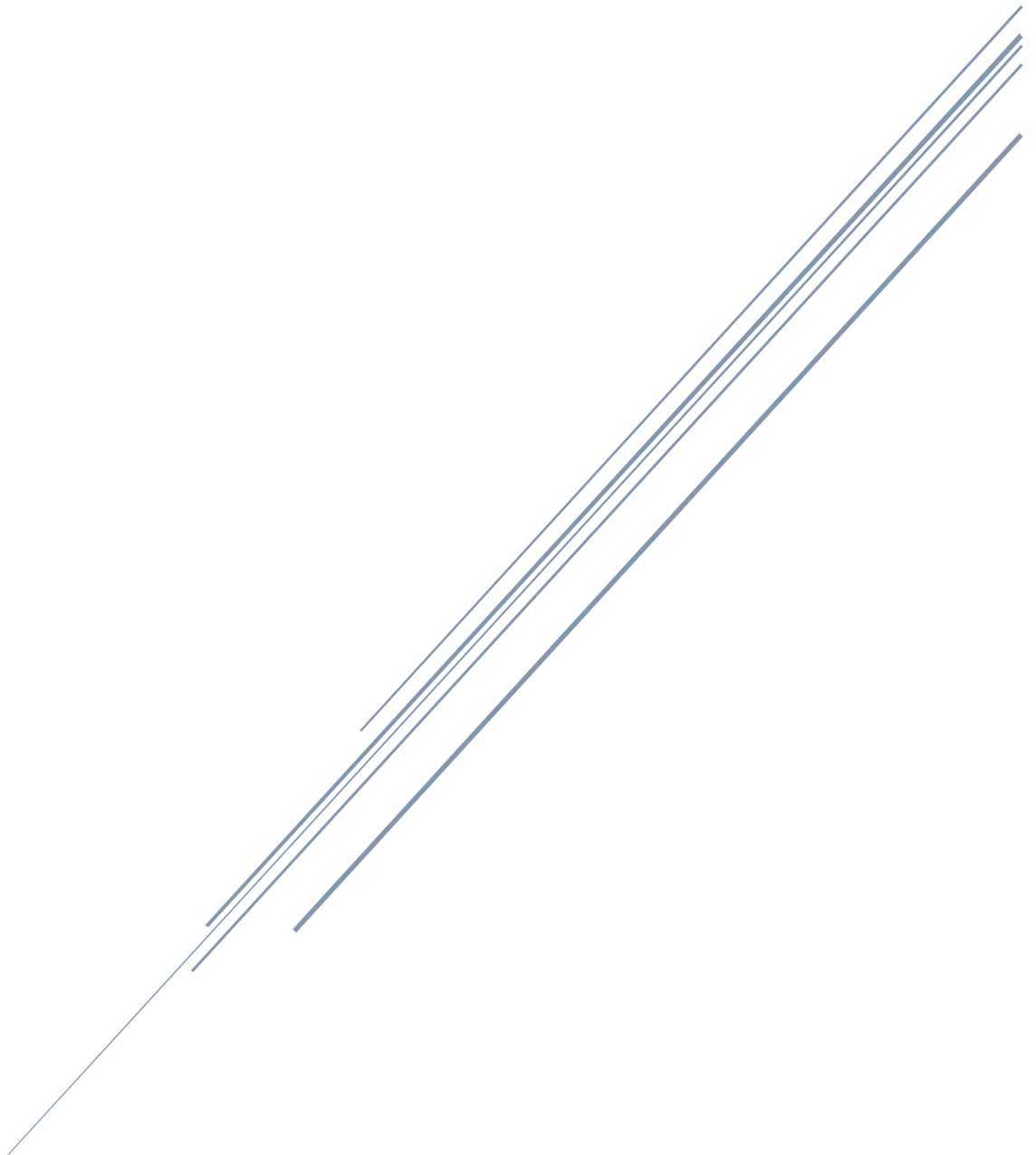


Annual Monitoring Report

National Policy Statement on Urban Development

July 2023 – June 2024



WHANGANUI
DISTRICT COUNCIL
Te Kaunihera a Rohe o Whanganui

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Executive Summary

This report provides an overview of Whanganui's housing and business development capacity for the year ended June 2024. The report is designed to meet the monitoring requirements of the Government's *National Policy Statement on Urban Development 2020*, which requires local authorities to be well informed about urban development activity and outcomes. As such, this report uses a selection of nationally agreed indicators.

Statistical analysis of each data set provides qualitative overview of our monitoring and the implications for the district.

Summary of findings:

The Whanganui district is expected to experience high population growth for a ten-year period from 2023.

Housing indicators for Whanganui shows that there has been a downward trend in house sales since September 2020, with a sharp decline for the quarter ending June 2024.

Rent prices have had a dramatic 121% increase in the past ten years, with a marginal drop of 2% in the quarter ending March 2024. The current average domestic weekly rent is \$458.

Affordability of housing overall continues a downwards trend (less affordable). While house purchases remain lower than New Zealand, house rentals in the district reached the least affordable of 24.4% in 2024.

Provision of new homes and capacity realised: There are circa 900 proposed subdivision lots available in the district, which exceeds population growth expectations.

Business growth continues a gradual improvement in productivity growth.

Business space availability exceeds demand.

Introduction

The *National Policy Statement on Urban Development 2020* (NPS-UD) came into effect on 20 August 2020. It replaced the *National Policy Statement on Urban Development and Capacity 2016* (NPS-UDC) which was introduced by the Ministry for the Environment (MfE) in 2016. Under the current NPS-UD, Whanganui district is identified as a Tier 3 urban environment.

Tier 3 local authorities are required to provide at least sufficient development capacity to meet expected demand for housing and for business land over the short term, medium term, and long term. Developable land is required to be in existing and new urban areas; for both standalone dwellings and attached dwellings; and in the short term, medium term and long term. In addition, development capacity for housing must be plan-enabled; infrastructure-ready; and feasible and reasonably expected to be realised.

Monitoring is required in relation to:

- 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 (ie. greenfield) areas
- f) available data on business land.

Results of the monitoring must be published at least annually.

Whanganui District Council (WDC) recognises that affordable housing is important for people's wellbeing. For example, high housing costs can leave lower income households insufficient income to meet other basic needs. Expenditure on housing is a major component of household spending and a key factor in the assessment of housing affordability.

Scope and structure of annual report

This report contains updated residential and business indicators for the year ending June 2024. To identify and understand trends, and better develop an overview of the impacts for the Whanganui District, indicators are organised into groups.

The six residential baseline indicator groups are:

- Housing
- Rentals
- Price Efficiency
- Housing Affordability
- Provision of new houses
- Housing Capacity realised

The two business baseline indicator groups are:

- Employment and growth
- Supply of business space

Each data set is presented graphically and accompanied by written explanation or analysis, as well as the data source.

To understand general trends around New Zealand and for comparative purposes, this report includes information on other Tier 3 urban environments of a similar size and growth rate as the Whanganui District; namely Invercargill and Gisborne (Tairāwhiti).

For the purpose of this report, all indicators relate to the wider Whanganui District area.

Overview of population growth in the Whanganui District

Whanganui District is situated in the wider Manawatu-Whanganui region on the west coast of the North Island and covers an area of 2,373 square kilometres, including both rural and

urban areas. Most of Whanganui’s population lives in the central urban area at the mouth of the Whanganui River, but there are also rural communities spread around the district.

Whanganui District’s total population was 48,954 in 2023, up 0.6% from a year earlier. Total population grew by 2.1% in New Zealand over the same period. Population growth in Whanganui District averaged 0.9%pa over the five years to 2023. Since 1996, growth in the district reached a high of 1.8%pa in 2016 and a low of -1.6%pa in 2001.

The population projections for the district show an increase to 50,456 by 2027 and 52,891 by 2034.

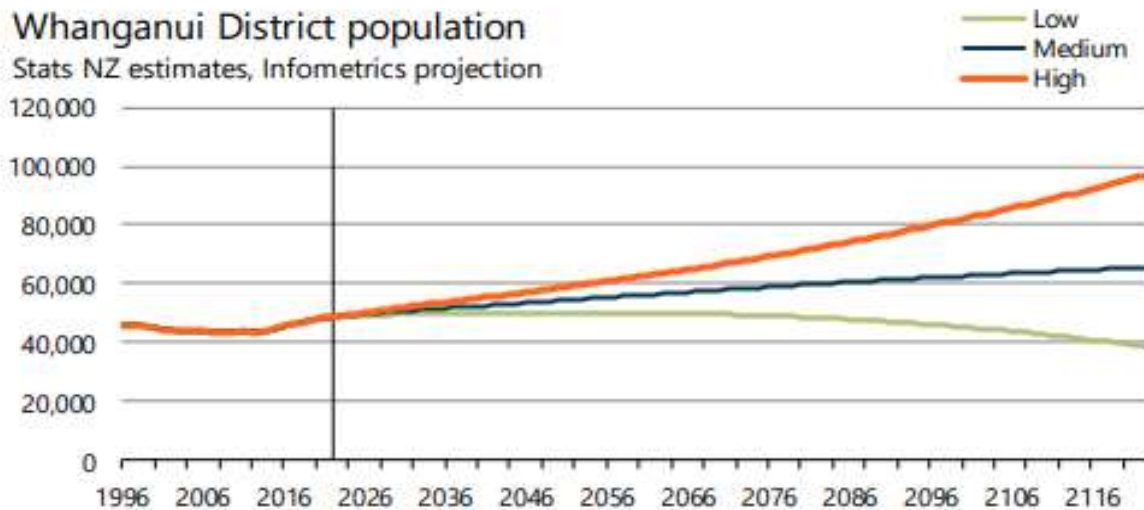


Figure 1 Whanganui District 100-year population projections; Infometrics

Whanganui’s average household size is projected to steadily grow to an average of 2.47 persons per household in 2040, and 2.57 people per household by 2054, as the district attracts families which form relatively large households.

Dwelling growth is expected to range between 100-130 dwellings per annum over the 2024-2033 period, reducing to around 40 dwellings per annum between 2034 and 2054.

Residential Indicators

This section summarises information on residential trends on supply and demand sourced from Ministry for the Environment (MfE) NPS-UD Dashboard and Infometrics data.

Residential Indicators: Housing

Indicator 1: Price for housing-dwelling sale price (actual)

Expenditure on housing is a major component of household spending. This section describes the average current house value in Whanganui District.



Figure 2 Dwelling Sales Prices; HUD Urban Development Dashboard, Last updated 30 June 2024

The Regional Economic Profile (Infometrics) provides statistical information on living standards, including housing affordability in the Whanganui District.

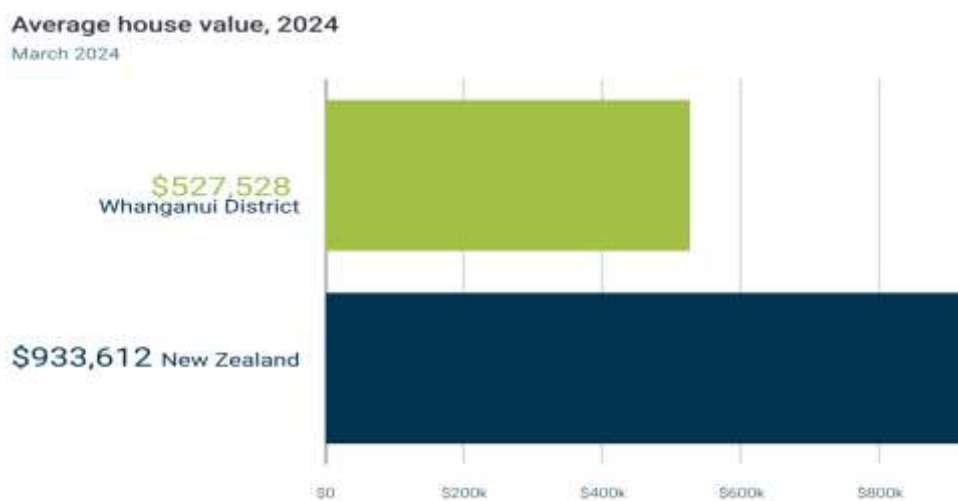


Figure 3 Average House Values 2024, Infometrics Regional Economic Profile

The average house value in Whanganui District was \$510,514 in March 2024, which was lower than the New Zealand median of \$933,633. House growth in Whanganui District decreased by 1.1% for the year to March 2024, which was lower than the New Zealand growth rate (1.9%). Since 2005, house value growth in Whanganui reached a maximum of 31.9% in 2021 and a minimum of -10.6% in 2023.

Indicator 2: Dwellings sold

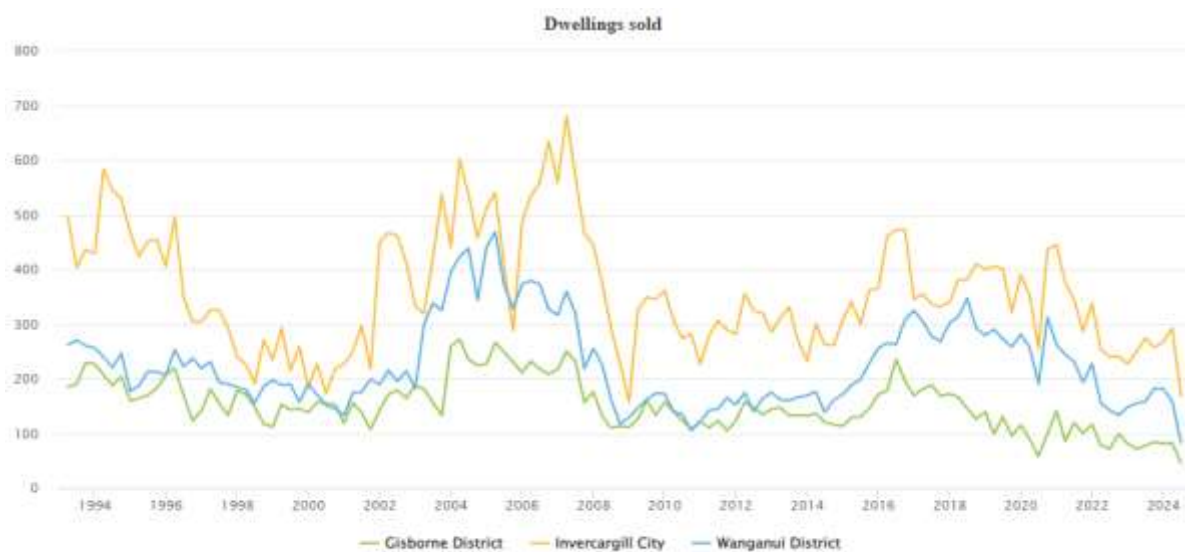


Figure 4 Dwellings sold; HUD Dashboard, last updated June 2024

Residential dwellings include houses, apartments, flats and townhouses only.

There has been a downward trend in the number of house sales in Whanganui District since the peak of 312 houses sold in the quarter ending September 2020, with a decrease of 73% by the quarter ending June 2024 with only 83 house sales. This is reflective of New Zealand trends over the same period.

Often the number of dwellings sold can relate to both the sale price, and the equilibrium between supply and demand of housing. Generally, the number of dwellings traded in the housing market is related to changes in price. For example, in the event of decreasing or stagnant house prices, the number of dwellings traded tends to decrease. The number of sales in the first half of 2024 is the lowest in thirty years, and the severe drop mirrors that of most of New Zealand. This could also be a result of consumer expectations of upcoming lowered interest rates and therefore the deferring of the dwelling purchase.

Indicator 3: Land value as percentage of capital value



Figure 5 Land value as percentage of capital value; HUD Dashboard, last updated June 2024

Data on land value as a percentage of capital value is sourced from Quotable Value on a three-yearly basis.

Available data on this indicator shows the estimated proportion of house values related to land prices at each valuation period. A higher ratio indicates that land is more valuable in relation to the buildings that occupy it. Land value in the Wanganui District has significantly increased over the past five years, rising from 31.86% in August 2019 to 49.18% in June 2024.

Indicator 4: Housing affordability

Affordable housing is important for people's wellbeing. For lower-income households, high housing costs relative to income are often associated with severe financial difficulty, and can leave households with insufficient income to meet other basic needs such as food, clothing, transport, medical care and education. High outgoings-to-income ratios are not as critical for higher-income earners, as there is sufficient income left for their basic needs.

The following graphs show a ratio of the average current house values to average household income. A higher ratio, therefore, suggests that median houses cost a greater multiple of typical incomes, which indicates lower housing affordability. Figure 8 shows the proportion of average household income that would be needed to service a 20-year mortgage on the average house value, with a 20% deposit at average 2-year fixed interest rates.

House value to income multiple

March years



Figure 6 House value to income multiple; Infometrics Regional Economic Profile

Mortgage payment proportion of income

March years



Figure 7 Mortgage payment proportion of income; Infometrics Regional Economic Profile

In the Whanganui District the average house value was 5.3 times its average income in 2024. Housing was more affordable than in New Zealand (7.0). Since 2005, the house value to income multiple in the Whanganui District reached a maximum (least affordable) of 6.5 in 2022 and a minimum (most affordable) of 2.9 in 2016. This corresponds with the increase in population for the district.

In the district, 37.4% of the average household income would be needed to service a 20 year mortgage on the average house value, with a 20% deposit at average 2-year fixed interest rates in 2024. This was lower than in New Zealand (49.5%).

Overall, the Whanganui District remains more affordable for house purchase than the New Zealand average.

Indicator 5: Dwelling Rents

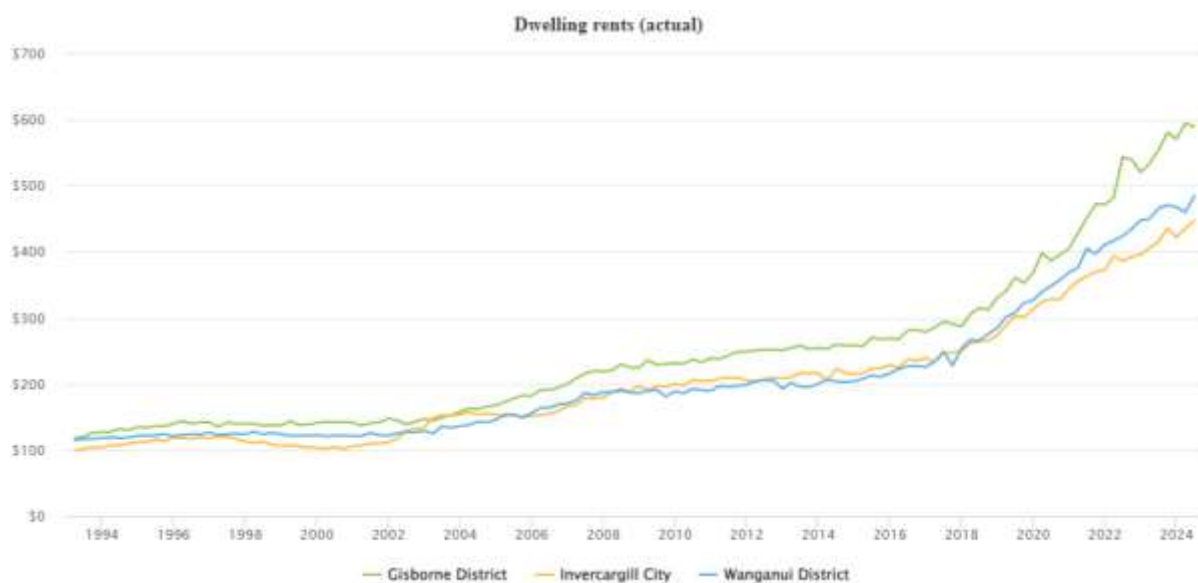


Figure 8 Dwelling Rents; HUD Urban Dashboard, Last updated June 2024

Rents across the Whanganui District have increased dramatically over the past ten years, with a 121% increase between 2014 and 2024. The weekly rental cost in June 2019 was \$308, with a rapid 63% increase to \$485 in June 2024.

Indicator 6: Rent affordability

Rent affordability is a measure which is the ratio of the average weekly rent to average household income. A higher ratio, therefore, suggests that the average rent take up a greater proportion of the average income, which indicates lower rent affordability.

In the Whanganui District, the average weekly rent accounted for 24.3% of the average household income in 2024. Rent was less affordable than in New Zealand (22%). Since 2000, the rent to income proportion in Whanganui District reached a maximum (least affordable) of 24.3% in 2024 and a minimum (most affordable) of 13.8% in 2002.

Rent to income proportion

Average weekly rent as % of average household income, March years



Figure 9 Rent to income proportion; Infometrics Regional Economic Profile

Indicator 7: Provision of new homes

Population projections for 10 years of high growth followed by 20 years of moderate growth in the Whanganui District estimate that there will be 1093 new households by 2053.

There are currently 2,295 developable lots, of which 204 are vacant. These have been identified as potential lots of infill within the General Residential Zone that have single or shared access. Of these potential developable lots, 939 lots are currently approved for subdivision. This supply exceeds demand for the projected household unit growth.

Indicator 8: Number of residential dwelling building consents

Building consents issued for new residential dwelling constructions across the Whanganui District quarter are classified as dwellings, houses, apartments, multi-unit detached residential housing, multi-unit self-contained unit, and multi-purpose commercial building with sleeping.

There were 28 building consents issued for new residential units in the quarter ending 30 June 2024.

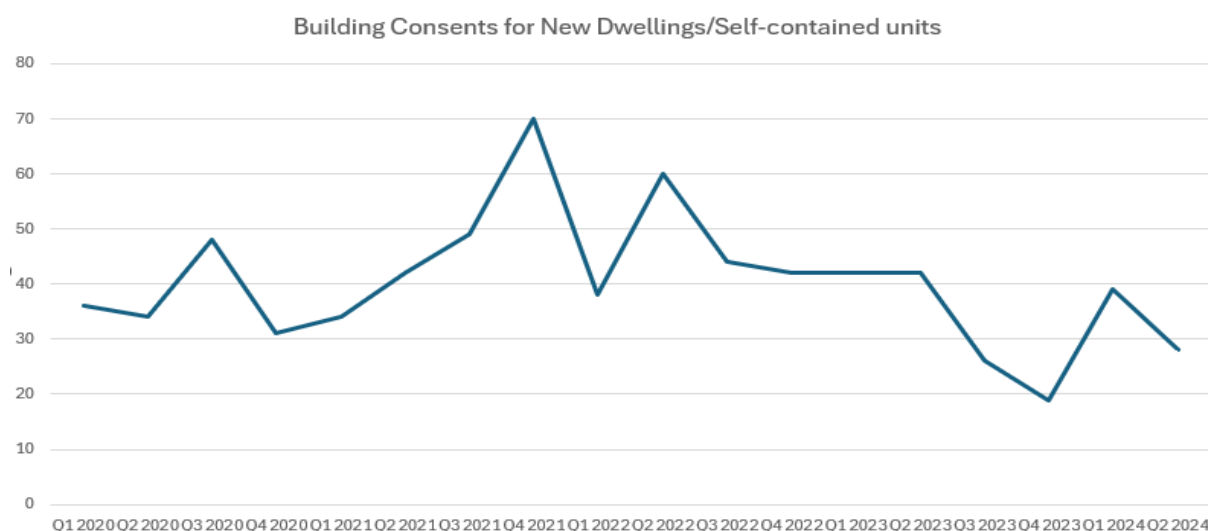


Figure 10 Building Consents; Whanganui District Council Property & Rating Report (Internal Data)

There is significant variation in the number of building consents from quarter to quarter. Variations can happen for a number of reasons, such as market demand, the nature of developments underway, interest rates, migration patterns, availability of materials, and the cost of materials. The sharp decline in building consents for most of 2023 is reflective of the continued high cost of building materials as well as the high interest rates.

Business Indicators

The number of businesses in an area is an indicator of the health of the economy. For example, growth in the number of businesses in an area reflects increased entrepreneurial activity and economic activity as entrepreneurs are prepared to take risks and start new ventures.

The number of business units in an area is determined by the industries in the region, their direct economic exposure and the typical size of business units within the industry. This section examines the composition of business units in the Whanganui District by broad classifications as well as the more detailed industries.

Business Indicator 1: Business growth

The statistics for business growth in the Whanganui District are shown as an annual average as at each February.

ANZSIC Level 1 / NZSIOC Level 3 industries			Whanganui District		New Zealand	
Code	Name	Level	Share of total	Level	Share of total	
A	Agriculture, forestry and fishing	702	15.0%	64,848	10.1%	
B	Mining	3	0.1%	864	0.1%	
C	Manufacturing	219	4.7%	24,360	3.8%	
D	Electricity, gas, water and waste services	18	0.4%	1,722	0.3%	
E	Construction	555	11.9%	81,663	12.7%	
F	Wholesale trade	114	2.4%	20,415	3.2%	
G	Retail trade	300	6.4%	37,647	5.9%	
H	Accommodation and food services	192	4.1%	25,884	4.0%	
I	Transport, postal and warehousing	123	2.6%	18,315	2.9%	
J	Information media and telecommunications	24	0.5%	8,274	1.3%	
K	Financial and insurance services	237	5.1%	45,234	7.1%	
L	Rental, hiring and real estate services	894	19.1%	129,354	20.2%	
M	Professional, scientific and technical services	360	7.7%	75,300	11.7%	
N	Administrative and support services	129	2.8%	21,603	3.4%	
O	Public administration and safety	48	1.0%	4,134	0.6%	
P	Education and training	138	3.0%	12,822	2.0%	
Q	Health care and social assistance	240	5.1%	27,534	4.3%	
R	Arts and recreation services	117	2.5%	12,228	1.9%	
S	Other services	270	5.8%	29,346	4.6%	
Total			4,677	100.0%	641,556	100.0%

Figure 11 Business units by industry; Infometrics Regional Economic Profile, last updated February 2023

Among the broad economic sectors other services accounted for the largest proportion of business units (45.7%) in Whanganui District, which was lower than in New Zealand (46.1%). Goods-producing industries accounted for 16.5% in Whanganui District compared with 16.8% in New Zealand. Primary industries accounted for the smallest proportion in Whanganui District (14.8%) compared with 10.2% in New Zealand.

Business unit growth

Annual % change, February years



Figure 12 Business unit growth; Infometrics Regional Economic Profile, last updated February 2023

Total business units in Whanganui District measured 4,677 in February 2023, up 2.1% from a year earlier. Growth was greater than New Zealand's average of 1.7%. The 10 year average to 2023 was 1.6%pa, compared with an average of 2.3%pa in New Zealand.

Business units growth in Whanganui District reached a high of 5.1% in 2004 and a low of -1.4% in 2011. The district accounted for 0.7% of national business numbers in 2023.

Business Indicator 2: Employment

Employment growth is an economic and social wellbeing indicator. As an economic indicator, positive employment growth shows that businesses in a region are confident in their activity and outlook to expand their workforce. Job creation provides new opportunities for the population in the Whanganui District to earn an income, contribute to the local economy, and choose how they live their lives.

Statistics are shown as an annual average as at March.

Employment

Filled jobs, March years

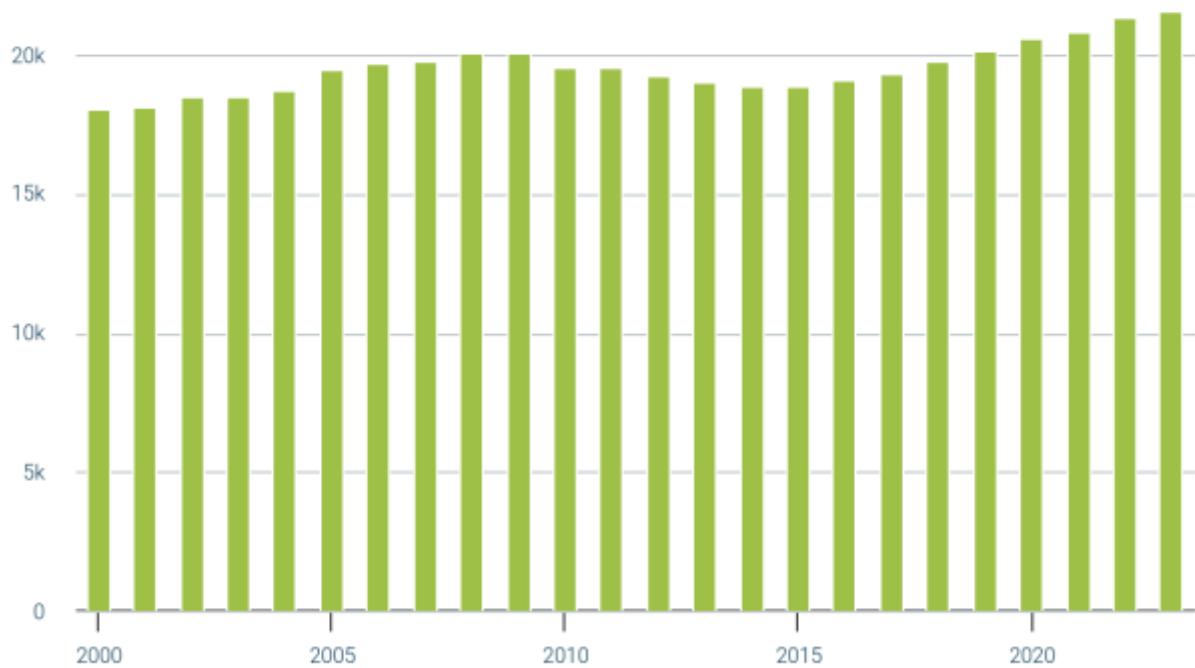


Figure 13 Filled jobs; Infometrics Regional Economic Profile, last updated March 2023

Employment growth

Annual % change, March years



Figure 14 Employment growth; Infometrics Regional Economic Profile, last updated March 2023

Employment in the Whanganui District measured 21,600 in the year to March 2023, up 1.1% from a year earlier. Employment growth was lower than in New Zealand (2.4%). The district's growth averaged 1.3%pa over the 10 years to 2023 compared with average employment growth of 2.3%pa in New Zealand.

Employment growth in the Whanganui District reached a high of 4.3% in 2005 and a low of -2.6% in 2010. In 2023 the district accounted for 0.8% of national employment.

Construction made the largest contribution to employment growth in Whanganui District between 2022 and 2023 with the industry adding 60 jobs. The next largest contributor to employment was transport, postal and warehousing (57 jobs) followed by manufacturing (50 jobs). The largest detractor from growth over the year was retail trade which declined by 28.

Business Indicator 3: Productivity

Productivity is a measure of the efficiency of production. Overall productivity is influenced by a number of factors such as labour and production inputs (eg. machinery, technology and land). The section measure labour productivity using GDP per filled job (in constant 2023 prices) as a proxy for productivity. Growth in labour productivity over time can imply an increase in the efficiency and competitiveness of the economy.

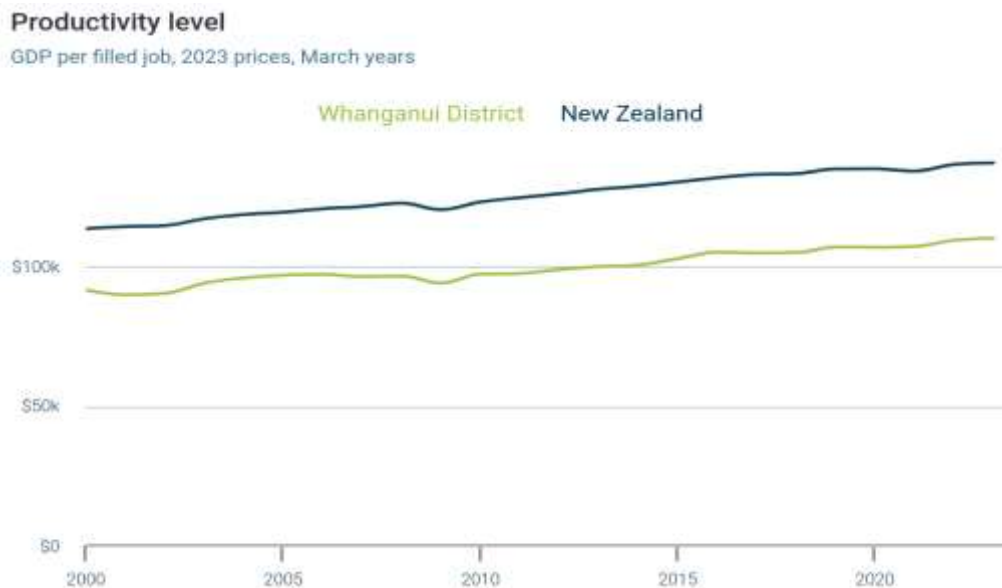


Figure 15 GDP per filled job, Infometrics Regional Economic Profile



Figure 16 Productivity growth; Infometrics Regional Economic Profile

The GDP per filled job in the Whanganui District measured \$110,208 in the year to March 2023, which was lower than in New Zealand (\$137,196). Productivity in the district increased by 0.7% from a year earlier, compared with an increase of 0.4% in New Zealand.

Productivity growth in the Whanganui District averaged 1.0%pa over the 10 years to 2023 compared with an average of 0.7%pa in New Zealand.

In summary, the Whanganui District continues a gradual improvement in productivity growth.

Business Indicator 4: Supply of business space

An assessment of industrial land demand for Whanganui District Council in November 2018 concluded that there was a plentiful supply of vacant land in Whanganui at that time, and it appeared that 150ha of vacant land (unused or semi-derelict condition) could be available for redevelopment. Projections for industrial land requirements at that time calculated that by 2048, under a high growth/high intensity model, 27ha would be required. Historically, the industrial sector has been the most significant in the district in employment terms.

A further assessment of industrial land requirements was undertaken in 2019, which showed that the minimum land area required in the short to medium term (to 2028) would be an additional 9.2ha to serve employment growth, up to a maximum of a further 20.7ha (high growth). The existing manufacturing zoned land supply situation showed that 322.3ha total net land area currently zoned that 123.4ha was occupied and that 37.7ha of land that was zoned for manufacturing activity was unsuitable for development due to topography constraints and land contamination. The majority of the vacant or potential vacant land was located at Mill Road (99.4ha), with other significant areas in Aramoho (31.2ha) and Heads Road West (14.8ha). There are smaller quantities of vacant land in Heads Road East (8.3ha) and Eastown (6.4ha).

The report modelled some assumptions of allowing for only 50% of land identified as vacant or vacant potential to be available in each of the zones, with the exception of Mill Road, to which a 75% ratio was applied. Those assumptions showed that there would be a surplus of

manufacturing zoned land of approximately 61ha to 84ha by 2048. This shows that there is more than enough land currently zoned for industrial activities.