

Mr Philip Osborne for QLDC – Summary of Evidence, 7 October 2016

Residential Chapters - Hearing Stream 6

1. The Queenstown Lakes District (**the District**) housing market has seen significant and rapid changes over the past 15 years. These changes have resulted in substantial shifts in the affordability of homes in the District as well as important impacts on community well-being and the cost of living and working here.
2. Outside of Auckland, the District has the highest nominal average house price in the country with a growth rate exceeding any other area in New Zealand. While the residential housing growth rates in Auckland have subdued over the past 12 months, the District has not experienced the same tempering of growth. With an average price of over \$950,000 the level of affordability has resulted in home ownership levels across all households of only 35% and only 8% for those under 40 years old.
3. Since 2006 the District has experienced the largest fall in homeownership rates across the country with an average mortgage accounting for over 50% of the average after tax income.
4. A key component of the property market in the District is the number of vacant site transactions. These are not only high in terms of quantum but also in terms of the number of transaction per property. This would indicate a significant market in land speculation.
5. A further unique factor in relation to the District's residential property market is the level of private visitor residence that absorb considerable levels of residential land for temporary non-residents. This section of the market accounts for nearly 20% of growth in the market to 2045.
6. It is estimated that over the past 15 years residential housing demand rose by nearly 7,000 homes while the corresponding supply fell short by over 1,000 homes. This latent demand is currently playing its role in the ongoing pressure on house prices and affordability.
7. It is estimated that by 2045 the District will require between 10,200 and 16,000 new residential dwellings to meet new demand. As indicated by the changing

home ownership and affordability rates an increasing proportion of this demand will be required in the lower price and income brackets.

8. It is fundamental in terms of economic well-being that the Proposed District Plan consider the changing residential environment in the District. The District has the opportunity to address the issues of affordability and build supply through the increased provision for medium and high density residential development in central locations.
9. The intensification of residential activity is often accompanied by both economic costs and benefits. It is important to have consideration for these in the District context.
10. The potential economic costs of intensified residential activity include:
 - a) increased construction costs;
 - b) increased congestion;
 - c) property value changes;
 - d) increase in land prices;
 - e) market acceptance and viability; and
 - f) financing.
11. However, the District's market has several mitigating factors in relation to these costs including:
 - a) a lack of supply in the lower price ranges;
 - b) a significant level of properties exhibiting low improvement to capital ratios; and
 - c) significant growth potential.
12. These factors are likely to reduce the risks associated with medium and high density developments.
13. The economic benefits of residential intensification include:
 - a) improved infrastructure efficiencies;
 - b) reduced transportation costs;
 - c) agglomeration and associated activity benefits;
 - d) lower social infrastructure costs;
 - e) providing more diverse lower cost housing options;

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- f) greater affordability;
 - g) improved land efficiencies; and
 - h) greater levels of ownership.

14. Rather than simply adding to the land available for redevelopment, medium and high density residential options offer significant economic benefits in the District context. Many of the potential costs are already mitigated by the market while appropriate provisions can be applied to minimise the remaining costs. From an economic perspective the encouraging and facilitation of medium and high density residential development in the District will improve community well-being and the economic viability of the District.