

**SMALL CITY BENEFITS
BIG CITY AMBITION**



URBAN DEVELOPMENT CAPACITY INDICATORS FOR PALMERSTON NORTH

September 2018 Quarter



Contents	Page number
Number of new dwellings consented by type by quarter	3
Annual number of new dwellings by type	3
Annual number of houses sold	3
Dwelling sale prices	4
12-month rolling dwelling sales price (sales price to appraisal ratio (SPAR) index)	4
Change in the supply of rental housing	4
Dwelling rents	5
Ratio of estimated population growth to number of new dwelling consents issued	5
Commercial and industrial vacancies	5
Value of non-residential consents issued by type	6
GDP growth	6
Major construction projects	6

Background

This report has been produced to meet the quarterly reporting requirements of the National Policy Statement on Urban Development Capacity 2016. These reporting requirements apply to all medium and high growth local authorities with urban area populations of 30,000 or more people.

These quarterly reports are produced to ensure that local authorities are well-informed about demand for housing and business development capacity, urban development activity and outcomes.

Indicators which local authorities are required to monitor on a quarterly basis include:

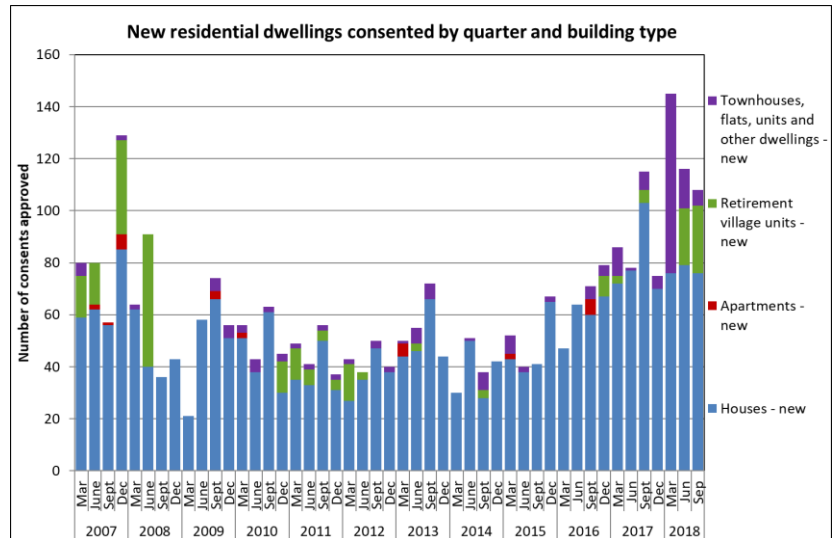
- a. Prices and rents for housing, residential and business land by location and type; and changes in these prices and rents over time;
- b. The number of resource consents and building consents granted for urban development relative to the growth in population; and
- c. Indicators of housing affordability.

Further information

Strategy and Planning Unit
Palmerston North City Council
Private Bag 11034, Palmerston North 4444
Phone: 06 356 8199

Number of new dwellings consented by type by quarter

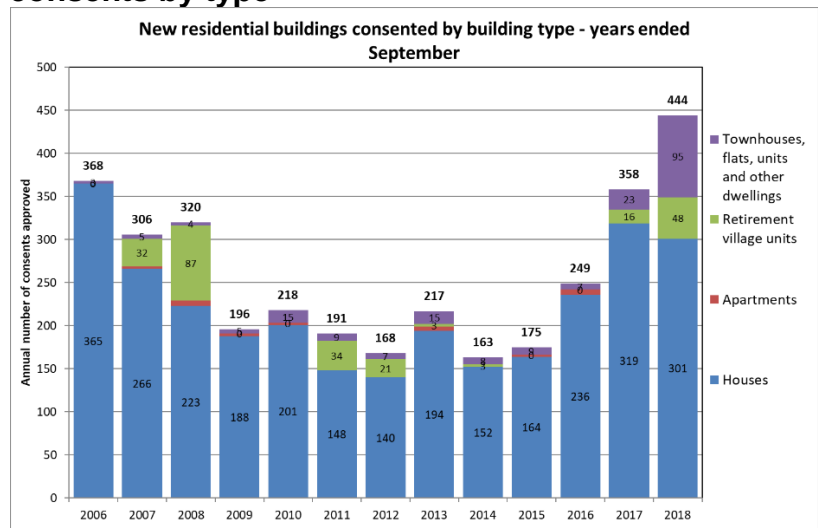
Consents for 108 new residential dwellings were issued in the September 2018 quarter, a decline of 6% from the September 2017 quarter. The introduction of the online consents system in late June 2017 contributed to strong growth in the number of consents lodged in the September 2017 quarter. This followed weakness in the June 2017 quarter. (Source: Statistics NZ)



Annual number of new dwelling consents by type

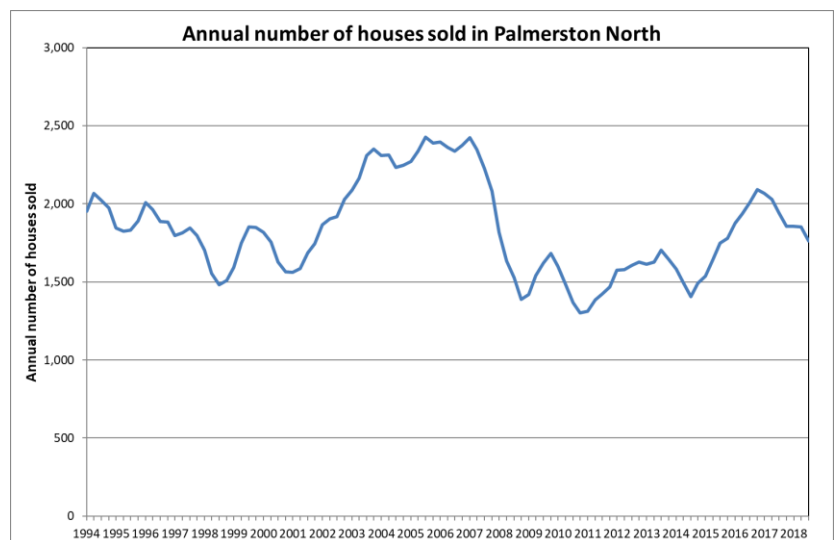
In the year to September 2018, 444 consents for new residential dwellings were approved in Palmerston North (houses, apartments, townhouses and units in retirement villages), with a value of \$131 million. This compares to 358 new dwellings in the year to September 2017, an increase of 86 dwellings (23%).

The average value of new dwelling consents was \$295,000 in the year to September 2018, a decline from the average of \$310,200 in 2017. (Source: Statistics NZ)



Annual number of houses sold

There was a 9% decline in the number of houses sold in Palmerston North in the year ended September 2018 compared with the previous year. Loan-to-value restrictions were introduced on 1 September 2016 for home owners and on 1 October 2016 for investors, resulting in a decline in the number of new loans approved by banks. There was a slight easing to the restrictions at the beginning of 2018. (Source: MBIE)

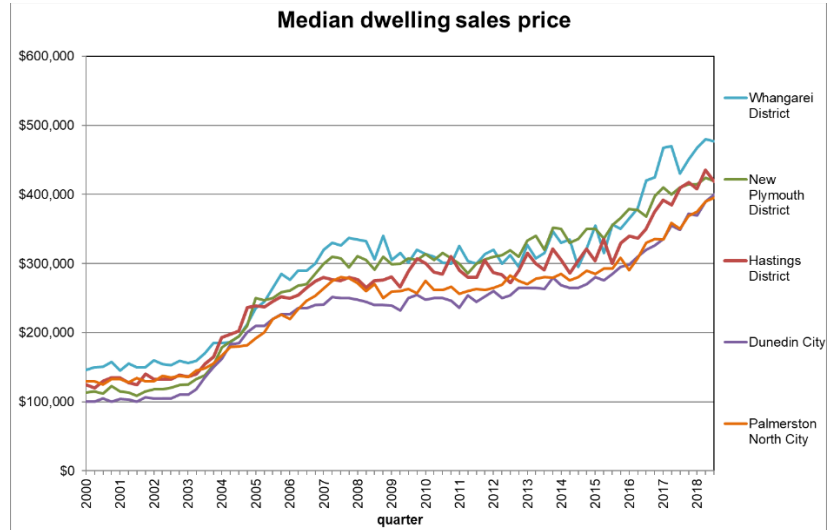


Dwelling sale prices

The median house sales price in Palmerston North in the September 2018 quarter was \$395,000, increasing by 12.9% from 2017.

Median house sale prices in Hastings increased by 2.1% in the September 2018 quarter while there was a 2.3% increase in New Plymouth and a 14.6% increase in Dunedin.

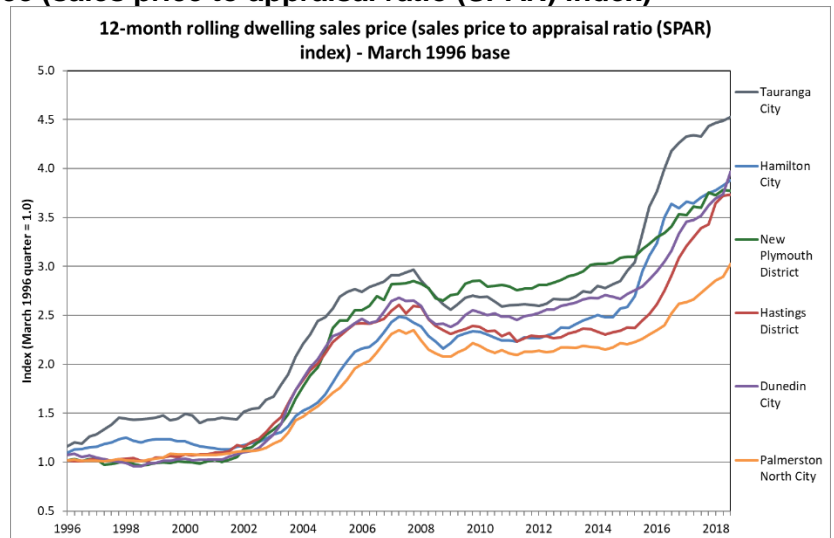
(Source: MBIE)



12-month rolling dwelling sales price (sales price to appraisal ratio (SPAR) index)

The index for dwelling sales prices in Palmerston North, based on the sales price to appraisal ratio (SPAR) increased, increased from 1.0 in September 1994 to 3.02 in September 2018. This was an increase of 202% from 1994.

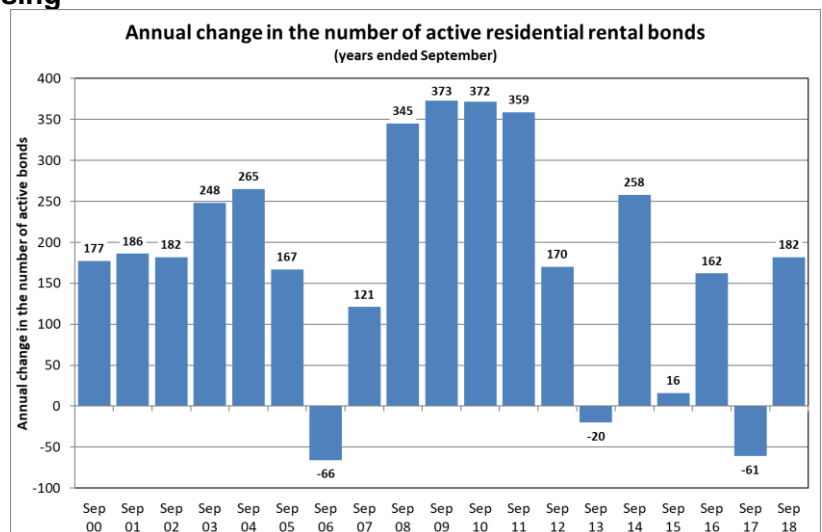
The index adjusts for the composition and quality of housing sold over each period (Source: MBIE)



Change in the supply of rental housing

There were 182 more active residential rental bonds in Palmerston North registered by the Ministry of Business, Innovation and Employment (MBIE) at the end of September 2018 compared with September 2017.

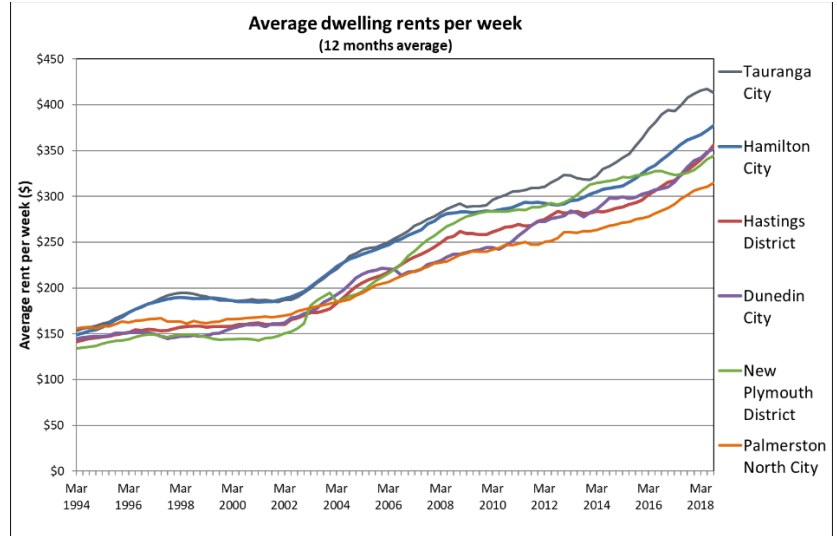
Annual change in rental stock has been volatile since 2012. (Source: MBIE)



Dwelling rents

Average weekly dwelling rents in Palmerston North were \$315 in the year ended September 2018 (annual average), increasing by 4.3% from 2017.

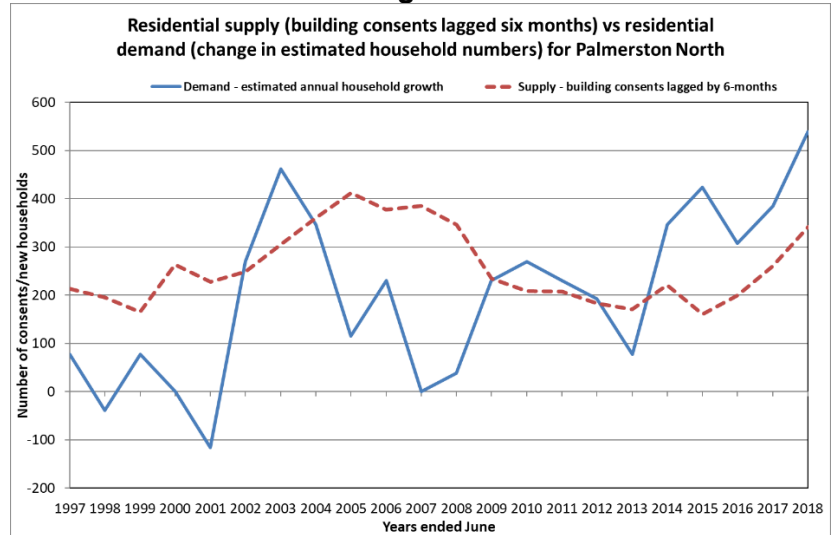
Average annual weekly rents increased by 1.3% in Tauranga, 8.4% in Hastings, 5.8% in Wellington and by 5.7% in New Plymouth.
(Source: MBIE)



Ratio of estimated population growth to number of new dwelling consents issued

The latest estimates for household growth suggest that residential demand in Palmerston North has exceeded housing supply for a fifth consecutive year.

The series appears to be a useful indicator of potential household and population growth. The household growth estimates will be revised following the 2018 Census.
(Source: MBIE)



Commercial and industrial vacancies in Palmerston North

The first comprehensive survey of building vacancies across all business zones in the city recorded a 5.8% vacancy rate in June 2018. The highest vacancy rate was in the inner business zone, where the vacancy rate was 11.9%. Vacancies were highest for older buildings in the inner business zone.
Source: Blackmores

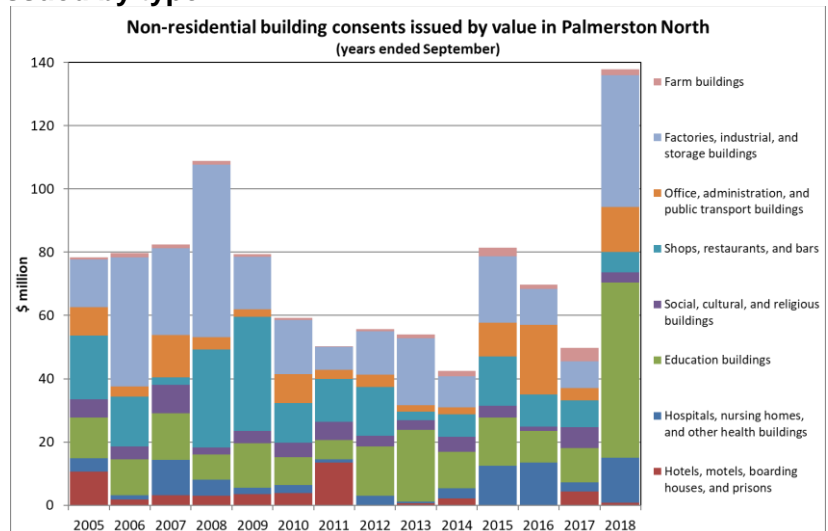
Commercial and Industrial Vacancy Survey (June 2018)				
Zone	Vacancy rate	% shares of floor area by zone		
		Vacant	Part-occupied	Full
Fringe Business	6.4%	0%	27%	73%
Industrial & Airport	3.7%	2%	5%	94%
Inner Business	11.9%	6%	16%	79%
Local Business	4.7%	0%	0%	100%
North East Industrial	0.0%	0%	0%	100%
Outer Business & Local Business	7.0%	5%	4%	91%
Total Commercial and Industrial	5.8%	3%	7%	90%

Value of non-residential consents issued by type

The value of non-residential consents issued in the year ended September 2018 was \$138 million, an increase of 177% from 2017.

Education building consents were \$55 million in the year to September 2018, with the largest consent being the \$28 million Joint Food Science Facility at Massey University for Food HQ. A \$17 million consent for the BUPA aged care facility boosted hospital consents.

(Source: Statistics NZ)

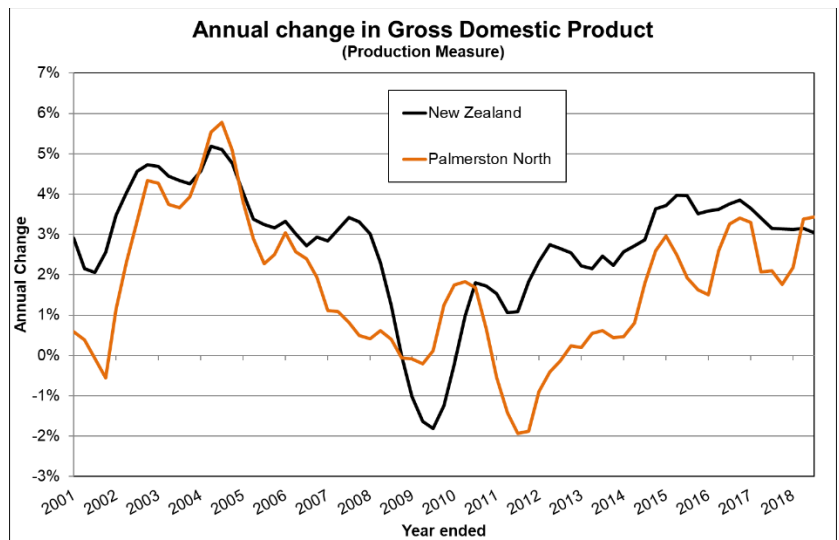


GDP Growth

Infometrics GDP estimates suggest Palmerston North GDP growth over the 12 months ended September 2018 was 3.4%. New Zealand GDP growth weakened slightly to 3.0% in the year to September.

GDP growth in Palmerston North is expected to continue to strengthen during 2018 due to major construction projects in the City and region.

(Source: Infometrics/Statistics NZ)



Major construction projects

Major development and construction projects announced recently for Palmerston North and the Manawātū region amount to more than \$2.0 billion of construction activity over the period to 2030.

Some projects are still waiting for final approval, the largest being the MidCentral DHB investment plan. Some projects under development do not have final values, such as the construction of infrastructure at Ohakea for the P-8A Poseidon aircraft.

(Source: Palmerston North City Council)

Development	\$ million	Timing
Manawātū Gorge	450 - 500	start late 2019
Linton and Ohakea regeneration plan	397	2018 - 2030
Massey University capital plan	184	2016 - 2025
Powerco growth and security projects	150	2017 - 2024
Hokowhitu campus redevelopment	90 - 135	start 2019
P-8A Poseidon aircraft - infrastructure		finish by 2023
NZTA regional roading investment	200	2018 - 2024
PNCC urban growth capital projects	48	2018 - 2028
BUPA retirement village	40	started 2017
KiwiRail regional freight hub		value and timing to be confirmed
FoodHQ	39	start 2018, finish mid 2019
Toyota parts distribution centre	20	started 2018
MidCentral DHB investment plan	282	timing uncertain
- new critical services block	107	