

National policy statement on urban development capacity

Kāpiti Coast District Council Quarterly Monitoring Report – including annual update

September 2018

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EXECUTIVE SUMMARY

The following monitoring report provides an update and analysis of changes across the housing and development market from the last quarter (1 June 2018 – 31 August 2018) and also provides a summary of the analysis from across the last year.

Key points of interest from this report include:

- Housing sales continue to decrease slightly, while the average housing sales price continues to increase – up to \$525,000.
- Building consent activity is down from the last quarter while resource consent activity remains relatively consistent. Both building and resource consents for the 2017/18 year are down from 2016/17, but are continuing an increasing trend across the last five years.
- The Social Housing Register has increased from 19 registrations in June 2016 up to 65 in June 2018, potentially as increasing house prices and costs impacts on residents.

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

Indicator	Last quarter	Context
Building consent applications issued	Tracking	133 consents issued with a total value of \$25,321,786
Resource consent applications issued	Tracking	80 consents issued - 62 residential - 9 non-residential - Indicating a potential net increase of 68 to dwelling stock
Dwelling stock	Increasing	Baseline increased 89 dwellings to 22,062 as of 30/06/2018 (includes adjusted numbers)
House sales	Decreasing	294 sales for the quarter to 30/06/2018, down from 314 the previous quarter ending 31/03/2018
Dwellings sale volume as percentage of stock	Decreasing	The last quarter saw a second consecutive quarterly drop to 1.33 as of 30/06/2018
House sales price	Increasing	Median and real house prices both increased to \$525,000
HAM Buy: Share of first home buyer households with below-average income after housing costs	No update provided in latest dashboard	Recent data shows that following a slight decline and plateau of affordability across the March 2015 - March 2016 period, this trend changed from last year to March 2017, increasing from 0.78 to 0.80
Nominal mean rent	Increasing	Increased from \$400 to \$405 as of 30/06/2018
HAM Rent: Share of renting households with below-average income after housing costs	No update provided in latest dashboard	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 August 2018, with most information updated to the end of June 2018 unless stated otherwise.

National Policy Statement on Urban Development Capacity

Kāpiti Coast District Council – Annual Monitoring Report September 2018

INTRODUCTION

One year ago, Kāpiti Coast District Council published its first quarterly monitoring report implementing the National Policy Statement on Urban Development Capacity (NPS UDC).

The first report provided important context surrounding growth in the district. This included historic and future population growth as well as profiling the make-up of communities across the district. Understanding previous and current development activity was also covered. The report also identified potential issues around housing affordability within the district.

This context is important to help establish and understand the demands and needs for housing and business land across the district, both now and into the future. This is particularly important as we see impacts of recent changes to the economy and housing markets impacting Kāpiti, as local house prices increase, without corresponding changes in incomes. This presents a particular challenge and pressure for the district.

This report provides a summary and update of key context surrounding growth and development on the Kāpiti Coast as well as reporting on key changes to the housing market from the last quarter (1 March 2018 to 31 May 2018). In addition this report provides a summary of the analysis of activity across the last year.

Regular monitoring supports Council to better understand and develop an assessment of development capacity in the district. It also establishes 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.

CONTEXT FOR GROWTH AND DEVELOPMENT ON THE KAPITI COAST

Growth, housing, and business headlines for Kāpiti

Growth

- Kāpiti is expecting growth – an additional 12,985 people by 2043.
- Growth will occur across all age groups, with families set to increase alongside a significant growth in the population over 50 years of age.
- Migration has a strong impact on Kāpiti – from within the Wellington region, and also from international migrants who settle in Kāpiti.
- Proximity to Wellington for work and access to lifestyle are key factors in peoples locational choices to Kāpiti.
- Key transport projects are set to increase accessibility for Kāpiti.

Housing

- Forecast growth anticipates an additional 5,484 dwellings across the district.
- Additional housing is expected to be spread across the district's centers with a particular focus in and around Paraparaumu; and in Waikanae, where more than 2000 additional dwellings are expected.
- Households for couples without dependents and lone person households are expected to increase, making up 66.6% of Kāpiti households by 2043.

- Current dwelling stock is predominately three-bedroom dwellings (69.3%) with numbers of two (23%) and one-bedroom dwellings (4%) much lower than elsewhere in the region.
- Kāpiti has higher levels of separate housing and lower levels of medium and high density housing than both the Wellington Region and national averages.
- Housing sale prices are increasing and at an all-time high, with the average sale price increasing from \$175,000 from June 2007 to the current average of \$525,000.
- In contrast, at the last census in 2013, 23.1% of households are low income in Kāpiti with the annual median personal income of \$26,900 and annual mean household income of \$53,300, both below the national medians of \$28,500 and \$63,800 respectively.
- The home ownership rate is high at nearly 70%, with just over 20% of households renting, 1.8% of which are renting social housing.
- Approximately 30% of households in Ōtaki, Ōtaki Beach, and Paekākāriki rent.
- Non-private housing (in particular retirement homes) is expected to further increase into the future.
- Kāpiti has a higher proportion of unoccupied private dwellings than the Wellington region, concentrated in Waikanae Beach, Peka Peka, Te Horo, and Ōtaki Beach areas.
- The Social Housing Register for Kāpiti increased from 19 to 65 registrations between June 2016 and June 2018, with a high need for one and two-bedroom properties.
- Housing New Zealand currently own 220 properties for public housing in Kāpiti, with plans to add to stock.

Business

- Employment growth across Kāpiti has been strong, growing at an average of 1.5% per year from 2006 to 2016.
- 54% of Kāpiti's resident workforce works in the district, while 36% work outside the district, with the majority of those commuting to other Wellington centers for employment. The other 10 % are unknown.
- 32% of Kāpiti's resident workforce is self-employed compared to 18% nationally.
- Retail (12.8%), health care and social assistance (12.6%) construction (15.1%), education and training (8.8%), and professional, scientific, and technical services (8.6%) employ 58% of the workforce in Kāpiti.
- Commuters working outside the district have a higher average household income than those living and working in the district. Kāpiti also has a higher proportion of superannuation and investment income compared to many other places in New Zealand.
- Economic growth has been at or above national growth since 2002, averaging 1.8% per year for the past 10 years to March 2016.
- Kāpiti Coast had close to 5,000 businesses in 2016 (4,941).
- The number of businesses in Kāpiti has increased by 156 over the 10 years to 2017. While the numbers of businesses employing between 1 and 5 people has declined over this period, the number of large businesses has grown to the point where these businesses make up a similar proportion of total businesses as nationally. This includes 16 businesses that employ over 100 people and a further 30 that employ between 50 and 99 people.

Growth pressures – current and future

- Demand for housing is helping increase house prices, which is likely to further affect the affordability for many current residents, particularly those on fixed or lower incomes.

- 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 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.
- Work is currently underway to identify the availability and feasibility of land available for future development.

Update on the housing and business development capacity assessment

An assessment of housing and business development capacity is being undertaken with results expected towards the end of the year. The assessment will identify the future demand for residential and business land anticipated in Kāpiti and compare this against the current land available for development under the District Plan.

This assessment needs to identify whether there is sufficient land available to meet future needs. This includes buffers of an additional 20% and 15% for short and medium term periods. As well as having enough land available, the assessment also needs identify only land that is feasible to develop. This includes being serviced (or planned to be serviced) with infrastructure.

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

Assessing residential land demand and availability:

Initial areas for greenfield modelling have been identified. This includes sites that are zoned for residential use, over five hectares in size and largely free of development constraints. Sites which meet the criteria will next be tested for feasibility, which will look at economic factors, such as costs, to help identify likelihood of development.

Kāpiti's data is currently being prepared for the brownfield modelling and we are anticipating initial results by early November 2018. This process will identify and model feasible housing scenarios and yields based on a range of economic criteria for residential zoned land less than five hectares in size.

Initial results from both greenfield and brownfield modelling will then be tested against Council's infrastructure network models to identify whether there is enough infrastructure capacity available to meet the amount, location and anticipated timing of projected development.

Assessing business land demand and availability:

The report on the future demand for business land has now been completed. This forecasts the need for 64 hectares of land to meet business development needs to 2047 across key business sectors including health education training, commercial, office, government, and industrial. Work is currently underway to identify and assess the feasibility of vacant zoned business land to meet future demand.

Next Steps

Once initial results have been produced and tested for feasibility, we will engage with local iwi, key stakeholders, infrastructure providers, and the wider development community to discuss the results and test modelling assumptions and the overall feasibility of development capacity projected for the district.

GROWTH TRENDS

Building consent numbers are down from the last quarter while resource consent numbers have remained the same. Annual numbers for both building and resource consents are down after a peak in 2016/17, but are trending up across the last five years.

Building consents

Data on building consents helps identify development activity across the district. Between 1 June 2018 and 31 August 2018, 133 consents related to new buildings and alterations to buildings were issued. This is down from last quarter's 151. While the latest quarter saw an increase in new builds of one (from 49 to 50), alterations and additions were down from 75 to 63. The total value of overall work was also down from \$29,805,132 to \$25,321,786.

The activity is also down from the same period last year, where a total of 193 consents were issued at a total value of \$48,644,150. Detail on the number and type of consents issued can be found in appendix one.

Figure 1 below compares Statistics New Zealand data for new buildings consented by Kāpiti Coast District Council over the last year (July 2017 – June 2018) compared to activity across the previous 10 years from 2007. While overall numbers from 2017/18 are down from a peak in 2016/17, they maintain a steady increase of activity for the last five years and further back to the Global Financial Crisis of 2008. Figure 2 highlights that new build dwellings remain dominated by separate houses with only a small, but increasing number of townhouses consented. Figure 3 also shows a recent increase in consents for residential alterations. This increase may be attributable to people's decision to upgrade their existing house due to increased value but further data and analysis is required to better understand any associations between levels of alterations and market conditions.

Figure 1: New build consent activity: 2007 - 2018

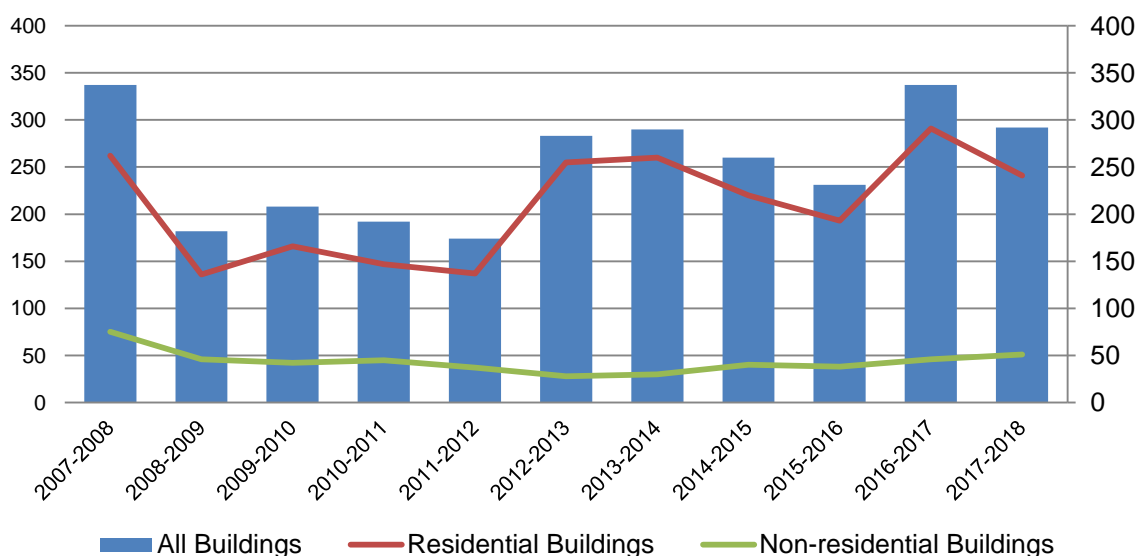


Figure 2: Type of new dwellings being consented

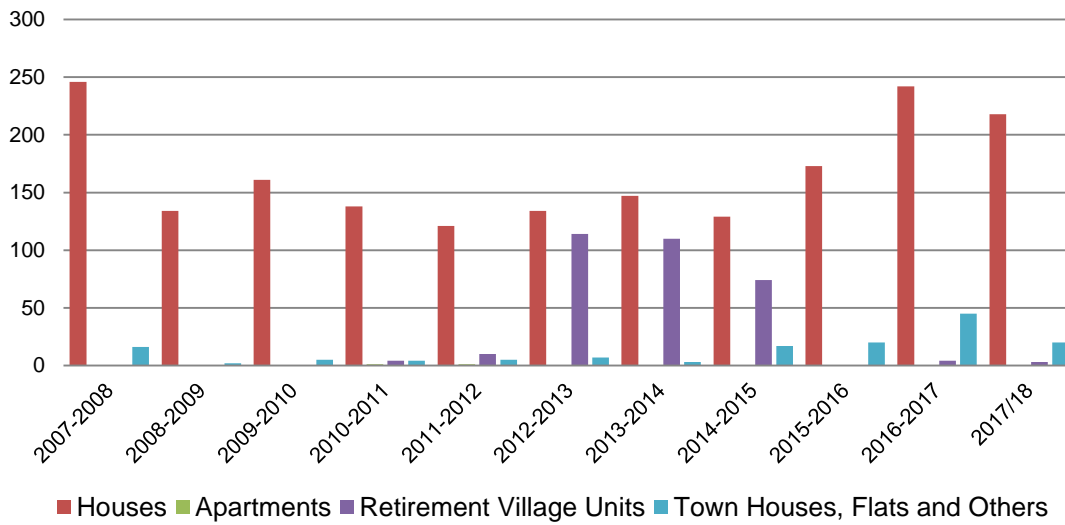
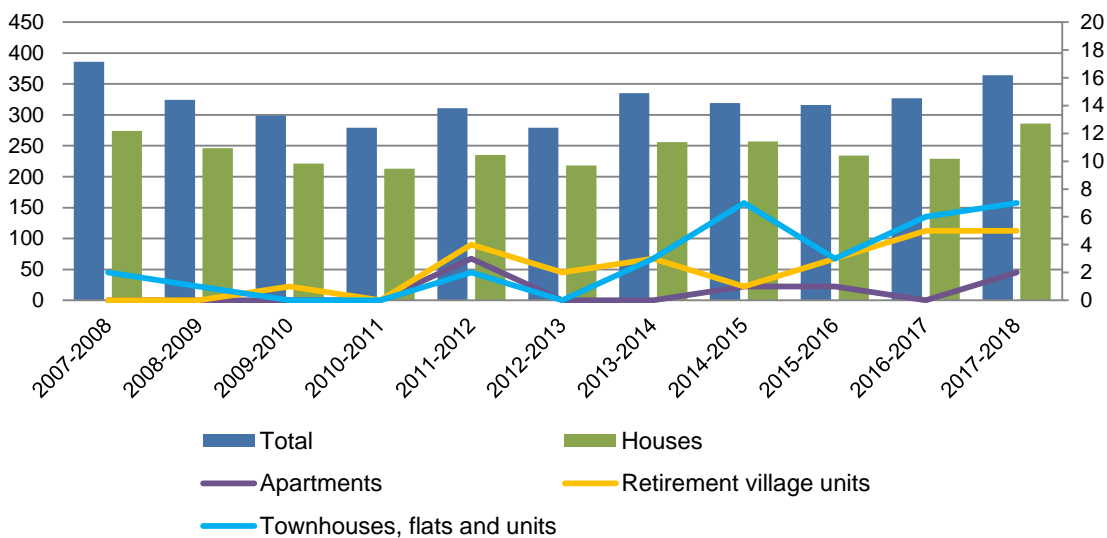


Figure 3: Alterations consent activity: 2007 - 2018



Resource consents

Between 1 June 2018 and 31 August 2018, Council issued 80 resource consents. This included 51 land use consents, 13 subdivision consents, and 13 resource consents for deemed permitted activities that involved a boundary activity². Overall, 62 of the consents issued were related to residential activities and information from the consents suggests these applications have the potential to yield 68 net additional dwellings. This quarter saw a drop in the number of rural subdivisions, with five of 68 net additional spaces coming from rural residential areas. The remaining 63 were located in residential areas across the district with Waikanae North again featuring a particular cluster of consents.

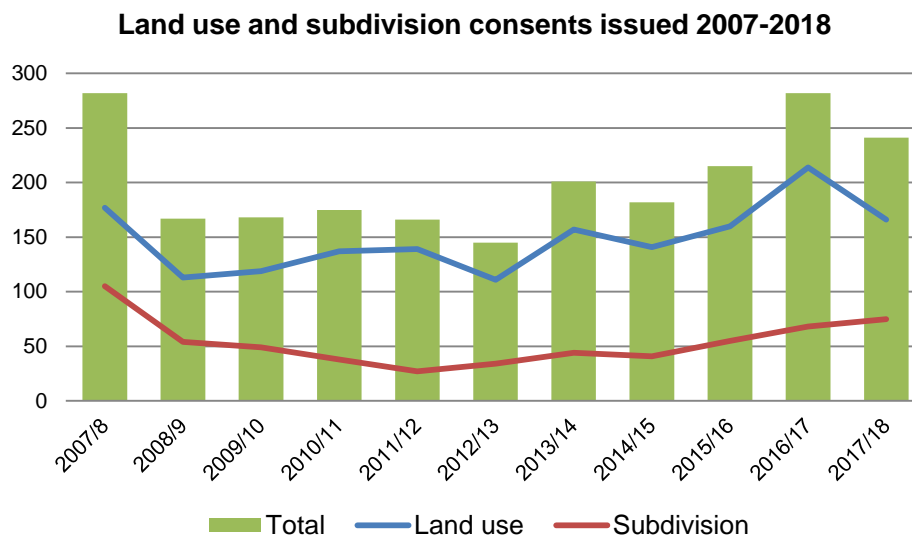
During this period, nine non-residential resource consents were issued. This included activities in residential, business, and rural zones. These consents included earthworks

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

related to expressway work at Ōtaki, new shop signage, a new cattery, and undertaking protected tree works.

Consent information also revealed four applications of cross leases being subdivided, two proposals of infill development, and two new minor flats. Following last quarter’s reporting, there was also another two cases of houses being replaced on existing sites. While these activities can occur at random, the nature and extent of this type of activity could suggest that people are undertaking work to realise potential resale and capital investment in their properties. Future reporting will look to identify and compile this information on an on-going basis to help further understanding of development activity and its drivers and influences on the ground.

Figure 4 shows that overall numbers of resource consents issued for 2017/18 are below that for 2016/17, but still show an overall increase in activity coming of the back of the global financial crisis in 2008. Monthly numbers for the start of 2018 were slightly lower than other years, but this may be explained by a higher than normal spike in activity in late 2017 as some applications were submitted ahead of upcoming changes introduced through the notification of the Decisions on the Proposed District Plan. Levels of activity since appear consistent with that of other years. Any further trends and impacts may be identifiable following next year’s monitoring data. This will also look to identify the amount of historic capacity consented through subdivision consents as well as the number of consents.



A table of residential and non-residential resource consents for the last quarter can be found in Appendix One alongside a map of building and resource consents by location in Appendix Two.

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 August 2018, with most information updated to the end of June 2018 unless stated otherwise³.

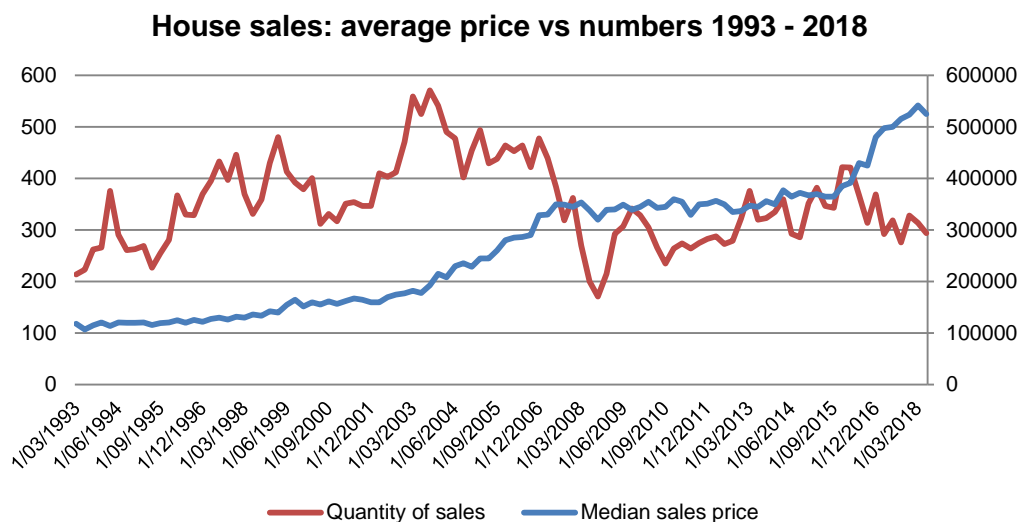
The previous trend has continued this quarter where house sales have continued to reduce while the average value of houses sold in Kāpiti has continued to increase to \$525,000.

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

New housing and sales

Trends and movements to the end of August 2018 include:

- Data for population growth was last updated to June 2017. Consent growth has been updated to the end of May 2018 and has continued to drop-off following a peak of 305 in January 2018. Recent data indicates that there is a level of responsiveness between consent and population growth, but this will be further examined on future updates to population growth data.
- The total dwelling stock in Kāpiti increased to 22,062 as at 30/06/2018. The increase of 89 dwellings includes adjustment from revised figures from the previous quarter.
- House sales continue to slow, but seem to be hovering around the 300 per quarter mark. The last quarter has been adjusted to 314 with the latest quarter results indicating 294 sales (unadjusted) 30/06/2018. 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, this remains an overall downward trend.
- During the last quarter, the average value of houses sold has continued to increase up to \$525,000 from \$515,688.
- 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.



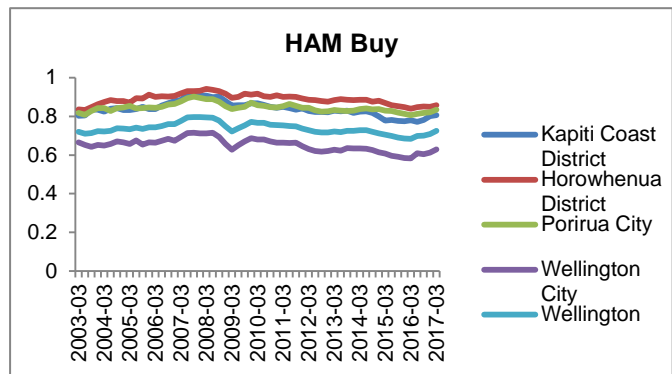
Rentals

As at the end of June 2018, the nominal mean rent for Kāpiti increased further to \$405 a week – up from \$400 the previous quarter. This has increased from an average rent of \$262 in 30/06/2007 and averages out at a \$13 increase per year/rent across the last 11 years.

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 of 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. The last update of HAM measures was included in the June 2018 monitoring report. This indicated that HAM Buy slightly increased up from 0.78 to 0.80 and HAM Rent was slightly improving, down from 0.66 to 0.64. With increasing house prices but Kāpiti still offering value for money over some neighbouring Wellington areas, we expect that pressure on house buyers will continue into the next results, unlike some other areas where a slowdown in the market is reported as enabling more first time home buyers back into the market.



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. The fourth and last indicator on land concentration has recently been published by MBIE.

Land concentration control indicator

Unlike the other three price efficiency indicators that show potential impacts of land regulations on the use and value of land, the land concentration control indicator identifies the extent of land ownership for undeveloped residential land. The indicator shows land ownership as a percentage of that available, and by location, which can help understand how competitively land is held. For example, a situation where there are larger tracts of land but only a handful of owners would have a lower index score as opposed to an area with a higher ratio of properties and landowners which would have a higher index score. A higher index score generally indicates better competitiveness of land holdings. However, the score and impacts on the availability and costs of land in each location is also subject to local knowledge and interpretation as the measure shows the conditions for competitiveness, but not the actual behavior of landowners.

The table of results below identifies Kāpiti as having a market-land concentration index score of 539. Auckland has the lowest on 57, with Upper Hutt the highest at 1476. Kāpiti has a higher index score than Wellington, closer to Lower Hutt's, but well below Porirua's and Upper Hutt's. The measure also identifies Kāpiti as having the second lowest percentage of 'undeveloped' residential land available but note this excludes sites in development including Waikanae North and Ngarara areas comprising the largest areas currently available in the district for residential development.

Work currently underway to assess residential development capacity will analyse all residential land in more detail as to its availability and feasibility for development. This will also include an assessment of intensification, which this measure does not account for.

Table of land concentration control index

AREA	Total Residential (ha)	Undeveloped Residential (ha)	Undeveloped Residential (%)	Land concentration index	Population 2017	People density (per ha)
Auckland	29,529	4,974	17%	57	1,534,700	52
Christchurch	15,131	2,515	17%	164	396,700	26.2
Whangarei	5,666	1,062	19%	196	57,700	10.2
Tauranga	4,838	777	16%	233	137,900	28.5
Queenstown	1,234	343	28%	242	15,300	12
Wellington (combined)	12,831	1,081	8%	277	454,800	35.4
Wellington Zone	3,543	178	5%	286	211,800	59.8
Blenheim	1,393	67	5%	286	31,300	22.5
Palmerston North	2,775	323	12%	304	85,300	30.7
New Plymouth	2,305	196	8%	319	57,500	24.9
Kāpiti	1,773	139	8%	539	42,300	23.9
Gisborne	1,426	136	10%	568	36,600	25.7
Rotorua	2,462	305	12%	581	58,800	23.9
Lower Hutt Zone	3,249	291	9%	643	104,100	32
Nelson	2,540	490	19%	721	66,700	26.3
Hamilton	4,250	408	10%	1,022	235,900	55.5
Porirua Zone	1,768	240	14%	1,225	55,900	31.6
Napier	3,768	233	6%	1,452	133,000	35.3
Upper Hutt Zone	1,475	180	12%	1,476	40,800	27.7

Appendix One: Building and resource consents

Table 1: Building consents issued by type, Kāpiti Coast District 1 June 2018 – 31 August 2018 and 1 June 2017 – 31 August 2017

Application type	1 June 2018 – 31-Aug-18		1 June 2017 – 31-Aug-17	
	Number	Value \$	Number	Value \$
New (& prebuilt) house, unit, bach, crib	50	19,377,976	88	32,501,000
New flats	0	0	2	750,000
New flats added to existing building	1	90,000	0	0
New education building - other	0	0	2	7,200,000
New offices	0	0	1	90,000
New farm buildings - other	3	173,000	5	151,000
Dwellings - alterations & additions	63	4,474,810	78	5,757,250
Dwellings with flats - alterations & additions	0	0	1	18,000
Re-sited houses	5	354,000	1	30,000
Hospitals - Alterations & additions	1	60,000	0	0
Education buildings - alterations & additions	2	290,000	1	1,350,000
Shops, restaurants - alterations & additions	1	10,000	5	341,500
Alterations & additions - office/admin	0	0	1	400

Warehouses - alterations & additions	1	18,000	0	0
Factories – alterations and additions	2	214,000	0	0
Farm buildings alterations and additions	1	30,000	2	50,000
Other buildings - alterations & additions	2	70,000	6	405,000
Multi-purpose bldg alterations & addition	1	160,000	0	0
Total	133	25,321,786	193	48,644,150

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 issued by location, Kāpiti Coast District, from 1 June 2018 – 31 August 2018 and 1 June 2017 – 31 August 2017

Location	1 June 2018 – 31 August 2018	1 June 2017 – 31 August 2017
	Number	Number
Maungakotukutuku	4	2
Ōtaki	7	2
Ōtaki Forks	0	1
Paekākāriki	4	0
Paraparaumu (Central, North Beach, and South Beach & Otaihanga)	11	10
Peka Peka (Te Horo and Kaitawa)	3	1
Raumati Beach and Raumati South	13	9
Waikanae	20	23
Other		1
Residential (total)	62	49
Maungakotukutuku	0	
Ōtaki	4	2
Ōtaki Forks	0	1
Paekākāriki	0	0
Paraparaumu (Central, North Beach, and South Beach)	2	5
Peka Peka (Te Horo and Kaitawa)	1	1
Raumati Beach and Raumati South	2	0
Waikanae	0	0
Non-residential (total)	9	9

Source: Kāpiti Coast District Council resource consent data.

Appendix Two: Map of building and resource consent activity from 1 June 2018 – 31 August 2018

