



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

Quarterly Canterbury Job-matching Report – September 2016

February 2017





**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
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1. Executive Summary

This report provides an outline of the latest employment demand and supply information available on the Canterbury rebuild and wider recovery experienced by the region.

The earthquake rebuild activity plateaued in late-2014 and is expected to continue near current levels until mid-2017. Retail activity numbers are slowing after four years of strong growth. Between 2011 and 2014 demand from temporary workers and displaced residents drove up house prices and rental prices but these have subsequently stabilised.

Indicators of tourism activity showed a strong increase in international tourism and a slight increase in domestic tourism over the last year. After a sharp drop following the earthquakes, international tourism has now risen slightly above pre-earthquake levels and domestic tourism has risen significantly from pre-earthquake levels. Guest nights in the Canterbury region for the year to September 2016 increased by 246,000 (5.1 per cent) compared with the year to September 2015. This compares with 6.2 per cent annual growth for New Zealand.

In the year to September 2016, Canterbury employment, unemployment, working-age population and the number of people in the labour force have all increased. The employment rate remained unchanged, while the participation rate has increased to 72.0 per cent. The unemployment rate has risen to 3.9 per cent, which is still well below the unemployment rate of 5.0 per cent for the rest of New Zealand.

Job vacancies in the construction industry in Canterbury are steady, which is consistent with the rebuild having reached a plateau. In the past year the difficulty faced by businesses in sourcing unskilled workers has eased, while skilled workers are becoming harder to find, reflecting the changing focus of the rebuild from residential to commercial. Local labour supply remains tight and this is expected to continue for the next three years as work continues on the rebuild. Migrants are a major source of increased labour supply, with beneficiaries moving off benefits also contributing. The September 2016 quarter saw a continuation of the slow decline with 197 rebuild-related work visa arrivals after a record 706 in the September 2015 quarter. Annual wage growth in Canterbury construction to September 2016 continued at a steady rate. At 1.1 per cent, it was less than the 2.3 per cent growth for the rest of New Zealand.

In the September 2016 quarter, approximately \$1.2 billion of construction work was estimated to have been completed, with just under half being residential construction. Residential work in Canterbury is falling slowly as most of the EQC-related repair work is complete. At the same time, more complex residential repair and rebuild work is projected to contribute to a residential spend of up to \$500 million per quarter for the next three years.

Estimates of rebuild progress suggest that 63 per cent of the total rebuild has been completed. Looking at it by work stream, residential rebuild progress is 76 per cent complete, the light commercial rebuild is 59 per cent complete, the heavy commercial rebuild is 39 per cent complete and the infrastructure rebuild is 67 per cent complete.

An estimated 30,000 construction workers were employed in Greater Christchurch as of September 2016, up from the 15,000 estimated pre-quake. This workforce is projected to continue at or near current levels until mid-2017. In September 2016 there was a shortage of approximately 2,500 households in the region based on the ratio of residents to households before the quakes. This compares with 3,500 for the June 2016 quarter. The reduction is driven by a large number of houses completing repair and rebuild this quarter, which also reduced demand for alternative accommodation.

2. Canterbury Economy Outlook

Canterbury's economic growth is expected to slow, as rebuild activity levels out and dairy prices remain low. Strong growth in retail activity numbers has slowed, and house and rental prices have stabilised over recent months.

In the year to March 2015, Canterbury contributed 13.6 per cent of New Zealand's GDP, and the Canterbury economy grew by 7.4 per cent in nominal terms.

Over the five years to March 2015, Canterbury's economy has grown an average of 6.5 per cent each year, the highest of all regions, and above the average of 4.1 per cent each year for the rest of New Zealand. According to Statistics New Zealand, growth in the construction and agriculture industries underpinned this expansion.

Economic growth is expected to have slowed as rebuild activity reached a plateau and dairy prices remained low. Canterbury GDP peaked at 10.0 per cent growth in the year to March 2014, and grew 7.4 per cent in the year to March 2015.

Figure 1: Canterbury GDP (nominal), annual percentage growth



Source: Statistics New Zealand, regional GDP

Combined retail and hospitality activity for Christchurch City rose 1.0 per cent in the June 2016 quarter compared with the previous quarter, while the rest of New Zealand experienced a 1.9 per cent rise in the June 2016 quarter. Retail and hospitality activity in Christchurch have risen 33.7 per cent since the June 2010 quarter (before the earthquakes). This compares with a 26.9 per cent rise for the rest of New Zealand over the same period. The Christchurch retail trade indicator was discontinued by Statistics New Zealand after the June 2016 quarter.¹

¹ The Christchurch retail trade indicator was introduced following the earthquakes, and after seeking feedback Statistics New Zealand decided to discontinue this monitoring series after June 2016.

Figure 2: Retail and hospitality sales index



Source: Statistics New Zealand, Christchurch Retail Trade Indicator

Indicators of tourism activity showed a strong increase in international tourism and a slight increase in domestic tourism over the last year. After a sharp drop following the earthquakes, international tourism has now risen slightly above pre-earthquake levels and domestic tourism has risen significantly from pre-earthquake levels.

In the year to September 2016, international tourism expenditure has risen 19 per cent to \$1,363m while domestic tourism has risen 3 per cent to \$2,013m. Guest nights in the Canterbury region for the year to September 2016 increased by 246,000 (5.1 per cent) compared with the year to September 2015. This compares with 6.2 per cent annual growth for New Zealand.

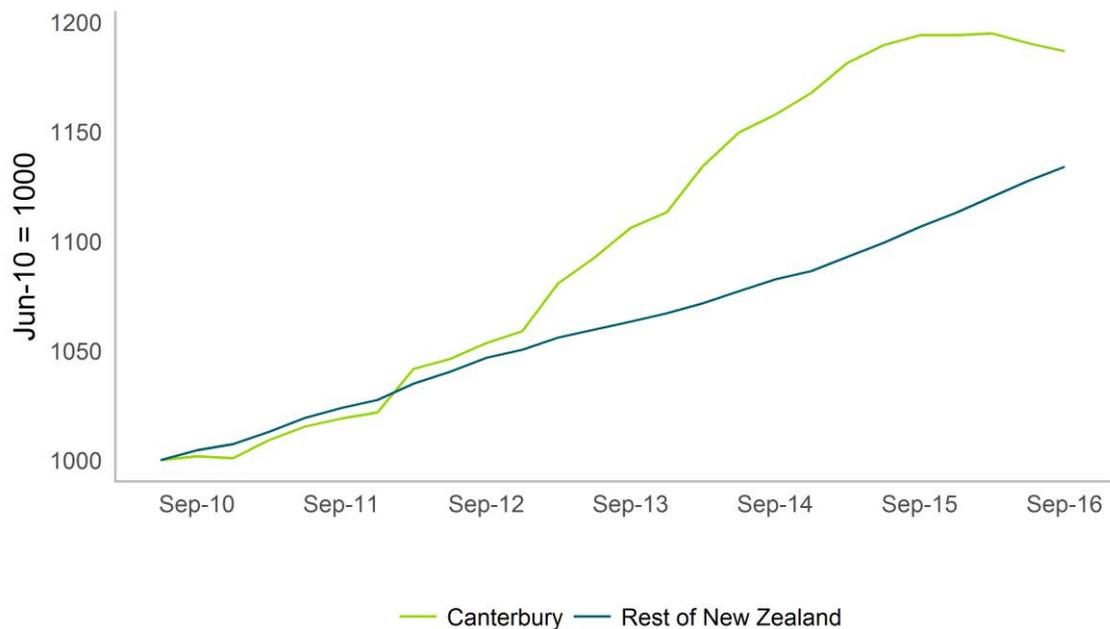
House purchase prices continue to grow more slowly than the national rate, while rental prices peaked in late 2015 and have begun to fall. Factors contributing to this include:

- Fewer home-owners seeking temporary accommodation while they carry out repairs to their earthquake damaged homes.
- More houses becoming available has loosened the housing market.
- The rebuild had a greater effect on rental prices than house prices due to people needing temporary accommodation (temporary construction workers and people waiting for repairs)

Results from MBIE modelling suggest that pressure is easing on the housing market and supply is expected to meet demand by June 2017. More information on this is available in section 6.

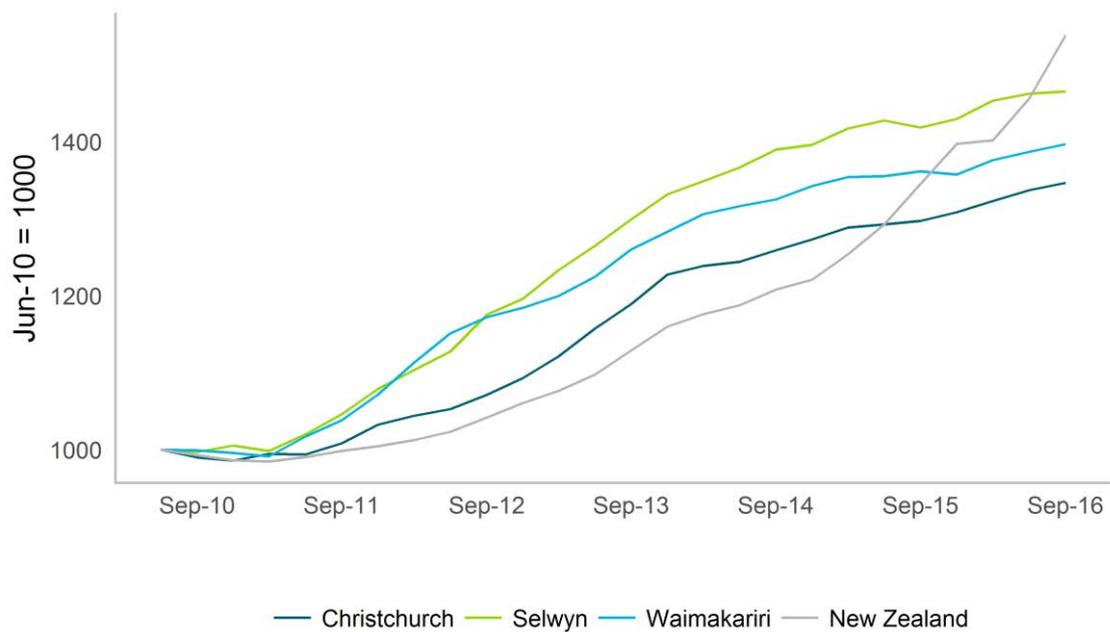
Rental prices for the Canterbury region decreased by 0.6 per cent in the year to September 2016. This compares with growth of 2.5 per cent for the rest of New Zealand. In the same period, average house prices for Christchurch, Selwyn and Waimakariri increased by 3.8, 3.3, and 2.6 per cent respectively. This compares with a national increase of 14.4 per cent, driven by a 15.6 per cent rise for Auckland and a 17.6 per cent rise for Wellington. The Greater Christchurch rental stock, as measured by active bonds, grew by 2,100 in the year to September 2016, greater than the 1,500 average annual growth in rental stock recorded before the earthquakes.

Figure 3: Rental prices index



Source: Statistics New Zealand, Consumer Price Index

Figure 4: Average house prices index



Source: Quotable Value New Zealand, MBIE, average house prices

The value of building activity in Canterbury decreased a seasonally adjusted 1.5 per cent in the September 2016 quarter. This followed a 6.4 per cent increase in the June 2016 quarter.

In the September 2016 quarter, residential construction activity increased a seasonally adjusted 1.3 per cent, to \$645 million, while non-residential activity decreased 4.7 per cent to

\$518 million². This compared with 5.0 per cent and 3.3 per cent increases in residential and non-residential activity respectively for the rest of New Zealand.

The slight change in residential work is consistent with MBIE projections that residential repair work has reached its peak activity due to the EQC-related repair work completing. The slight drop in non-residential work in the latest quarter indicates that peak activity may have been reached.

Figure 5: Value of building work put in place, Canterbury



Source: Statistics New Zealand, building activity survey, seasonally adjusted series

² The rate of growth in building activity in Canterbury over the six years to September 2016 quarter was 30.1 per cent per year, compared with 16.8 per cent per year in Auckland. Seasonally adjusted and trend series for building activity data are revised each quarter.

3. The Canterbury Labour Market

Rebuild construction activity underpins the high employment demand in Canterbury. This flows on to employment demand in industries supporting both construction and the consumption demand of its new workers. The labour force participation rate is near a historic high, but the unemployment rate has risen slightly from the recent low in the June 2014 quarter.

Table 1: Annual (quarter to quarter) changes in Canterbury labour market indicators

Indicator	Canterbury		Rest of NZ	
	Sep-16 result (000)	change from Sep-15 (000) (%)	Sep-16 result (000)	change from Sep-15 (%)
Employment	335.9	8.7 2.7	2,136.1	133.9
Unemployment	13.5	1.5 12.5	112.3	-10.8
Working age population	485.5	12.3 2.6	3,248.6	87.2
Labour force	349.4	10.2 3.0	2,248.4	123.1
	Sep-16 result (%)	change from Sep-15 (pp*)	Sep-16 result (%)	change from Sep-15 (pp*)
Labour force participation rate	72.0	0.3	69.2	2.0
Employment rate	69.2	0.0	65.8	2.4
Unemployment rate	3.9	0.3	5.0	-0.8

*pp = percentage points

Source: Statistics New Zealand, labour market statistics

In the year to September 2016 construction industry employment in Canterbury fell by 1,600 people (3.3 per cent), compared with September 2015³. Over the same time period in Auckland the construction industry grew by 11,200 people (16.7 per cent).

³ Construction industry employment is not the same as the construction related occupation employment in the modelling presented in chapter 6. Construction industry employment includes employment in occupations not specifically related to construction, but that are within construction firms, such as

Table 2: Annual (quarter to quarter) changes in Canterbury labour market indicators by gender

Indicator	Male		Female	
	Sep-16 result (%)	change from Sep-15 (pp*)	Sep-16 result (%)	change from Sep-15 (pp*)
Labour force participation rate	77.5	-0.9	66.5	1.3
Employment rate	74.5	-0.9	63.9	0.8
Unemployment rate	3.8	0.0	3.9	0.7

*pp = percentage points

Source: Statistics New Zealand labour market statistics

Figure 6: Unemployment rate in Canterbury and New Zealand



Source: Statistics New Zealand, labour market statistics

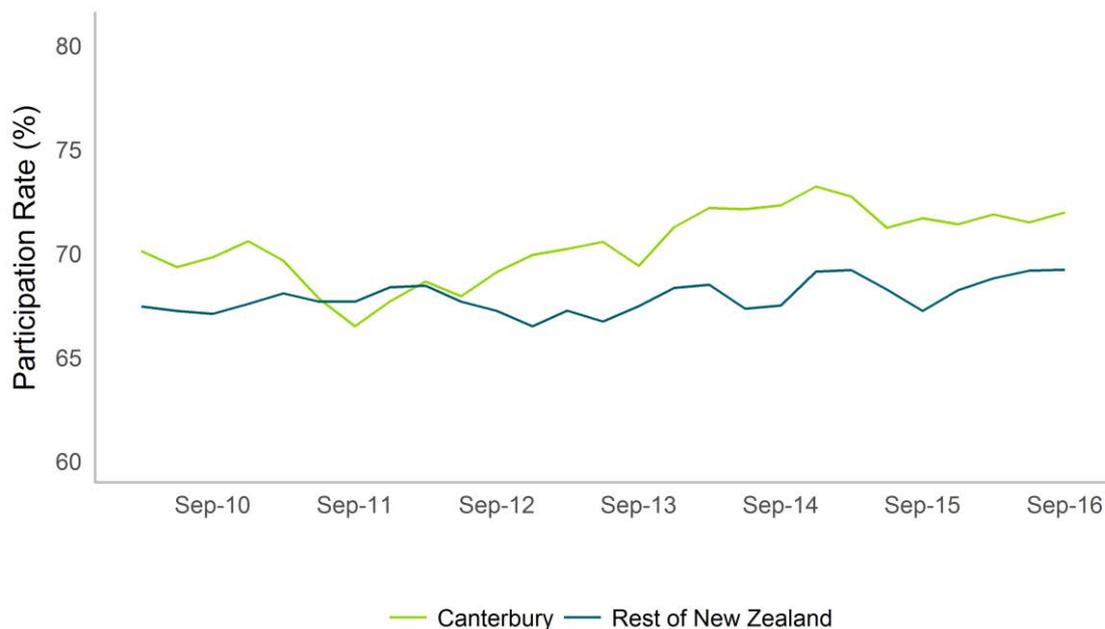
receptionists and accountants. The modelling results reported in Chapter 6 measure the top 62 construction-related occupations in Canterbury. As such these numbers will not align.

Figure 7: Employment rate in Canterbury and New Zealand



Source: Statistics New Zealand, labour market statistics

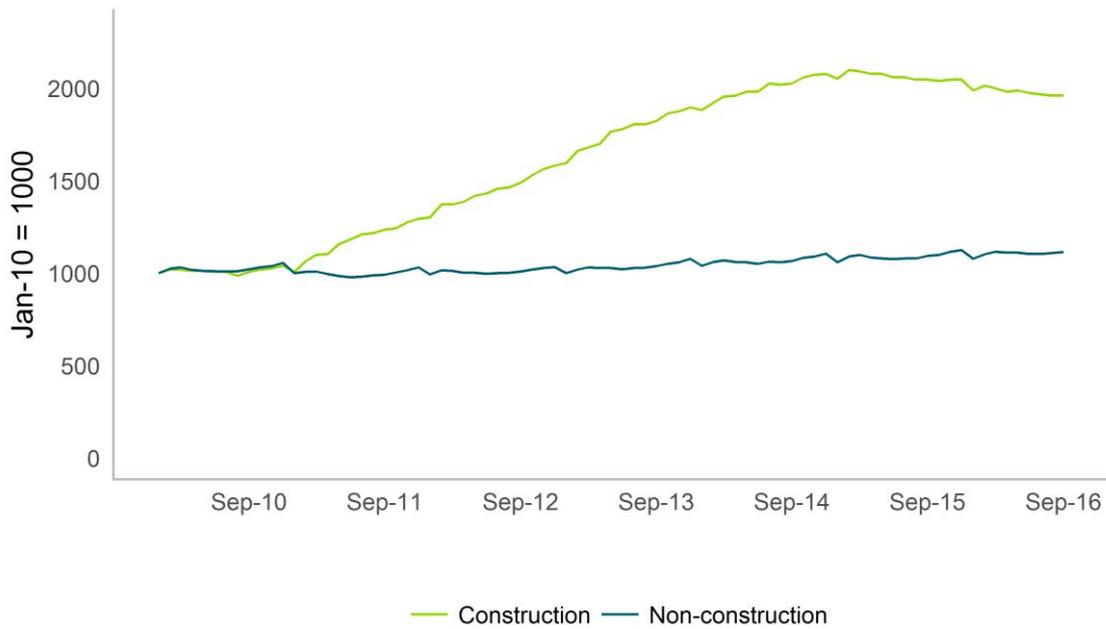
Figure 8: Labour force participation rate in Canterbury and New Zealand



Source: Statistics New Zealand, labour market statistics

The employment indices in Figure 9 show that there was a massive increase in construction jobs over four years from 2011 to 2015, followed by a slight decline in the year to September 2016. From January 2011 to January 2015, jobs in the construction sector grew by 104 per cent, which has been followed by a 4.2 per cent drop in the year to September 2016. This compares to an almost stagnant 9 per cent growth in jobs for non-construction industries from September 2010 to September 2016.

Figure 9: Canterbury Construction Employment Index



Source: Statistics New Zealand, Linked Employer-Employee Dataset

4. Demand for Labour

Construction-related vacancies are declining from recent highs. Beneficiaries placed into work have remained level in the September 2016 quarter. There has been an increase in the difficulty faced by businesses in Canterbury in sourcing skilled workers over the past year.

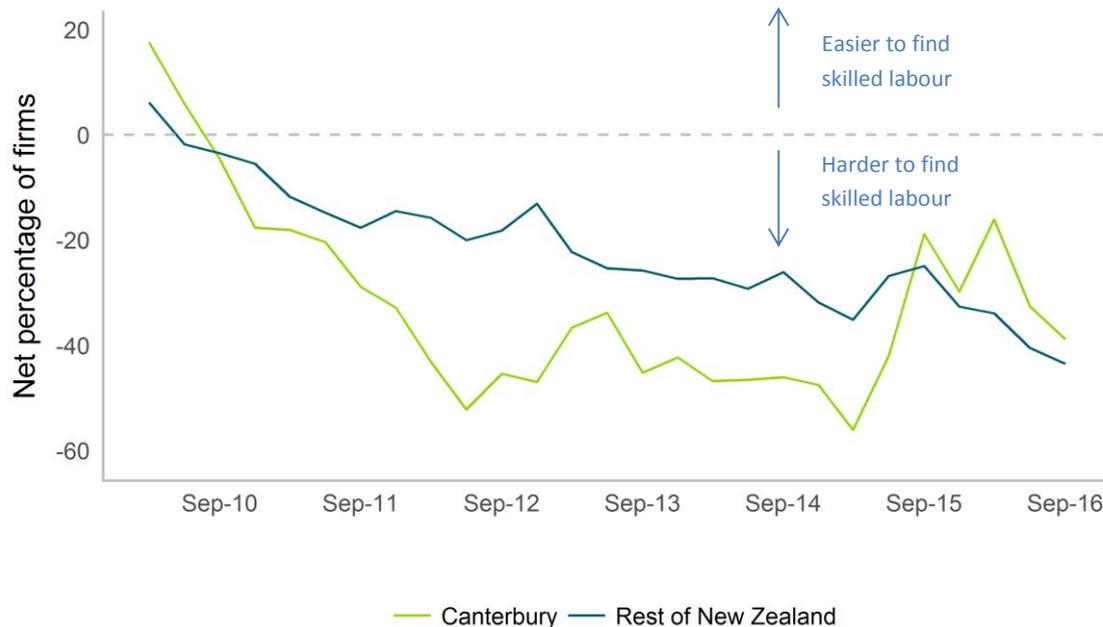
4.1 Ease of Finding Skilled Labour

The Quarterly Survey of Business Opinion produced by NZIER surveys businesses in Canterbury about how easy it is to find skilled and unskilled labour within Canterbury. Over the past year it has become harder to find skilled labour within Canterbury while the difficulty of finding unskilled workers has eased. This shows that construction activity in the region has peaked, but specialised roles are still in demand.

For the September 2016 quarter, a net 39 per cent of businesses surveyed in Canterbury found it more difficult to find skilled labour than three months ago, compared with a net 44 per cent of businesses finding it more difficult to find skilled labour in the rest of the country.

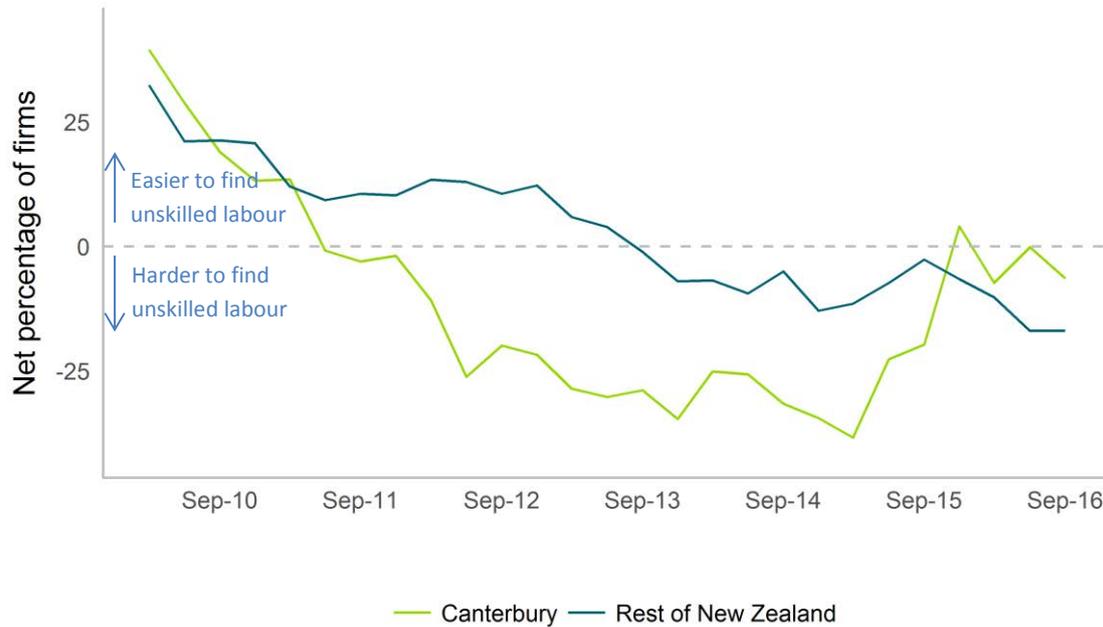
For the September 2016 quarter, a net 6 per cent of businesses surveyed in Canterbury found it more difficult to find unskilled labour than three months ago, compared with a net 17 per cent of businesses finding it more difficult to find unskilled labour in the rest of the country.

Figure 10: Quarterly Survey of Business Opinion, ease of finding skilled labour, net percentage of businesses (seasonally adjusted)



Source: NZIER

Figure 11: Quarterly Survey of Business Opinion, ease of finding unskilled labour, net percentage of businesses (seasonally adjusted)



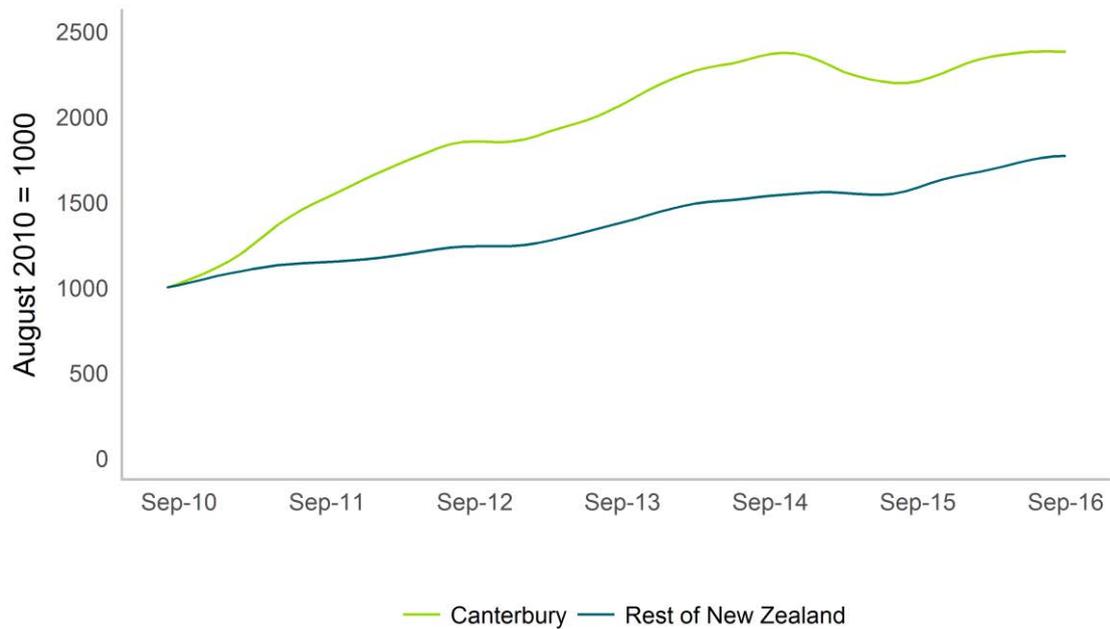
Source: NZIER

4.2 Jobs Online

Jobs Online is a monthly report produced by MBIE that measures changes in the number of jobs advertised by industry and occupation on the three internet job boards – Seek, TradeMe Jobs and the Education Gazette.

In September 2016, the *Jobs Online* Canterbury vacancies trend index for all jobs was unchanged from June 2016, compared with the rise for the rest of New Zealand of 1.5 per cent. In the year to September 2016, Canterbury vacancies increased by 7.8 per cent compared with a rise of 11.7 per cent for the rest of New Zealand. The Canterbury index grew strongly from late 2010 to late 2014, reflecting the shape of the rebuild activity, and has since plateaued but remains well above the index for the rest of New Zealand.

Figure 12: Jobs Online Canterbury vacancies trend index



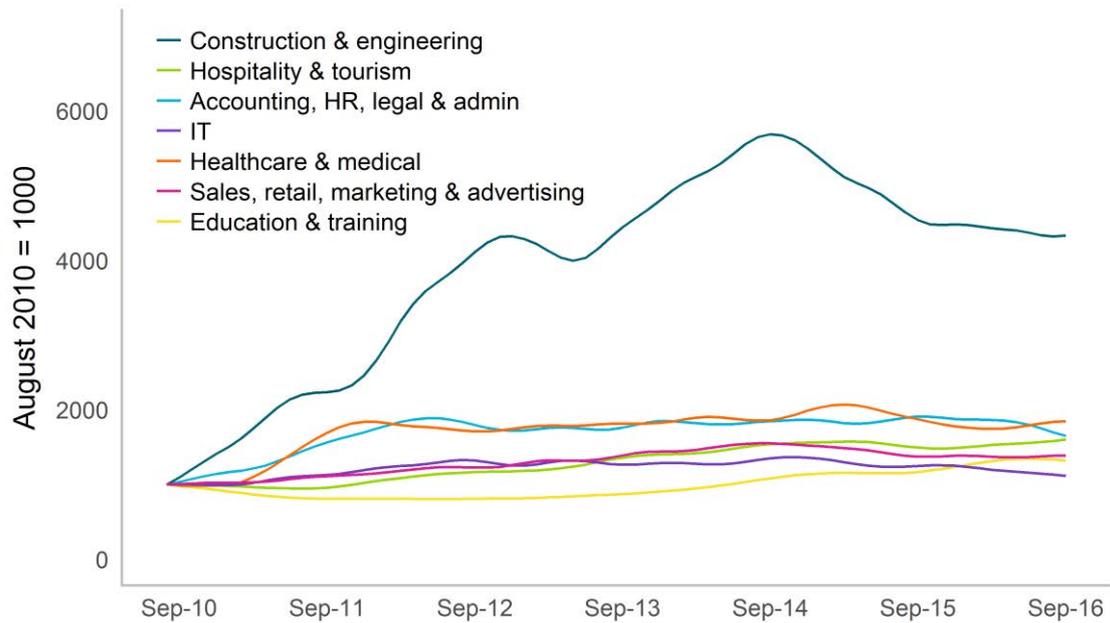
Source: MBIE, Jobs Online

Vacancies⁴ for jobs declined in the year to September 2016 in the following industries: accounting (13.7%), information technology (10.7%) and construction (4.5%), and rose in hospitality (7.3%) and education (13.1%). Vacancies for all other industries have remained relatively steady with annual changes less than 2 per cent.

Vacancies declined in the year to September 2016 for the following occupation groups: clerical and administration workers (13.7%), machinery drivers and operators (8.7%), community workers (6.9%) labourers (3.7%), and professionals (3.5%), and rose for technicians and trades workers (13.3%). Vacancies for all other occupation groups have remained relatively steady with annual changes less than 2 per cent.

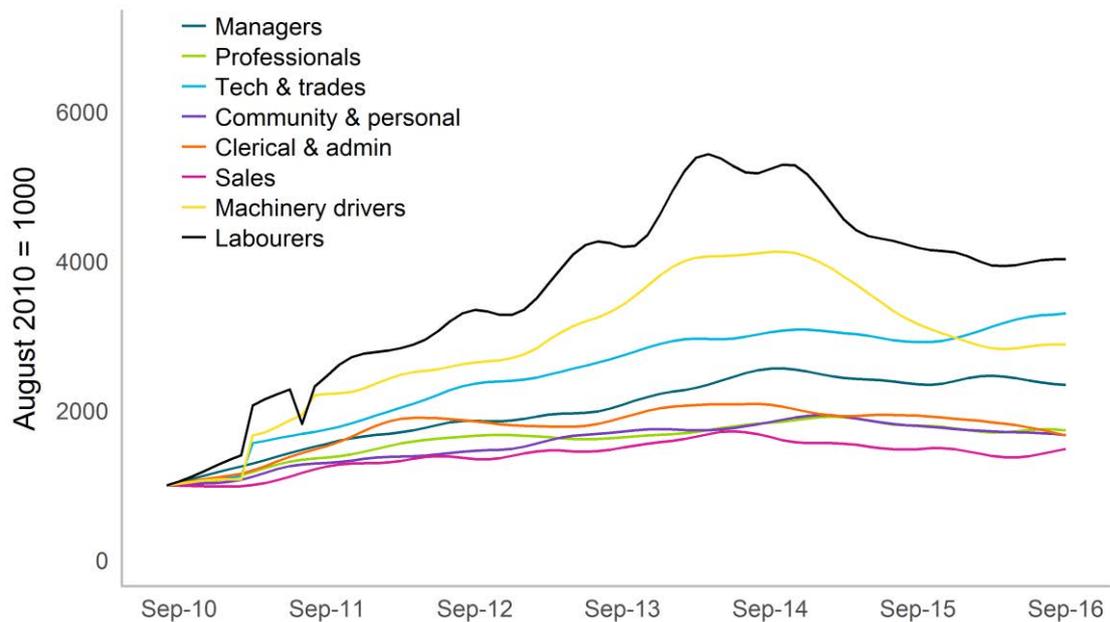
⁴ Vacancies reported here are for “all vacancies” and are different from the group of “skilled vacancies” previously reported.

Figure 13: Jobs Online Canterbury vacancies trend index - Industries



Source: MBIE, Jobs Online

Figure 14: Jobs Online Canterbury vacancies trend index – Occupations



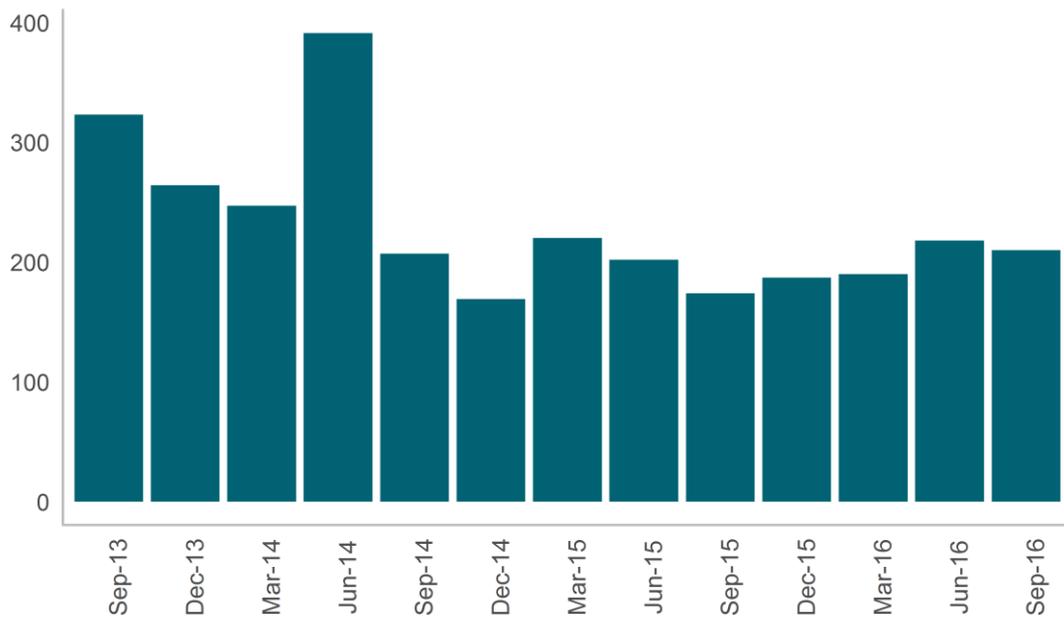
Source: MBIE, Jobs Online

4.3 Work and Income vacancies and job placements

In the September 2016 quarter, 625 vacancies offering 850 positions were listed by Work and Income in the Canterbury Region. This was up from 526 vacancies in the June 2016 quarter. The top industries were agriculture, forestry and fishing, manufacturing and retail trade.

Over the same period, Work and Income placed 210 beneficiaries into listed jobs. This was lower than the 218 for the June 2016 quarter.

Figure 15: Placements made by Work and Income in Canterbury



Source: Ministry of Social Development

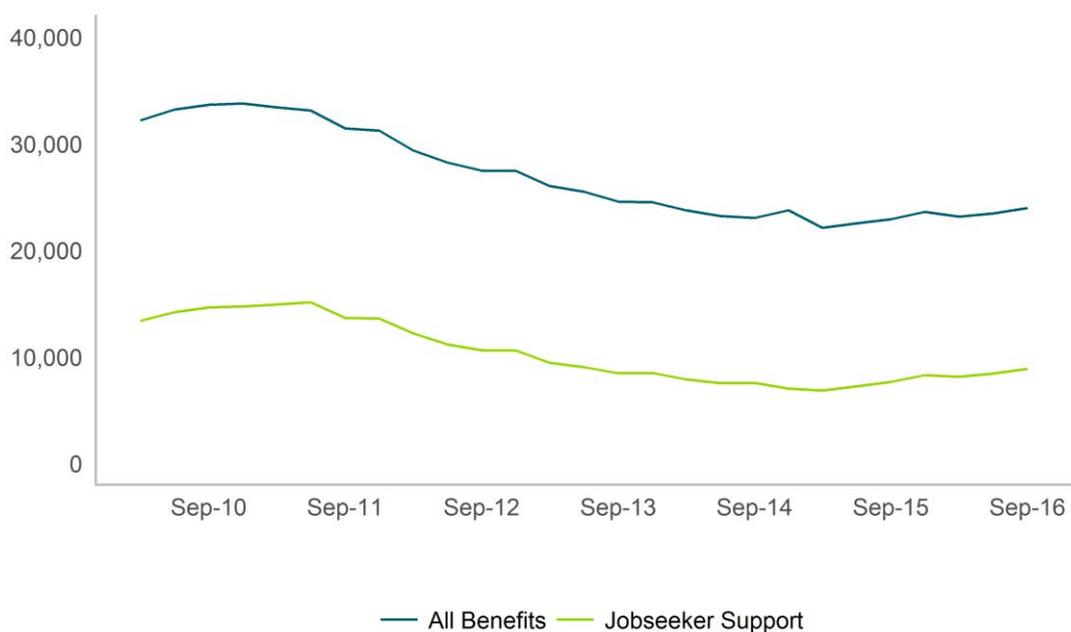
5. Supply of Labour

Migrants and beneficiaries moving off benefits provide increased labour supply. With low unemployment rates, local beneficiaries are a weak but steady source of potential labour. Future skilled labour will also be sourced from an increasing number of students in industry training programmes. The supply of labour is expected to remain tight for the next three years as work continues on the rebuild.

5.1 Work and Income benefit exits and Skills for Industry programme

At the end of September 2016, 23,964 people were on benefits in Canterbury (up 2.2 per cent, from 23,455 in June 2016), with 8,893 on Jobseeker Support benefits (up 5.4 per cent, from 8,436 in June 2016).

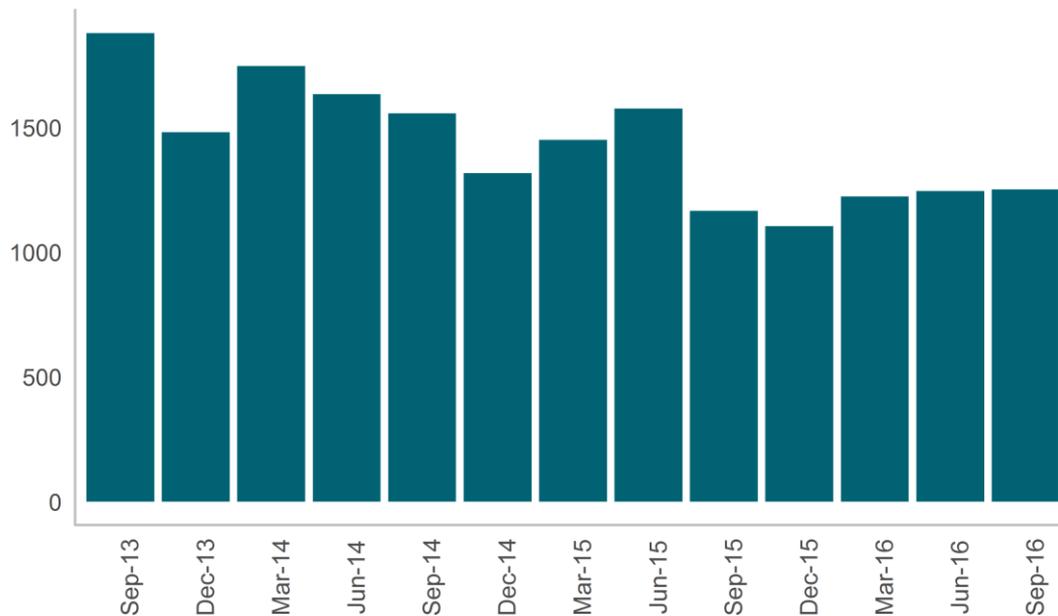
Figure 16: Number of Work and Income beneficiaries in Canterbury



Source: Ministry of Social Development

The number of people across all benefits is tied closely to the number on jobseekers support, which declined from 2010 to 2014, but has started to rise since the rebuild peaked. The number of beneficiaries in Canterbury exiting into work each quarter has been fairly steady over the past year, with 1,251 people exiting to work in the latest September 2016 quarter.

Figure 17: Exits to Work by Work and Income beneficiaries in Canterbury



Source: Ministry of Social Development

Work and Income provides Skills for Industry training programmes. In the September 2016 quarter, 21 beneficiaries entered these programs.

5.2 Trades training

An estimated 6,829 students were enrolled in trades training in Institutes of Technology and Polytechnics (ITP) and Industry Training Organisations (ITOs) in August 2016. This is up 6.3 per cent on August 2015 and consisted of 1,811 ITP and 5,018 ITO enrolments.

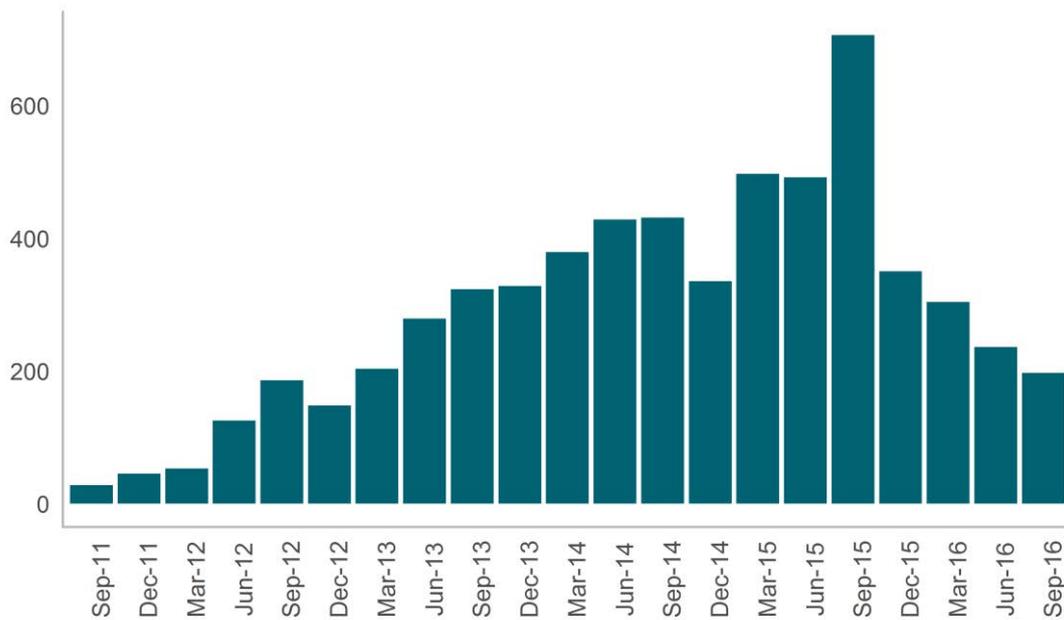
5.3 Immigration

The September 2016 quarter saw a continuation of the slow decline of rebuild-related work visa arrivals apart from the spike of 706 in September 2015. In September 2016 there were 197 rebuild-related visa arrivals in Canterbury, down from 236 in the June 2016 quarter.

The Philippines was the largest source of immigration for the rebuild (with 74 arrivals) in the September 2016 quarter, followed by Great Britain (28), Ireland (22) and India (11).

The main occupation seen in rebuild-related work visa arrivals in the September 2016 quarter was carpenters and joiners (48), followed by structural steel and welding trades workers (16), building and plumbing labourers (13) and structural steel construction workers (13).

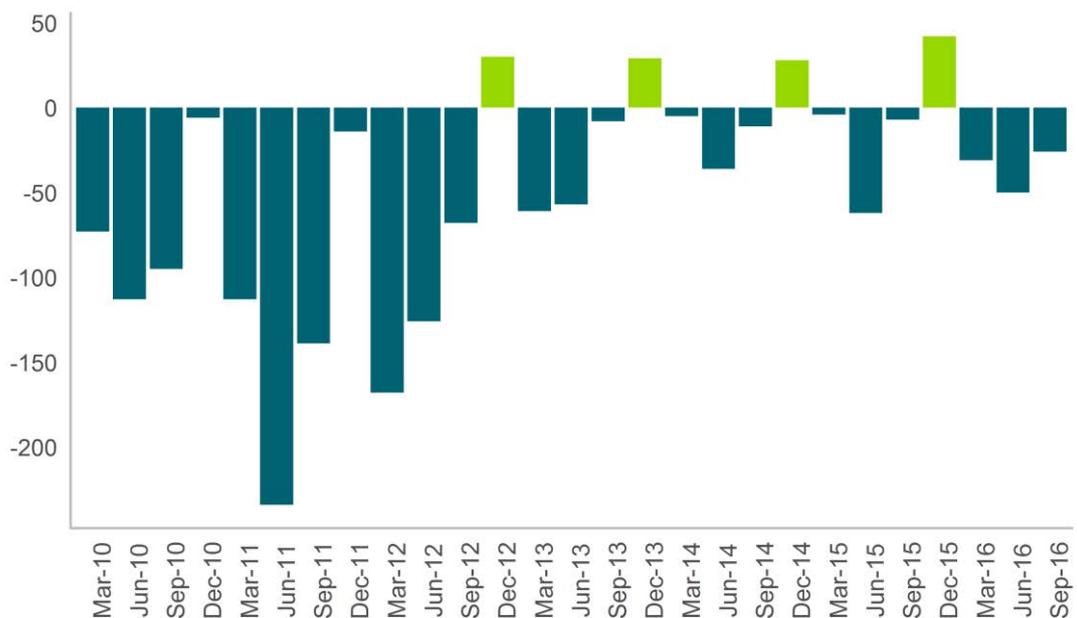
Figure 18: Rebuild-related work visa arrivals to Canterbury



Source: MBIE, Immigration New Zealand

Over 2011 and 2012, few New Zealand construction workers were returning from overseas to work on the rebuild. On average, a net 100 New Zealand construction workers were leaving the region each quarter. This has slowed since the rebuild gained momentum but still tends to be a small net outflow. In the September 2016 quarter, there was a net outflow of 26 New Zealand construction workers.

Figure 19: Net quarterly migration of construction-related New Zealanders to Greater Christchurch



Source: Statistics New Zealand, permanent and long-term migration

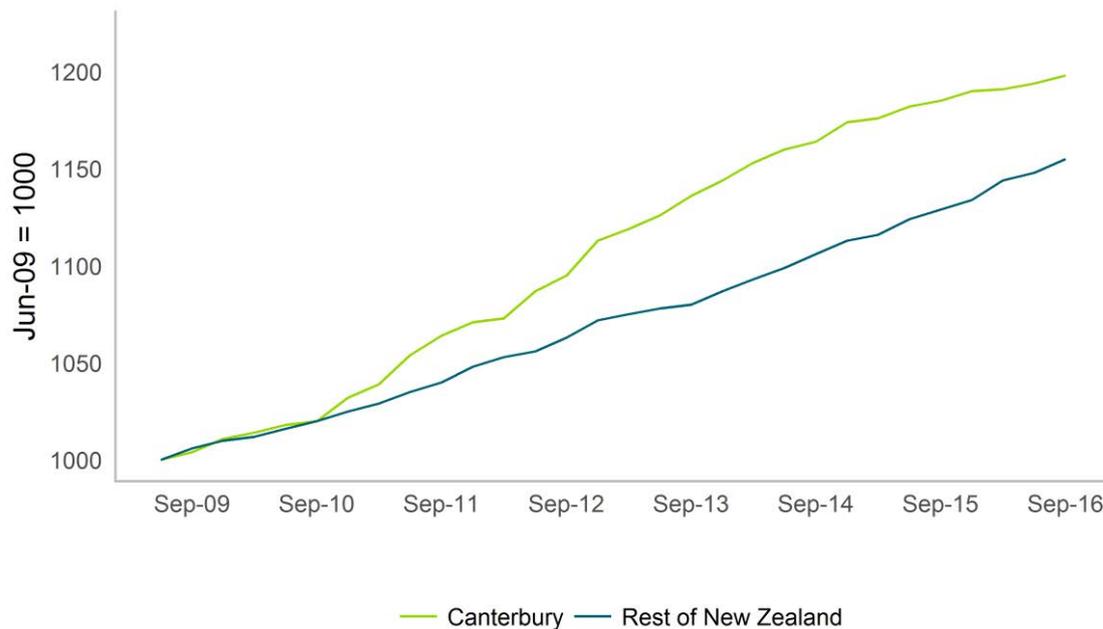
6. Labour Costs

Annual wage growth in Canterbury construction at 1.1 per cent is lower than the 2.3 per cent growth recorded in the rest of New Zealand.

The cost of labour in Canterbury construction continues to increase, according to the Labour Cost index (LCI). In the year to September 2016, salary and wage rate growth (including overtime) in the Canterbury construction industry was 1.1 per cent. For the rest of New Zealand, annual wages in the construction industry rose by 2.3 per cent.

The first earthquake in Canterbury occurred in September 2010. Since then, wage rates have grown 17.5 per cent in the Canterbury construction index, compared with a 13.2 per cent increase for the rest of New Zealand. Since the start of 2015, Canterbury construction wage rate growth has been slower than in the rest of New Zealand. This reflects a stabilisation after four years of stronger growth than in the rest of New Zealand.

Figure 20: Labour cost index for the construction sector



Source: Statistics New Zealand, labour cost index

7. Greater Christchurch Value of Work, Employment and Accommodation Forecasts

Estimates of rebuild progress suggest that 63 per cent of the total rebuild has been completed. Latest modelling shows that the rebuild reached a ceiling of output at approximately \$1.2 billion per quarter in mid-2014, and is expected to continue near this level until mid-2017. An estimated 30,000 construction workers were employed in Greater Christchurch as of September 2016, up from the 15,000 estimated pre-quake.

7.1 The rebuild so far

MBIE produces quarterly Greater Christchurch value of work, employment and accommodation projections based on forecasts of work to be done in residential rebuild and repairs, infrastructure work, and commercial work (both public sector, such as for the Anchor projects, and private sector).

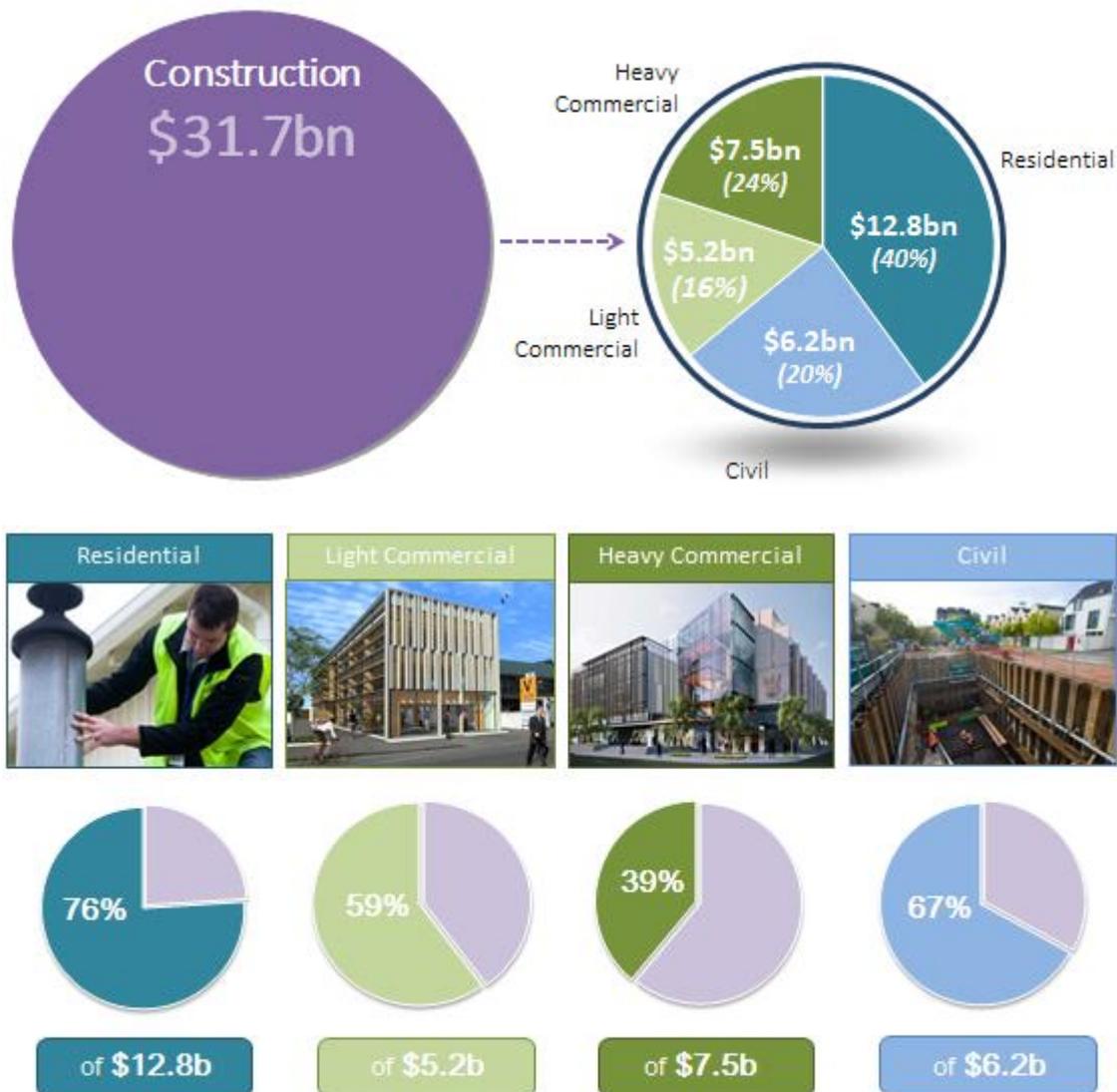
Where possible, forecasts use schedules of work by insurance companies, construction companies and government entities. The projections should be viewed as continually improving. As construction work schedules are firmed up and more data becomes available, the projections will be revised accordingly.

Historical value of work results will not match exactly with Statistics New Zealand's value of building work put in place (Figure 5) because it includes work without building consents and civil infrastructure work (which are excluded from the Business Activity Survey). Value of work in this section is calculated in 2012 dollars.

As the rebuild has moved to a stage where there is a substantial amount of cash settlements entering the marketplace, it has become increasingly difficult to separate rebuild and non-rebuild work in the forecasts.

Estimates of rebuild progress suggest that 63 per cent of the total rebuild has been completed. Looking at it by work stream, residential rebuild progress is 76 per cent complete, the light commercial rebuild is 59 per cent complete, the heavy commercial rebuild is 39 per cent complete and the infrastructure rebuild is 67 per cent complete. These estimates are based on total insurer liability, central and local government contributions and private investment in designated rebuild projects. It doesn't cover any additional investment that developers might make to add value to their properties.

Figure 21: Greater Christchurch progress of the rebuild showing completion of different work streams



Source: MBIE

7.2 Forecasts

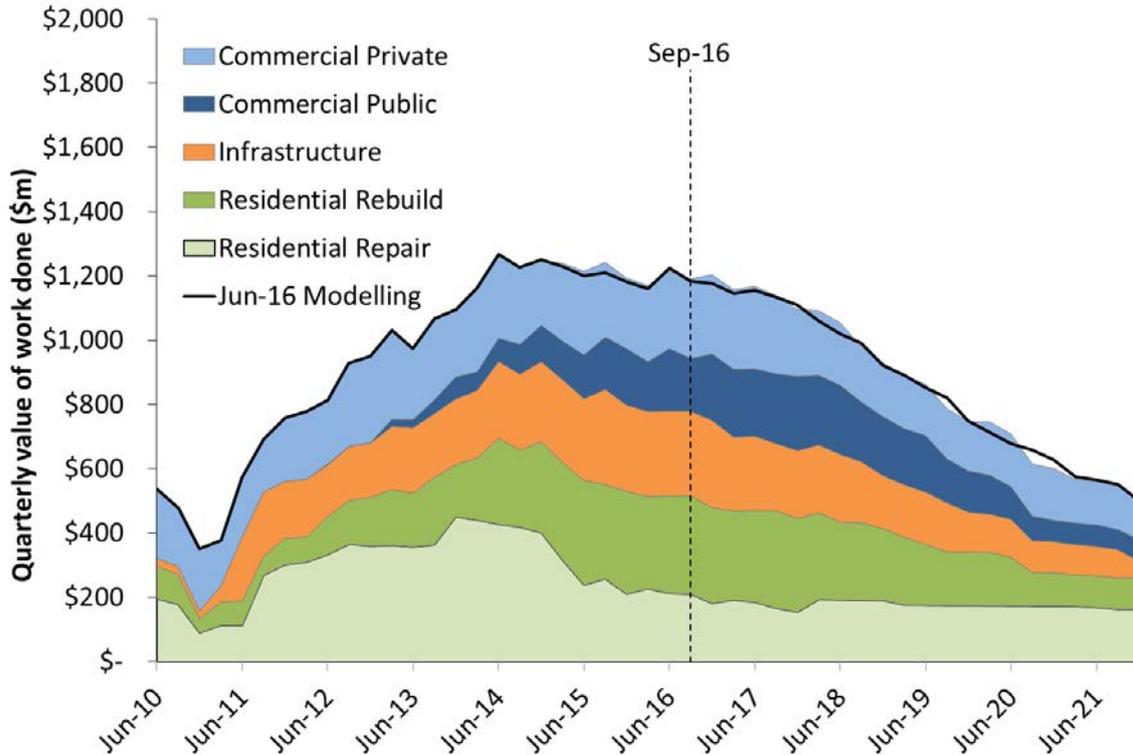
Latest modelling shows that the rebuild reached a ceiling of output at approximately \$1.2 billion per quarter in mid-2014, and is expected to continue near this level until mid-2017. Work will then begin to gradually tail off, and is expected to return to business-as-usual levels by 2021. Some volatility is expected over this period.

Residential work in Canterbury has receded as most of the EQC-related repair work is complete, and with construction companies expecting the bulk of scheduled work to be completed by the end of 2017. Following that, work will increasingly be initiated by people waiting to spend their cash settlements⁵, leading to the completion of the bulk of the residential rebuild by 2020. Then “business as usual” repairs and upgrades, deferred due to the rebuild, will continue. Infrastructure work is also expected to slow over the next three years, with commercial work expected to grow slightly to take up some of the slack.

⁵ There is no way to accurately track what people are doing with their cash settlements, and when or if they re-enter the marketplace

Figure 22 shows the value of completed and future work in the rebuild. In the September 2016 quarter, approximately \$1.2 billion of construction work was estimated to have been completed, with a breakdown of \$520 million residential spend, \$260 million infrastructure spend and \$410 million commercial spend. The black line in the graph shows the previous quarter's modelling projections.

Figure 22: Greater Christchurch⁶ quarterly value of work projections



Source: MBIE

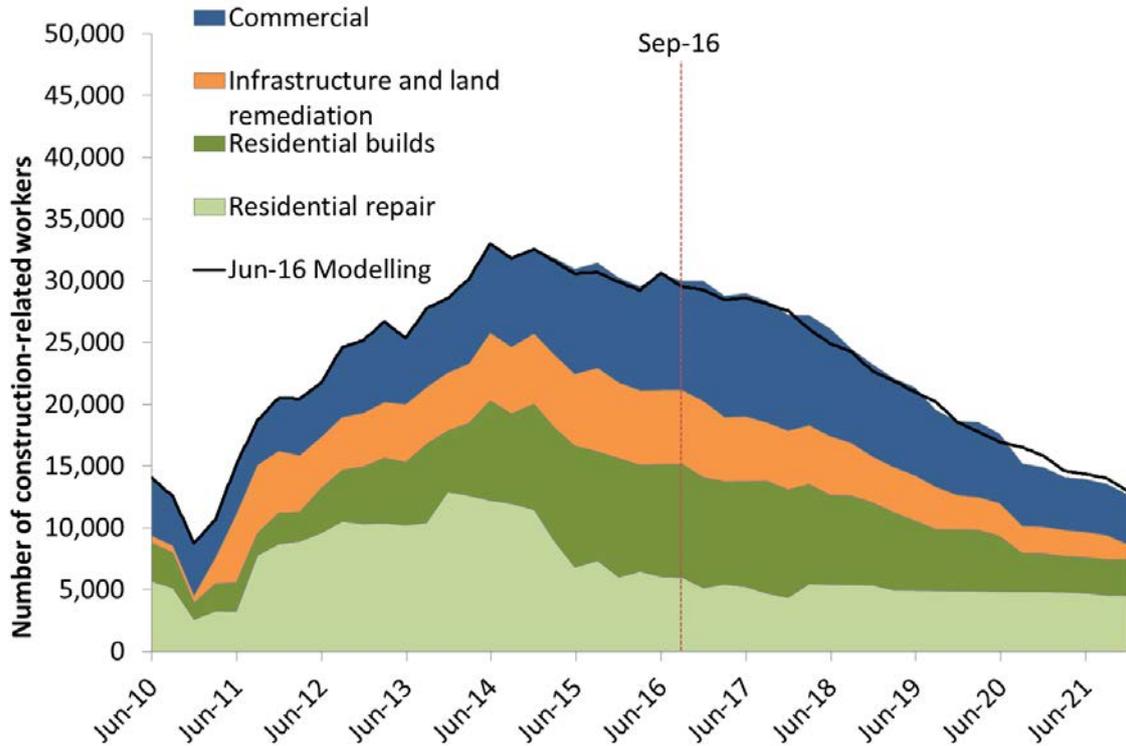
7.3 Employment

Figure 23 shows the number of construction-related⁷ workers required over the duration of the rebuild. An estimated 30,000 construction workers were employed in Greater Christchurch as of September 2016, up from the 15,000 estimated pre-quake. This workforce is projected to remain near current levels until mid-2017, then gradually decrease until late-2021 back to pre-earthquake levels. As the rebuild moves from a residential to a commercial focus, a different mix of workers will be required, leading to significant “churn” as specialised residential construction workers are replaced by specialised commercial build workers.

⁶ Christchurch City, Waimakariri District and Selwyn District

⁷ The projections use the top 62 construction-specific trades occupations for the estimate of employment rather than the number of people employed by firms in the construction industry.

Figure 23: Greater Christchurch construction-related employment projections



Source: MBIE

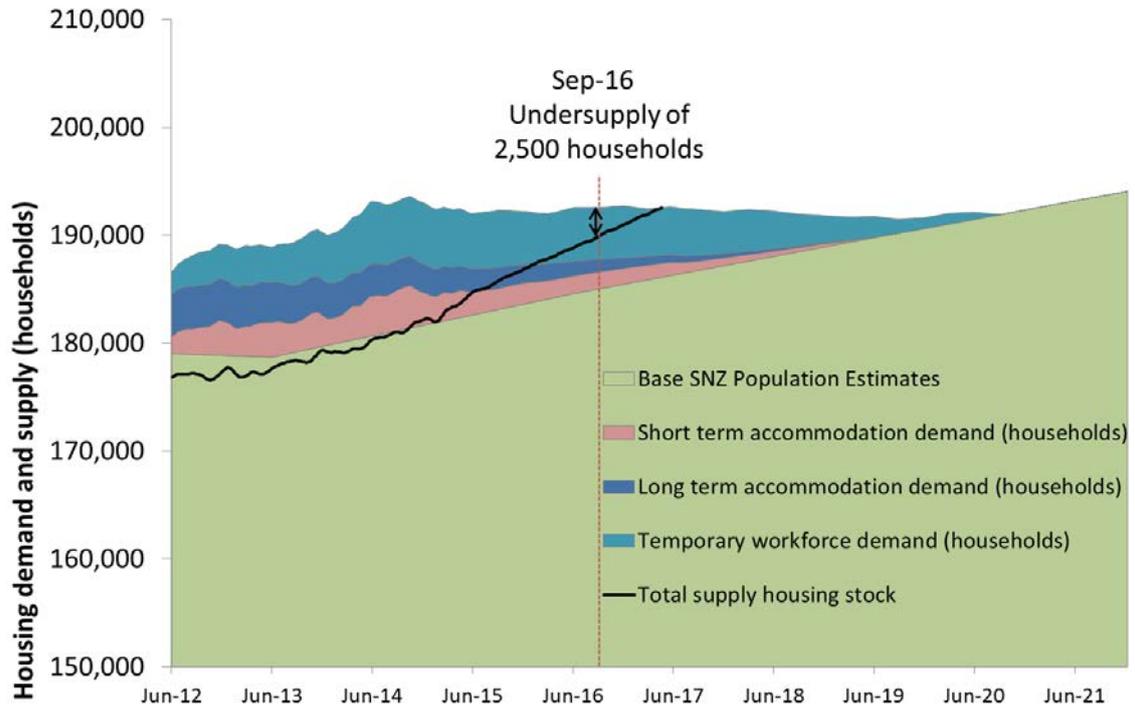
7.4 Accommodation

Figure 24 shows the projected supply and demand⁸ for accommodation in Greater Christchurch. In September 2016, there was a shortage of approximately 2,500 households in the region, compared with 3,500 households in the previous quarter. This reduction is driven by completion of repair and rebuild on a large number of houses this quarter, which increased supply, and also reduced demand for temporary accommodation.

This shortfall is best viewed as an indicator on the tightness of the housing market. It does not represent 2,500 households worth of people without a home – these people have been absorbed into the existing housing stock by, for example, doubling up in accommodation, living in garages or tents or other forms of non-standard accommodation.

⁸ Demand for housing is made up of the general population (growing as per Statistics New Zealand’s subnational population estimates), those people who require additional short or long-term housing while their houses are unoccupiable or under repair or rebuild, and the temporary workforce moving to Christchurch to help with the rebuild. Likewise, supply of housing is made up of the undamaged housing stock, damaged houses that are occupiable, repaired and rebuilt houses, and new housing developments.

Figure 24: Greater Christchurch accommodation supply and demand projections



Source: MBIE

Housing supply passed the pre-earthquake level in November 2014. Based on the projected rate of repair, housing supply will match demand in May 2017. As the temporary workforce leaves the region once work is complete, the region may experience an oversupply of houses. It is difficult to accurately estimate the size and length of any housing oversupply. Consequently, the supply line in Figure 24 stops once supply reaches demand.

