

Canterbury Earthquake Recovery Lookbook

for the quarter ended 31 March 2015

Whole-of-recovery snapshot

This Canterbury Earthquake Recovery Lookbook describes and measures key recovery areas and progress for the quarter ended 31 March 2015.

Progress has been made in recent months. Canterbury's unemployment rate remains low. Recovery construction was an estimated 41 per cent complete at the end of the quarter, with construction activity expected to drop off during 2018. Notably, the number of construction workers now required is easing compared with previous estimates, suggesting the Canterbury construction programme is nearing the peak of labour demand. More than one-third of Public Sector Rebuild projects are underway or completed.

Recovery results continue to vary in terms of progress, however. For example, there have again been improvements in residential housing pressure. While supply within the rental market is beginning to grow, the supply of low-cost rentals remains an issue. Increased supply and declining demand from displaced residents, however, is expected to reduce pressure in the overall rental market from this year. The Earthquake Commission and private insurers continue to settle claims. Claims remaining to be settled include complex claims (eg, land damage claims, or multi-unit dwelling claims), which may impact on the wellbeing of homeowners.

There are many positive signs of social recovery, with the majority of residents reporting a high overall quality of life. However, for some, multiple stressors and compounding pressures remain, particularly for people with pre-existing vulnerabilities, those living in a damaged environment or temporary accommodation and low-income households. An increase in strained relationships is evident in a rise in dwelling assaults (including family violence).

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 ensure that long-term recovery is self-sustaining.

Social recovery: Canterbury Wellbeing Index

The Canterbury Wellbeing Index tracks the progress of social recovery and provides feedback to agencies on trends in community wellbeing. There are many positive signs of social recovery.

Increasingly residents report a high overall quality of life: **79% of residents rated their quality of life positively** in April 2015, compared with 73% in September 2013.

Median weekly **household income has increased 24%** (to \$1,409) compared with 14% nationally.* Weekly income is now \$178 higher than New Zealand overall.

The proportion of **households with basic emergency preparedness¹ increased by 56%** compared with a 40% increase across New Zealand.*

The **unemployment rate for young people aged 15–24 years dropped by 42%** \diamond . For March 2015, youth unemployment was 9.9%, compared with 16.6% nationally.

The rate of those aged 15–24 years “not in education, employment, or training” (**NEET**) **decreased by 33%**, compared with a **13% decrease** nationally \diamond . For March 2015, the NEET rate was 7.3%, compared with 12.6% nationally.

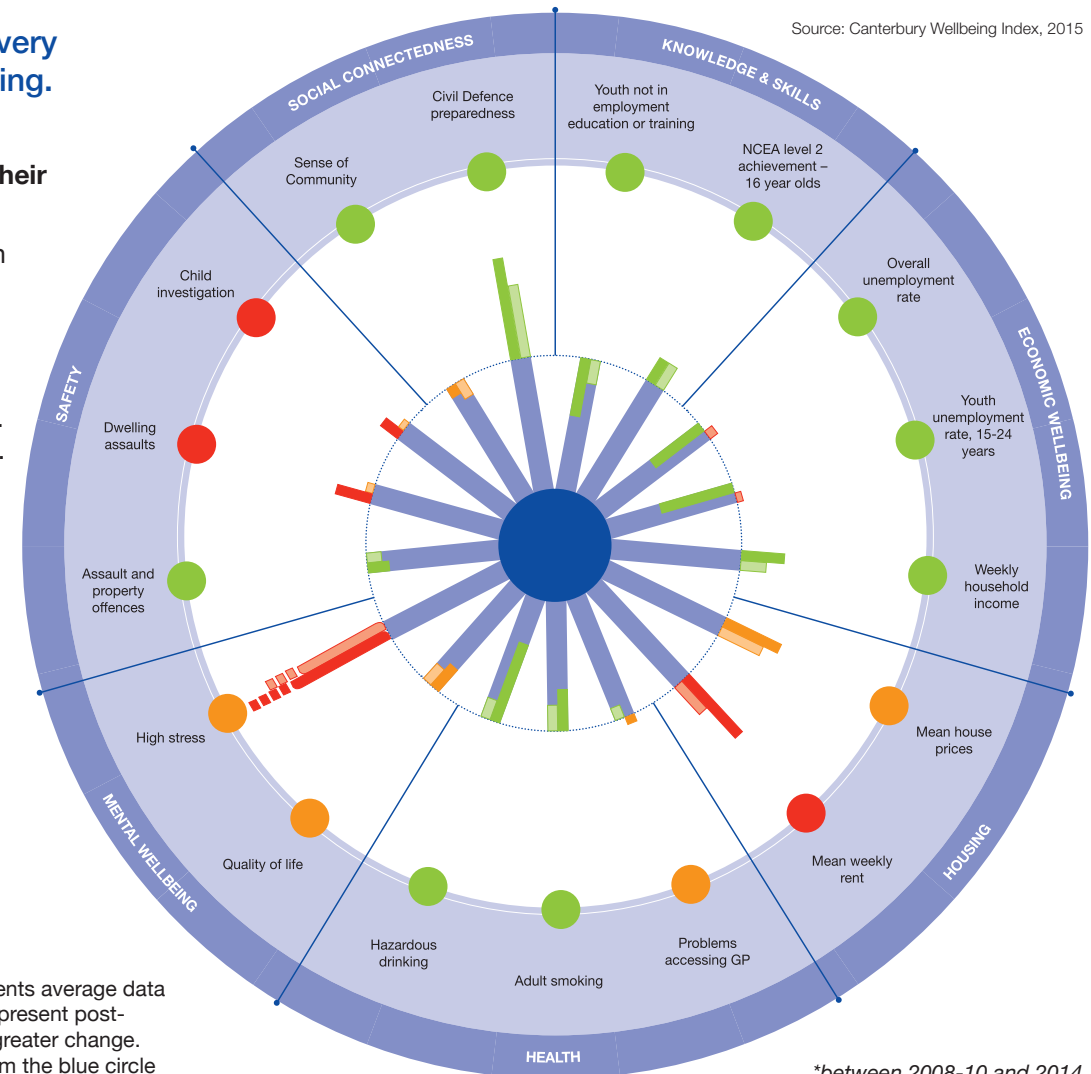
Pre and Post Earthquake Social Recovery Analysis, greater Christchurch compared with New Zealand

	Changes in Greater Christchurch	Changes in New Zealand	Greater Christchurch in comparison with New Zealand
FAVOURABLE By comparison to pre-quake			
NEUTRAL Average has not changed			
LESS FAVOURABLE By comparison to pre-quake			
PRE QUAKE AVERAGE Represents average outcomes for each indicator pre-quake.			

Interpreting changes in social recovery 2008-10 to 2014-15

The spider diagram uses ‘spokes’ to represent changes in each indicator. The blue dotted circle represents average data prior to the September 2010 earthquake (where possible, using a two-year average), and the spokes represent post-earthquake data (where possible using an average from 2014 to June 2015). Longer spokes represent greater change. However, there is no relationship between indicators in magnitude of change. Spokes extending out from the blue circle indicate increases, and spokes extending inwards indicate decreases.

Source: Canterbury Wellbeing Index, 2015



*between 2008-10 and 2014
 \diamond from pre-quake period to March 2015

Social recovery: Canterbury Wellbeing Index

While there are many positive signs of social recovery, evidence also indicates some residents still face multiple stressors and pressures.

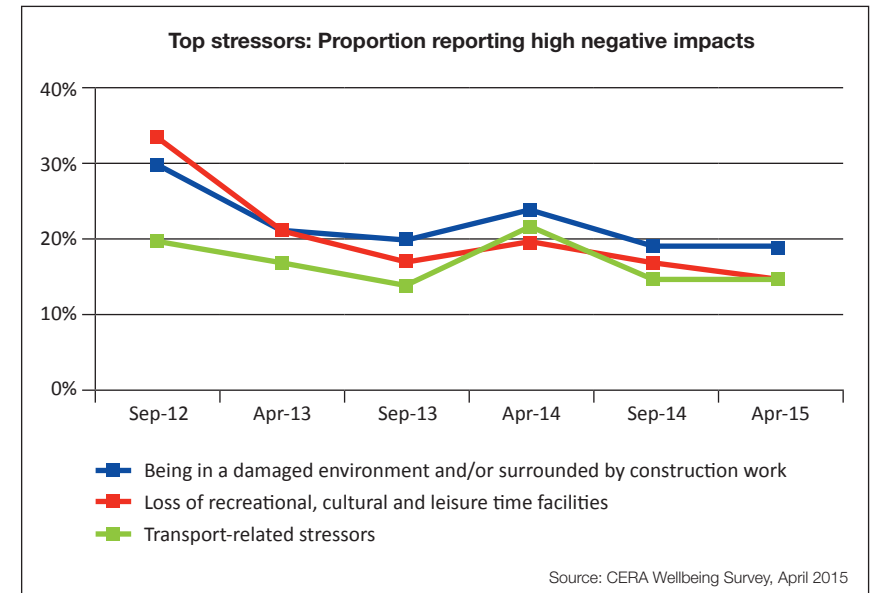
One out of five (19%) residents continue to feel stressed most or all of the time. Population groups experiencing a slower recovery across a range of measures include those with unresolved insurance issues, people in temporary accommodation and those living in the more damaged parts of Christchurch city, low-income households, renters and people with health conditions or disabilities.

Social agencies report that **people's circumstances have become much more complex.**

Access to mental health services increased by 37% between 2010 and 2014. Most of this increase has happened since mid 2012.

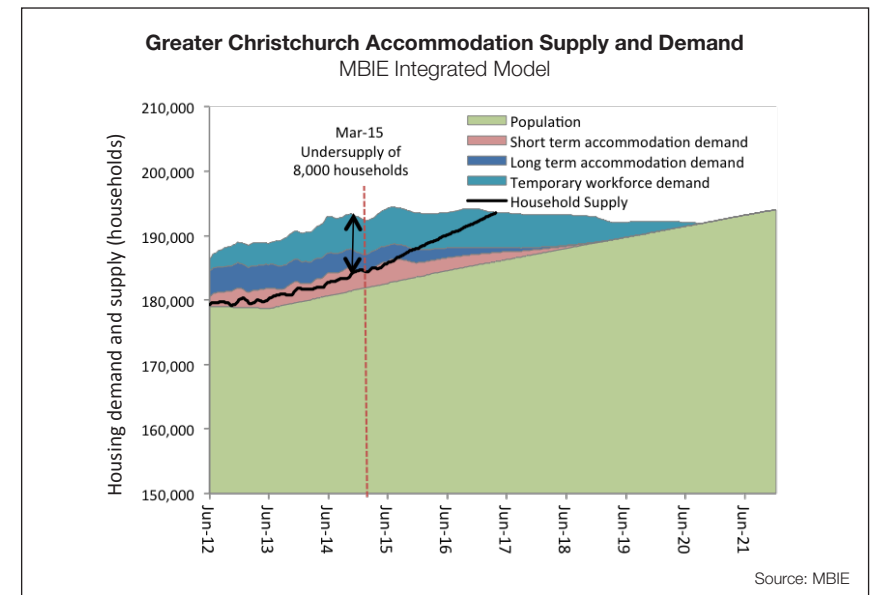
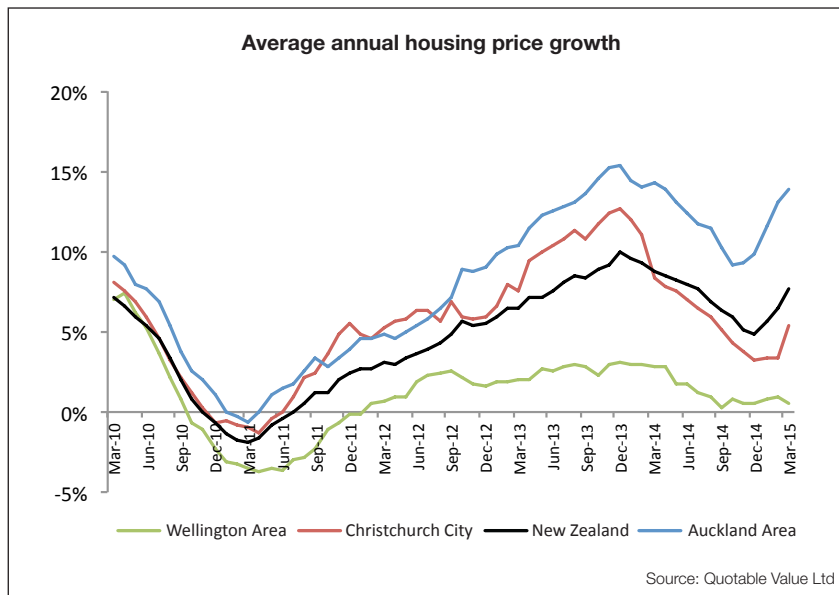
There are signs that people's relationships have become strained. Between 2008–09 and 2014, **dwelling assaults²** (including family violence) **increased 20%** compared with 4% across New Zealand and **child investigations** (notifications requiring further action) **increased 11%**, compared with 3% across New Zealand. It is important to note though that since a peak in 2013 child investigation rates have reduced in Canterbury and across New Zealand.

Living in a damaged environment and/or surrounded by construction work is still the most common stressor, **having a high impact on one in five (19%) residents.**



Social recovery: Housing (prices, supply and demand)

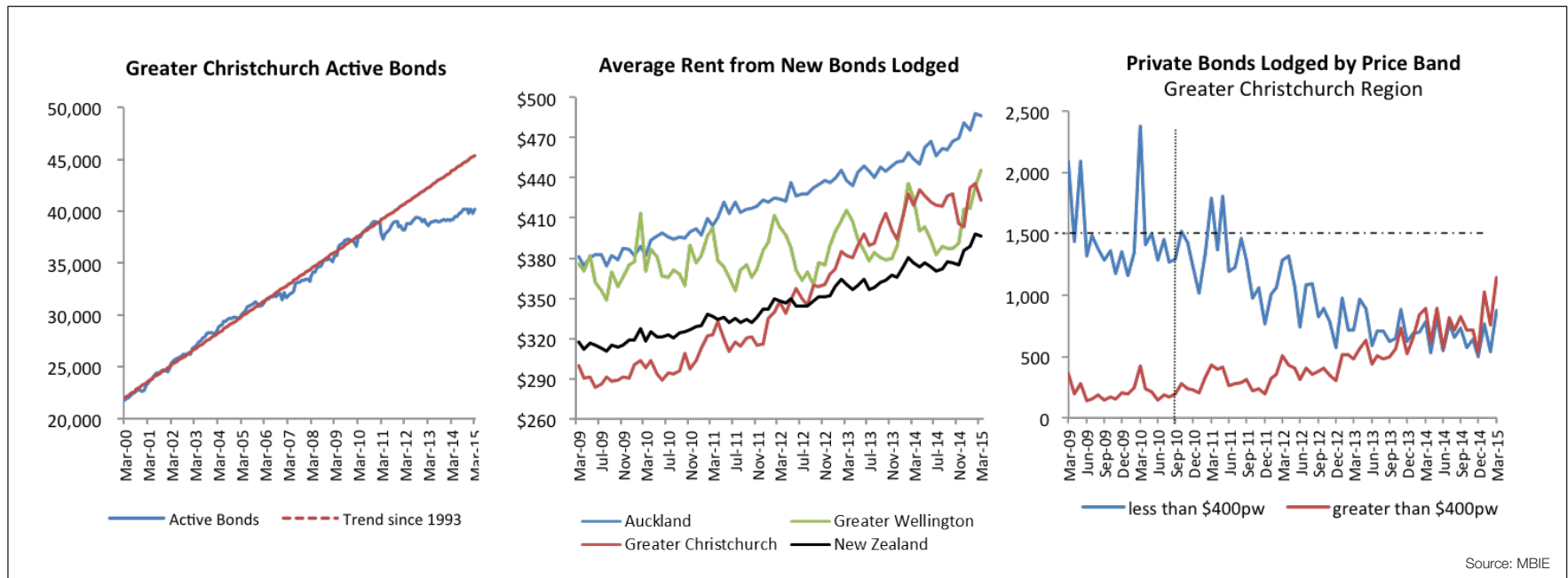
In Christchurch City, annual house price growth rose in the March 2015 quarter (from 3% to 5%) while Waimakariri District growth fell to 3% and in Selwyn District it stayed at 5%. Price growth in Christchurch City (5%) is higher than in the Wellington area (1%) but well below that of Auckland (14%).



As of March 2015, it is estimated greater Christchurch has an undersupply of accommodation by 8,000 households. Demand for accommodation from displaced residents and the temporary workforce contributes significantly to this under-supply, and demand is forecast to remain strong until 2018.³ Overall demand for accommodation is expected to meet supply by mid 2017⁴ 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)

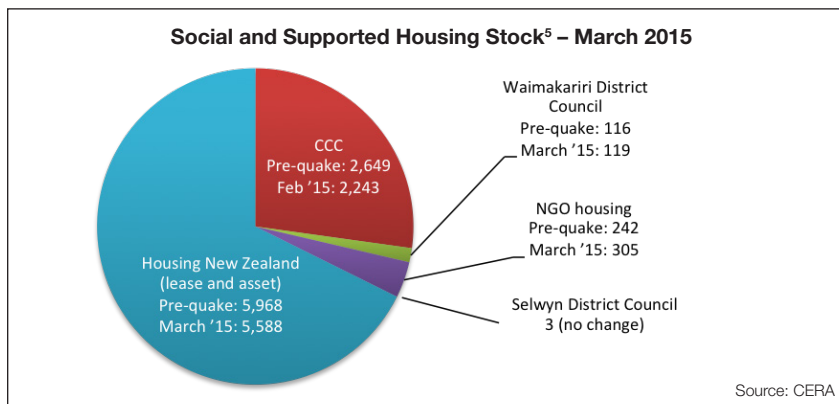
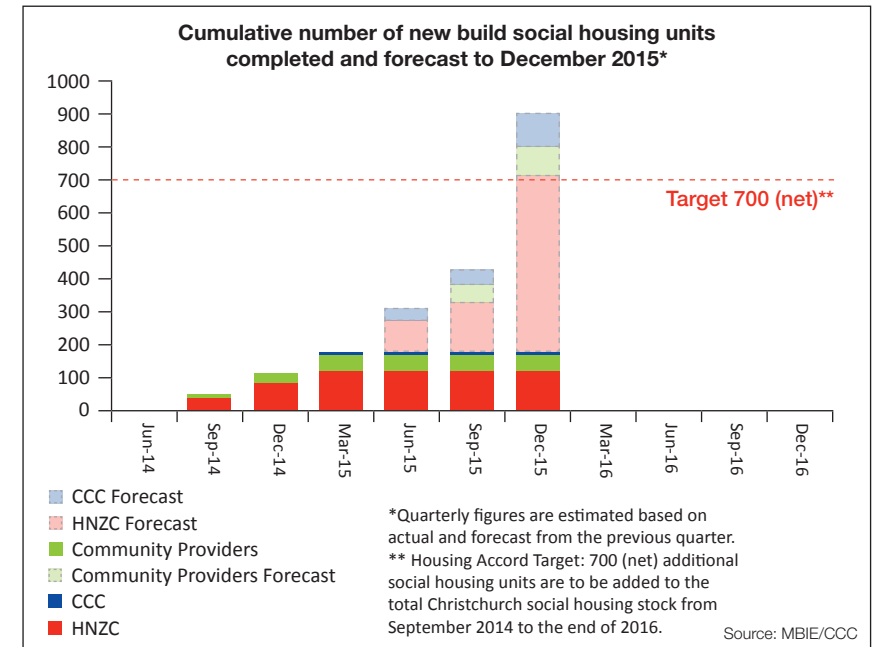
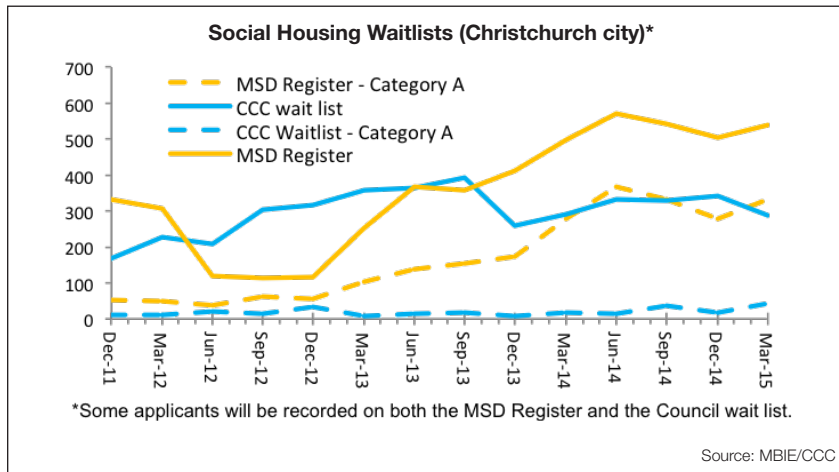
The rental stock in greater Christchurch grew by 936 rentals in the year to March 2015. This is the highest growth since 2011, but still lower than the average growth of 1,500 rentals a year recorded before the earthquakes. It is expected that growth in the rental supply will return to pre-earthquake levels over the next three years as the number of displaced households decreases and the supply of houses increases.



As the residential rebuild progresses, **the supply of rentals continues to grow, which is stabilising the average rental price** at around \$420 per week since March 2014. While the supply of lower-cost rentals (less than \$400 a week) was up slightly this quarter (up by 10 rentals compared with the December quarter of 2014), it continues to be significantly below pre-quake levels, meaning there are fewer housing options for low-income households.

Social recovery: Housing (social and supported)

At the end of March 2015, 287 applicants for social housing were on the Christchurch City Council waitlist and 539 applicants were on the Social Housing Register administered by the Ministry of Social Development. For both agencies, the number of Category A applicants (those with the greatest identified need) has increased over the last quarter.

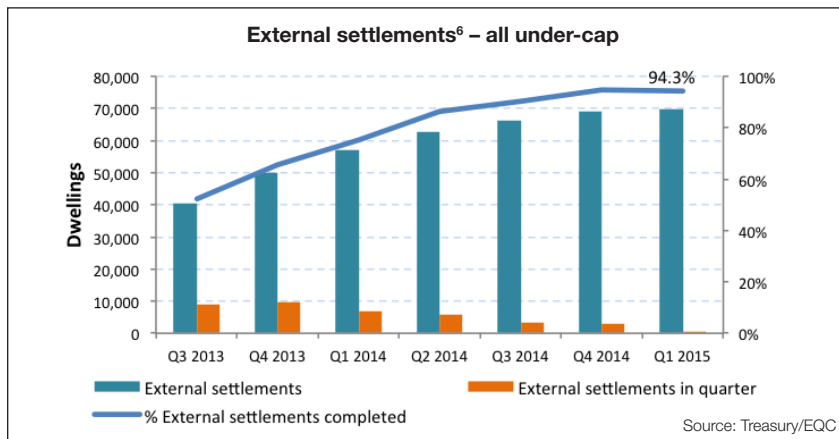
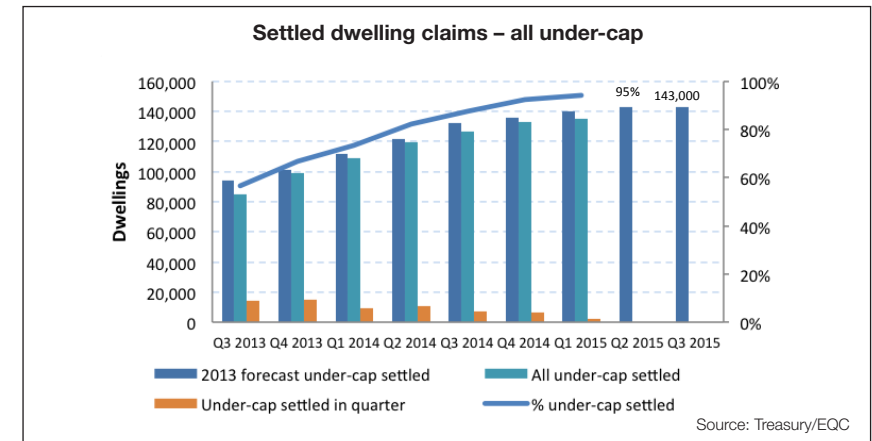
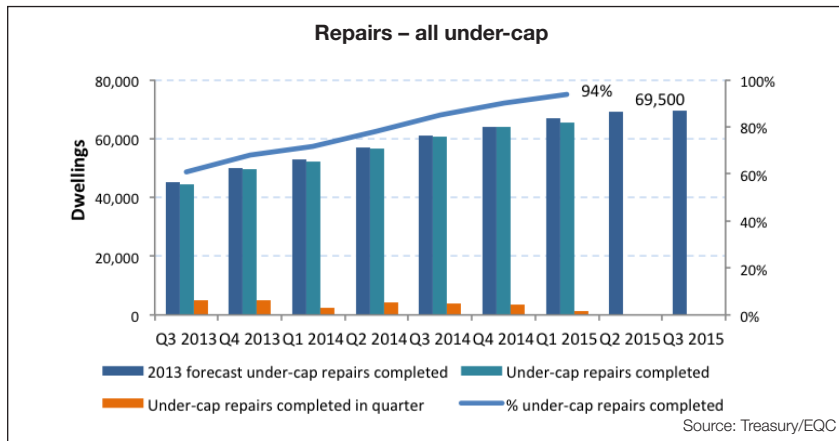


By the end of 2015, 908 new social housing units are expected to be available, which should help reduce the numbers on the MSD register and Council waitlist.

Housing New Zealand's target of delivering 700 new homes has been moved forward to early 2016. It is expected this revision will be reflected in its forecast next quarter. The completion of Housing New Zealand stock will have a significant immediate impact on the MSD Social Housing Register.

Social recovery: Residential insurance (Earthquake Commission)

Approximately 95% of Earthquake Commission dwelling claims have been settled as at 31 March 2015. The remainder are expected to be settled this year.



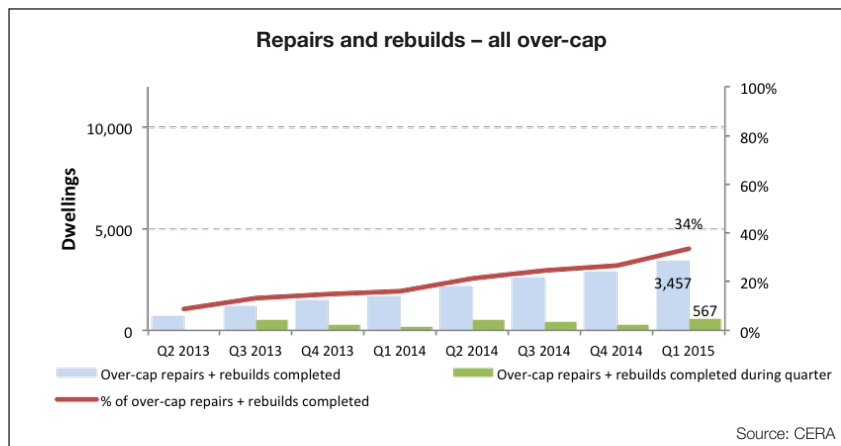
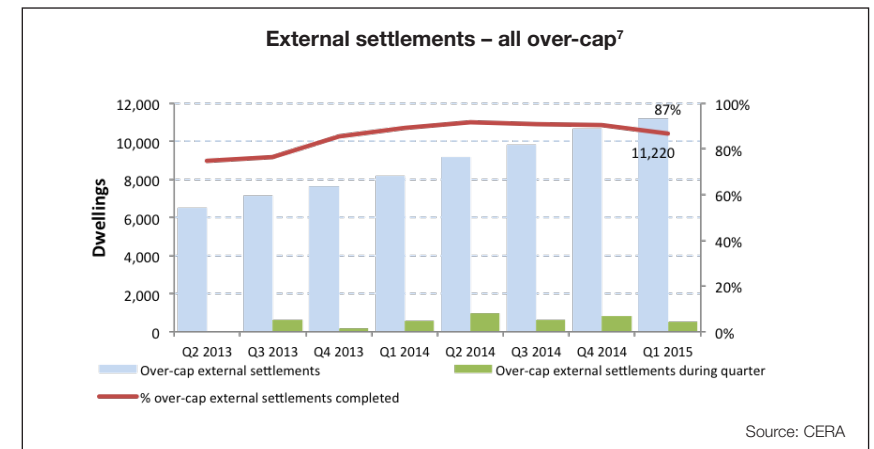
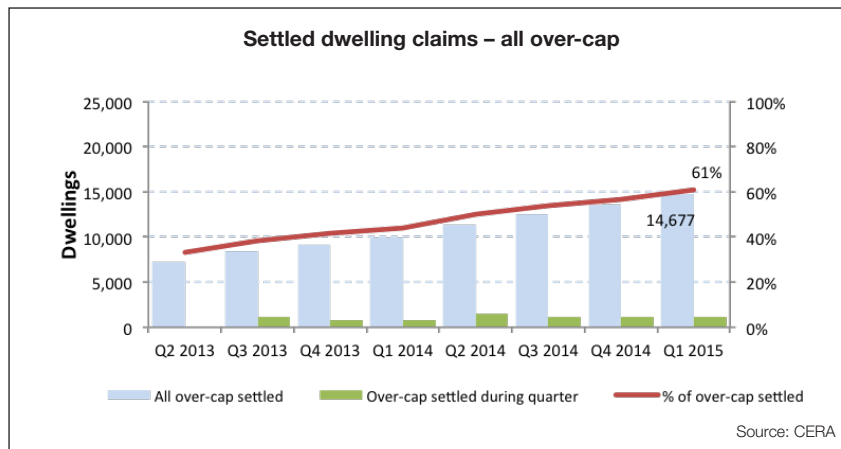
There are approximately 143,000 under-cap claims to be settled. The rate of settled claims declined in early 2015 because of the increasing complexity of remaining claims. Around 7,500 are still to be settled (through either managed repair or external settlement), and they are targeted for settlement during 2015.

Under 70,000 claims are scheduled for managed repairs as some customers have opted for an external settlement, and some claims are transferred to private insurers.

Around 13,500 outstanding land damage claims are for properties affected by Increased Flooding Vulnerability (IFV) and Increased Liquefaction Vulnerability (ILV). The first IFV settlement packs were sent to customers in March 2015. Settlement of IFV claims is targeted for the end of 2015. The ILV settlement programme is yet to be determined.

Social recovery: Residential insurance (private incl. Southern Response)

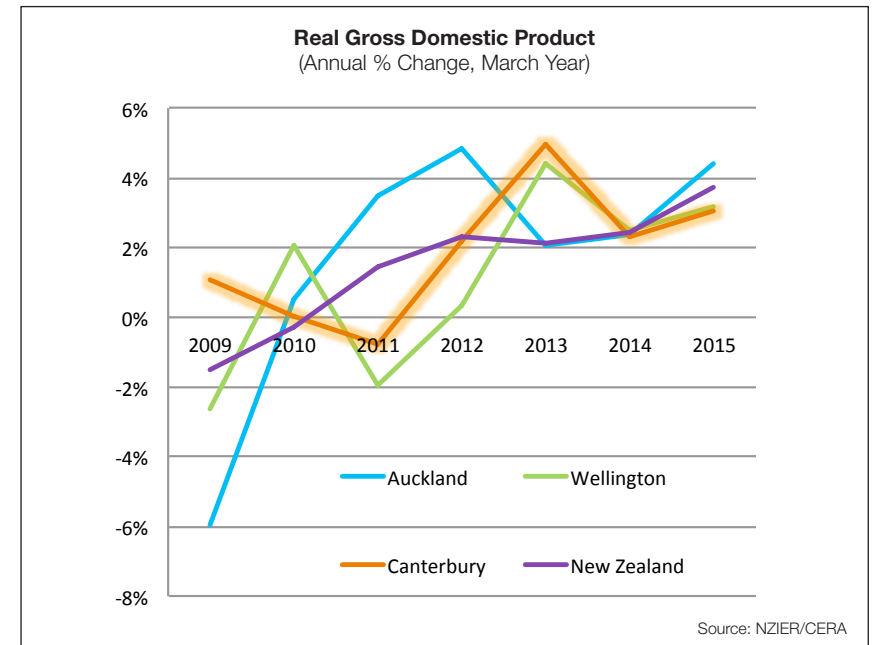
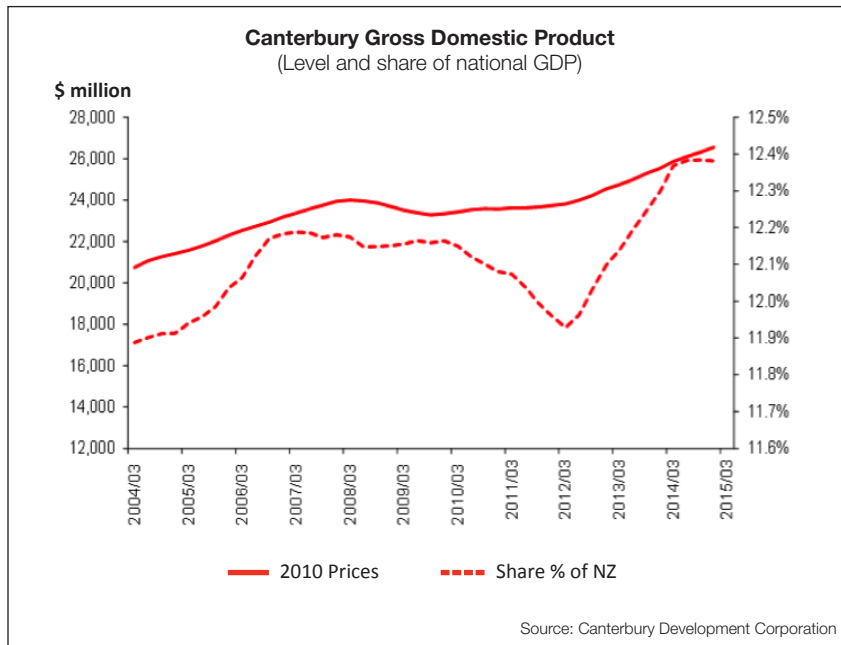
Private insurers have settled 61% of dwelling claims, and forecast most will be settled by the end of 2016. Over-cap dwelling claims continue to increase due to transfers from the Earthquake Commission (now 24,200 claims, up 245 from the previous quarter).



Private insurers have forecast 90% of all over-cap claims will be settled by the end of 2016. To meet this target, they will have to increase the rate of project management office repair/rebuild completions significantly (currently 34% complete) or externally settle those currently waiting for work to be completed on an insurer-managed repair or rebuild.

Economic recovery: Underlying economic growth

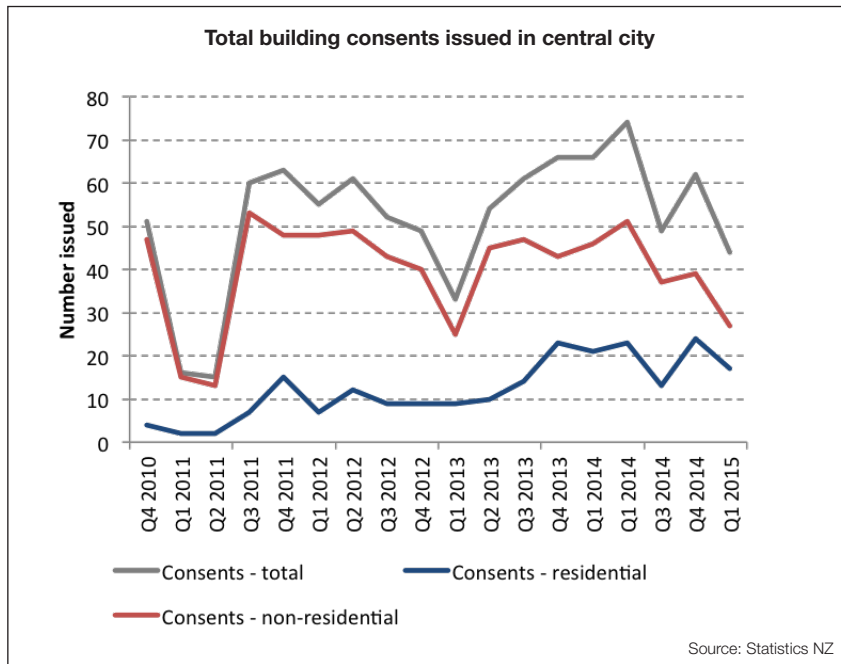
Canterbury Gross Domestic Product (GDP) grew 4.0% in the year to December 2014 (compared with 3.3% nationally). The majority of regional growth was driven by the construction sector (13.8%) and other underlying sectors such as hospitality (5.9%) and agriculture, forestry and fishing (4%). While Canterbury's share of national GDP is at its highest ever, it is stabilising.



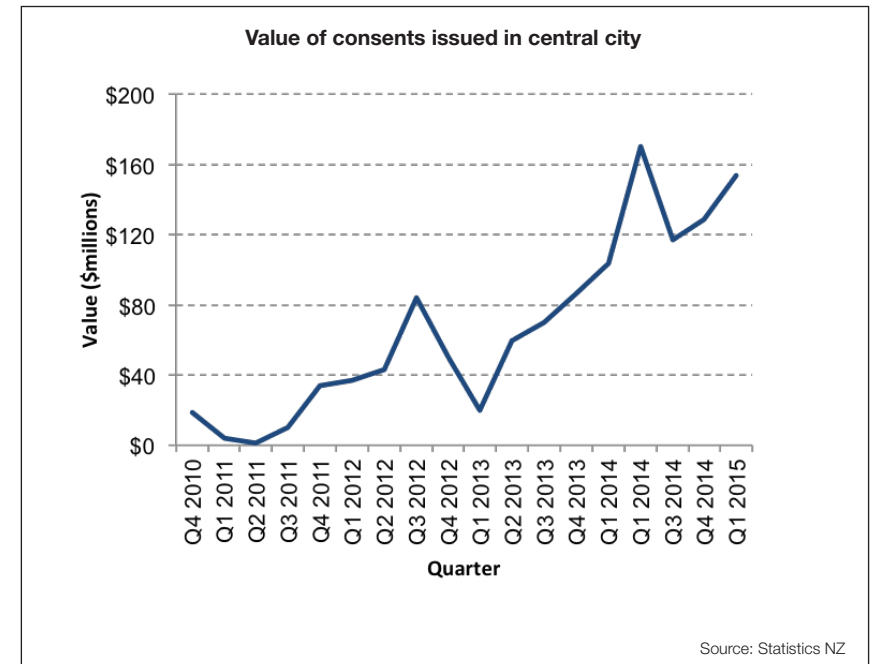
For the year ended March 2015, estimated Canterbury real GDP⁸ increased by 3.1%. Although higher than the 2.4% forecast in December 2014, the region's real growth rate is currently 0.6% lower than the national total. Forecasts indicate Canterbury's real GDP may grow at a lower rate than the national total between 2016 and 2017 due to a range of factors including lower commodity prices and an easing in the construction sector.

Economic recovery: Central city

For the quarter ended March 2015, 44 building consents totalling \$137 million were issued for the central city. Of these, 27 were for non-residential projects and 17 for residential projects (totalling 55 individual units⁹).



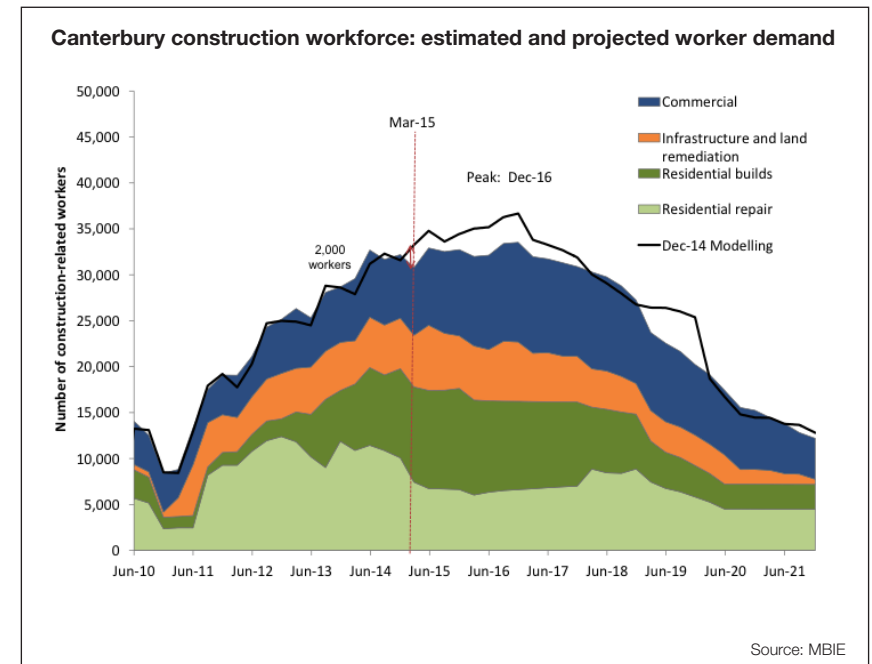
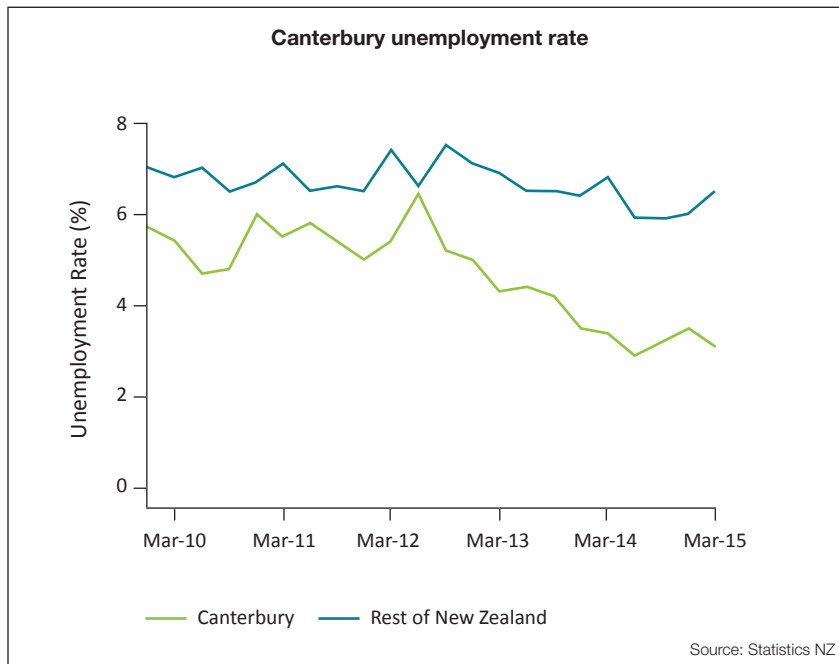
Since September 2010, a total of 952 building consents have been issued in the central city. Of these, 23% were for residential construction and 77% were for non-residential projects.



Since September 2010, building consents with a total value of \$1.2 billion have been issued in the central city. 2014 saw the highest proportion of consent value, with \$520 million (43%) of consents issued during the year, compared with \$236 million (20%) in 2013.

Economic recovery: Labour market (actual, modelled)

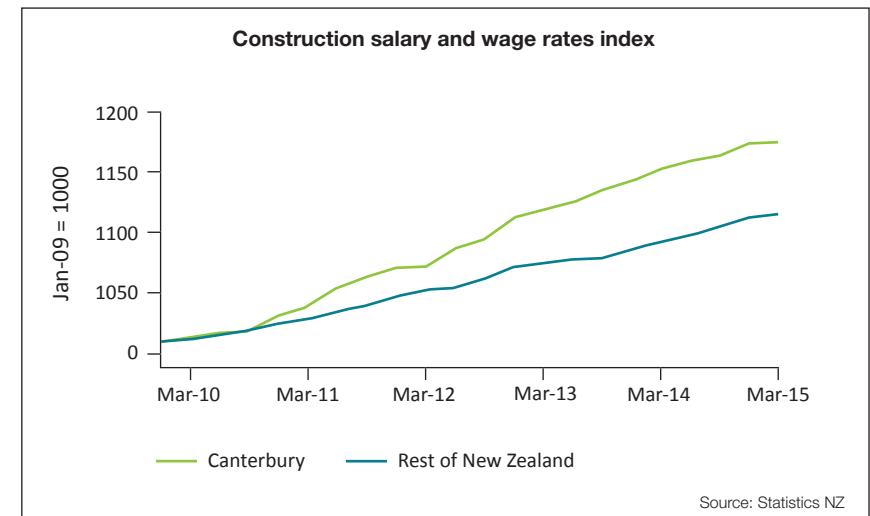
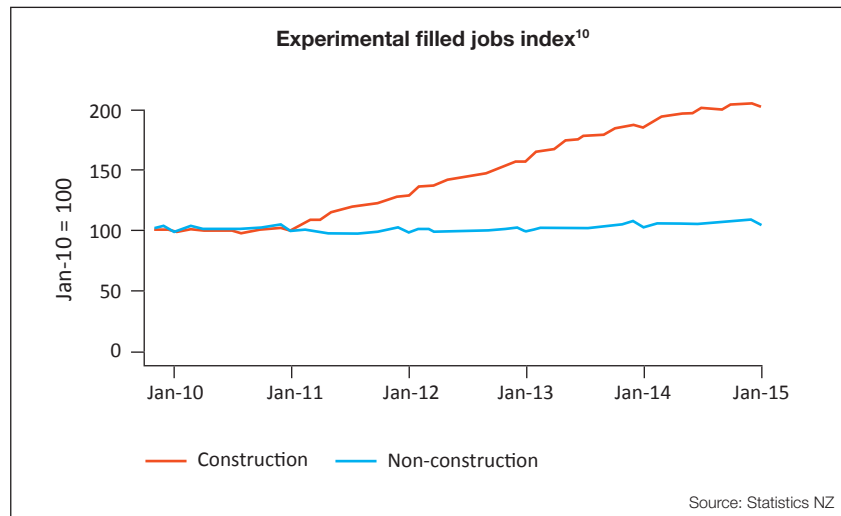
The unemployment rate remains low (3.1%). Modelling indicates just 2,000 more construction workers will be required between March 2015 and December 2016, suggesting we are close to the peak of labour demand. Construction employment is forecast to return to pre-quake levels in 2022.



The **labour supply remains tight** with the employment rate at 70.7%. While **modelling suggests we are close to reaching the peak of the rebuild, 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 should ease on the labour market. This peak has levelled off from previous modelling (for more details, see page 14).

Economic recovery: Labour market (construction)

As the peak of the rebuild approaches, evidence shows job growth in Canterbury's construction sector is easing. The cost of construction labour grew more strongly in Canterbury than in the rest of the country over the past four years. However, in the March 2015 quarter, this trend was reversed.



From September 2010 to January 2015, filled jobs in the construction sector grew by 103.2%, over double pre-earthquake levels. This compares with an almost stagnant 5.6% growth in filled jobs for non-construction industries. **The level of construction job growth does, however, appear to have slowed slightly over the last nine months.**

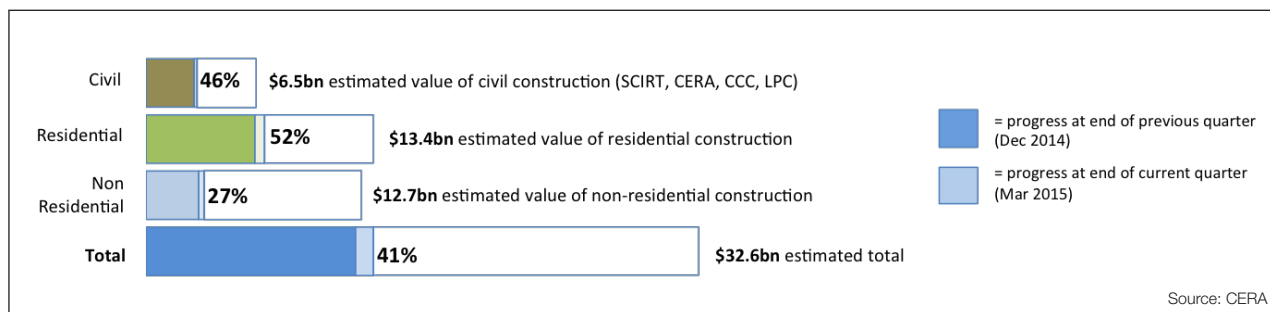
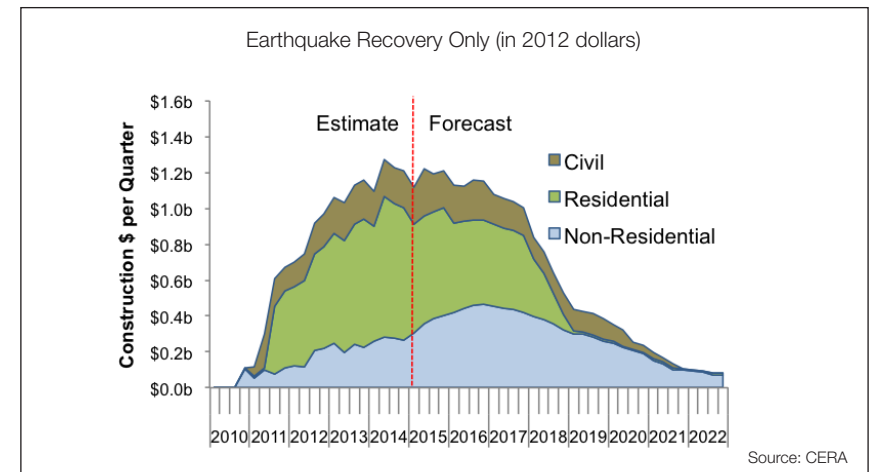
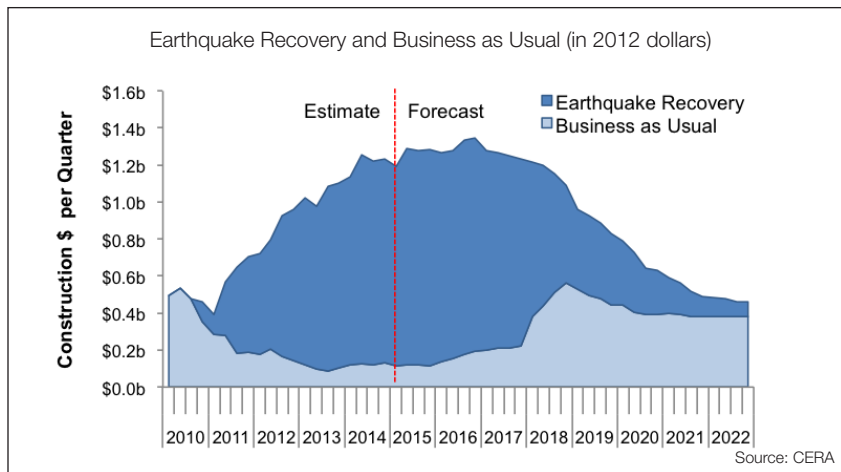
Construction salary and wage rates have increased 15.3% in Canterbury from September 2010 to March 2015, compared with 9.4% for the rest of New Zealand. For the March 2015 quarter, these rates in Canterbury grew 0.2% (down from 0.9% for the December quarter 2014), compared with 0.3% for the rest of the country (down from 0.6% last quarter).

Modelling suggests that rebuild work will continue to peak 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 \$33 billion.¹¹ Earthquake recovery construction was an estimated 41% complete at March 2015 (estimated 37% complete at December 2014). Construction activity is expected to drop off during 2018 and to be largely complete in 2022.

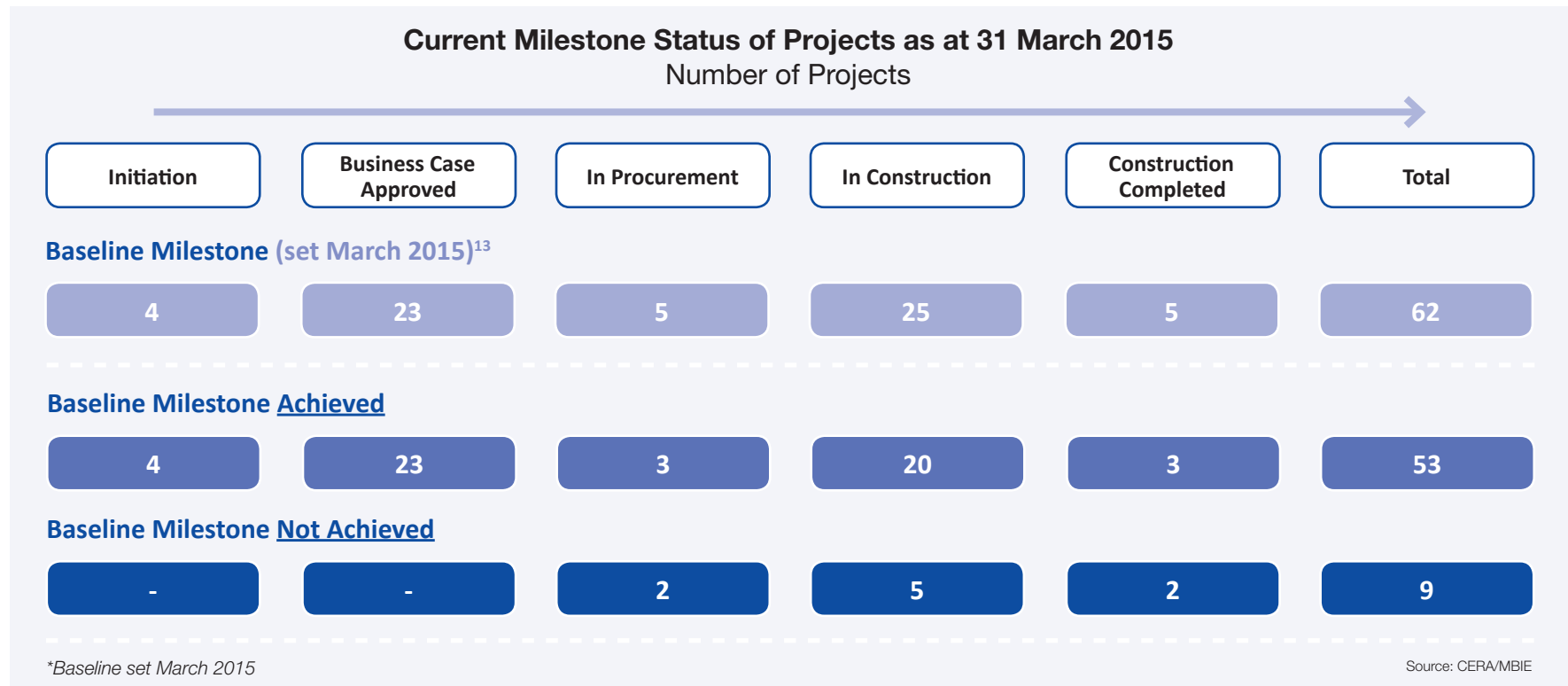
Canterbury Construction Constrained Forecast as at 31 March 2015



The latest projections show a flatter peak than previously modelled. The main reason for this change is that forecasts for infrastructure projects have changed.

Built recovery: Public Sector Rebuild – schedule status

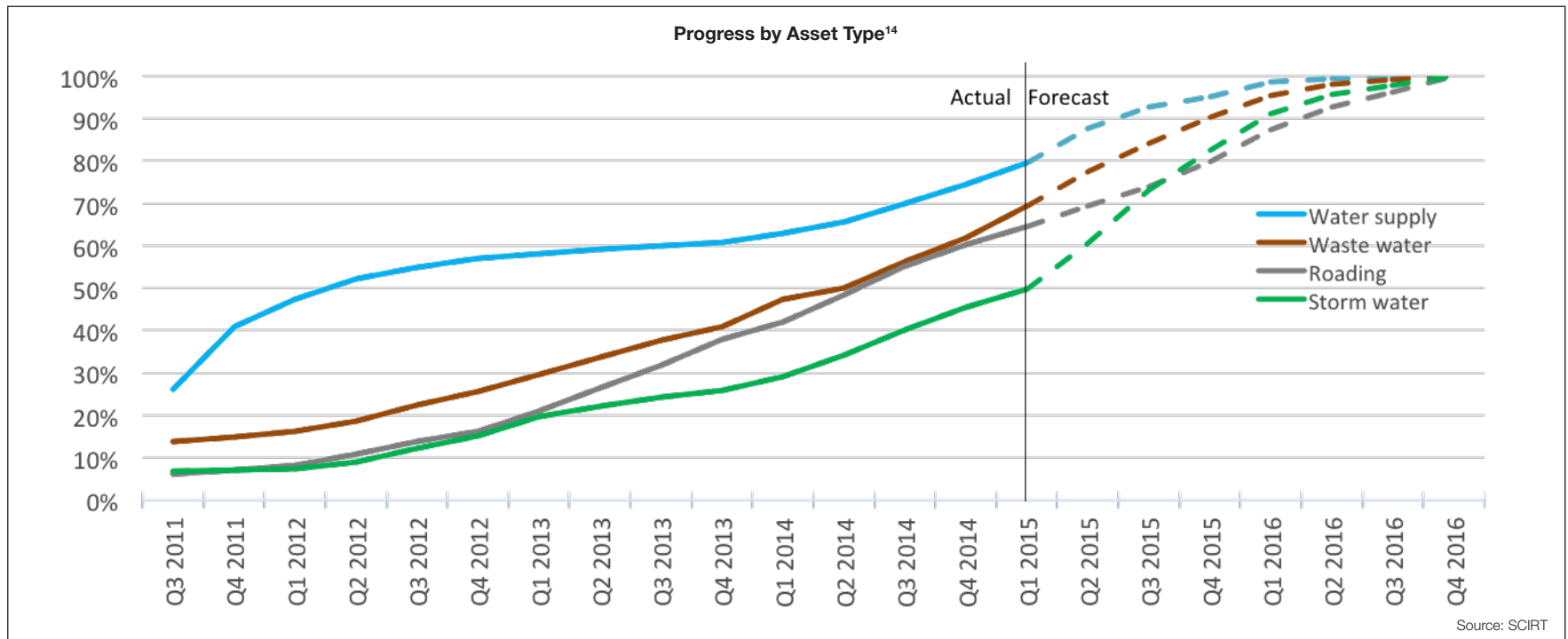
The current value of the Public Sector Rebuild is approximately \$6.8 billion¹² of capital investment for 62 major infrastructure projects across 11 organisations. As at 31 March 2015, 15% of the projects (9 of 62) had not achieved their baseline milestones.



As at 31 March 2015, 23 projects (37%) were under construction or had been completed. This total was behind the baseline expectation that 30 projects (or 48%) would be under construction or completed by this time. One project to start construction recently was the University of Canterbury's Regional Science and Innovation Centre.

Built recovery: SCIRT

The Stronger Christchurch Infrastructure Rebuild Team (SCIRT) programme was 64% complete as at 31 March 2015, up from 59% for the previous quarter. Completion is expected in December 2016 as originally forecast.



SCIRT has completed approximately 80% of water supply (67,702m), 69% of waste water (418,537m), 65% of roading (1,049,630m²) and 50% of storm water (39,012m) repairs. The SCIRT programme has achieved \$164 million in savings from its original estimate, mostly through improved damage assessments and repair designs and lower than forecast inflation of construction costs.¹⁵

Notes

Footnote	Section	Note
1	Social recovery: Canterbury Wellbeing Index, page 3	Basic emergency preparedness includes having a three-day supply of food and water and documented preparation for natural disasters (eg, where and how to meet, where to store emergency items, who to contact for help).
2	Social recovery: Canterbury Wellbeing Index, page 4	Dwelling assaults are calculated from monthly provisional statistics for the Christchurch Metro Police Area. These figures are counted differently from the official statistics for Canterbury Police District recorded offences that are published each April and October, and cover different geographical areas. These figures should therefore not be compared with official statistics.
3	Social recovery: Housing (prices, supply and demand), page 5	It is difficult to judge the size and length of any housing oversupply, which is why the supply line stops once supply reaches demand.
4	Social recovery: Housing (prices, supply and demand), page 5	Last quarter, the number of consents needed to replace lost stock and meet the projected population by 2018 was reported. This was based on Statistics New Zealand projections between 2013 and 2018. MBIE's current modelling, however, indicates that the overall accommodation supply-demand equilibrium will be reached around the middle of 2017.
5	Social recovery: Housing (social and supported), page 7	This quarter the method for for measuring Housing New Zealand available social and supported housing has changed to focus on both owned (asset) and leased stock.
6	Social recovery: Residential insurance, page 8	An external settlement of a claim refers to any situation that is resolved outside the project management office (outside the insurance company's control). This can include cash settlements or house re-instatements.
7	Social recovery: Residential insurance, page 9	In the case of over-cap external settlements, the percentage of external settlements completed has declined over the quarter (from 90% in the December 2014 quarter to 87% this quarter), due to an increase in total external settlements and, to an extent, the decrease in this quarter's completed external settlements (544 down from 837).
8	Economic recovery: Underlying economic growth, page 10	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.
9	Economic recovery: Central city, page 11	A single building consent may include multiple units (eg, one building consent for an apartment complex may contain 10 apartments).
10	Economic recovery: Labour market (construction), page 13	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 self-employed. For this reason, Statistics New Zealand advises that the series should be presented as an index, rather than absolute numbers.

Footnote	Section	Note
11	Built recovery: Snapshot, page 14	Previous construction cost forecasts only included consentable construction and excluded the majority of the Earthquake Commission's Canterbury Home Repair Programme. The progress of this Programme is now included. If it had been included in the quarter four 2014 estimate, progress would have been 37% (the previously published figure which excluded the Canterbury Home Repair Programme, was 33%).
12	Built recovery: Public Sector Rebuild, page 15	The Public Sector Rebuild includes civil construction in addition to residential and non-residential construction.
13	Built recovery: Public Sector Rebuild, page 15	The reference point for monitoring progress has changed from the September 2014 baseline to a March 2015 baseline. This is necessary because of the considerable uncertainty about many projects when the last baseline was set and many agencies had not formally developed their baselines in September 2014.
14	Built recovery: SCIRT, page 16	Overall SCIRT progress is defined as the cumulative spend to date as a percentage of the 'final forecast cost' (FFC). Physical progress is reported for the individual asset types, that is, the percentage of required repairs completed.
15	Built recovery: SCIRT, page 16	When the Cost Sharing Agreement was negotiated in 2013, the horizontal rebuild work was estimated at \$3,248 million, of which \$2,189 million was for SCIRT projects. An independent Assessment of Horizontal Rebuild Work and Costs in April 2015 determined that the horizontal rebuild work will now cost approximately \$2,900 million, of which \$2,025 million involves SCIRT projects.

Timing of data

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

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 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 Waitaki river in the south, to the main divide in the west. It is comprised of nine districts, and part of the Waitaki district.