

Canterbury Earthquake Recovery Lookbook

for the quarter ended 30 September 2015

CERA
Canterbury Earthquake
Recovery Authority
Te Mana Haumanu ki Waitaha




THE TREASURY
Kaitohutohu Kaupapa Rawa



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HIKINA WHAKATUTUKI

STATE SERVICES COMMISSION
Te Komihana O Ngā Tari Kāwanatanga




DEPARTMENT of the
PRIME MINISTER and CABINET
Te Tari o Te Pirimia me Te Komiti Matua

Whole-of-recovery snapshot

This Canterbury Earthquake Recovery Lookbook describes and measures key recovery areas and progress for the quarter ended 30 September 2015.

Progress has been made in recent months. Rental stock in greater Christchurch grew by 1,497 rentals in the year to September, a return to the average growth recorded before the earthquakes. As a result of this more plentiful supply and reduced demand from displaced residents, the rate of increase in average rental prices has slowed over the last year. House price growth in Christchurch city was higher than in the Wellington area but continues well below that of Auckland. Recovery construction is estimated to be 49% complete, with activity now transitioning from residential to commercial.

Canterbury's estimated real gross domestic product (GDP) growth peaked at 12.73% in 2014 as the rebuild accelerated rapidly. In 2015, as the rebuild levelled out, growth fell back to 1.41%, a rate slightly below the national average, but is forecast to rebound somewhat in 2016. The Canterbury unemployment rate has increased this quarter, suggesting a softening in labour demand, although Canterbury's rate remains significantly lower than the national figure.

While many positive signs of recovery are evident, there remain areas for progress. The majority of respondents to the CERA Wellbeing Survey rated their quality of life positively; however, confidence in recovery decisions continues to decline and the impact of living in a damaged environment continues to be the greatest stressor.

In summary, headway is being made but a large amount of work is still to be completed. Recovery efforts will continue to be required from a wide range of agencies and sectors for some time to realise the recovery vision for greater Christchurch and to ensure that long-term recovery is self-sustaining.

Social recovery: CERA Wellbeing Survey

The majority of respondents in the September 2015 CERA Wellbeing Survey rated their quality of life positively.

Question	Sept 2012	Sept 2013	Sept 2014	Sept 2015
Positive overall quality of life	74%	73%	77%	77%
Experienced high levels of stress in past year	23%	22%	21%	20%
Agree that they feel a sense of community with others in their neighbourhood	55%	51%	49%	46%
Overall confidence in recovery decisions	34%	30%	34%	26%
Confidence in recovery decisions by CERA	41%	35%	37%	29%
Satisfied with opportunities to influence earthquake decisions	32%	26%	29%	25%

Confidence in recovery decisions and satisfaction with the opportunities to influence these decisions have continued to decline.

The impact of living in a damaged environment remains the greatest stressor. Improvements are evident in other stressors such as transport related pressures, uncertainty about their own or family's future in Canterbury and distress or anxiety associated with ongoing aftershocks.

Those with unresolved insurance claims, living in temporary accommodation, with a health condition or disability, renting, or in low-income households continue to experience a slower recovery across many wellbeing measures.

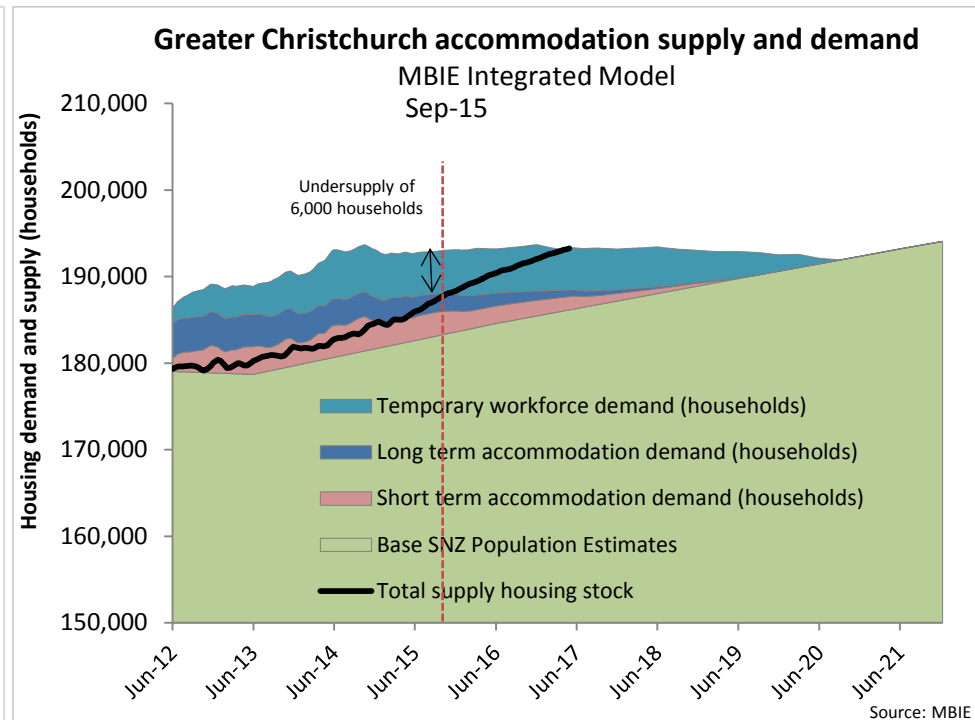
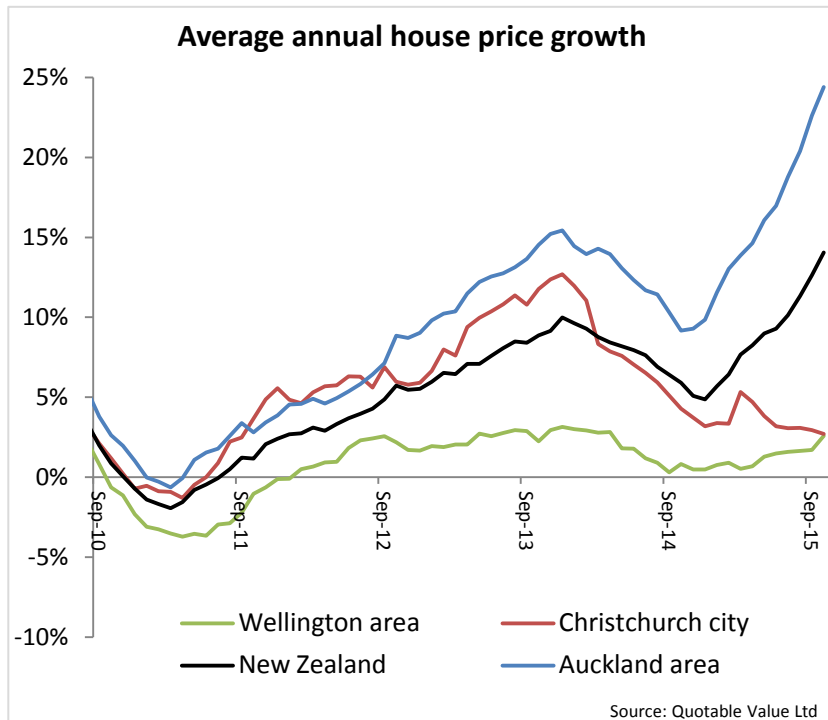
Top 4 stressors: proportion reporting high negative impacts				
Being in a damaged environment and/or surrounded by construction work	30%	20%	19%	20%
Loss of recreational, cultural and leisure time facilities	34%	17%	17%	15%
Loss of indoor sports and active recreation facilities	24%	13%	14%	13%
Dealing with EQC/insurance issues in relation to personal property and house	37%	23%	15%	13%

Stressors showing the most significant improvements over the last year				
Transport related pressures	20%	14%	15%	12%
Uncertainty about their own or family's future in Canterbury	30%	16%	13%	11%
Distress or anxiety associated with ongoing aftershocks	42%	14%	12%	9%

Source: CERA Wellbeing Survey, September 2015¹

Social recovery: Housing (prices, supply and demand)

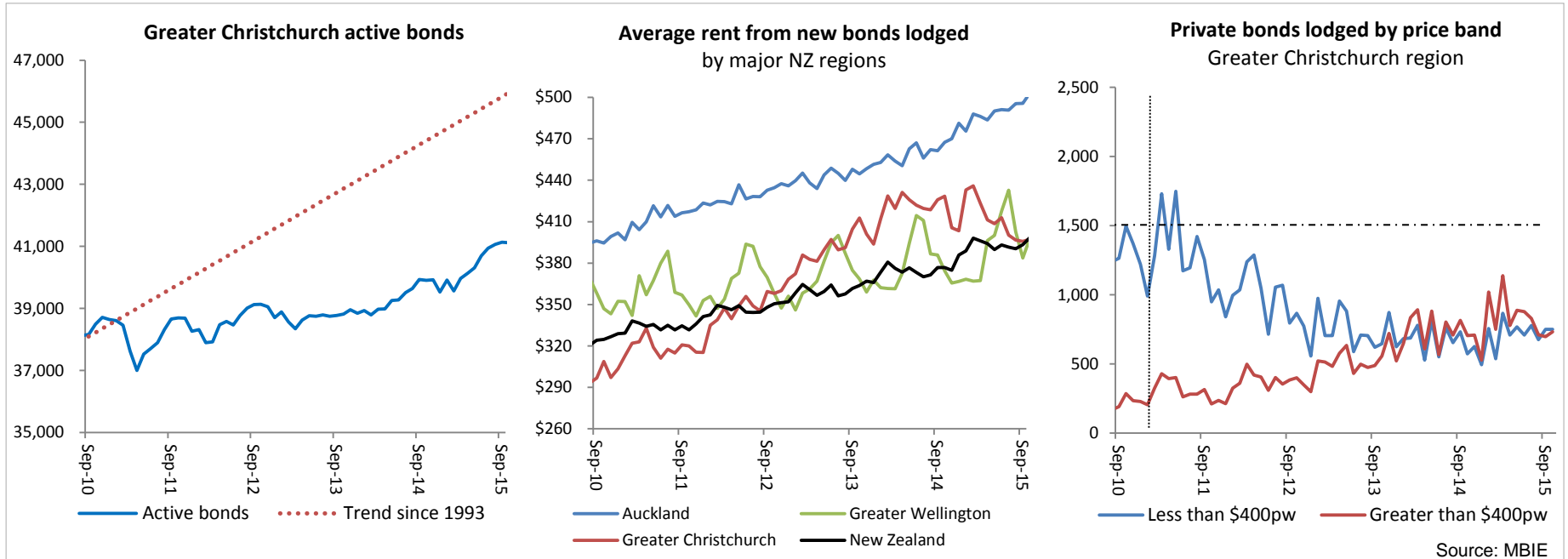
In Christchurch city, annual house price growth in the September 2015 quarter was 3% (no change from the June quarter), while for both Waimakariri and Selwyn districts it was 2% (down from 3%). Price growth in Christchurch city (3%) was higher than in the Wellington area (2%) but continues well below that of Auckland (23%). Growth in Christchurch city also continues to decline while other centres are showing increasing growth rates.



As of September 2015, greater Christchurch has an estimated undersupply of accommodation by 6,000 households, down from 8,000 in the June 2015 quarter. The fall this quarter is largely due to the completion of repaired and rebuilt housing, which has increased supply. Demand for accommodation from displaced residents and the temporary workforce continues to contribute to the current undersupply.² Overall demand for accommodation is expected to meet supply by mid 2017 once enough new houses have been built and over-cap repairs and rebuilds have progressed sufficiently to reduce the demand from displaced residents.

Social recovery: Housing (rentals)

The rental stock in greater Christchurch grew by 1,497 rentals in the year to September 2015, returning to the average growth of 1,500 rentals a year recorded before the earthquakes. Average rent from new bonds is now similar to the national average.

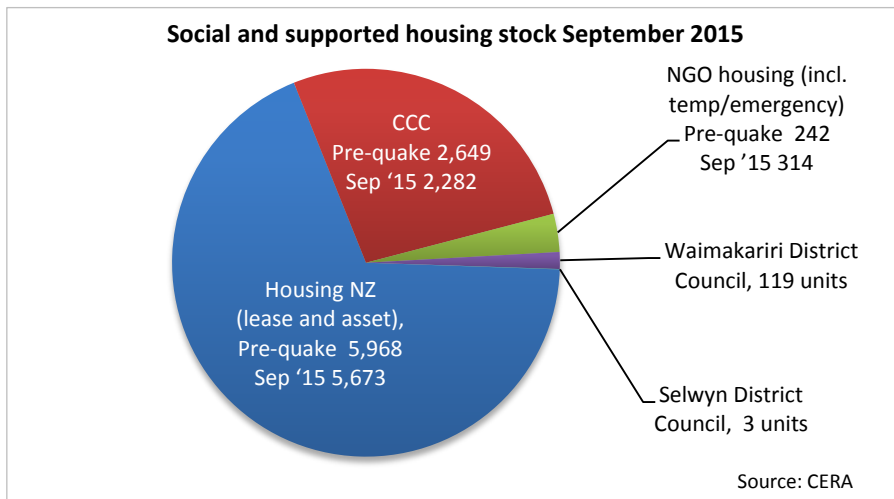
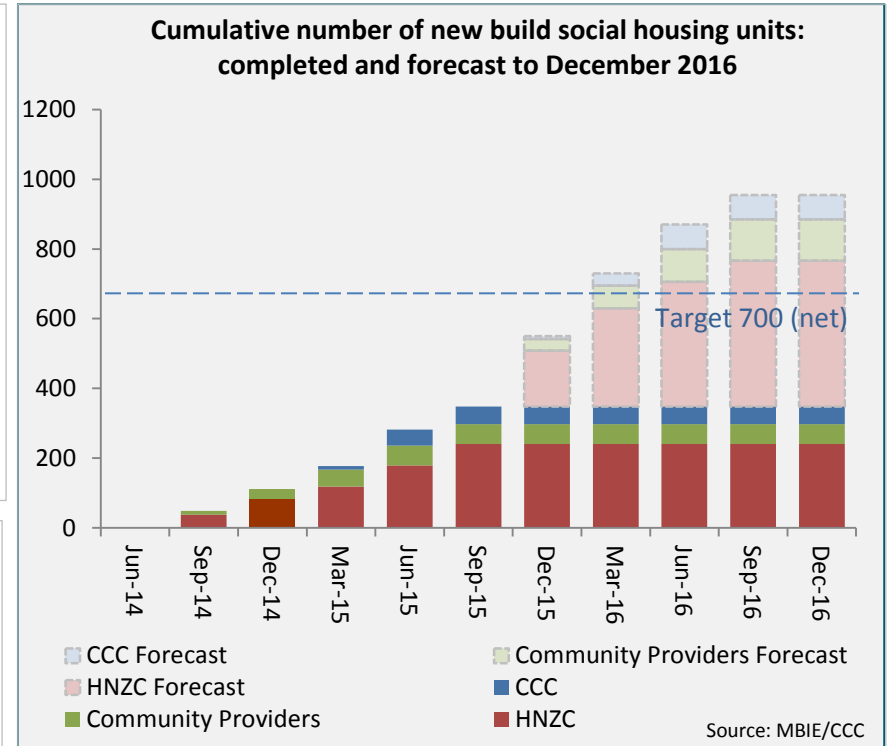
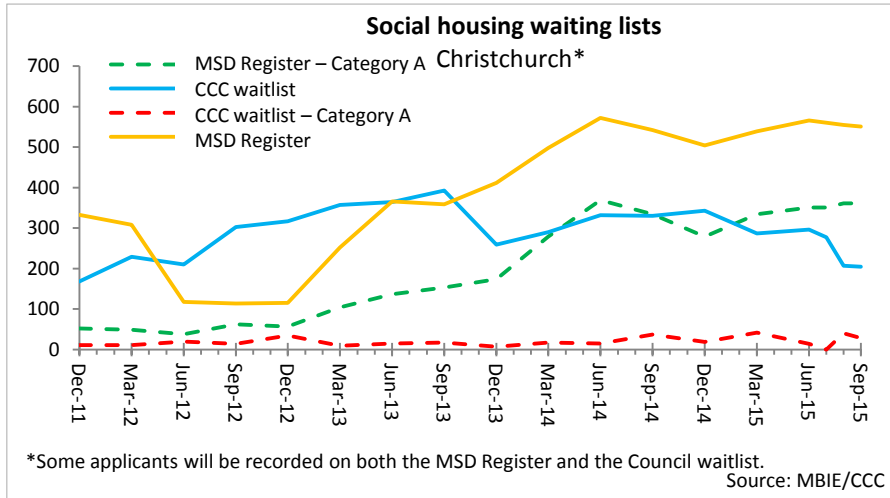


As the residential rebuild progresses, the supply of rentals continues to stabilise rental prices with average rental prices coming off the peak of \$436 per week in February 2015 to a lower level of \$396 per week in September 2015.

The volume of private bonds lodged in greater Christchurch was lowest at 878 in December 2012 but has increased over time to 1,446 lodged in September 2015, with 52% of bonds lodged for lower-cost rentals (less than \$400 a week), up from 45% in June 2015. The proportion of bonds for lower-cost rentals, however, continues to be significantly below pre-quake levels, meaning there are fewer housing options for low-income households. The supply of lower-cost rentals was higher in September 2015 (750) than June 2015 (708), reflecting the start of a busier rental market as summer approaches.

Social recovery: Housing (social and supported)

At the end of September 2015, 205 applicants for social housing were on the Christchurch City Council waitlist and 551 applicants were on the Social Housing Register administered by the Ministry of Social Development (MSD).



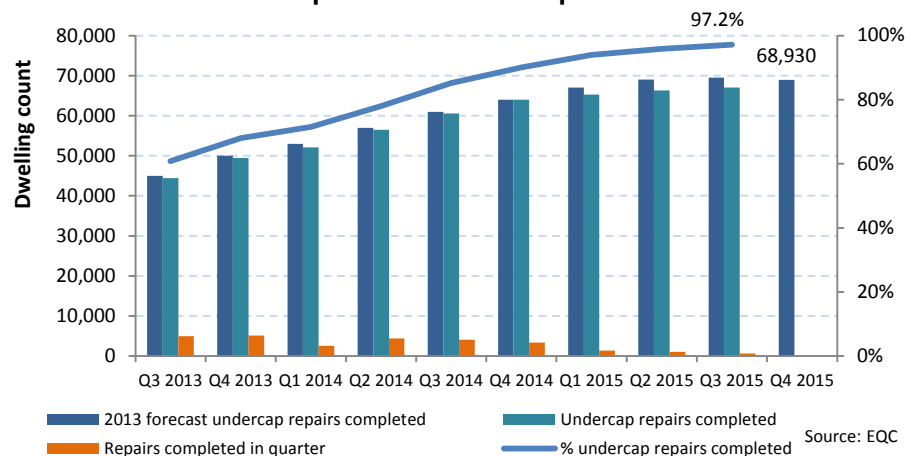
The graph above illustrates the cumulative effect of projected quarterly completions towards the target of 700 new units by December 2016. This **target should be exceeded by March 2016 with 730 new social housing units available**, which will help address the demand as shown on the MSD register and Council waitlists.

Social recovery: Insurance (Earthquake Commission)

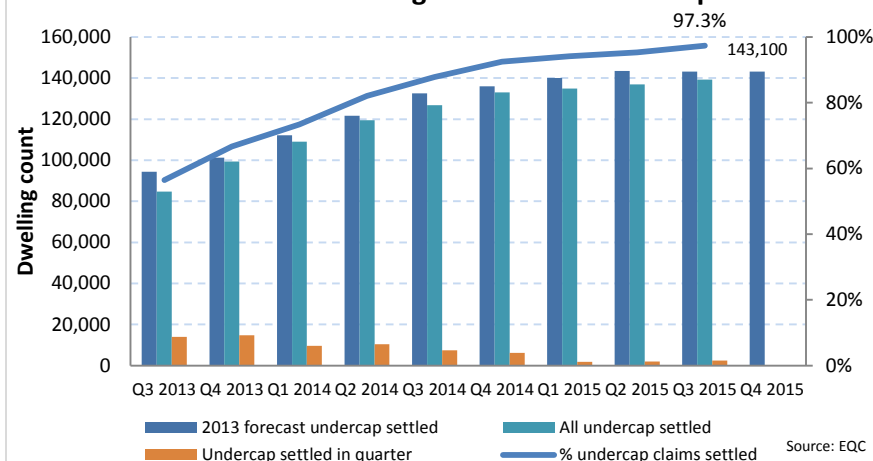
Treasury

Approximately 97% of Earthquake Commission (EQC) dwelling claims have been settled as at 30 September 2015. Remaining dwelling claims are expected to be settled this year, excluding those that are currently subject to dispute, mediation and/or litigation (estimated at less than 1%).

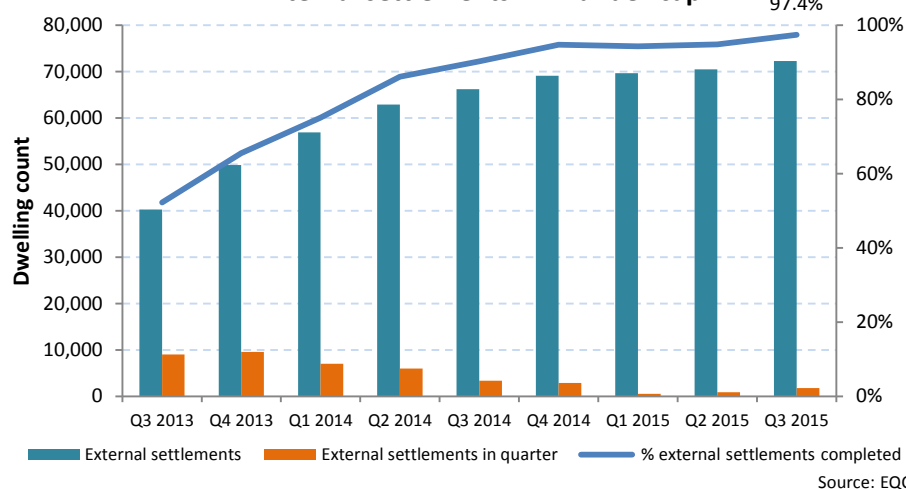
Repairs – All under-cap



Settled dwelling claims – All under-cap



External settlements – All under-cap



As at 30 September 2015, under-cap dwelling claims (through the Earthquake Commission) total 143,100.

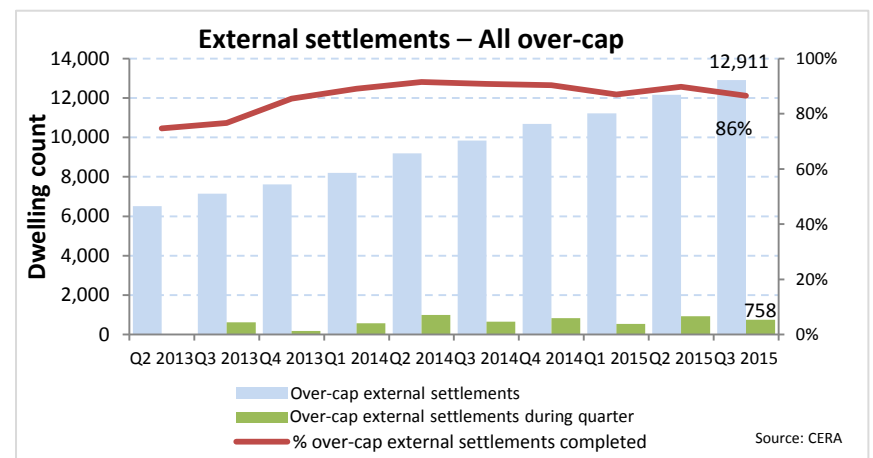
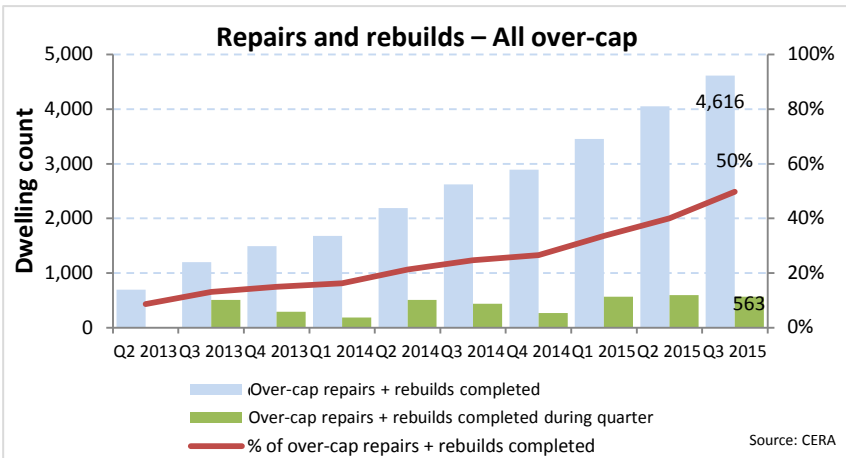
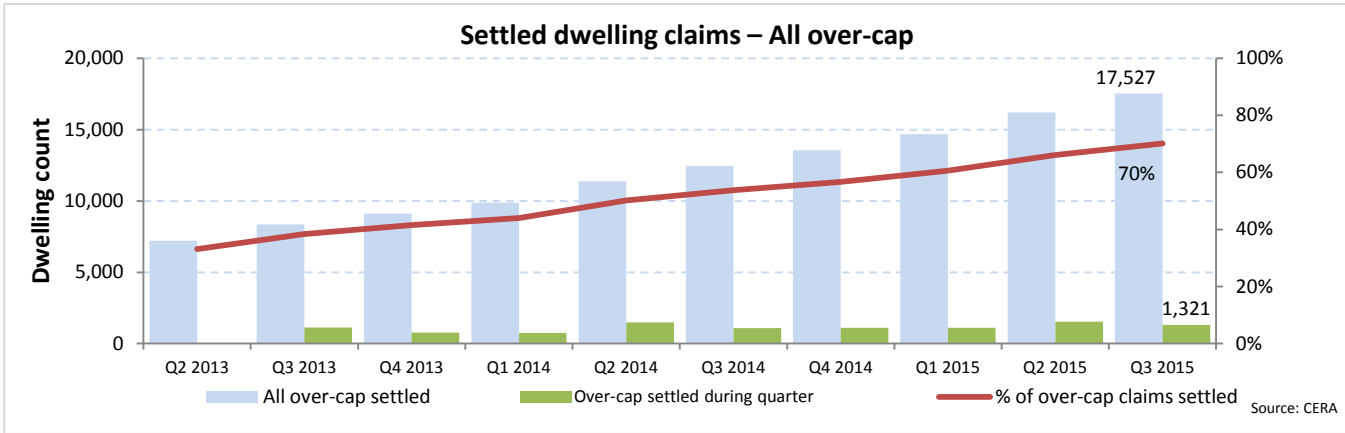
The Earthquake Commission settled 2,430 under-cap claims this quarter, of which 73% were external settlements and 27% were repairs. The 3,827 unsettled under-cap dwelling claims are evenly distributed between the Canterbury Home Repair Programme and scheduled external settlements, compared with a distribution of 42% and 58% respectively at the end of June 2015.

Distribution of settlement packs for Increased Flooding Vulnerability (IFV) land damage claims is now well underway and is expected to be completed early 2016, while the settlement policy for most Increased Liquefaction Vulnerability (ILV) land damage claims was finalised in October. The ILV qualification notification will be largely complete by December 2015, with settlement through 2016. Visible land damage claims (eg, cracking and undulation) are expected to be fully settled by the end of 2015.

Social recovery: Insurance (private incl. Southern Response)

CERA

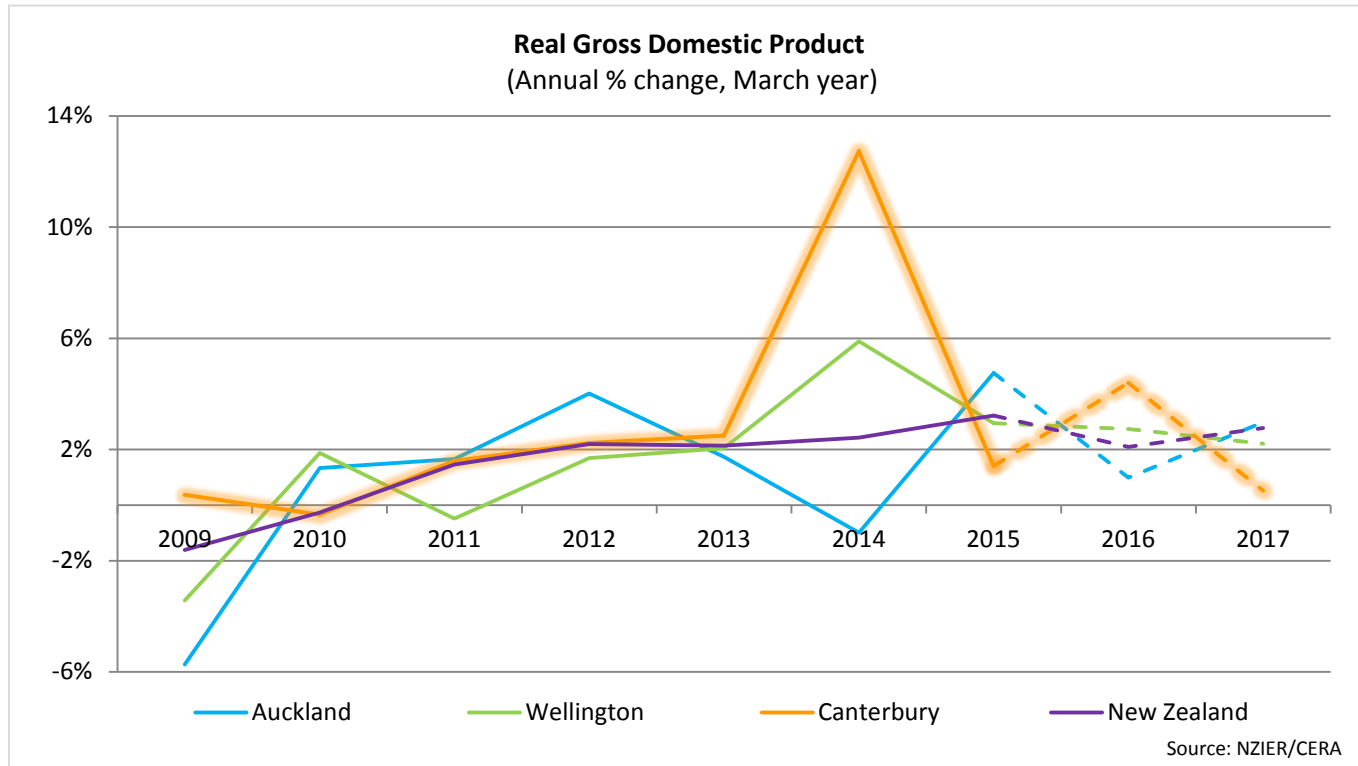
Private insurers have settled 70% of dwelling claims and forecast 97% of all dwelling claims will be settled by the end of 2016 (a decrease from 98% forecasted at the end of June 2015).³



Private insurers received 467 new claims from the Earthquake Commission this quarter, making a total of 1,813 new over-cap claims since the end of September 2014. For the quarter ended 30 September 2015, 1,321 properties were settled (563 completed repairs/rebuilds and 758 external settlements). In total there were 12,911 completed external settlements compared with 4,616 completed managed repairs and rebuilds.

Economic recovery: Underlying economic growth

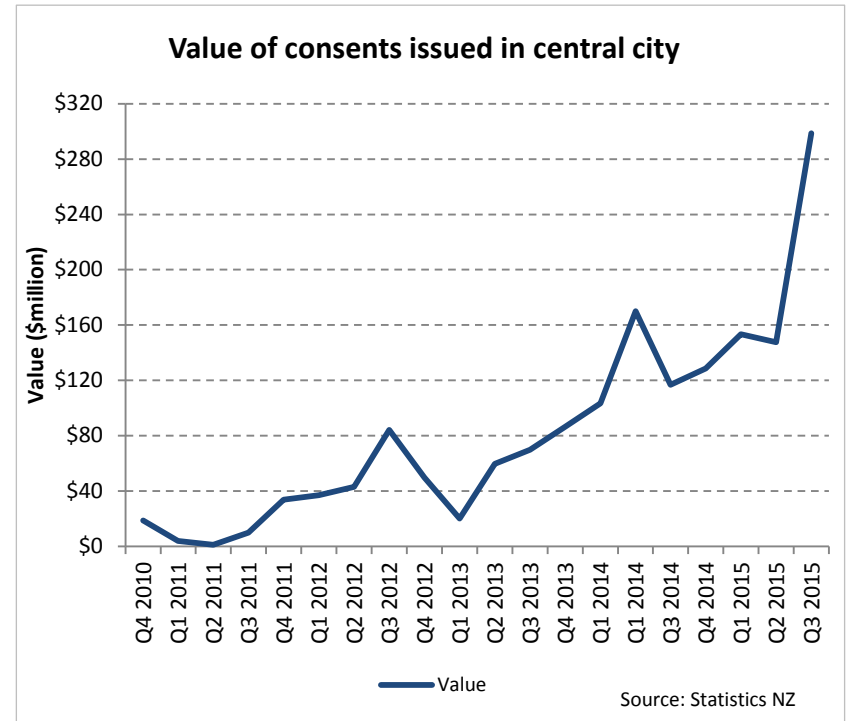
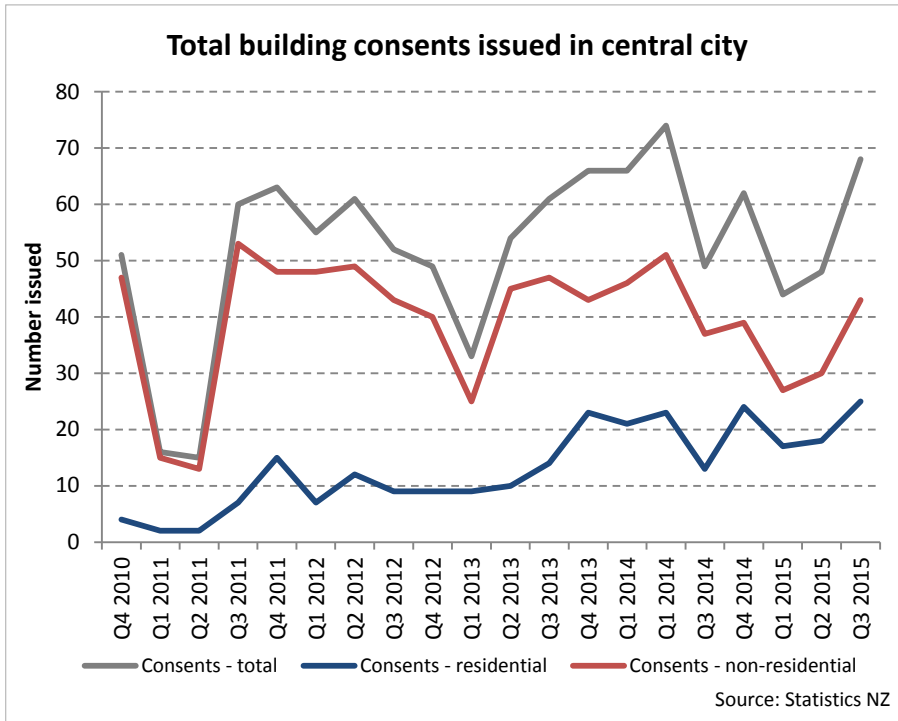
For the year ended March 2015, estimated Canterbury real GDP⁴ increased by 1.41%. The region's real growth rate is currently 1.88% lower than the national total.



National economic growth remains modest in 2015 as the effects of reduced dairy incomes flow through the economy, and this trend is forecast to continue over the next two years. However, Canterbury is expected to experience a higher growth in 2016, and outperform other main centres.

Economic recovery: Central city

In the September 2015 quarter, 68 building consents with a total value of \$299 million were issued for the central city. This is the highest quarterly value since the earthquakes, largely due to consents issued for the Christchurch Hospital redevelopment.

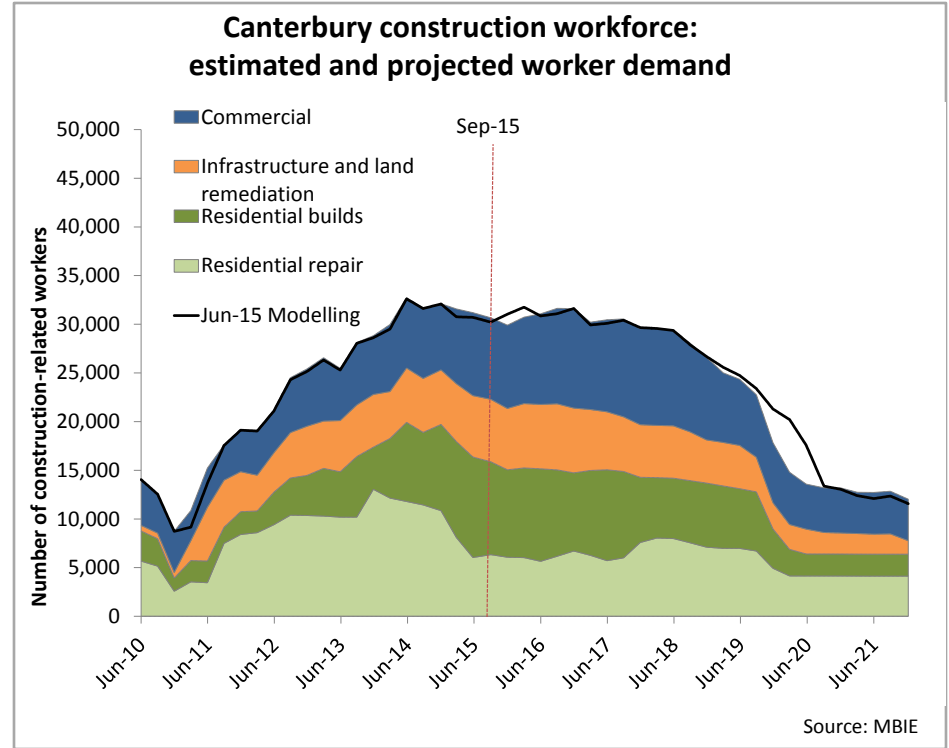
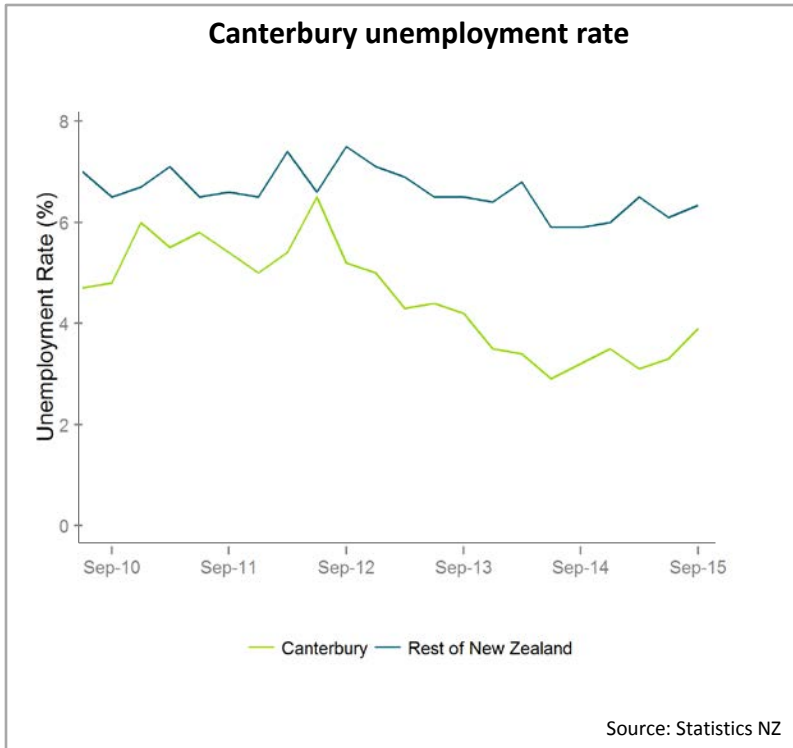


In the September quarter, 37% of the consents for the central city were for residential projects (25 consents for a total of 89 units). Since September 2010, a total of 1,052 building consents have been issued (25% for residential and 75% for non-residential projects).

Since September 2010, building consents with a total value of \$1.6 billion have been issued in the central city. Total consents issued in the first nine months of 2015 were valued at \$600 million, compared with \$520 million for the 2014 year and \$236 million for 2013.

Economic recovery: Labour market (actual, modelled)

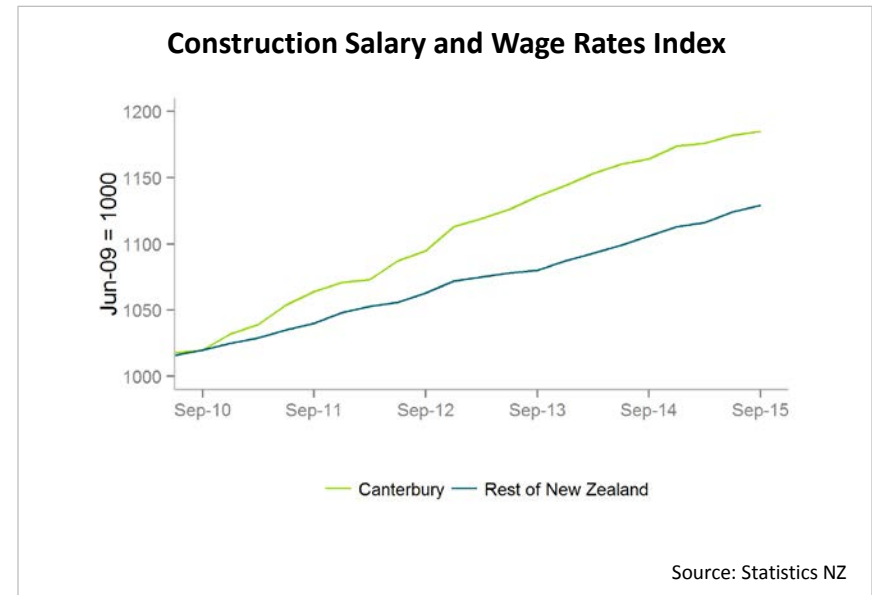
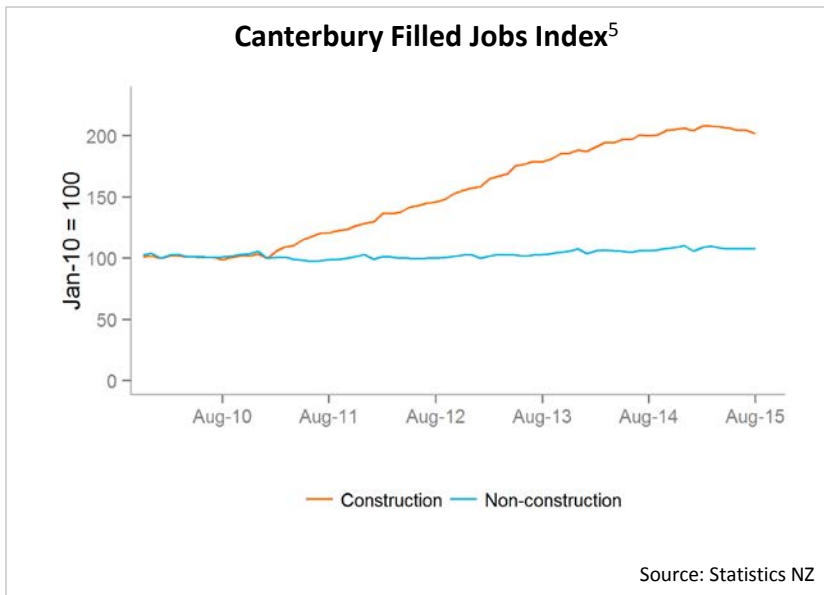
The unemployment rate increased this quarter to 3.9% (from 3.3% for the June 2015 quarter), suggesting a softening in labour demand. Construction output is likely to remain in the vicinity of \$1.2 billion per quarter until approximately 2018. The construction workforce is forecast to return to pre-quake levels in 2020.



The **labour supply remains tight** with the employment rate at 69.1%. **Migration will still be needed to meet labour demand over the next three years** as non-residential work replaces residential, and a different mix of workers is required. Projections are similar to last quarter with pressure on the labour market expected to ease during 2018.

Economic recovery: Labour market (construction)

Evidence shows job growth in Canterbury's construction sector is easing, though employment in the sector should remain elevated for the next three years. For the third quarter in a row, Canterbury construction wage rates grew at a slower pace than those in the rest of the country.



Filled jobs in the construction sector doubled (up 100.6%) from September 2010 to August 2015, compared with very limited growth (5.5%) for non-construction industries. **The level of construction job growth, however, appears to have slowed over the last year.**

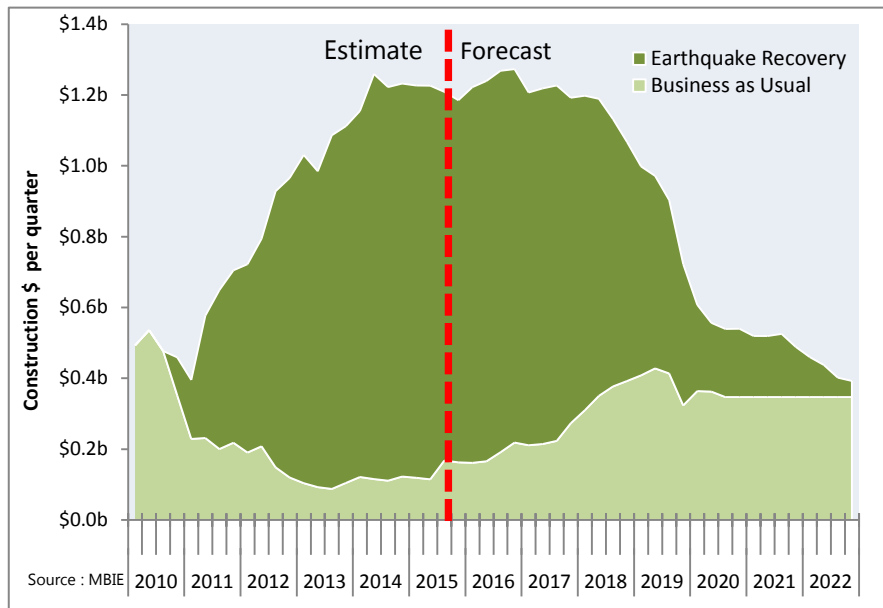
Construction salary and wage rates have increased 16.1% in Canterbury from September 2010 to September 2015, compared with 10.6% for the rest of New Zealand. For the September 2015 quarter, these rates in Canterbury grew 0.3% (down from 0.5% for the June 2015 quarter), compared with 0.4% for the rest of the country (down from 0.7% last quarter).

Built recovery: Snapshot

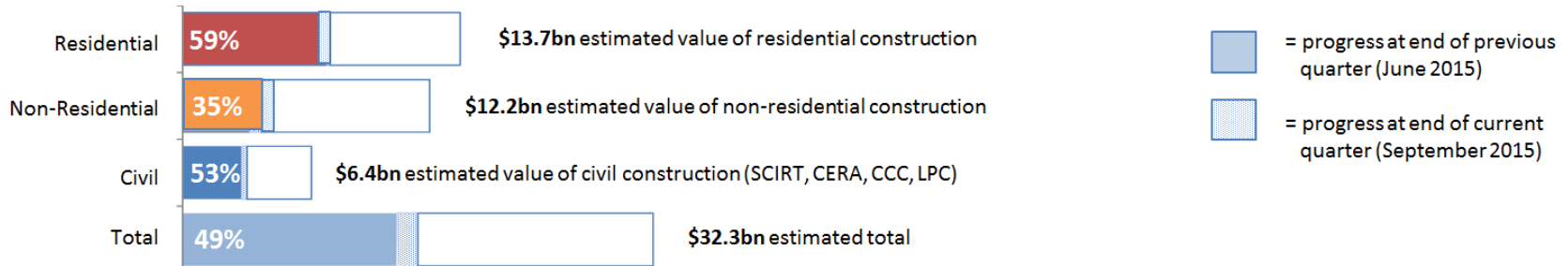
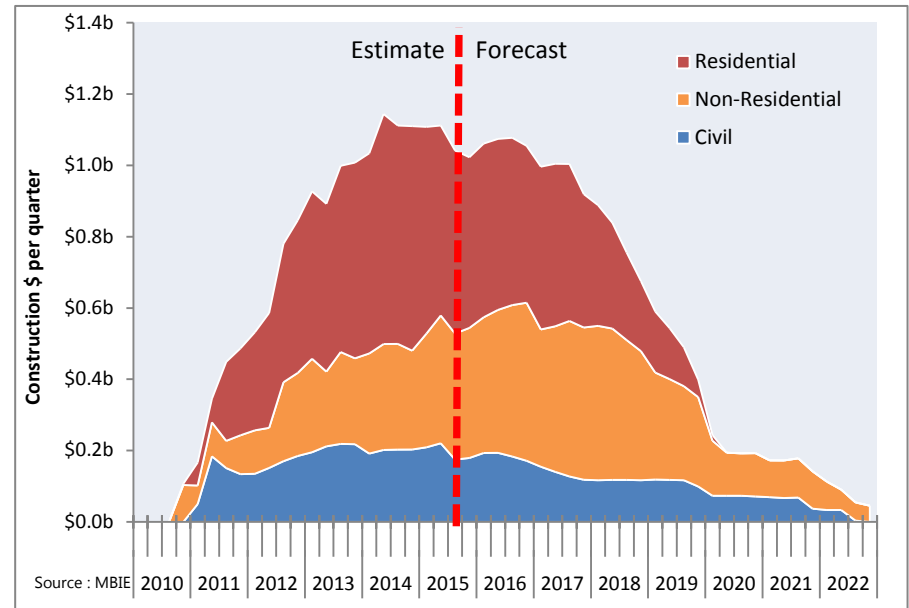
Recovery construction costs will total approximately \$32.3 billion,⁶ with activity expected to be largely complete by 2022. Recovery construction is estimated to be 49% complete at September 2015 (estimated 45% complete at June 2015).

Canterbury construction constrained forecast as at 30 September 2015

Earthquake recovery and business as usual (in 2012 dollars)



Earthquake recovery only (in 2012 dollars)

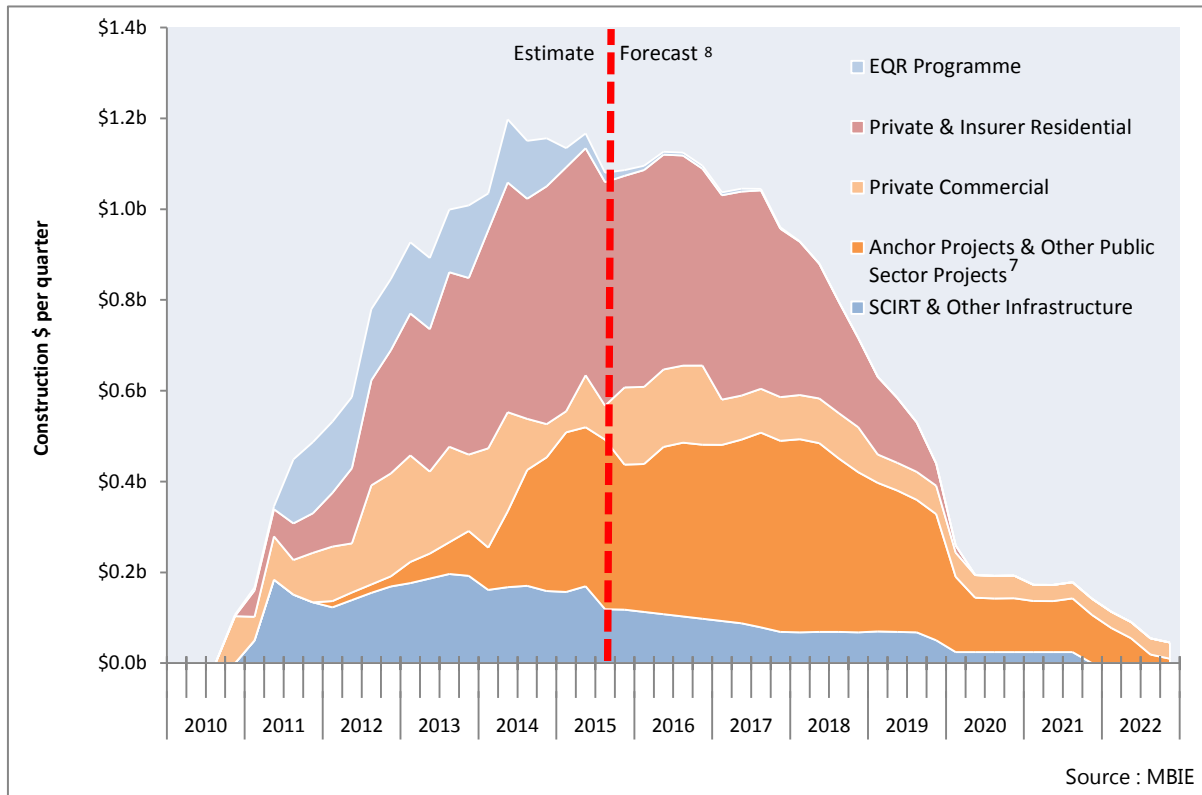


Built recovery: Activity streams

A number of different streams of activity are included within recovery construction, ranging from repairing roads and homes to building commercial structures and new public sector facilities.

Canterbury construction constrained forecast as at 30 September 2015 – Activity streams

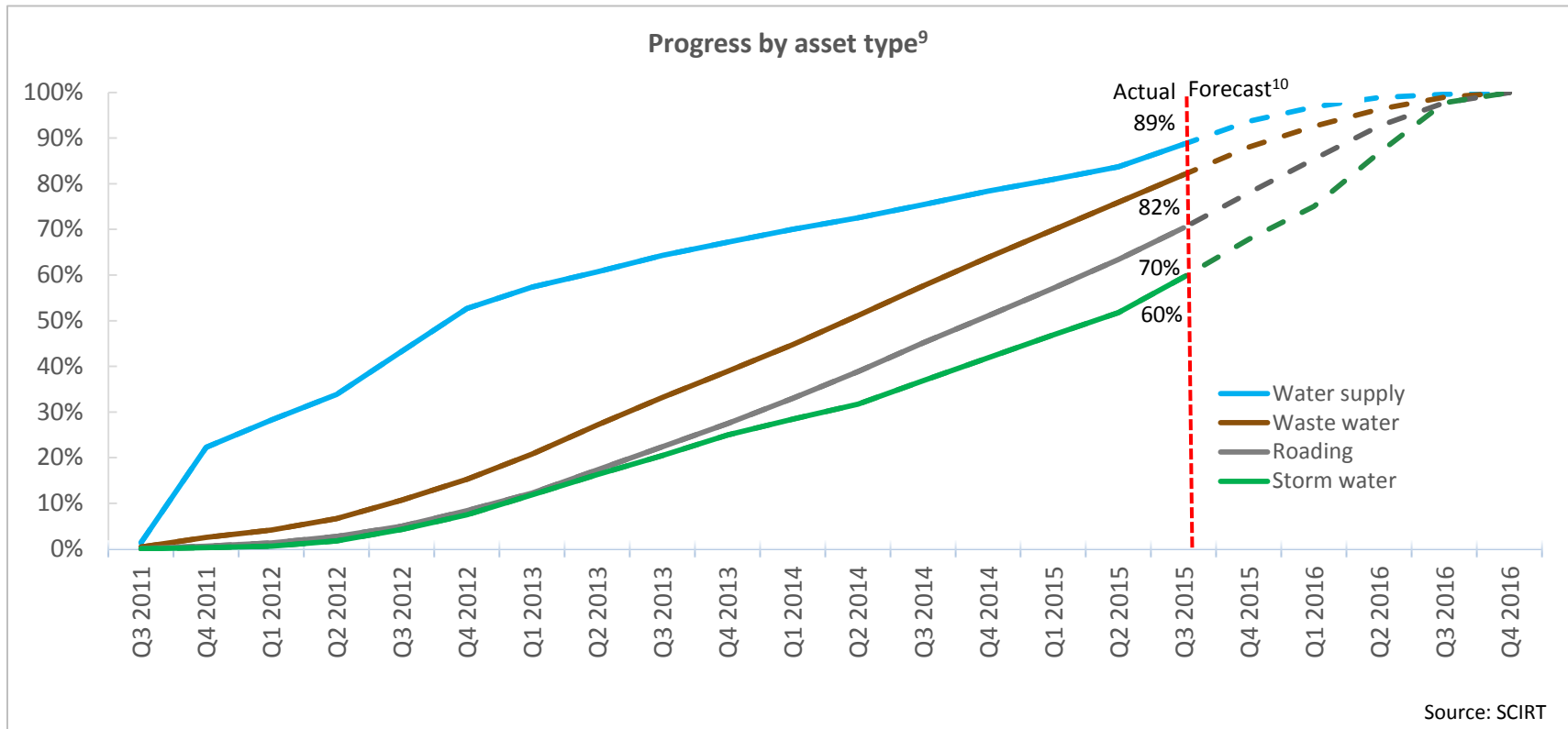
Earthquake recovery only (in 2012 dollars)



- **Residential repair and rebuild** (including the EQR programme) is **over 59% completed**.
- **Rebuild construction activity is transitioning from residential to commercial, which is growing strongly.**
- **The public sector construction spend is entering a period of sustained momentum** that will continue through to 2018.
- The volume of horizontal infrastructure activity continues to decrease as the **SCIRT programme of works nears its expected completion by the end of 2016.**

Built recovery: SCIRT

The Stronger Christchurch Infrastructure Rebuild Team (SCIRT) programme was 81% complete as at 30 September 2015, up from 75% for the previous quarter. Completion is expected in December 2016 as originally forecast.



Forty per cent of the storm water projects are still to be completed. However, given storm water repairs make up only 5% of the overall SCIRT programme of work, SCIRT has confirmed that these repairs will be completed by the originally forecast programme completion date of December 2016. Also still to be done are 30% of the roading repairs as this work can normally only be completed once the repairs to the water components are complete.

SCIRT completed its original programme of work in the central city on schedule in September 2015, but has been commissioned to undertake additional work originally outside the programme scope, so the central city programme's completion has been extended to December 2016. 15

Notes

End note	Section	Note
1	Social recovery: CERA Wellbeing Survey, page 3	For more information on the CERA Wellbeing Survey, and support services available, refer www.cera.govt.nz/recovery-strategy/social/wellbeing-survey .
2	Social recovery: Housing (prices, supply and demand), page 4	It is difficult to judge the size and length of any housing oversupply, which is why the supply line stops once supply reaches demand.
3	Social recovery: Insurance (private incl. Southern Response), page 8	Forecast is at 30 September 2015 and will be revised as work progresses and if further claims are transferred from EQC.
4	Economic recovery: Underlying economic growth, page 9	The main difference between (nominal) GDP and real GDP is that real values are adjusted for inflation (ie, the differences in price levels), while nominal values are not. As a result, (nominal) GDP will often appear to be higher than real GDP.
5	Economic recovery: Labour market (construction), page 12	The Experimental Filled Jobs Index is an unofficial measure of the number of filled jobs in Canterbury construction, released by Statistics New Zealand, using its Linked Employer-Employee Data (LEED). It is more timely than official LEED data, but less comprehensive as it does not include the self-employed. For this reason, Statistics New Zealand advises that the series should be presented as an index, rather than as absolute numbers.

Timing of data

This Lookbook uses the most recently available data for each topic at the time of production (December 2015), which means data for differing periods is presented. For example, the latest Statistics New Zealand Experimental Filled Jobs Index data is from August 2015 and the latest insurance data is from September 2015.

End note	Section	Note
6	Built recovery: Snapshot, page 13	This total is in 2012 dollars.
7	Built recovery: Activity streams, page 14	Other public sector projects include hospitals, schools and tertiary education providers.
8	Built recovery: Activity streams, page 14	This chart uses data from Statistics NZ, the Reserve Bank, private insurers, public sector agencies and other sources, and forecasts construction delivery based on the best information available at the time of writing.
9	Built recovery: SCIRT, page 15	Progress is measured in terms of spend to date as a percentage of the final forecast cost (FFC). The FFC is regularly updated to reflect changes in final cost estimates and any changes in the programme's scope of works. Consequently the percentage of progress to date may change when the FFC is revised.
10	Built recovery: SCIRT, page 15	Determining completion of the SCIRT programme in kilometres and square metres is complicated by the fact that an accurate measure can only be provided once a project is finished. With some projects spanning over 24 months, this creates a lag or underestimation of progress. For this reason, spend to date against FFC is considered a more accurate measure of progress.

Term	Definition
Christchurch	The district of Christchurch City Council (CCC).
Central city	Defined as the area within the five avenues – Moorhouse, Deans/Harper, Fitzgerald and Bealey.
Greater Christchurch	The districts of Christchurch City Council, Selwyn District Council and Waimakariri District Council, and coastal marine area adjacent to these districts.
Canterbury	The area from the Kaikoura coast, to the Waitaki River in the south, to the main divide in the west. It is comprised of nine districts, and part of the Waitaki district.