

Canterbury Earthquake Recovery Lookbook

for the quarter ended 31 December 2014

Whole-of-recovery snapshot

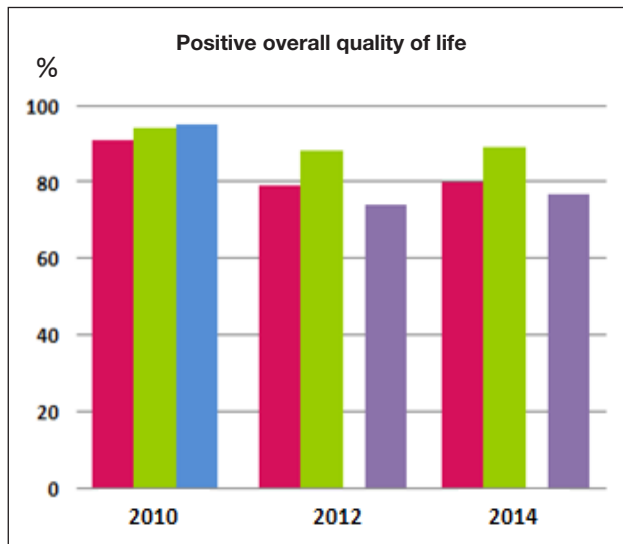
The Canterbury Earthquake Recovery Lookbook describes and measures key recovery areas and progress in the quarter ended 31 December 2014.

Overall, recovery progress continues but there is a large amount of work to be completed over the next ten years. We know from international experience that the expected recovery journey from a natural disaster of this scale typically takes decades. Continued recovery efforts will still be required from a wide range of agencies and sectors for some time, particularly in the areas of housing, psychosocial, infrastructure and economic recovery.

Recovery results vary in terms of progress and some areas still need attention. For example, there have been improvements in residential housing pressure, with average rents stabilising as new housing supply becomes available, but the supply of housing for low income-earners remains an issue. Similarly, overall quality of life has improved and most insurance claims will be settled by the end of 2016, but challenges for some groups remain. Economically, the region is strong. With repair work continuing and the public sector rebuild underway there has been strong job growth, particularly in construction.

Social recovery: CERA Wellbeing Survey

Overall quality of life in greater Christchurch has improved since 2012. One in five residents continue to feel stressed most or all of the time, with one in six reporting this in the cities of Auckland and Wellington.

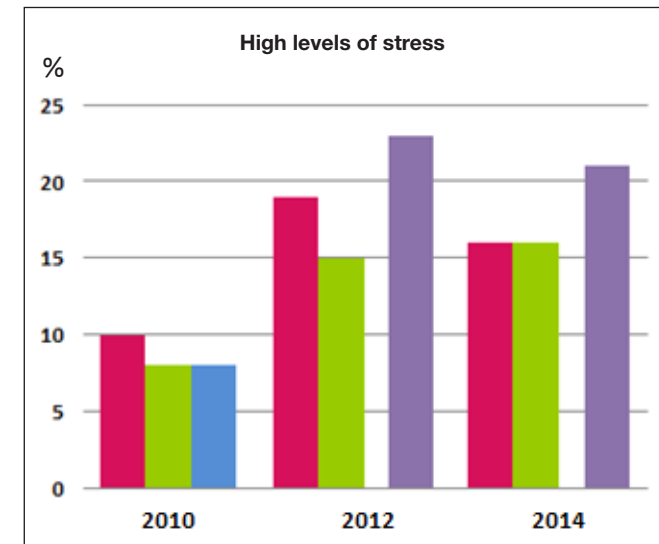


Quality of Life survey

- Auckland City
- Wellington City
- Christchurch City

CERA Wellbeing survey

- Greater Christchurch



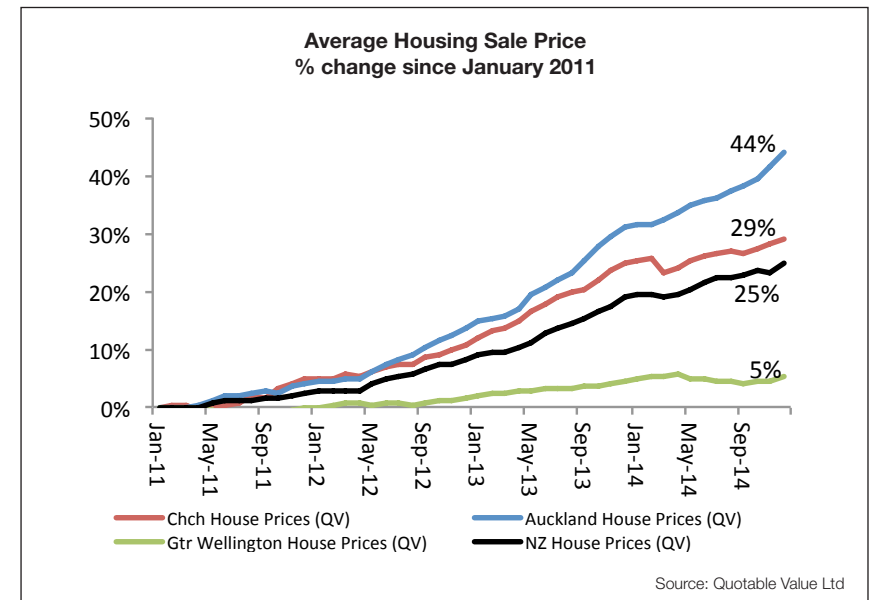
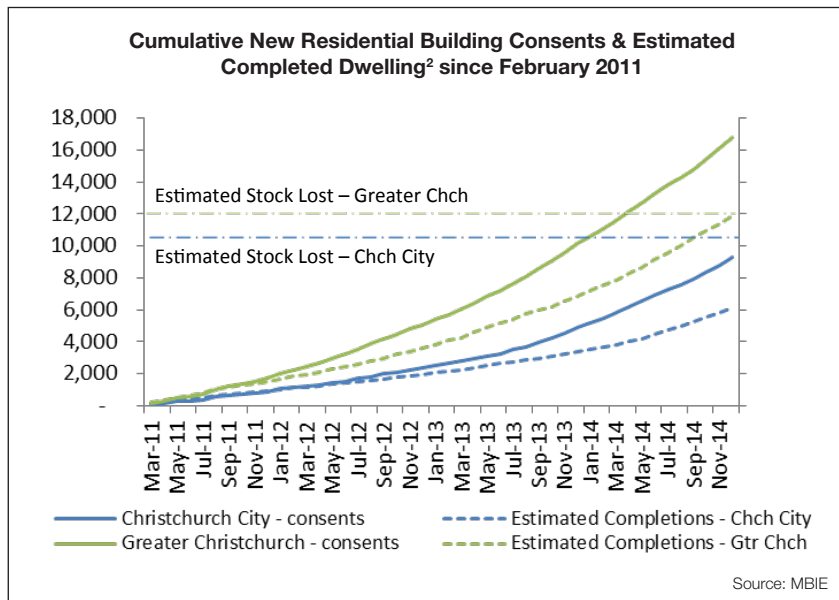
In the latest CERA Wellbeing Survey, **77% of greater Christchurch respondents reported a positive overall quality of life** (previous survey, April 2014, 75%).

Across the country, quality of life was lower in 2014 than 2010. Christchurch city experienced the largest decline (-15%) compared with Auckland (-11%) and Wellington (-5%). In 2014 there were more highly stressed respondents across the country than in 2010. In greater Christchurch, **people with unresolved insurance claims, living with a health condition or disability, living in temporary housing, and renters were less likely to rate their overall quality of life positively, and more likely to report high levels of stress in the past year.**

Sources: Canterbury Wellbeing Index & Wellbeing Survey (CERA) (September 2012 and 2014) and The Quality of Life Survey (2010, 2012 and 2014)¹

Social recovery: Housing (new stock, prices)

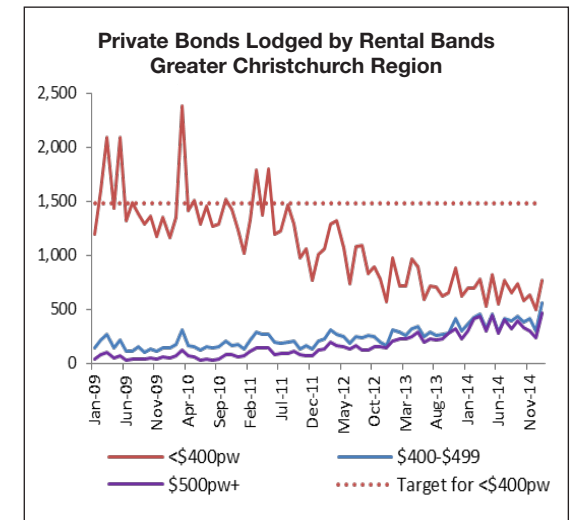
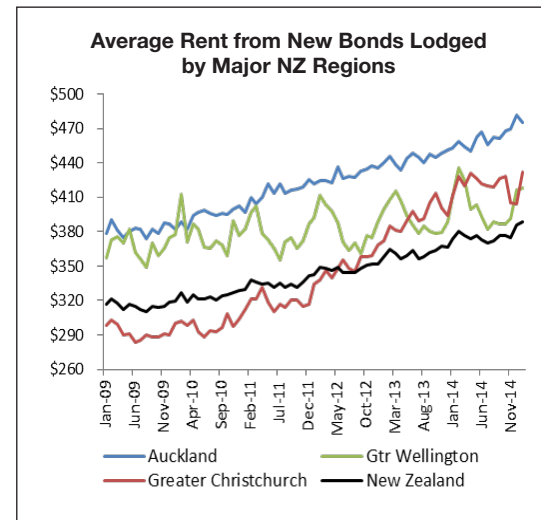
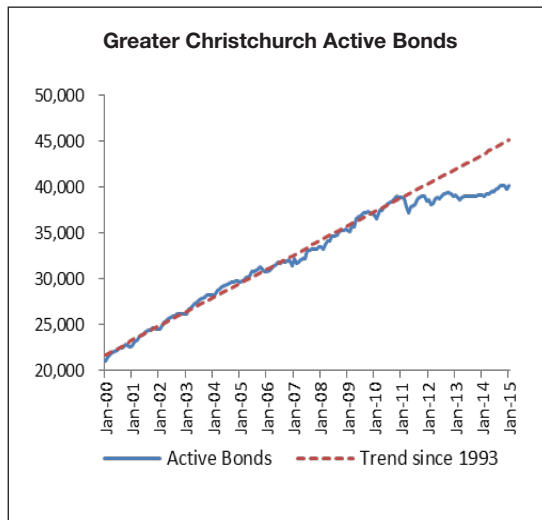
Estimates indicate that the number of completed dwellings has replaced those lost due to the earthquakes in greater Christchurch, with half of these new dwellings situated in the Waimakariri and Selwyn Districts. Annual average house prices in greater Christchurch are in line with national trends, up 3% in Christchurch City, 4% in Waimakariri District and 5% in Selwyn District, while Auckland increased 10%.



The greater Christchurch population is projected⁹ to increase by 43,800 between 2011 and 2018, equating to an extra 16,600 dwellings. **An estimated 30,200 new dwellings between 2011 and 2018 are required to replace⁴ lost red-zone stock, rebuild dwellings and supply this population growth projection.** Given the number of consents issued to December 2014, an average of 463 consents per month between January 2015 and September 2017 is required to meet this target. The average consent level since February 2011 was 365, although in 2014 the average was 555 consents per month.

Social recovery: Housing (rentals)

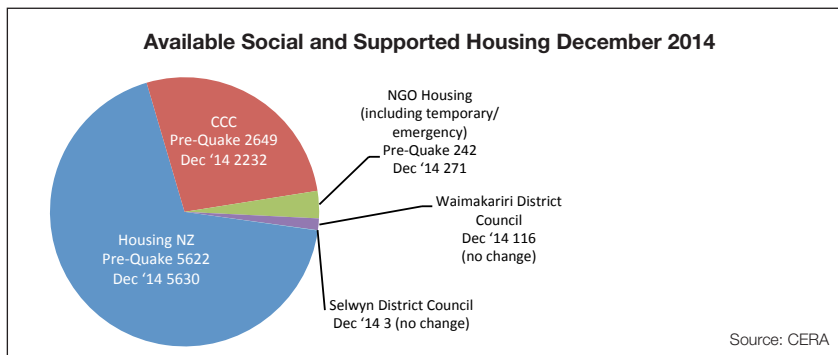
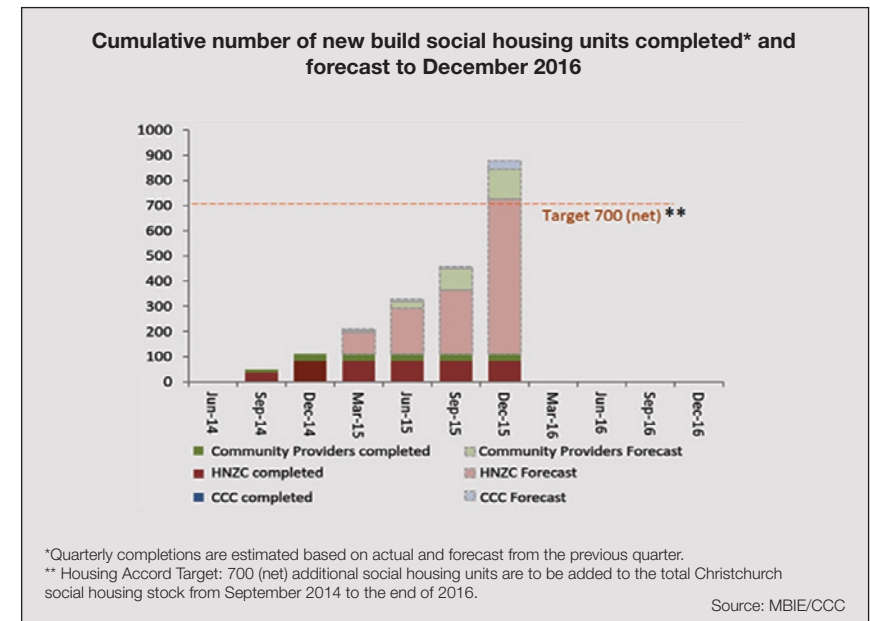
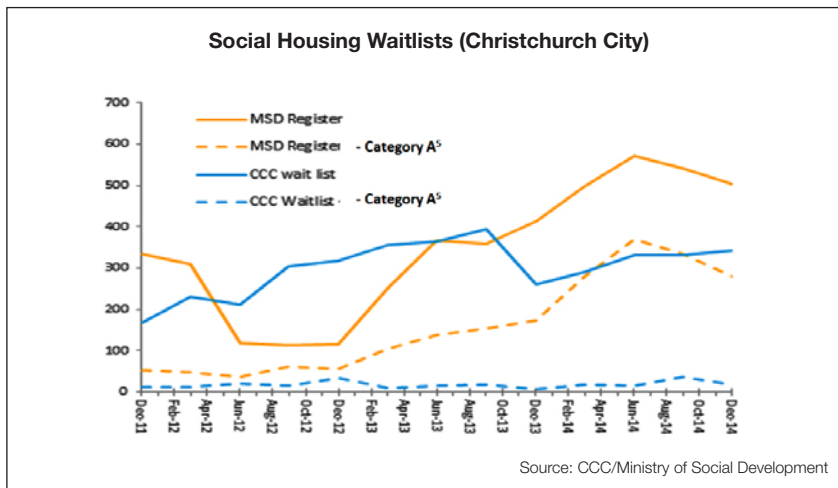
Overall supply within the rental market is beginning to grow, stabilising the average rental price (\$420/week). However, the supply of lower-cost rentals (less than \$400/week) is significantly below pre-quake levels and this reduces housing options for low-income households.



The reduction in the number of tenancies let for less than \$400 per week disproportionately affects fixed and low-income households.

Social recovery: Housing (social and supported)

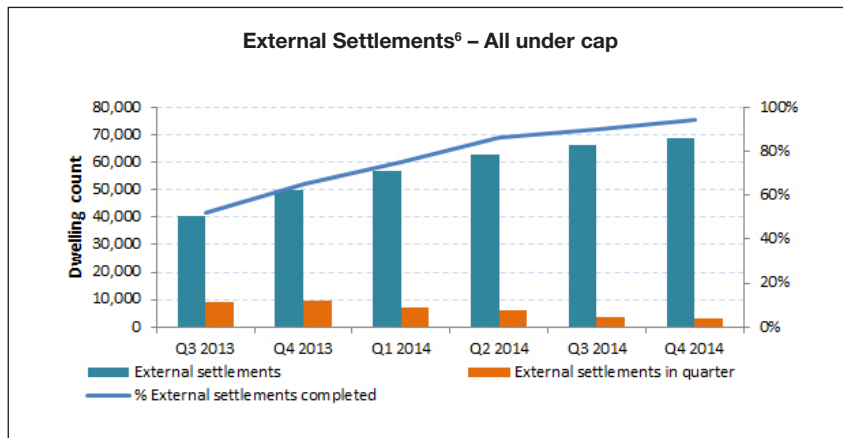
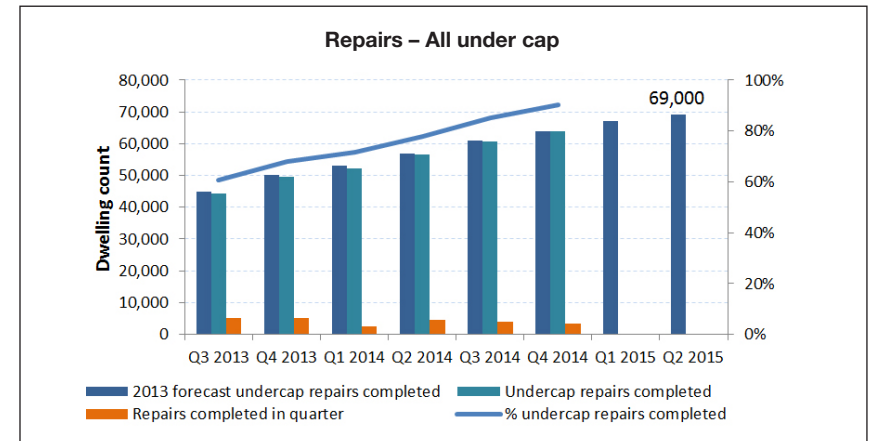
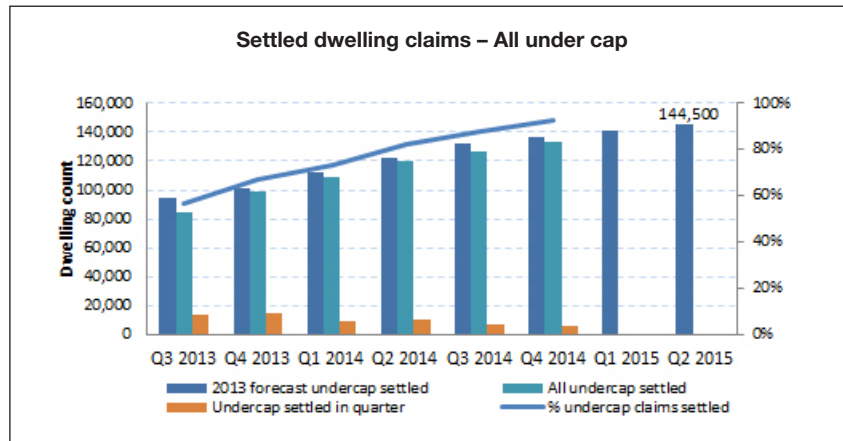
At the end of December 2014, 343 applicants were on the Christchurch City Council waitlist and 504 applicants on the Ministry of Social Development administered Social Housing Register. Over the last quarter the average waitlist has declined.



If current trends in waitlists continue, social housing supply will broadly match demand by the end of 2015.

Social recovery: Insurance (Earthquake Commission)

Ninety-three per cent of Earthquake Commission dwelling claims have been settled at 31 December 2014. The Commission has signalled that around 3,000 managed repairs will extend beyond their targeted completion of late 2014.



Total under cap claims to be completed is approximately 144,500. Targets were reset in 2013 to complete all dwelling claims by the end of 2014 (previously the end of 2015); around 11,000 (7%) will now be resolved early 2015.

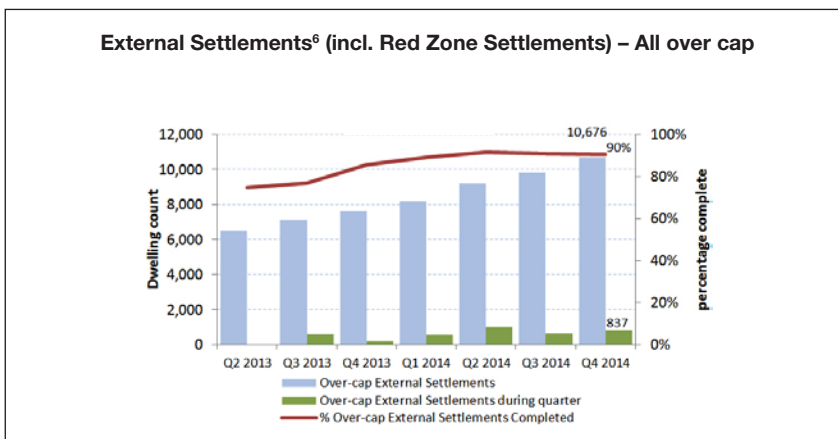
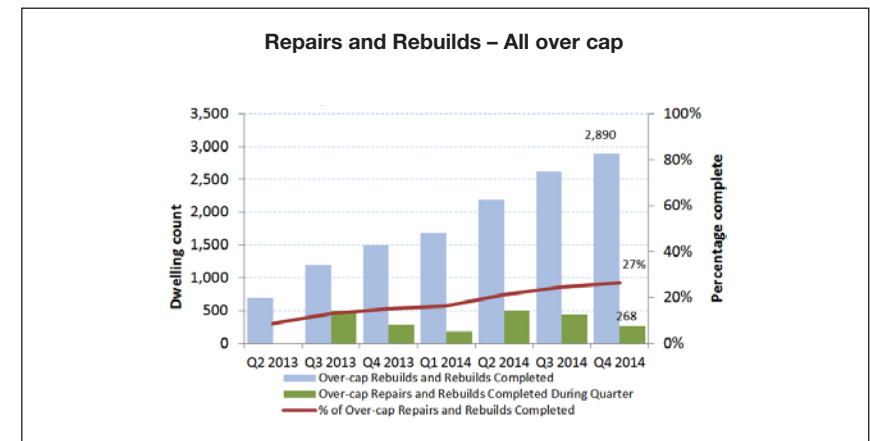
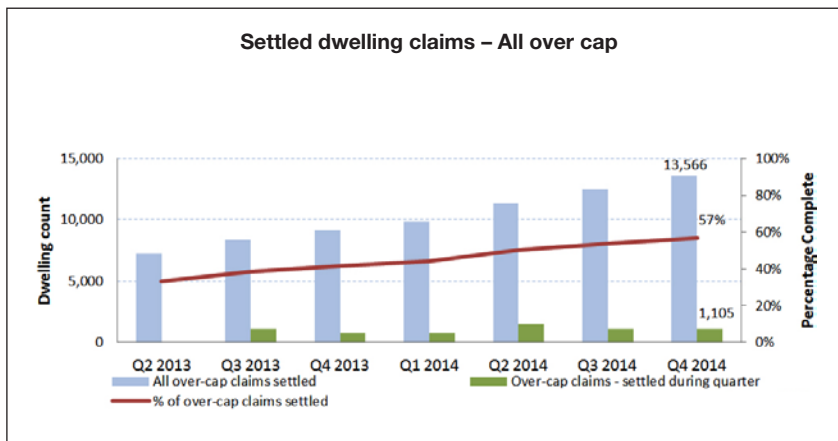
Total managed repairs are now below 70,000 due to customer choice (to manage their own repair) and resolution of complex issues (resulting in an increase of claims transferred to private insurers). **To date a total of \$8.3 billion has been paid out for repairs**, with around 3,000 (4%) managed repairs to be completed in 2015.

Around 14,000 outstanding land damage claims are to be settled in 2015.

Source: Treasury/EQC

Social recovery: Insurance (private and Southern Response)

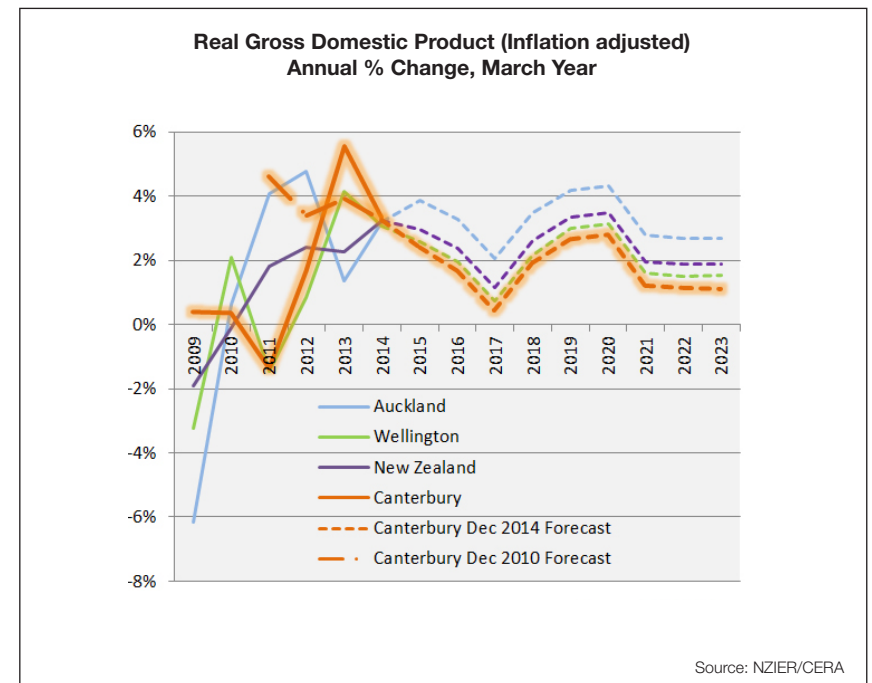
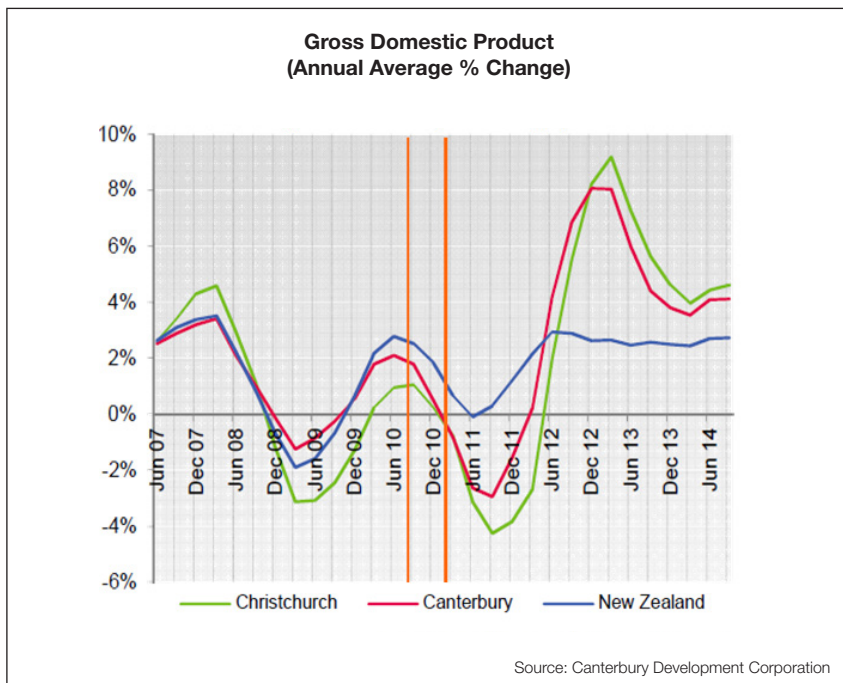
Private insurers have settled 57% (13,566) of dwelling claims with 1,105 settled in the December quarter (up 19 from the September quarter). Ninety per cent of claims are forecast by insurers to be settled by the end of 2016.



Total dwelling claims continue to increase (up 744 from previous quarter) as claims are transferred from EQC.

Economic recovery: Underlying economic growth

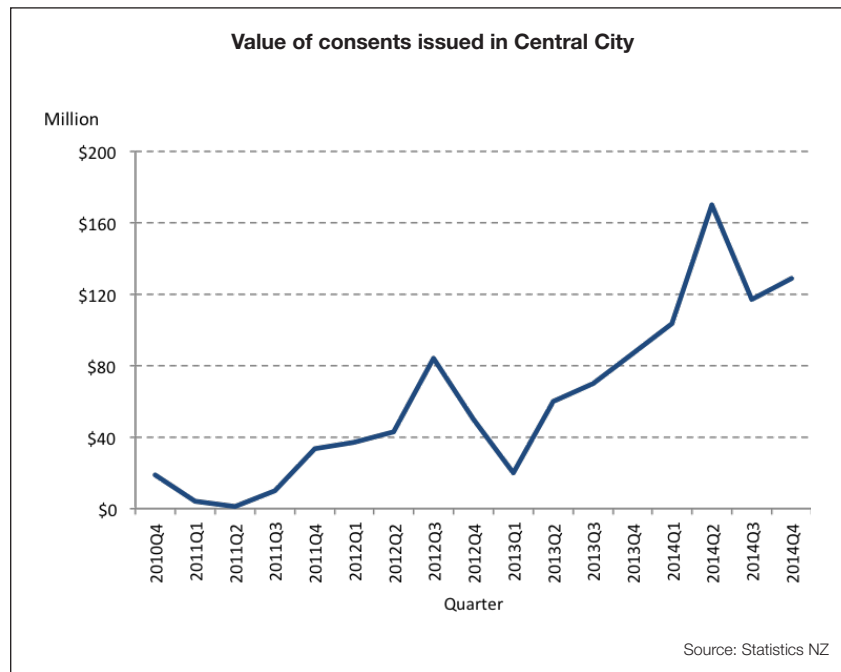
Canterbury Gross Domestic Product (GDP) has grown by 4.1% in the year to September 2014 (compared to the national rate of 2.7%). The majority of regional growth is driven by the construction sector (10.3%) and other underlying sectors such as manufacturing (3.9%) and agriculture, forestry and fishing (6%).



The estimated real⁷ GDP in Canterbury increased around 3.3% in the year ended March 2014, which is the second-highest annual increase since the 2010 Canterbury earthquake. However, forecasts are that Canterbury will grow at a lower rate than other regions for the next nine years, because of a range of factors including lower commodity prices and a slowdown in the construction sector.

Economic recovery: Central city

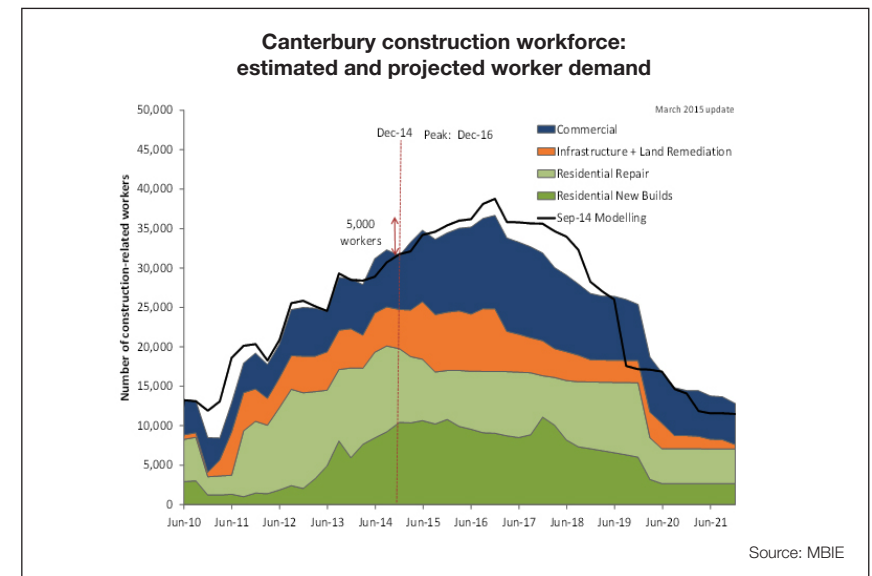
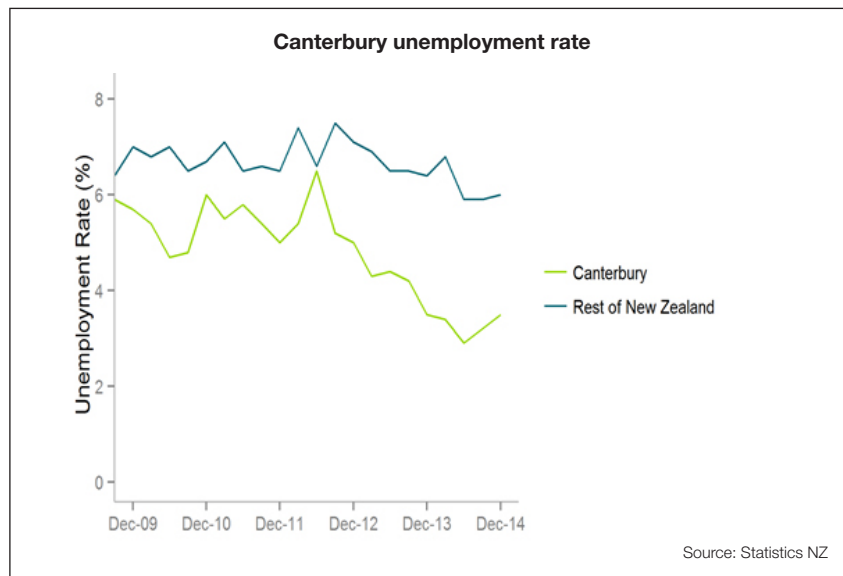
An estimated \$1.1 billion worth of consents have been issued in the central city since September 2010.



In the quarter ended December 2014, building consents for 154 units⁸ worth an estimated value of \$129 million were issued for the central city (compared to 68 units in the previous quarter, at a value of \$117m). Of these, 105 were for new dwellings, with an estimated value of \$16m.

Economic recovery: Labour market (actual, modelled)

The unemployment rate remains low (3.5%) and modelling suggests an additional 5,000 construction workers will be required between December 2014 and December 2016. Construction employment is projected to return to pre-quake levels in 2022.

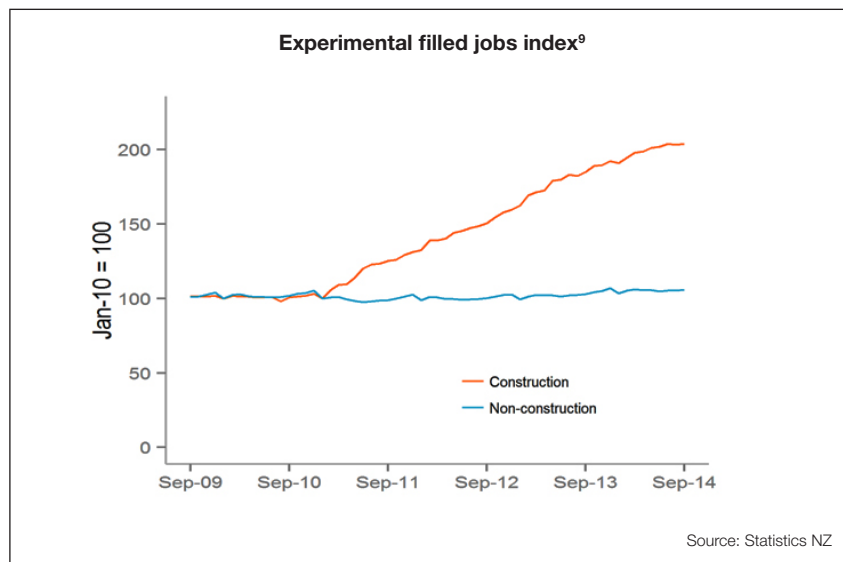


The **labour supply remains tight** with the employment rate at 70.4%. While **modelling suggests we are close to reaching the peak rebuild**, migration will still be needed to meet labour demand over the next two years, as non-residential work replaces residential, and a different mix of workers are required. After 2016, pressure should ease on the labour market.

The latest projections show a flatter peak than previously modelled. The initial drop-off in activity after December 2016 is driven by the projected completion of SCIRT work, with steady declines of other work throughout 2017 to 2020.

Economic recovery: Labour market (construction)

As the peak of the rebuild approaches, there is evidence of easing job growth in Canterbury's construction sector. However, construction labour cost growth for Canterbury was higher than the rest of the country this quarter.



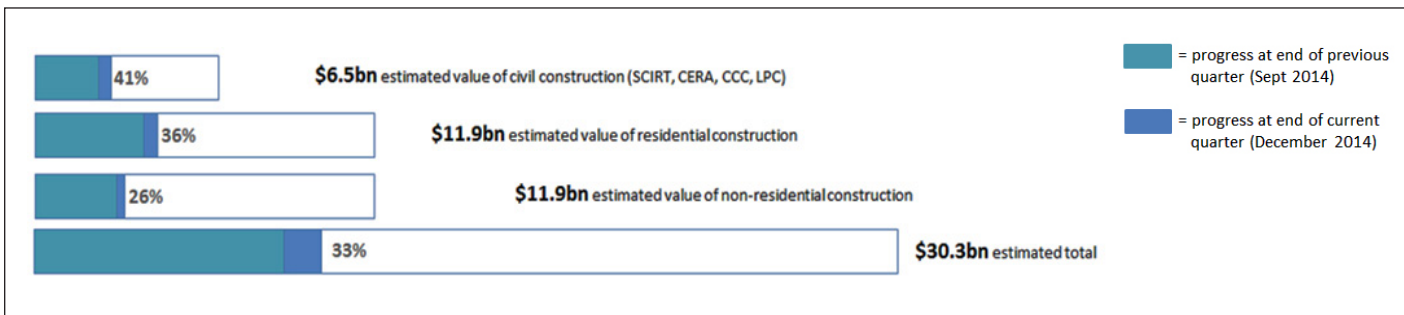
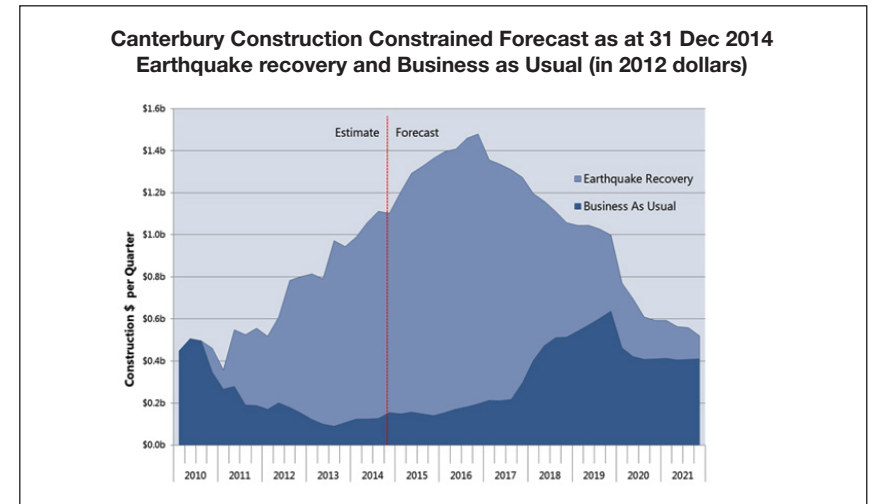
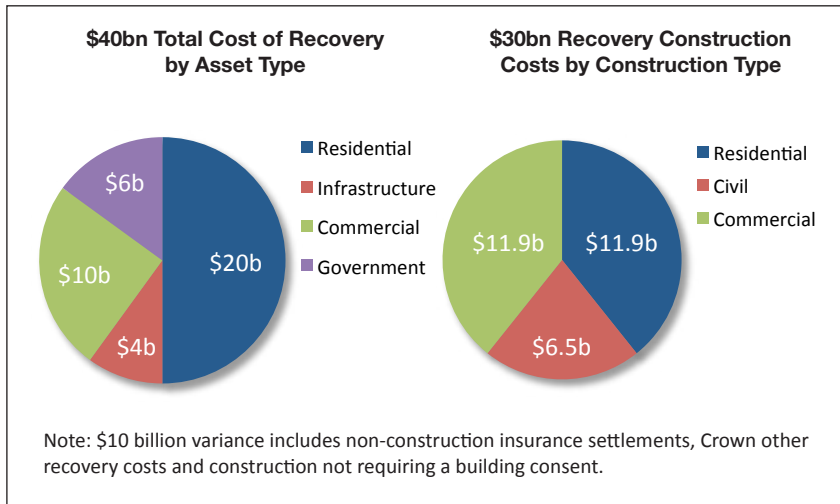
From September 2010 to September 2014, filled jobs in the construction sector grew by 102.6%, over double pre-earthquake levels. This compares to an almost stagnant 3.9% growth in filled jobs for non-construction industries. The level of construction job growth does however appear to have slowed over the last six months.

Construction salary and wage rates have increased 15.0% in Canterbury from September 2010 to December 2014, compared with 9.1% for the rest of New Zealand. For the December 2014 quarter, construction salary and wage rates in Canterbury grew 0.9%, compared with 0.6% for the rest of the country.

Modelling suggests that peak rebuild work will remain for around two years, and the elevated level of jobs is expected to remain over that period.

Built recovery: Snapshot

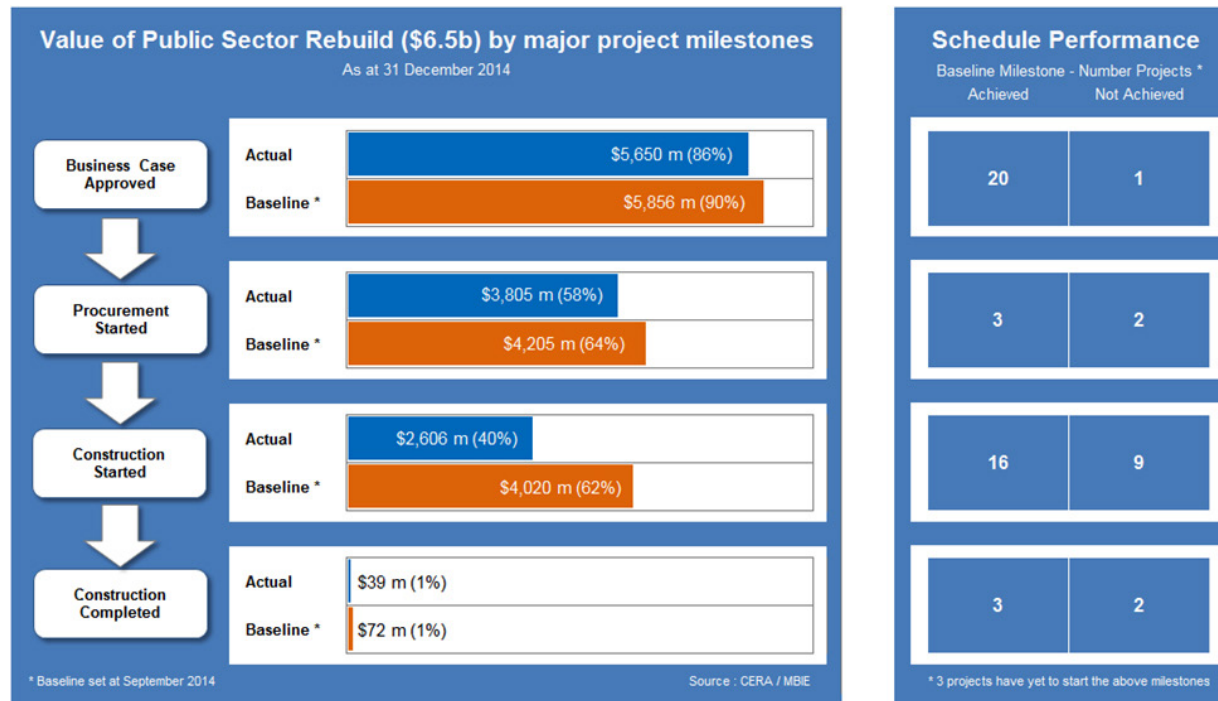
Recovery construction costs will total approximately \$30 billion, with construction activity forecast to be complete in 2022. Consentable construction was an estimated 33% complete at December 2014 (estimated 29% complete at September 2014), with construction activity in Canterbury set to peak in 2016.



Source: CERA

Built recovery: public sector rebuild

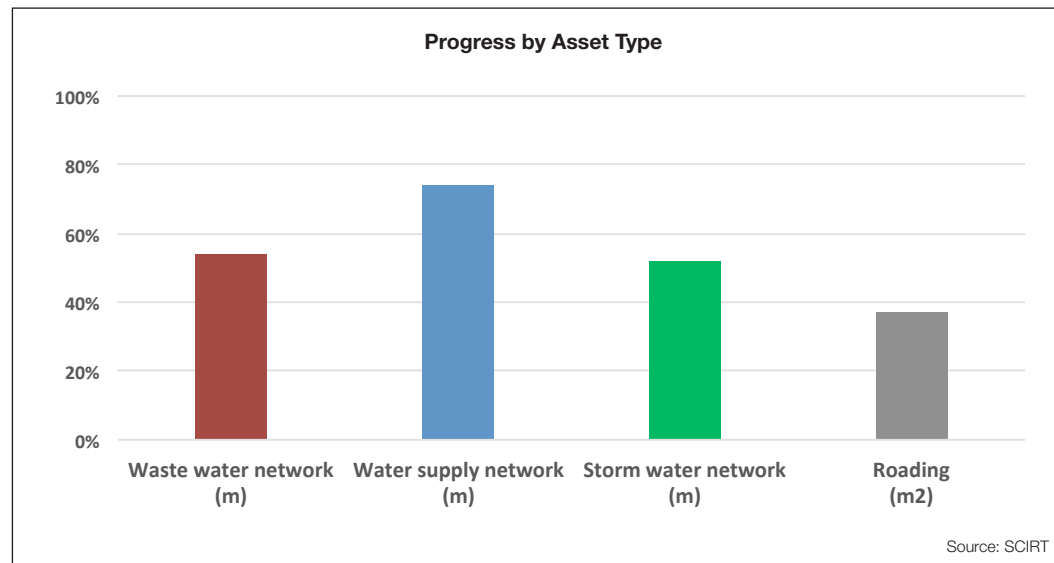
The current value of the Public Sector Rebuild is approximately \$6.5 billion of capital investment for 59 major infrastructure projects across eleven organisations. As of 31 December 2014, 24% of the projects had not reached their baseline milestones.



The University of Canterbury Engineering Precinct redevelopment (\$143m) began construction in the fourth quarter of 2014. However nine projects, accounting for nearly a quarter of the total value of the public sector rebuild (\$1.5bn), did not start construction as forecasted. Not starting construction in line with baseline expectations is an early indicator the project is unlikely to be delivered on time.

Built recovery: SCIRT

The SCIRT programme was 59% complete as of 31 December 2014, up from 51% for the previous quarter, with completion expected in December 2016 as originally scheduled.



The programme is approximately 1.7 months behind the original schedule (established in 2011). A detailed programme review has confirmed that the **original completion date of December 2016 will be met** through scheduling and programme efficiencies.

Notes

Timing of data

This Lookbook uses the most recently available data for each topic at the time of production (April 2015), which means data for differing periods is presented (i.e. the latest CERA Wellbeing Survey data is from September 2014 while insurance data is for the quarter ended December 2014).

Term	Definition
Christchurch	The district of the Christchurch City Council (CCC).
Central City	Defined as the area within the four avenues – Moorhouse, Rolleston, Fitzgerald and Bealey.
Greater Christchurch	The districts of the Christchurch City Council, the Selwyn District Council, and the Waimakariri District Council, and includes the coastal marine area adjacent to these districts.
Canterbury	The region covers the area from the Kaikoura coast, to Waitaki river in the South, to the Main Divide in the West. It is comprised of nine districts, and part of the Waitaki district.

Footnote	Section	Note
1	Social recovery: CERA Wellbeing Survey, page 3	Data for Greater Christchurch (Christchurch city, Selwyn district and Waimakariri district) is collected in the Wellbeing Survey while Christchurch city data is collected in the Quality of Life Survey. The 2010 Quality of Life survey fieldwork began in November 2010, i.e. after the September 2010 earthquake.
2, 3 & 4	Social recovery: Housing (new stock, prices), page 4	2: Estimated Completions are based on 90% of issued consents and a 9-month time lag. 3: Statistics New Zealand's medium scenario population projection. 4: The 30,200 new dwelling target is based on dwellings lost in the red zone (7,400), the estimated number of rebuilds (6,200) and the dwellings required to house the median population growth scenario (16,600).
5	Social housing: Housing (social and supported), page 6	Category A applicants for social housing waitlists are those with the greatest identified need.
6	Social recovery: Insurance (Earthquake Commission), pages 7 & 8	An external settlement of a claim refers to any situation which is resolved outside the project management office (i.e. outside the insurance company's control). This can include cash settlements or house re-instatements.
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 higher than real GDP.
8	Economic recovery: Central City, page 10	A single building consent may include multiple units (e.g., one building consent for an apartment complex may contain ten apartments).
9	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 their Linked Employer-Employee Data (LEED). It is more timely than official LEED data, but less comprehensive as it does not include self-employed. For this reason, Statistics New Zealand advise that the series should be presented as an index, rather than absolute numbers.