MARLBOROUGH DISTRICT COUNCIL

National Policy Statement on Urban Development Capacity

QUARTERLY REPORT JAN - MAR 2018

National Policy Statement on Urban Development Capacity Quarterly Monitoring Report Jan - Mar 2018

Introduction

This is the second quarterly monitoring report prepared for Council under the National Policy Statement for Urban Development Capacity (NPS). It provides updates on housing and commercial development market indicators for the quarter 1 January 2018 to 31 March 2018.

The purpose of this reporting is to enable council to monitor urban development activity in Marlborough and use the information to inform its three-yearly Housing and Business Development Capacity Assessments and future planning decisions.

In addition to regularly monitored indicators this report provides responses to Councillors feedback on the previous quarterly report about the impact of Air BnB on the rental market; increases in construction costs; future demand for smaller dwellings, and the impact of population trends on development demand.

Two new indicators are also included in the report. The Ministry for Business, Innovation and Employment (MBIE) have released indicators which analyse the differences in value between rural, residential, commercial and industrial zoned land in specific locations.

The report contains five sections:

1. Summary of Key Trends
2. Responses to Feedback on Initial NPS Report
3. Residential Development Trends
4. Non-Residential Development Trends
5. Rural-Urban and Industrial Zone Differentials

The following are appended:

1. Reporting boundaries used in the report
2. Summary of demographic trends for Marlborough from the initial NPS report
3. A guide to the indicators used
4. Relevant policies of the NPS

Summary of Trends

House Prices and Rents

Both house prices and rents have increased a small amount over the reporting period, following minimal increases in the last quarter of 2017. Dwelling sale prices increased by 1.6% in Marlborough and 0.95% in Blenheim in the quarter to March 2018.

Affordability

The Ministry for Business, Innovation and Employment (MBIE) have reviewed the HAM Buy and HAM Rent measures to improve the data set and method used to calculate them. HAM Version 1.2 was released in June 2018. As this measure is still experimental it is being continuously refined and improved. When changes are made, the full back series is updated, meaning past results may change. The results reported for Marlborough are significantly different to those recorded in the December quarterly report.

HAM Buy Version 1.2 shows a declining level of affordability in Marlborough over the past year. The share of first home buying households in Marlborough with below average income after housing costs increased from 77.8% in March 2016 to 80.8% in March 2017. Affordability for renting households in 2017 shows minimal change from 2016.

Housing affordability is an issue nationwide. In March 2017 the share of potential first home buyer households in New Zealand with below average income after meeting housing costs was 80%. This is 3% higher than the previous year.

Demand and Supply for Residential

In the first quarter of 2018 Council issued 46 building consents for new dwellings and 17 resource consents for new subdivisions for the creation of 115 allotments (83 of these were for part of the staged development of Omaka Landing). A new measure used to indicate price differentials between residential land on urban zoned land and rural zoned land within 2km of the zone boundary shows that land on the urban side of the boundary is worth $61 more per m2, suggesting greater demand for urban residential properties than rural residential properties in those areas.

Demand and Supply for Non-Residential (Commercial and Industrial)

Commercial consents are for a combination of combination of industrial and commercial activity. Council issued five commercial building consents in the quarter to March 2018. Consents were for a mix of activities including a dental and medical clinic, wash down slab, commercial and industrial buildings and a showroom. Resource Consent application details suggest that none of the consents issued in the first quarter of 2018 in the Blenheim urban area were for commercial subdivisions.

The Urban Zone Differentials indicator recently released by MBIE shows that the difference in value of land prices for industrial zoned land versus other zone types within 250m of the boundary is greatest in the CBD and the Riverlands/Cloudy Bay industrial area. A crude interpretation of these results suggests demand for land for industrial activity is greater than demand for land for rural and residential activities in those areas (but less than that for commercial activity). Whether supply of land for industrial activity is constrained is not known, and should be investigated in the HABA later this year.

Responses to Feedback on Initial NPS Report

Impact of Tourism on Picton Rental Market

Councillors requested information on the impact of tourism on the rental market in Marlborough, and particularly in Picton. There are a number of holiday homes available for rent in Picton, the Marlborough Sounds and Blenheim. Consistent and reliable data on this market is not currently available to Council, however there is a limited amount of free data available about AirBnB rentals at the Marlborough District level on a website called AirDNA. The website offers a subscription service for more comprehensive data however Council does not have a subscription at this time. Other marketing sites are also used to advertise holiday rentals (such as Holiday Houses and Book a Bach) but data for those is not available.

The AirDNA website shows that there are 506 active listings on AirBnB for short term rentals in Marlborough, 53% of which are entire homes, 45% are private rooms in a shared home, and the remainder shared rooms. A map shows the main concentration of listings to be in Picton and Blenheim urban area, with smaller numbers of rentals available in the Sounds and in the rural areas surrounding Blenheim. A search on AirBnB shows 219 homes in Picton and 300+ in the Blenheim area.

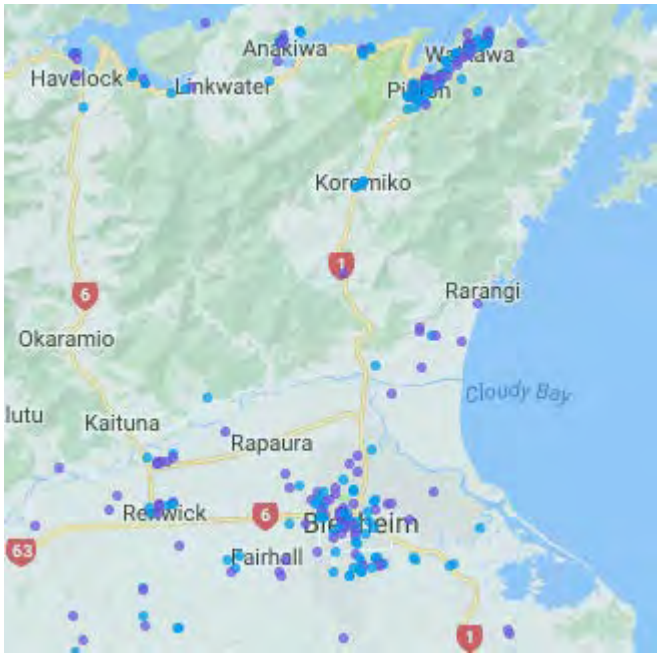


Fig.1 Map showing holiday rentals available on AirBnB in Marlborough (purple dots represent entire homes, blue dots are rooms available to rent).

Since 2010 the number of rentals listed on AirBnB in Marlborough has increased by 79% per annum. This does not mean the number of holiday rentals in Marlborough overall has increased at that rate - many would have already existed but were advertised elsewhere. As AirBnB has increased in popularity more rentals have been listed on the site. 47% of AirBnB hosts with properties in Marlborough have multiple listings on AirBnB accounting for 238 properties, and 53% have only one listing, accounting for 271 properties. In May 2018 the occupancy rate of holiday rentals was 27%.

Impact of construction costs on pace of development

Councillors queried the impact of increased construction costs due to labour supply shortage on the development of new dwellings in Blenheim. Council officers will consult with property developers and construction companies to gain a better understanding of this and report results as part of the Housing and Business Capacity Development Assessment.

Impact of ageing population and household size on future supply

Councillors queried whether the Section Availability Review produced by Council in 2017 took into account the likely demand for smaller homes and/or units in Blenheim in the future. The section availability review estimated that on current population growth trends Blenheim has approximately 26.5 years of supply of land for residential development available (including greenfield land and infill). Household size was not used in the calculation of estimates for the review, however if the demand for smaller houses increases it is unlikely to cause an issue for supply in the future as the land is available regardless of dwelling size. Council has planning provisions in place (in the Wairau/Awatere Resource Management Plan) to provide for more intensive residential development in Blenheim. Urban Residential 1 zoning around the town centre and at Omaka Landing has no limit on the number of houses per title and a minimum land area per dwelling of 290m^2 (compared to urban Residential 2 zoning that limits residential development to one dwelling per title at 450m^2). This enables multiple unit development and also development of smaller dwellings.

These provisions have been carried over into the Proposed Marlborough Environment Plan, which also provides for residential development in the town centre as a permitted activity.

Impact of pace of population growth on development demand

Councillors queried whether population growth projections are skewed by the slow pace of growth between 2006-2013 (recorded in census data). If population growth follows a higher trend, demand for residential dwellings may be greater than anticipated. Statistics New Zealand will release 2018 Census data towards the end of this calendar year, and population projections will be revised at that point. It is recommended that the review of section availability is repeated once new population projections are available.

1. Residential Development Trends

House Prices and Rents

i) Dwelling Sale Prices

Whilst sale prices appeared to settle in the last quarter of 2017, they have increased by 1.6% in Marlborough and 0.95% in Blenheim in the quarter to March 2018 (based on a 12 month rolling average). Sale prices rose more than 10% in Blenheim, and 8% in Marlborough District in the year to December 2017. These results closely mirror national trends over the same period.

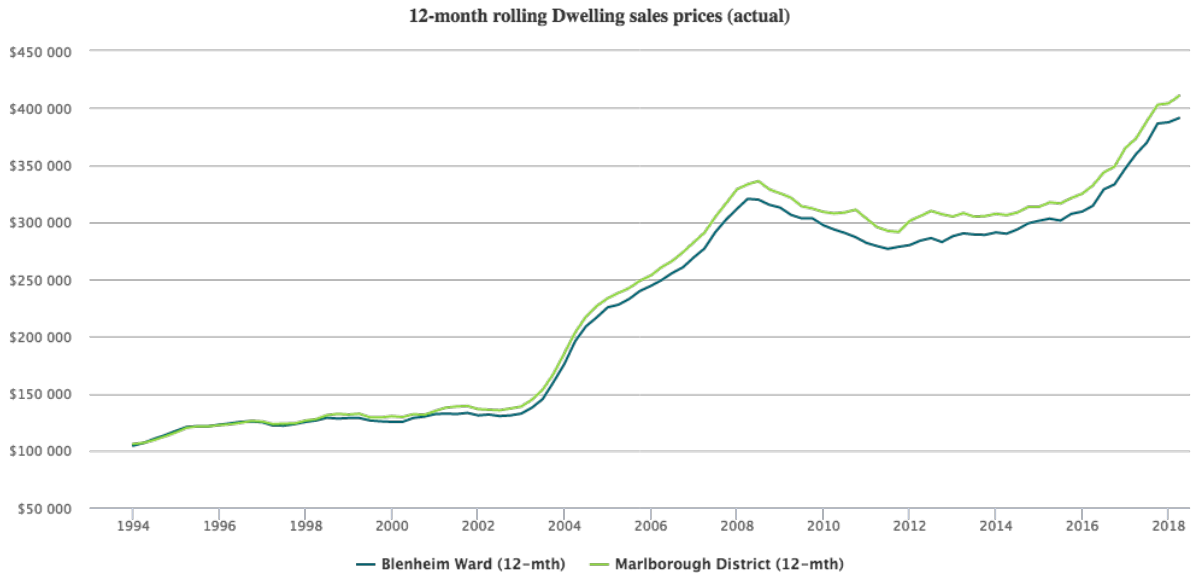


Fig. 2 Dwelling Sales Prices

Median Dwelling Sale Prices (12 Month Rolling Average)

Reporting Area	Quarter 1 2018	Quarter 4 2017	% change
Blenheim Ward	$391,250	$387,550	+0.95%
Marlborough District	$410,570	$404,125	+1.6%

ii) Dwelling Rents

Rents have risen over the past ten years, although not quite to the same extreme as sales prices. The mean rents in Blenheim Ward and Marlborough have shown small increases in Q1 2018 (based on a 12 month rolling average). Rents are still slightly higher in the Blenheim Ward area than in rural Marlborough, suggesting a higher demand for rental properties in town.

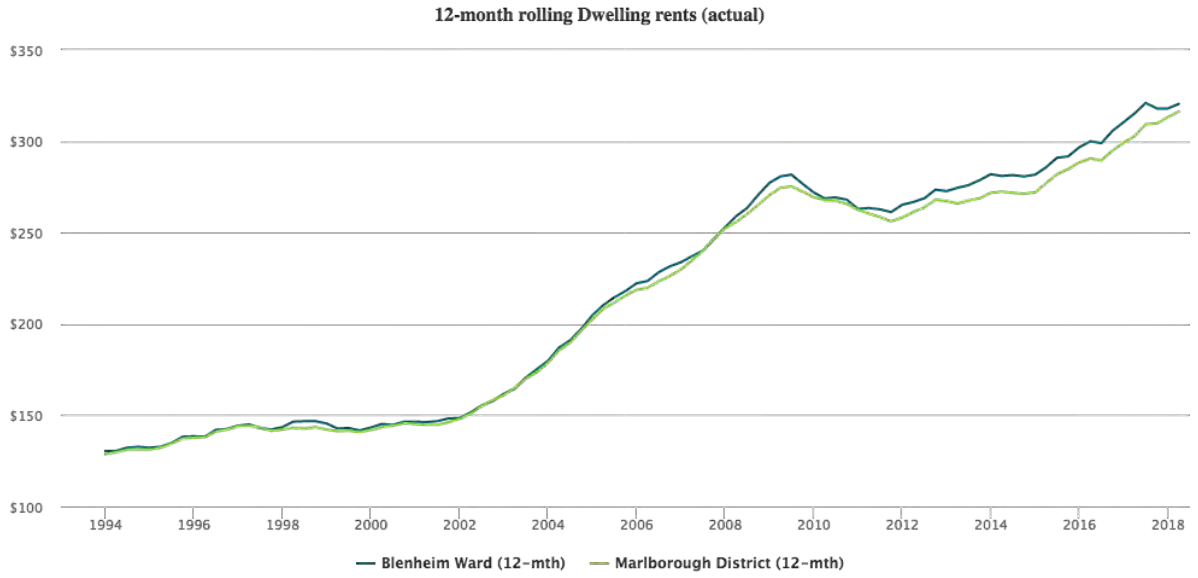


Fig. 3 Dwelling Rents

Dwelling Rents (Geometric Mean, 12 Month Rolling Average)

Reporting Area	Quarter 1 2018	Quarter 4 2017	% change
Blenheim Ward	321	318	+0.94%
Marlborough District	316	313	+0.96%

iii) Ratio of Sale Prices to Rents

In Marlborough the price of a median house is nearly 25 times the mean annual rent paid, and in the Blenheim Ward it is over 23. The rolling average ratio has not increased significantly in the last quarter and in real terms has decreased in the Blenheim Ward by 1.8% (the graph above shows trends over a 12 month rolling average). This reflects the relative stabilisation of house prices in Marlborough at the end of 2017 and small increases in 2018.

The increase in ratio over time suggests that rents are not increasing at the same rate as house prices.

Fig. 4 Ratio of dwelling sales price to rents

Ratio of Dwelling Sale Prices to Rents (Rolling Average)

Reporting Area	Quarter 1 2018	Quarter 4 2017	% change
Blenheim Ward	23.516	23.470	+0.2%
Marlborough District	24.988	24.814	+0.7%

Affordability

Change to Housing Affordability Measure (HAM) - Version 1.2

The HAM Buy and HAM Rent indicators developed by MBIE measure trends in housing affordability for potential first home buyer households and renting households.

As HAM is still an experimental series, MBIE make regular adjustments to the method used to create HAM, and how it is presented. The data used to produce HAM is also constantly being refined and improved which can result in changes to the series over time. These changes can impact results for the smaller regions in particular.

Marlborough's figures of affordability have changed significantly in HAM Version 1.2, released in June 2018. As MBIE updates the full back series whenever a change is made, **previous years results are now different to those reported to Council in the December 2017 quarterly report**.

MBIE explain the two significant improvements to the HAM data and methodology in version 1.2 as follows:

Data Improvements
1. Some households were being assigned to the wrong geographic areas, or were not being assigned to an area at all in version 1.1. This has been corrected in version 1.2.
2. MBIE has been able to improve the quality of address information being supplied to Statistics New Zealand. This means we can provide HAM data on a more comprehensive set of households than before.

These changes have had a significant effect on many Territorial Authorities, especially the smaller ones.

Method changes
Based on advice from the Reserve Bank, we have changed the interest rate used to calculate HAM Buy. The original interest rate used was the Effective Mortgage Rate which can be found on the Reserve Bank's website. The new rate used is the 5-year fixed new mortgage interest rate. The new rates can be found on the Reserve Bank's website as far back as December 2004, and we have used an unpublished back-series provided to us by the Reserve Bank to cover the period from January 2003 to November 2004. The main advantages of using the new interest rate are as follows:

It focuses on new mortgages specifically, making it more suited to estimating housing costs for first-home buyers.
Because it is a 5-year fixed rate, it accounts for banks' perceptions of how interest rates are likely to change over the next five years. This makes it more useful to measure housing affordability in the medium-term.
Also, as the old interest rate was discontinued in December 2016, meaning that it could no longer be used for HAM Buy calculations.

This change has no effect on HAM Rent (as HAM Rent does not use an interest rate in its calculations), but does affect HAM Buy.

HAM Version 1.2 Results

i) HAM Buy

While HAM Version 1.1 showed an improving trend of affordability for Marlborough, Version 1.2 indicates that affordability for first home buyers in Marlborough has declined over the past year.

The share of first home buying households in Marlborough with below average income after housing costs increased from 77.818% in March 2016 to 80.784% in March 2017. Changes between HAM Buy Version 1.1 and Version 1.2 resulted in a 3.8% unfavourable difference in March 2016 results.

At a national level, the share of potential first home buyer households with below average incomes after housing costs increased from 77% in March 2016 to 80% in March 2017.

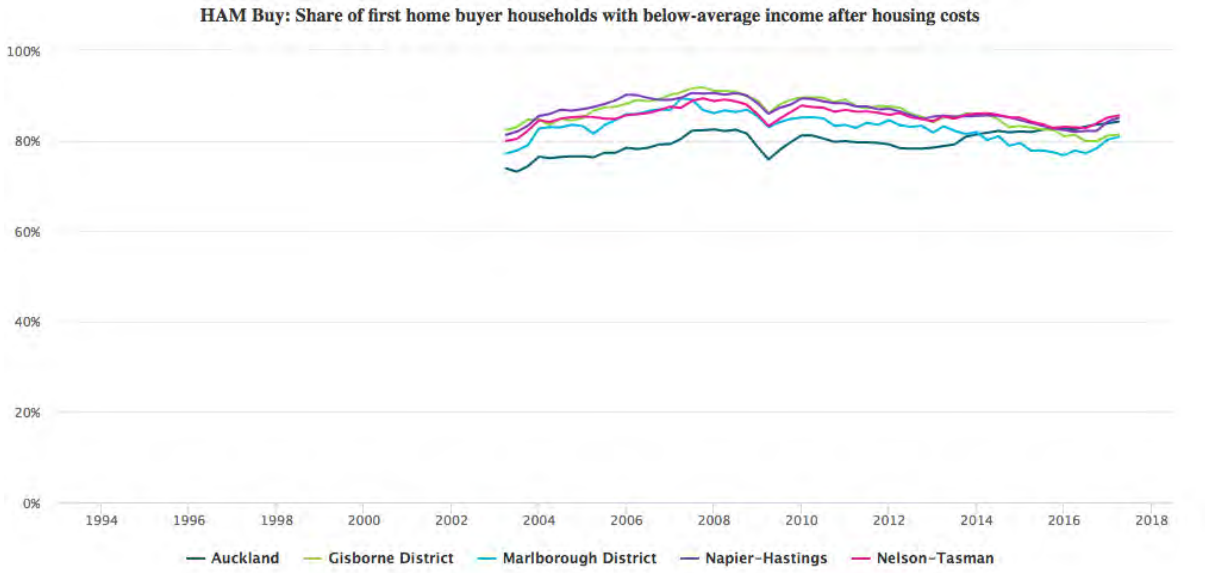


Fig. 5 Housing Affordability (HAM Buy; Benchmarking with other areas)

ii) HAM Rent

The share of renting households in Marlborough with below average income after housing costs was 65.858% in March 2017, a slight decrease from 66.182% in March 2016. Changes between HAM Rent Version 1.1 and Version 1.2 resulted in a 2.5% unfavourable difference in March 2016 results.

Nationally, the share of renter households with below average incomes after housing costs remained unchanged at 61% between March 2016 and March 2017.

Fig. 6 Housing Affordability (HAM Rent; Benchmarking with other areas)

Share of households with below average income after housing costs

	March 2017	March 2016	% change
HAM Buy	80.784%	77.818%	+2.96%
HAM Rent	65.858%	66.182%	-0.32%

iii) Change in Dwelling Sales Prices Over Time

Overall, house prices in marlborough are approximately 3.6 times greater now than they were in 1993 using the SPAR index. This is a slight increase on the last quarter result of 3.5. The rate of increase follows a similar trend to other 'like' regions. The graphs below give comparisons with the Gisborne Region (which has a similar population count), Nelson and Tasman for its geographical closeness to Marlborough, and Napier Hastings which has similar house sale prices and also has a high level of horticultural production and seasonal work.

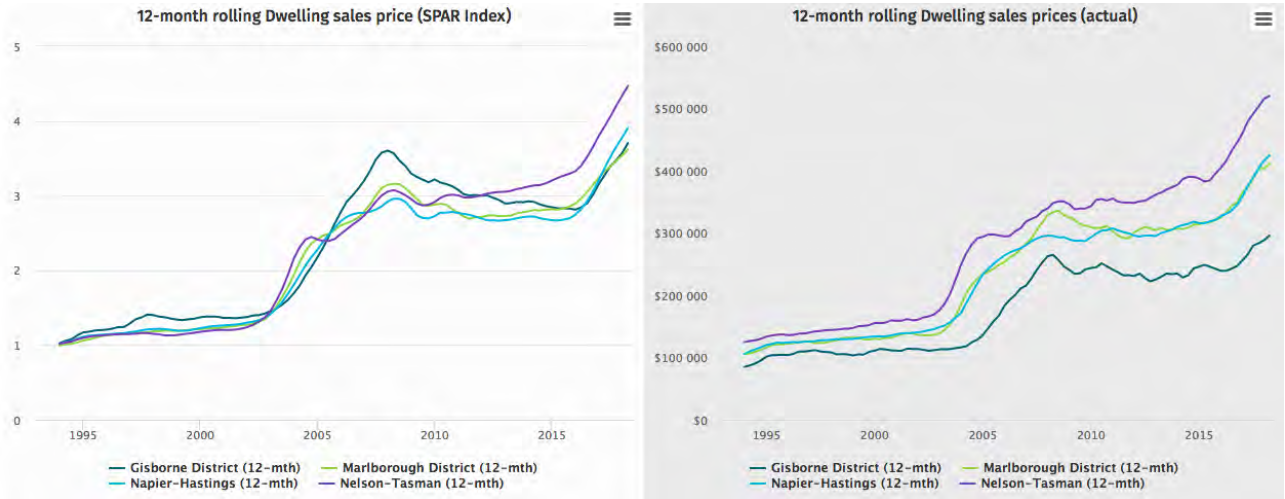


Fig 7. Change in Dwelling Sales Prices from 1993 and Actual Sales Prices (benchmarking with other areas).

Demand and Supply

i) Dwelling Stock

Dwelling stock is steadily increasing, particularly in the Marlborough District and it has almost doubled since 1994. Note that the Blenheim Ward figures do not include new dwellings in the Boulevard Park on Taylor, Omaka Landing and North West Growth Areas. These are included in the Marlborough District figures.

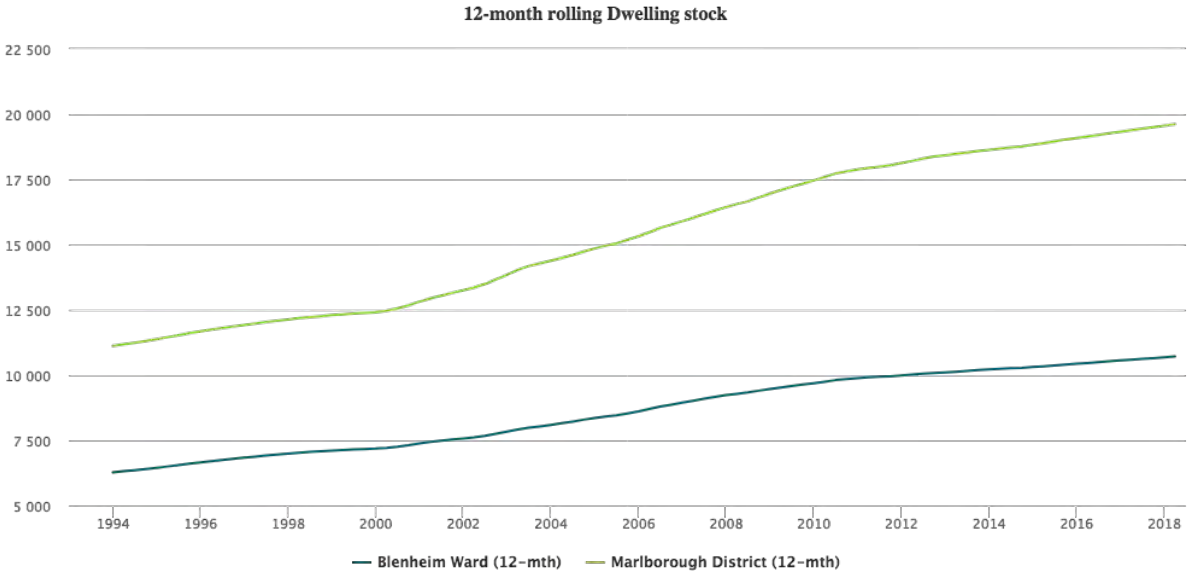


Fig. 8 12 Month Rolling Dwelling Stock

Dwelling Stock

	March 2018	Dec 2017	No. of new dwellings from previous quarter
Blenheim Ward	10,714	10,685	+29
Marlborough	19,622	19,561	+61

ii) Consents vs Household Growth

Household growth figures have not been updated by Statistics New Zealand since the previous quarterly report, but the number of consents issued for new dwellings (lagged by six months to account for completion time) has increased by 10 on the previous quarter to 269 and is showing an overall increasing trend.

Council data shows that residential building consents issued in 2017 were up significantly from previous years, indicating that availability of new land and subsequent new builds has started to compensate for the increase in demand. Monitoring the trend over the next few quarters will give a better idea as to whether current consent activity is keeping pace with household growth.

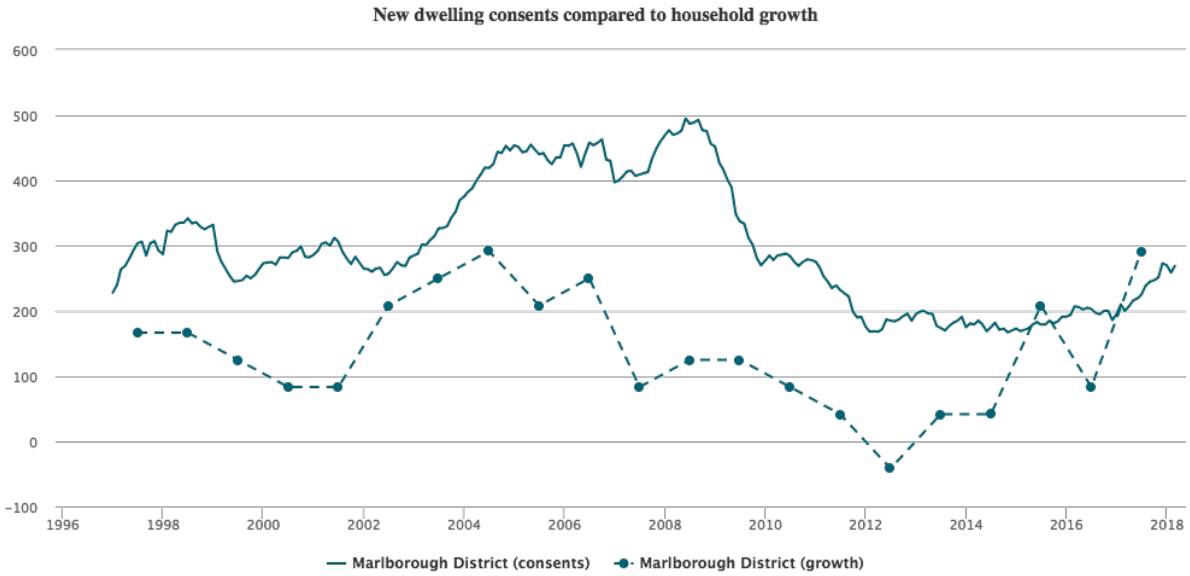


Fig. 9 New dwelling consents compared with household growth

Number of new dwelling consents

	March 2018	Dec 2017	Change from previous quarter
Marlborough District	269	259	+10

iii) Housing Price to Cost Ratio

The price-cost ratio (the gap between what it cost to build a house and what it eventually sells for) has increased over the past two years but is not as high as 2004 levels. This indicator alone does not signal pressure on supply of serviced sections.

The ratio measures the relative contribution to house prices of construction costs (which includes real estate fees of 5% and a construction cost buffer of 25%); and land (infrastructure serviced sections). A ratio of more than 1.5 means that land prices make up a more than one third of the total sale price - indicating pressure on the supply of infrastructure serviced sections, pushing land prices up. A ratio of less than 1 indicates an oversupply of serviced sections / low demand for new sections.

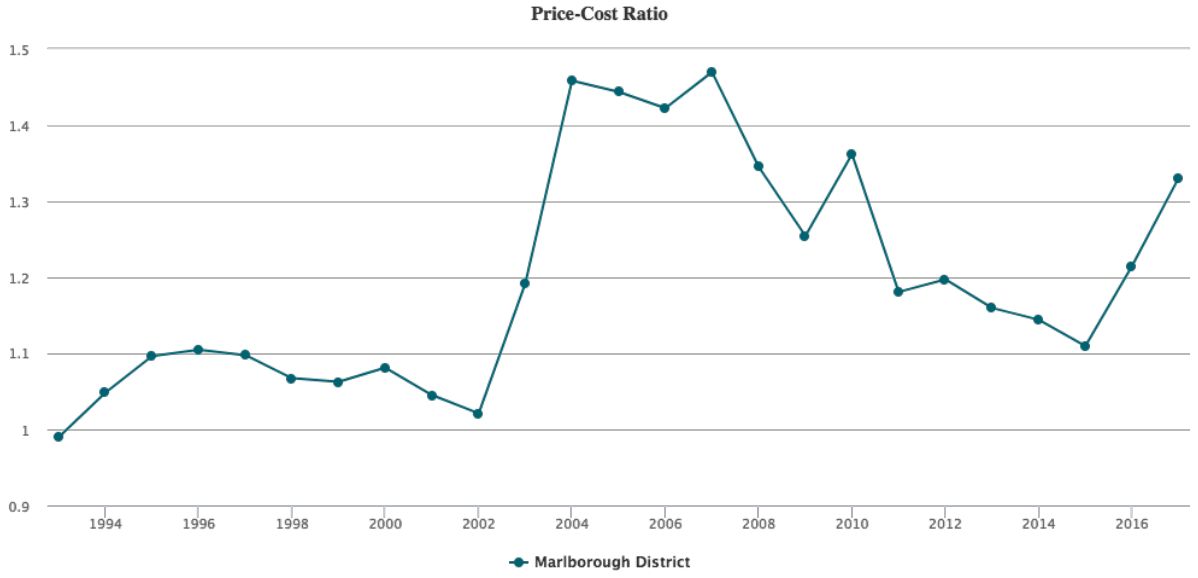


Fig.10 Housing Price to Cost Ratio for Marlborough District

Housing Price to Cost Ratio

	2017	2016	Change from previous quarter
Marlborough District	1.331	1.215	+0.116

Marlborough District Council Data on Building and Resource Consents

The following building and resource consent data has been sourced using Council's own GIS system and includes information for the newly defined Blenheim Urban Area plus the Omaka Landing and newly zoned residential land in the North West growth areas.

i) Building Consents Issued for New Residential Dwellings

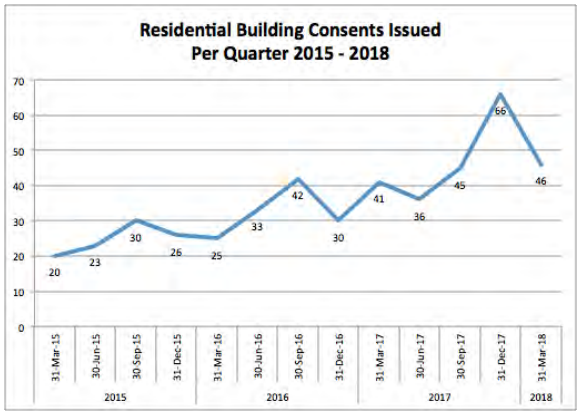


Fig. 11 Building Consents Issued for New Residential Units in Blenheim Per Quarter 2015 - 2018

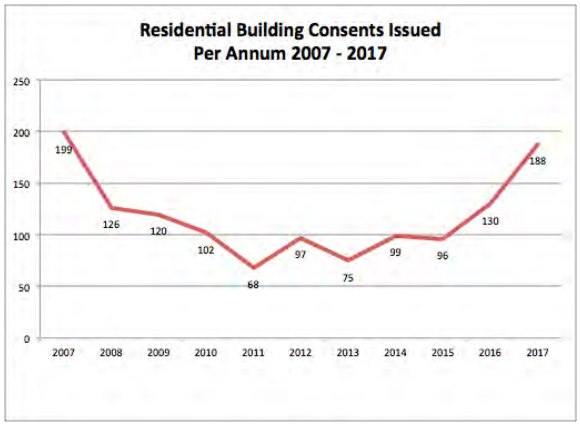


Fig. 12 Building Consents Issued for New Residential Units in Blenheim Per Annum 2007 - 2017

Council issued 46 building consents for new residential dwellings in the quarter to March 2018. Council issued 188 building consents for new dwellings in the Blenheim urban area in 2017, and 130 in 2016 - a significant increase on previous years. Quarterly data shows a sharp increase in activity in the last quarter of 2017, with 66 consents issued. The map in Figure 13 shows the location of building consents issued for new residential dwellings both for Quarter 1 2018 and for the past ten years.

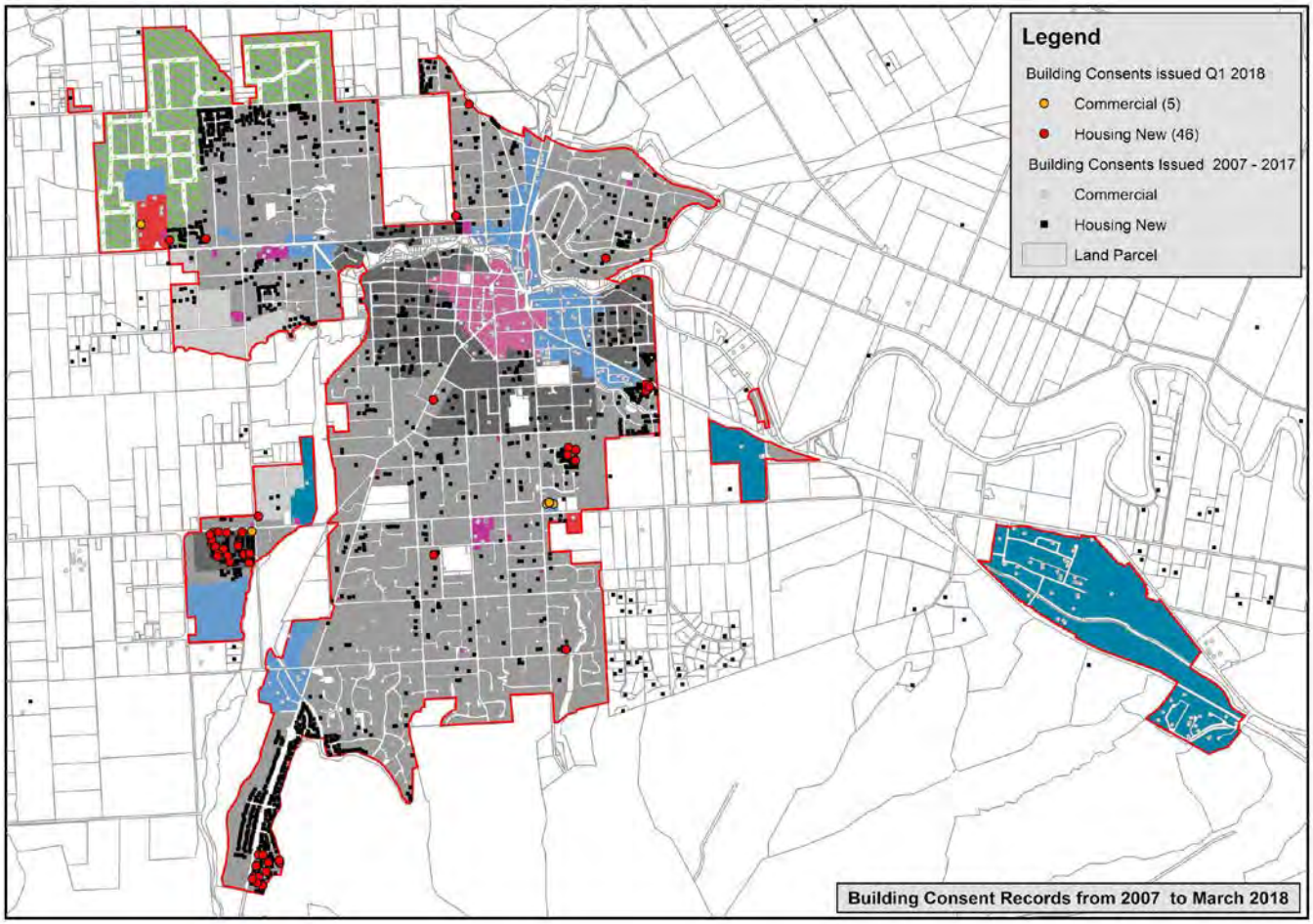


Fig. 13 Building Consents Issued Q1 2018 and from 2007 to 2018

ii) Resource Consents Issued for New Subdivisions

Marlborough District Council does not currently distinguish between residential and non-residential subdivision resource consents.The information below therefore includes both.

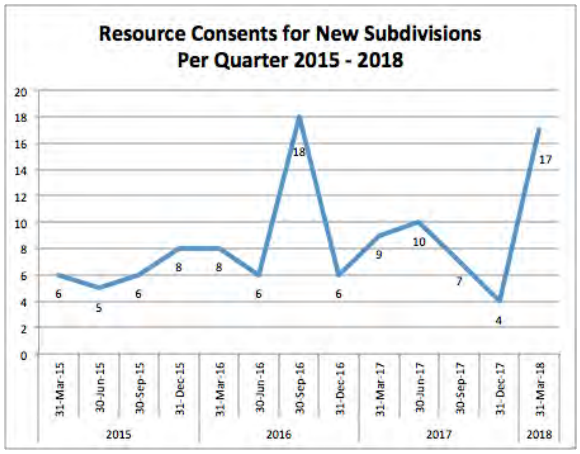


Fig. 14 Resource Consents for New Subdivisions in Blenheim Per Quarter 2015 - 2018

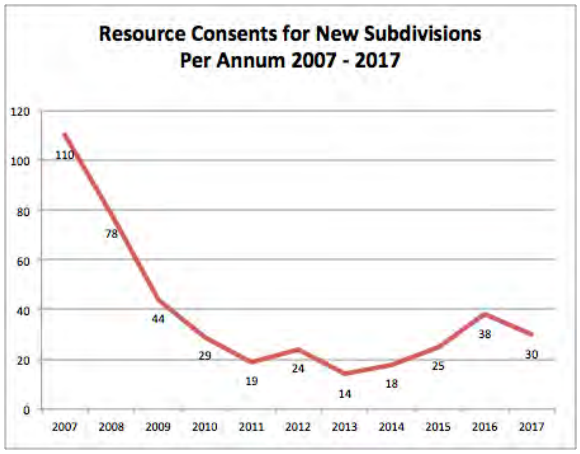


Fig. 15 Resource Consents granted for New Subdivisions in Blenheim Per Annum 2007 - 2017

Council approved 17 resource consents for new subdivisions in the first quarter of 2018, significantly more than previous quarters. Note that the number of consents granted does not reflect the actual number of lots created (one consent may result in multiple lots). These 17 consents were for the creation of 115 new allotments, including the staged development of 83 allotments at Omaka Landing. The map in Figure 16 shows the location of resource consents approved for new subdivisions in Quarter 1 2018 and for the past ten years.

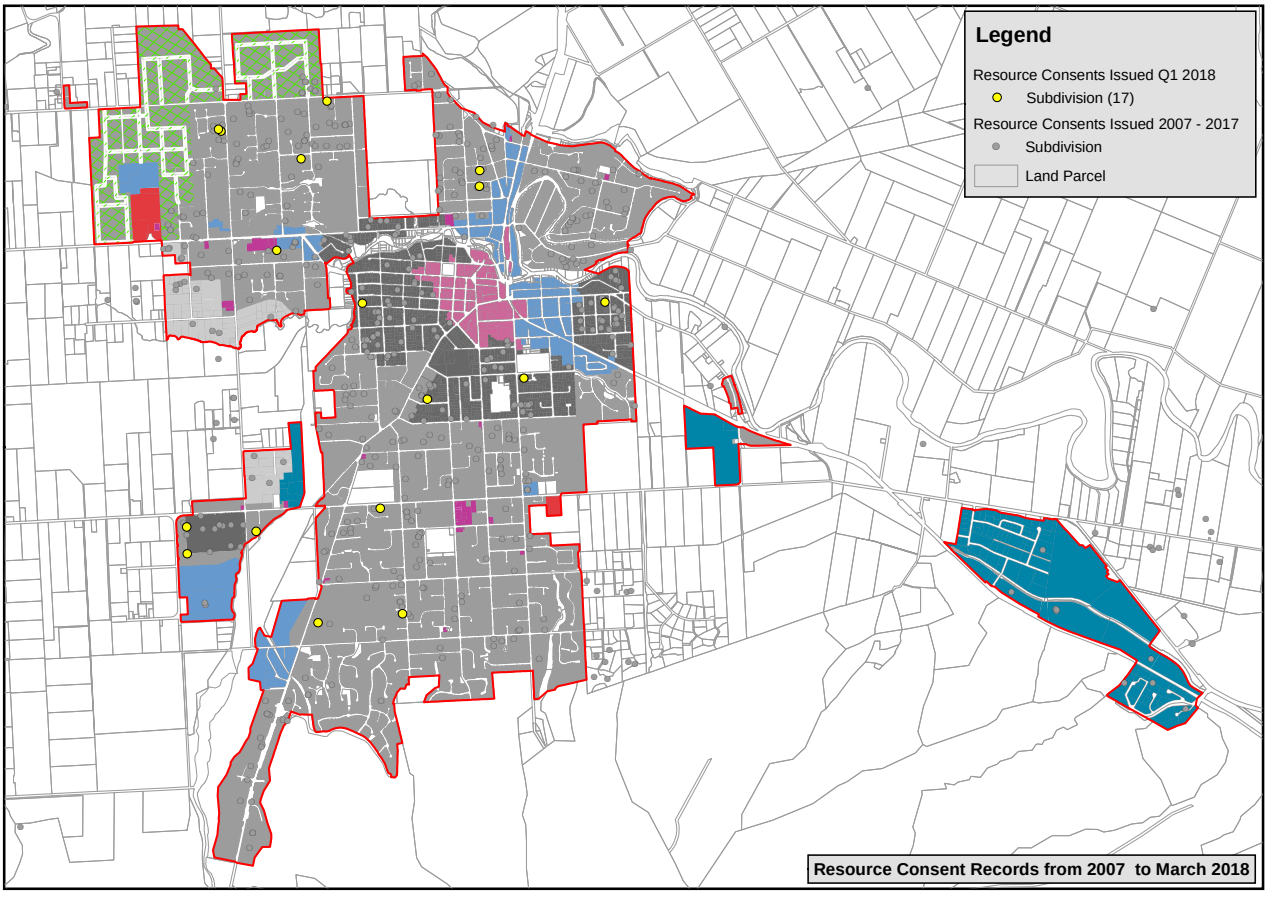


Fig. 16 Resource Consents Issued Q1 2018 and from 2007 to 2018

iii) Seasonal Worker Accommodation in Blenheim

No new resource consent applications for seasonal worker accommodation were approved in the quarter to March 2018.

2. Non-residential Development Trends

Council has minimal specific data on non-residential development activity. This is an issue for many territorial authorities. We are investigating options for using existing tools and data to gain better insights into this area, and this will need to be expanded on in the housing and business development capacity assessment being undertaken later in the year.

i) Building Consents Issued for New Commercial Buildings

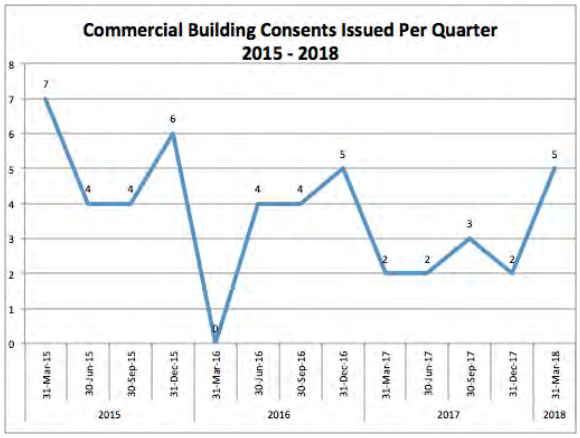


Fig. 17 Commercial Building Consents Issued per Quarter in Blenheim 2015 - 2018

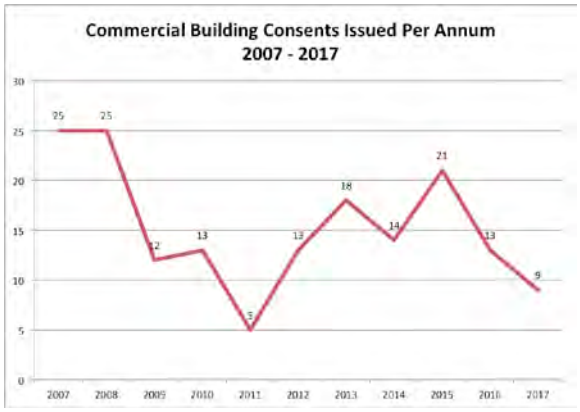


Fig. 18 Commercial Building Consents Issued Per Annum in Blenheim 2007 - 2017

Commercial consents are for a combination of combination of industrial and commercial activity. Council issued five commercial building consents in the quarter to March 2018. Consents were for a mix of activities including a dental and medical clinic, wash down slab, commercial and industrial buildings and a showroom.

ii) Resource Consents Issued for new non-residential subdivisions

Resource Consent information doesn't specify whether a consent is for commercial or residential subdivision. However, application details suggest that none of the consents issued in the first quarter of 2018 in the Blenheim urban area were for commercial subdivisions.

iii) Unutilised Industrial Sites

No update from previous quarter.

iv) Additional Supply of Industrial Land

No update from previous quarter.

3. Rural-Urban and Industrial Zone Price Differentials

MBIE has released a new set of indicators which analyse the difference in land price either side of the boundary between different land zone types. There are two new indicators:

- The rural-urban differential

This indicator compares values of residential land parcels 2km either side of the boundary between urban and rural zones. It removes non-regulatory factors affecting land values and is used to show the impact on urban land prices of regulations constraining residential development capacity (eg. non-residential zoning, height and density limits etc).

- Industrial zone differentials

This indicator compares values of land within 250m either side of the boundary between industrial zones and commercial, rural and residential zones. It indicates whether zoning matches the relative demands of different uses for land in a particular location. A significant difference in value on either side of the boundary may indicate a mismatch between zoning and current industry needs. A consistently significant difference may indicate that development capacity for the more expensive use is relatively more capacity constrained.

The analysis is based on CoreLogic Ltd rating valuation data from the most recent valuation cycle (2014) and zoning information from the same time period.

Council is required to use these indicators in its three-yearly Housing and Business Development Capacity Assessment later this year. Initial results and a crude analysis are reported here.

i) Rural Urban Differential

The Rural Urban Differential ratio in Blenheim is 1.46 meaning that residential land parcels are 1.46 times more expensive in land zoned ‘urban’ than in land zoned ‘rural’ within 2km of the boundary. This translates to $61 more per 600m2 section on the urban side of the boundary, and $36,303 per 600m2 section.

The following scatter graph shows the land values of individual land parcels in m2 either side of the boundary.

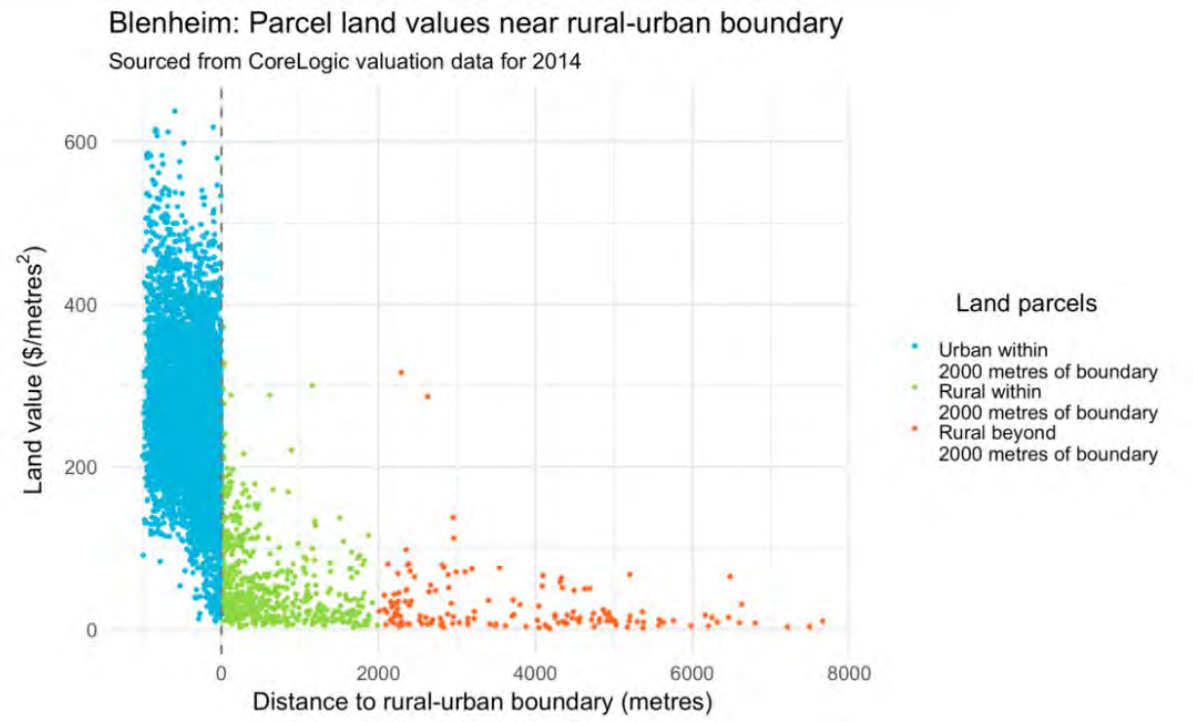


Fig. 19 Land Values either side of rural-urban boundary

Rural-Urban Differentials for all NPS Reporting Territorial Authority Areas

Urban area	Ratio	Difference ($/m2)	Difference ($/600m section)[1]
Auckland	3.15	$345	$206,722
Blenheim	1.46	$61	$36,303
Christchurch	2.23	$150	$90,136
Dunedin	1.29	$38	$22,505
Gisborne	1.22	$24	$14,352
Hamilton	2.42	$227	$136,213
Napier	1.66	$102	$61,372
Nelson	2.10	$153	$91,671
New Plymouth	1.61	$92	$55,080
Palmerston North	1.57	$73	$43,902
Queenstown	3.12	$337	$202,485
Rotorua	1.33	$46	$27,441
Tauranga	2.02	$232	$139,135
Wellington	2.30	$201	$120,371
Whangarei	2.00	$80	$48,064

[1] The example of an 600m section is provided as a typical size section at the edge of many cities.

ii) Industrial Zone Differentials

This indicator assesses 11 industrial zones in Blenheim, and the land bordering those zones within 250m of the boundary. The zones are shown in the map below. These zones have 11 boundaries with land zoned for a different type of activity - either commercial, residential or rural - where enough data is available to calculate differentials in price between zone types.

Fig. 20 Industrial Zones in Blenheim

*(note that Tuamarina is also included, but not enough data is available to calculate the differentials)

Of the 11 boundaries measured, there are six boundaries where statistically significant positive price differentials were present (industrial land was worth more than the other zoned land types that it borders). The biggest differences in land value exist between industrial and rural land in the Riverlands and Cloudy Bay industrial state and in the CBD. There is also a large difference in land value between industrial and residential land in the CBD. This suggests that there is greater demand for industrial activity in those areas than for the other less expensive activities.

Zone Number	Bordering Zone Type	Ratio of Land Values	Price Difference /m2
2 (Riverlands /Cloudy Bay)	Rural	11.546	$77/m2
3 (CBD)	Rural	16.857	$283/m2
3 (CBD)	Residential	1.622	$132
5 (Taylor Pass)	Residential	1.029	$4
8 (Springlands Centre)	Residential	1.421	$106
8 (Springlands Centre)	Commercial	1.452	$119

There were two boundaries where statistically significant negative price differentials were identified (industrial land was worth less than the other zoned land types that it borders). Commercial land was worth $176 more per m2 than industrial land in the CBD, and residential land $76 per m2 more than industrial land in the area bordering the Taylor River behind Birchwood Ave.

Zone Number	Bordering Zone Type	Ratio of Land Values	Price Difference /m2
3 (CBD)	Commercial	0.675	$176/m2
7 (Taylor River behind Birchwood Ave)	Residential	0.463	$76/m2

The following scatter graph shows the largest five industrial zones (in terms of land area) and distribution of parcel land prices within 250m2 of the boundary. Of the five largest industrial zones, statistically significant differences were found in three of the areas - Riverlands/Cloudy Bay, the CBD and Taylor Pass. Of those three, the biggest practical differences in terms of land value were in the CBD where industrial land was worth considerably more than residential and rural land, and considerably less than commercial land.

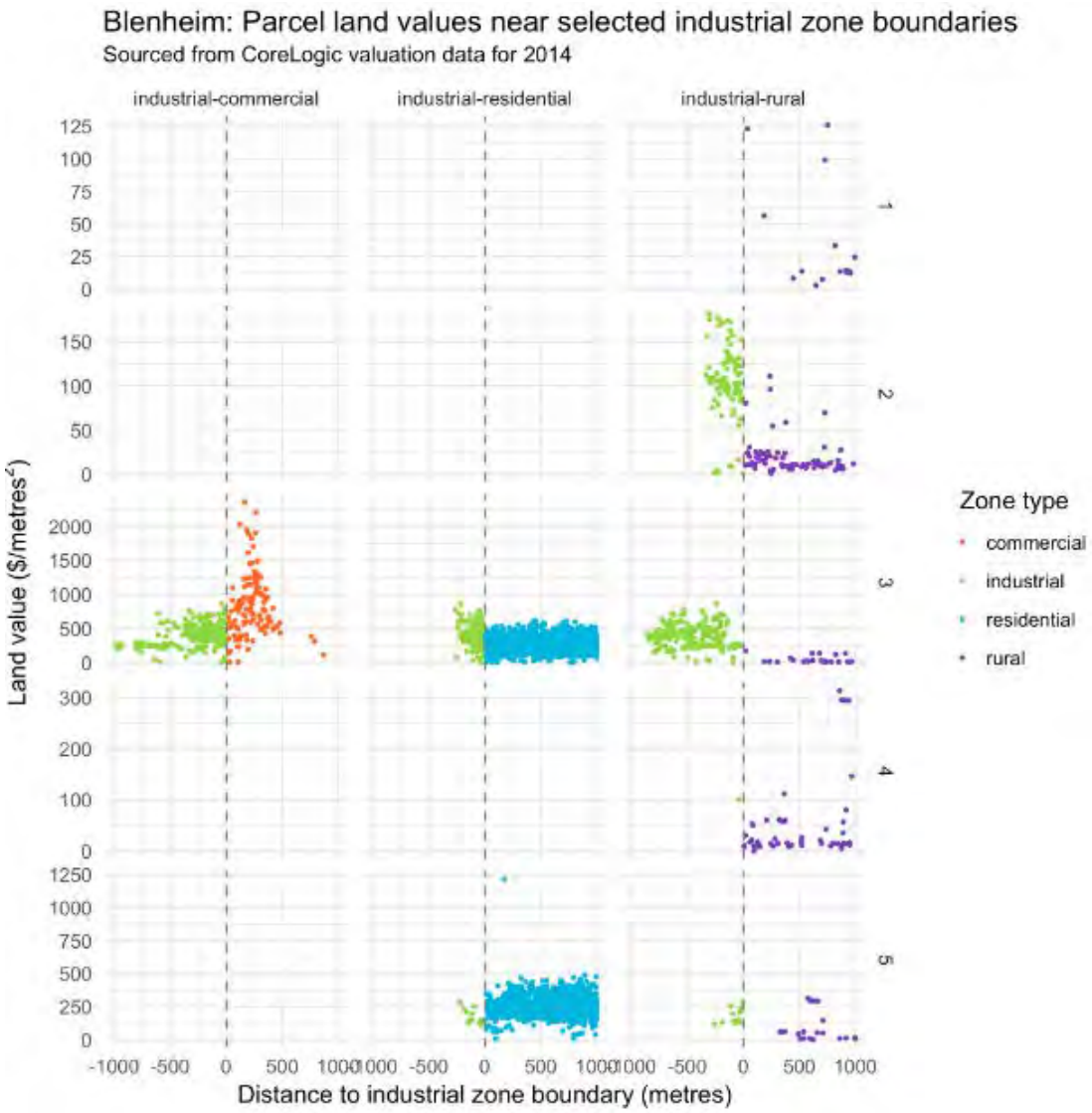
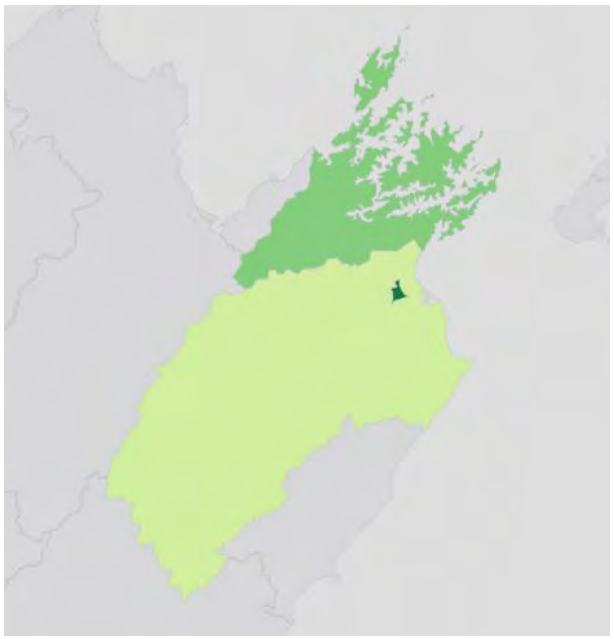


Fig. 21 Parcel Land Values near Industrial Zone Boundaries

APPENDIX ONE

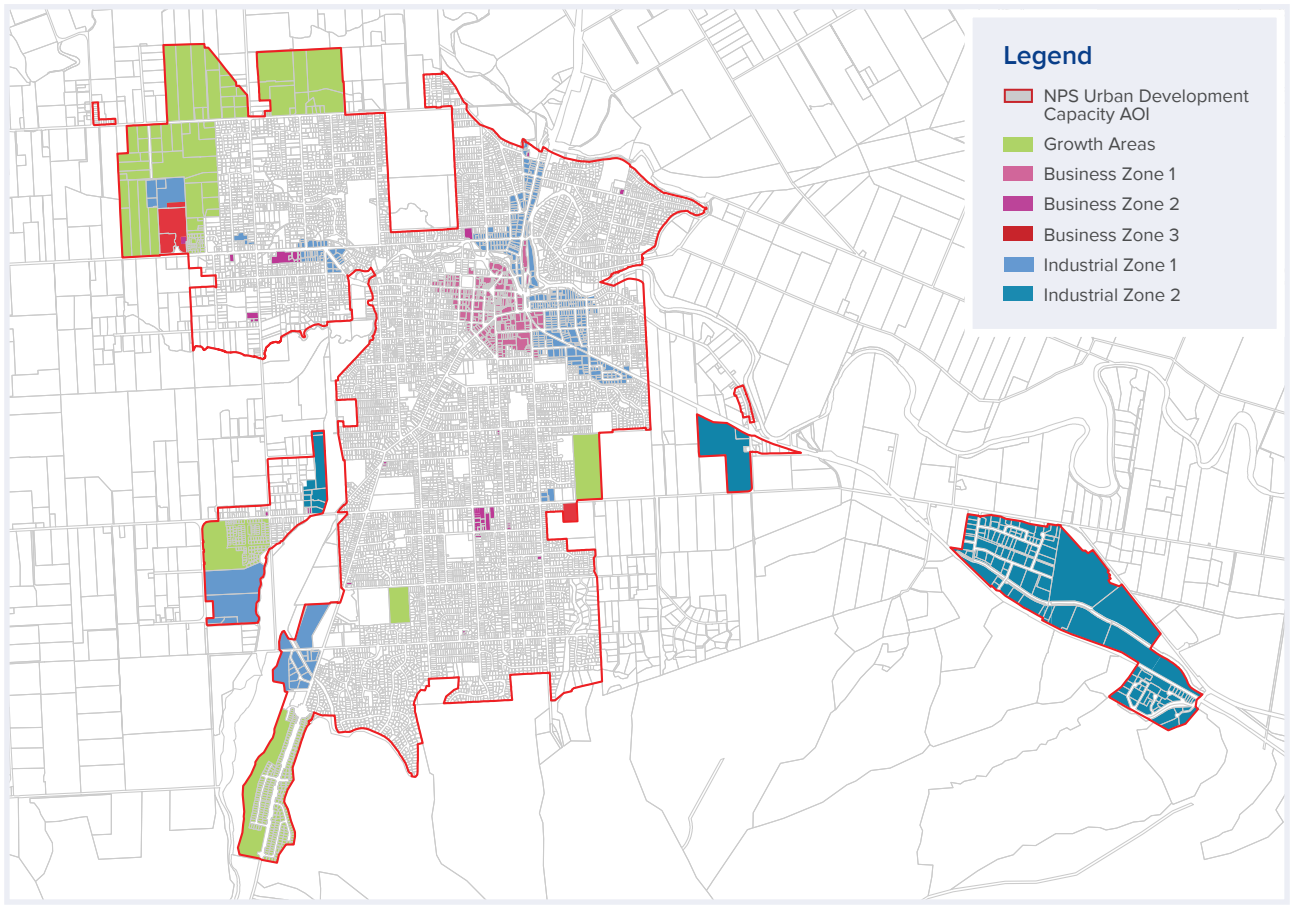
The following images show the three reporting boundaries used in this report:

Map 1
Marlborough District (MBIE data)



Map 2
Blenheim Ward (MBIE data)

Map 3
Blenheim Urban Area (Council data)

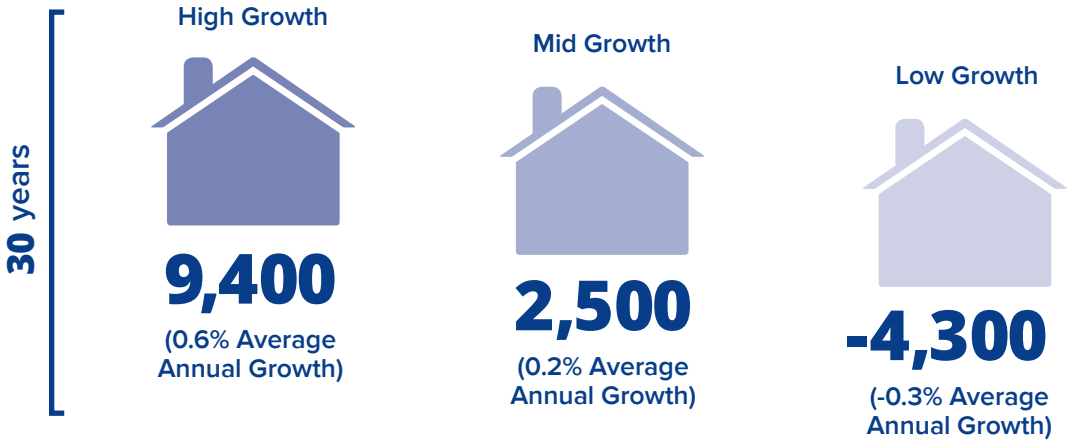


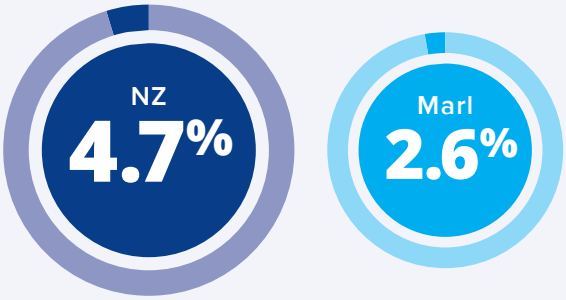
APPENDIX TWO

Demographic Trends for Marlborough

Population:

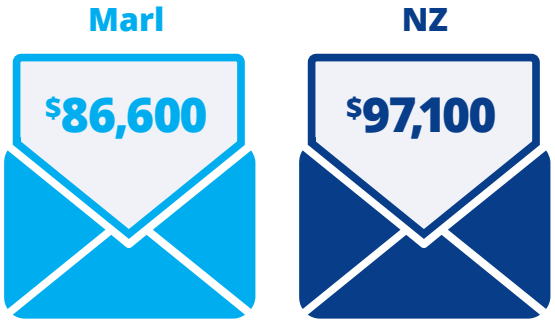
Marlborough's usually resident population at the time of the 2013 census was 44,700, and is estimated at 46,200 currently. Statistics New Zealand population projections for Marlborough give three scenarios for growth over the 30 years from 2013 to 2043:





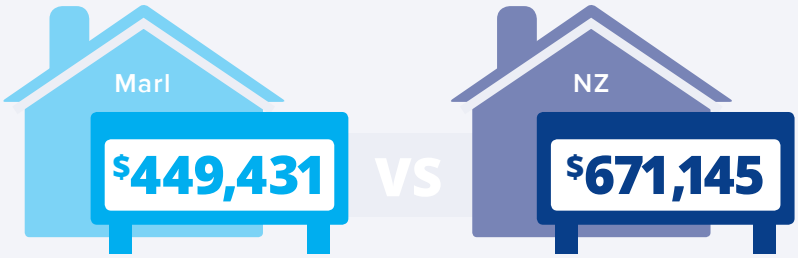
Marlborough District has a very low unemployment rate at: **2.6%** in December 2017, versus the national average of: **4.7%**.

Marlborough has the highest proportion of residents over 65 years of age **(20.5%)**



The average income in Marlborough is $86,600 versus a national average of $97,100.

The average household size is 2.2 people in Blenheim Central (from 2013 Census data) and 2.4 in Marlborough District, compared with a national average of 2.7.



The average house value in the region is $449,431 versus a national average of $671,145.

Labour Demand:

Marlborough has a large temporary workforce employed in seasonal vineyard and winery work, with over 8,325 temporary positions in 2015/16 in vineyards alone.

MBIE estimates that Marlborough has the highest forecast growth in labour demand in the country for the period June 2017 to May 2020 - anticipating an additional 3,600 employees - the majority of which are for skilled, qualified, managerial, and professional positions.[3]

The wine industry is estimating that total worker numbers will increase by 24% by 2019/20 with a 35% increase in demand for RSE workers, requiring an additional 600 RSE approved beds, 442 beds for casuals and 189 houses for permanent workers.[4]

[3] Ministry of Business, Innovation and Employment (2017). Short Term Employment Forecasts 2017 – 2020

[4] From the Marlborough Viticulture Labour Market Survey 2016, Druce Consulting

APPENDIX THREE

Guide to the MBIE Dashboard Indicators used in this report

The summary below includes brief descriptions of the data and/or methodology used to calculate each indicator used in this report. More technical guides with more information about each indicator, and latest published results, can be found on the Ministry's Urban Development Capacity website at https://mbienz.shinyapps.io/urban-development-capacity/

Dwelling Sale Prices

This indicator measures the median house sale price of residential dwellings per quarter, as a twelve month rolling average. Results are not adjusted for size and quality of dwellings.

Dwelling Rents

This indicator reflects nominal mean rents as reported in new rental bonds lodged with MBIE. The mean used is a geometric mean. The reason for using this mean is that rents cluster around round numbers, and tend to plateau for months at a time (spiking up by say $10 or $20 at a time). This makes analysis of time series difficult and using the geometric mean is a way of removing this clustering effect. Prices are presented in nominal terms; they have not been adjusted for general price inflation. The data is for private bonds only and so excludes social housing.

Data is sourced from MBIE

Ratio of dwelling sales price to rents

This indicator shows the ratio of nominal median dwelling prices to nominal (geometric) mean rents. It reflects the relationship between median house prices and mean rents, and indicates changes in the ease of moving from renting to home ownership. The higher the ratio, the greater the financial gap between renting and buying. Average returns to investors from renting out a dwelling decrease as the ratio increases.

Housing Affordability (HAM Buy and HAM Rent)

HAM Buy and Rent indicators use data on household incomes and rents from Statistics New Zealand's integrated Data Infrastructure, Corelogic sales price information, and mortgage interest rates. Average income is determined using the National Affordability Benchmark which is set as the median affordability for all homeowners and renters, nation-wide, in June 2013.

The 2013 national affordability benchmark is the amount of income the median New Zealand household had after paying for their housing costs in June 2013. The 2013 national affordability benchmark is residual income of $662 per week for a one-person household, plus $331 per additional adult and $199 per child. The benchmark was calculated using data from Statistics New Zealand's Household Economic Survey, and is adjusted for inflation. 2013 was chosen as the base year as it was a Census year. The national affordability benchmark will be rebased periodically.

Change in Dwelling Sales Prices from 1993 (SPAR index)

The Sales Price Appraisal Ratio (SPAR) provides an index of percentage change in dwelling sales prices relative to a common base year (1993). It is constructed by comparing the sales price of each dwelling sold in a period with its valuation estimate. It adjusts for the composition and quality of the dwellings sold over each period.

Data is sourced from CoreLogic

12 Month Rolling Dwelling Stock

This is an estimate of total residential dwelling stock sourced from Corelogic.

New Dwelling Consents compared with Household Growth

This indicator approximates the demand for, and supply of, new dwellings. It measures changes in demand and how responsive supply is. The data sets used are:

The number of building consents for new dwellings, lagged by six months to account for completion time. The number of consents is not adjusted for non-completions, or for demolitions. It is used as a proxy for supply.

The average change in the number of households per annum (ie. household growth). This is used as a proxy for demand, and is calculated by dividing the total annual population by the average household size as at last census (which is 2.4 people in Marlborough District), and measuring the change from the previous year. Population projections are updated annually by Statistics New Zealand.It is presented as a 12 month rolling average.

House Price to Cost Ratio

The ratios use corelogic data on residential house sales and size, and Statistics New Zealand data on building consents' value by square metre and territorial authority area. Data for stand alone houses only is used.

Rural-Urban Differential

The analysis uses CoreLogic rating valuation data and zoning from the 2014 valuation cycle for each territorial authority area. CoreLogic data was provided to the Ministry of Business, Innovation and Employment under a data licence arrangement for use in research and analysis of this nature.

The underlying concept of the rural-urban differential is that it should be a 'like for like' comparison of the value of similar land parcels that have been zoned for rural or urban uses. If there are large differences in the value of similar sites with different zoning, then it may indicate that urban planning policies and/or infrastructure funding and planning policies result in insufficient development capacity for urban uses. However, different land parcels are typically not identical – they differ in terms of their location and accessibility to various amenities, their physical geography, and infrastructure servicing. The methodology therefore controls for a variety of differences between parcels that may affect their value to obtain a meaningful estimate of land value differentials across rural-urban boundaries. Including:

- Geographic constraints on development
- Local amenities and proximity to centres and waterways
- Land development costs associated with subdivision of land, on-site infrastructure, and development contributions to contribute to bulkinfrastructure.

Industrial Zone Differentials

The analysis uses CoreLogic rating valuation data and zoning from the 2014 valuation cycle for each territorial authority area. CoreLogic data was provided to the Ministry of Business, Innovation and Employment under a data licence arrangement for use in research and analysis of this nature.

Land value differentials were estimated on a zone-by-zone basis, rather than averaging differentials across all zones in the city. All the property parcels within 1000 metres of the boundary were identified, and the straight-line distance between the parcel centroids and the relevant zoning boundary were measured.

In order to conduct a 'like for like' comparison between property parcels located in a similar area, with a similar level of proximity to other land uses, transport networks, and natural and man-made amenities, the focus was on properties within a shorter, 250 metre distance band of the boundary.

As valuation dates differ between councils, or even within council areas in some cases, land values were adjusted to a consistent date (2017 Quarter 1) using the sales price to appraisal ratio (SPAR) index at a TA level.

These measures provide an easy-to-interpret comparison of whether any differences in land values across zoning boundaries are 'practically' significant – ie large in dollar terms or large as a proportion of land values at that site. A measure of whether there is a statistically significant difference in the distribution of land values for individual property parcels on either side of the zoning boundary is also reported. Differentials that are not statistically significant should be given less weight when interpreting and using the results. Even if there are seemingly large 'practical' differences in land values, these differences may simply reflect random 'noise' in the data rather than an issue that requires policy attention.

APPENDIX FOUR

PB6: To ensure that local authorities are well-informed about demand for housing and business development capacity, urban development activity and outcomes, local authorities shall monitor a range of indicators on a quarterly basis including:

a) Prices and rents for housing, residential land and business land by location and type; and changes in these prices and rents over time;

b) The number of resource consents and building consents granted for urban development relative to the growth in population; and

c) Indicators of housing affordability. Local authorities are encouraged to publish the results of their monitoring under policy PB6.

PB7: Local authorities shall use information provided by indicators of price efficiency in their land and development market, such as price differentials between zones, to understand how well the market is functioning and how planning may affect this, and when additional development capacity might be needed.

PB1: Local authorities shall, on at least a three-yearly basis, carry out a housing and business development capacity assessment that:

a) Estimates the demand for dwellings, including the demand for different types of dwellings, locations and price points, and the supply of development capacity to meet that demand, in the short, medium and long-terms; and

b) Estimates the demand for the different types and locations of business land and floor area for businesses, and the supply of development capacity to meet that demand, in the short, medium and long-terms; and

c) Assesses interactions between housing and business activities, and their impacts on each other. Local authorities are encouraged to publish the assessment under policy PB1.

PB2: The assessment under policy PB1 shall use information about demand including:

a) Demographic change using, as a starting point, the most recent Statistics New Zealand population projections;

b) Future changes in the business activities of the local economy and the impacts that this might have on demand for housing and business land; and

c) Market indicators monitored under PB6 and PB7.

PB3: The assessment under policy PB1 shall estimate the sufficiency of development capacity provided by the relevant local authority plans and proposed and operative regional policy statements, and Long Term Plans and Infrastructure Strategies prepared under the Local Government Act 2002, including:

a) The cumulative effect of all zoning, objectives, policies, rules and overlays and existing designations in plans, and the effect this will have on opportunities for development being taken up;

b) The actual and likely availability of development infrastructure and other infrastructure in the short, medium and long term as set out under PA1;

c) The current feasibility of development capacity;

d) The rate of take up of development capacity, observed over the past 10 years and estimated for the future; and

e) The market's response to planning decisions, obtained through monitoring under policies PB6 and PB7.

PB4: The assessment under policy PB1 shall estimate the additional development capacity needed if any of the factors in PB3 indicate that the supply of development capacity is not likely to meet demand in the short, medium or long term. 13

PB5: In carrying out the assessment under policy PB1, local authorities shall seek and use the input of iwi authorities, the property development sector, significant land owners, social housing providers, requiring authorities, and the providers of development infrastructure and other infrastructure.

MARLBOROUGH
DISTRICT COUNCIL