

Canterbury Earthquake Recovery Lookbook

for the quarter ended 30 June 2015

Whole-of-recovery snapshot

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

Progress continues to be made as some sectors signal a return to pre-earthquake levels. Rental stock in greater Christchurch grew by 1,419 rentals in the year to June, which is almost as high as the pre-earthquake growth rate. As a result of this more plentiful supply, the rate of increase in average rental prices has slowed over the last year. Notable progress has been made in social and supported housing stock, where the total waitlist for applicants with the greatest identified need has decreased over the last quarter. Meanwhile the Stronger Christchurch Infrastructure Rebuild Team (SCIRT) has completed its original programme of work in the central city to make way for the vertical rebuild.

Canterbury's real gross domestic product (GDP) growth appears to be slowing and job growth in the construction sector is beginning to ease. The unemployment rate, however, remains comparatively low and migration will still be needed to meet labour demand over the next three years as the rebuild shifts to more commercial work and a different mix of workers is required.

There remains some areas in which progress is still needed. While private insurers forecast most claims will be settled by the end of 2016, the most complex claims are among those still to be settled (eg, claims for multi-unit dwellings). Many positive signs of social recovery are evident, but those who are still dealing with unresolved insurance claims continue to report the highest levels of stress.

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.

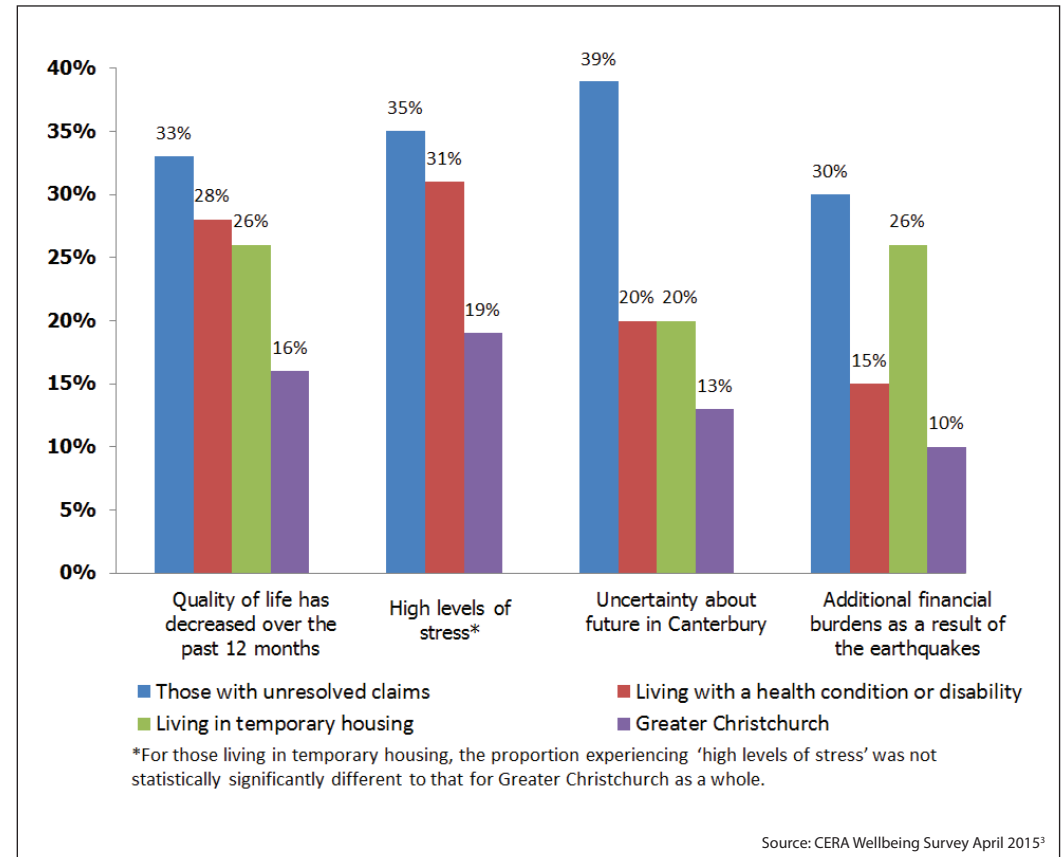
Social recovery: CERA Wellbeing Survey

While many positive signs of social recovery are evident, the April 2015 CERA Wellbeing Survey identified that those who are still dealing with unresolved insurance claims, have a health condition or disability, or are living in temporary accommodation are experiencing multiple stressors and pressures.

In the latest survey, **79% of residents rated their quality of life positively**. Since the April 2014 survey, **fewer residents are reporting that their quality of life has declined in the past year** (with the proportion of residents falling from 22% to 16%). In addition, **fewer are experiencing a moderate or major impact on their everyday life from uncertainty about their own or their family's future in Canterbury** (down from 15% to 13%) or experiencing **financial burdens resulting from the earthquakes** (down from 15% to 10%).

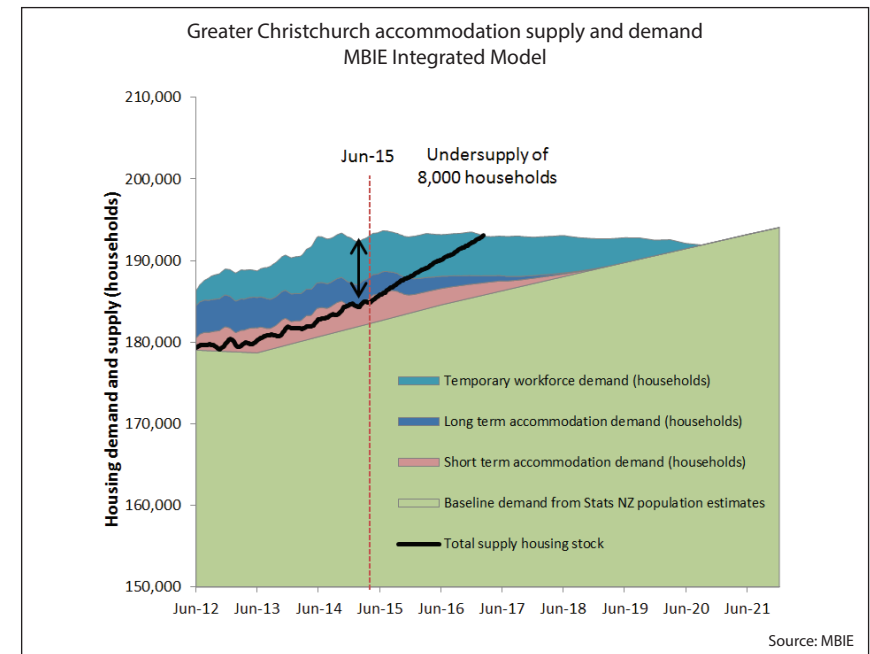
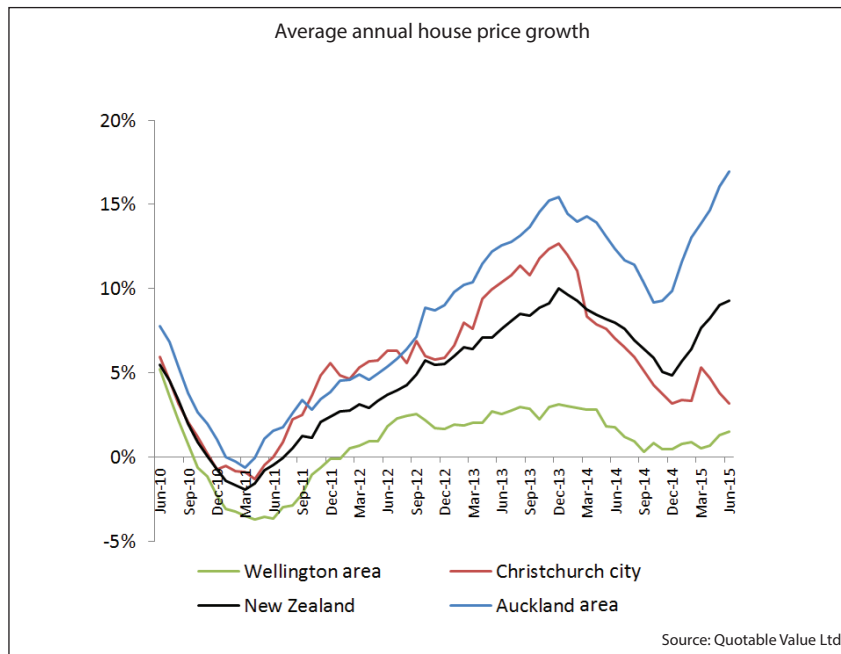
As of April 2015, 8% of property owners in the survey still had unresolved claims^{1,2}. **For those with unresolved claims, 33% reported that their quality of life declined in the past year and many still experience a moderate or major impact on their everyday life from uncertainty about their own or their family's future in Canterbury (39%) and financial burdens resulting from the earthquakes (30%).**

Among all residents, **19% continue to feel stress always or most of the time**. This rate is notably higher for those **with unresolved claims (35%)** and those **living with a health condition or disability (31%)**.



Social recovery: Housing (prices, supply and demand)

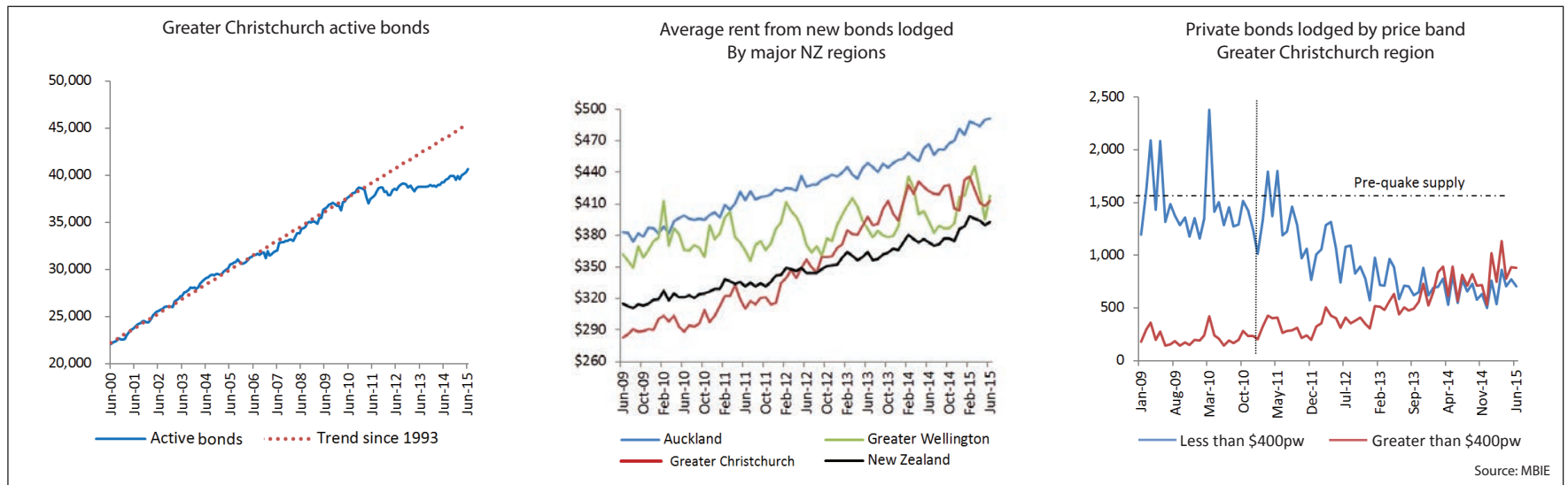
In Christchurch city, annual house price growth in the June 2015 quarter was 3% (down from 5% in March quarter). House price growth in Waimakariri district stayed at 3%, while in Selwyn district it fell from 5% to 3%. Price growth in Christchurch city was higher than in the Wellington area (1%) but well below that of Auckland (17%).



As of June 2015, it is estimated greater Christchurch has an undersupply of accommodation by 8,000 households, unchanged from the March 2015 quarter. Demand for accommodation from displaced residents and the temporary workforce contributes significantly to this undersupply⁴. Overall demand for accommodation is expected to meet supply by early 2017 (one month earlier than last quarter's modelling) 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 1,419 rentals in the year to June 2015. This rate of growth is now only slightly lower than the average growth of 1,500 rentals a year recorded before the earthquakes. It is expected that growth in the rental supply will return to pre-earthquake levels over the next three years as the number of displaced households decreases and the supply of houses increases.

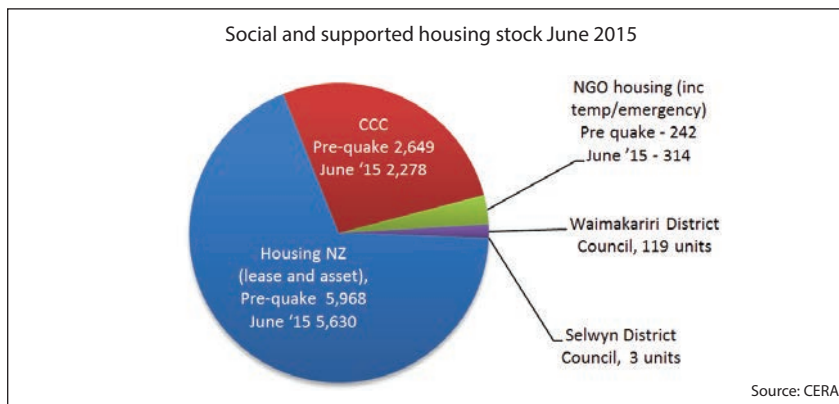
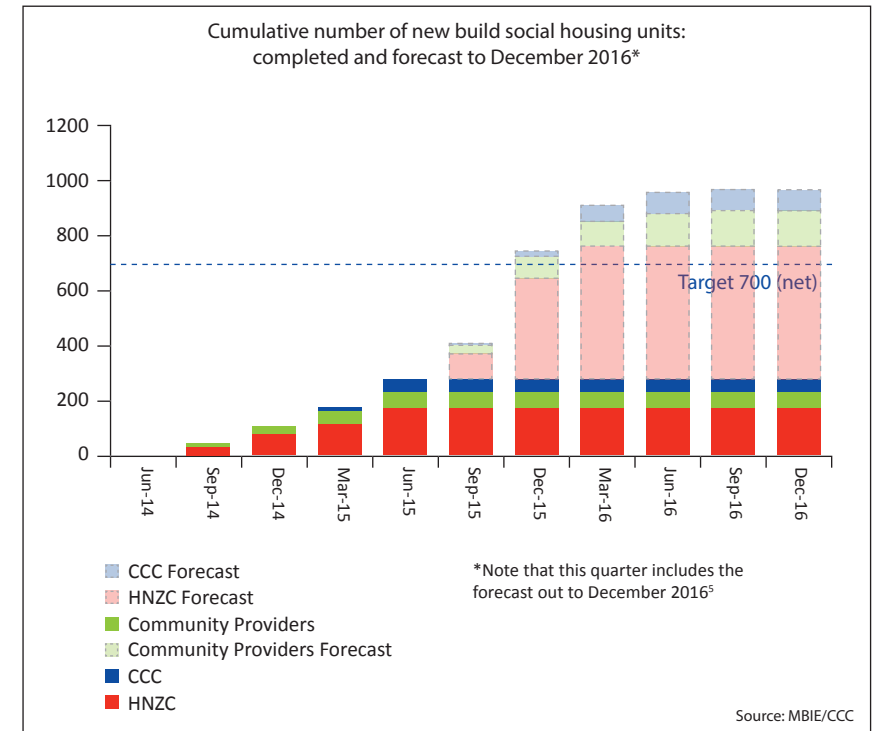
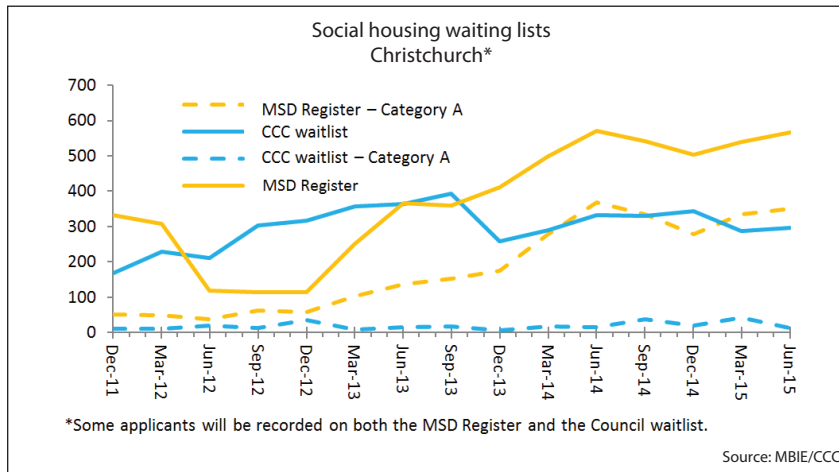


Although average rental prices have followed a continued upward trend, the rate of increase has slowed over the last year due to continued growth in rental supply. Average rentals have reduced from the peak of \$436 per week in February 2015 to a lower level of \$413 per week in June 2015.

In June 2015, 1,586 private bonds were lodged in greater Christchurch, of which 45% (up from 43% in March 2015) were for lower-cost rentals (less than \$400 a week). The supply of lower-cost rentals was smaller in June 2015 (707, compared with 865 in March 2015) reflecting the winter months and a quieter rental market. The number of lower-cost rentals available, however, continues to be significantly below pre-quake levels, meaning low-income households have fewer housing options.

Social recovery: Housing (social and supported)

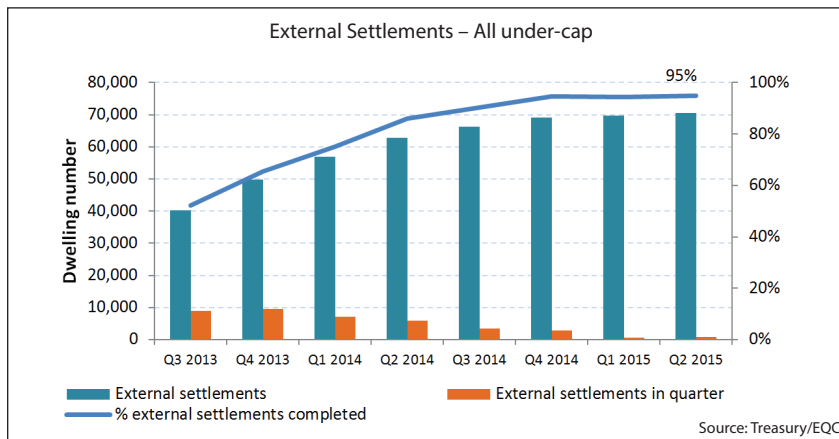
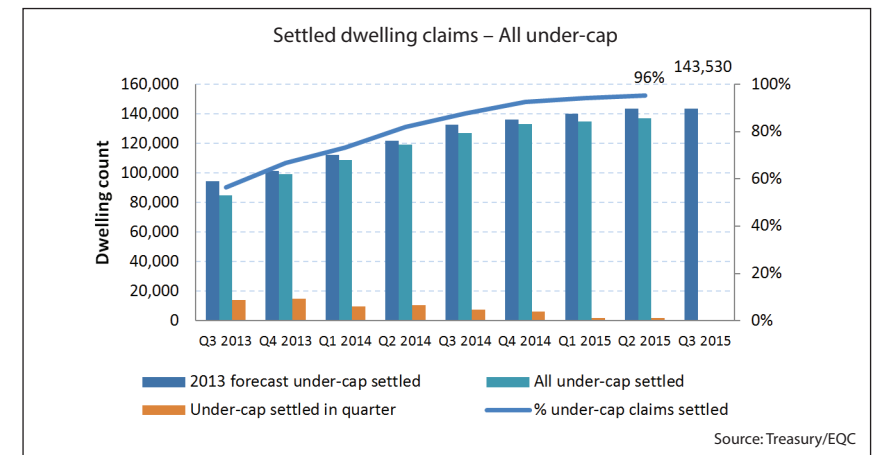
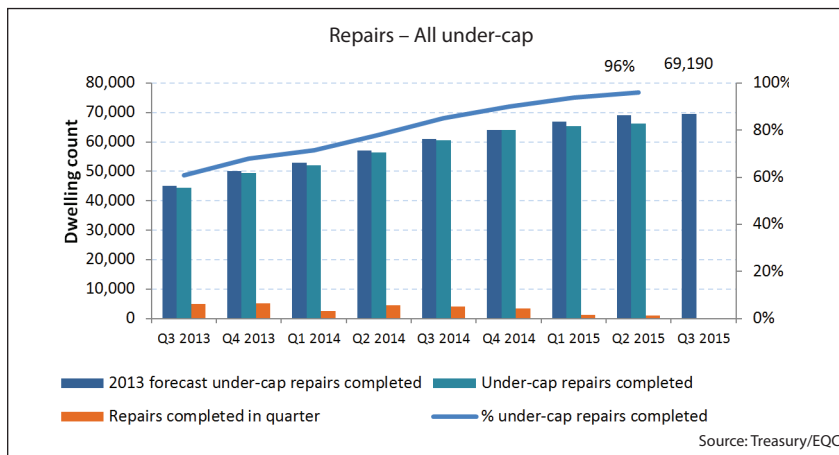
At the end of June 2015, 296 applicants for social housing were on the Christchurch City Council waitlist and 566 applicants were on the Social Housing Register administered by the Ministry of Social Development (MSD). The total number of Category A applicants (those with the greatest identified need) has decreased over the last quarter.



By the end of 2015, 744 new social housing units are expected to be available, which should reduce the numbers on the MSD Register and Council waitlist.

Social recovery: Insurance (Earthquake Commission)

Approximately 96% of Earthquake Commission dwelling claims have been settled as at 30 June 2015. Remaining dwelling claims are expected to be settled this year, excluding those, estimated at less than 1%, that are currently subject to dispute, mediation, and/or litigation.

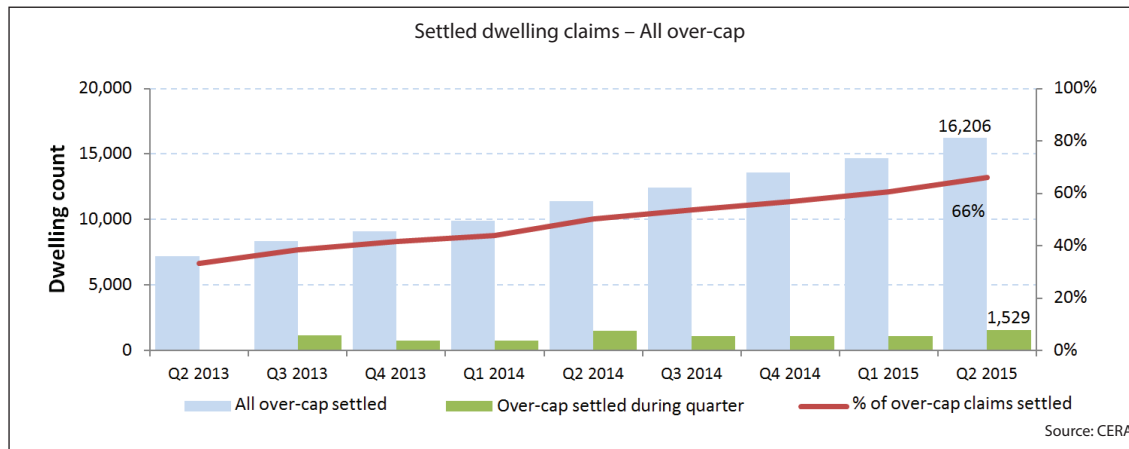


As at 30 June 2015, under-cap dwelling claims (through the Earthquake Commission) total 143,530. Of the **approximately 6,700 unsettled under-cap dwelling claims**, 42% are in the Canterbury Home Repair Programme, and 58% are scheduled for external settlement.

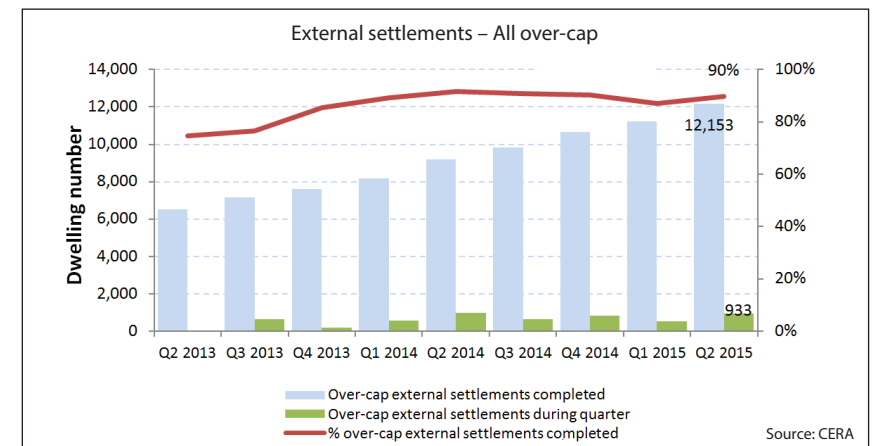
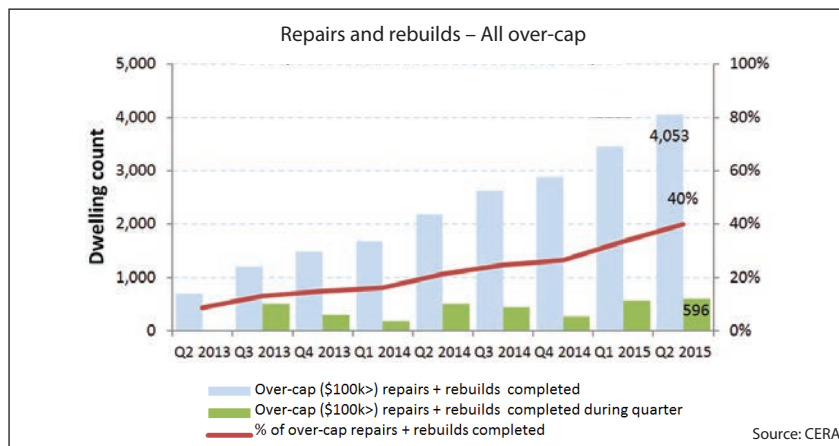
Claim settlements for **Increased Flooding Vulnerability (IFV)** land damage have begun, with the majority expected to be completed in early 2016 (previously targeted as end of 2015). **Increased Liquefaction Vulnerability (ILV)** settlements are awaiting the finalisation of the ILV policy (expected late 2015), and will continue into 2016. **Visible land damage claims** (eg, cracking and undulation) are expected to be fully settled by the end of 2015. Where properties have both visible land damage and IFV and/or ILV damage, the visible land damage will be settled at the same time as the IFV or ILV claim settlements.

Social recovery: Insurance (private incl. Southern Response)

Private insurers have settled 66% of dwelling claims, and 98% of all dwelling claims are forecast to be settled by the end of 2016.⁶

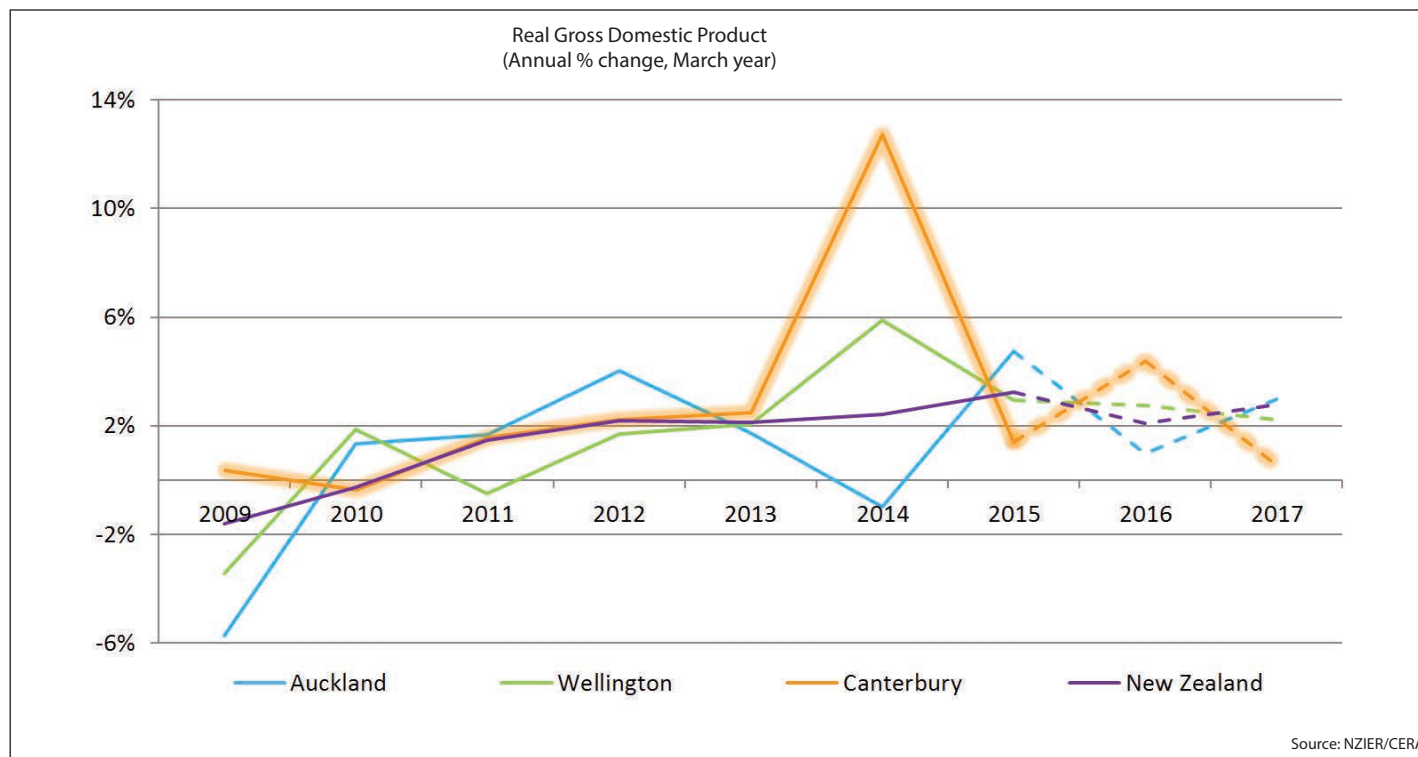


Private insurers had a strong quarter with 1,529 claims settled (up from 1,111 settled last quarter) and forecast 100% of dwelling claims, including repairs and rebuilds, will be completed by the end of 2018. **To meet this target, the rate of project management office repair/rebuild completions will need to increase significantly** (currently 40% complete) or it will be necessary to externally settle those currently waiting for work to be completed on an insurer-managed repair or rebuild.



Economic recovery: Underlying economic growth

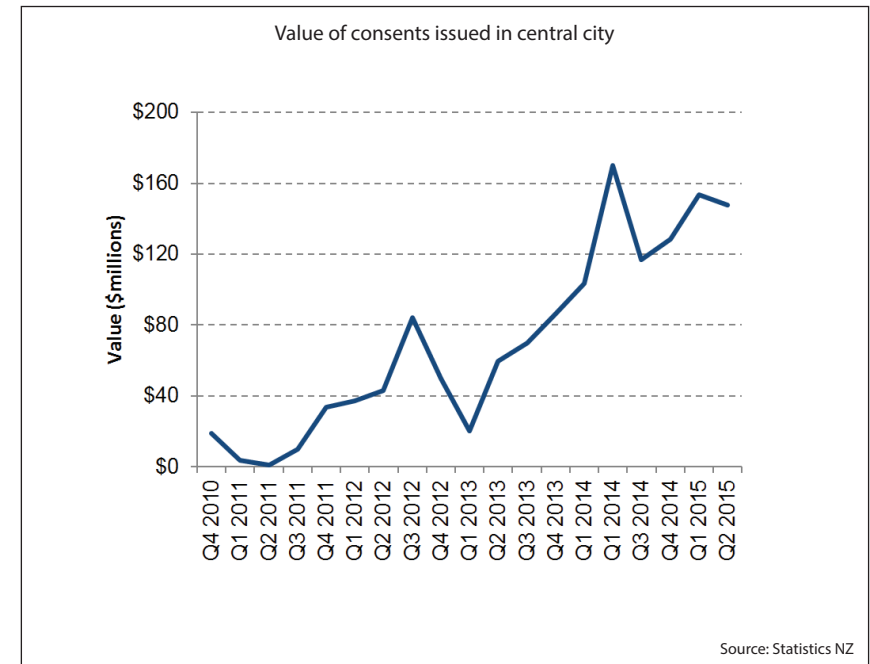
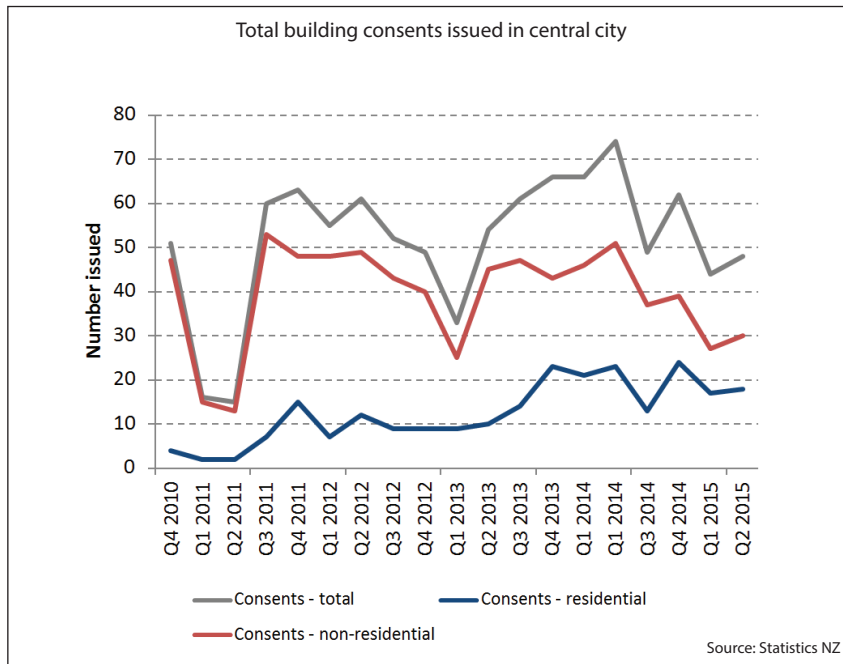
Estimated real GDP⁷ in Canterbury grew by 1.41% in the year to March 2015, which is 1.88% lower than the national total.



The higher than average growth experienced in Canterbury during 2014 was mainly driven by construction rebuild activities, and in the next two years the region will continue to experience economic growth. However, due to a range of factors including lower commodity prices and an easing of activity in the construction sector, real GDP in Canterbury is forecast to grow at a lower rate.

Economic recovery: Central city

For the quarter ended June 2015, 48 building consents with a total value of \$137 million were issued for the central city. Of these, 30 were for non-residential projects and 18 for residential projects (totalling 100 individual units).

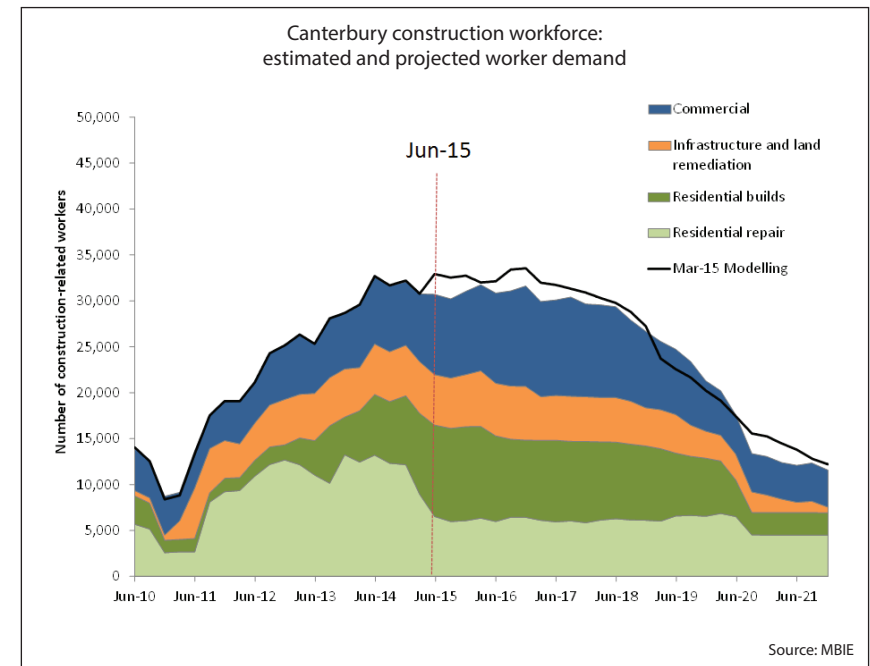
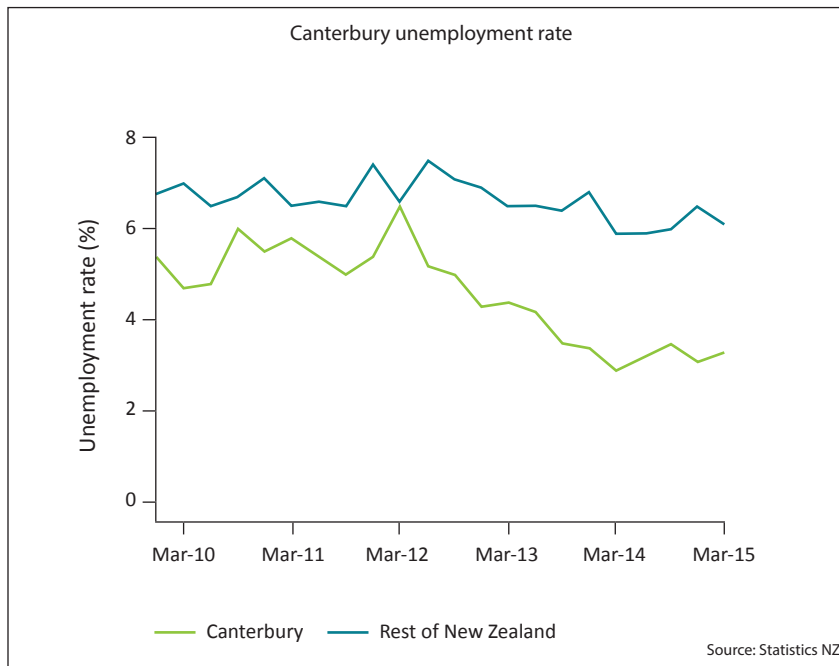


Since September 2010, a total of 984 building consents have been issued in the central city. Of these, 24% were for residential construction and 76% were for non-residential projects.

Since September 2010, building consents with a total value of \$1.3 billion have been issued in the central city. Consents issued in the first six months of 2015 were valued at \$301 million, compared with \$520 million for the 2014 year and \$236 million for 2013.

Economic recovery: Labour market (actual, modelled)

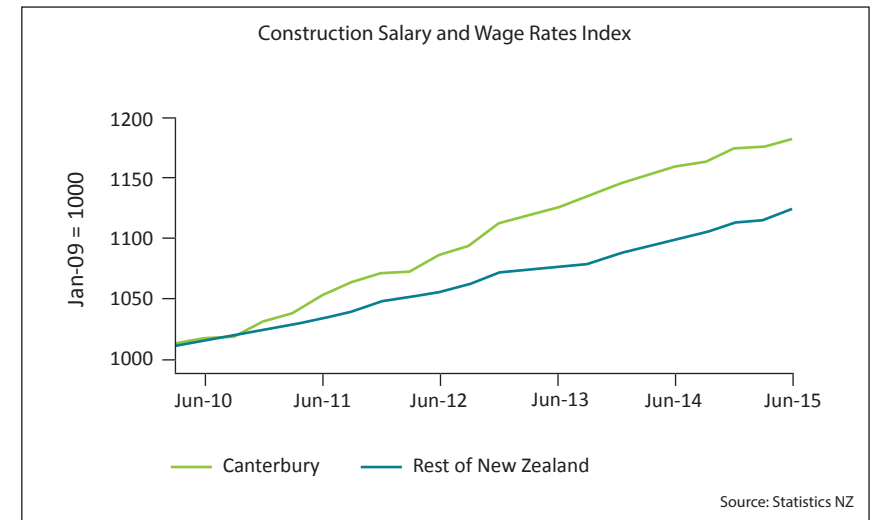
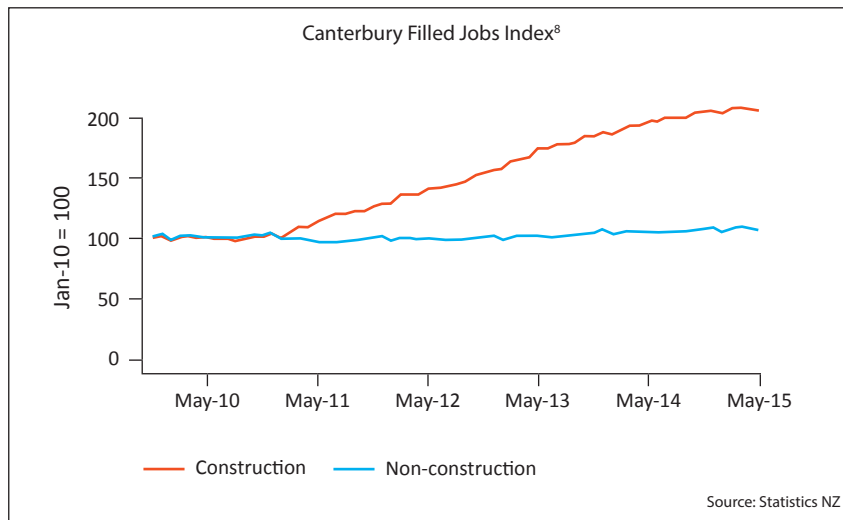
The unemployment rate remains low (3.3%). Construction output is likely to remain in the vicinity of \$1.2 billion per quarter until approximately 2018. The construction workforce is forecast to return to pre-quake levels in 2022.



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. During 2018, pressure on the labour market should ease. This peak has levelled off from last quarter's modelling, driven by easing expectations in the residential construction sector after 2016.

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 second quarter in a row, Canterbury construction wage rates grew at a slower pace than those in the rest of the country.



From September 2010 to May 2015, filled jobs in the construction sector grew by 105.8%, over double pre-earthquake levels. This compares with very limited growth of 5.6% in filled jobs for non-construction industries. **The level of construction job growth, however, appears to have slowed slightly over the last year.**

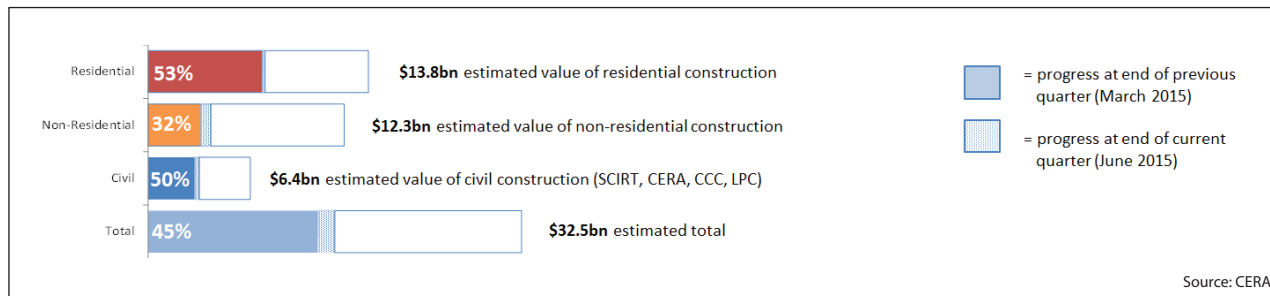
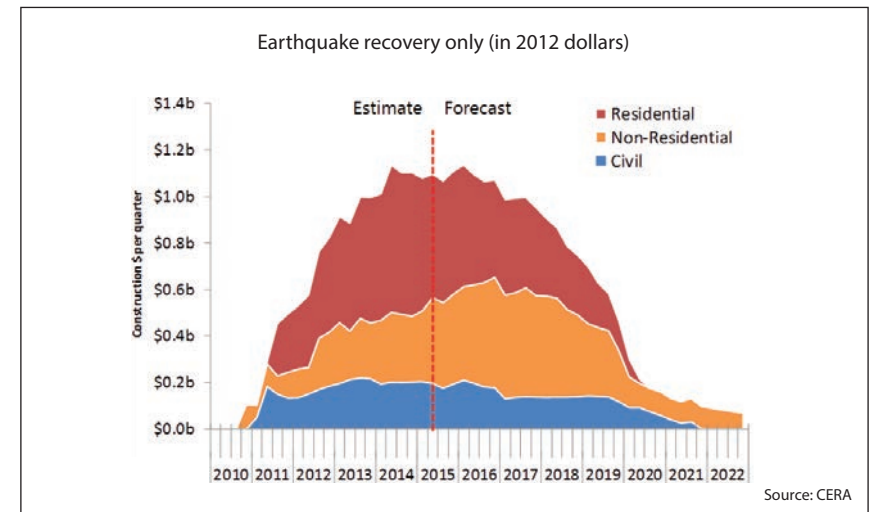
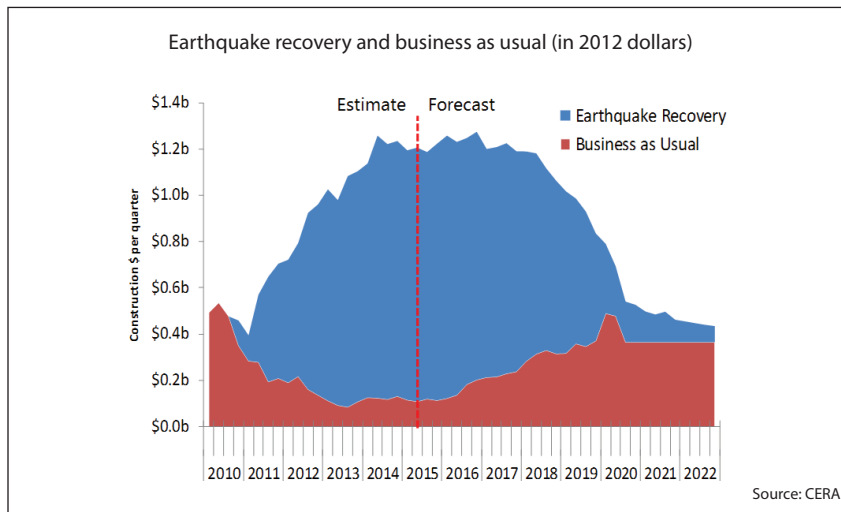
Construction salary and wage rates have increased 15.8% in Canterbury from September 2010 to June 2015, compared with 10.2% for the rest of New Zealand. For the June 2015 quarter, these rates in Canterbury grew 0.5% (up from 0.2% for the March 2015 quarter), compared with 0.7% for the rest of the country (up from 0.3% last quarter). Canterbury wage rates have grown less than the national rate for the second quarter running.

Modelling suggests that rebuild work will continue at the current level for around three years, and the higher level of jobs is expected to remain over that period.

Built recovery: Snapshot

Recovery construction costs will total approximately \$33 billion⁹, with activity expected to be largely complete in 2022. Recovery construction was an estimated 45% complete at June 2015 (estimated 41% complete at March 2015).

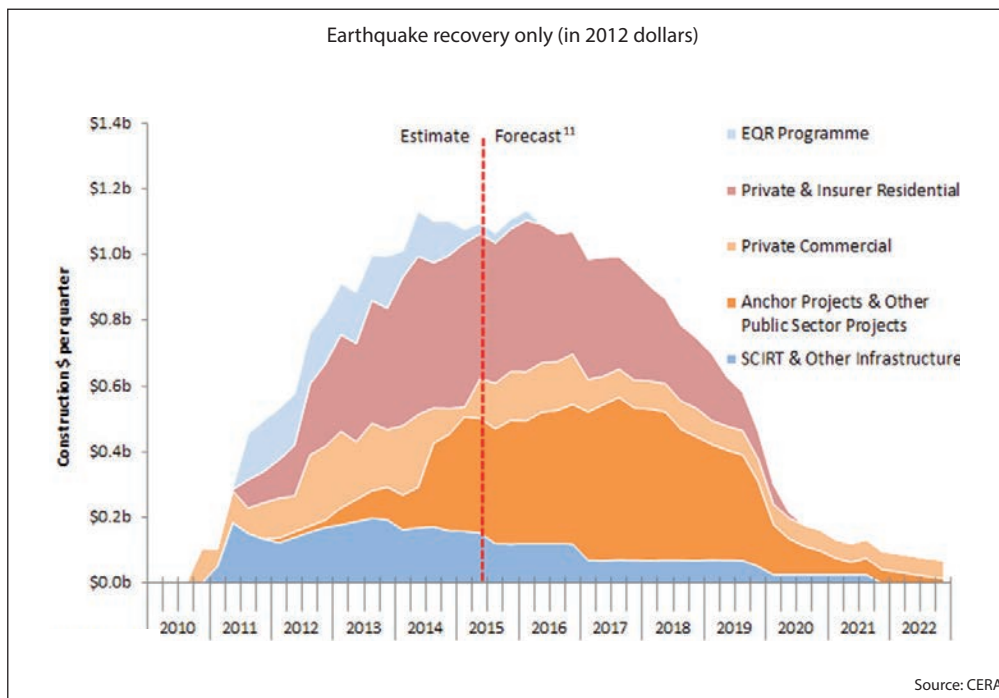
Canterbury construction constrained forecast as at 30 June 2015



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.

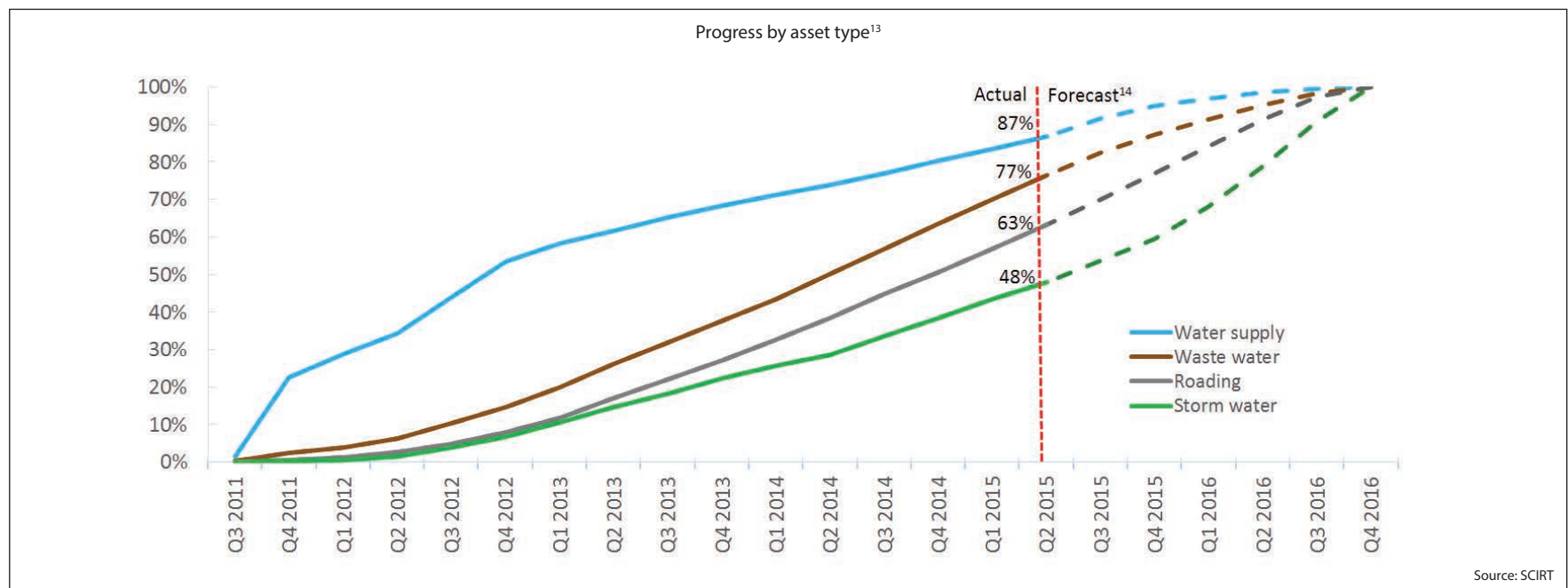
Canterbury construction constrained forecast as at 30 June 2015 – Activity streams¹⁰



- **The EQC managed repairs programme is nearing completion.**
- **Residential repair and rebuild** (including the EQR programme) **is over 50% completed.**
- **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 75% complete as at 30 June 2015, up from 71% for the previous quarter. Completion is expected in December 2016 as originally forecast.¹²



More than a third of the roading repairs are still to be done as this work can normally only be completed once the repairs to the water components are complete. Half 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.

SCIRT has completed its original programme of work in the central city to make way for the vertical rebuild. Small pockets of work are continuing in the outer fringes (in the east and north of the central city). SCIRT has also been commissioned to undertake new work in the central city in addition to its original programme, as well as extra works involving strengthening work for two bridges.

Notes

Footnote	Section	Note
1	Social recovery: CERA Wellbeing Survey, page 3	The CERA Wellbeing Survey (CWS) assesses the wellbeing of Canterbury residents overall and for different subgroups, including those with unresolved claims. The CWS does not identify the total number of settled and unsettled claims and how these have progressed over time. The total number and progress of claims are instead detailed in the Earthquake Commission and private insurers slides (pages 7 & 8).
2	Social recovery: CERA Wellbeing Survey, page 3	The CWS defines unresolved claims as those who own the property they usually live in and received an offer on their claim but have not accepted it yet, have had an assessment on their claim from their insurer but have not received an offer yet, those who are still waiting for an assessment from their insurer, and those who said 'other' (comments mainly relate to the homeowners being in dispute over the value of the offer or quality of repairs undertaken).
3	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
4	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.
5	Social recovery: Housing (social and supported), page 6	The Housing Accord Monitoring report for June 2015 adjusted the new build modelling this quarter to show the cumulative impact of current actual and forecast builds by housing providers. Note that the target of 700 net new builds by December 2016 (previously stated as early 2016 in the Quarter 1 Lookbook) is across the listed providers not solely for Housing NZ as in the previous Lookbooks.
6	Social recovery: Insurance (private incl. Southern Response), page 8	Forecast is at 30 June 2015 and will be revised as work progresses and if further claims are transferred from EQC.
7	Economic recovery: Underlying economic growth, page 9	The main difference between (nominal) GDP and real GDP is that real values are adjusted for inflation (i.e. the differences in price levels), while nominal values are not. As a result, (nominal) GDP will often appear to be higher than real GDP.
8	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.
9	Built recovery: Snapshot, page 13	This total is in 2012 dollars.
10	Built recovery: Activity streams, page 14	Other public sector projects include hospitals, schools and tertiary education providers.
11	Built recovery: Activity streams, page 14	This chart utilises 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.

Footnote	Section	Note
12	Built recovery: SCIRT, page 15	During Q2 2015, the estimated budgets and scope of works for a large number of SCIRT projects were finalised, resulting in a reduction in the total programme's estimated 'final forecast cost' (FFC). Consequently, the percentage of the programme that has been completed as at 31 March 2015 has changed from 64% as reported in the previous Lookbook to 71%.
13	Built recovery: SCIRT, page 15	Progress is measured in terms of spend to date as a percentage of the 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 progress to date may change when the FFC is revised.
14	Built recovery: SCIRT, page 15	Surveying 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.

Timing of data

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

Term	Definition
Christchurch	The district of the 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.