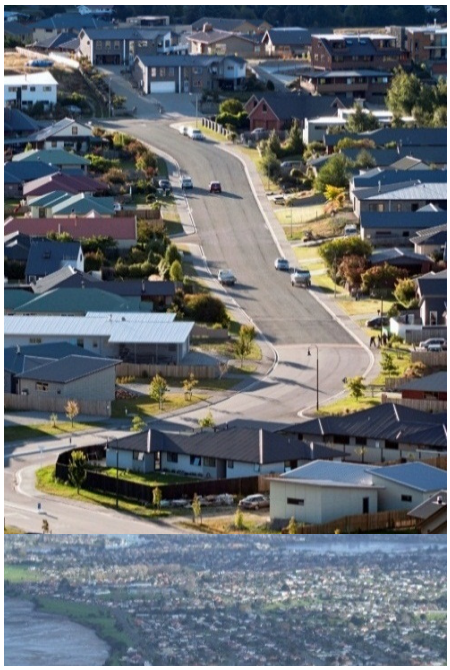
New Zealand

Housing and Construction Quarterly

March 2015



Contents

The *New Zealand Housing and Construction Quarterly* provides quarterly data and analysis on the housing market, construction and social housing. This publication is produced by the Ministry of Business, Innovation and Employment (MBIE).

The report is available at: http://www.dbh.govt.nz/sector-information.

Highlights

Building consents rising

Dwelling consent numbers have bounced back from the previous lows in 2011, and are continuing to rise. Auckland and Greater Christchurch are the main reason for the increase in dwelling consents this quarter. Auckland had an annual growth in the number of dwelling consents of 21%, whereas Christchurch dwelling consents numbers grew by 31.8% over the same period.

Christchurch housing story not so straightforward

The growth rate of Christchurch rents has slowed, while dwelling consents have risen by 15% in the December 2014 quarter. House values have not reached their previous growth rates but continued to increase in the past 3 months. While short term volatility may continue, there is downward pressure on rents and prices over the medium term.

Massey Index shows housing affordability worsened over the December quarter

The Massey University housing affordability index, which measures the cost of servicing an average mortgage relative to average incomes, showed that housing affordability in Auckland worsened by 4.8% this quarter. The major contributing factor to this deterioration was the increase in Auckland house values. Housing remains significantly more affordable than in the late 2000s.

MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HIKINA WHAKATUTUKI

Quarterly Highlights

The fall and rise of building consents

The annual number of new dwelling consents in the year to December 2014 for New Zealand was 24,717 - the highest annual total since July 2007. New dwelling consent numbers have rebounded from a very low level during the recession, when the annual number of consents fell to just over 13,000.

This increase in new dwelling consents was largely driven by increasing numbers in Auckland and Greater Christchurch. The annual number of new dwelling consents in the year to December 2014 for Auckland was 7,681 with a year-on-year growth of 21%. Annual new dwelling consent numbers in Auckland were at the lowest (3,244) in August 2009. Similarly, the annual number of new dwelling consents in the year to December 2014 for Greater Christchurch was 6,668, with a year-on-year growth of 31.8%. Annual new dwelling consent numbers in Greater Christchurch were at their lowest (1,703) also in August 2009.

While building consents have not reached the heights of 2004 (where 31,423 dwellings were consented), it is clear that building consents have recovered from the slump during the recession. However, despite building consents rising, they are now growing more slowly than before 2014.

The Christchurch housing story becomes more complicated

In the December 2014 edition, we reported that multiple indicators in Christchurch's housing market were all suggesting the market was cooling, with the growth rate in house values, rents and residential building consents all growing more slowly than in previous months.

However, the picture has grown more complicated in the past quarter, as the three housing indicators are no longer telling a consistent story. Rents in Greater Christchurch continue to slow, following a pattern of slowing growth rates since mid-2012. By contrast, the trend in the number of dwellings consented in Greater Christchurch increased by 15% between September and December 2014. House values have not rebounded to their previous growth rates, but have not slowed in the past 3 months.

These indicators don't present a clear picture of the housing market in Christchurch in the short term. The increase in consent volumes is most likely being driven by an increase in rebuilds that are over the EQC's $100,000 cap, and other analysis by MBIE estimates that supply of housing is likely to catch up to demand in Christchurch around 2017. So while both prices and rents may continue to fluctuate in the short-term, over the medium term there is likely to be increasing downward pressure on both.

Massey Index shows that housing affordability in Auckland worsened over the December quarter

According to the Massey University housing affordability index, housing affordability in Auckland worsened by 4.8% this quarter. The Massey Index measures the cost of servicing an average mortgage relative to average incomes. Canterbury and Wellington regions also worsened, but at a lower rate (4.3% and 1.9% respectively).

Growth in house values in Auckland was the main driver of the degradation in affordability. The average house value in the region grew by 3.3% in the quarter ended December 2014, while interest rates have been relatively stable over this period.

Auckland house values followed a relatively consistent relationship with national house values until around 2013. Since then, Auckland house values have risen significantly faster than the rest of the country, widening the gap between Auckland's house values and those of the rest of the country.

House Values by Region

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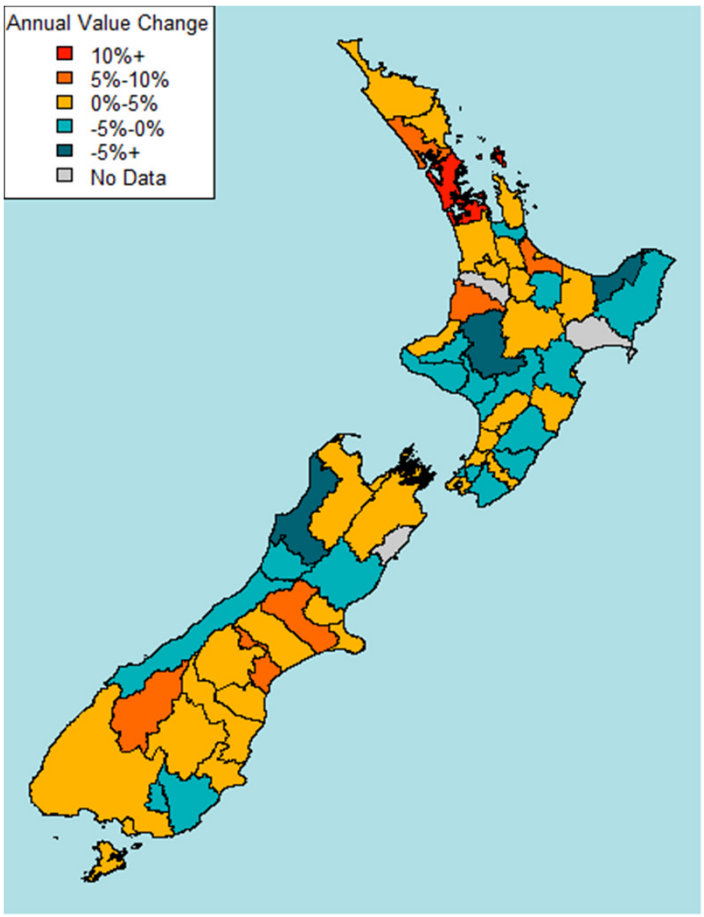
Figure 1: Annual Change in Values for the Three Months Ending January 2015

Source: Property IQ



The below values are from Property IQ, estimating current market valuation of each property at any time.

Figure 1 shows that the biggest change in house values occurred in Auckland (10%+), while Queenstown, Selwyn, Timaru and the Western Bay of Plenty all experienced growth in the 5–10% range. By contrast, the Consumers Price Index (CPI) rose 0.8% in the year between the December 2013 quarter and the December 2014 quarter.

Figure 2 shows Auckland house values continuing their upward trend this quarter. Annually, Auckland house values have risen by 11%. Christchurch house values again exceeded Wellington values this quarter and have continued their upward trend from last quarter.

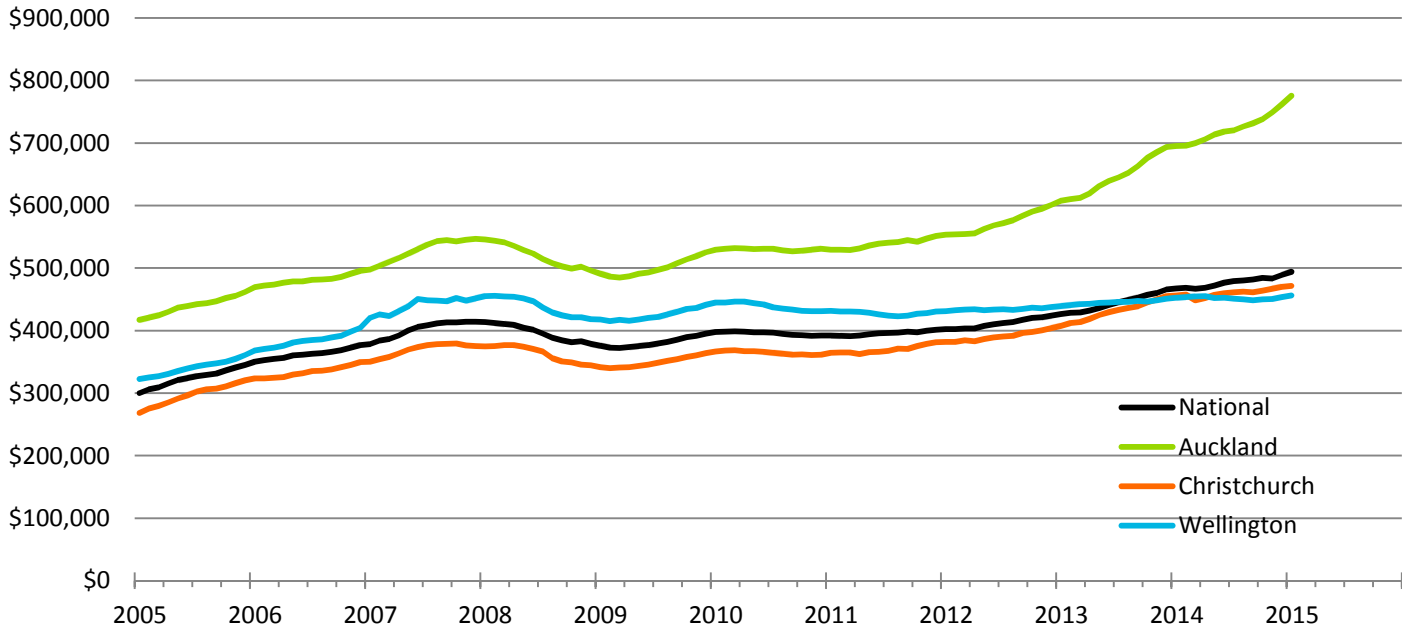
Table 1: House Values

November 2014 to January 2015	Average Value	Annual Change*
National	$494,083	5.6%
Auckland	$775,555	11.0%
Christchurch	$471,550	3.4%
Wellington	$455,902	0.7%

*Change in trend values

Figure 2: Average House Values to January 2015

Source: CoreLogic NZ



Rents by Region

Figure 3: Annual Change in Rents for the Three Months Ending January 2015

Source: MBIE

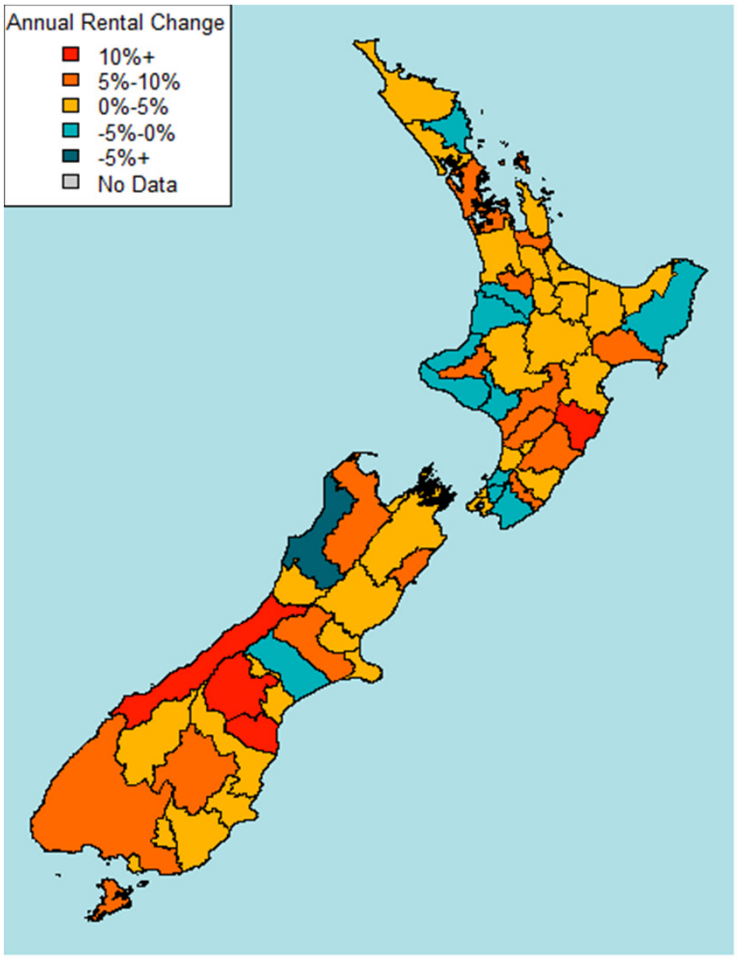


Figure 3 shows rent changes by territorial authority. No populous areas have had rental growth of 10% or more this quarter. Central Otago, Selwyn, Manawatu and Auckland have all experienced a rise in rents of between 5% and 10%. Gisborne, Wanganui, Ashburton, Whangarei and New Plymouth had either no change in, or a fall in rents this quarter.

In the December 2014 quarter, growth in rents slowed in Greater Christchurch, while in the other areas they followed their existing upward trend.

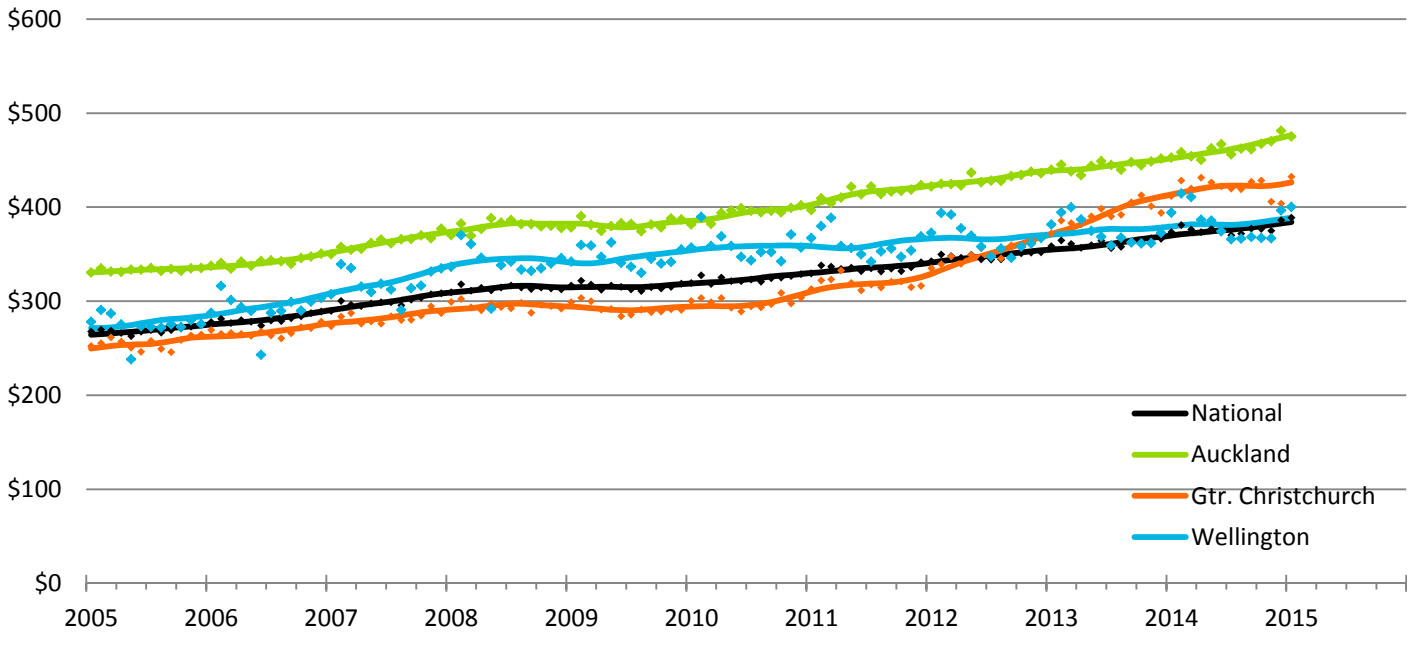
Table 2: Rent Profile

January 2015	Average Rent	Annual Change*
National	$389	3.8%
Auckland	$475	5.4%
Gtr. Christchurch	$432	3.1%
Wellington	$400	2.4%

* change in trend values

Figure 4: Average Weekly Private Rents to January 2015

Source: MBIE



Rents by Bedroom and Region

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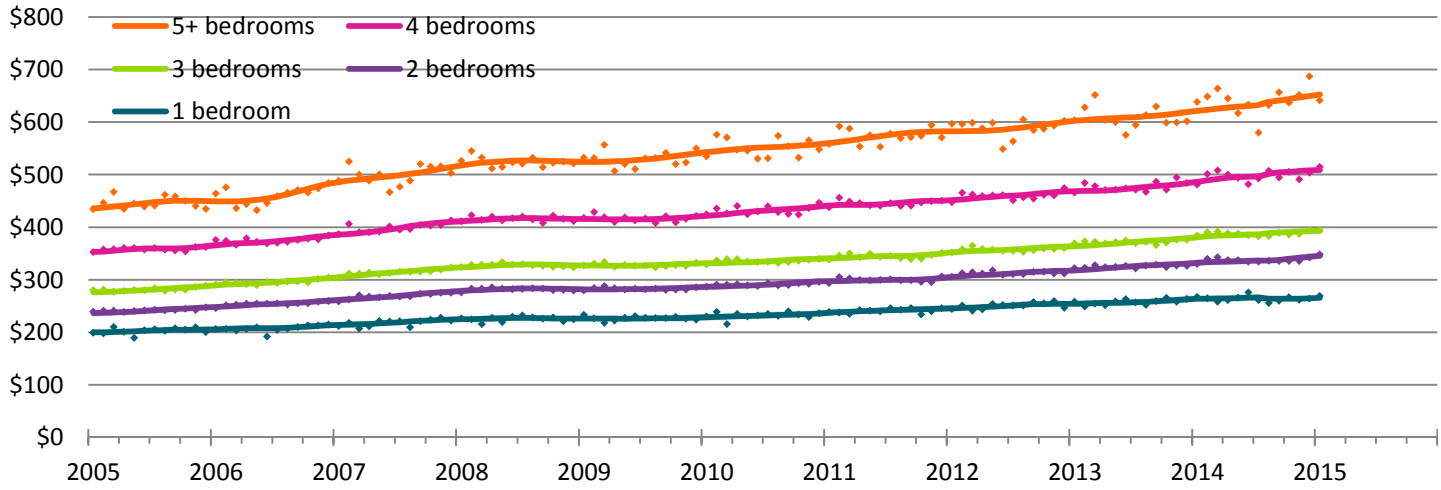
Figure 5: Average Private Rent by Bedroom to January 2015

Source: MBIE



Each of the bedroom rent categories continued their historical trend increases this quarter. One-bedroom rents increased the least at 0.7% in the year to January 2015, while rents for the other bedrooms increased from 3% to over 5%.

Table 4: Average Rent by Bedrooms

January 2015	Average Rent	Annual Change*
1 bedroom	$269	↑ 0.7%
2 bedrooms	$348	↑ 4.1%
3 bedrooms	$394	↑ 3.2%
4 bedrooms	$514	↑ 4.5%
5+ bedrooms	$641	↑ 5.1%

* change in trend values

Figure 6 looks at annual growth in rents. The region with the highest rental growth was Tasman (10%). By contrast, Wellington had rent growth of about one-fifth of this.
Canterbury and Auckland had similar growth in rents in the December 2014 quarter, at 4.9% and 5.0% respectively.
Gisborne was the only region to have a fall in average rent in the December 2014 quarter, at almost –5%.

Figure 6: Annual Growth in Average Rents between January 2014 and January 2015

Source: MBIE

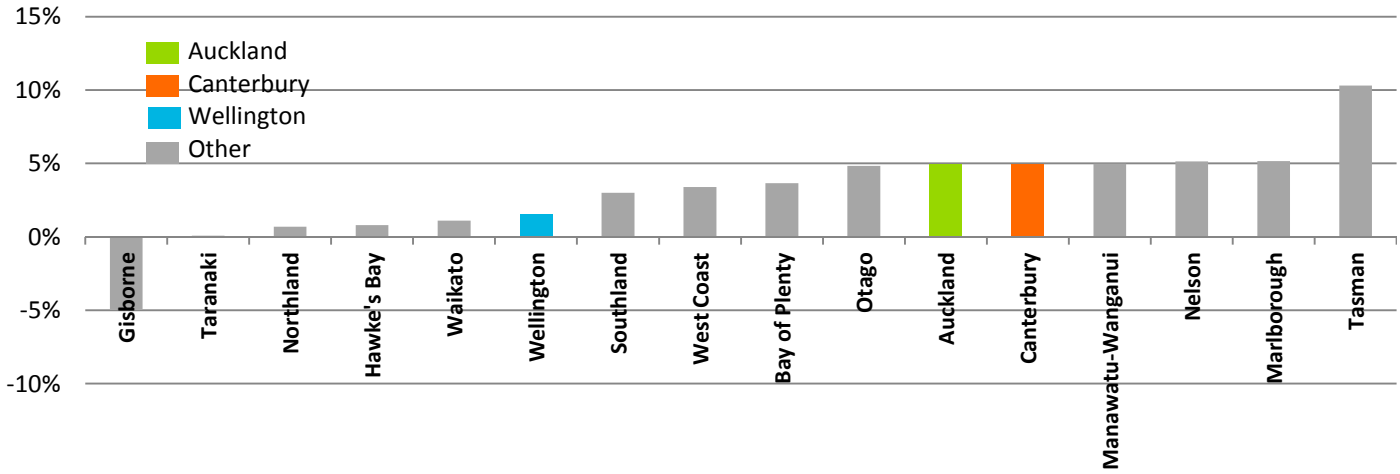


Figure 7: Auckland House Values vs. Private Weekly Rents: January 2004 to October 2014

Source: MBIE and CoreLogic NZ

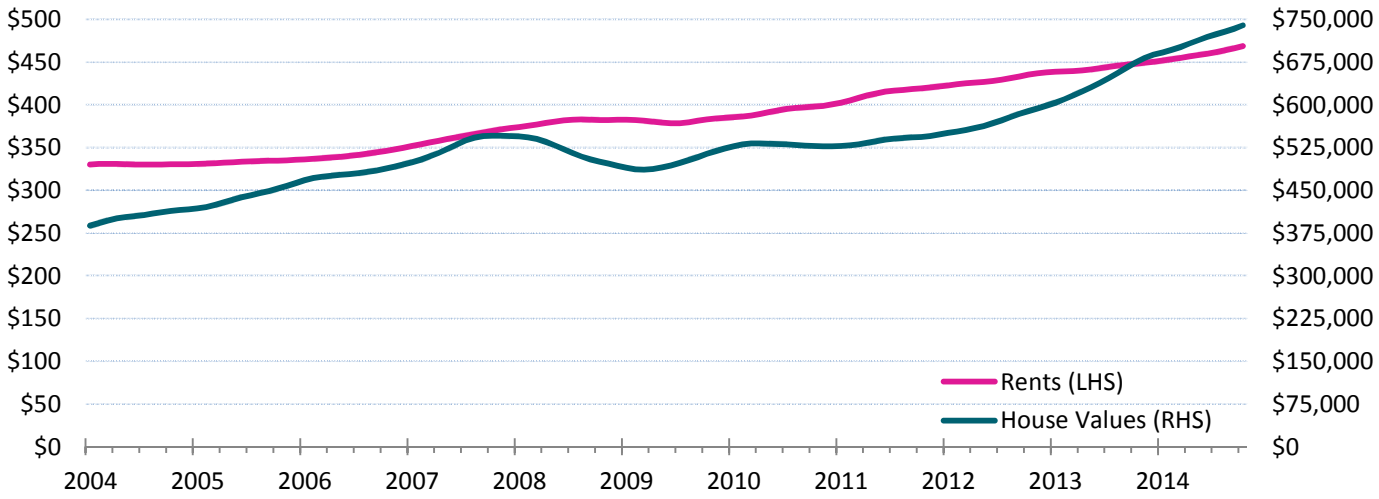


Figure 7 depicts the relationship between house values and private weekly rents in Auckland. Both rents and house prices continue to follow their existing upward trend. In the December 2014 quarter, Auckland house values increased by almost 4% and rents by 1.6%. In the year to January 2015, house values grew much faster than rents, with 11% growth for house values compared to 5.4% growth for rents.

Figure 8 shows the equivalent relationship between Christchurch house values and rents. In the year to January 2015, Christchurch house values grew by 3.4%, while rents grew by 3.1%. This quarter shows that rent growth in Christchurch is growing at a similar rate to last quarter.

Figure 8: Christchurch House Values vs. Private Weekly Rents: January 2004 to January 2015

Source: MBIE and CoreLogic NZ

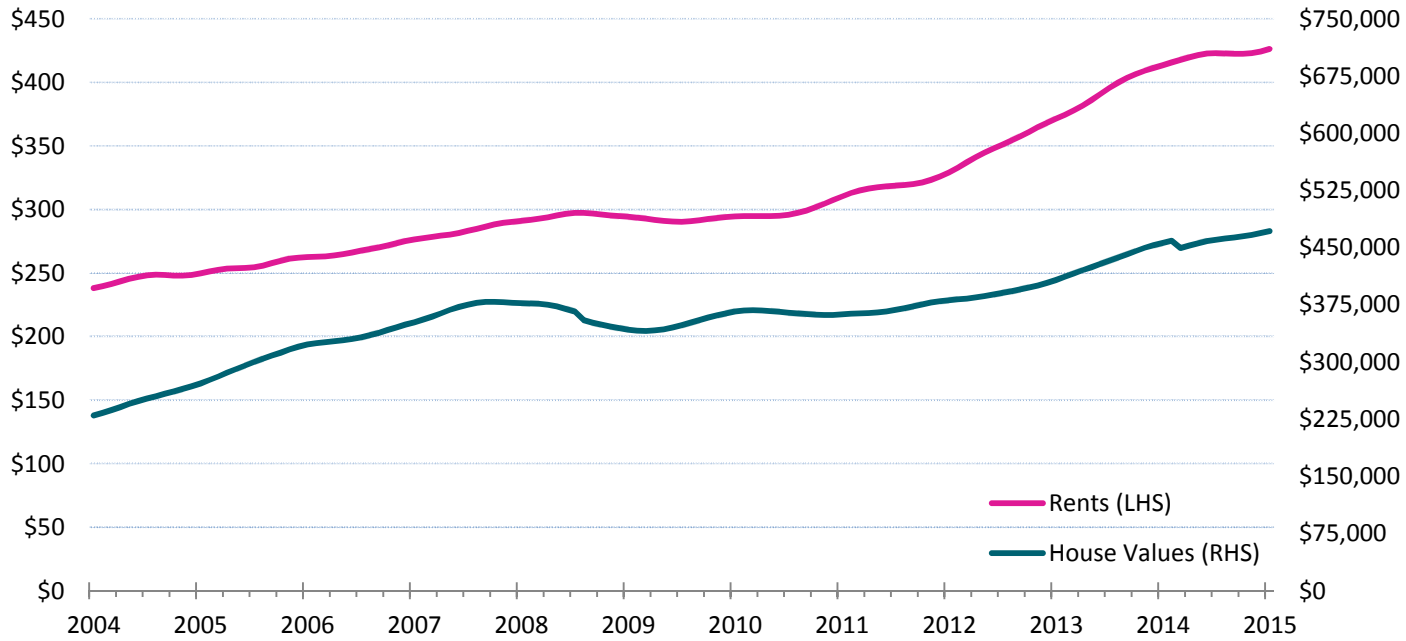


Figure 9: Massey University Housing Affordability Index to December 2014

Source: Massey University, trends by MBIE

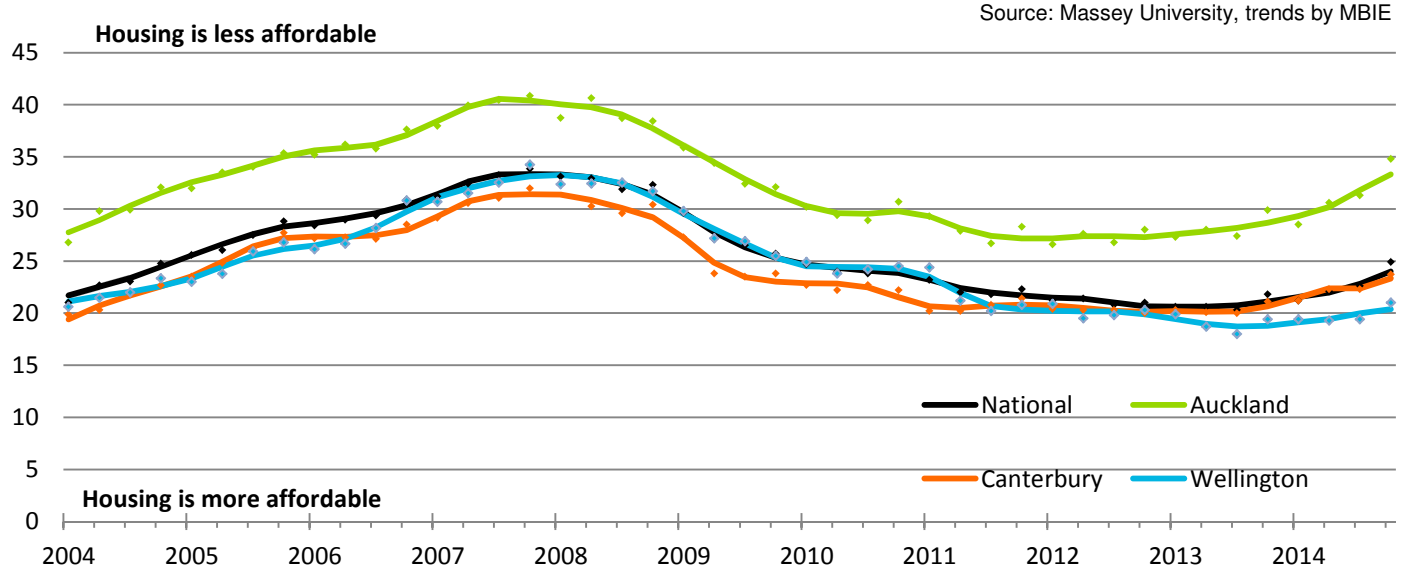


Figure 9 shows the housing affordability indicators worsening across all three regions and nationally in the December 2014 quarter. Housing affordability in Canterbury has worsened by 4.3% and is now similar to the national average levels. Interest rates have remained stable in the past months.

Rental affordability has deteriorated in Auckland, but has remained largely unchanged elsewhere, including in Canterbury.

Table 5: Housing Affordability

Massey Affordability December 2014	3-month Change*	12-month Change*
National	↑ 5.1%	↑ 13.6%
Auckland	↑ 4.8%	↑ 16.2%
Canterbury	↑ 4.3%	↑ 13.0%
Wellington	↑ 1.9%	↑ 8.5%
Rental Affordability December 2014	**3-month Change***	**12-month Change***
National	↑ 1.6%	↑ 3.2%
Auckland	↑ 2.6%	↑ 4.9%
Canterbury	↑ 0.2%	↑ 2.9%
Wellington	↑ 1.0%	↑ 0.6%

* change in trend values

Figure 10: Rental Affordability Index to December 2014

Source: MBIE, MSD (MBIE calculations)

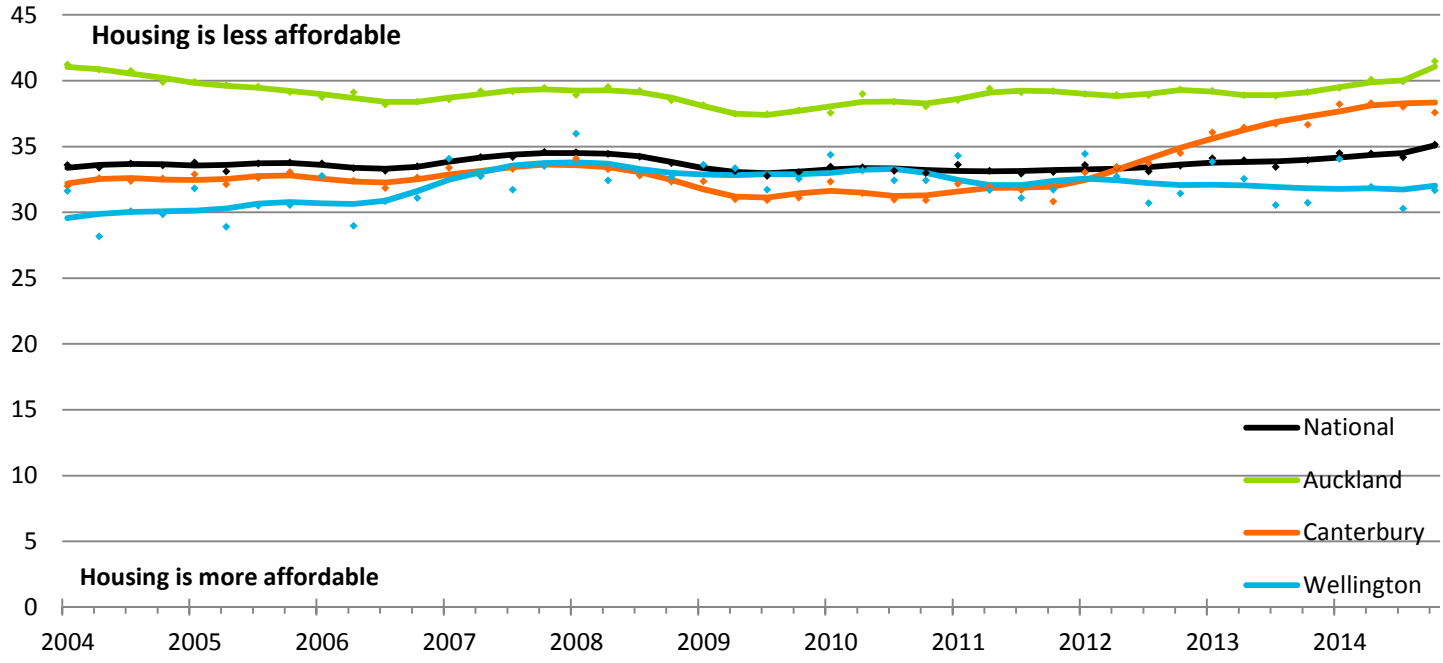
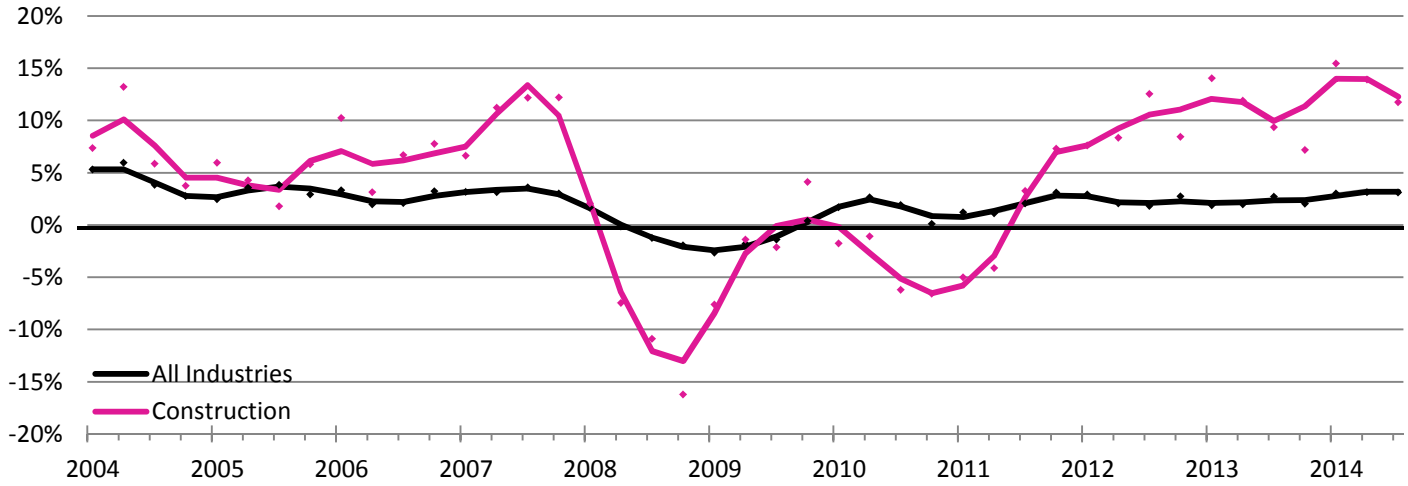


Figure 11: Annual Change in Construction Sector Real GDP (%) to September 2014



Source: Statistics New Zealand, trends by MBIE

Between the June 2014 and September 2014 quarters, gross domestic product (GDP) in New Zealand grew by 1.0%. Construction GDP increased by 0.9% over the same period, while it grew 12.3% in the year ending September 2014, consistent with the growth in building consents.

Figure 12 shows that construction employment has increased by 2.2% between the June 2014 and September 2014 quarters. Employment growth across all industries continues to follow its upward trend since 2010.

Table 6: Gross Domestic Product

September 2014 Quarter	$b	Annual Change*
All Industries	$49.2	↑ 3.2%
Construction	$3.7	↑ 12.3%

* Change in trend values

Table 7: Employment (QES)

September 2014 Quarter	people employed	Annual Change*
All Industries	1,420,100	↑ 3.3%
Construction	108,800	↑ 9.7%

Figure 12: Annual Change in People Employed (%) to September 2014

Source: Statistics New Zealand, trends by MBIE

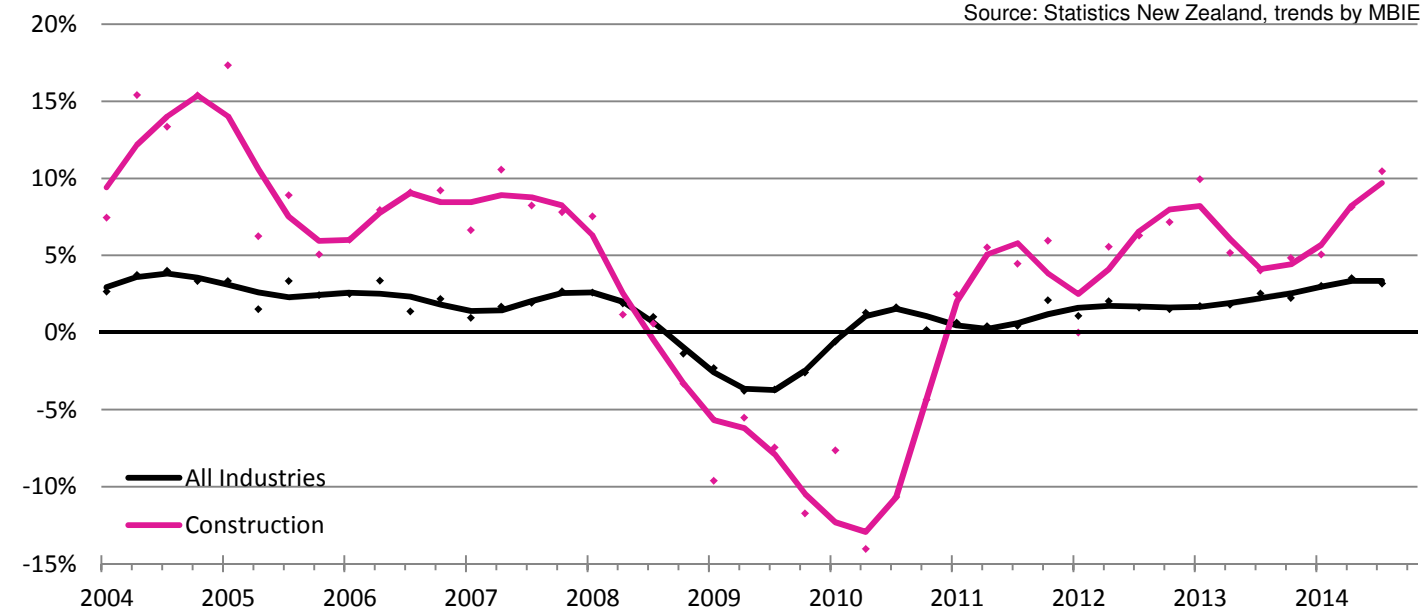


Figure 13: New Dwellings Consented to December 2014

Source: Statistics New Zealand, trends by MBIE

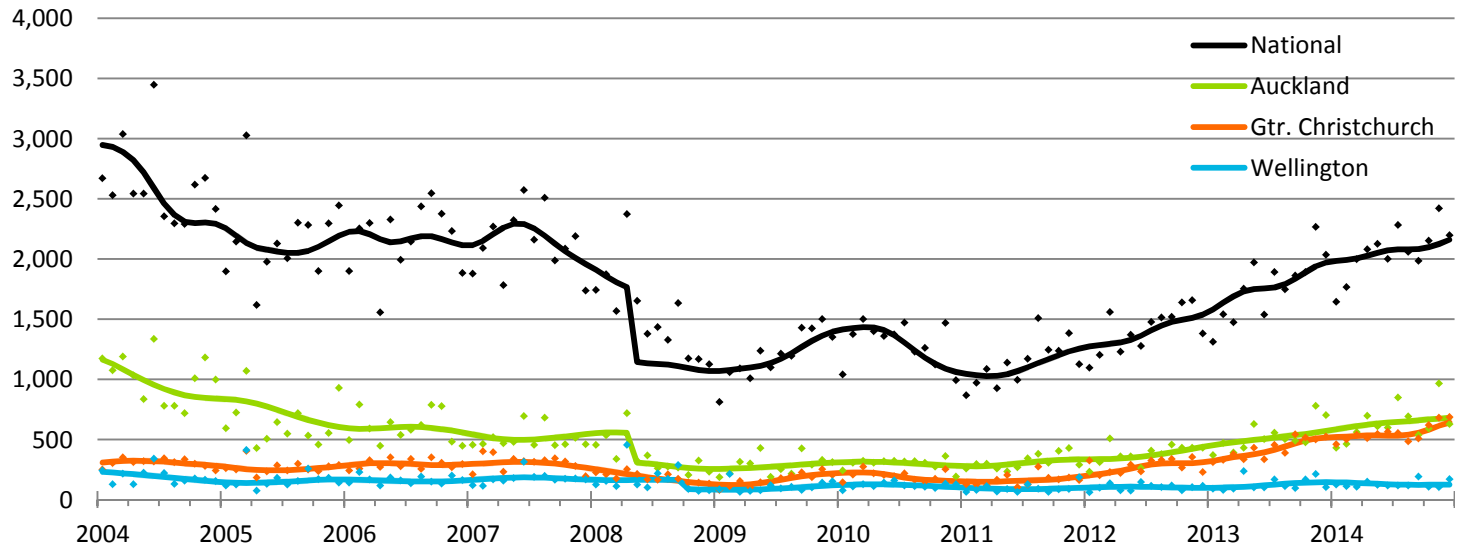


Figure 13 shows an increase in Greater Christchurch's new residential construction consents this quarter. Between 2013 to 2014, there appeared to be an increase in Christchurch followed by a decrease, probably due the rebuild activity.

National dwelling consents also rose this quarter, while Wellington levels remained relatively steady.

Figure 14 shows that between the September and December 2014 quarters, the value of residential alterations and additions in Auckland continued to increase, with a growth rate of more than double the national average.

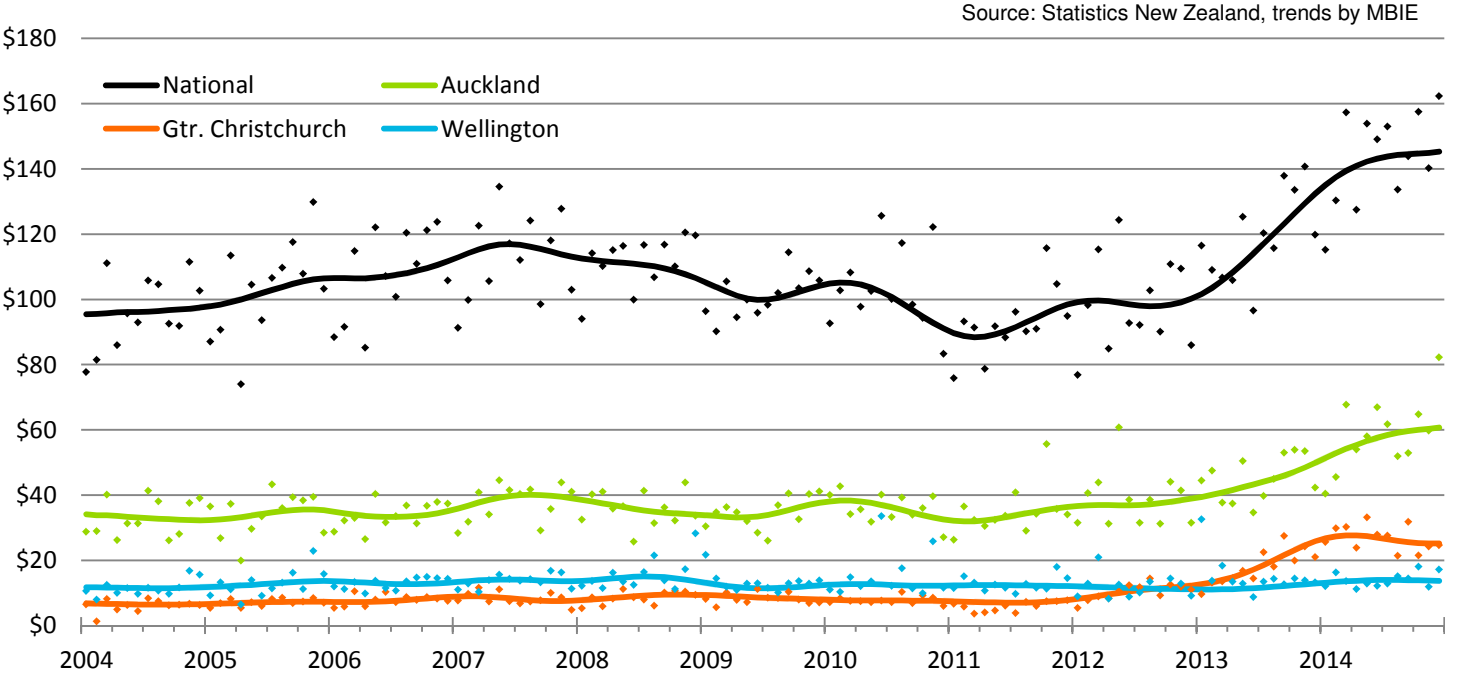
Table 8: Residential Construction

Dwellings Consented: December 2014	Dwelling Consents	Annual Change*
National	2,199	9.5%
Auckland	630	18.9%
Gtr. Christchurch	688	24.0%
Wellington	171	-13.3%
Alterations & Additions: December 2014	**$m**	**Annual Change***
National	$162	9.7%
Auckland	$82	21.7%
Gtr. Christchurch	$25	-2.6%
Wellington	$17	6.3%

* Change in trend values

Figure 14: Residential Alterations and Additions ($b) to December 2014

Source: Statistics New Zealand, trends by MBIE



Non-Residential Construction

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Figure 15: New Non-Residential Consents ($m) to December 2014

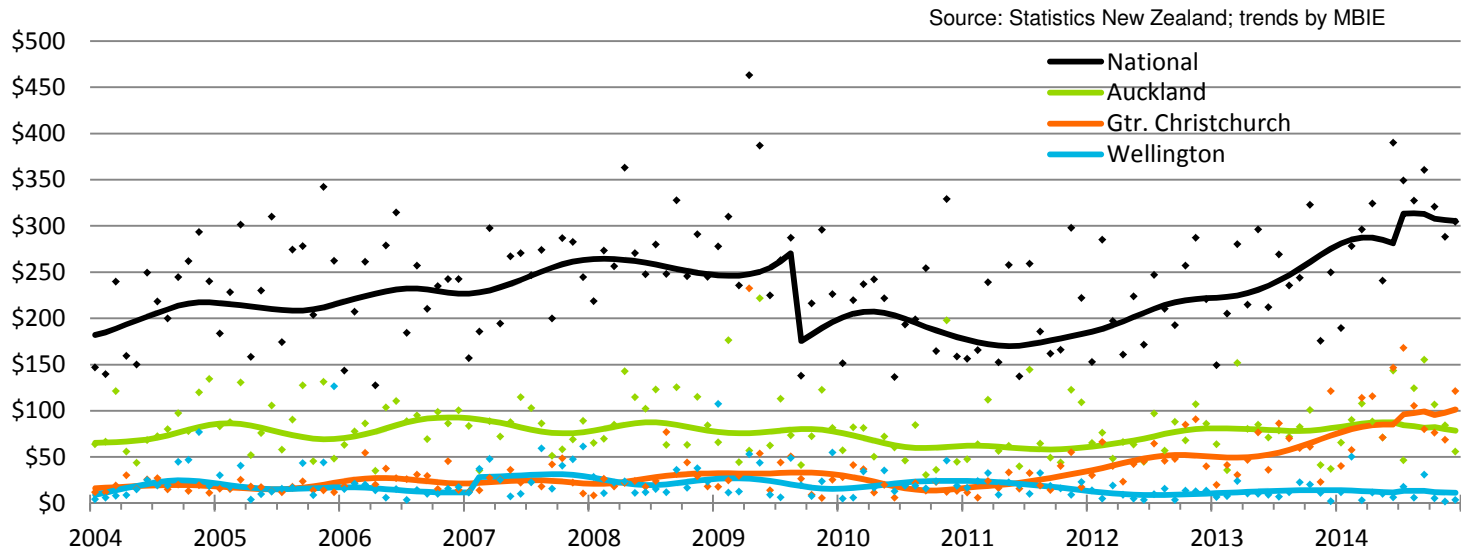


Figure 15 shows that Greater Christchurch consent levels continue to exceed Auckland levels, due to earthquake-related rebuilds. National and Wellington non-residential consents fell this quarter. Notably, in Wellington, they fell by almost 20% within the year to December 2014. Care is needed when interpreting these data, as non-residential construction data can be highly volatile.

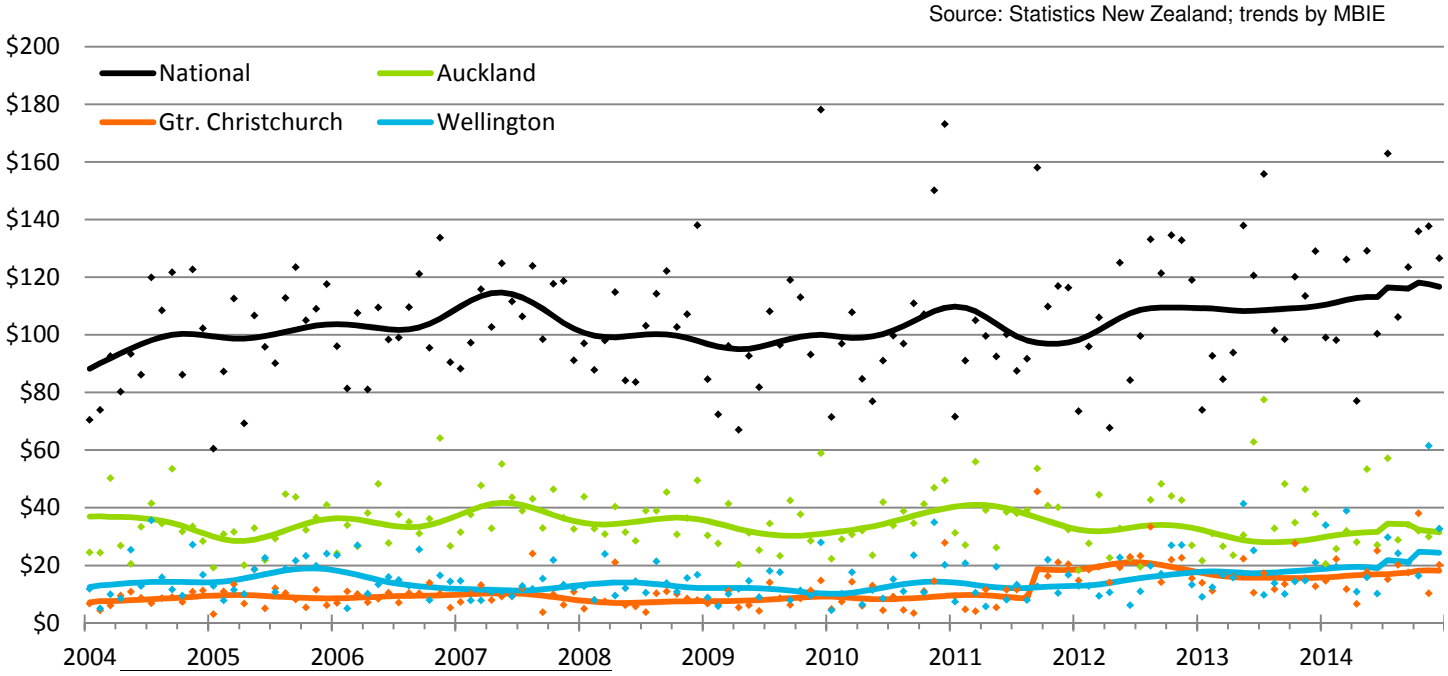
The value of consents for additions and alterations to non-residential buildings are following their historical trends. Wellington shows the largest annual increase, probably related to the earthquake strengthening that has occurred there.

Table 9: Non-Residential Construction

New Consents: December 2014	$m	Annual Change*
National	$304	11.0%
Auckland	$56	-3.3%
Gtr. Christchurch	$121	38.6%
Wellington	$4	-19.8%
Alterations & Additions: December 2014	**$m**	**Annual Change***
National	$127	-11.8%
Auckland	$33	7.4%
Gtr. Christchurch	$20	15.8%
Wellington	$33	31.1%

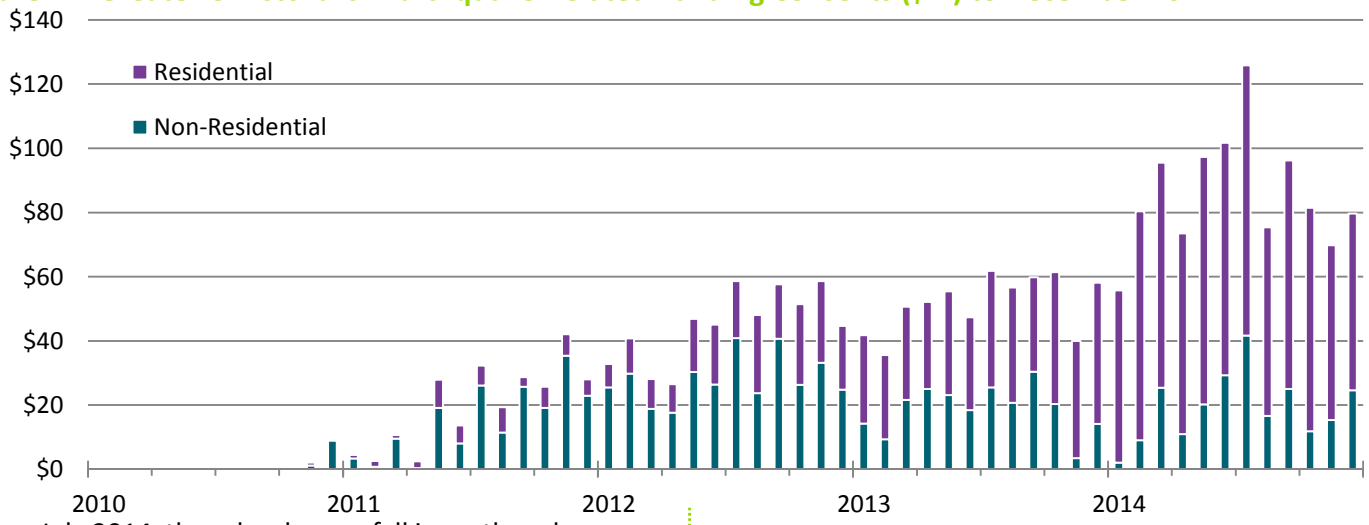
* change in trend values

Figure 16: Non-Residential Alterations and Additions ($m) to December 2014



Source: Statistics New Zealand

Figure 17: Greater Christchurch Earthquake-Related Building Consents ($m) to December 2014



Since July 2014, there has been a fall in earthquake-related consents in Christchurch. The levels are now similar to what they were before the July 2014 spike. Residential consents still comprise the majority of all earthquake-related consents.

Note that building consents are defined as "earthquake-related" based on whether the applicant notes them as such on the consent application. Therefore, these figures should be treated with some caution.

Figure 18 shows that the trend value for building work for non-residential construction grew 8.0% between the March 2014 and June 2014 quarters, and 14.7% in the year to June 2014. It is now at its highest level since 2004.

Residential construction increased in the June 2014 quarter after growing steadily over the past year, and is now above its 2007 peak.

Table 10: Total Earthquake Consents

December 2014	$m	Since Sep 2010
Residential	$55.1	$1,454
Non-Residential	$24.6	$989

Table 11: Building Work Put in Place

September 2014 Quarter	$b	Annual Change*
Residential	$2.5	↑ 22.9%
Non-Residential	$1.5	↑ 24.7%

* Change in trend values

Figure 18: National Building Work Put in Place ($b) to September 2014

Source: Statistics New Zealand

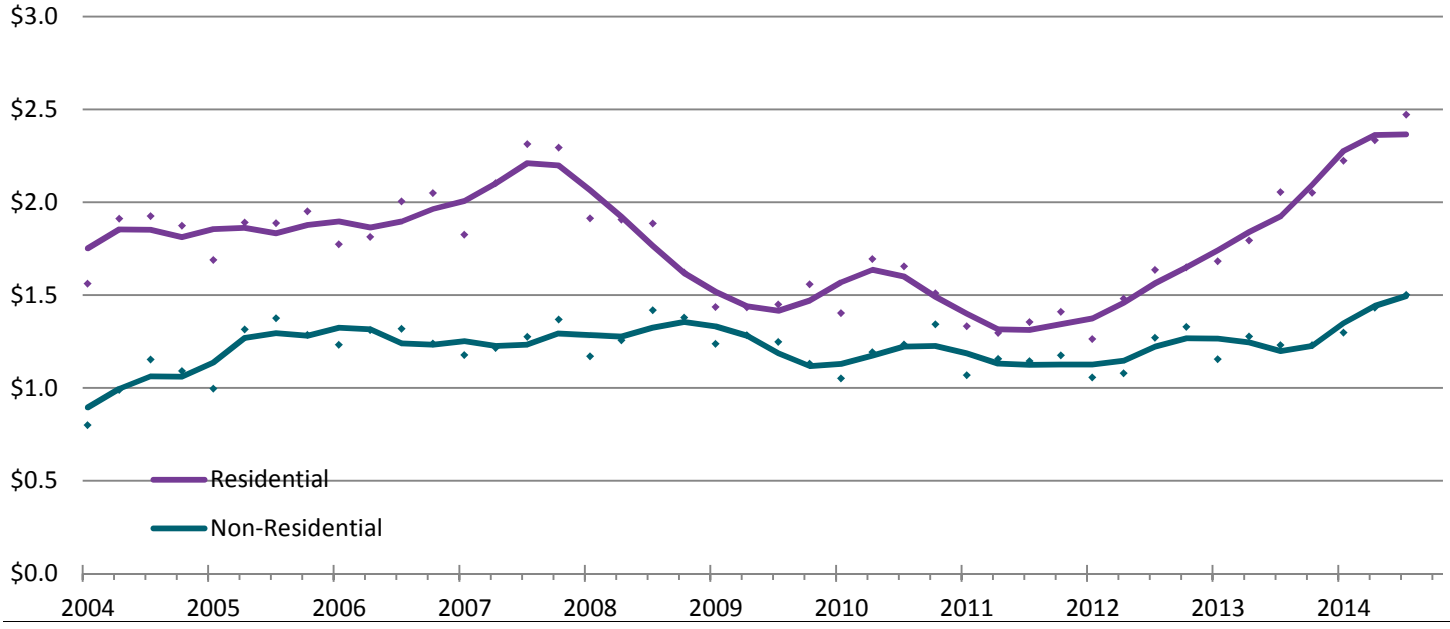
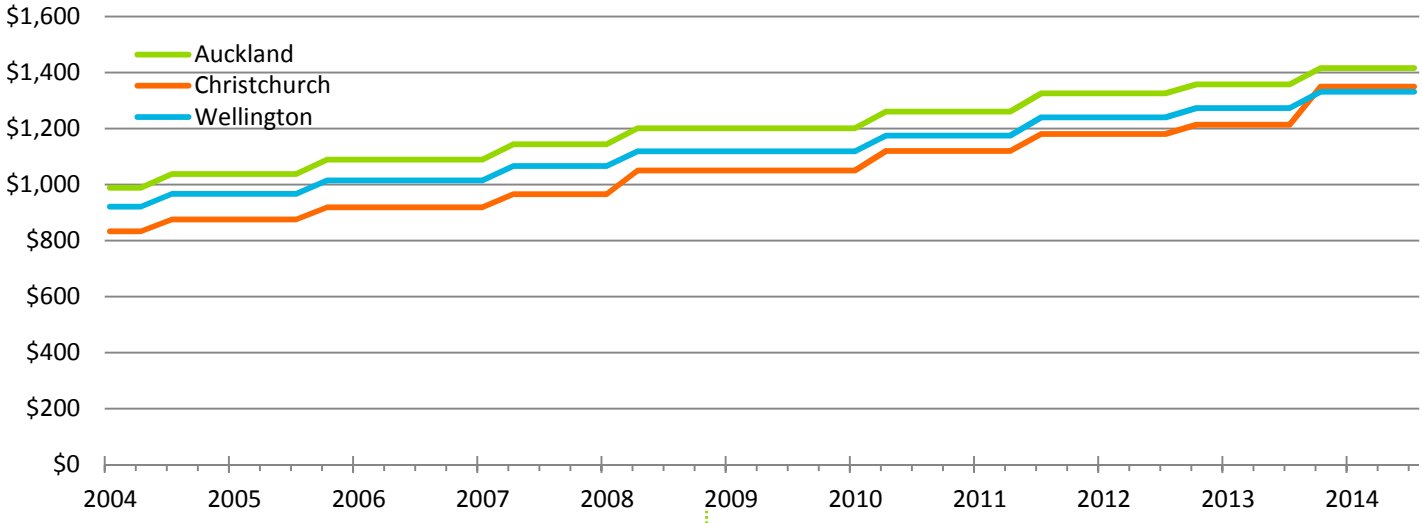


Figure 19: Cost of Building a Standard House ($/m^2) to September 2014

Source: New Zealand Building Economist



The commentary below is unchanged due to no new data being available this quarter.

Figure 19: In all three regions, construction costs were unchanged between the June 2014 and September 2014 quarters.

Christchurch still has the second-highest construction costs of the regions we monitor. This is a change from a long-established historical trend, highlighting the pressure Christchurch's construction industry is under.

Figure 20 shows that construction hourly earning series are following their historical trend.

Table 12: Cost of a Standard House

September 2014 Quarter	$/m^2	Annual Change
Auckland	$1,416	↑ 4.3%
Christchurch	$1,350	↑ 11.3%
Wellington	$1,331	↑ 4.6%

Table 13: Hourly Earnings

December 2014 Quarter	$/hour	Annual Change*
All Industries	$29	↑ 2.6%
Construction	$27	↑ 2.7%

* change in trend values

Figure 20: Hourly Earnings December 2014

Source: Statistics New Zealand, trends by MBIE

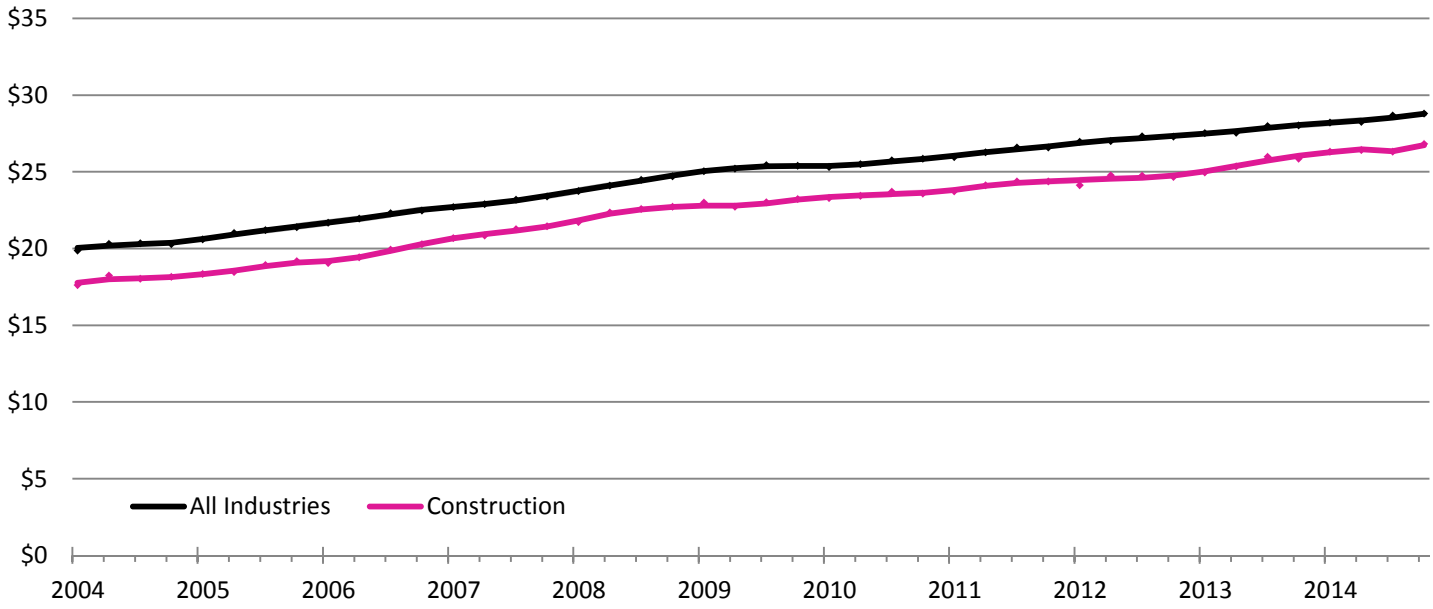
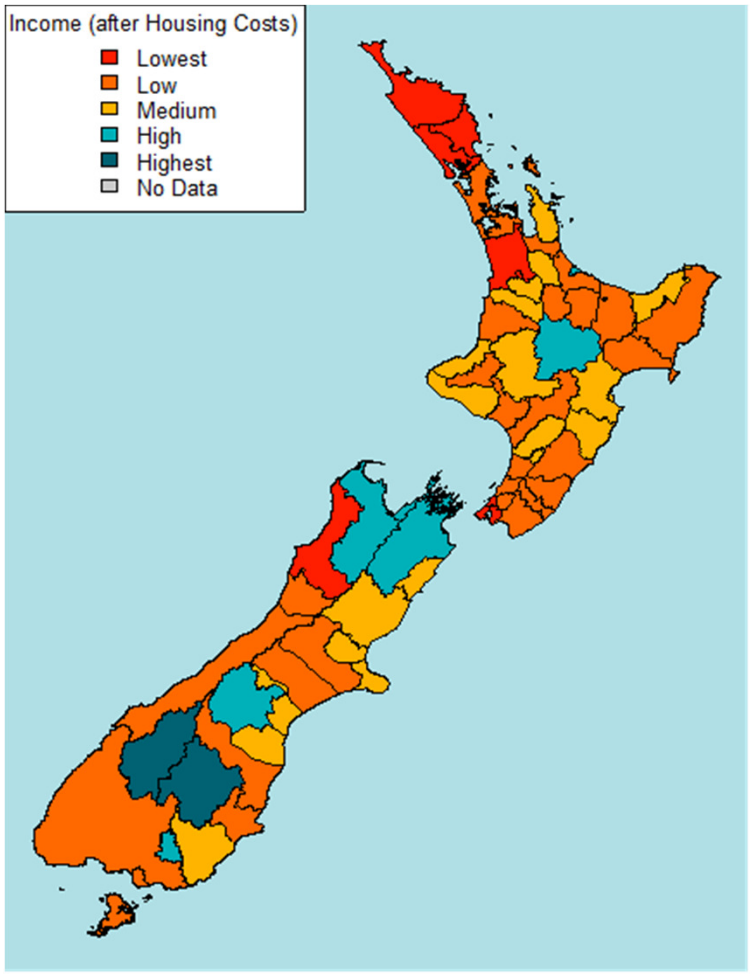


Figure 21: Residual Income for the Three Months Ending December 2014

Source: MSD



Residual Income is the income (less housing costs) of MSD clients in each Territorial Authority area. Each colour code represents one-fifth of all TAs (e.g. red represents the fifth of TAs with the lowest residual income).
As of April 2014, responsibility for social housing needs assessment transferred from the Housing New Zealand Corporation (HNZC) to MSD.

The register for social housing increased before and after the transfer of social housing functions from the HNZC to MSD. This increase in demand was anticipated because of the broader range of interactions with beneficiaries and multiple contact channels that MSD has. Register numbers have been falling since June 2014. Between the September 2014 and December 2014 quarters, there was a fall of 15.7% in Priority A and a fall of 7.0% in Priority B waiting list numbers.

Table 14: Social Housing Register

December 2014 Quarter	Register*
A Priority	2,370
B Priority	2,594

* Includes Transfer Register

Figure 22: Social Housing Register to December 2014

Source: HNZC, MSD

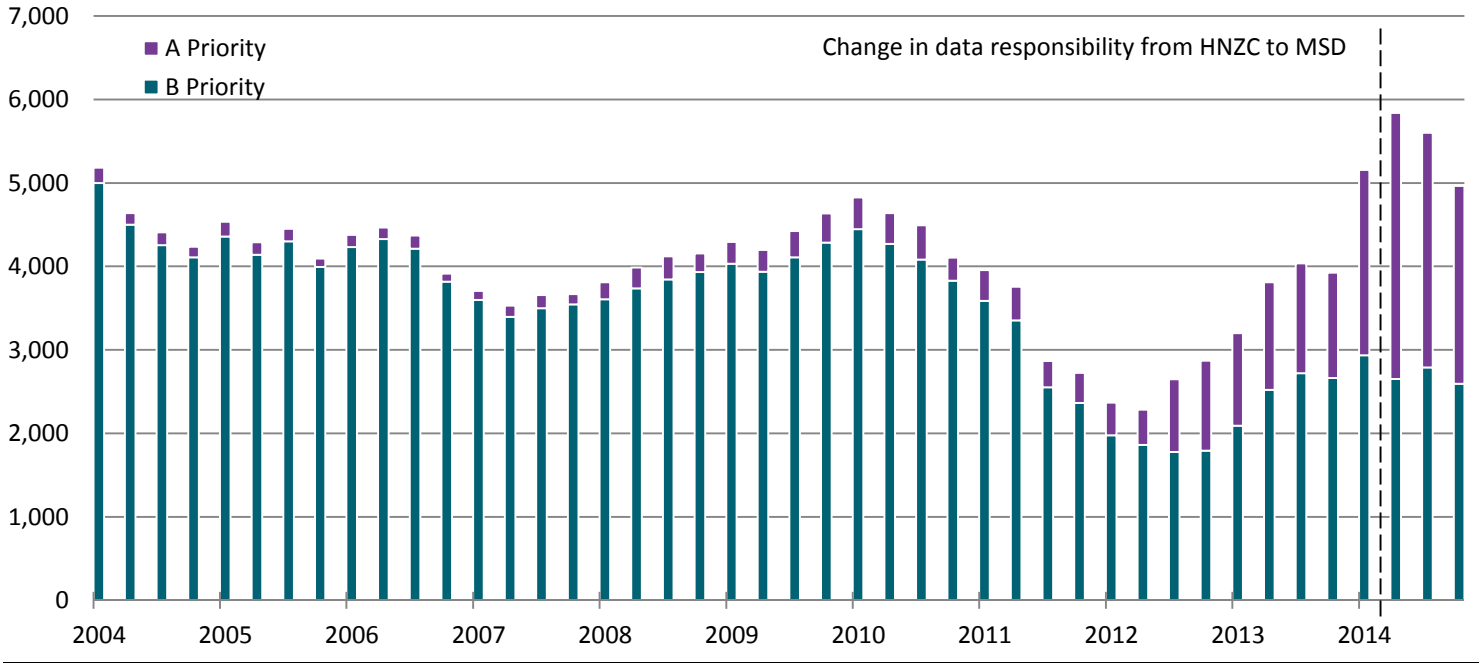


Figure 23: Synthetic Lower Quartile (SLQ) Private Rents to January 2015

Source: MBIE

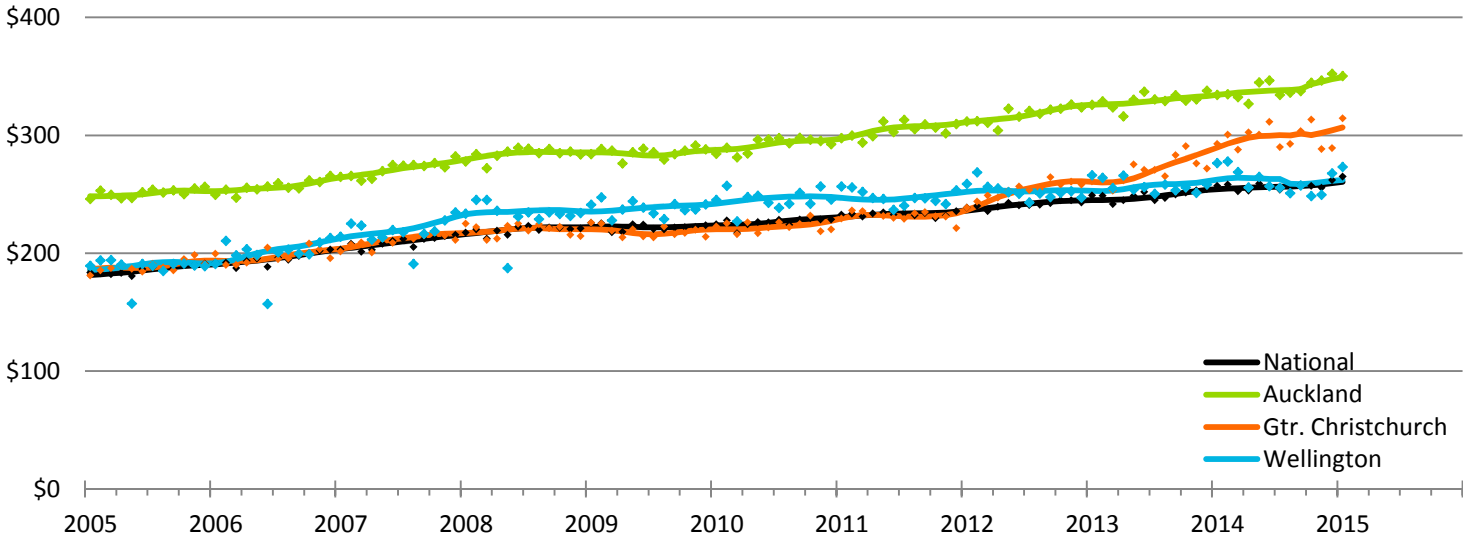


Figure 23:
The SLQ rents in Auckland and Greater Christchurch are both increasing faster than the CPI growth of 0.8% in the year ending December 2014.
The annual change in SLQ rents in Greater Christchurch has risen by 5.9% and in Auckland by 4.5%. The changes in SLQ rents in all regions have a positive annual growth, except Wellington which showed little change over the year. All regions except Wellington had increases in SLQ rents over the year.

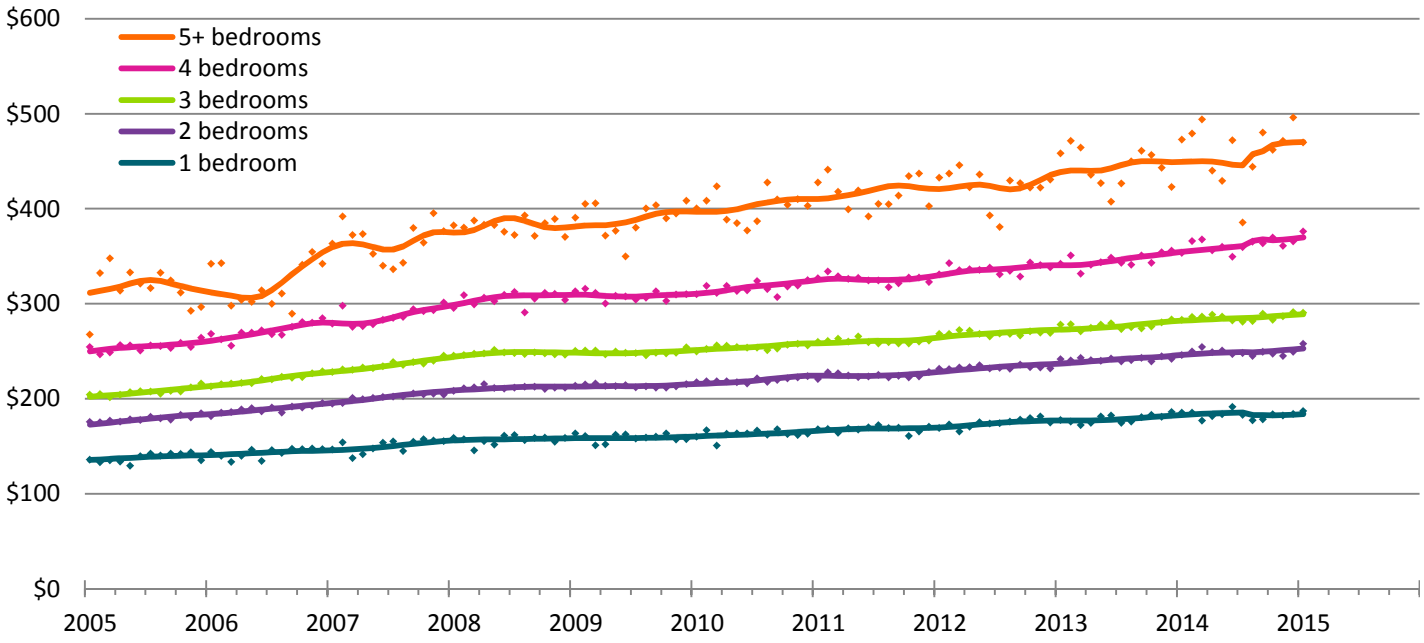
Table 15: Synthetic Lower Quartile Rent

January 2015	SLQ Rent	Annual Change*
National	$265	2.5%
Auckland	$350	4.5%
Gtr. Christchurch	$314	5.9%
Wellington	$273	-0.1%
1 bedroom	$187	0.5%
2 bedrooms	$258	2.8%
3 bedrooms	$290	2.4%
4 bedrooms	$376	4.3%
5+ bedrooms	$470	4.7%

* Change in trend values

Figure 24: SLQ Private Rents by Number of Bedrooms to January 2015

Source: MBIE



Government Housing Support

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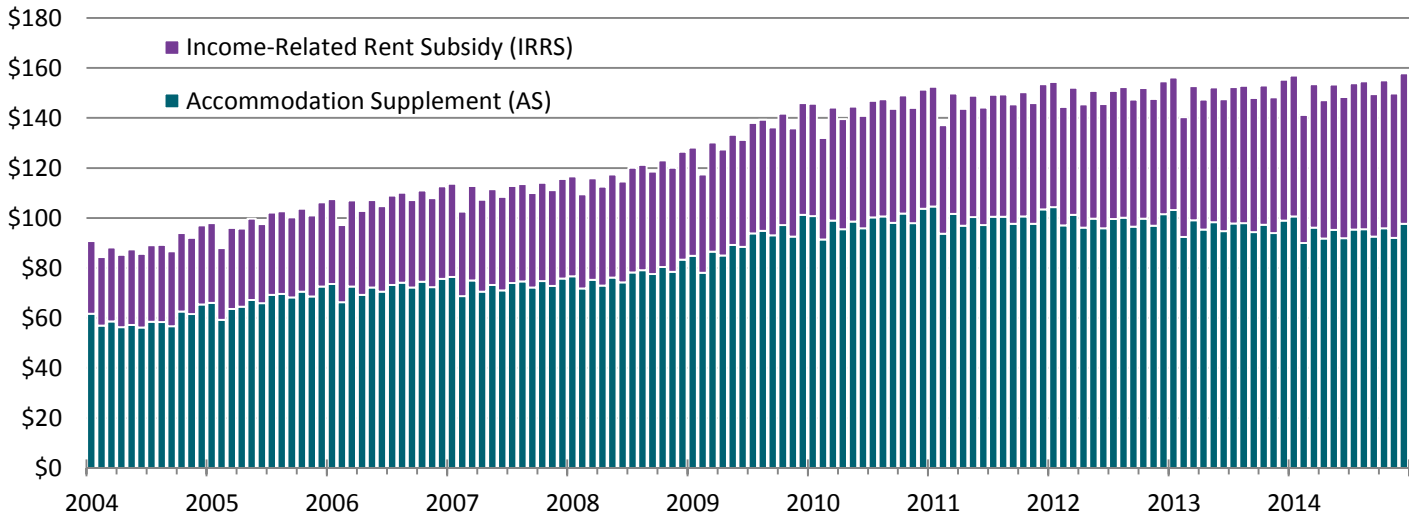
Figure 25: Central Government Housing Spending ($m) to December 2014

Source: MBIE, MSD



Government spending on social housing grew significantly throughout the 2008-2009 period during the recession but flattened off in 2010. AS spending has been trending downwards since 2010, with the December quarter following this trend. IRRS figures have increased over the past year. Note that the AS is paid out fortnightly, which means that the expenditure will vary from month to month, depending on how many payments are being made that month.

Figure 26 shows that local government rents have increased slightly in Greater Christchurch this quarter while in Wellington they have slightly decreased and have remained relatively stable nationally. Compared to January 2014, the average local government rents have increased across all three regions. Noticeably in Greater Christchurch, local government rents have grown more rapidly than those in private low-income housing. *Auckland is not included due to there being no significant local government housing being available.

Table 16: Social Housing Spending

Monthly December 2014	$m	Annual Change*
IRRS	$60.1	6.8%
AS	$97.7	-1.3%

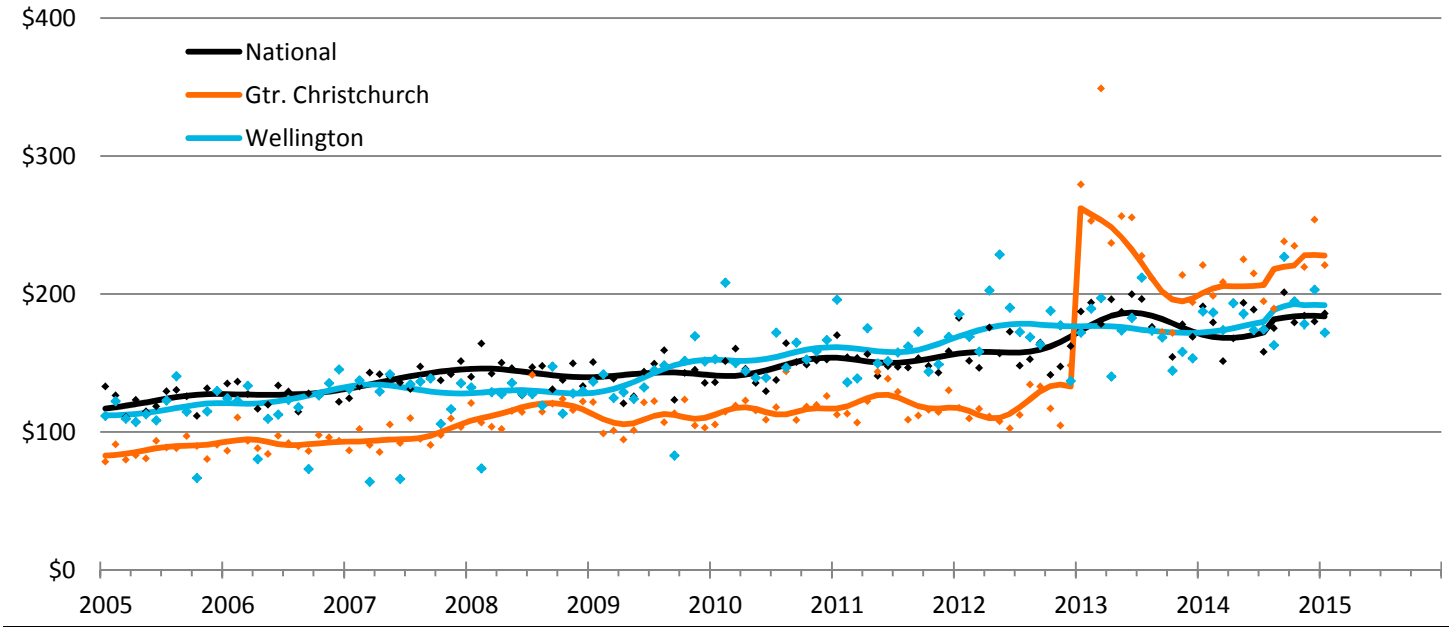
* Change in trend values

Table 17: Local Government Rents

January 2015	Average Rent	Annual Change*
National	$186	7.8%
Gtr. Christchurch	$221	13.6%
Wellington	$172	11.5%

Figure 26: Local Government Housing Rents to January 2015

Source: MBIE



The Modelling and Sector Trends Team

The Modelling and Sector Trends team is part of the Infrastructure and Resource Markets (IRM) group of MBIE. The purpose of the team is to provide data, modelling and analysis services to support the IRM policy development in the areas of:

1 Building and Housing,
2 Energy and Resources,
3 Communications and IT

Your feedback is important to us. Please let us know what you think by emailing HousingInfo@mbie.govt.nz

Website

The *New Zealand Housing Quarterly* is available in PDF format through the Ministry's Building and Housing website:
http://dbh.govt.nz/nz-housing-and-construction-quarterly

For more detailed rental information, please refer to the Open Data Tables:
http://dbh.govt.nz/nz-housing-and-construction-quarterly-open-data

Technical Notes on our definitions and calculations can be found on the above pages.

Data Sources

Data for this report have been sourced from:

- Ministry of Social Development (MSD)
- Housing New Zealand Corporation (HNZC)
- Statistics New Zealand
- CoreLogic NZ
- Massey University
- New Zealand Building Economist

The Ministry's internal data have also been used.

Next Release

The next edition of the *New Zealand Housing Quarterly* will be released in the first week of March 2015.

Interpreting Our Graphs

In any line graphs with points and lines, the points represent actual data and the lines represent a smoothed trend line estimated by MBIE.

Contact Us

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