

HE ITI RA, HE ITI POUNAMU

SMALL CITY BENEFITS, BIG CITY AMBITION

URBAN DEVELOPMENT CAPACITY INDICATORS FOR PALMERSTON NORTH

March 2020 Quarter



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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.

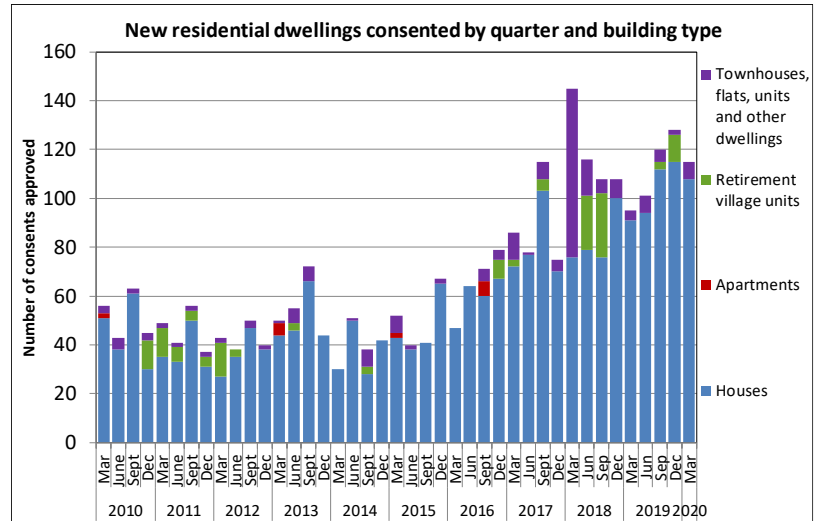
Further information

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Number of new dwellings consented by type and value

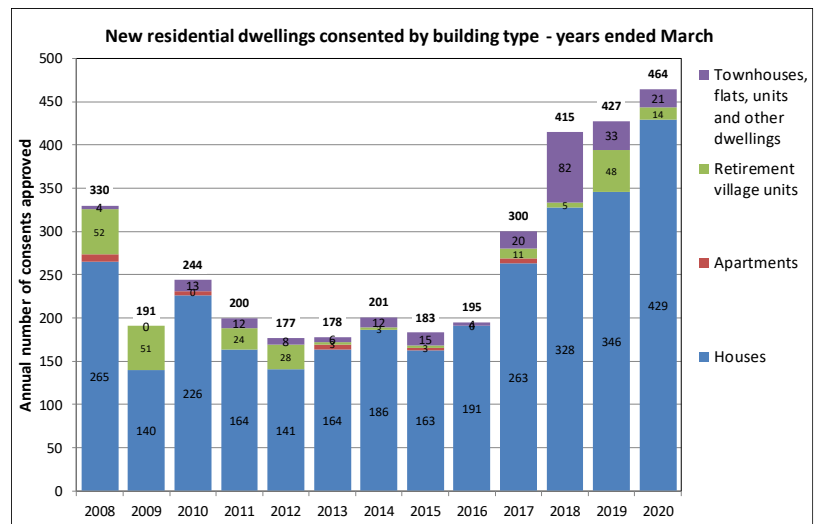
Consents for 115 new residential dwellings were issued in the March 2020 quarter, an increase of 21 percent from the March 2019 quarter.

(Source: Statistics NZ)



In the year to March 2020, 464 consents for new residential dwellings (houses, apartments, townhouses and units in retirement villages), valued at \$155 million were approved for construction in Palmerston North. This compares to 427 new dwellings in the year to March 2019, an increase of 37 dwellings (9 percent). The value of new dwellings approved increased by 13 percent.

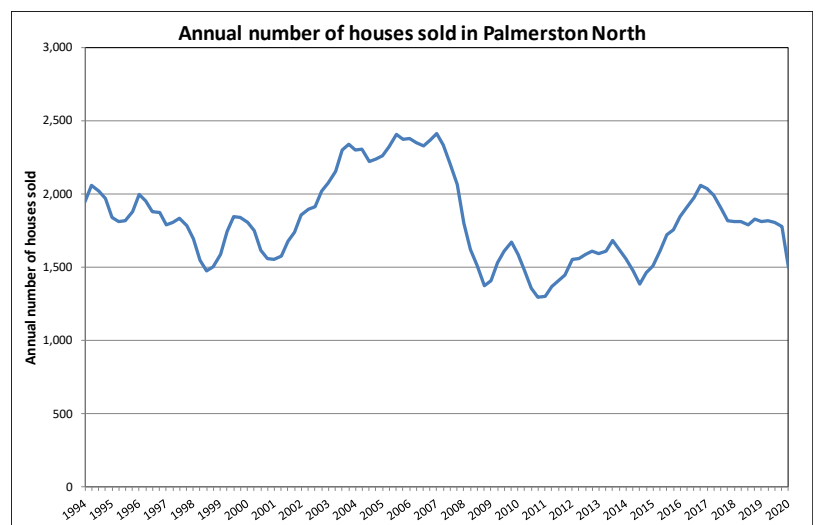
(Source: Statistics NZ)



Annual number of houses sold

There was a 17 percent decline in the number of houses sold in Palmerston North in the year ended March 2020 compared with the previous year. Covid-19 sales restrictions introduced on 25 March contributed to the decline.

(Source: MBIE)

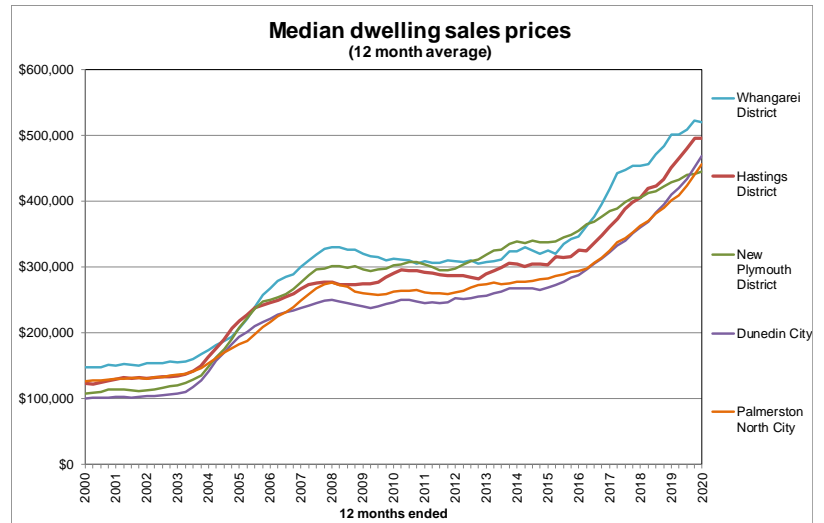


Dwelling sales price

The median house sales price in Palmerston North was \$456,700 in the 12 months ended March 2020, an increase of 13.8 percent (\$55,000) from the previous year.

The strongest increase in median house sales prices for comparable sized urban area was in Dunedin, where prices increased by 14.2 percent, while the weakest increase was in Whangarei, where the increase was 3.6 percent.

(Source: MBIE)

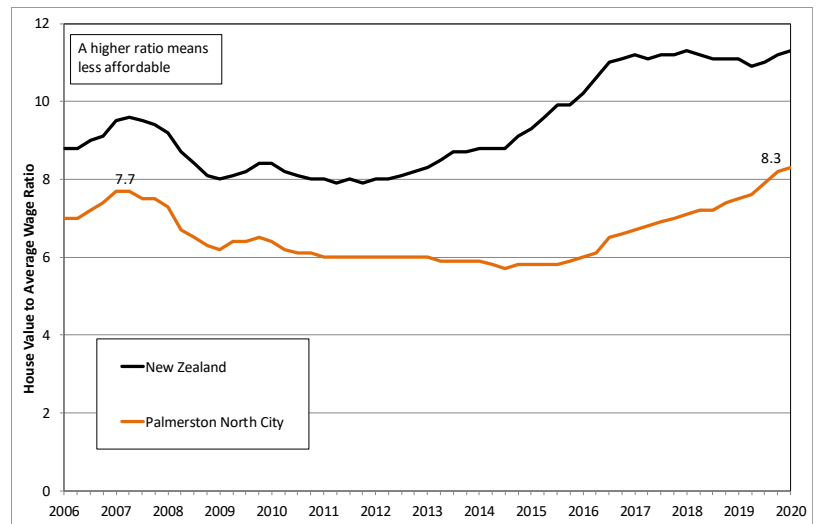


Housing affordability (buy)

Housing affordability in Palmerston North deteriorated between March 2019 and March 2020. Average house values in the city increased from 7.5 times average annual salaries in the year to March 2019 to 8.3 times in the year to March 2020.

The affordability ratio for New Zealand deteriorated from 11.1 to 11.3

(Source: Infometrics)

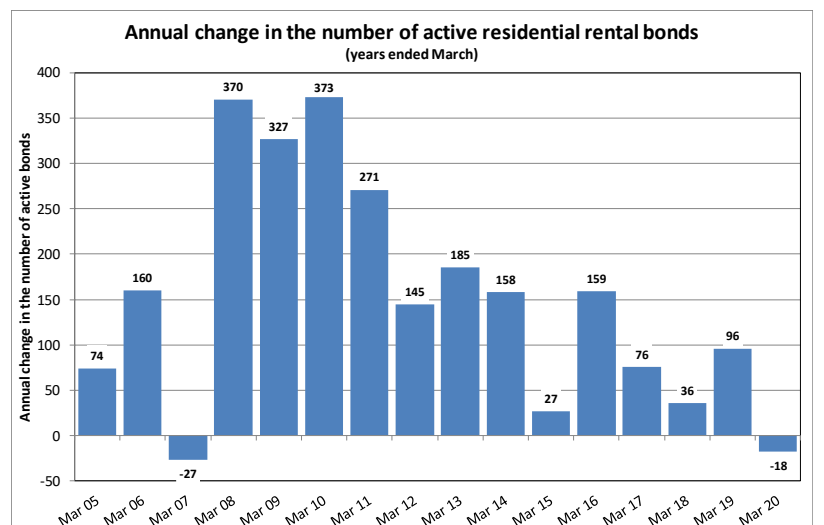


Change in the supply of rental housing

There were 18 less active residential rental bonds in Palmerston North registered by the Ministry of Business, Innovation and Employment (MBIE) at the end of March 2020 compared with March 2019.

Annual change in rental stock has been volatile since 2012.

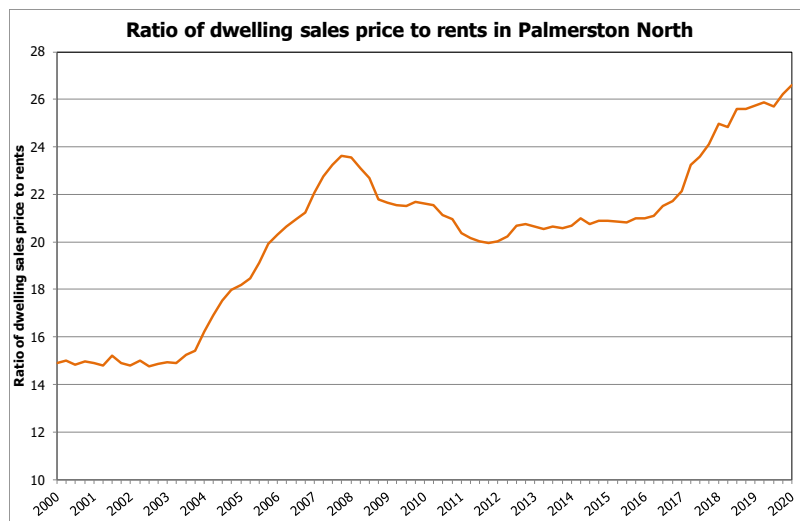
(Source: MBIE)



Ratio of dwelling sale price to rents

The average dwelling price in Palmerston North was 27.9 times the average rent in the year ended March 2020. The average has been increasing over the past four years due to house prices increasing faster than rents

(Source: MBIE)



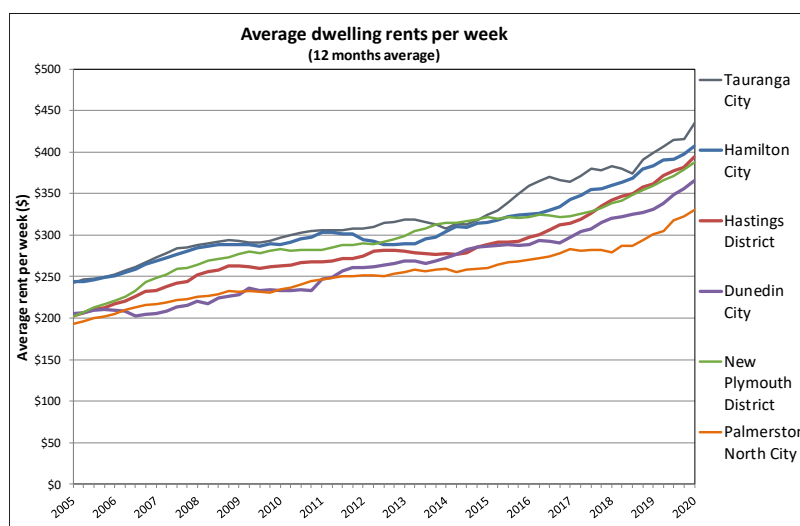
Dwelling rents

Average weekly dwelling rents in Palmerston North were \$330 in the year ended March 2020 (annual average), increasing by \$29 per week (9.7 percent) from 2019.

The average weekly dwelling rents in other centres were:

- New Plymouth - \$388
- Hastings - \$395
- Dunedin - \$366
- Whangarei - \$379
- Tauranga - \$435

(Source: MBIE)

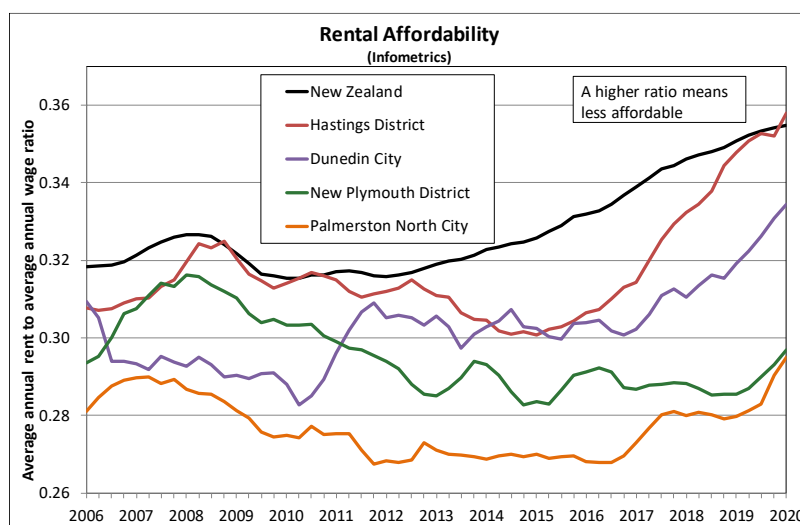


Rental affordability

Rental affordability in Palmerston North declined over the past 12 months. Average rents increased slightly from 28.0 percent of average annual salaries and wages in March 2019 to 29.5 percent in March 2020. The affordability score for New Zealand was 35.5 percent in March 2020.

The biggest declines in affordability among the similar sized urban areas over the past four years have been in Hastings and Dunedin.

(Source: Infometrics)

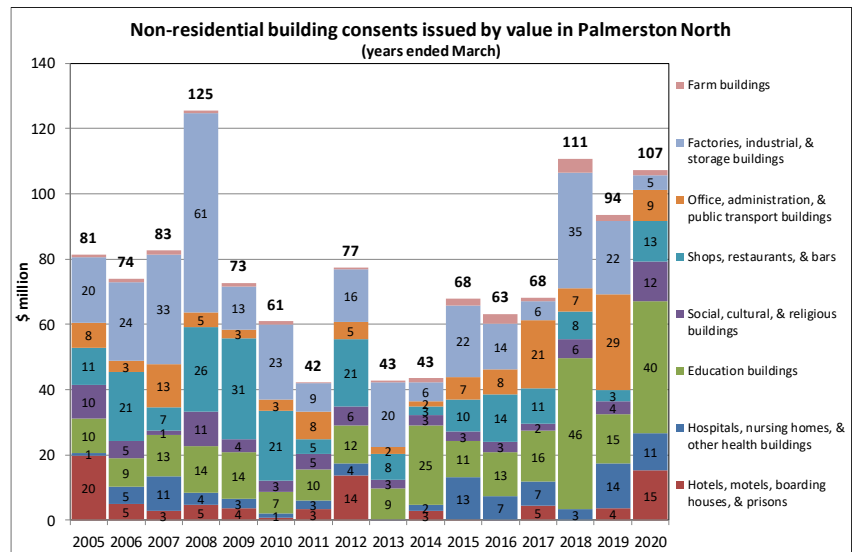


Value of non-residential consents issued by type

The value of non-residential consents issued in the year ended March 2020 was \$107 million, an increase of 15 percent from 2019.

The largest contributors were education (\$40 million), hotels, motels, boarding houses and prisons (\$15 million) and shops, restaurants and bars (\$13 million)

(Source: Statistics NZ)

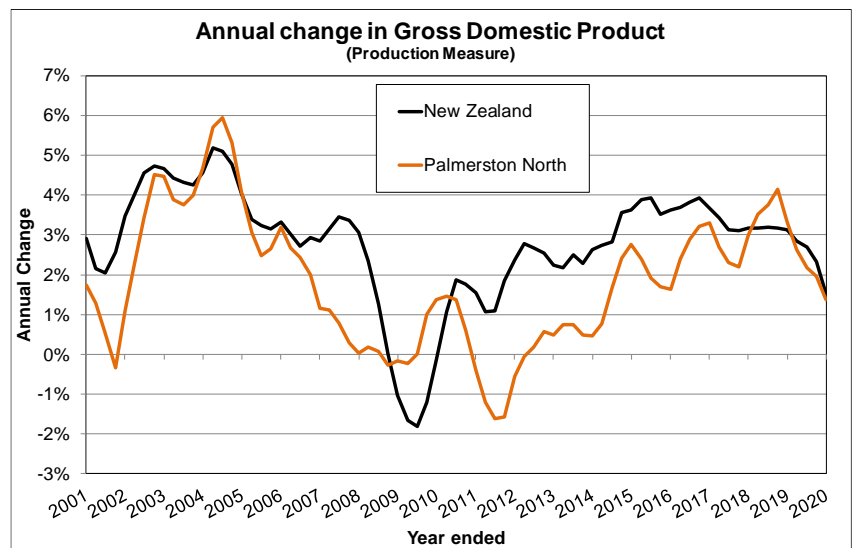


GDP Growth

Infometrics provisional GDP estimates suggest Palmerston North GDP growth over the 12 months ended March 2020 was 1.4 percent, while total GDP growth for New Zealand increased by 1.5 percent.

GDP is expected to decline sharply in the June quarter due to Covid-19 restrictions, but recover quickly in the second half of 2020 due to work created by major construction projects.

(Source: Infometrics/Statistics NZ)



Major construction projects

Major development and construction projects announced recently for Palmerston North and the Manawatū region amount to more than \$3 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.

(Source: Palmerston North City Council)

Development	\$ million	Timing
Manawatū Gorge	650	start late 2020
Linton and Ohakea regeneration plan	397	2018 - 2030
Mercury Energy - Turitea	256	started August 2019
Massey University capital plan	230	2020 - 2030
Powerco growth and security projects	150	2017 - 2024
Hokowhitu campus redevelopment	90 - 135	started late 2019
P-8A Poseidon aircraft - infrastructure	300	finish by 2023
NZTA regional roading investment	cost and timing to be confirmed	
BUPA retirement village	40	started 2017
KiwiRail regional freight hub	cost and timing to be confirmed	
MidCentral DHB acute services block	370	timing uncertain
MidCentral sugical and mental health	57	late 2020/early 2021
Countdown distribution centre	66	2020 - 2021
PNCC urban growth capital projects	48	2018 - 2028
PNCC city centre streetscape upgrade	29	2018 - 2028