

National Policy Statement on Urban Development Capacity

Kāpiti Coast District Council Quarter 4 Monitoring Report

June 2020

Contents

Executive summary	3
Introduction	4
Housing Register quarterly update – March 2020.....	4
Construction Sector Transformative Plan	4
GROWTH TRENDS.....	5
Building consents	5
Resource consents.....	6
PRICE EFFICIENCY INDICATORS.....	6
Housing price to cost ratio.....	6
Appendix One: Building and resource consents.....	8

Executive summary

This fourth quarter National Policy Statement on Urban Development Capacity (NPS-UDC) monitoring report provides an update and analysis of changes across the development market for the 1 March 2020 – 31 May 2020 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 Urban Development Dashboard. This report provides an update on local development activity across the previous quarters, and also includes the recently updated data on house sales, sale values and rental costs.

Both resource and building consent activity has decreased over the last quarter as the impact of Covid-19 is felt. Similarly, potential net additions to new stock from new builds and subdivisions have also decreased from 101 to 82 across the same period.

A snapshot of indicator activity for the 1 March 2020 – 31 May 2020 is summarised below:

Indicator	Movement from Last quarter	Context
Building consent applications issued	Decrease (by 16 as per Appendix One)	107 consents issued with a total value of \$37,034,140
Resource consent applications granted	Decrease (by 6 as per Appendix One)	51 consents granted - 46 residential - 5 non-residential - Indicating a potential net addition of 82 dwellings from new builds and subdivisions
House sales*	<i>Decreasing</i>	The sales figures for 30/09/2019 were 242, followed by a jump to 299 for 31/12/2019. Last quarter experienced a significant drop at only 110 sales for 31/03/2020.
House values*	<i>Decreasing</i>	The median value of house sales has historically increased, rising from \$600,000 in 30/09/2019 to \$640,000 in 31/12/2019, but dropping off to \$596,750 for the latest period to 31/03/2020.
Nominal mean rent*	<i>Decreasing</i>	Mean rent has continued to increase overall, increasing from \$432 per week in 30/06/2019 to \$455 in 30/09/2019, before dipping back slightly to \$445 per week in 31/12/2020.

*Although this data is not for the 1 March 2020 – 31 May 2020 quarter, it is the most recent data available.

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 30/06/2019 where they sat at 22,022.
<i>Dwellings sale volume as percentage of stock</i>	<i>Decreasing</i>	Data has not been updated since 30/06/2019, where the ratio of sales to volume sat at 1.41%.
<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 0.76 in June 2018 back to 0.73 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 0.62.
<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>	\$264,067 (as of 30/09/2017) increasing since 2014

National Policy Statement on Urban Development Capacity

Kāpiti Coast District Council - Quarter 4 Monitoring Report June 2020

Introduction

This is the fourth quarter monitoring report implementing the NPS-UDC. The report provides updated data and analysis of changes to the housing market for the 1 March 2020 – 31 May 2020 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 Urban Development Dashboard.

This report provides an update on local development activity over the last quarter as well as updated indicator data on house sales, sales values and rental costs across previous quarters released on the dashboard in late March 2020.

This period spans only part of Covid-19 lockdown, the remaining period will be covered in the next quarterly report. This will also coincide with the annual report and analysis where we hope to provide further information around the potential impacts of Covid-19 through the indicator sets available.

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

Housing Register quarterly update – March 2020

The Ministry of Social Development National Housing Register was last updated in March 2020. The update at this time shows that over the January to March 2020 period, applications for social housing in Kāpiti have increased slightly, from 109 to 119 registrations. Nationally registrations have increased in 72% of locations, moving from a total of 14,869 to 16,309 over this period.

Compared to the same quarter last year registrations in Kāpiti have increased from 110 to 119. This follows the national trend where overall registrations have increased from 11,067 to 16,309, however the percentage increase in Kāpiti (8.2%) is much smaller than the overall national percentage increase (47.4%) for this period comparison.

Housing Register data is available at: <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/housing/index.html>

Construction Sector Transformative Plan

In January 2020 Government and industry leaders launched the Construction Sector Transformation Plan to be implemented over three years to support a high-performing building sector that produces efficient and high-quality building outcomes.

A range of reforms are proposed that will lift the efficiency and quality of building work and ensure the regulatory system can deliver Government's housing and urban development priorities to improve housing supply, affordability, and quality. Two elements of the reforms

currently underway include the introduction of exemptions to the Building Act and a Building Amendment Bill.

The introduction of exemptions to the Building Act¹ which will mean that home owners will not require Council-approved building consents for a number of basic home improvements, though the work will still be required to meet the Building Code. This will save home owners approximately \$18 million in consenting costs each year and is expected to come into force in August 2020. Under these exemptions, home owners will not require consent for single-storey detached buildings up to 30 square metres – such as sleep outs, sheds, and carports.

Exemptions could help speed up and potentially increase levels of alterations and additions to residential properties, helping increase overall capacity and quality of housing. However, the lack of requirement for consent will also potentially make it difficult to identify and track the extent of this activity. We will consider how we might best track changes as part of future monitoring.

A Building Amendment Bill² has also recently been introduced seeking further improvements, including the introduction of a specialist framework for modern methods of construction such as offsite manufacturing and prefabrication and speed up the consenting process.

GROWTH TRENDS

Consent numbers for this quarter are slightly down from the last quarter which is not unexpected given New Zealand's lockdown period due to Covid-19. The total number of potential net additional dwellings is also slightly down. There is also a decrease in overall activity from the same period last year, however the total value of work is higher.

Building consents³

Data on building consents helps identify development activity across the district. Between 1 March 2020 – 31 May 2020, 107 consents were issued which is down from 123 issued last quarter. Of these, 47 related to new builds⁴ (up from 42 from the last quarter), 44 related to dwellings - additions and alterations (down from 58 from the last quarter), and 3 related to re-sited houses (down from 8 in the last quarter).

Despite the decrease in overall consent numbers, the overall value of work has increased to \$37,034,140, up from last quarters \$32,595,238. Closer examination of building activity from the third quarter identifies a significant value of building work occurring for multi-purpose building alterations & additions, new office/retail buildings, and warehouses - alterations, which likely accounts for the differences across the total building values across the two quarters.

Compared to the same period last year, building consents are lower, down from 138 to 107, however the above building work sees the total value of work increasing from \$30,891,065 to

1 "Government exempts some home improvements from costly consents":

<https://www.beehive.govt.nz/release/government-exempts-some-home-improvements-costly-consents>

2 <https://www.building.govt.nz/getting-started/building-law-reforms/changes-to-the-building-act-introduced-to-parliament/>

3 Note: Applications for garages, 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.

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

\$37,034,140. Further detail on the number and type of consents issued can be found in Appendix One.

Resource consents⁵

Between 1 March 2020 – 31 May 2020, Council granted 51 resource consents. This included 25 land use consents, 17 subdivision consents, and 9 resource consents for deemed permitted activities that involved a boundary activity⁶. Overall, 46 of the consents granted related to residential activities and information from the consents suggests that these applications have the potential to yield 82 net additional dwellings. This is down from the 101 potential net additional dwellings reported last quarter, and much higher than quarter four's potential net dwellings the year prior (40 from 78 resource consents issued).

During this period, rural residential activities accounted for 11 of the 46 residential activities (translating to 17 of the potential net additional dwellings). For residential activities, the majority of the consents (17) again came from the wider Waikanae area (accounting for 11 of the potential net additional dwellings), with the Paraparaumu area again a close second (13 consents accounting for 15 potential net additional dwellings with an additional two potential net dwellings in a non-residential area). Otaki also features, with its five consents accounting for 39 of the total potential net dwellings for the quarter.

There were also five non-residential resource consents granted during this period. These included a change to consent conditions by increasing operating hours, an industrial subdivision, and commercial site re-development. Overall, activity for this quarter is lower than the same period last year where 78 resource consents were granted, however the potential net additional dwellings have increased from 40 to 82.

This quarter also identified one application where a home was to be re-built, one application where an accessory building will be converted to a second dwelling on the lot, and two applications where cross-leases are 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 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.

PRICE EFFICIENCY INDICATORS

Housing price to cost ratio

The price-cost indicator identifies the cost of land against the construction costs to build a dwelling. Typically, the cost of land should be around a third of the cost of a house with construction cost being the other two thirds. When there is a shortage of serviced sections, land prices can push up the cost of housing. So, the gap between the house price and construction costs – the price-cost ratio – can be used as a general indicator of the flexibility of land markets to accommodate new homes.

Ratios between 1 and 1.5 (that is, where the cost of an infrastructure serviced section comprises up to one-third of the price of a home) are common where the supply of land and

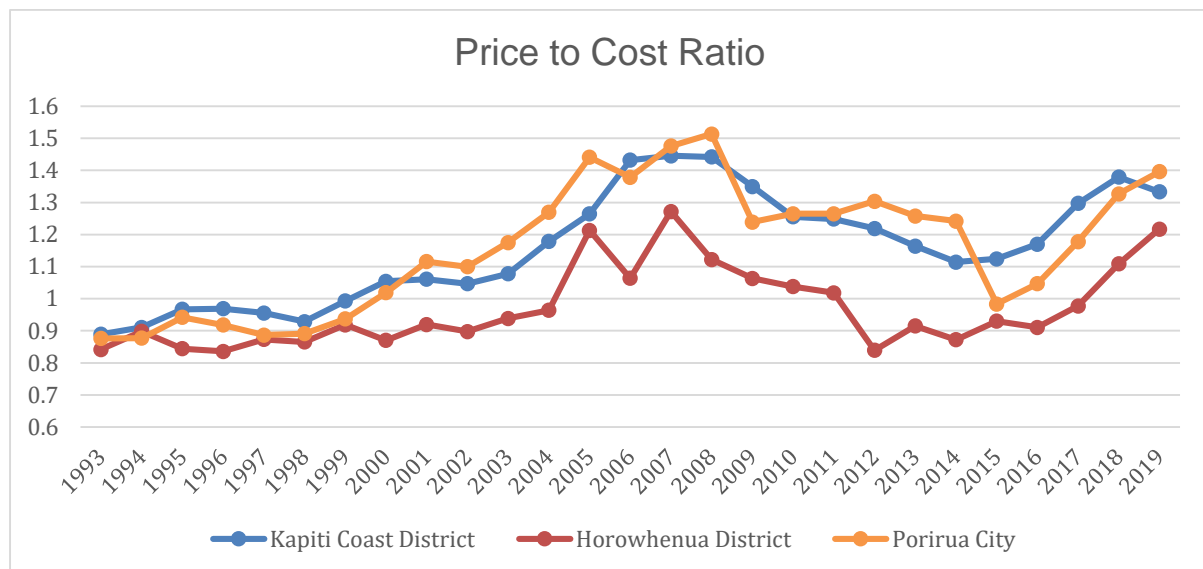
⁵ Quarterly resource consent activity excludes applications that varies or changes consent conditions or outline plans, which are included in wider Resource Management Act monitoring.

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

development opportunities are relatively responsive to demand. All New Zealand urban areas had price-cost ratios of between 1 and 1.5 about 20 years ago when land and housing markets delivered more affordable housing, and these ratios are still common in places where homes are cheaper. Ratios above 1.5 suggest that the supply of sections and development opportunities is not keeping pace with demand and land prices are materially increasing house prices.

In Kāpiti the price cost ratio has fluctuated between 1 and 1.5 since 1999. This has included peaks and troughs, with a rapid increase to the overall high of 1.446 in 2007. It remained relatively steady for two years before declining from 2009 to the recent low of 1.114 in 2014. Since then the price cost ratio has steadily increased, hitting 1.379 in 2018, with the latest data seeing this decline slightly to 1.333 in 2019. These trends of growth and response are reflecting those of both the neighbouring councils of Horowhenua and Porirua, as well as Greater Wellington as a whole.

Kāpiti Coast, Horowhenua and Porirua price to cost ratios between 1993 and 2019 are displayed on the below graph. The latest data shows the ratio for Kāpiti has dipped below that of Porirua, but still remains higher than Horowhenua. This indicates an improvement in the responsiveness of land/sections the market in Kāpiti over this period.



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 2019 – 31 August 2019		1 September 2019 – 30 November 2019		1 December 2019 - 29 February 2020		1 March 2020 - 31 May 2020	
	Number	Value \$	Number	Value \$	Number	Value \$	Number	Value \$
New (& prebuilt) House, Unit, Bach, Crib	51	23,296,701	57	35,535,569	42	23,541,038	47	24,831,920
New House with one or more attached flat	0	0	1	220,000	0	0	0	0
New Flat	0	0	2	335,000	0	0	0	0
New Flat(s) added to existing dwelling	2	247,000	4	1,045,000	1	300,000	0	0
New Education Bldgs - Other	0	0	0	0	0	0	1	50,000
New Social Bldgs - Other eg theatre	0	0	0	0	0	0	1	4,400
New Warehouses - Other	0	0	0	0	1	80,000	0	0
New Flat(s) added to existing bldg other	1	90,000	0	0	0	0	0	0
New Showrooms	1	15,000	0	0	0	0	0	0
New Offices	1	5000	0	0	0	0	0	0
New Office/Retail Buildings	0	0	0	0	0	0	1	4,000,000
New Warehouses	1	250,000	0	0	0	0	0	0
Warehouses - alterations & additions	0	0	0	0	0	0	2	911,000
New Shops	0	0	1	1,200,000	0	0	0	0
New Haybarns	0	0	1	16,000	1	12,000	0	0
New Farm Buildings - Other	1	35,000	3	96,549	1	15,000	0	0
New Other Buildings	2	1,430,000	0	50,000	0	0	1	120,000
New Office/Warehouse Buildings	0	0	1	1,300,000	1	1,800,000	1	450,000
Shops, restaurants - New Foundations only	0	0	0	0	1	575,000	0	0
New Multi-Purpose Bldg - Other	0	0	1	830,000	0	0	0	0
Dwellings - Alterations & additions	76	7,721,883	89	5,654,199	58	4,703,200	44	4,322,500
Dwelling with flats - Alterations & additions	5	540,000	6	250,000	2	35,000	1	15,000
New Flats – Alterations & Additions	0	0	1	60,000	0	0	0	0
Resited Houses	2	110,000	2	429,000	8	465,000	3	175,000
Glasshouses	0	0	0	0	1	400,000	0	0
Education Bldgs - alterations & addition	0	0	0	0	2	520,000	0	0
Shops, restaurants - Alterations & additions	3	115,000	0	0	2	44,000	1	14,320
Alterations & Additions – Office/Admin	0	0	2	280,000	0	0	1	150,000
Other Buildings - alterations & addition	1	5,000	0	0	2	105,000	1	15,000
Multi-Purpose Bldg alterations & additions	0	0	2	260,000	0	0	2	1,975,000
Total	148	33,865,584	185	48,723,427	123	32,595,238	107	37,034,140

Note: applications for garages, 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, first, second, third, and fourth quarter comparison.

Location	1 June 2019 – 31 August 2019	1 September 2019 – 30 November 2019	1 December 2019 - 29 February 2020	1 March 2020 - 31 May 2020
	Number	Number	Number	Number
Maungakotukutuku	2	2	2	0
Ōtaki	11	4	7	5
Ōtaki Forks	2	3	3	0
Paekākāriki	1	0	1	1
Paraparaumu (Central, North Beach, and South Beach & Otaihanga)	15	20	10	13
Peka Peka (Te Horo and Kaitawa)	4	6	5	6
Raumati Beach and Raumati South	3	10	7	4
Waikanae	22	26	12	17
Residential (total)	60	71	47	46
Maungakotukutuku	3	0	1	0
Ōtaki	4	1	4	2
Ōtaki Forks	0	0	0	0
Paekākāriki	0	0	0	0
Paraparaumu (Central, North Beach, and South Beach)	2	3	4	3
Peka Peka (Te Horo and Kaitawa)	0	1	0	0
Raumati Beach and Raumati South	1	2	1	0
Waikanae	2	1	0	0
Non-residential (total)	12	8	10	5
Total granted	72	79	57	51

Source: Kāpiti Coast District Council resource consent data.

Table 3: Resource consents granted by type, Kāpiti Coast District, first, second, third, and fourth quarter comparisons.

Resource Consent Type	1 June 2019 – 31 August 2019	1 September 2019 – 30 November 2019	1 December 2019 - 29 February 2020	1 March 2020 - 31 May 2020
	Number	Number	Number	Number

Compliance Certificate	1	0	0	0
Deemed Permitted Boundary Activity	11	6	5	9
Land Use - Controlled	1	2	0	0
Land Use - Discretionary	20	25	14	11
Land Use - Non-complying	7	7	1	3
Land Use - Restricted Discretionary	15	17	12	11
Legal Documentation	0	0	2	0
Subdivision - Controlled	1	1	2	0
Subdivision - Discretionary	1	5	6	1
Subdivision - Non-complying	10	10	11	10
Subdivision - Restricted Discretionary	5	6	4	6
Total	72	79	57	51

Source: Kāpiti Coast District Council resource consent data.

Table 4: Net dwelling increases for resource consents granted by location, Kāpiti Coast District, first, second, third, and fourth quarter comparisons.

Location	1 June 2019 – 31 August 2019	1 September 2019 – 30 November 2019	1 December 2019 - 29 February 2020	1 March 2020 - 31 May 2020
	Number	Number	Number	Number
Maungakotukutuku	2	0	2	0
Ōtaki	10	5	22	39
Ōtaki Forks	0	0	0	0
Paekākāriki	0	0	0	0
Paraparaumu (Central, North Beach, and South Beach & Otaihanga)	27	10	31	17
Peka Peka (Te Horo and Kaitawa)	16	0	10	12
Raumati Beach and Raumati South	1	13	1	3
Waikanae	29	17	35	11
Total	85	45	101	82

Source: Kāpiti Coast District Council resource consent data.