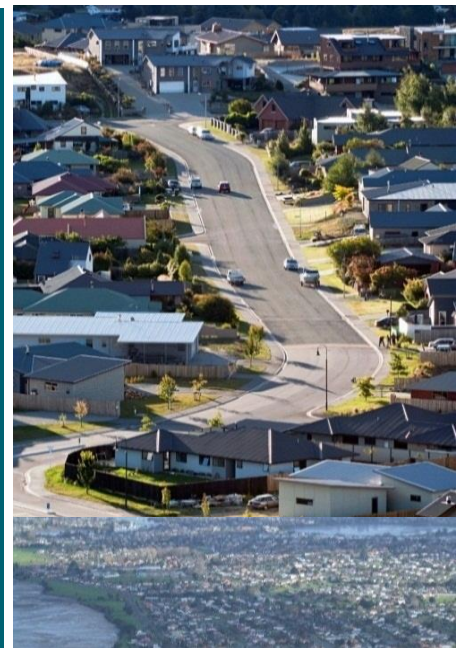


New Zealand

# Housing and Construction Quarterly

September 2015



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

The report is available at:  
<http://www.mbie.govt.nz/info-services/housing-property/sector-information-and-statistics/new-zealand-housing-and-construction-quarterly-nzhcq>

## Highlights

This quarter our focus is on the Christchurch and Auckland housing market.

### Christchurch housing market turning a corner

The Christchurch housing market is beginning to show signs of stabilising. Residential building consents and rents have been falling for three consecutive quarters and the Massey Affordability Index for Canterbury has been improving during this time.

### Auckland's housing market growth stabilises

Since December 2014 the upward trend in Auckland house values has continued but the rate at which it is rising has stabilised. Rent and house values are still growing rapidly by historical standards, but the rate of growth in the cost of houses and rent prices is no longer increasing.

### Immigration and the Auckland housing market

In our feature page this quarter we look at net migration into Auckland and how it affects the Auckland housing market.



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HIKINA WHAKATUTUKI



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## Christchurch housing market turning a corner

In previous publications, we had noted that building consents and rents had stabilised in Greater Christchurch. The trend in Greater Christchurch rents has now been falling for three consecutive quarters (Figure 5), as has the trend value for residential building consents (Figure 16). The housing affordability numbers show a similar story - the trend in the Massey Affordability Index for Canterbury has been essentially constant for three quarters (Figure 10), and the trend in the Rental Affordability Index has been improving for three quarters (Figure 11). Synthetic Lower Quartile rents have stopped growing (Figure 23).

House value growth is slower than it has been but house values are still growing (Figure 3). Most of the above indicators are still well above where they were before the earthquake. While house values have increased since the September quarter 2010 at basically the same rate as nationally (around 30%), average rents are 39% higher (compared to 22% nationally) and dwelling consents are 155% higher (compared to 59% nationally).

MBIE forecasts that supply of housing is likely to catch up to demand in Christchurch around mid-2017, slightly earlier than we were forecasting in the March NZHCQ. While Christchurch's housing market still has a long way to go before it reaches a new normal, there are now signs that the market is starting to head in that direction.

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## Auckland's housing market growth stabilises

While Auckland's housing market has not experienced a change as dramatic as Christchurch's, there have been some interesting developments in Auckland over the past three months.

The growth rate in both house values and rents in Auckland stabilised in December 2014. Since then the trend value in house values has grown steadily at 4% per quarter (Figure 3) and the trend value in rents has grown at 2% per quarter (Figure 5). This means that while rents and house values in Auckland are still growing, the growth rates have not increased in six months.

This change in Auckland's market is borne out when examining different sub-markets in Auckland. House value growth in Auckland Central, North Shore, Waitakere and Manukau all stabilised in December 2014 (Figure 6), and rents have been either growing at the same rate, or at a slower rate in Auckland Central, Waitakere and Manukau (Figure 7).

It is important to bear in mind that this is a stabilisation of the growth rates in rents and house values, not a stabilisation of rents or house values themselves. Both house values and rents in Auckland are still growing rapidly by historical standards. One should also bear in mind that this change is very new (only two quarters) and subsequent data may show a return to increasing growth rates. It is nonetheless noteworthy that both of these series stabilised at the same time, and we will monitor further developments in this data.

## Immigration and the Auckland Housing Market

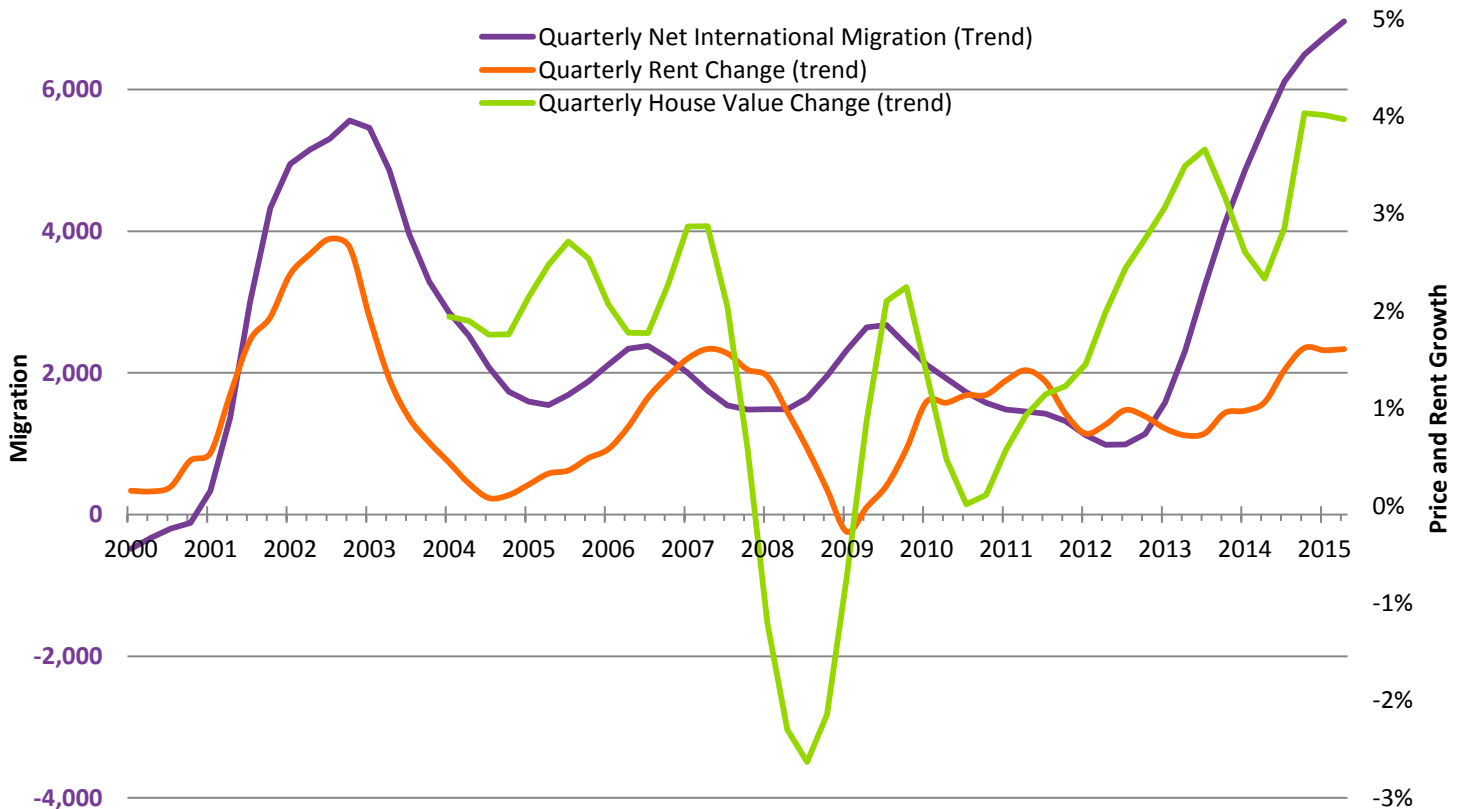
Net migration into New Zealand, and into Auckland specifically, has increased sharply since 2013. This consists of increased permanent and long-term arrivals, as well as lower than usual permanent and long-term departures (Figure 1).

A comparison of migration with growth in rents and house values shows some historical relationship between rents and net migration: rental growth peaked in mid-2002, at the same time net migration was at its height. A relationship is expected as an influx of migrants entering an area could be expected to affect demand for housing and therefore rents.

While we do not have enough data to examine house value growth during the 2002 migration surge, we can compare how house value growth and rent growth changed around December 2012, when net migration started to increase rapidly. Prior to this time, changes in house values had closely followed growth in New Zealand gross domestic product (GDP); from late 2012 Auckland house values grew rapidly while quarterly real per capita GDP growth rates have stabilised or declined. There is a suggestion in the data of net migration and house values moving somewhat together between 2004 and 2010, but both series are also closely related to general economic conditions. In the latest cycle the upward movement in price growth that began in 2010 substantively preceded the upswing in net migration that began in 2013. It is clear that, at most, international migration is only one of many factors that influences house values and rents.

**Figure 1: Auckland Migration, House Value Growth and Rent Growth**

Source: Statistics New Zealand, MBIE and CoreLogic NZ (calculations by MBIE)



**Figure 2: Annual change in values for the June 2015 quarter**

Source: Property IQ

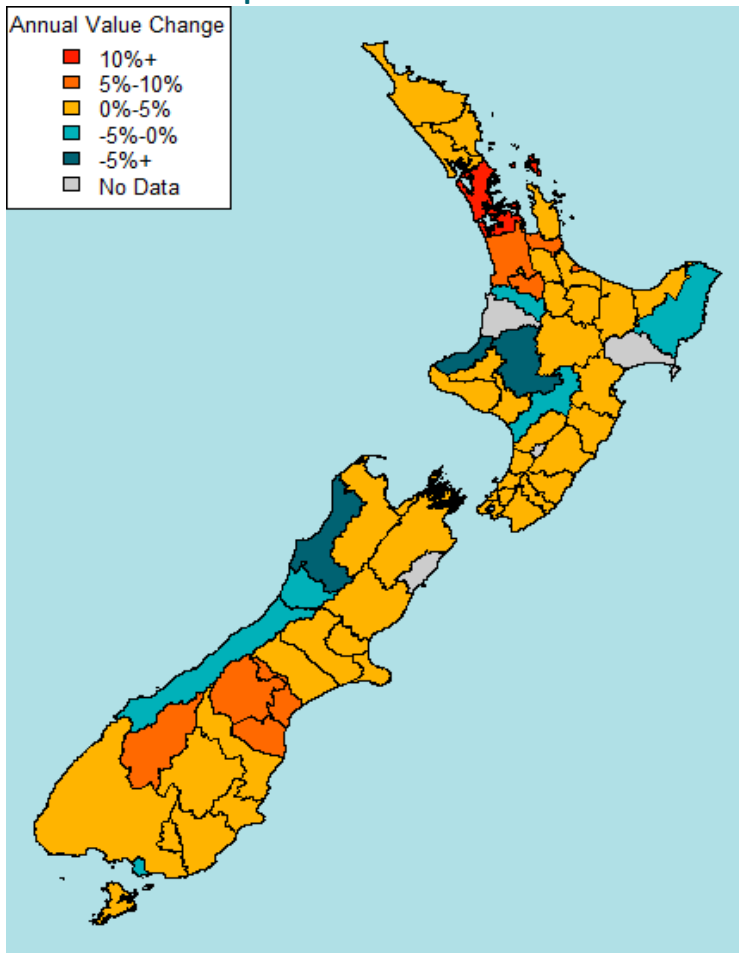


Figure 2 shows the annual change in house values for all regions over the last year. Auckland house prices have grown by over 10% and house prices are falling in other areas such as in Gisborne, Buller and New Plymouth. Most areas are seeing annual value growth of up to 5%.

Figure 3 shows quarterly changes in average house value for Auckland, Christchurch and Wellington. In all three cities, the trend in house values growth has remained constant over the past three quarters.

Auckland house values continue to grow faster than those of Wellington and Christchurch.

**Table 1: House values**

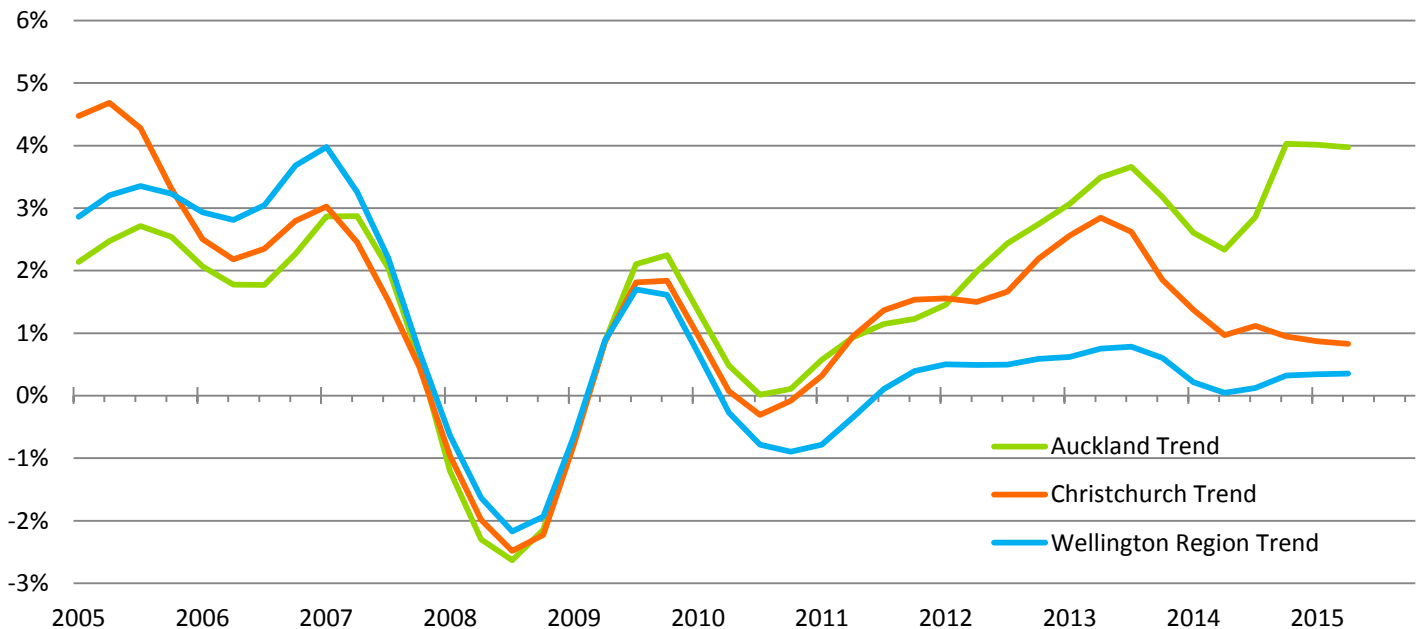
| Quarter           | Average value | Annual change* |
|-------------------|---------------|----------------|
| June 2015         |               |                |
| Auckland          | \$840,000     | ↑ 15.7%        |
| Christchurch      | \$474,000     | ↑ 3.8%         |
| Wellington Region | \$459,000     | ↑ 1.1%         |

\*Change in trend values

The below values are from Core Logic NZ, estimating current market valuation of each property at any time.

**Figure 3: Quarterly change in average house values to June 2015**

Source: CoreLogic NZ (trends by MBIE)



**Figure 4: Annual change in rents for the June 2015 quarter**

Source: MBIE

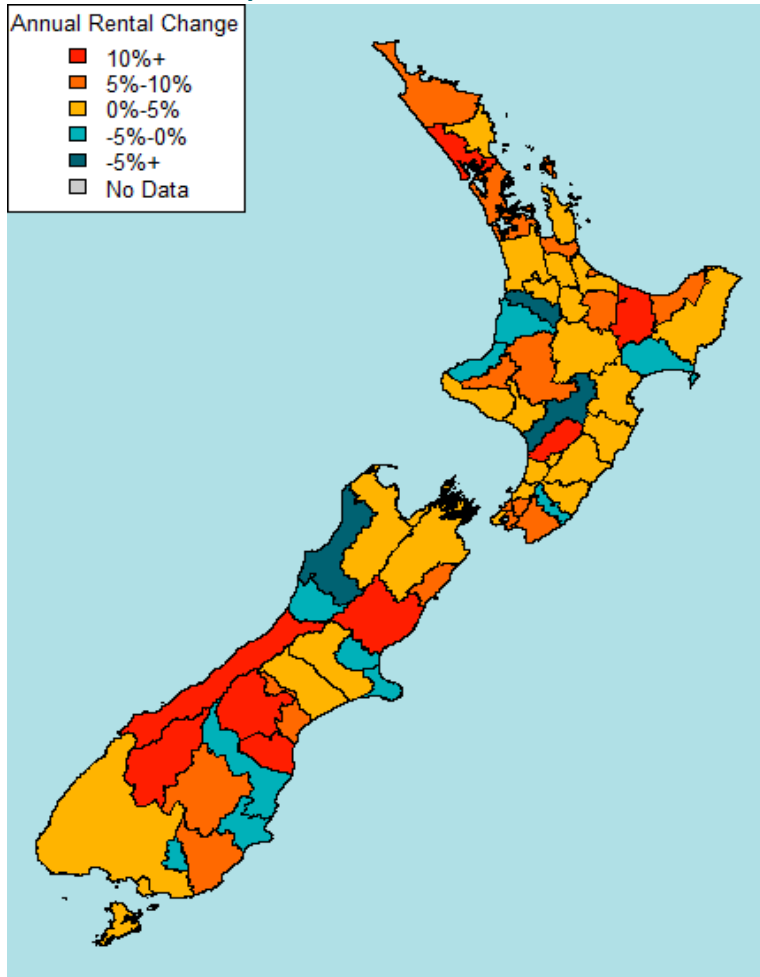


Figure 4 shows the annual changes in average private rents for New Zealand districts. Though rents have been rising modestly on average across the country, some areas have falling rents such as New Plymouth, Waimakariri, Christchurch City and Dunedin City, while others have seen rent increases of over 10%, such as Manawatu, Whakatane and Queenstown-Lakes.

Figure 5 shows the quarterly change in average private rents for selected areas. Auckland rental growth has been high since late 2013, and rents have grown by 6.4% over the past year. Auckland rents are now rising faster than elsewhere in New Zealand and ahead of incomes, a sign that rental supply in Auckland is particularly stretched. Greater Christchurch rents have fallen over the last three quarters and have decreased by 1.3% since June 2014.

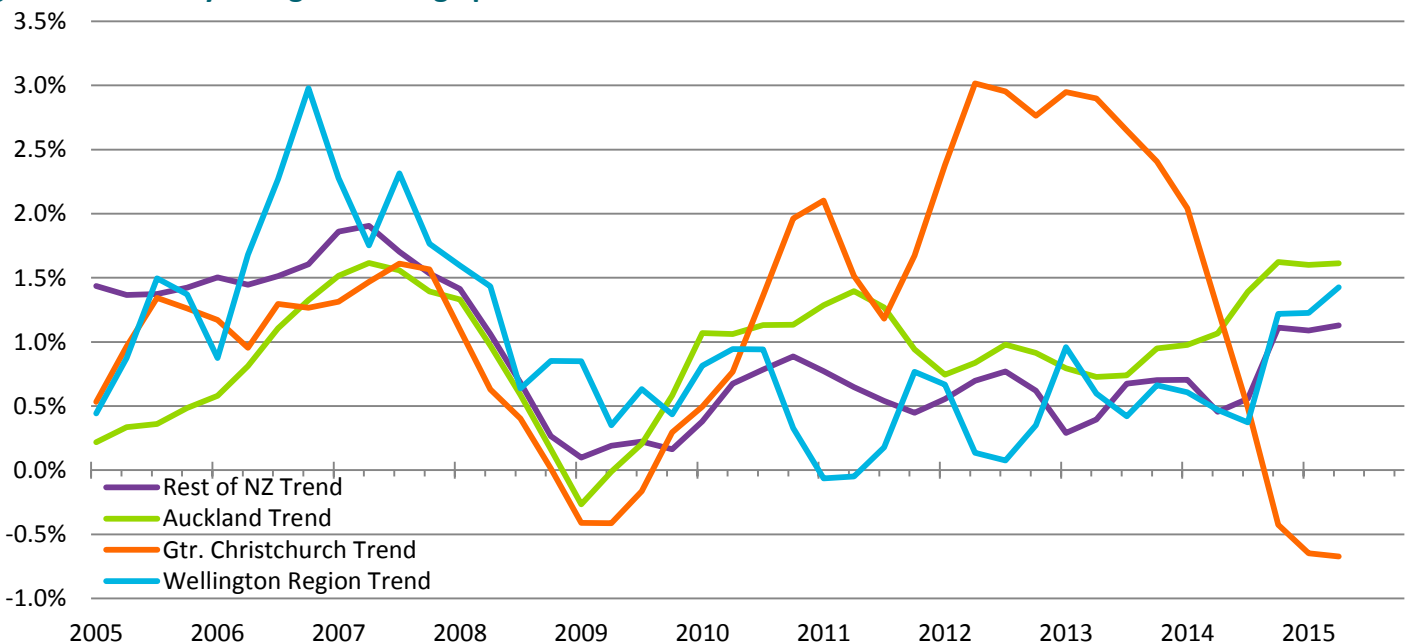
**Table 2: Rent profile**

| Quarter             | Average rent | Annual change* |
|---------------------|--------------|----------------|
| June 2015           |              |                |
| Auckland            | \$488        | ↑ 6.4%         |
| Gtr. Christchurch   | \$411        | ↓ -1.3%        |
| Wellington Region   | \$395        | ↑ 4.3%         |
| Rest of New Zealand | \$302        | ↑ 3.9%         |

\*Change in trend values

**Figure 5: Quarterly change in average private rents to June 2015**

Source: MBIE



**Figure 6: Quarterly change in average house values to June 2015**

Source: CoreLogic NZ (trends by MBIE)

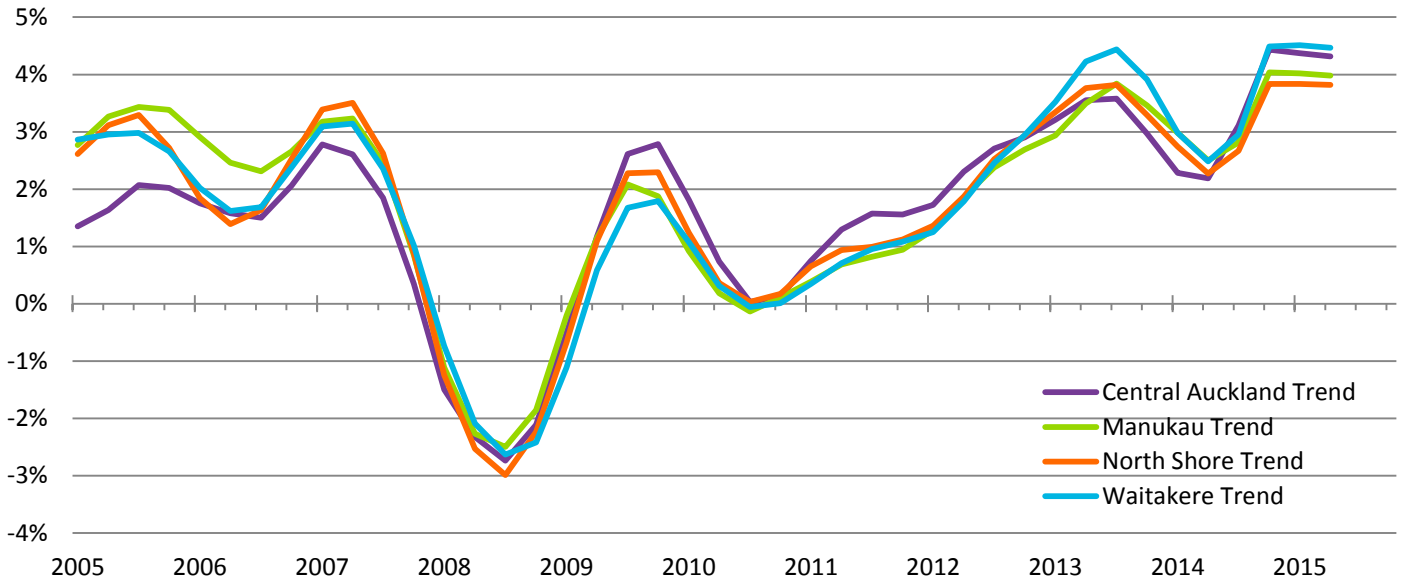


Figure 6 shows the quarterly change in average house values across four parts of the Auckland region. The subregions of Auckland are closely following each other, indicating that current price pressures are Auckland-wide in nature, indicative of a generalised shortfall of supply relative to demand across Auckland. Central Auckland now has an average house value of over \$1 million, and is still rising relatively fast.

Figure 7 shows the quarterly change in average private rents across various regions within Auckland. Over the last two quarters rents within Auckland have diverged: the trend in rents for the North Shore is upwards, while there is a downwards trend for Waitakere and Manukau. In Central Auckland rental growth has been stable.

**Table 3: Auckland prices and rents**

| Quarter          | Average value | Annual change* |
|------------------|---------------|----------------|
| June 2015        |               |                |
| Central Auckland | \$1,003,000   | ↑ 17.2%        |
| Manukau          | \$699,000     | ↑ 15.7%        |
| North Shore      | \$988,000     | ↑ 14.9%        |
| Waitakere        | \$670,000     | ↑ 17.5%        |

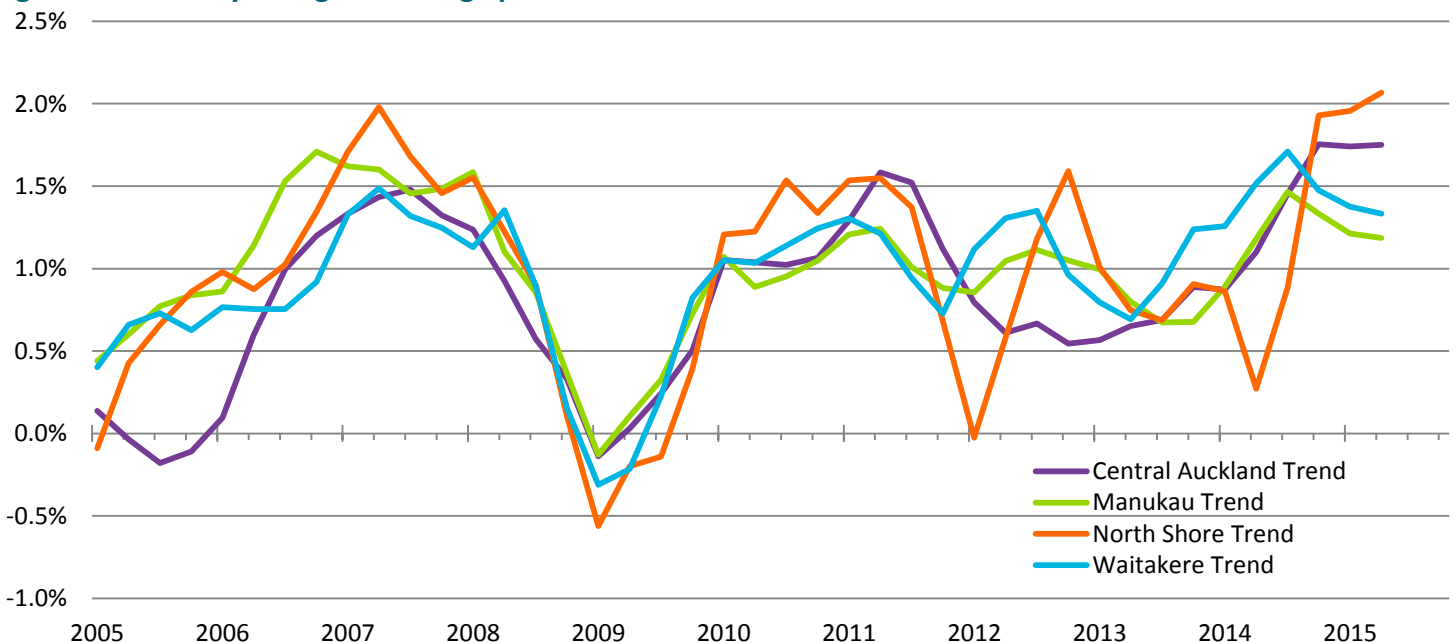
  

| Quarter          | Average rent | Annual change* |
|------------------|--------------|----------------|
| June 2015        |              |                |
| Central Auckland | \$505        | ↑ 6.9%         |
| Manukau          | \$465        | ↑ 5.3%         |
| North Shore      | \$530        | ↑ 7.0%         |
| Waitakere        | \$441        | ↑ 6.0%         |

\* change in trend values

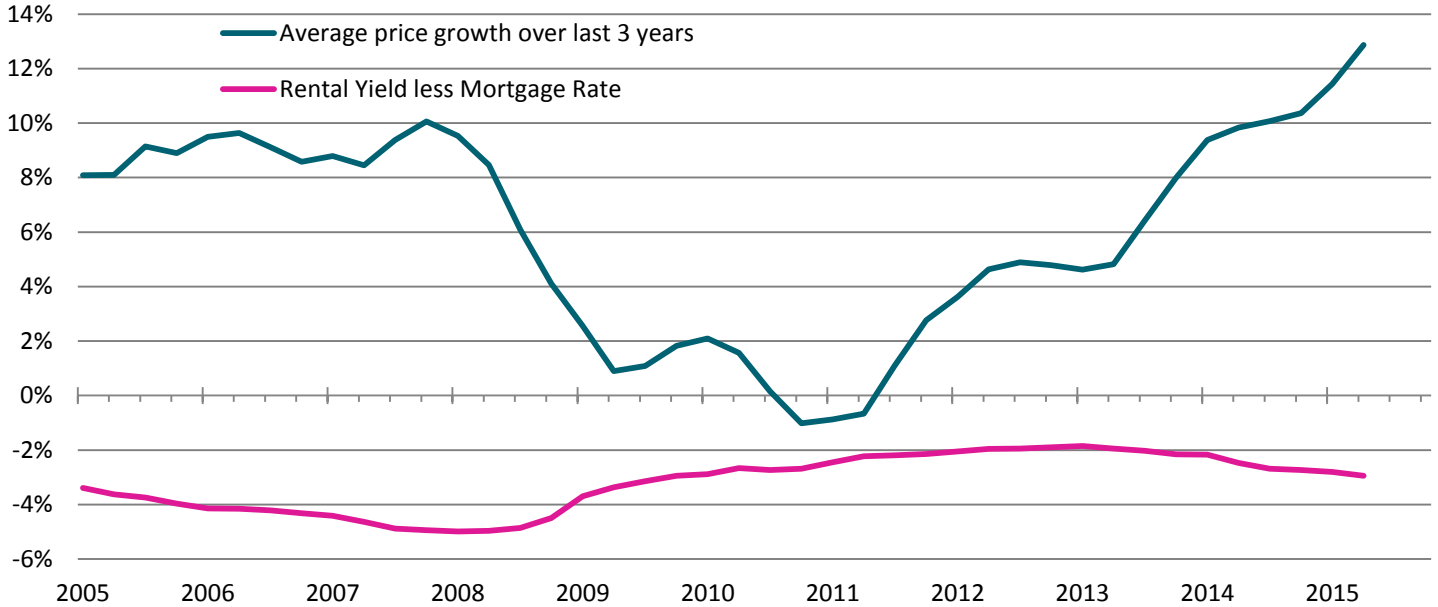
Source: MBIE

**Figure 7: Quarterly change in average private rents to June 2015**



**Figure 8: Auckland rental yields vs. price growth**

Source: MBIE, CoreLogic NZ and RBNZ

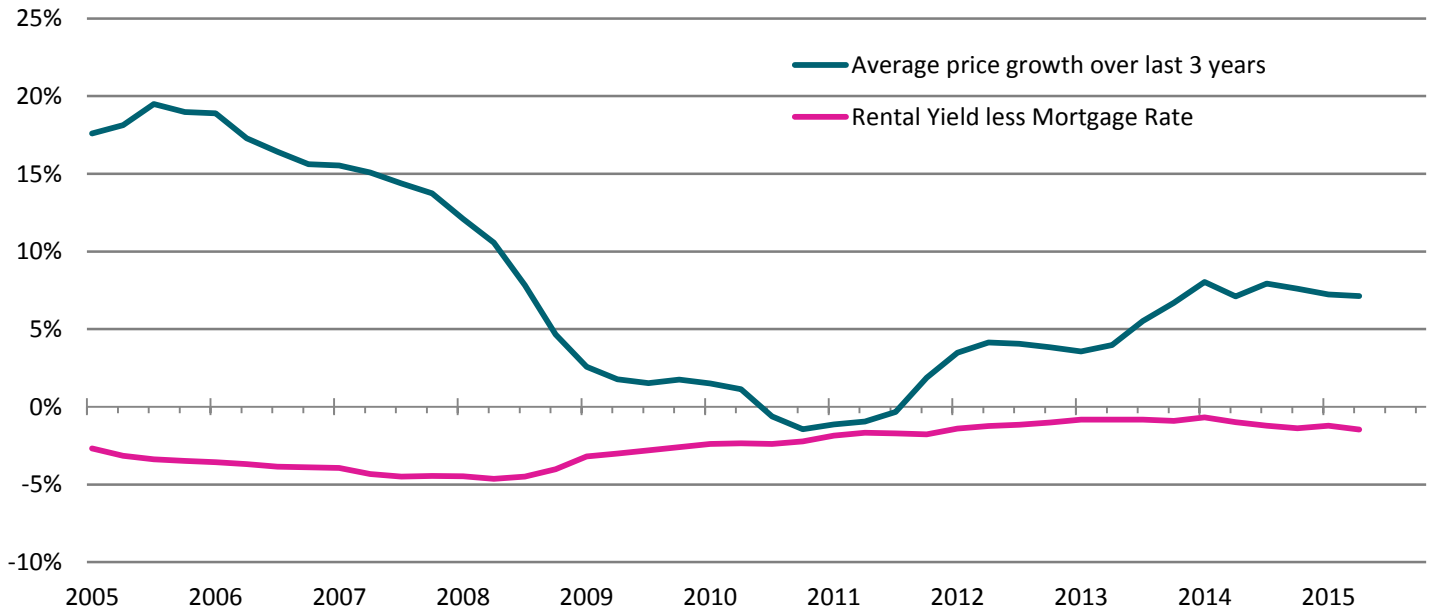


These graphs compare the historical growth of house prices in each region with the difference between rental yield (annual rents divided by prices) and interest rates. The purpose is to compare the price of the housing asset with how well it is performing as an investment (by comparing cash flows to costs of borrowing).

Auckland house price growth has been gradually rising over the last four years, while its rental yield has remained roughly constant. In the June 2015 quarter there is stronger growth in Auckland house prices, while its rental yield is now showing a clear decrease. This suggests that the demand for investment properties is being driven by expected future price increases and not by higher rental income. In contrast, the Christchurch housing market has a fall in price growth along with only a small decrease in its rental yield.

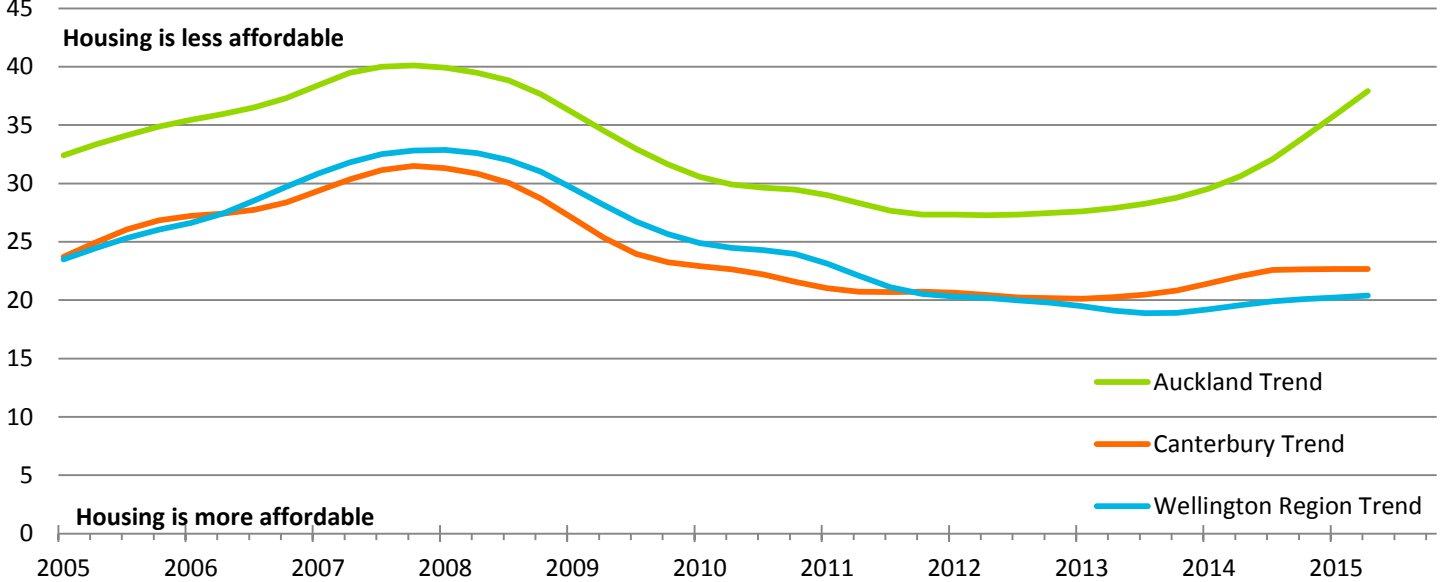
**Figure 9: Christchurch rental yields vs. price growth**

Source: MBIE, CoreLogic NZ and RBNZ



# Housing affordability

**Figure 10: Massey University Housing Affordability Index to June 2015**



In the June 2015 quarter, Auckland housing was 5.5% less affordable. Auckland housing continues to be the least affordable in New Zealand. The gap between Auckland housing affordability and that of Christchurch/Wellington has been widening since 2005.

Rental accommodation in Canterbury has become more affordable since September 2014. In June 2015, rental affordability in Christchurch had improved by 3.7% since June 2014. In contrast, rental affordability in Auckland and Wellington has worsened in the June 2015 quarter, as well as annually, by 4.1% and 2.0% respectively.

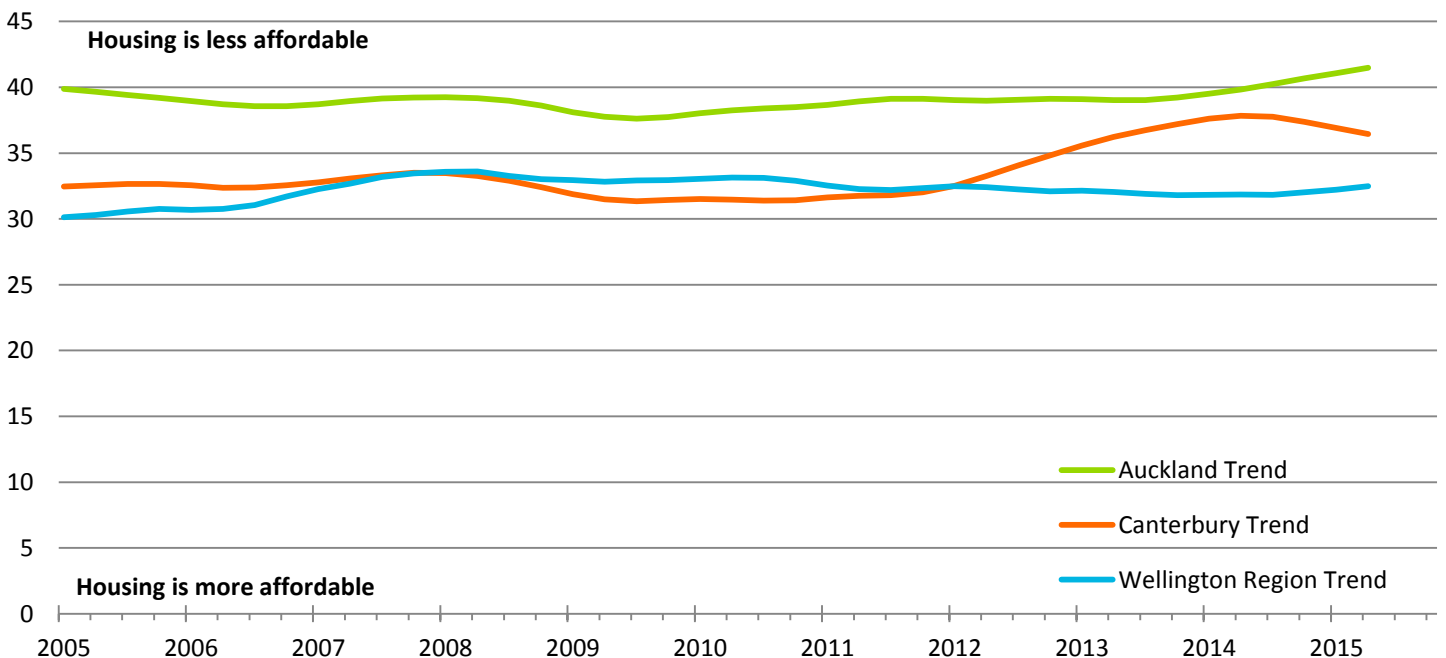
**Table 4: Housing Affordability (quarter)**

| Massey affordability June 2015 | 3-month change* | 12-month change* |
|--------------------------------|-----------------|------------------|
| Auckland                       | ↑ 5.5%          | ↑ 23.8%          |
| Canterbury                     | ↓ -0.1%         | ↑ 2.6%           |
| Wellington Region              | ↑ 0.7%          | ↑ 4.1%           |
| Rental affordability June 2015 | 3-month change* | 12-month change* |
| Auckland                       | ↑ 1.0%          | ↑ 4.2%           |
| Canterbury                     | ↓ -1.3%         | ↓ -3.7%          |
| Wellington Region              | ↑ 0.8%          | ↑ 2.0%           |

\* change in trend values

**Figure 11: Rental Affordability Index to June 2015**

Source: MBIE, MSD (MBIE calculations)





**Figure 12: Quarterly mortgage credit (\$b)**

Source: RBNZ

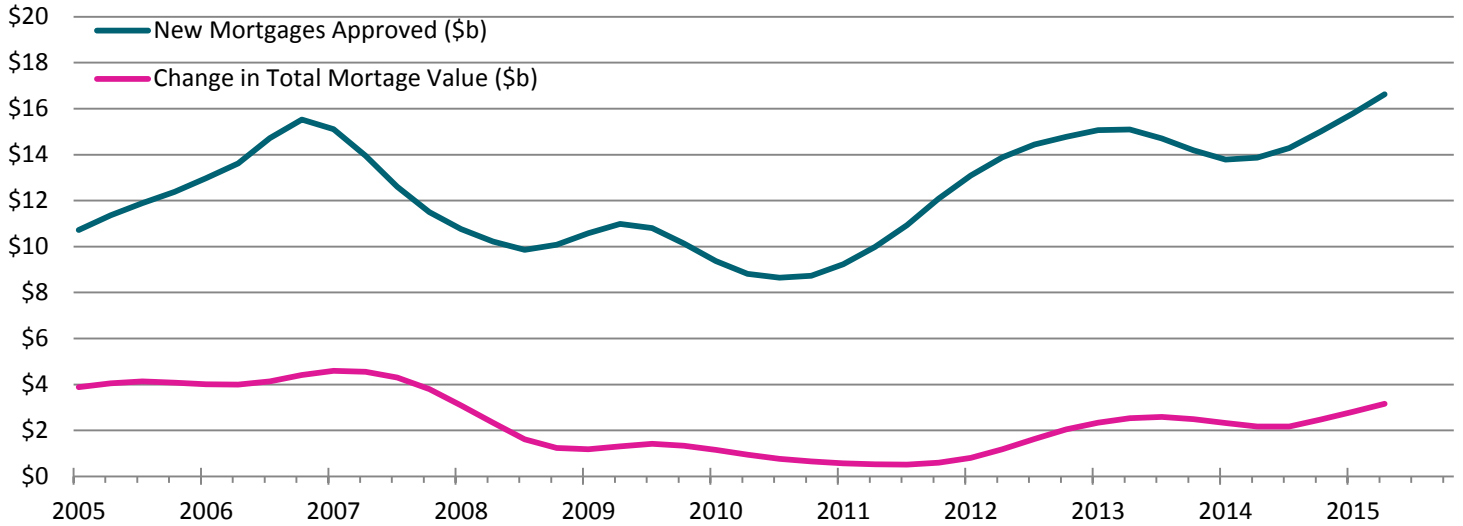


Figure 12 compares the value of mortgage approvals with the change in mortgage lending. New approvals are growing faster than the change in total mortgage value, implying new mortgages are becoming a larger part of total mortgage value. While net mortgage credit is growing, it is still below historic highs and mortgage repayments are also growing.

Figure 13 shows that Auckland house price growth (not absolute house prices) is similar to some of the major cities in Australia, particularly Sydney. Over the last three quarters the Australian major cities have shown a similar slight downward trend while Auckland house price growth has moved in the opposite direction. More future data is needed to determine whether they are beginning to diverge.

**Table 5: Mortgage credit**

| quarter                        | \$b    |
|--------------------------------|--------|
| June 2015                      |        |
| New mortgages approved         | \$16.6 |
| Change in total mortgage value | \$3.2  |

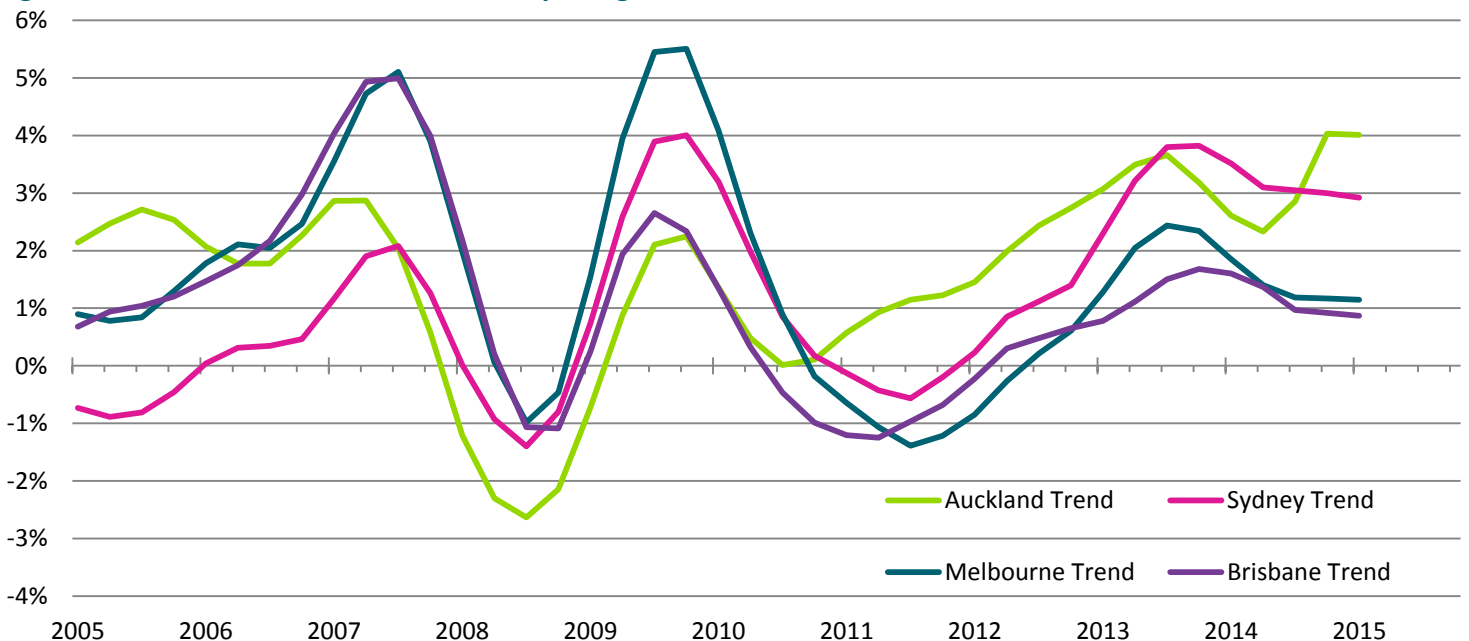
**Table 6: International price comparisons**

| quarter    | Quarterly change* | Annual change* |
|------------|-------------------|----------------|
| March 2015 |                   |                |
| Auckland   | ↑ 4.0%            | ↑ 15.7%        |
| Sydney     | ↑ 2.9%            | ↑ 12.6%        |
| Melbourne  | ↑ 1.1%            | ↑ 5.0%         |
| Brisbane   | ↑ 0.9%            | ↑ 4.2%         |

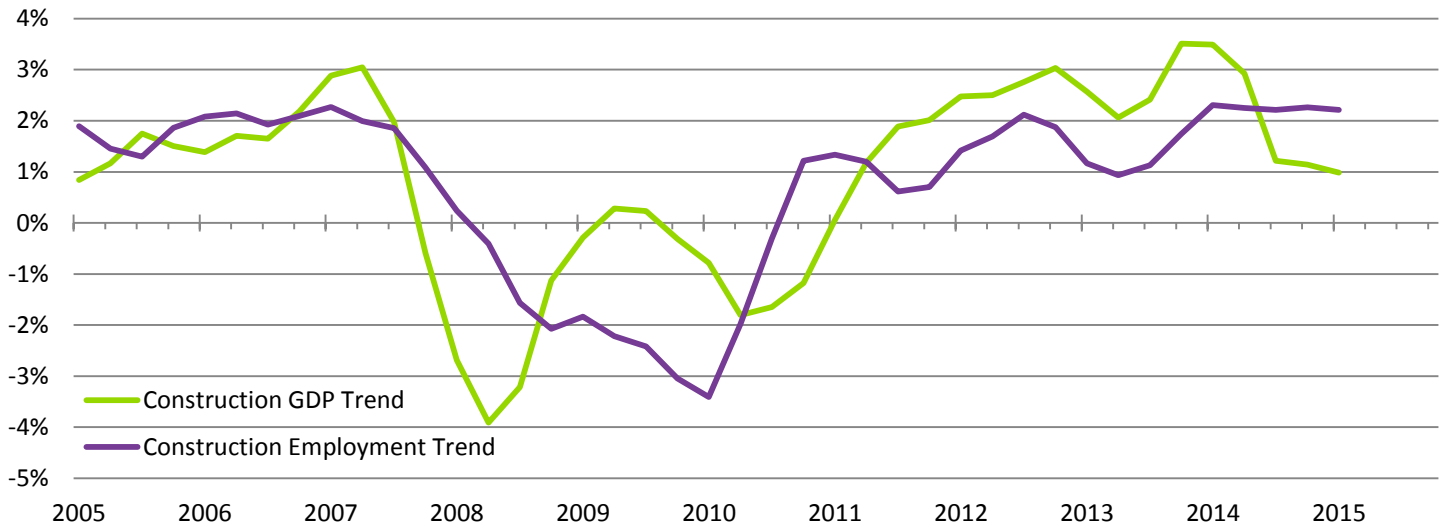
\* Change in trend values

Source: Australian Bureau of Statistics, CoreLogic NZ

**Figure 13: Auckland vs. Australian house price growth**



**Figure 14: Quarterly employment and real GDP growth to March 2015**



Source: Statistics New Zealand, trends by MBIE

Figure 14 shows that construction sector GDP growth is falling, if more gradually than the sharp drop it experienced in 2014. Given that construction activity is at an all-time high, this may reflect the industry meeting capacity constraints.

*No new data has been released this quarter therefore this section remains unchanged.*

Figure 15 shows that costs have been rising for both residential and non-residential construction. These increases are significant considering general price change has been close to zero over the past year (for example the Consumer Price Index has increased by 0.1% since March 2014).

**Table 7: Construction GDP and employment**

| quarter    | Quarterly change* | Annual change* |
|------------|-------------------|----------------|
| March 2015 |                   |                |
| GDP        | ↑ 1.0%            | ↑ 9.2%         |
| Employment | ↑ 2.2%            | ↑ 6.4%         |

\* Change in trend values

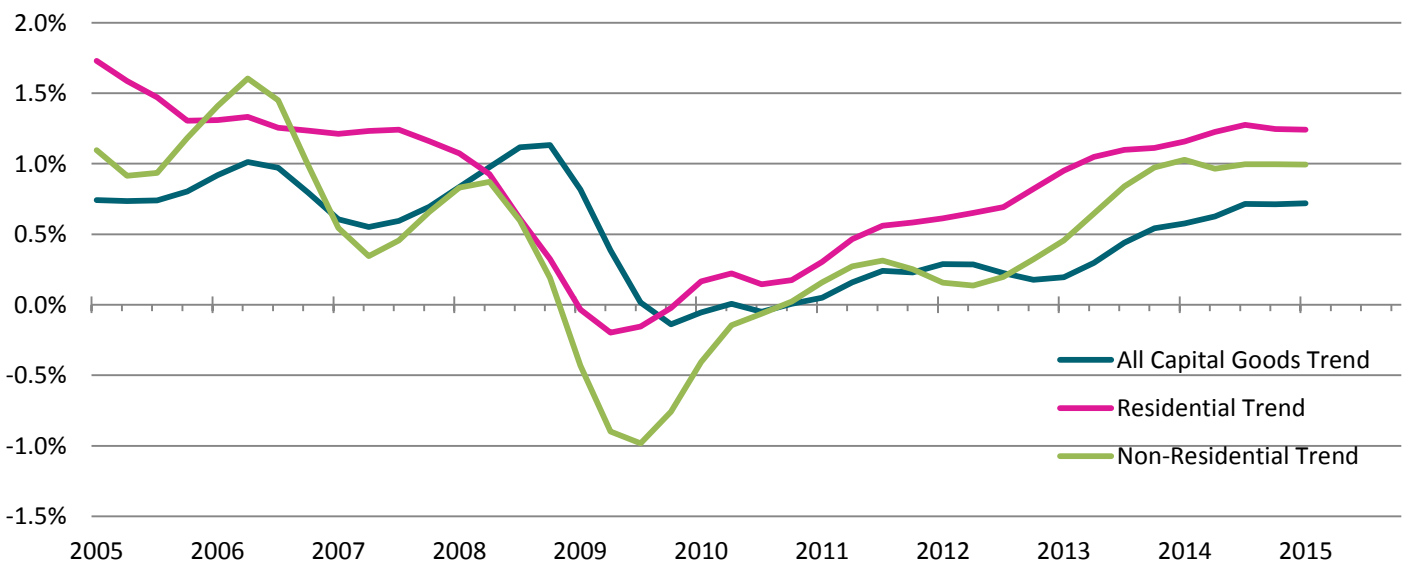
**Table 8: Construction cost growth (CGPI)**

| quarter         | Quarterly change* | Annual change* |
|-----------------|-------------------|----------------|
| March 2015      |                   |                |
| Residential     | ↑ 1.0%            | ↑ 4.1%         |
| Non-residential | ↑ 0.7%            | ↑ 2.8%         |

\* Change in trend values

**Figure 15: Quarterly change in Capital Goods Price Index**

Source: Statistics New Zealand, trends by MBIE



**Figure 16: New dwellings consented to June 2015**

Source: Statistics New Zealand, trends by MBIE

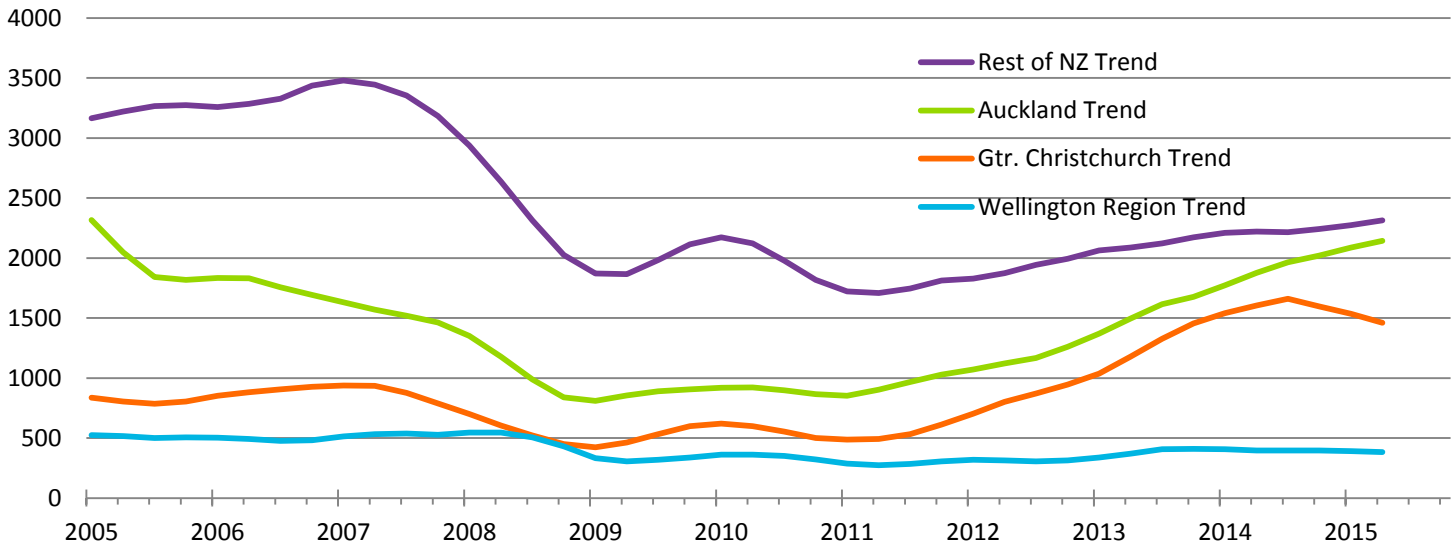


Figure 16 shows that consent volumes for areas outside of Auckland and Greater Christchurch are largely flat. Auckland consents are still growing, but not as quickly as they were from mid-2012 to mid-2014. Greater Christchurch residential consents has had a decrease of almost 3% in the June 2015 quarter and has fallen by almost 9% since June 2014.

Figure 17 shows that residential alterations and additions in Auckland continued its upward trend in June 2015, although alterations and additions in Greater Christchurch declined over the same period.

**Table 9: Residential construction (quarter)**

| Dwellings consented: June 2015 | Dwelling consents | Annual change* |
|--------------------------------|-------------------|----------------|
| Auckland                       | 2267              | ↑ 14.3%        |
| Gtr. Christchurch              | 1363              | ↓ -8.9%        |
| Wellington Region              | 358               | ↓ -3.6%        |
| Rest of New Zealand            | 2337              | ↑ 4.1%         |

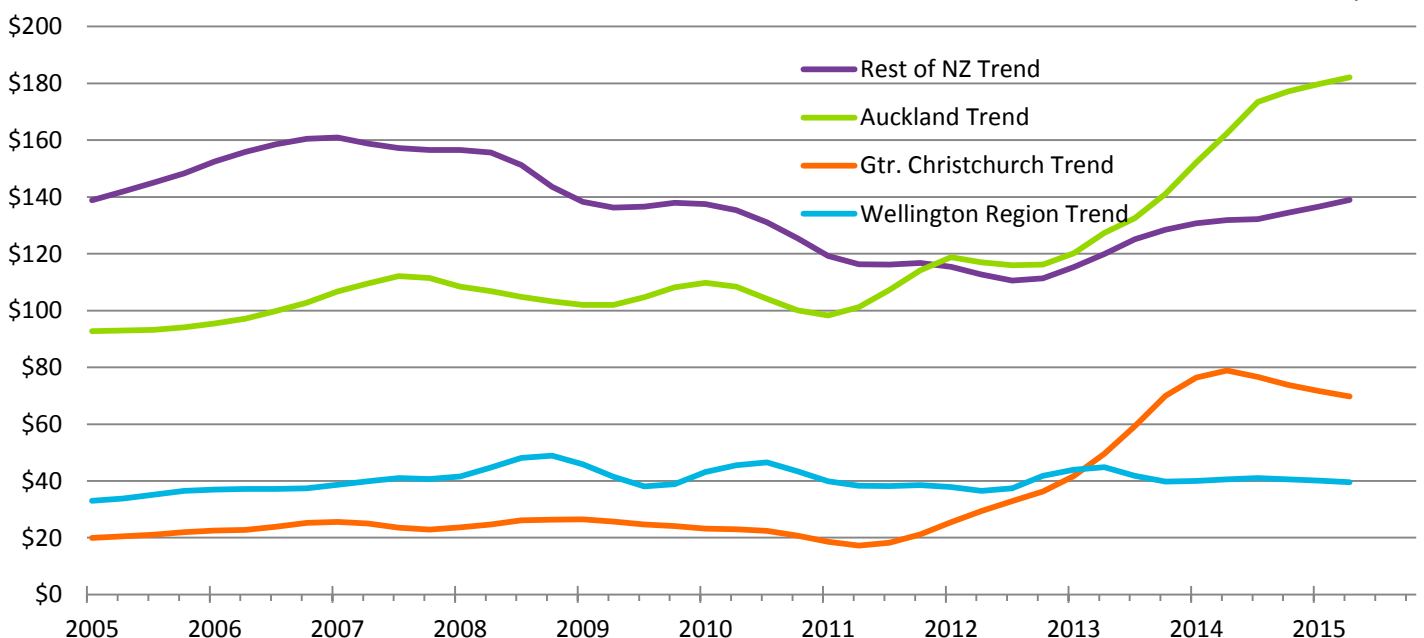
  

| Alterations & additions: June 2015 | \$m   | Annual change* |
|------------------------------------|-------|----------------|
| Auckland                           | \$170 | ↑ 12.1%        |
| Gtr. Christchurch                  | \$75  | ↓ -11.6%       |
| Wellington Region                  | \$36  | ↓ -2.5%        |
| Rest of New Zealand                | \$140 | ↑ 5.4%         |

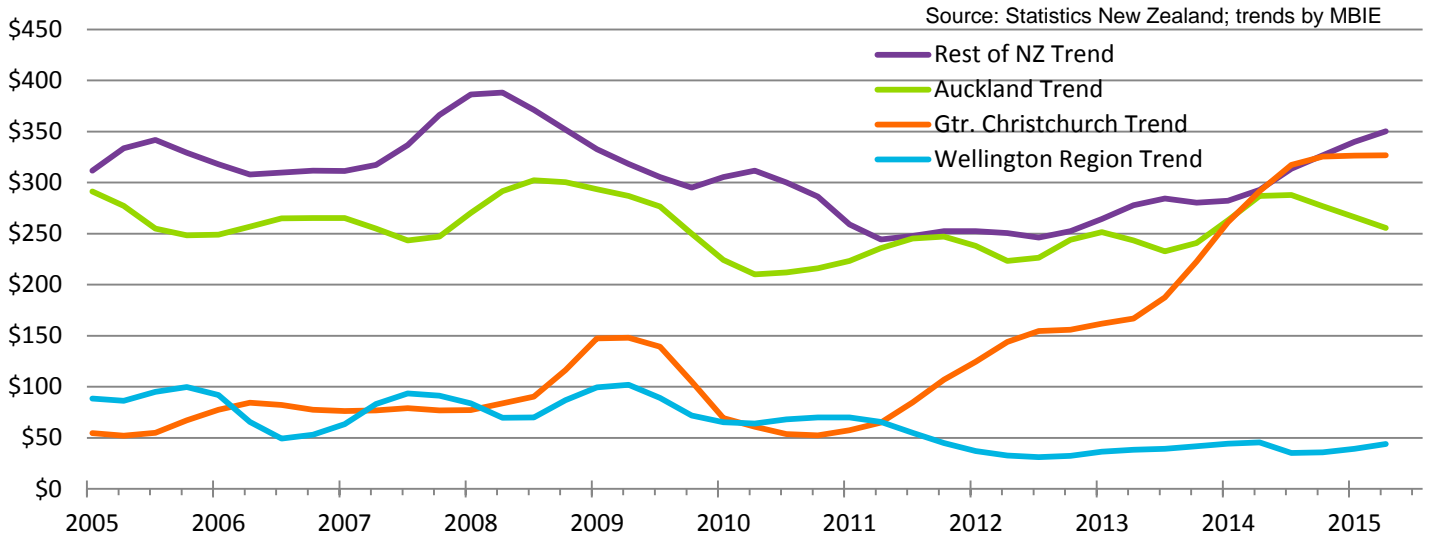
\* Change in trend values

**Figure 17: Value of residential alterations and additions (\$m) to June 2015**

Source: Statistics New Zealand, trends by MBIE



**Figure 18: Value of new non-residential construction consented (\$m) to June 2015**



Between June 2014 and June 2015, the value of new non-residential consents in Auckland has significantly dropped (by 10.9%) while the rest of New Zealand had increased (by 19.6%) during the same period. In contrast, the value of new non-residential alterations and additions in Auckland have significantly increased by 35.1% over this period while in Greater Christchurch alterations and additions and consents have begun to level off over the past three quarters.

**Table 10: Non-residential construction (quarter)**

| New consents:            |       | Annual change* |
|--------------------------|-------|----------------|
| June 2015                | \$m   |                |
| Auckland                 | \$366 | ↓ -10.9%       |
| Gtr. Christchurch        | \$274 | ↑ 12.1%        |
| Wellington Region        | \$308 | ↓ -3.2%        |
| Rest of New Zealand      | \$61  | ↑ 19.6%        |
| Alterations & additions: |       | Annual change* |
| June 2015                | \$m   |                |
| Auckland                 | \$104 | ↑ 35.1%        |
| Gtr. Christchurch        | \$145 | ↑ 4.3%         |
| Wellington Region        | \$47  | ↑ 4.7%         |
| Rest of New Zealand      | \$54  | ↓ -5.5%        |

\* change in trend values

**Figure 19: Value of non-residential alterations and additions (\$m) to June 2015**

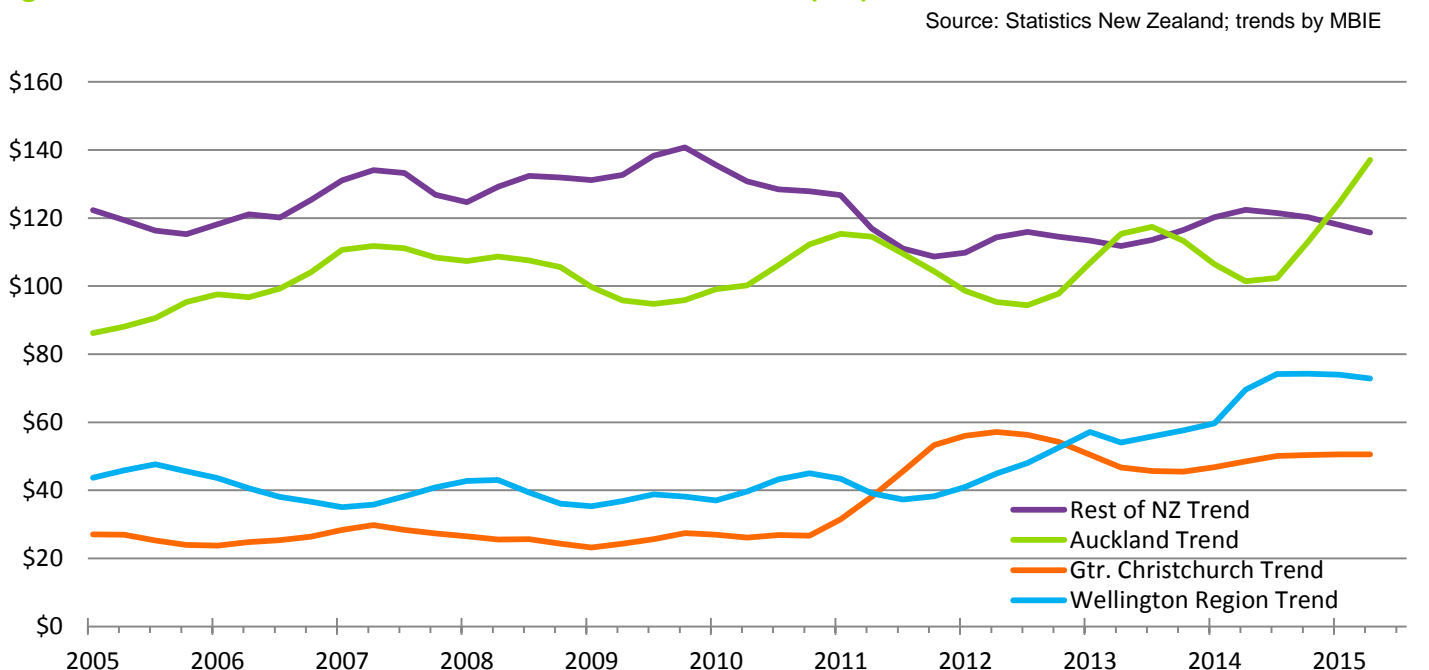


Figure 20: National building work put in place (\$b) to March 2015

Source: Statistics New Zealand

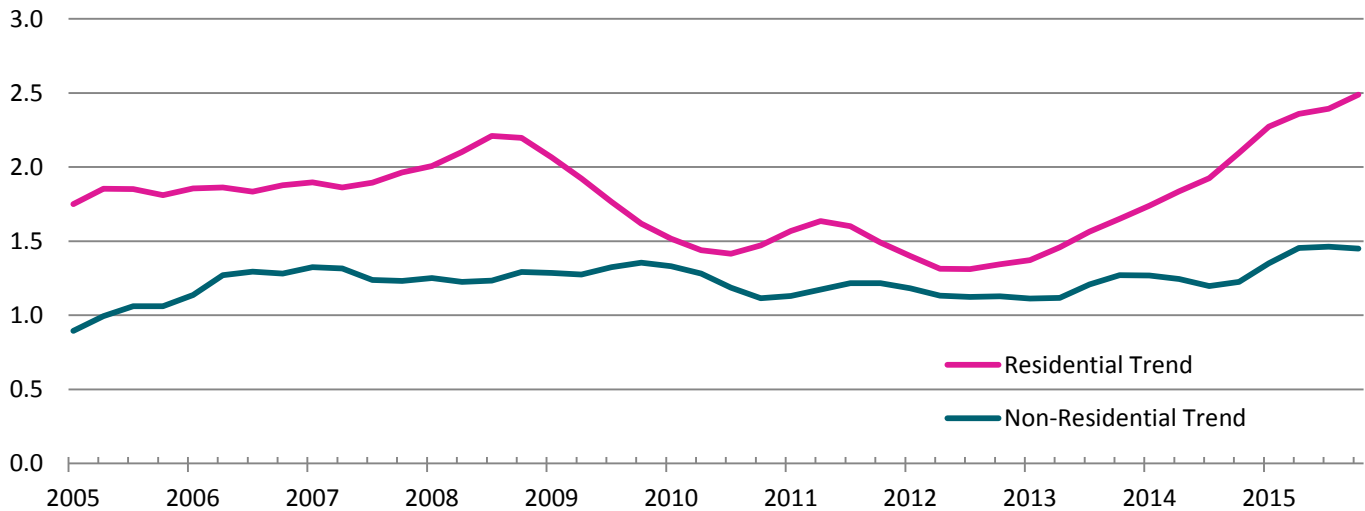


Figure 20 shows that the value of residential building work put in place increased substantially over the year ended March 2015. Over the last two quarters the value of non-residential building work put in place has begun to flatten off.

Note: there is a lag between a consent being issued and its subsequent building work being completed. This means that a rise in building consents will lead to a subsequent rise in building work put in place.

Table 11: Building work put in place

| March 2015 Quarter | \$b   | Annual Change* |
|--------------------|-------|----------------|
| Residential        | \$2.4 | ↑ 10.4%        |
| Non-residential    | \$1.4 | ↑ 8.6%         |

\* Change in trend values

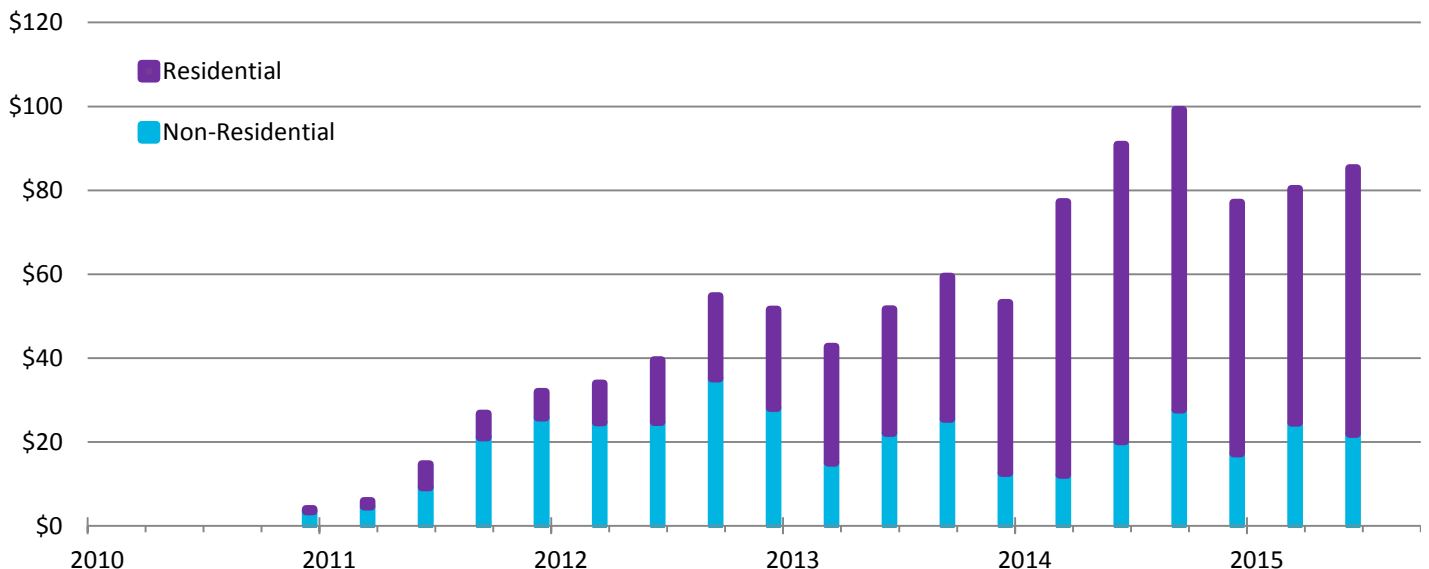
Figure 21 shows that total earthquake-related consents have fallen in the June 2015 quarter compared to the March 2015 quarter. This was a result of both residential and non-residential consents. Seasonal change does explain some of the increase, however not all of it.

Table 12: Total earthquake consents

| Quarter         | \$m    | Since Sep 2010 |
|-----------------|--------|----------------|
| Residential     | \$63.4 | \$1,811        |
| Non-Residential | \$21.9 | \$1,129        |

Figure 21: Value of Greater Christchurch earthquake-related building consents (\$m) to the June 2015 quarter

Source: Statistics New Zealand



**Figure 22: Residual income for the three months ending June 2015**

Source: MSD

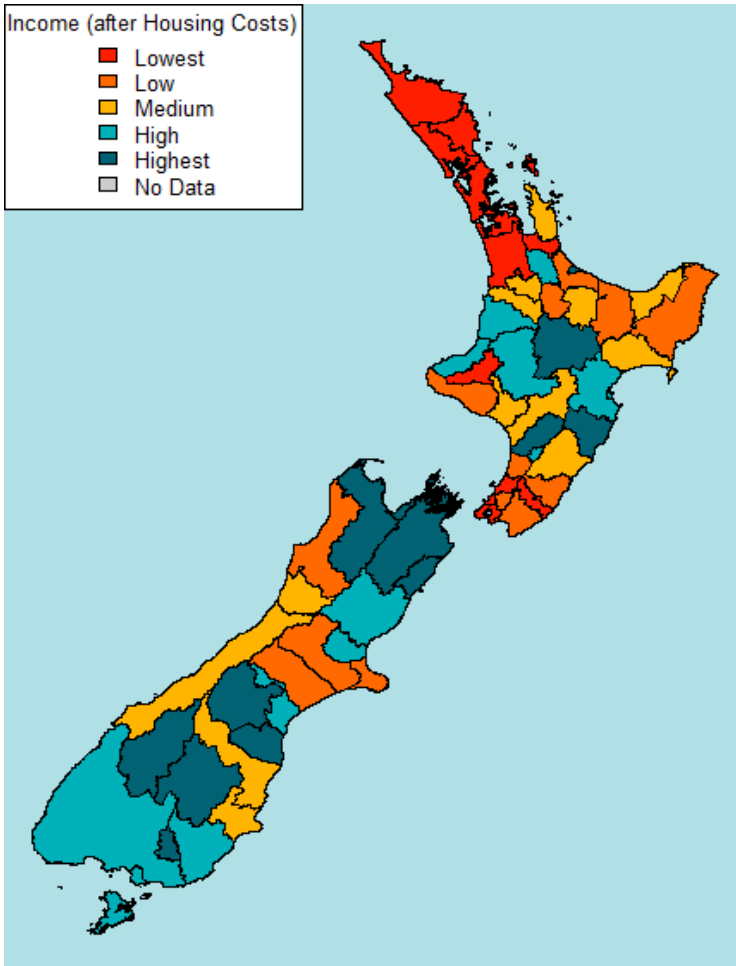


Figure 22 shows residual income for the June 2015 quarter. Residual income is the income (less housing costs) of Accommodation Supplement recipients in each Territorial Authority (TA). Each colour represents one-fifth of all TAs (e.g. red represents the fifth of TAs with the lowest residual income). In a change from last quarter, the Waikato and all regions further north have the lowest residual income.

**Table 13: Synthetic lower quartile rent (SLQ)**

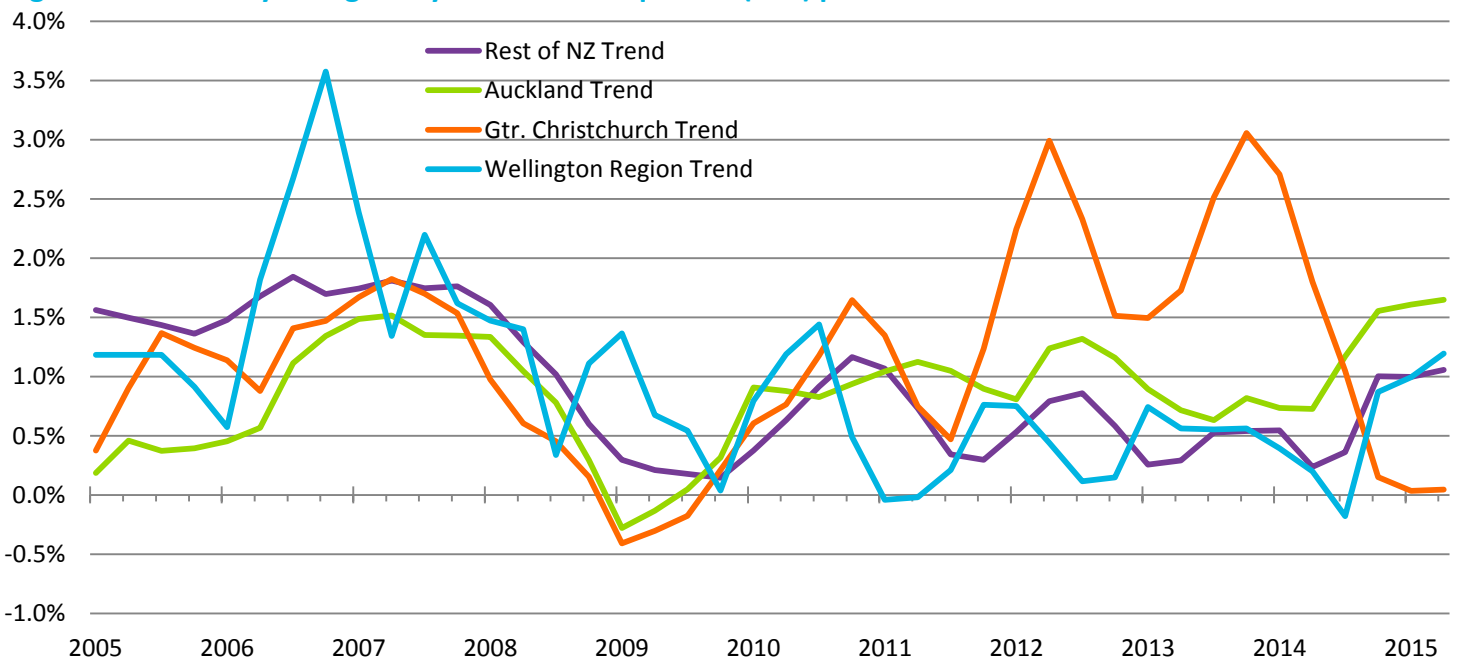
| Quarter             | SLQ rent | Annual change* |
|---------------------|----------|----------------|
| June 2015           |          |                |
| Auckland            | \$359    | ↑ 6.1%         |
| Gtr. Christchurch   | \$298    | ↑ 1.3%         |
| Wellington Region   | \$268    | ↑ 2.9%         |
| Rest of New Zealand | \$221    | ↑ 3.5%         |

\* Change in trend values

SLQ private rents are a measure of rents at the lowest quarter of the rental market, the quarterly change of this measure is shown in Figure 23. After large increases in 2012 and 2013, rental growth in Christchurch has slowed. SLQ rents showed almost no change in the last quarter, compared with a peak of 3% in the last quarter of 2013. Wellington has seen an increase in SLQ rents of 2.9%, while rents in Auckland rose by 6.1% between June 2014 and June 2015.

**Figure 23: Quarterly change in synthetic lower quartile (SLQ) private rents to June 2015**

Source: MBIE



**Figure 24: Central government housing spending (\$m) to June 2015**

Source: MBIE, MSD

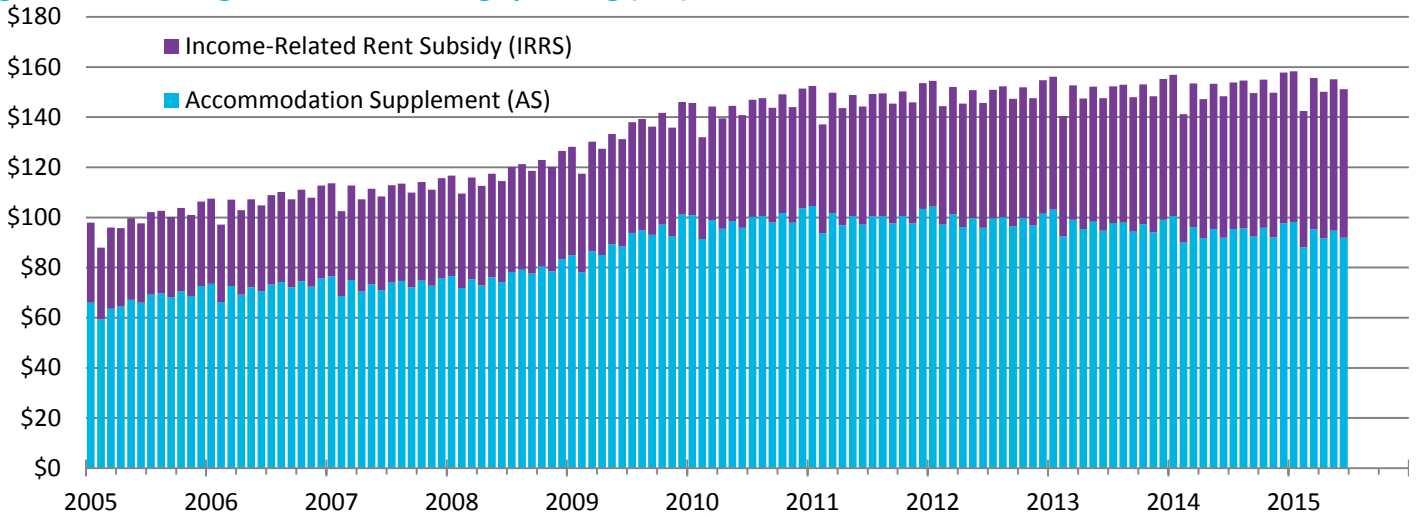


Figure 24 shows central government spending on housing. Central government spending on Income-Related Rent Subsidies (IRRS) increased by almost 5% over the last year. In contrast, spending on the Accommodation Supplement showed little change over the same period. It is now apparent that Income-Related Rent Subsidies are rising and that Accommodation Supplements are falling.

The social housing register has two ratings of priority. Priority A - people considered 'at risk' including households with a severe and persistent housing need that must be addressed immediately. Priority B - people who have a 'serious housing need' and include households with a significant and persistent need.

Figure 25 shows that the social housing register fell over the year ending June 2015. This is the result of MSD exploring other options for tenants to provide them with adequate housing support without needing social housing. This was a level of flexibility that HNZC did not have.

**Table 14: Social housing spending**

| Month<br>June 2015 | \$m    | Annual<br>change* |
|--------------------|--------|-------------------|
| IRRS               | \$59.3 | ↑ 5.0%            |
| AS                 | \$91.8 | ↓ 0.0%            |

\* Change in trend values

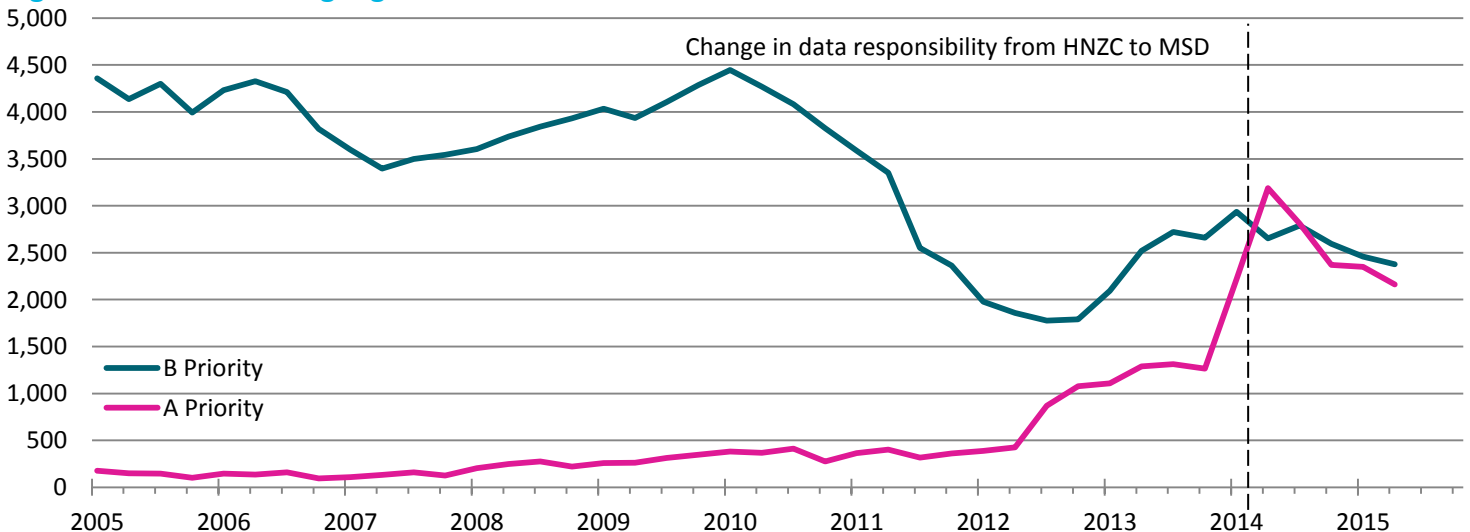
**Table 15: Social housing register**

| Quarter<br>June 2015 | Register* |
|----------------------|-----------|
| A Priority           | 2,163     |
| B Priority           | 2,378     |

\* Includes transfer register

**Figure 25: Social housing register to June 2015**

Source: HNZC, MSD



## The Energy and Building Trends Team

The Energy and Building Trends team is part of the Evidence, Monitoring & Governance (EMG) group of MBIE. The purpose of the team is to provide data, modelling and analysis services to support the IRM policy development in the areas of:

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

Your feedback is important to us. Please let us know what you think by emailing

[HousingInfo@mbie.govt.nz](mailto:HousingInfo@mbie.govt.nz)

## Website

The *New Zealand Housing Quarterly* is available in PDF format through the Ministry's Building and Housing website:

<http://www.mbie.govt.nz/info-services/housing-property/sector-information-and-statistics/new-zealand-housing-and-construction-quarterly-nzhcq>

For more detailed rental information, please refer to the Open Data Tables:

<http://www.mbie.govt.nz/info-services/housing-property/sector-information-and-statistics/rental-bond-data>

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

## Data Sources

Data for this report have been sourced from:

- Ministry of Social Development (MSD)
- Housing New Zealand Corporation (HNZC)
- Statistics New Zealand
- CoreLogic NZ
- Massey University
- Australian Bureau of Statistics
- Reserve Bank of New Zealand (RBNZ)

The Ministry's internal data have also been used.

## Next Release

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

## Interpreting Our Graphs

The majority of our graphs use smoothed trend lines rather than the actual data. Where trend line have been used, this is indicated in the legend.

## Contact Us

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