

**URBAN DEVELOPMENT
CAPACITY INDICATORS FOR
PALMERSTON NORTH**
MARCH 2021

Contents	Page number
Number of new dwellings consented by type and total value	3
Price-cost ratio trends for Palmerston North	3
Dwelling sales price	4
Housing affordability (buy)	4
Change in the supply of rental housing	4
Palmerston North share of New Zealand active rental bonds and population	5
Dwelling rents	5
Rental affordability	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 monitoring requirements of the National Policy Statement on Urban Development 2020. Local authorities are required to monitor:

- a) the demand for dwellings
- b) the supply of dwellings
- c) prices of, and rents for, dwellings
- d) housing affordability
- e) the proportion of housing development capacity that has been realised:
 - (i) in previously urbanised areas (such as through infill housing or redevelopment); and
 - (ii) in previously undeveloped (i.e., greenfield) area
- f) available data on business land.

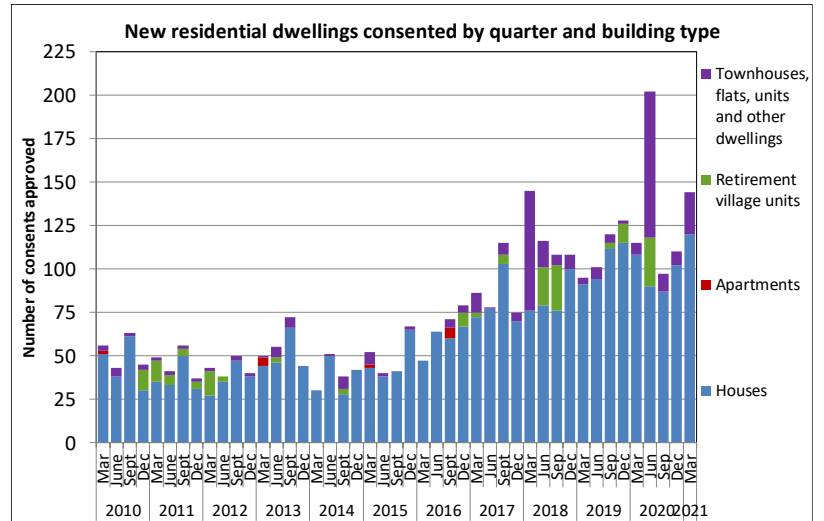
Further information

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Number of new dwellings consented by type and value

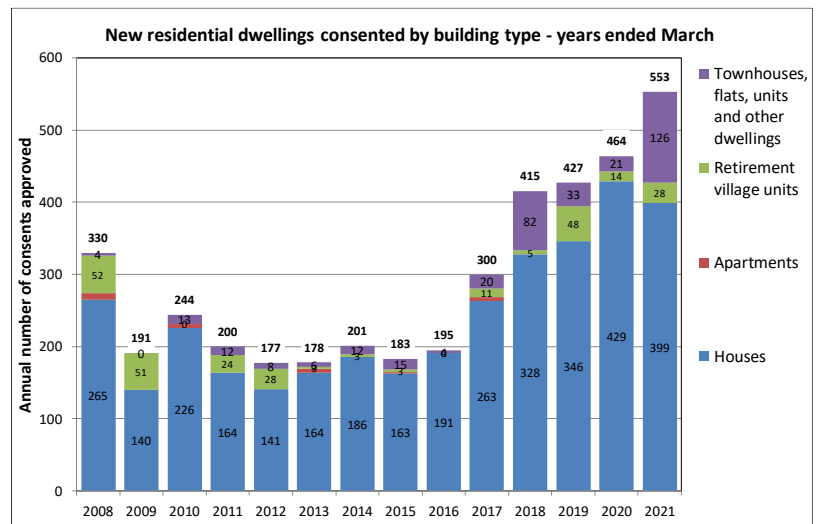
Consents for 144 new residential dwellings were issued in the March 2021 quarter, an increase of 25 percent from the March 2020 quarter.

(Source: Statistics NZ)



In the year to March 2021, 553 consents for new residential dwellings (houses, apartments, townhouses and units in retirement villages), valued at \$186 million were approved for construction in Palmerston North. This compares to 464 new dwellings in the year to March 2020, an increase of 89 dwellings (19 percent increase). The value of new dwellings approved increased by 20 percent.

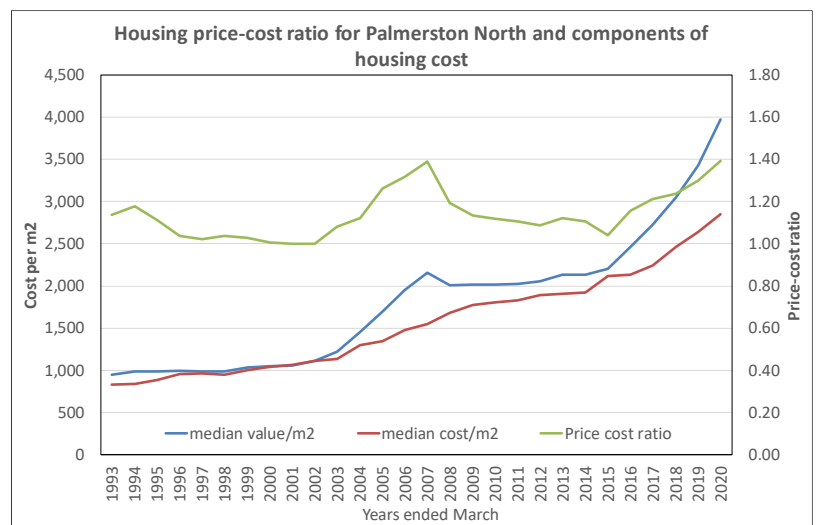
(Source: Statistics NZ)



Price-cost ratio trends for Palmerston North

Price-cost ratios compare the extent to which construction costs or land costs contribute to house prices. The latest price-cost data to March 2020 shows an acceleration in land values since 2016, while construction costs have increased more slowly. MFE/MBIE notes that cost-price ratios between 1 and 1.5 suggest the supply of land and development opportunities are relatively responsive to demand.

(Source: MHUD)

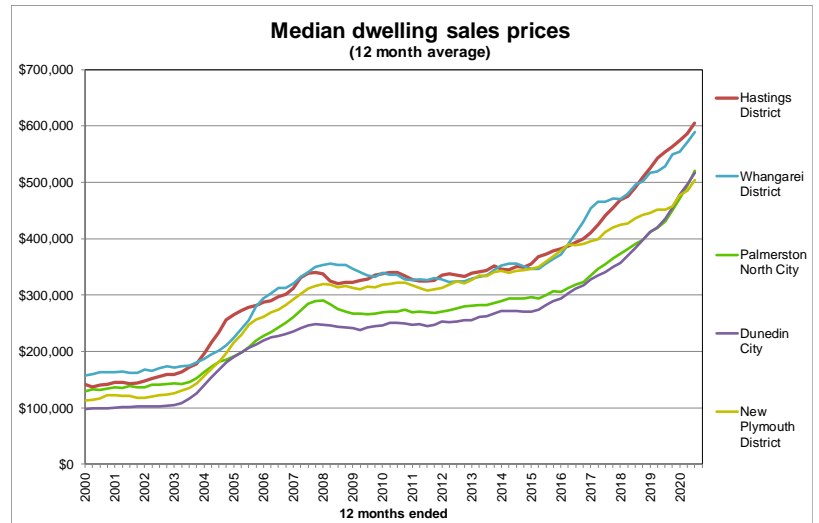


Dwelling sales price

The median house sales price in Palmerston North was \$617,500 in the 12 months ended December 2020, an increase of 27.1 percent (\$131,500) from the previous year.

The strongest increase in median house sales prices for comparable sized urban area was in Hastings, where prices increased by 21.1 percent, while the weakest increase was in Hamilton, where the increase was 14.2 percent.

(Source: MBIE)

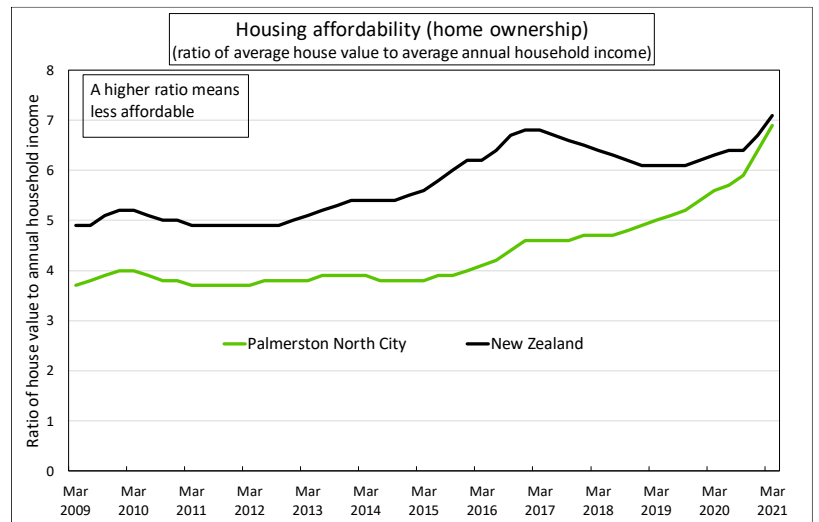


Housing affordability (buy)

Housing affordability in Palmerston North deteriorated significantly between March 2020 and March 2021. Average house values in the city increased from 5.6 times average annual household income in the year to March 2020 to 6.9 times in the year to March 2021.

The affordability ratio for New Zealand deteriorated from 6.3 to 7.1

(Source: Infometrics)

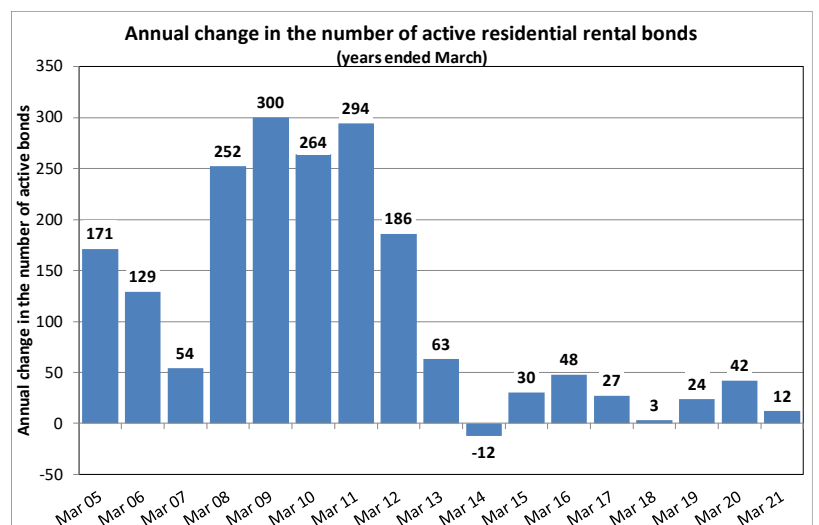


Change in the supply of rental housing

There were 12 more active residential rental bonds in Palmerston North registered by the Ministry of Business, Innovation and Employment (MBIE) at the end of March 2021 compared with March 2020.

Annual change in rental stock has been weak since 2013.

(Source: MBIE)

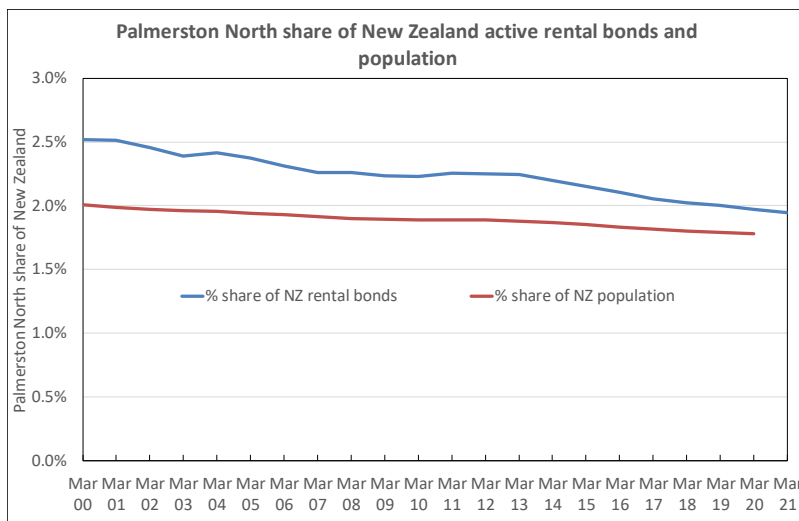


Palmerston North share of New Zealand active rental bonds and population

Palmerston North has experienced weak growth in its rental stock compared with national growth. As a result, the city's share of active rental bonds has declined from 2.5 percent of the national total in March 2000 to 1.9 percent by March 2021.

A decline in tertiary education student numbers is likely to be an important contributor to the city's declining population and rental bond share.

(Source: MBIE/Statistics New Zealand)

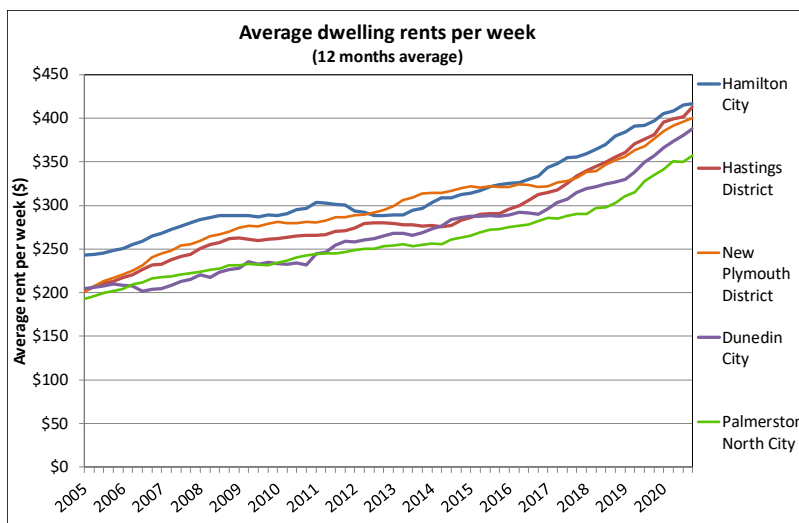


Dwelling rents

Average weekly dwelling rents in Palmerston North were \$357 in the year ended December 2020 (annual average), increasing by \$22 per week (6.7 percent) from 2019.

The average weekly dwelling rents in other centres were:

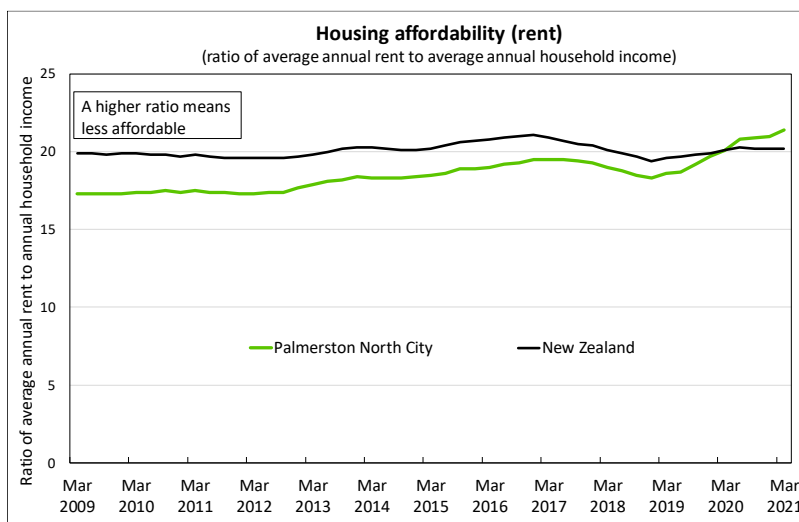
- New Plymouth - \$400
 - Hastings - \$413
 - Dunedin - \$388
 - Whangarei - \$398
- (Source: MBIE)



Rental affordability

Rental affordability in Palmerston North declined over the past 12 months. Average rents increased from 20.1 percent of average household income in March 2020 to 21.4 percent in March 2021. The affordability score for New Zealand was 20.2 percent in March 2021.

(Source: Infometrics)

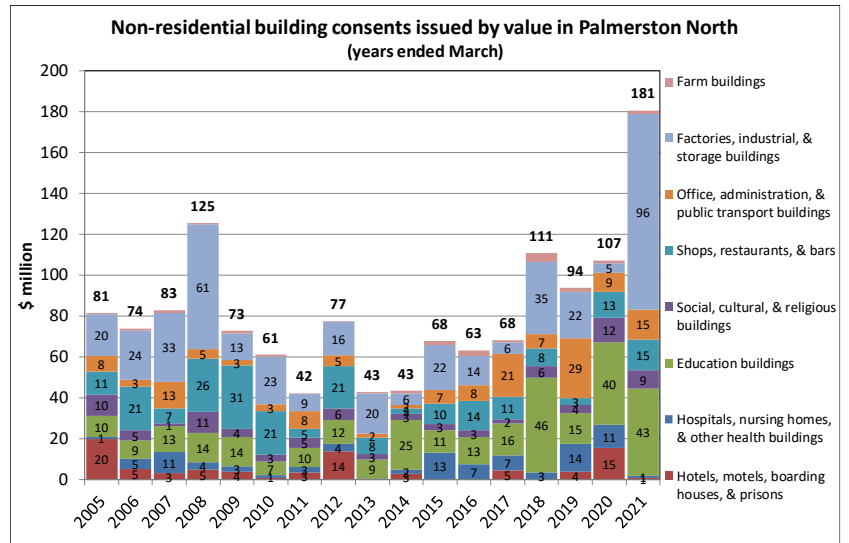


Value of non-residential consents issued by type

The value of non-residential consents issued in the year ended March 2021 was \$181 million, an increase of 68 percent from 2020 (\$74 million increase).

The largest contributors were factories, industrial and storage buildings - \$96 million (includes the Countdown distribution centre) and education - \$40 million (includes investment at Massey University)

(Source: Statistics NZ)

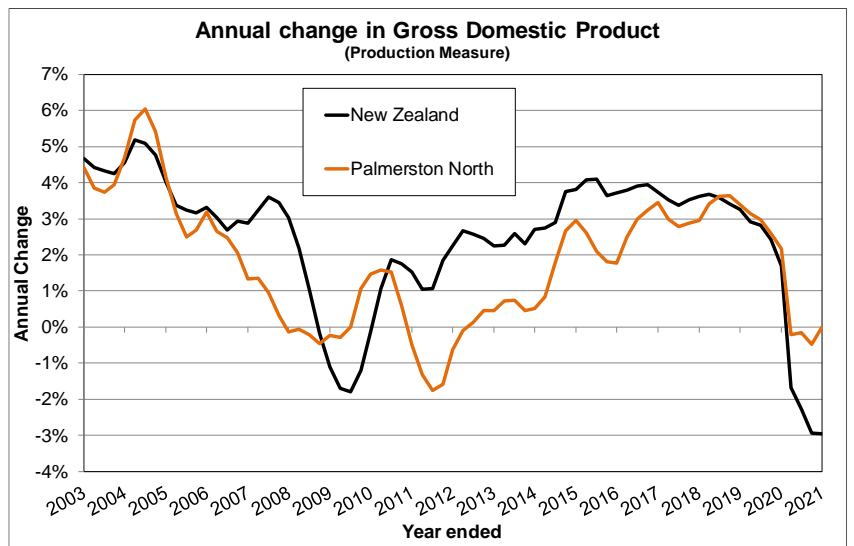


GDP Growth

Infometrics provisional GDP estimates suggest Palmerston North there was no growth in GDP in the year ended March 2021. Total GDP for New Zealand declined by 3.0 percent due to Covid-19 restrictions.

Annual GDP growth in Palmerston North has been stronger than the average for New Zealand since December 2018.

(Source: Infometrics)



Major construction projects

Major development and construction projects announced recently for Palmerston North and the Manawātū region amount to more than \$5 billion of construction activity over the period to 2035.

Some projects are still waiting for final approval, the largest being the MidCentral DHB acute services block.

(Source: Palmerston North City Council)

Major construction projects	\$ million	Timing
Te Ahu A Turanga (Manawātū Gorge)	650	start January 2020
Linton and Ohakea regeneration plan 2019	660	2019 - 2035
Mercury Energy - Turitea	450	2019 - 2021
Massey University capital plan	230	2020 - 2030
Powerco growth and security projects	245	2017 - 2024
Hokowhitu campus redevelopment	90 - 135	started late 2019
MidCentral DHB surgical and mental health	57	early 2021
MidCentral DHB acute services block	370	timing uncertain
NZTA Otaki to North of Levin	817	2024 - 2029
PN Integrated Transport Investment	335 - 370	timing uncertain
KiwiRail regional freight hub	cost and timing to be confirmed	
<i>PNCC capital investment (draft)</i>	1,317	2021 - 2031
<i>Manawātū District - capital investment (draft)</i>	225	2021 - 2031
Countdown distribution centre	66	2020 - 2021