



PROFESSIONALLY SPEAKING JUNE EDITION

Council asks developers to convert inner-city buildings

Inner-city Wellington buildings could be turned into social housing and affordable apartments in a new approach to tackling the city's housing shortage.

The city council is asking developers to do this as a way to help solve the shortfall, and is also urging community housing providers to convert existing under-utilised buildings.

Deputy Mayor Paul Eagle, the housing portfolio leader, said the city was constrained in its ability to grow out so needed to grow up, and that meant greater intensification in the inner city.

The approach is similar to the recent retrofitting of buildings by developers into hotels or student accommodation.

The council would lease the buildings itself for 15 to 20 years and act as landlord. It would make one-stop-shop consenting available for the project.

Eagle said he expected the plan would pay for itself over the lifetime of the project.

Community housing providers could manage the tenancies for social housing and seek to access income related rent support to help people into homes, he said.

"Costs will be dependent on the number of housing units we can get developed under the initiative. But it is expected that the housing provided will be cost neutral for ratepayers in the long term, as building owners will pay for the refurbishment and tenants will pay for rents."

Mayor Justin Lester said housing was the biggest issue facing the city and bold action needed to be taken.

"That's why we're looking at a new way of providing homes in the central city."

Lester, who was speaking at the Community Housing Association annual conference on Wednesday, said he expected some of the apartments would be social housing managed by community housing providers, while others would be affordable rentals targeted at the lower end of the market.

"We will be able to retrofit existing inner-city buildings and turn them into warm, safe, dry apartments."

The council would be requesting proposals from developers later this year.

"We'll provide more housing options for people who need it, and add vibrancy to our central city."

The apartments would also address the relatively low quality of much of the private rental stock.

"We'll be the only council in the country proactively adding warm, dry, affordable rentals for people in the private market, as well as further increasing the supply of social housing."

Wellington developer and engineer Maurice Clark, who has converted four buildings in the city into student accommodation, said it was a good move.

Converting into apartments could be tricky, but was generally doable, he said. He would consider taking up the council's offer.

However, developers would require certainty of rent, he said. "Affordable and social can be done if someone can guarantee tenants."

Property investor Alex Cassels, who is currently converting the Sharp building in Taranaki St into 42 apartments, said he would be interested if the right opportunity presented itself.

Developers would be looking for long-term leases and the guarantee of income, he said.

There was "reasonable" stock in the city for conversions, particularly in Te Aro, which he believed would be popular with young people and families.

Wellington Chamber of Commerce chief executive John Milford said for investors it would be a numbers game.

He was encouraged by the adaptation of the student model that was already in place.

"The fact is we need more accommodation for students, families and people who want to work in the city. I applaud the council for coming up with an option to meet the potential need."

Anna Mooney from Wellington Renters United praised the council for taking positive action to help alleviate the housing crisis, because action from the central government to solve it was lacking, she said.

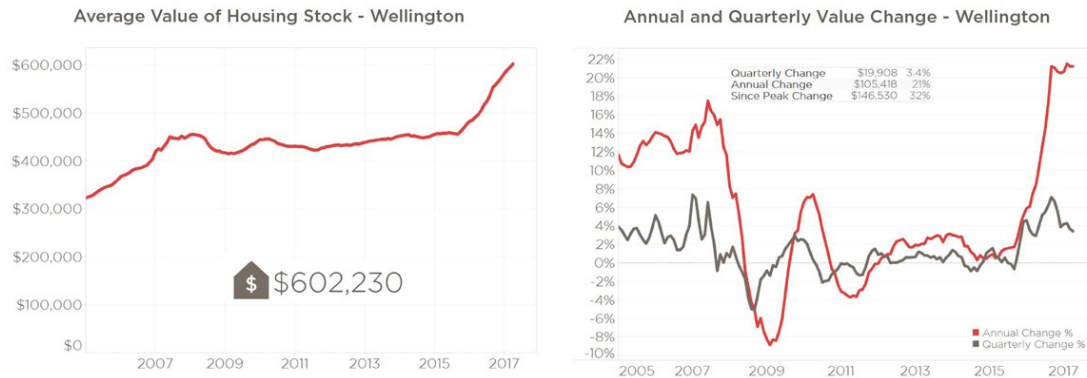
"This injection of affordable rental properties into the market will relieve some of the stress of housing shortages in Wellington," Mooney said.

"However, there still remains an urgent need to improve the quality of the existing rental housing stock, ideally through the introduction of a universal rental warrant of fitness."

- Stuff



Nationwide values remain flat according to the latest QV house price index



April 2017				
	Current Value	3 months	12 months	Since Peak
Porirua	\$510,853	5.5%	24%	34%
Upper Hutt	\$445,632	2.8%	27%	27%
Lower Hutt	\$503,286	4.3%	25%	28%
Wellington City	\$724,176	3.1%	21%	36%

This nationwide picture is largely influenced by weakening values in Auckland, Hamilton and Tauranga. In much of the rest of the country there has been a slight slowdown in the rate of increase.

We continue to expect values to rebound, potentially after the election in September. However the rate of increase in values if and when this rebound occurs will likely be significantly slower than we have seen for the past few years.

Nationwide sales volumes continue their downward slide, a trend that started a year ago. March bounced up both seasonally and in response to a brief surge in demand in late February and early March. April had Easter and ANZAC day in close proximity which will have led to many people taking extended holidays, likely impacting house sales activity.

The slowdown in sales activity is particularly evident in Auckland which over the past three months is over 30% down on the same time last year. While the impact of the slowdown lessens as you move south, it is nevertheless nationwide.

This slowing sales activity follows the drop in demand we have seen, and falling sales activity usually means less upward price pressure.

Buyer demand in Wellington climbed strongly throughout 2016 and up until March 2017. This then sagged in the weeks before

the Easter and ANZAC weekends and has not really bounced back since. While back to around the same level as this time last year, it will be noticeably less than much of the past 12 months.

The first month of Q2 suggests that investor activity has bounced back again.

First home buyers remain very active in the Wellington market, especially outside Wellington City.

Movers continue to be less active, falling from a 25% share of sales in 2015 to 21% in Q2.

Wellington's rate of value increase hasn't changed in recent months, still increasing at around 4% per quarter and 21% annually.

However that is slower than the 6% to 7% quarterly growth during parts of 2016.

Porirua and Lower Hutt are still rising fastest over the past three months, while the previously fastest growing Upper Hutt has slowed recently to only 2.8% over the past three months.

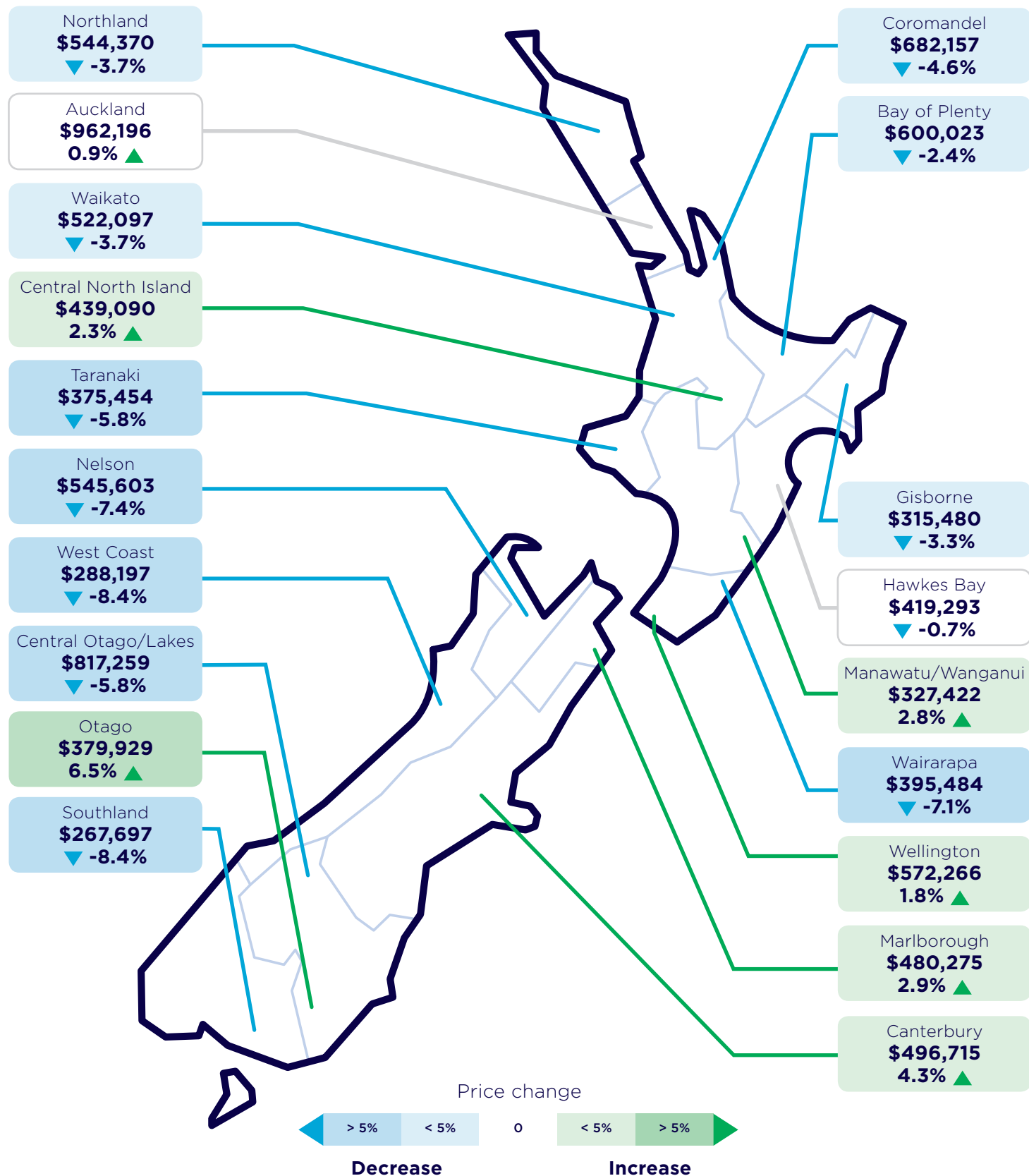
- Core Logic



property asking price

Property asking price for May 2017 **\$636,542**
Compared to prior month **-1.1%**

The average asking price is calculated by taking every residential listing's indicated asking price and dividing it by the total number of properties.



property **new listings**

New property listings for May 2017 **9,860**
 Compared to May 2016 **2.2%**

New listings are properties that have been added to realestate.co.nz during the month. This is compared to the number of new listings in the same month in the previous year.

