



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HIKINA WHAKATUTUKI



Christchurch Housing Accord Monitoring Report

For quarter ending December 2014



Executive Summary

This report provides an overview of the Christchurch housing market and an update on priority Accord actions.

Highlights

The housing market

Since mid-2014 Christchurch has been experiencing a strong upswing in residential development. Building consents, construction starts and the issuing of Code Compliance Certificates have significantly increased. In total, almost 9,300 building consents have been issued in Christchurch city since the earthquakes. This is fast approaching the estimated 10,500 dwellings lost in Christchurch city. Should this level of activity continue the housing shortfall across Greater Christchurch (which includes meeting the demand generated by population growth since the earthquakes) will be resolved by late 2017.

The rental market continues to show early signs of recovery, with active bonds increasing since March 2014. Despite this, the supply of rental less than \$400 per week has not risen. While house price increases have slowed, the average Christchurch house price remains above Wellington's average house price, counter to pre-earthquake trends.

Accord developments

Negotiations have continued between Council and the Government to enable development on the Awatea, Welles and Colombo Street sites (the latter two are Council sites). A resource consent application was lodged for the Awatea development in December.

Community Housing Provider establishment

The Government confirmed to Council that only new tenants referred to the proposed Community Housing Provider by the Ministry of Social Development will be eligible for an Income Related Rent Subsidy (IRRS). The Council is to consider how best to proceed with establishing the Community Housing Provider.

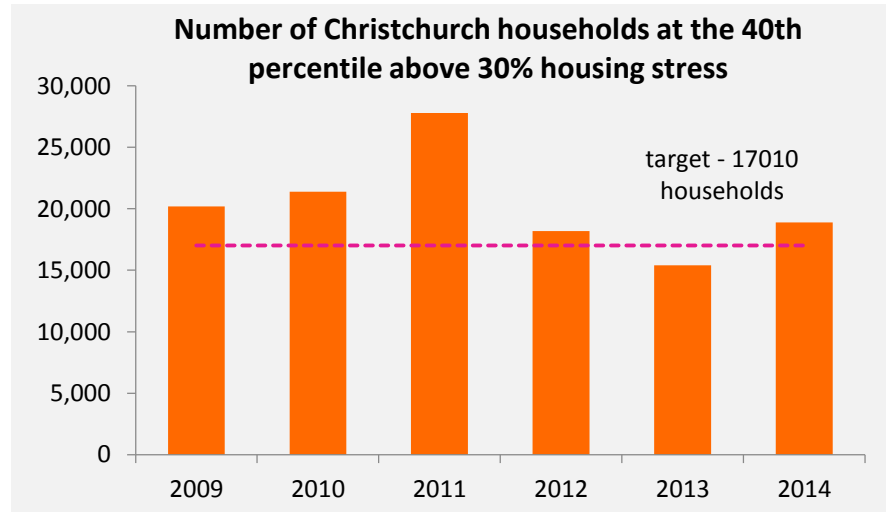
Building consents

The Council regained accreditation on 18 December 2014. The timeframes to process consents have improved and the proportion of consents for more affordable housing (those with a value of less than \$250,000) is increasing.

Progress against Key Targets: Target A

Aim: Increase the immediate and long term supply of affordable homes in Christchurch

Target A: A 10% reduction in the number of households at the 40th percentile of household income paying more than 30% of household income on housing.



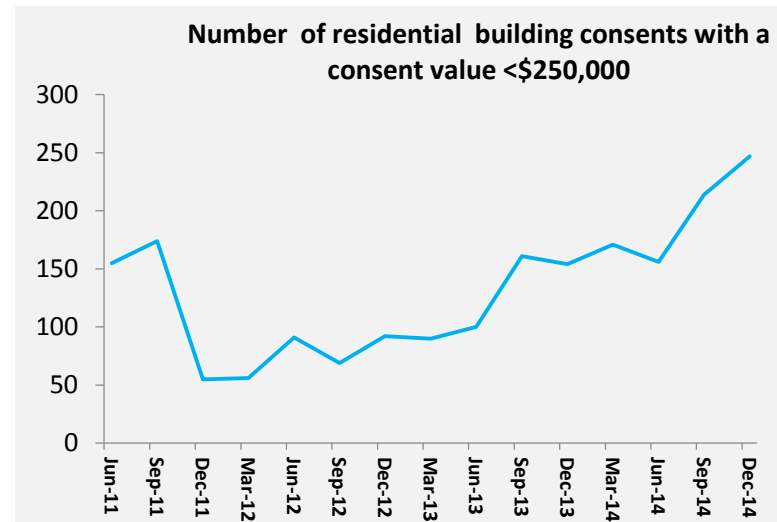
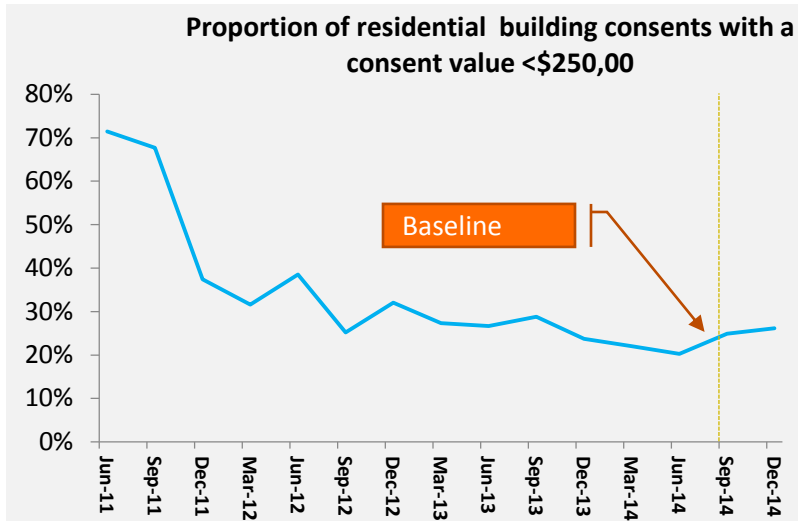
Source: Stats NZ's annual Household Economic Survey undertaken in June and published in late November, next update due November 2015.

As at June 2014 there were 18,900 households at the 40th percentile of Christchurch household income (\$58,102) who are paying more than 30% of their income in housing costs. This is an increase from 2013, but still lower than pre-earthquake levels, most of the increase being from owner-occupiers in increased housing stress. The Accord's target is to reduce this number by 10% during the life of the Accord, a reduction to 17,010. Note: This data is to be treated with some caution, as there can be high sample errors as Christchurch City is below the survey's sample design area of Canterbury. This can lead to high variations in results from year to year.

Progress against Key Targets: Target B

Aim: Increase the immediate and long term supply of affordable homes in Christchurch

Target B: An increase in the proportion of new build consents with a consent value of less than \$250,000 from 25% of consents as at September 2014.



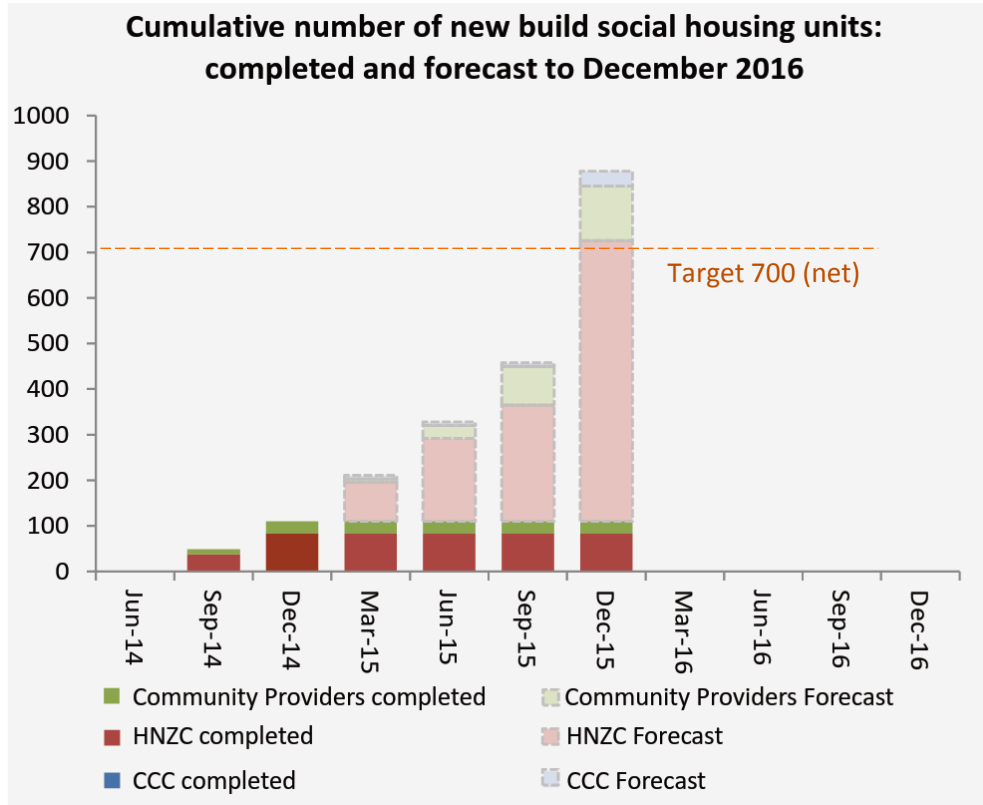
The Council issued **247** consents with a value of less than \$250,000 for the quarter ending December 2014 (**26%** of all consents).

Note: The value of <\$250,000 excludes land costs and is an estimation of the total value of all goods and services to be supplied for the building work. One consent can be for a single dwelling or multiple dwellings in a multi-unit complex. This data also includes replacement dwellings following a demolition. In the December 2014 quarter **98%** of the consents were for single dwellings.

Progress against Key Targets: Target C

Aim: Support the sustainable provision of social housing in Christchurch

Target C: 700 (net) additional social housing units are added to the total social housing stock in Christchurch from the date of signing of this Accord to the end of 2016.



Number of new build social housing units

In the quarter ending December 2014:

- HNZC completed **43** units
- Community providers completed **16** units

In the quarter ending March 2015 it is forecast:

- HNZC will complete **86** units
- Community providers will complete **7** units
- The Council will complete **8** units

The graph to the left illustrates the cumulative effect of projected quarterly completions towards the target of 700. This target should be exceeded by the end of 2015, with **810** new units to be completed within the 2015 calendar unit.

Priority Actions

Action	Description	Progress	Next steps
Increase the supply of temporary and affordable housing	<p>Develop medium density affordable housing on Council land.</p> <p>Develop innovative mixed tenure housing on Government-owned land at Awatea site (Carrs Rd).</p> <p>Identify surplus Crown and Council land and buildings appropriate for residential development.</p>	<p>350 Colombo Street and 36 Welles Street: Working with preferred partner to finalise business case and design.</p> <p>Awatea: Development agreement signed, resource consent lodged.</p> <p>Land: The Council provided MBIE with details of 17 potential sites.</p>	<p>Welles/Colombo: Construction commencing mid 2015 subject to consenting.</p> <p>Awatea: Construction expected to commence first quarter 2015 subject to consenting.</p> <p>Land: Cabinet to consider Housing Accord Fund allocation process by April 2015.</p>
Improve the supply and quality of social housing	<p>Establish a housing entity capable of meeting the registration requirements for a Community Housing Provider to redevelop Council owned social housing assets.</p> <p>Council to progressively capitalise the entity or entities with \$50m of land and assets.</p> <p>Identify opportunities for CCC and HNZC to work together.</p>	<p>The Council decided preferred entity structure in December 2014.</p> <p>The Council's identification of \$50 million will be included in its Long Term Plan (LTP) consultation document.</p> <p>Minister for Social Housing advised the Council of the decision on IRRS for existing tenants of the new Community Housing Provider.</p>	<p>Council to consider how best to proceed with establishing the CHP given current Council tenants will not be eligible for IRRS.</p> <p>Council to confirm process for capitalising the entity or entities with an injection of \$50 million of land and other assets following the LTP finalisation in June 2015.</p>

Priority Actions continued

Action	Description	Progress	Next steps
Remove regulatory impediments to residential development	<p>Monitor progress of housing related actions in the LURP and address issues impeding supply and affordability of residential development.</p> <p>Monitor resource and building consenting processes to ensure that they are efficient and do not create any unnecessary delays to development.</p>	<p>The Meadowlands development is proceeding as an exemplar.</p> <p>On 27 November 2014, Council approved the proposed development at Riccarton racecourse as an exemplar in principle.</p> <p>The first of the Council's two exemplar sites was released to partners in the week of 15 December 2014.</p> <p>The Council has extended the Central City Residential Rebate Scheme until 30 June 2016. Until 1 July 2015 the Council will waive development contributions for conversion of family flats to second residential units on site.</p>	<p>Both Council exemplars to be submitted to the exemplar panel in first quarter 2015. HNZN exemplars to be submitted to exemplar panel in first quarter 2015.</p> <p>Council to decide on whether to establish a one stop shop for planning and consenting or to adopt other options by end June 2015.</p> <p>From 1 July 2015 the Development Contributions Policy comes into effect which will enable better targeting of development contributions to areas where the Council needs to invest in to cater for growth. The policy will also provide a sliding scale of 'discounted' contributions for minor dwellings.</p>
Encourage innovative design and manufacturing processes	Use scale and scope of joint activities to encourage use of new technologies or manufacturing or construction techniques to reduce costs and improve productivity.	Use of prefabrication likely to be a key feature of Awatea, Welles and Colombo Street developments.	Ongoing discussions with preferred partners.

Land Supply: Greenfield sections

Indicator	Current - November 2014	Previous - June 2014	Change
Potential Sections in greenfield priority areas (incl. land not zoned)	19,775	19,769	+6
Potential Sections within operative Living (residential) zones in LURP priority greenfield areas	10,553	10,519	+34
Sections consented or subject to application for subdivision in LURP greenfield areas	4,972	4,672	+300
Percentage of potential sections zoned Living in LURP greenfield areas with subdivision consent or subject to application for subdivision	47.1%	44.4%	+2.7%

Source: Christchurch City Council. The next report is due May 2015 and will be included in the Accord's June 2015 monitoring report.

Land supply: key developments

Key development resource consents granted in quarter ending December 2014:

DWELLING TYPE	NUMBER OF DWELLINGS	ADDRESS	LOCATION
Apartments	42	3 Beresford St, New Brighton	10 km east of CBD
Units	45	64-74 Vanguard Drive	11 km west of CBD
Lots	42	685 Cashmere Rd	12 km south of CBD
TOTAL	129		

Resource consents applied for key developments in quarter ending December 2014:

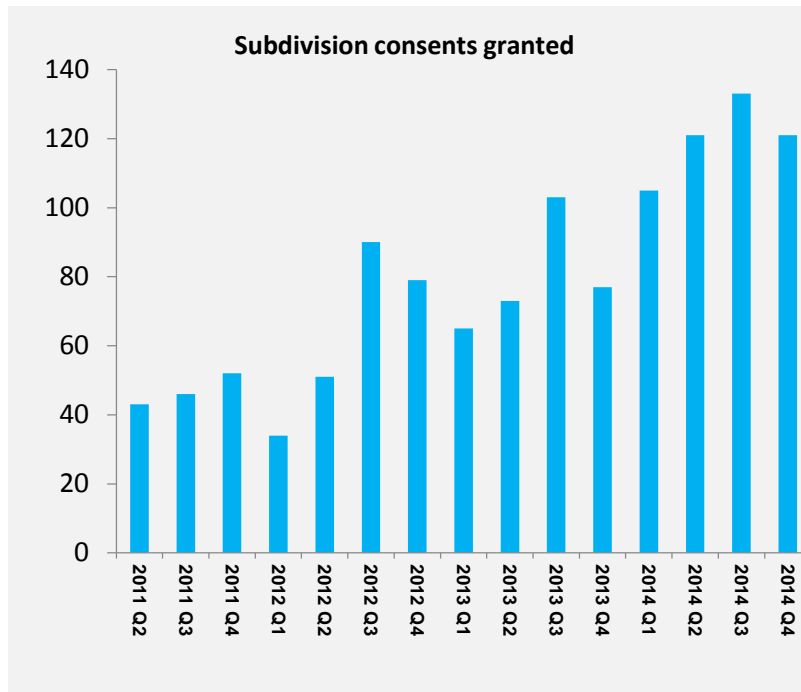
118 units in pre-application stage – Aranui and Riccarton (Housing New Zealand Corporation development)

56 units at 200 Awatea Rd, Halswell

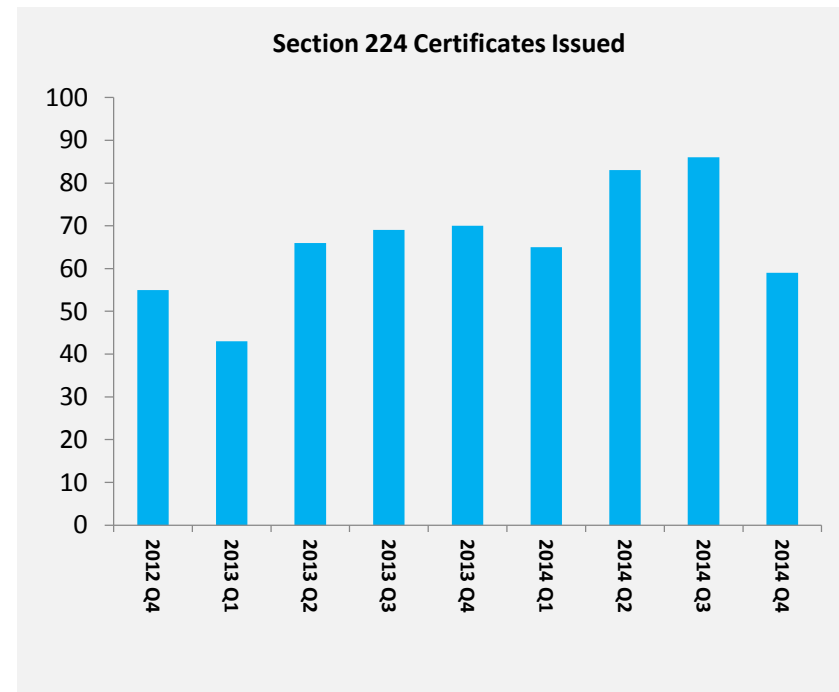
Note: The average statutory processing time for resource consents granted was 10 working days. Of those developers who had pre-application meetings with the Council, the time between these meetings and their lodging of an application ranged from 2 months to 1 year 2 months.

Land Supply: Subdivisions

Subdivision consents granted



Section 224 certificates issued*



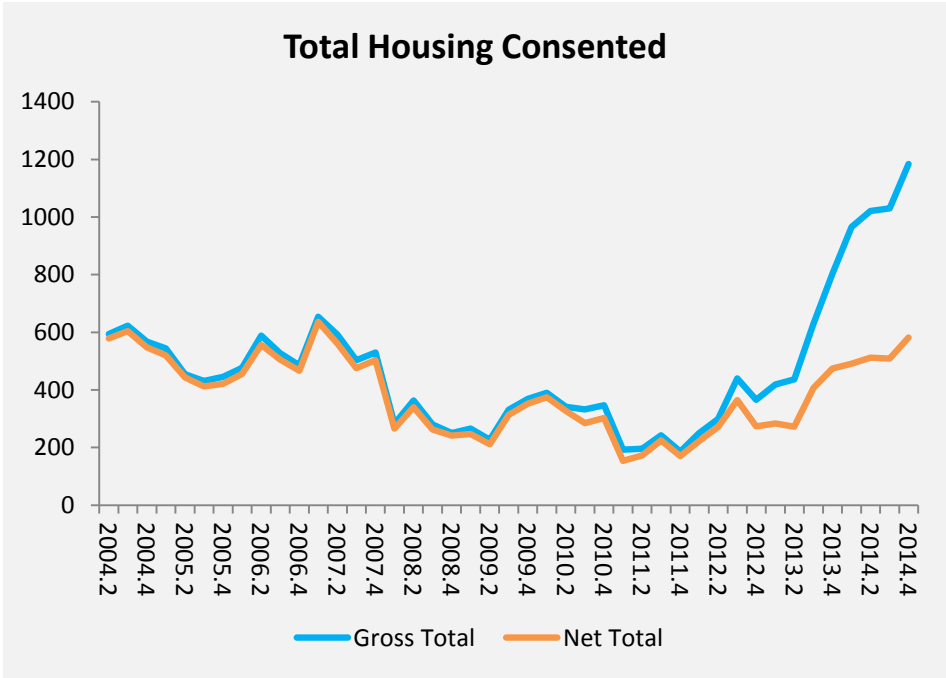
In the quarter ending December 2014 99% of subdivision consents (**121** consents) were processed within the statutory timeframe, the same percentage as the December 2013 quarter (**79** consents). The above data includes both residential and commercial subdivision consents and certificates. CCC is reviewing its processes to separate out this information for inclusion in reports for Quarter 1 2015 onwards. (*Council acceptance of the assets constructed e.g. roads, water, wastewater).

Housing: Consents Issued

For the quarter ending December 2014, **1184** dwellings (houses and units/apartments) were consented; 381 more than the 803 consented in the December 2013 quarter.

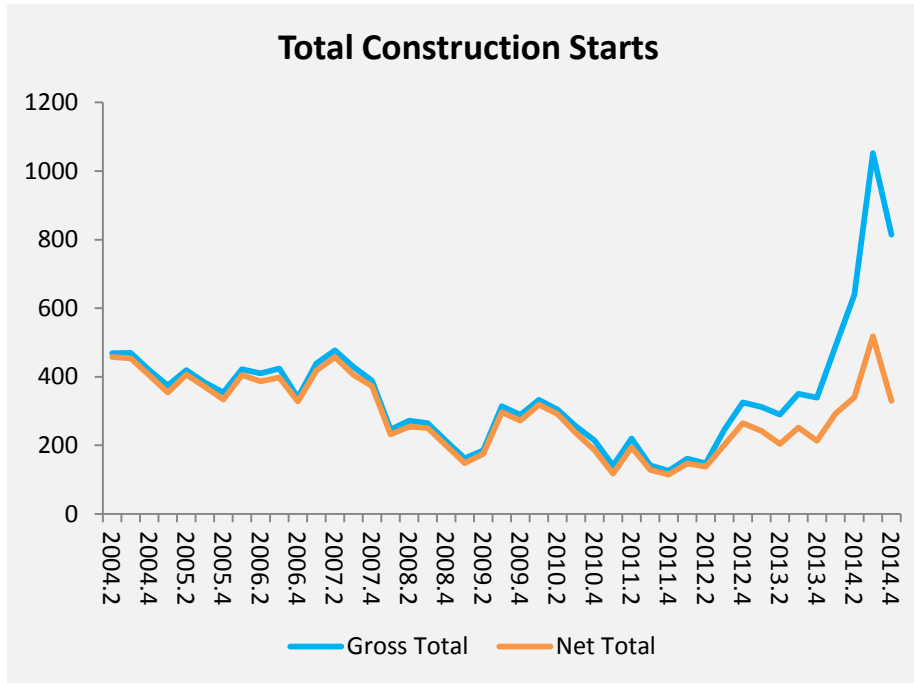
Once demolitions are subtracted, less than half the total consented (**582**) made a net addition to the existing housing stock.

The difference between the two totals (**602**) reflects the increasing number of post-quake rebuilds that replace existing building stock.



Housing Construction

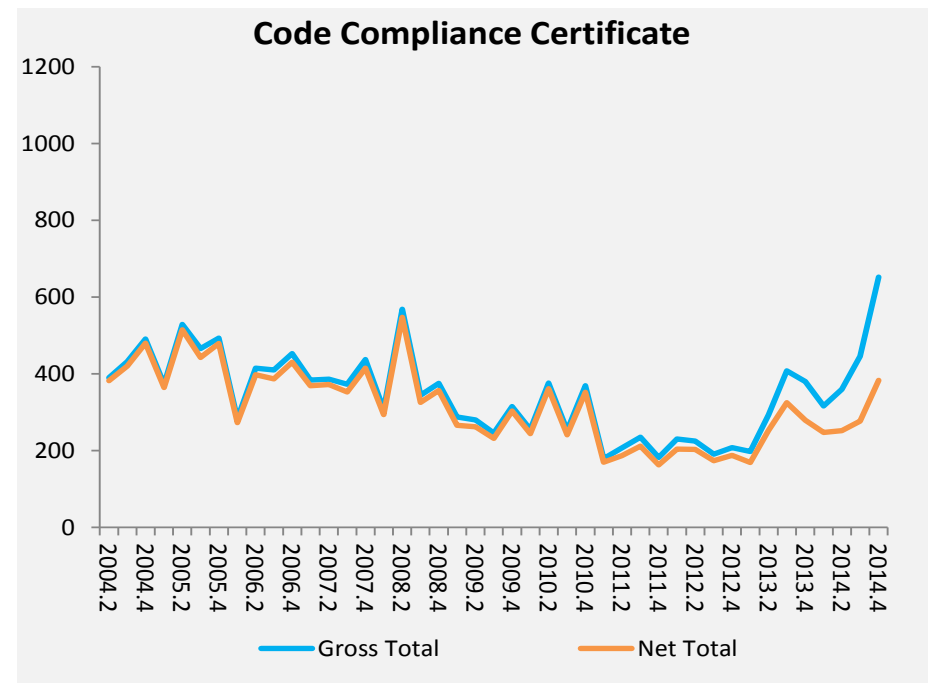
Construction Starts – first building inspection



In the fourth quarter 2014, a total of **815** dwellings (houses and units/apartments) reached their first inspection.

- This was an increase of 476 more than in the fourth quarter, 2013.
- Two-fifths (**330**) were net additions to the housing stock.
- The balance (485) was for replacement housing.

Code Compliance Certificates

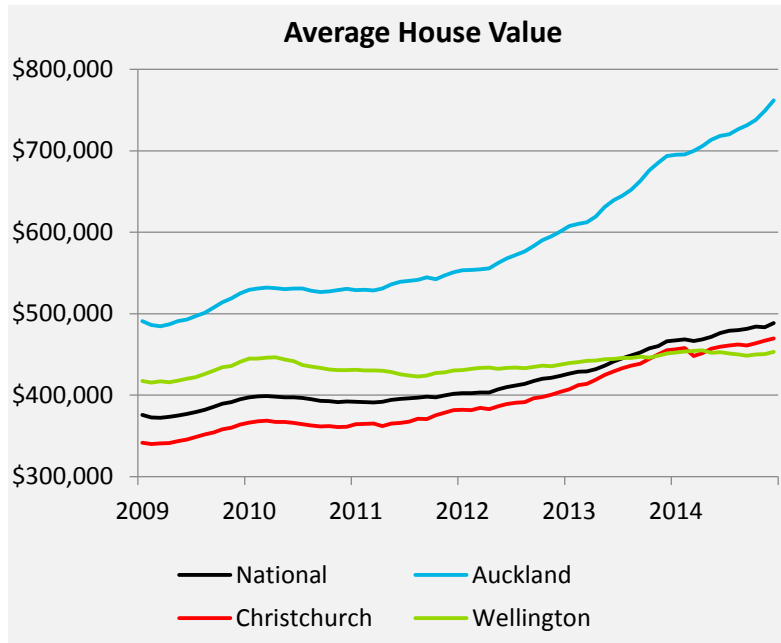


Construction was completed on a total of **652** dwellings (houses and units/apartments) for the quarter ending December 2014.

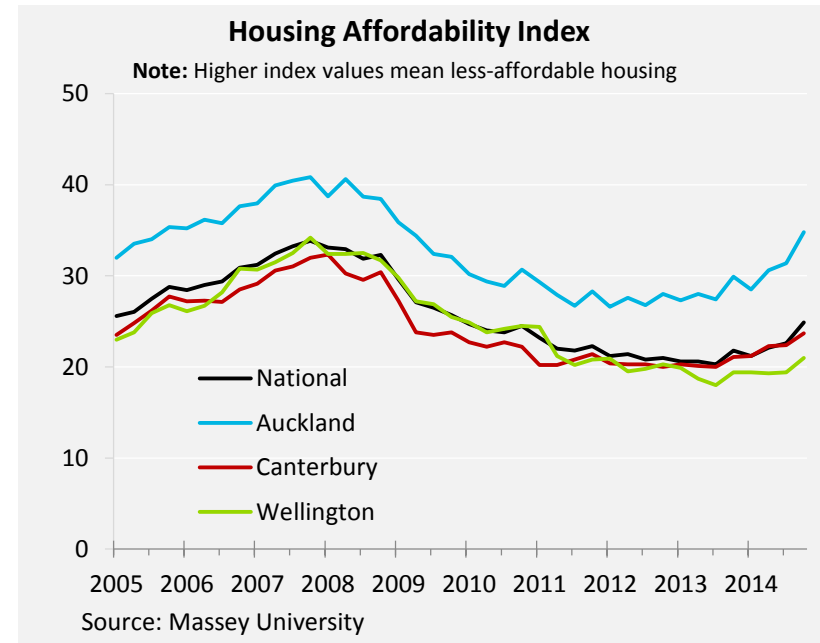
- This was an increase of 272 more than in the fourth quarter 2013.
- More than half (**383**) were net additions to the housing stock.
- The remainder (269) was for replacement housing.

Housing Affordability

House Prices



Housing Affordability



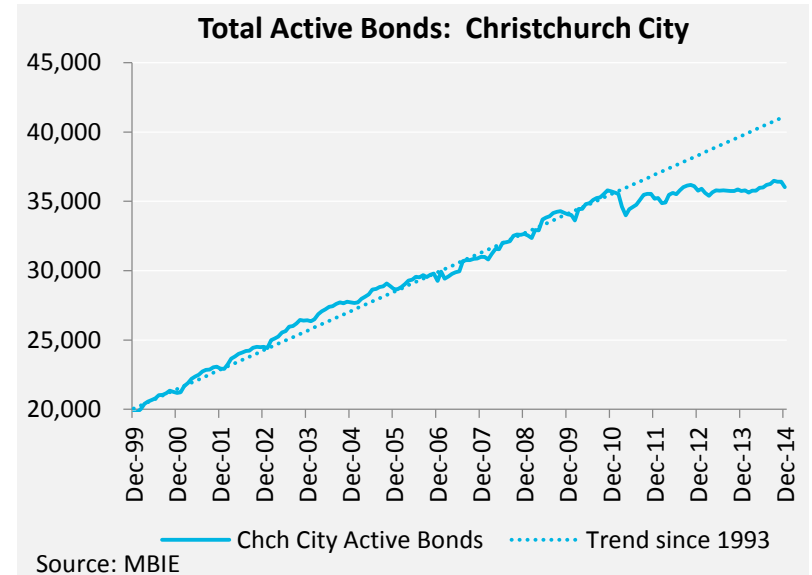
Christchurch City's average house price at **\$469,700** is below the national average but above Wellington prices. Canterbury housing affordability has decreased since December 2013 and is less affordable than Wellington and equivalent to the national level. In the December 2014 quarter, Canterbury's affordability index declined by **5.8%** from the previous quarter.

Rental supply and demand

Rental Supply

Active bonds have increased since March 2014, with 36,018 active bonds as at end December 2014.

This indicates that the residential repair programme is releasing long-term rentals back to the market. However active bonds continue to be well below the long-term growth trend line.



Rental Demand

Demand is expected to increase in the next two years from the rebuild workforce and 'business as usual' household growth. This will be balanced by a decline in demand from displaced households as EQC complete their repair programme.

On aggregate the rental market is expected to ease during 2015/2016 and head towards equilibrium in 2017.

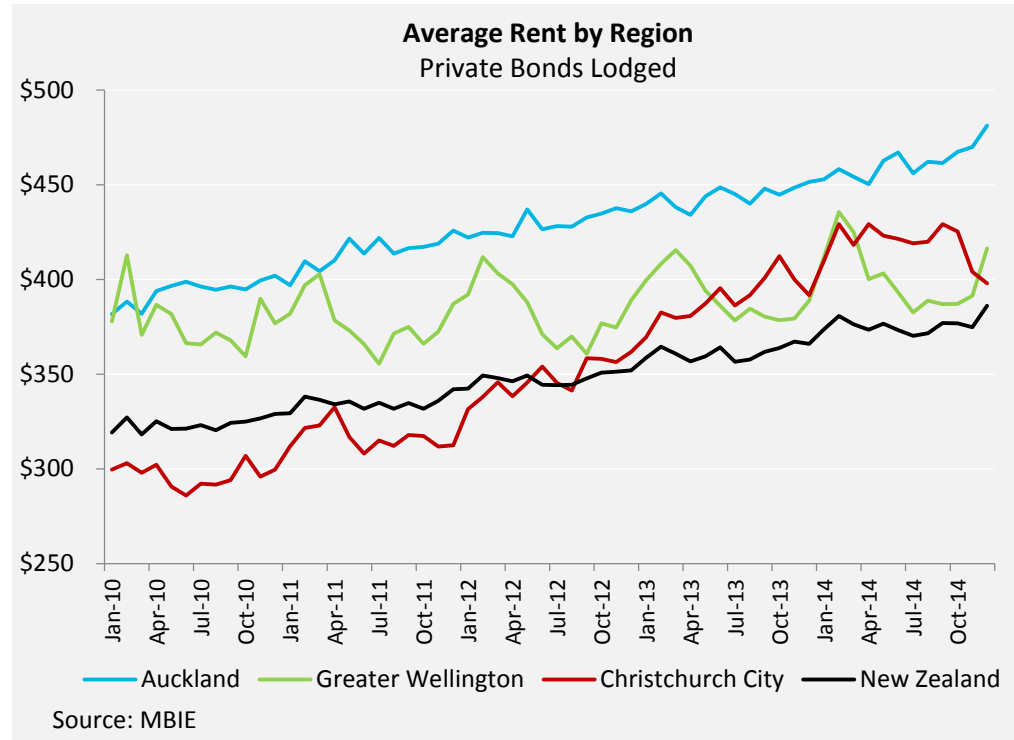
Rental Affordability

Affordability

As at December 2014, Christchurch City rent has increased from pre-earthquake levels by 38%, compared with 21% for Auckland.

Average rent in Christchurch has been stabilising since February 2014

Footnote: the average rent as at December 2014 appears to be a seasonal blip, as rents in early 2015 have returned to previous levels.



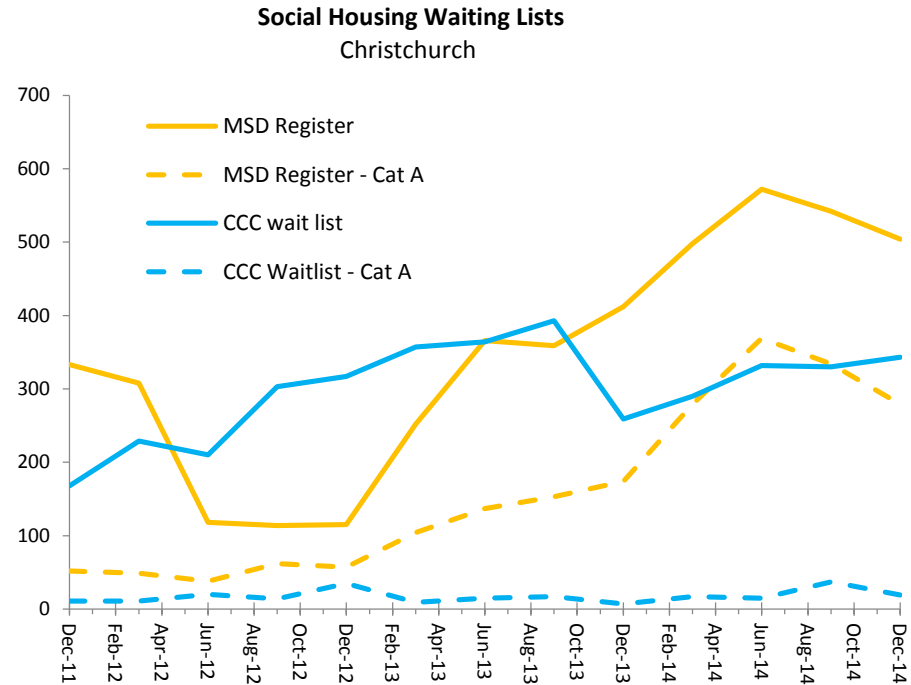
Social Housing Demand

The Christchurch City Council wait list had 343 applicants as at end December 2014 (up from 330 at end September 2014), including 32 A-priority applicants. The Council houses around 4 to 6 A priority applicants each week.

The MSD-administered Social Housing Register had 504 applicants for Christchurch as at end December 2014 (down from 542 at end September 2014), including 279 A-priority applicants.

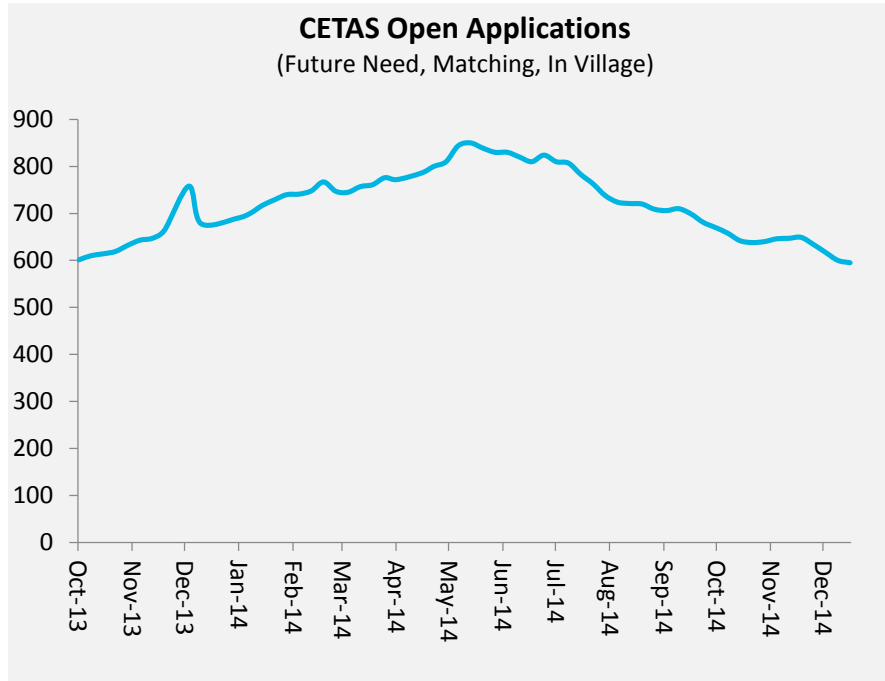
The 810 new social housing units to be constructed by the end of 2015 (as outlined on page 5) will help address the demand as shown on the Council wait list and the MSD register.

Note: Some applicants will be recorded on both the MSD Register and the Council wait list.

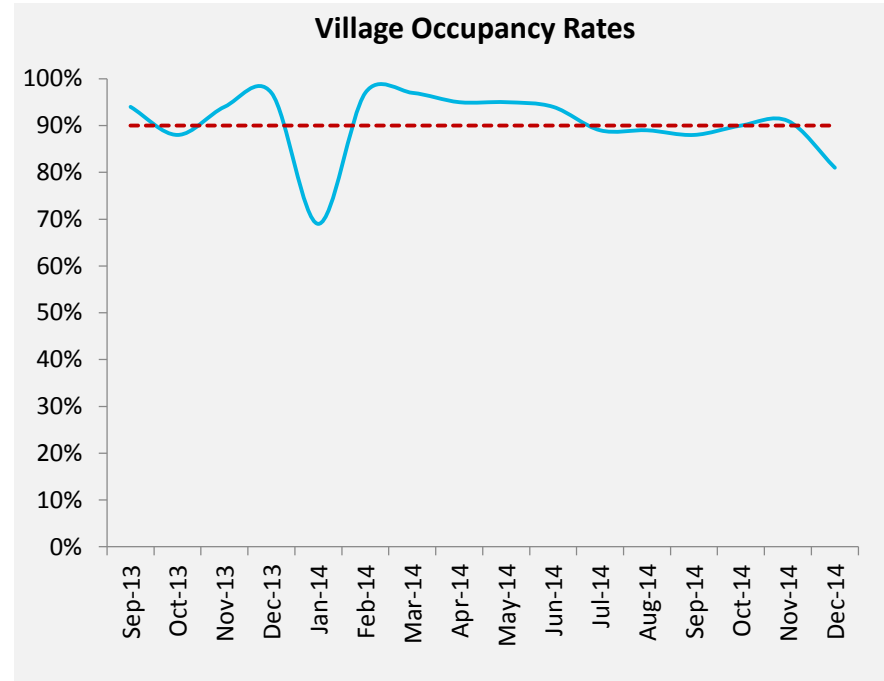


Demand for Temporary Villages

CETAS Applications



Village Occupancy Rates



Due to the completion of the bulk of under-cap repairs, the total number of households on the register for the CETAS villages has passed its peak. However demand is expected to continue to be high due to the over-cap work which has a longer displacement period. Village occupancy rates were at 81% at the end of December, lower than normal due to the holiday period.