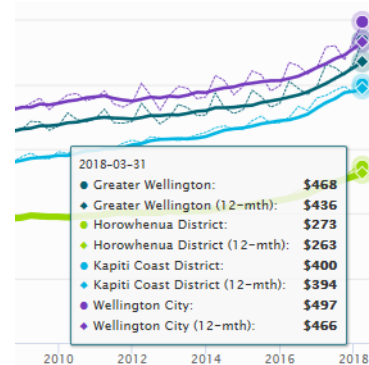
² Resource Management Act 1991, Sections 87BA, 87BB.

³ Data on market indicators is available at <https://mbienz.shinyapps.io/urban-development-capacity/#help-ts>.

- The total dwelling stock in Kāpiti increased by 63 dwellings to 21,973 as at 31/03/2018. This is an increase from the 16 in the last quarter and represents close to half of the 149 from 2016 and a quarter of the 260 from 2015.
- House sales have continued to slow, but the third quarter total has now been revised up to 330 (up from 275) with the latest quarter total being 285. Similarly, the percentage of dwelling sales as a percentage of total stock was also revised up to 1.501 with a drop back down to 1.293 for the last quarter. While showing a slight increase, overall, this remains a downward trend.
- During the last quarter, the average value of houses sold has continued to increase from \$503,675 to \$515,688. Appendix two contains a map that shows the location of sales activity for dwellings from the third quarter period alongside a comparison of resource consent data for the latest quarter. Sales data and information on new builds continue to show a strong preference for three+ bedroom houses over smaller-sized dwellings which are anticipated in meeting the future needs of residents.
- No further updates are available this quarter for the average land value of dwellings and the value of land as a percentage of capital value, but one might expect them to continue their gradual increase in an environment where demand still appears to be pushing house prices and values up. Future updates will identify if this assumption is correct or not.

Rentals

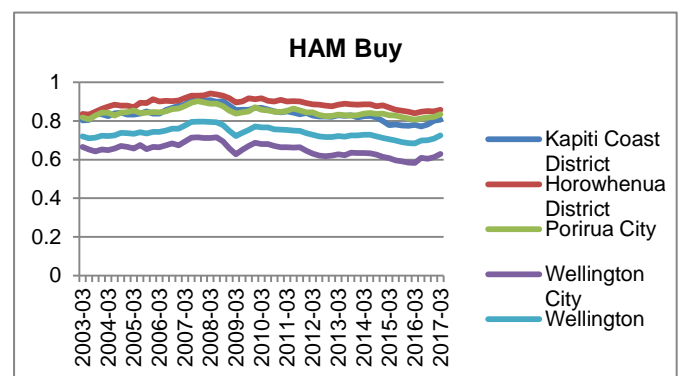
As at the end of March 2018, the nominal mean rent for Kāpiti hit the \$400 a week mark – up from \$383 at the same time last year (2017). The current rate of increase appears consistent with other councils near the District (Wellington City \$497) (Wellington Region \$468) and (Horowhenua \$273).



The ratio of dwelling sales prices to rental prices peaked at a high of 26.026 in December 2017 with a drop to 25.240 in January 2018. The previous high of 25.690 was in 2007. This high ratio suggests that there is on-going pressure and difficulty for people to transition into ownership due to the higher sales prices or housing in the area.

Housing Affordability Measures (HAM)

HAM Buy and HAM Rent are measures developed by MBIE to help identify the overall affordability of buying or renting based on the 2013 National Affordability benchmark. Updates to the measures were recently published. Previous data was showing a slight improvement (decline) in both HAM Buy and HAM Rent. However, the most recent release shows that Ham Buy has slightly increased up from 0.78 to 0.80. Ham Rent has continued its slight improvement, down from 0.66 to 0.64.



Both the increase in HAM Buy and decline in HAM Rent reflect consistently with changes across the wider Wellington Region and our immediate neighbours. The latest results can be read in more detail at <http://www.mbie.govt.nz/info-services/housing-property/sector-information-and-statistics/housing-affordability-measure/latest-results/?searchterm=ham%2A>

PRICE EFFICIENCY INDICATORS

Price efficiency indicators provide information relating to the demand and supply for developable land including the price-to-cost ratio of different zoned land (e.g. rural/industrial versus residential). Information on the three indicators was covered in the March 2018 monitoring report and no further information has been made available.

Further analysis of the indicators, including local characteristics, history, and level of demand for land will be undertaken as part of the assessment of development capacity.

Appendix One: Building and resource consents

Table 1: Building consents issued by type, Kāpiti Coast District, first, second, third and fourth quarter comparison

Application type	1 June 2017 – 31-Aug-17		1 September 2017 – 30-Nov-17		1 December – 28 February 2018		1 March – 31 May 2018	
	Number	Value \$	Number	Value (\$)	Number	Value (\$)	Number	Value (\$)
New (& prebuilt) house, unit, bach, crib	88	32,501,000	49	20,611,600	59	27,788,000	49	18,663,976
New flats	2	750,000	2	665,000	1	150,000	1	1,500,000
New flats added to existing building	0	0	0	0	0	0	1	90,000
New education building - other	2	7,200,000	2	7,405,000	0	0	0	0
New social buildings – other e.g. theatre	0		1	900,000	0	0	0	0
New offices	1	90,000	0	0	0	0	1	1,200,000
New shops	0	0	0	0	1	50,000	0	0
New restaurants	0	0	0	0	1	285,000	0	0
New industrial bldgs, eg foundry	0	0	0	0	3	1,317,000	0	0
New surgeries, eg doctor, dentist, vet							1	1,300,000
New service stations	0	0	0	0	0	0	0	0
New farm buildings - other	5	151,000	3	119,000	7	198,000	1	25,000
New other buildings	0	0	2	110,500	0	0	1	2,000
New office / retail buildings	0	0	0	0	0	0	0	0
New office / warehouse buildings	0	0	3	1,292,000	0	0	0	0
New retail / warehouse	0		0	0	0	0	0	0
Dwellings - alterations & additions	78	5,757,250	55	4,211,500	52	4,457,500	75	5,166,256
Dwellings with flats - alterations & additions	1	18,000	2	19,000	2	140,000	2	14,400
Re-sited houses	1	30,000	1	70,000	1	250,000	2	105,000
Hotels – alterations and additions	0	0	1	4,000	0	0	0	0
Education buildings - alterations & additions	1	1,350,000	1	80,000	2	262,000	4	940,000
Social buildings - alterations & additions	0	0	0	0	0	0	2	150,000
Shops, restaurants - alterations & additions	6	481,500	5	1,086,000	2	170,000	2	9,500
Alterations & additions - office/admin	1	400	4	210,000	1	1,900,000	3	355,000
Factories – alterations and additions	0	0	0	0	0	0	2	50,000
Farm buildings alterations and additions	2	50,000	1	10,000	1	54,000	3	74,000
Other buildings - alterations & additions	6	405,000	4	420,000	5	380,000	1	160,000
Total	194	48,784,150	136	37,213,600	138	37,401,500	151	29,805,132

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, second, third and fourth quarter comparison

Location	1 June 2017 – 31 August 2017	1 September 2017 – 30 November 2017	1 December 2017 – 28 February 2018	1 March 2018 – 31 May 2018
	Number	Number	Number	Number
Maungakotukutuku	2	2	3	6
Ōtaki	2	4	5	5
Ōtaki Forks	1	1	0	2
Paekākāriki	0	1	0	3
Paraparaumu (Central, North Beach, and South Beach & Otaihanga)	10	3	8	5
Peka Peka (Te Horo and Kaitawa)	1	2	4	4
Raumati Beach and Raumati South	9	3	8	8
Waikanae	23	11	12	27
Other	1	0	0	0
Residential (total)	49	27	40	60
Maungakotukutuku			1	2
Ōtaki	2	3	3	4
Ōtaki Forks	1	0		4
Paekākāriki	0	1	1	1
Paraparaumu (Central, North Beach, and South Beach)	5	7	6	3
Peka Peka (Te Horo and Kaitawa)	1	1	0	2
Raumati	0	1	1	0
Waikanae	0	1	2	4
Non-residential (total)	9	14	14	20

Source: Kāpiti Coast District Council resource consent data.

Appendix two: Location of third quarter sales activity with fourth quarter consent activity

