

Monitoring Report Quarter 1 2019

NATIONAL POLICY STATEMENT ON

Urban Development Capacity

BLENHEIM URBAN AREA



MARLBOROUGH
DISTRICT COUNCIL



National Policy Statement on Urban Development Capacity Quarterly Monitoring Report

March 2019

Introduction

This report provides year to date information on housing and commercial development market indicators for the quarter 1 January 2019 to 31 March 2019. Previous quarterly reports can be located on the Council's website [here](#).

The purpose of these reports is to monitor urban development activity in Marlborough. It is a requirement of the National Policy Statement on Urban Development Capacity (NPS UDC). This information is used to inform Council's three-yearly Housing and Business Development Capacity Assessments (HABA), the first of which was received by Council in February of this year.

National Policy Statement on Urban Development

The NPS-UDC is under review and a replacement document "National Policy Statement on Urban Development" has been released for consultation on 21 August.

Staff are preparing a submission on the policy which contains a number of changes to the planning, monitoring and reporting requirements for Marlborough. A process for considering the submission is subject to a separate report to the Committee on the same agenda.

The new policy has potential conflicts with the proposed National Policy Statement on Highly Productive Land which has also recently been released for consultation. Submissions on both of these policies will be coordinated.

Statistics New Zealand

Statistics NZ has announced that it will begin releasing 2018 Census data from 23 September 2019. It reports that "there are now records for about 4.7 million people in the 2018 Census dataset, with real data about real people used to fill the gaps after fewer people took part in the census than expected. After final data processing, the number of records is 1.4 percent (69,000) less than our best estimate of the population on 6 March 2018, census day"¹.

The independent 2018 Census external data quality panel will publish an initial report to coincide with the first release of census data (23 September 2019) and a more substantive report on data quality in December 2019.

Overview of Key Trends

Residential Activity

House prices have continued to rise in 2019 with median sales prices up 2.5% on the previous quarter for Blenheim, and 3.6% for Marlborough. Rent increases have appeared to slow in Marlborough after a period of sharp increases. This has seen the ratio of house prices to rents increase for the first time in a year. While the Urban Development Capacity Dashboard only provides data to March 2019, the latest update from Infometrics in its Quarterly Economic Monitor for the Marlborough Region for June 2019 indicates strong growth in Marlborough's population over the past year based on health enrolments, driving demand for housing which has fuelled house price growth. Infometrics reports that house values grew by 6.6% in the 12 months to June 2019.

¹ <https://www.stats.govt.nz/2018-census/>

There were 21 building consents issued for new dwellings in the March 2019 quarter, bringing the average number of consents over the past three years to 28 per quarter. Building consents for new dwellings and resource consents for new subdivisions were both significantly lower than the previous quarter reflecting the slowing of activity in existing subdivisions at Taylor Pass and Omaka Landing.

Commercial Activity

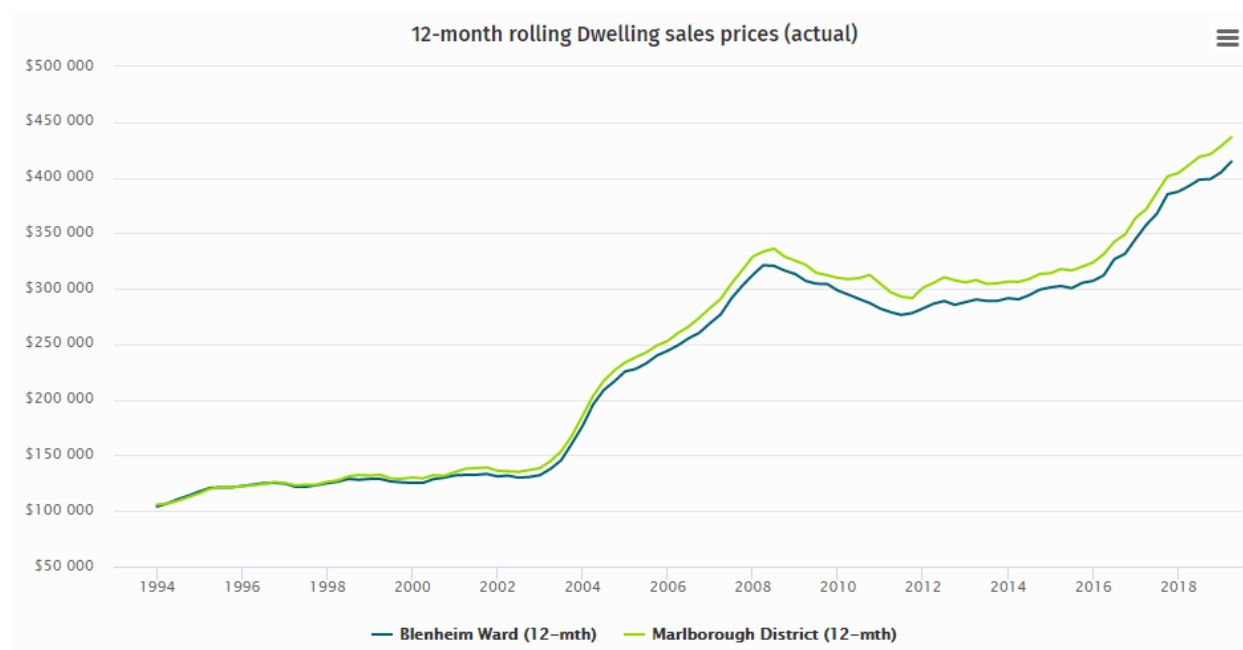
There were two building consents issued for new commercial dwellings in the March quarter. This is lower than the previous quarter by 4 consents, however not unusual for Blenheim. Although there was not much activity in the first quarter, Infometrics reports strong commercial building activity in the Marlborough District for the full year to June 2019 with the value of consents increasing by 55.3% over that period. By comparison the value of consents in New Zealand increased by 7.9% over the same period.

1. Residential Development Trends

House Prices and Rents

(a) Dwelling Sales Prices

House sales prices have continued to rise in 2019. The median sales price in the first quarter of 2019 was up \$9,750 or 2.5% on the previous quarter in the Blenheim Ward, and by \$15,338 or 3.6% in Marlborough District. Over the year to 2019 sales prices increased by 5.6% in the Blenheim Ward and 6% in Marlborough District.

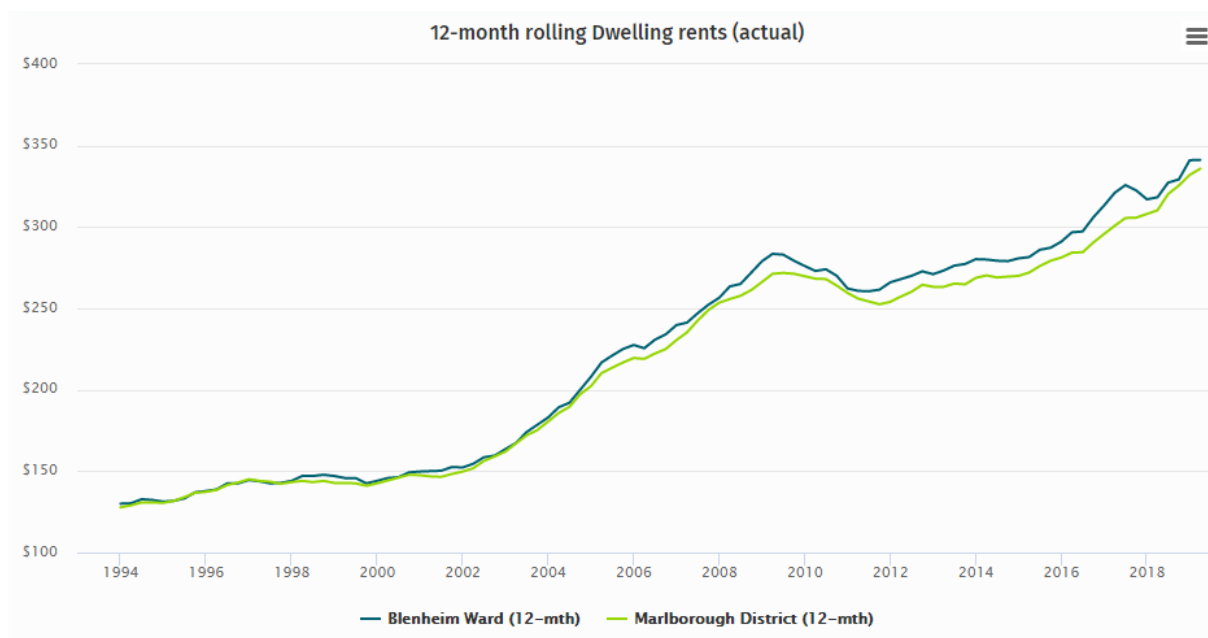


Dwelling Sales Prices

Reporting Area	Quarter 1 2019	Quarter 1 2018	% change
Blenheim Ward	414,375	392,375	5.6%
Marlborough District	436,313	411,288	6%

(b) Dwelling Rents

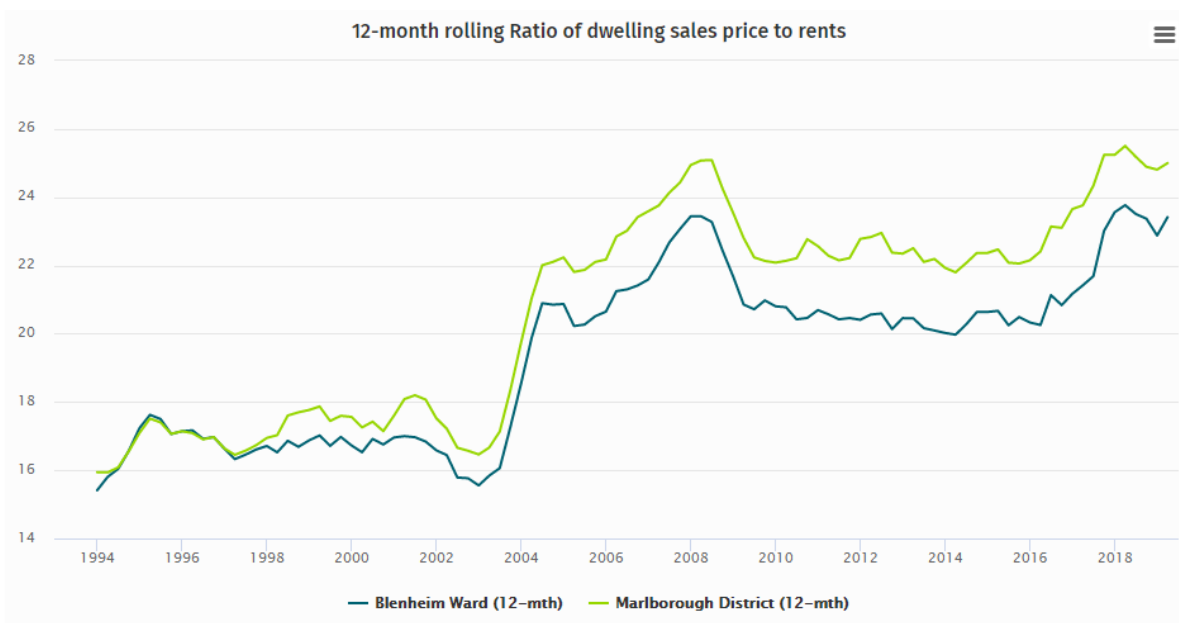
Rents continued to increase in the Marlborough District in the first quarter of 2019, rising by 1.2% or \$4/week, but appear to have stalled in the Blenheim ward showing no change. Over the year to March 2019 rents increased by 7.2% in the Blenheim Ward and 8.4% in Marlborough District.

**Dwelling Rents (Geometric Mean, 12 Month Rolling Average)**

Reporting Area	Quarter 1 2019	Quarter 1 2018	% change
Blenheim Ward	341	318	7.2
Marlborough District	336	310	8.4

(c) Ratio of Dwelling Sales Prices to Rents

With the steady increase in sales prices and levelling off of rent increases in the Blenheim Ward in particular, the ratio of sales prices to rents has increased for the first time since March 2018, signalling slightly reduced investor yields. In theory, the lower the ratio, the easier it is to move from renting to home ownership.



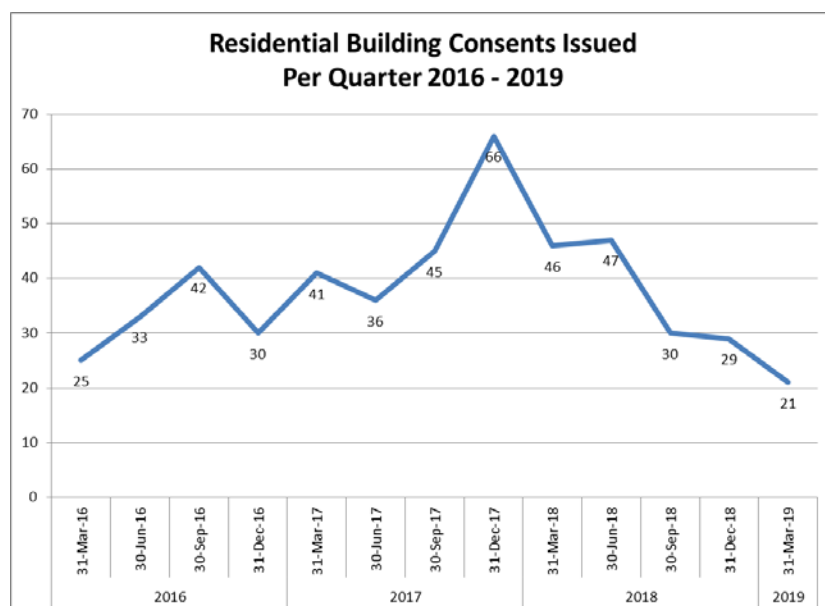
Ratio of Dwelling Sales Prices to Rents

Reporting Area	Quarter 1 2019	Quarter 1 2018	% change
Blenheim Ward	23.415	23.766	1.5%
Marlborough District	24.999	25.503	2%

Building and Resource Consents

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

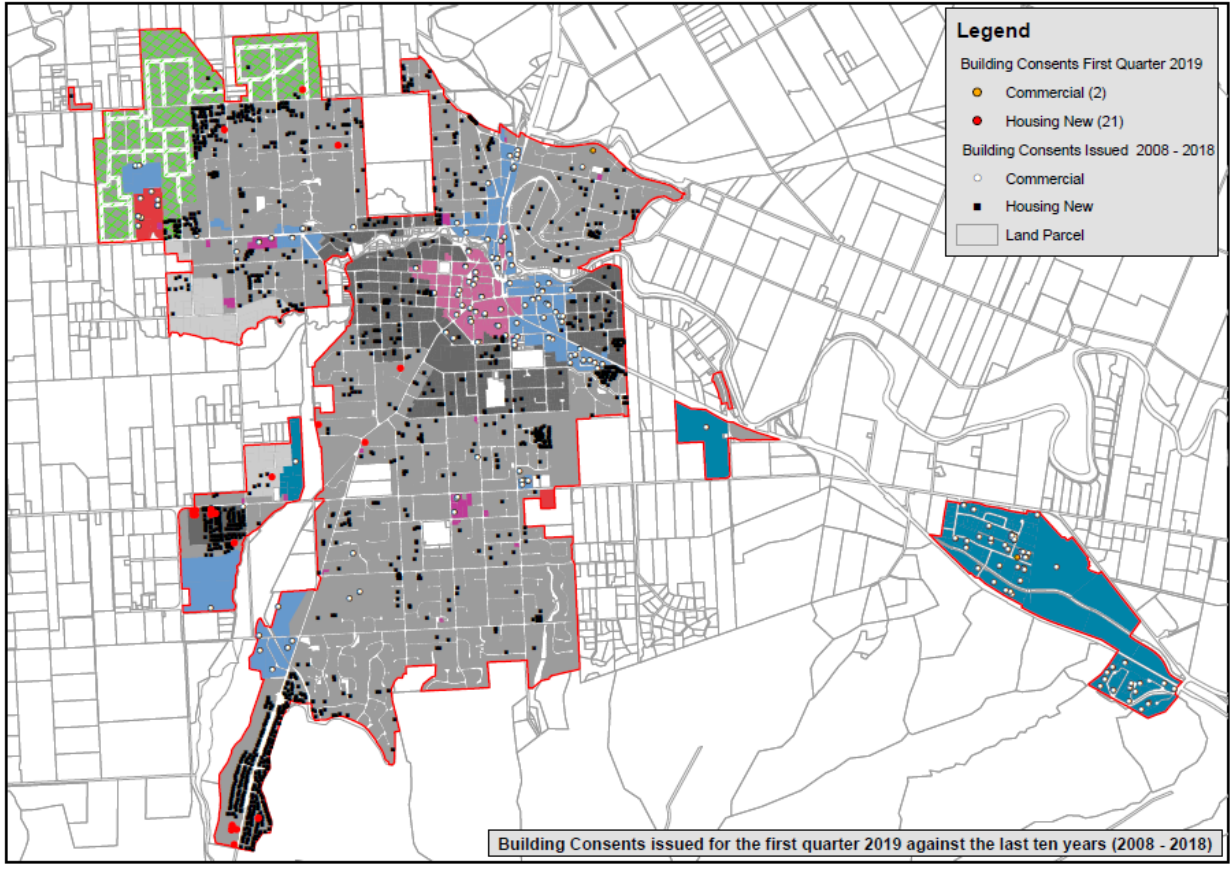
(a) Building Consents Issued for New Residential Dwellings



There were 21 building consents for new dwellings issued in the first quarter of 2019, the lowest since March 2015. This most likely reflects the timing of development at Omaka Landing (with a number of building consents coming through in the following reporting period for this development), and Taylor Pass subdivision being almost complete.

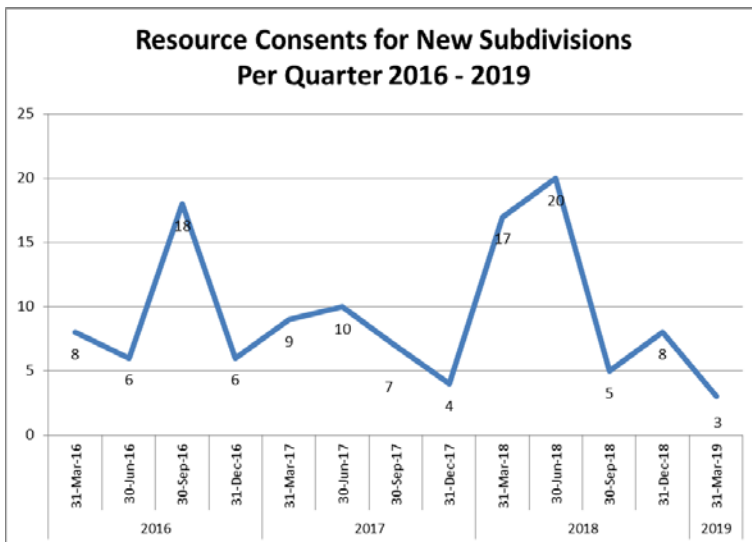
The ten year average is 28 consents issued per quarter, or 113 per annum.

As shown in Map 1 below, the majority of building consents issued for new dwellings were in the Omaka Landing and Taylor Pass subdivisions, and one in the new Greenfield zone. The remaining 5 consents issued were for new dwellings in the existing urban area.

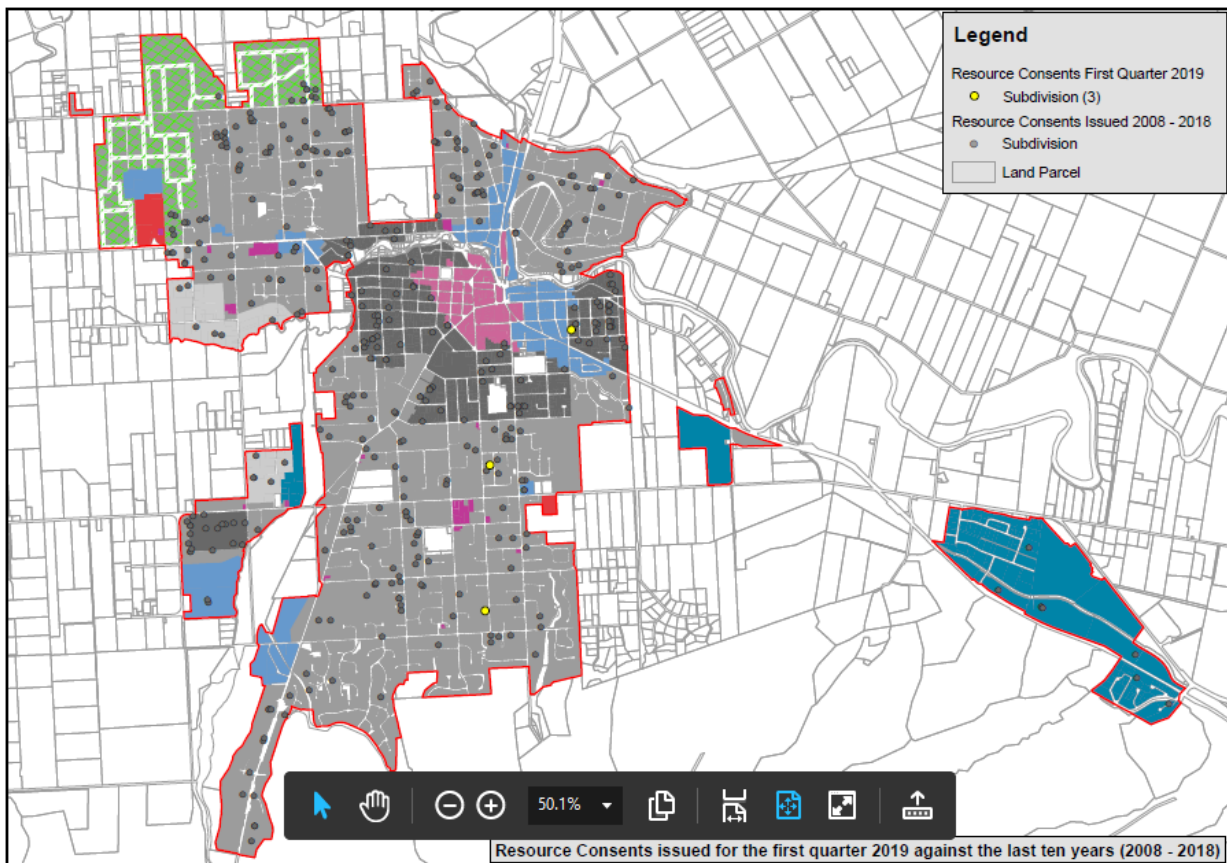


Map 1 - Building Consents Issued for New Residential Dwellings in Q1 2019 and from 2008 to 2018

(d) Resource Consents Issued for New Subdivisions



There were three resource consents issued for new subdivisions the first quarter of 2019 – this is the lowest level of activity since the September quarter in 2014. Again this reflects the near completion of the Taylor Pass and Omaka Landing subdivisions. Rose Manor subdivision is progressing in the North West Greenfield area, and there are no other large scale subdivision developments occurring at present.



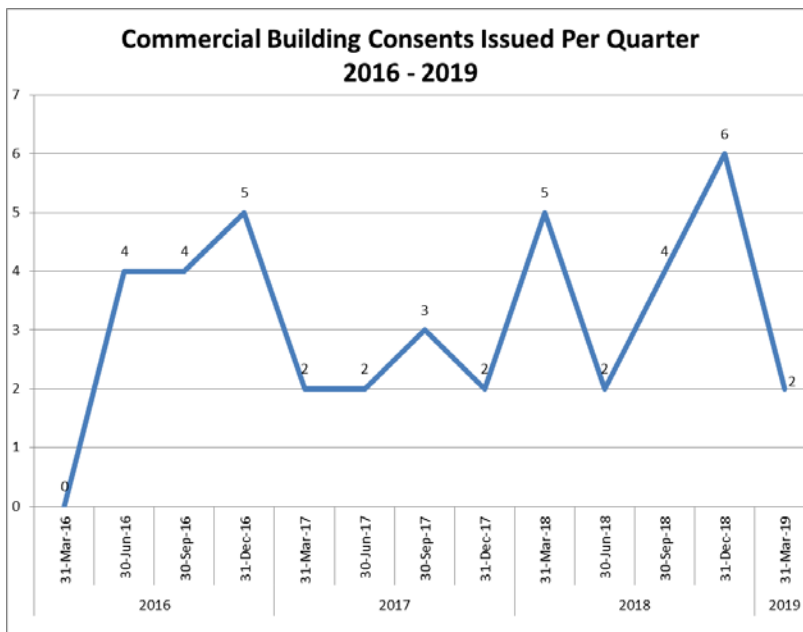
Map 2 – Resource Consents for subdivision issued in 2019 and from 2008 to 2018

(e) Greenfield vs Infill Subdivision

All three consents for subdivision in the first quarter of 2019 were located in infill areas, rather than in greenfield areas and each consent was to create two residential allotments from an existing property.

Non-residential Development Trends

(f) Building Consents Issued for Commercial Buildings



There were 2 building consents issued for commercial buildings in the quarter to March 2019.

One was for a new barrel hall, and the other was for an agricultural tunnel house.

(g) Infometrics data on non-residential consents

Although numbers of commercial consents are down in the first quarter of 2019, in their latest Quarterly Economic Monitor Report for the Marlborough Region, Infometrics reports strong activity in the commercial sector for the full year to June 2019 in the Marlborough District as a whole including:

- Non-residential building consents to the value of \$61 million issued in Marlborough Region
- The value of consents increased by 55.3% (by comparison the value of consents in New Zealand increased by 7.9% over the same period).
- Over the last 10 years, consents in Marlborough Region reached a peak of \$81 million in the year to March 2010.

Summary

Residential activity indicators show an increase in house sale prices and a slowing of rental price increases in the first quarter of 2019. However, building and subdivision activity in the first quarter of 2019 is lower than recent periods which in part reflects the capacity and timing of the two major residential developments at Taylor Pass (almost complete) and Omaka Landing (next stage recently released). Coupled with the increase in house sale prices, the slowing of consents could also potentially indicate some pressure on the availability of land for development, rather than a decrease in demand, given that Infometrics data for the year to June 2019 indicates healthy levels of growth in Marlborough. Initial results show consents for the second quarter of the year do appear to be up on quarter one, and this trend will be reported on along with other June quarter results once data from the Urban Development Capacity Dashboard is available for the period.

Commercial building activity for the quarter is also down but this level of fluctuation between quarters is not unusual for Marlborough and the Infometrics quarterly monitor demonstrates healthy economic growth in the region for the year to June 2019.



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