

National Policy Statement on Urban Development Capacity

Nelson-Tasman Monitoring Report



July 2018 - June 2019

Table of Contents

Summary	3
Introduction	5
Nelson Urban Area	5
Population Trends	6
Residential Development Trends	6
Market Indicators.....	6
1. Demand and Supply	6
Prices and Rents	8
Ministry of Social Development’s Housing Register.....	9
2. Housing Affordability	10
MBIE Housing Affordability Measures.....	10
Massey University Aggregate Home Affordability Index	12
Council data	13
3. Building Consents Issued	13
4. Yield of Serviced Residential Sites from Residential Zoned Land	14
Nelson.....	14
Tasman.....	14
5. Resource Consents for Residential Units	15
Non-residential Development Trends	16
6. Building Consents Issued for New Buildings – Total Floor Area (m2)	16
7. Yield of Serviced Industrial/Commercial Sites from Industrial/Commercial Zoned Land ...	16
8. Resource Consents for Industrial/Commercial Units	16
Price Efficiency Indicators	17

Summary

The National Policy Statement on Urban Development Capacity (NPS-UDC) requires local authorities within a Medium or High Growth Area to ensure they are well-informed about urban development activity by monitoring property market indicators.

The most recent Stats NZ population projections for Main Urban Areas (September 2017) found that Nelson Urban Area would be medium growth at 9.95% between 2013 and 2023. There have not been any projections since but the most recent population estimates from Stats NZ found that Nelson Urban Area's population grew by almost 7% between 2013 and 2018.

This is the sixth monitoring report prepared jointly by Nelson and Tasman staff to report to both Nelson City and Tasman District Councils. The first five reports were prepared on a quarterly basis, between January 2017 and June 2018. Following an MfE workshop in November 2018, councils were advised by MfE that instead of producing quarterly reports, councils could produce one annual report with data updated quarterly to make the process less resource-intensive.

In addition, the NPS-UDC itself is currently being reviewed, with a new draft NPS on Urban Development released for consultation in August 2019. Staff will report separately to both councils about the implications of this revised policy statement and will incorporate any changes in future monitoring reports.

The indicators that are monitored in this report are housing supply, demand, prices and affordability, new sections created, and building and resource consents for both housing and business.

Updates on current trends in Nelson and Tasman in the last 12 months can be summarised as follows:

Reporting for a 12 month period rather than a 3-month period means any consistent changes to the trends in the data are likely to be more reliable. The following observations can be made:

- Demand and supply of housing – In 2018 for the regions overall, housing supply is meeting demand. Between 2016-2017 this was not the case. It is unclear whether this is due to an increase in building consents (supply) or a decrease in households, due to insufficient census data currently available.
- Median house prices in Nelson and Tasman continue to increase relatively strongly. Compared with 5 years ago, median prices in both regions have increased by nearly 50%
- The number of applicants on Ministry of Social Development's housing register has more than doubled for both Nelson and Tasman, compared with 2 years ago
- Affordability has worsened. For the year to March 2018, approximately 85% of first home buyers in Nelson and Tasman could not comfortably afford a typical 'first home' priced house. Tasman is the second least affordable region in the country and Nelson is the third
- Approximately 63% of rental households in Nelson and Tasman cannot comfortably afford typical rents

- Total building consents for dwellings has increased in Nelson and Tasman in recent years. 30% of consented new dwellings in the year ended June 2019 were attached dwellings, compared with an average of 15% in the previous ten years
- Both Nelson and Richmond have seen an increase in the number of sections created in the year ending June 2019, compared with the previous year. This has led to an increase for the Nelson Urban Area overall of 372 (year ending June 2019) compared with 291 for the previous 12 months.

The data that is collected to measure housing supply, demand and pricing naturally varies between quarters. While it is useful to monitor these datasets on a quarterly basis, care needs to be taken when looking for trends in the data over such a short period. Any changes to the trends in the data are unlikely to be seen and reliably assessed until there has been a consistent change for at least 12 months.

Introduction

This is the sixth monitoring report implementing the National Policy Statement on Urban Development Capacity (NPS-UDC) for the Nelson Urban Area. The report provides updated data and analysis of changes to the housing market for the 12 months ending June 2019.

The NPS-UDC requires local authorities within a Medium or High Growth Area to ensure they are well-informed about demand for housing and business development capacity, urban development activity and outcomes. Local authorities are required to 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.

The Ministry of Housing and Urban Development's dashboard of data¹, which this report partly relies on, is updated approximately 8 weeks after the quarter ends, hence the reports lag on this basis. The NPS-UDC also requires local authorities to use information provided by indicators of price efficiency in their land and development markets from December 2017. However, the price efficiency indicators have not been updated since June 2018 and therefore are not included in this report.

The first five monitoring reports were prepared on a quarterly basis, between January 2017 and June 2018. Following an MfE workshop in November 2018, medium growth councils were advised by MfE that instead of producing quarterly reports, councils could produce one annual report with data updated quarterly to make the process less resource-intensive. Tasman's Environment & Planning Committee approved the preparation of annual rather than quarterly report on the NPS-UDC monitoring at its meeting of 7 March 2019.

The NPS-UDC itself is currently being reviewed, with a new draft NPS on Urban Development released for consultation in August 2019. Staff will report separately to both councils about the implications of this revised policy statement and will incorporate any changes in future monitoring reports.

Nelson Urban Area

Under the NPS-UDC, this report covers the Nelson Urban Area only, not the whole of Tasman. The "Nelson Urban Area", as defined by Statistics New Zealand's classification of urban areas includes most of Nelson City's area and the following area units in Tasman - Richmond East and West, Aniseed Hill, Bell Island, Best Island, Hope and Ranzau. Due to the nature of the source data, some of the results contained within this report relate to the whole of both Territorial Authorities and some relates to the Nelson Urban Area only.

¹ <https://www.hud.govt.nz/urban-development/national-policy-statement-on-urban-development-capacity-nps-udc/urban-development-capacity-dashboard/>

Population Trends

The most recent population estimates from Statistics New Zealand indicate that Nelson's population reached 51,900 as at June 2018 and Tasman's reached 52,100. Tasman's population growth in recent years has been significantly higher than during the previous decade. In the five years between 2013 and 2018, both regions and the Nelson Urban Area experienced population growth of almost 7%. Statistics NZ had previously projected that the Nelson Urban Area's population was likely to grow by 9.95% in the ten years between 2013 and 2023, meaning it was classified as 'medium growth', according to the NPS-UDC, falling just below the ten percent threshold defining 'high growth' urban areas.

The 2018 Census results are expected in late September 2019. There has been a delay in releasing these and consequently a knock on effect on the release of sub-national population projections. These are now expected in 2020. As a consequence, both councils intend to commission their own bespoke population projections in November 2019.

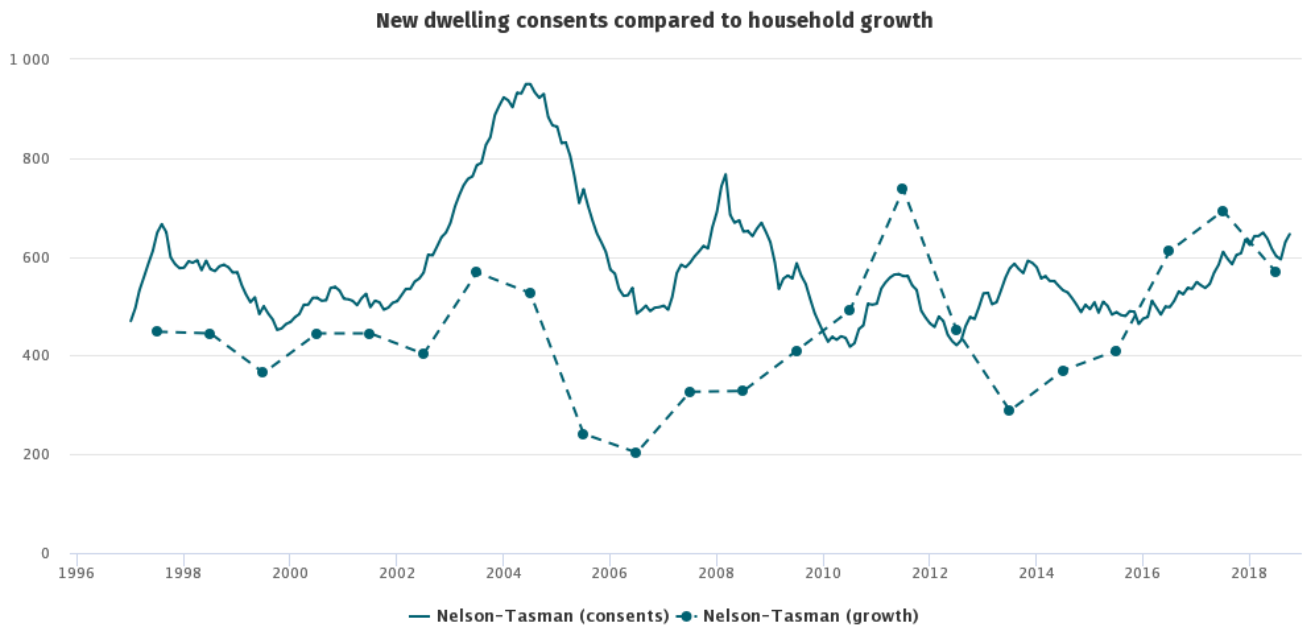
Residential Development Trends

Market Indicators

The purpose of monitoring the market indicators is to support analysis and understanding of local housing markets by local authorities and support implementation of the NPS-UDC.

1. Demand and Supply

Over the last two decades, Nelson and Tasman have generally had sufficient new housing to meet population and household growth (Graph 1). However, demand outstripped combined supply of both regions around 2011, when both regions experienced population growth following the Canterbury earthquakes, and again in 2016 - 2017. In 2018 for the two regions overall, housing supply is meeting demand. It is unclear whether this is due to an increase in building consents (supply) or a decrease in households, due to insufficient census data currently available.



Graph 1. New dwelling consents compared to household growth – Nelson-Tasman Regions Combined.

In reality there are a number of market dynamics involved that affect the supply of housing, including cost of infrastructure, financing packages for low income home owners, the market’s limited provision of smaller housing, timing of release of land by developers/owners, and building costs.



Graph 2. New dwelling consents compared to household growth – Nelson City



Graph 3. New dwelling consents compared to household growth –Tasman District

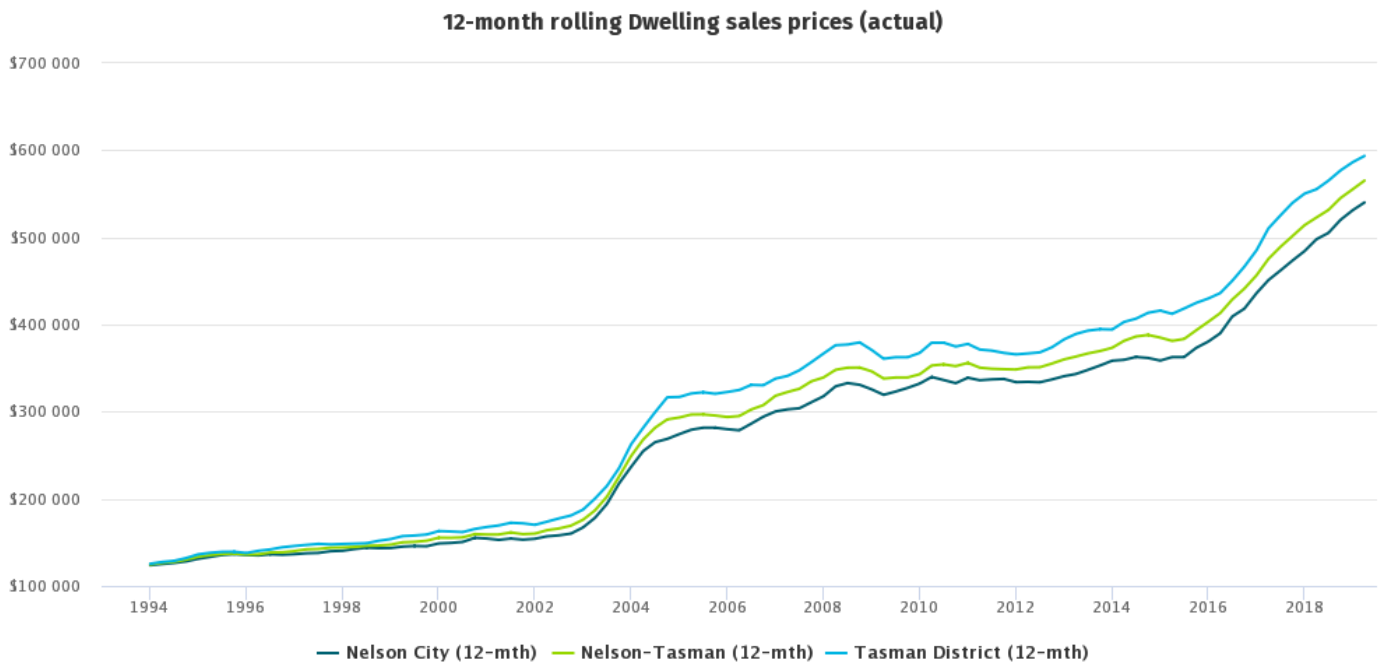
Household growth is used within the MHUD dashboard as a proxy for determining demand. It is calculated from the estimated resident population, divided by the local average household size. The actual resident population and household numbers are confirmed after each Census. Previous Census’s have resulted in revisions of Nelson’s population estimates by +/- 4% and Tasman’s by +/- 2%.

The number of new dwelling consents is used within the dashboard as a proxy for determining supply. Both sets of data for supply and demand are sourced from Statistics New Zealand (presented as a 12 month rolling average), with a lag of six months for building consents to account for the time taken from consenting to completion.

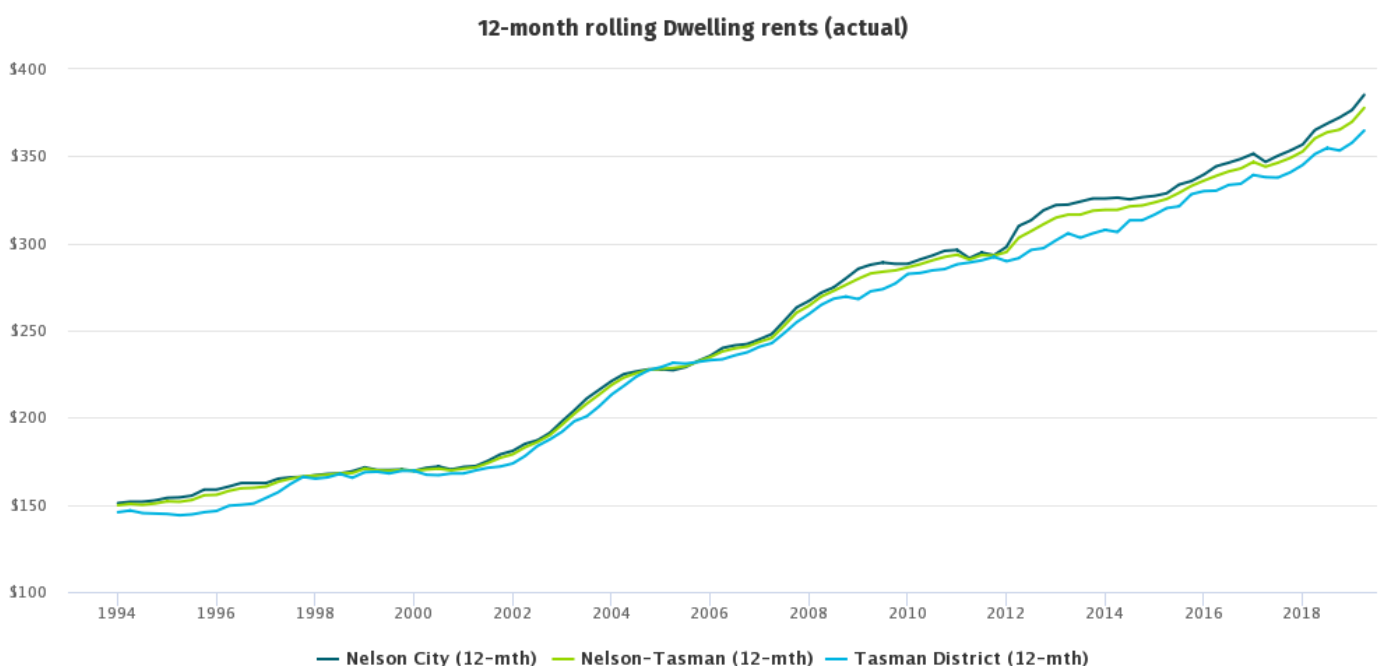
Prices and Rents

House prices continue to increase relatively strongly in both Nelson and Tasman (Graph 4). The median sale price for the year ended March 2019 was \$540,083 in Nelson and \$593,500 in Tasman. Compared with March 2018, house prices have increased 8.5% in Nelson and 6.9% in Tasman. Compared with five years ago, since March 2014 median house prices in both regions have increased by almost 50%.

Residential rents continue to increase at a slower rate than house prices over time (Graph 5). This increase may suggest that there is a shortfall in rental properties.



Graph 4: Dwelling sales prices – actual, rolling average, Nelson-Tasman combined, Nelson City, Tasman District



Graph 5: Dwelling rents – actual, rolling average, Nelson-Tasman combined, Nelson City, Tasman District

Ministry of Social Development’s Housing Register

As at June 2019, the number of applicants on MSD’s Housing Register is 142 for Nelson and 94 for Tasman. The numbers in both regions have more than doubled since two years ago. The Housing Register represents applicants not currently in public housing who have been assessed as eligible, and who are ready to be matched to a suitable property.

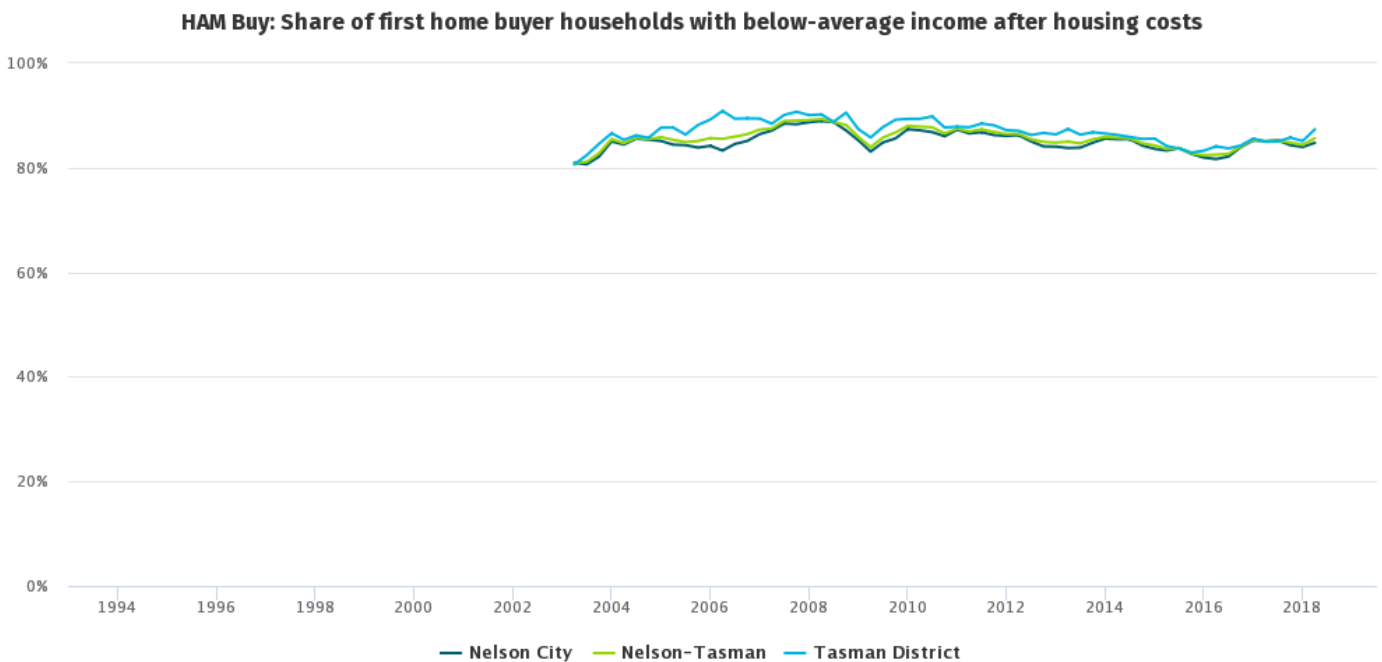
2. Housing Affordability

MBIE Housing Affordability Measures

The MBIE derived Housing Affordability Measures (HAM), HAM Buy and HAM Rent, measure trends in affordability of house prices and rents relative to income. The HAM uses data on household incomes of rental households, house prices, and rents. The HAM is designed to map shifts in affordability over time, showing whether there are more or fewer households that have more or less income left over after paying for their housing costs.

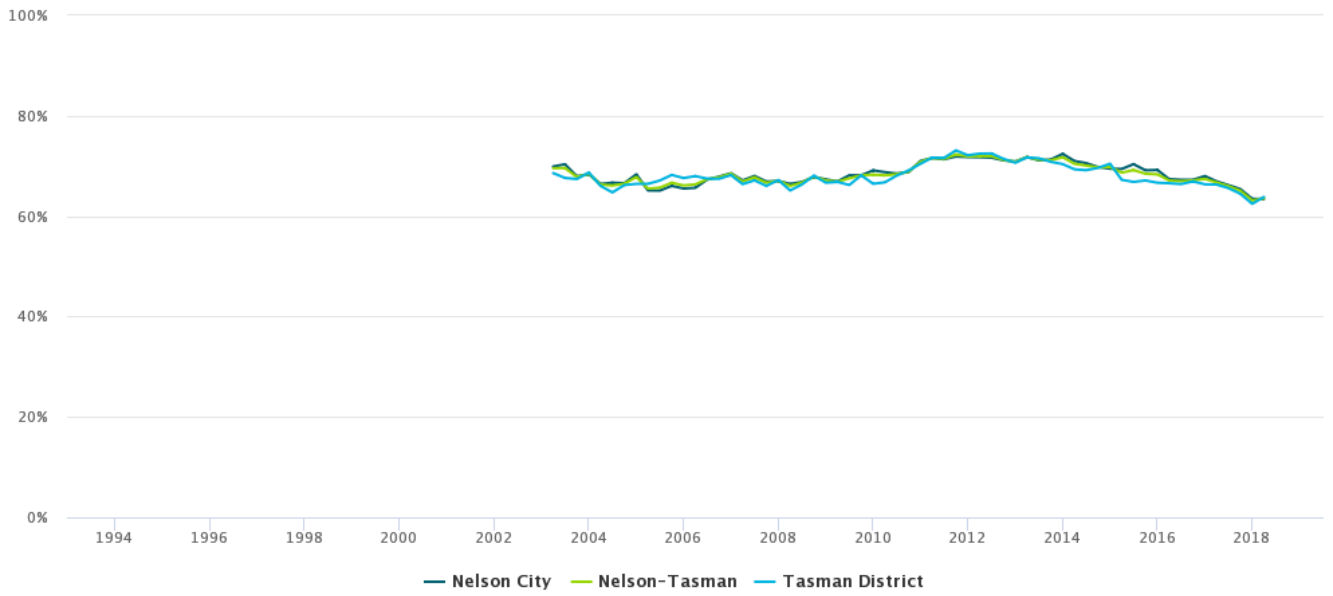
The measure indicates that for the year to March 2018, 84.7% of first-home buyer households in Nelson, and 87.3% for Tasman, could not comfortably afford a typical 'first-home' priced house. This is defined as the lower quartile price point of housing in the area. For both regions, this measure has worsened in the last two years (Graph 6).

The HAM Rent measure for Nelson and Tasman Districts indicates that at March 2018, 63.4% of rental households in Nelson, and 63.5% for Tasman, cannot comfortably afford typical rents, being below the 2013 national affordability benchmark (Graph 7). However, both regions indicate some improvement in this measure over the last five years.



Graph 6: HAM Buy: Share of first-home buyer households below the affordability benchmark, Nelson-Tasman combined, Nelson City, Tasman District

HAM Rent: Share of renting households with below-average income after housing costs



Graph 7: HAM Rent: Share of renting households below the affordability benchmark, Nelson-Tasman combined, Nelson City, Tasman District

Massey University Aggregate Home Affordability Index

HOME AFFORDABILITY INDEX				PERCENTAGE CHANGE IN HOME AFFORDABILITY IN THE LAST 12 MONTHS		PERCENTAGE CHANGE IN HOME AFFORDABILITY IN THE LAST 3 MONTHS	
Region	May 2018	February 2019	May 2019	Improvement	Decline	Improvement	Decline
Northland	22.5	22.6	20.0	11.0%		11.6%	
Auckland	34.0	32.8	31.7	6.9%		3.3%	
Waikato	22.8	22.8	22.1	3.1%		3.0%	
Bay of Plenty	26.4	24.5	24.0	8.9%		1.9%	
Gisborne	14.1	18.2	20.4		44.1%		11.7%
Hawke's Bay	19.3	19.8	18.5	4.5%		6.9%	
Manawatu/Whanganui	13.7	15.0	13.9		1.2%	7.6%	
Taranaki	13.6	14.0	13.1	4.1%		6.6%	
Wellington	22.0	23.5	21.6	2.0%		8.2%	
Tasman	29.7	27.2	27.4	7.9%			0.5%
Nelson	22.6	24.8	25.1		11.0%		1.3%
Marlborough	21.2	20.2	19.5	7.8%		3.6%	
West Coast	9.7	8.2	7.5	22.5%		8.6%	
Canterbury	19.1	18.5	17.6	7.9%		5.1%	
Otago	20.3	20.1	20.0	1.8%		0.6%	
Southland	10.9	12.4	11.4		4.1%	8.1%	
All Regions	23.5	22.5	22.2	5.4%		1.2%	

Table 2: Home Affordability Index (Massey University²)

The Massey Home Affordability Index (June 2019) shows that Tasman and Nelson continue to experience affordability challenges. In recent monitoring, Tasman and Nelson are listed separately whereas previously they have been with Marlborough. Similarly, Central Otago Lakes has been separated from the rest of Otago in the past but the region Otago as a whole is now monitored. This change in classifications is apparently due to a response to a change in boundaries of the datasets that Massey University uses.

The effect of this change in datasets means Tasman is now the second least affordable region in the country (behind Auckland) and Nelson is the third.

The index this quarter shows a 0.5% decline in home affordability in the 3 months to the end of June 2019 in Tasman although there has been an improvement of 7.9% over the 12 months to June 2019. For Nelson there has been a 1.3% decline in home affordability in the 3 months to the end of June 2019 and a larger 11% decline over the 12 months to June 2019.

As with the HAM, the Massey Home Affordability Index takes into account the cost of borrowing as well as house prices and wage levels. The mortgage interest rate figures are drawn from Reserve Bank New Zealand data. The Reserve Bank series is based on a 2-year fixed new residential average mortgage interest rate which was revised from 5.08% to 5.05. Unlike the HAM measure, the income data provided directly from Statistics New Zealand is for both renting and owner-occupier households. Housing prices are released by the Real Estate Institute of New Zealand (REINZ).

² Source: Home Affordability Report - Quarterly Survey June 2019

The combination of this data provides the opportunity to calculate a reliable and useful summary index. The lower the index the more affordable the housing. The index allows for comparisons over time and between regions of relative housing affordability in New Zealand.

Council data

In addition to the MBIE data, both Nelson and Tasman councils have additional data on residential development trends that can provide further detail on the type and location of development. The following measures are for the Nelson Urban Area, the parts of Nelson and Tasman that are within the Nelson Urban Area, and for the whole of each District.

3. Building Consents Issued

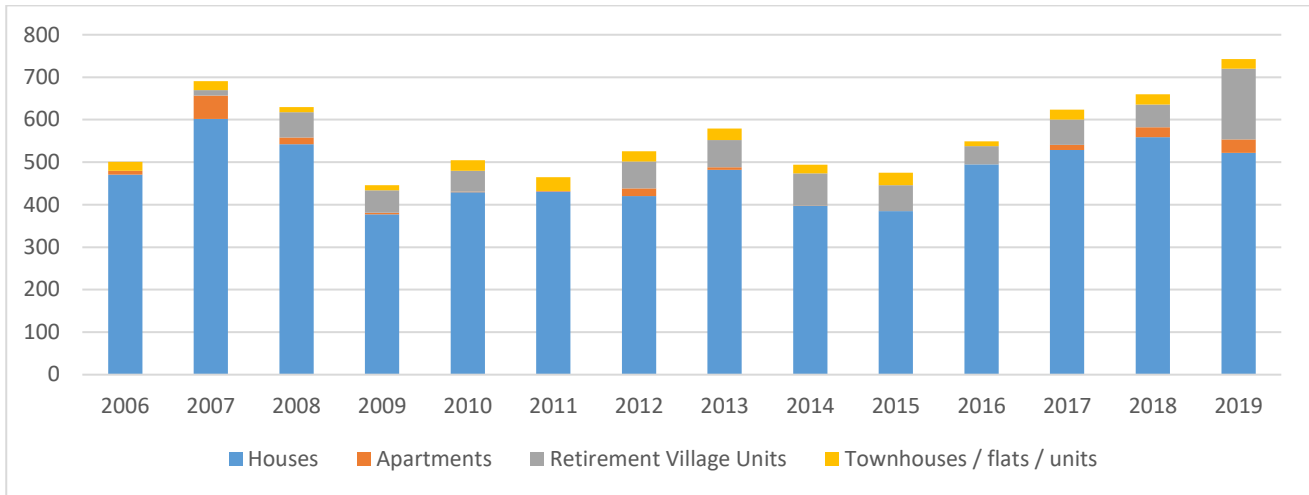
The total number of building consents issued for new dwellings in Nelson and Richmond has increased in recent years. Nelson experienced a relatively high number of consents in the March 2019 quarter, due to a large number of consents associated with a new retirement village. Table 4 details the number of new dwellings granted building consent every quarter over the last 18 months.

	Quarter					
	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
Nelson Urban Area	132	124	112	131	168	106
NCC area units within Main Urban Area	63	75	86	79	122	58
TDC area units within Main Urban Area	69	49	26	52	46	48
NCC – all District	63	75	86	79	122	61
TDC – all District	116	102	76	100	105	114

Table 4. Building consents for new dwellings, actual numbers (Statistics New Zealand³)

In recent years, there has been a trend towards attached dwelling, such as apartments, retirement village units, townhouses, or flats. In the year ended June 2019, 30% of consented new dwellings were attached dwellings, compared with an average of 15% in the previous ten years.

³ Source: Statistics New Zealand Website – Building Consents Issued: June 2018



Graph 7: Building consents for new dwellings, Nelson and Tasman, by type, 2006-2018 (June Year)

4. Yield of Serviced Residential Sites from Residential Zoned Land

Numbers of new sections can vary significantly between quarters, as it is a relatively short period of time to measure. Both Nelson City and Richmond have seen more building consents in the year ending June 2019 than the previous 12 months.

Nelson

Nelson has seen 97 sections created in the June 2019 quarter. On a 12-month basis, there were 221 sections created in the year ending June 2019, compared with 154 in the previous year.

New residential titles	Quarter			
	Sep-18	Dec-18	Mar-19	Jun-19
Nelson	65	51	8	97

Tasman

Tasman's figures represent the area units which fall within the Nelson Urban Area only which essentially are Richmond and Hope. Richmond and Hope saw 65 sections created in the June 2019 quarter. For the year ending June 2019, there were 151 sections created, compared with 137 in the previous year.

	Quarter							
	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
NCC area units within Main Urban Area	38	35	39	42	65	51	8	97
TDC area units within Nelson Urban Area (Richmond/ Hope)	0	64	70	3	39	46	1	65

	Year ended June 2018	Year ended June 2019
Nelson Urban Area	291	372

Table 5: Summary of sections created.

5. Resource Consents for Residential Units

The table below shows the number of new residential lots granted subdivision resource consent each quarter over the year to end June 2019.

Residential Lots granted resource consent	Quarter			
	Sep-18	Dec-18	Mar-19	Jun-19
Nelson TDC area units within Nelson Urban Area (Richmond/Hope)	121	327	135	120
	59	21	4	74

The quarters with larger resource consents granted in Richmond reflect the ongoing development at Richmond West – in this period, the Arvida development and the Fields. The spike in resource consents in Nelson in the December 2018 quarter was driven primarily by the Marsden Park development.

Non-residential Development Trends

6. Building Consents Issued for New Buildings – Total Floor Area (m2)

	Quarter					
	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
Nelson Urban Area	9,216	3,933	2264	4817	1521	8813
NCC area units within urban area	2,934	1,700	1227	1168	32	7997
TDC area units within Nelson urban area	6,282	2,233	1037	3649	1489	816
All Nelson City	2,934	1,700	1227	1168	32	7997
All Tasman District	27,578	2,718	7103	9885	4306	3454

Table 5: Summary of non-residential resource consents.

This data is for consents for new buildings that are either commercial buildings, or factories, industrial, and storage buildings, or hotels, motels, boarding houses, and prisons.

7. Yield of Serviced Industrial/Commercial Sites from Industrial/Commercial Zoned Land

The table below shows the number of new commercial lots granted title each quarter over the year to end June 2019 for both Nelson and Richmond (TDC area units within Nelson urban area).

New industrial or commercial titles	Quarter			
	Sep-18	Dec-18	Mar-19	Jun-19
Nelson	3	2	1	10
TDC area units within Nelson urban area	0	0	14	0

8. Resource Consents for Industrial/Commercial Units

The table below shows the number of new commercial and industrial lots granted resource consent each quarter over the year to end June 2019.

Industrial/commercial Lots granted resource consent through subdivision	Quarter			
	Sep-18	Dec-18	Mar-19	Jun-19
Nelson	0	4	0	2
TDC area units within Nelson urban area	18	0	0	0

Price Efficiency Indicators

Central Government has not updated the price efficiency indicators (price-cost ratio, land ownership concentration, rural-urban land value differentiation and the industrial zone differentiation) since 2018. MHUD has advised that once the revised NPS-UDC comes into force next year, they will do a full dashboard re-fresh, which will include fixing some technical issues, improving usability and potentially re-looking at the measures. We have therefore been advised to exclude them from this monitoring report.