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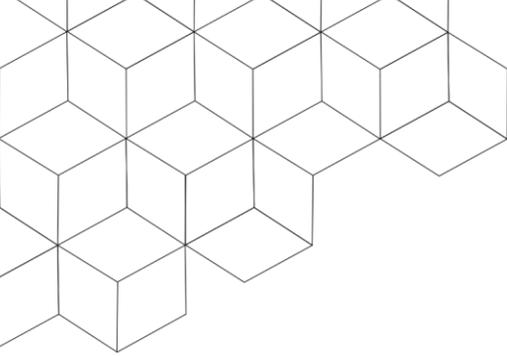
## Summary of Christchurch Economic Development Strategy

### Drawing out the role of the CBD

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## Brief

- Summary of the Canterbury Economic Development Strategy: drawing out the role of CBD within it.
- Central City market profile; including (pre and post quake), including but not limited to (try to relate to the themes from the CEDS above):
  - o Land use,
  - o Employment
  - o Sector analysis
  - o Housing type/tenure/occupancy
  - o Population trends
  - o Vacancy rates
  - o Post-quake progress
  - o Expenditure and leakage

## Summary of CEDS

CEDS is “owned” by Christchurch City Council and prepared and monitored by CDC, in support of the Council’s community outcomes framework and in particular the outcomes associated with having a prosperous economy.

The Prosperous Economy Community Outcome for Council recognises that a strong economy improves the economic wellbeing of residents through jobs and business opportunities and contributes to the development of the social and public amenities that make Christchurch an attractive place to live.

The first CEDS was launched in 2013 and had a strong recovery and rebuild focus. It was reviewed during 2016 and is currently with Council for endorsement (PLEASE NOTE – the summary provided is for a document not yet endorsed by Council so may change).

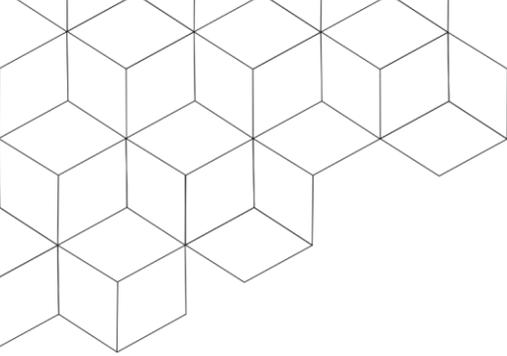
CEDS is supported with a comprehensive Background Paper with data, statistics and research.

Strategy development and implementation is collaborative, with CEDS having over 20 implementation partners across the private and government sectors. At its outset CEDS encompassed over 70 economic development projects with a combined value of over \$8.2bn to our local economy over 15 years.

CEDS is the City economic development plan. It attempts to capture and report on ALL of the city’s economic development activity.

The CEDS action plan is in two parts – “5 Big Game Changers” (a range of initiatives intended to have a transformational impact on our local economy) and “Keeping the City Competitive” (actions that maintain and/ or build on what we do well in the economic sector).

Currently there is a total of 80 projects included in the action plan, some of which are already underway, some are planned and budgeted and some are aspirational (not planned or budgeted).



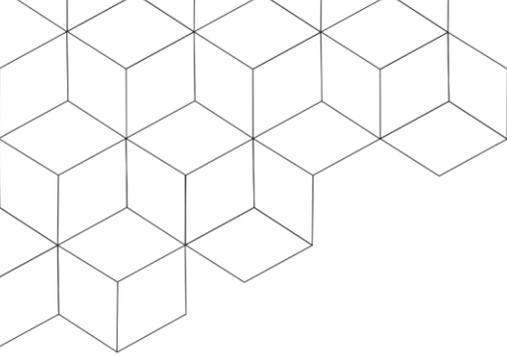
The CEDS document identifies specific challenges facing the city including the implications of an aging population on workforce and benchmarking the city's amenity offering and innovation performance against other Australasian cities.

The CBD is a cornerstone of the CEDS, recognised as one of the five step change priorities for future growth in the broader city. A thriving CBD is integral to the attraction of people, visitors, and new businesses to the city. A dense CBD core also provides productivity benefits through the economics of agglomeration.

Substantial progress has been achieved in the redevelopment of the CBD, however there is still work to do. Private sector investment has been successful in several pockets around the CBD. However, there is a concern that with most if not all government agencies and top-tier professional services firms have located within the CBD, that there is much shallower pool of potential tenants to support the further commercial development needed to 'fill the gaps'. Cathedral Square, the convention centre, the stadium and metro sports are high profile for the CBD and impacting the city profile.

CDC holds a housing knowledgebase comprising one-off research and regular analysis of the Christchurch housing market, but has not considered the CBD specifically. The key theme from this work is the mismatch between housing and household type, and the negative implications for this onto housing affordability. A vibrant CBD population will confer a broader city benefit of a vibrant CBD, by providing stable demand for commercial amenities in the CBD such as restaurants and bars. The residential population in the CBD has fallen considerably between 2006 and 2013, and is unlikely to have grown significantly since then.

This summary is followed by extracts from CEDS strategy document and the key focus section of the CEDS background paper, on the topics of the central city and housing, drawing from CDC's research knowledgebase. CDC has not analysed CBD expenditure and leakage.



## CBD Action Plan

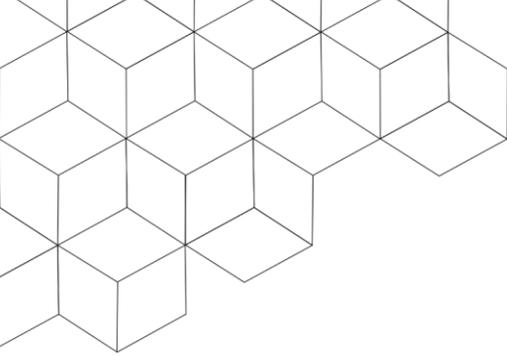
### A CONNECTED, ENGAGING AND THRIVING CENTRAL CITY

Christchurch must complete the regeneration of its CBD so that it plays an integral part in attracting people, visitors and new businesses to the city.

PRIORITY	PROJECT	LEAD AGENCY	PROJECT STATUS
<i>Realise the central city's potential as a thriving, vibrant heart of the city</i>	Implement the Christchurch anchor projects which will provide Christchurch with world-class facilities. <ul style="list-style-type: none"> <li>▶ Performing Arts Precinct / Town Hall</li> <li>▶ Convention Centre</li> <li>▶ Metro Sports Stadium</li> <li>▶ Central City Library</li> <li>▶ Retail Precinct</li> <li>▶ East Frame Urban Village</li> </ul>	Ōtākaro / CCC	<i>Existing</i>
	Implement the Cathedral Square Regeneration Plan to create a vibrant space in the centre of the city.	Regenerate Christchurch / CCC	<i>Existing</i>
	Implement the Central City Revitalisation Plan to optimise and accelerate the revitalisation of the central city.	CCC	<i>Existing</i>
	Implement the 'An Accessible City' plan for the central city to provide a compact, people-friendly core and support the economic, social and environmental recovery of the central city.	CCC	<i>Existing</i>
	<i>Engage Christchurch residents with the central city</i>	Implement the central city parking plan to ensure the central city has a range of attractive transport options.	CCC
Implement a communication campaign to encourage residents to re-engage with the developing central city as a place to work, live and play.		CCC	<i>New</i>

### Key focus: Central City

The competitiveness of central cities comes from close geographic proximity. Businesses located close to similar businesses enjoy agglomeration advantages of lower transaction costs such as transport savings, easier access to and development of common services, benefits from sharing ideas and in many cases better access to customers and skilled staff.



Theoretical, statistical and case study analyses of agglomeration point to important factors that drive city development. Foremost amongst these are: positive social amenities, good climate and natural amenities, strong skill base, excellent infrastructure (including communications, and internal and external transport links), land availability (to contain property costs), initial clusters with potential for expansion, an excellent education system, and low levels of negative social externalities such as crime and pollution.<sup>1</sup>

An assessment of agglomeration impacts in Auckland<sup>2</sup> concluded that, while sectoral composition and educational attainment appear to contribute to the central city's observed productivity advantages, employment density and the co-location of economic activity (in other words, "pure agglomeration benefits") are the primary drivers.

Furthermore, US Inner City 100 research (Inner City Renewal, 2001<sup>3</sup>) which looked at inner-city companies in America, found that they had higher levels of growth and an average wage rate 170% above the minimum, suggesting more knowledge-intensive activities.

The particular sectors that benefit the most from central cities include Business Services, Education, Printing, Food, Health Care and Tourism. This mirrors the business activity that existed in central Christchurch prior to the earthquakes: accountants, lawyers, property, the Polytechnic & Private Training Establishments, restaurants, cafes, the hospital, visitor activities and hotels.

Encouraging residential living within the central city is an important factor of city growth, efficiency and maintaining a vibrant inner city. Traditionally, Christchurch, in line with other New Zealand cities, had a relatively low proportion of its residents living within the central city area as land price, distance and time factors were not yet sufficiently divided between suburban living and inner-city living to drive high-density central city residential development. In Christchurch a central city high density townhouse and apartment culture had been evolving. Residents can have a much bigger economic impact on the retail and hospitality sector within a central city than employees. Growing the residential population in the central city will drive inner city economic activity and vibrancy.

Although central cities are vibrant places, offering many local services and events, there are also challenges relating to central cities. For attracting residents these include the perceptions of and actual crime, land rents and parking availability. For attracting workers, cost and availability of parking can also often be an issue.

*Key thoughts: Central City:*

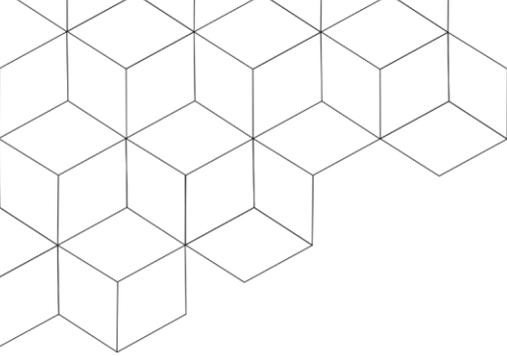
- *What are our priorities in building a strong central city?*
- *How can we encourage more central city residents*
- *What amenities should our central city feature?*

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<sup>1</sup> Transport and Economic Transformation, Arthur Grimes, 2007

<sup>2</sup> John Williamson, Richard Paling, Ramon Staheli and David Waite for Ministry of Economic Development, 2008

<sup>3</sup> Inner City Renewal, Professor Michael E. Porter, Harvard Business School, 2001



## Pre-earthquakes and recovery

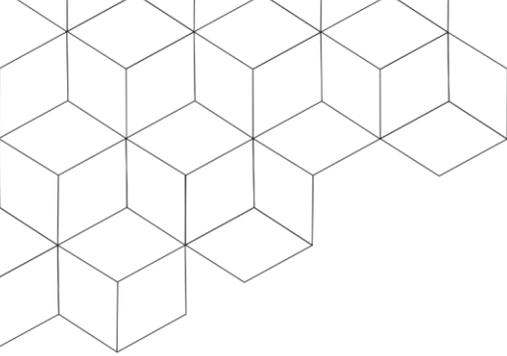
A successful inner city will see significant business and retail activity by day, supported by afterhours activity in the evening and weekends. The Christchurch central city area has traditionally been described as the area between the four avenues: Rolleston, Bealey, Moorhouse and Fitzgerald.

Statistics New Zealand produces estimates on the number of geographic units, employees and residents in an area roughly equivalent to the central city (it also includes Hagley Park). A breakdown of employment in selected industries prior to the earthquakes is given in the table below. The central area hosted around 16% of all geographic units in Christchurch and 28% of employees in Christchurch (meaning central city businesses tended to be larger) in 2010. Sectors with a strong proportion of employees in the central city included Accommodation, Cafes and Restaurants (36% of Christchurch’s employees in this sector were in the Central City); Information Media and Telecommunications (72%); Financial and Insurance Services (56%); Professional, Scientific and Technical Services (54%); Administrative and Support Services (50%); and Health Care and Social Assistance (36%). The single largest employment sector in the central city area was Health Care and Social Assistance with over 8,600 employees.

Post-earthquake data (2013) shows employment in the central city has significantly reduced with the most significant change seen in Financial and Insurance Services (down 84%); Accommodation and Food Services (down 76%); and Information Media and Telecommunications (down 71%). Some of these sectors have already seen an improvement in numbers employed in the central city. In particular, between 2013 and 2016, strong growth was seen in Construction (115% increase but off a small base); and Accommodation and Food Services (86% increase).

*Table: Employees Christchurch*

	2010		2013		2016	
	City Centre	% of Chch	City Centre	% of Chch	City Centre	% of Chch
Total Industry	50,990	27%	28,277	15%	31,669	15%
Manufacturing	1,075	4%	515	2%	595	3%
Construction	455	4%	670	4%	1,440	6%
Wholesale Trade	1,280	12%	690	6%	750	6%
Retail Trade	4,260	21%	2,540	13%	2,690	13%
Accommodation and Food Services	4,870	36%	1,180	10%	2,200	16%
Transport, Postal and Warehousing	965	11%	414	5%	443	5%
Information Media and Telecommunications	2,760	71%	803	31%	886	30%



Financial and Insurance Services	2,540	56%	400	9%	595	13%
Rental, Hiring and Real Estate Services	745	24%	375	12%	405	12%
Professional, Scientific and Technical Services	6,950	53%	3,030	19%	4,280	23%
Administrative and Support Services	4,520	49%	2,470	23%	2,720	21%
Public Administration and Safety	4,600	61%	3,045	41%	3,210	39%
Education and Training	3,290	21%	2,490	17%	2,350	15%
Health Care and Social Assistance	9,100	37%	7,980	33%	7,210	30%
Arts and Recreation Services	1,470	35%	755	24%	875	23%
Other Services	2,110	30%	920	14%	1,020	14%

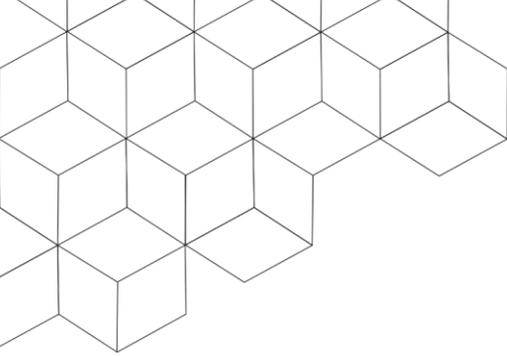
The 2006 Census describes the population living in the central city area (using the same three area units as the industry statistics given above). There was a small amount of residential growth. In 1996 2.2% of Christchurch lived in the inner city, rising to 3.8% (13,827 people) in 2006. There was a distinctive bi-modal age distribution of residents: 27% were 20-29 year olds and 20% are over 60. Children and the middle-aged are less likely to live in the central city.

Residents of the central city were more qualified (50.7% have a post-school qualification, compared to 40.5% across Christchurch) and have a marginally higher median income.

Following the earthquakes there has been a loss in population in all three area units in the central city. Between 2006 and 2013 the population of Hagley Park fell by 46%, of Cathedral Square by 54% and of Avon Loop by 28% (compared to just a 2% fall across the entire city).

### Central City Rebuild

In accordance with CERA's lead role in recovery, the Government created and tasked the CCDU with finalising and implementing the Central City Recovery Plan to provide confidence, certainty and direction to ensure a brisk recovery for the CBD.



CERA was disestablished on 18 April 2016, with the government transitioning from leading recovery to forming locally-led solutions. Ōtākaro Limited is now responsible for the key anchor projects and precincts in Christchurch and Regenerate Christchurch oversees the Red Zone strategy and long-term development and enhancement of the central city.

The Central City projects (and some expected dates) include:

- An Earthquake Memorial (work completed February 2017)
- Margaret Mahy Family Playground (playground now open)
- Christchurch Town Hall (restoration due for completion 2018)
- Metro Sports Facility (opening intended for early 2020)
- Bus Interchange (open and operational)
- Victoria Square (draft restoration plan developed)
- New Central Library (due to open in 2018)
- Justice and Emergency Services Precinct (due to open mid 2017)
- Hagley Oval (first anchor project completed, opened September 2014)
- Stadium (project delivery date third quarter 2021)
- Convention Centre Precinct (project delivery date fourth quarter 2018)

Areas and Precincts such as the Innovation Precinct; Performing Arts Precinct; Health Precinct; Avon River Precinct; Retail Precinct; East Frame; North Frame and Community Garden

## Key focus: Housing

### Rebuild

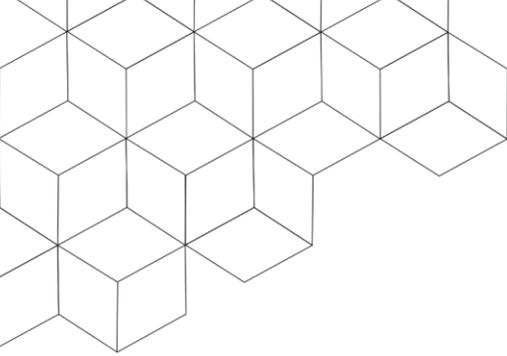
The housing stock in greater Christchurch was significantly affected by the 2010 and 2011 earthquake sequence. An estimated 25,000 houses suffered significant damage, requiring substantial repair or rebuild. A further 69,000 properties required minor to moderate repairs. The government determined that 7,100 properties faced unacceptable exposure to future natural disasters, deciding to 'red zone' and purchase the properties.

Demand for housing intensified in 2012-13 as displaced households relocated and new workers arriving in the city to work on the rebuild. Housing pressures were most acute in 2014 with rents 42% higher and house prices 28% higher than pre-earthquake levels<sup>4</sup>. These pressures have since dissipated due to substantial progress in completing earthquake repairs and a strong supply of new housing. After accounting for dwellings that have been demolished, a net 11,249 new dwellings have been built in Christchurch City alone, comprising 4,144 from intensification and 7,003 in new greenfield subdivisions.

### Composition

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<sup>4</sup> CDC, REINZ, MBIE; 2017



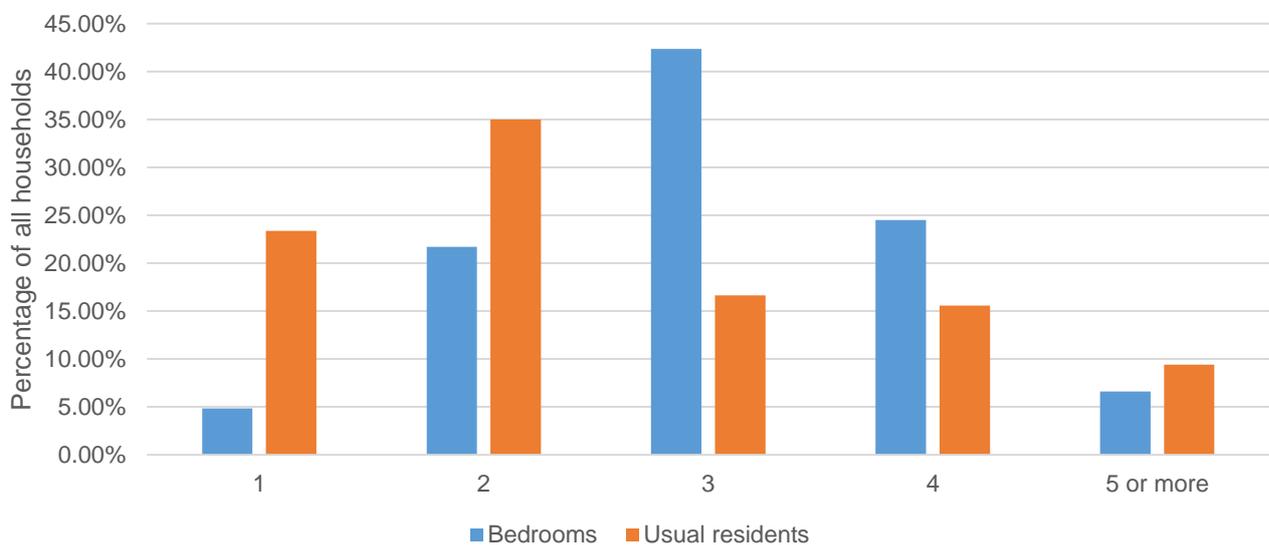
Housing in greater Christchurch is exemplified by detached dwellings with three to four bedrooms, at odds with the average household size of one to two usual residents. The earthquakes exacerbated this misalignment, as losses were concentrated in one to two bedroom dwellings, yet replacement dwellings are typically 3 bedrooms or more.

Demographic analysis conducted by CDC indicates that the most common household type by 2031 will be 'couple without children', followed by 'one person living alone', both of which have a basic need of 1-2 bedrooms<sup>5</sup>. The generation born between 1946 and 1965, otherwise known as 'baby boomers', tend to comprise such aforementioned small households yet also tend to occupy dwellings with three or more bedrooms. The ownership patterns of this cohort between 2006 and 2013 indicate that although a small proportion will downsize as they approach retirement age, the majority will continue to occupy their larger dwellings. Modelling based on the life expectancy of this cohort reveals that there is unlikely to be any aggregate effect on the housing market when this cohort ultimately sells down their owner-occupied dwellings<sup>6</sup>.

The mismatch between household and housing composition is omnipresent across New Zealand, and is due to a number of structural factors, particularly the incentives faced by developers of new housing.

### Households in greater Christchurch, 2013

Source: Statistics NZ

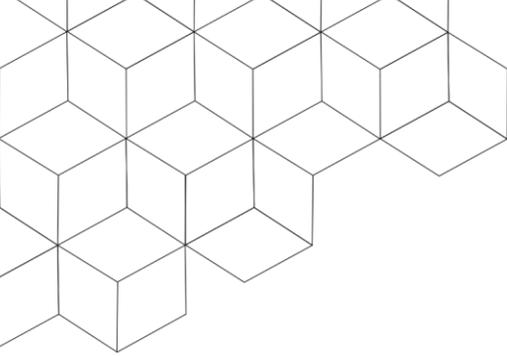


### Housing affordability

The cost of housing in Christchurch is similar to other areas in New Zealand, such as Wellington and Hamilton. House prices and rents rose sharply following the earthquakes in response to a loss of housing

<sup>5</sup> CDC, 2014, Greater Christchurch housing supply and future demand

<sup>6</sup> CDC, 2016, Baby Boomer Housing Bust: Myth or Reality?



stock and heightened demand. However, significant progress in repair and rebuild of damaged housing has seen prices and rents settle.

Rental affordability is similar to Wellington and Hamilton, with median rent amounting to 25% of median gross household income.

The affordability of houses for first home-buyers in Christchurch is also similar to Wellington and Hamilton. For a couple aged in their early thirties, it is estimated that saving for a 20% deposit would take five years, and the subsequent mortgage would consume 25% of gross income<sup>7</sup>.

### Housing Repair

Significant progress has been achieved in repairing earthquake-damaged housing in Greater Christchurch. The EQC insurance repair programme, which dealt with minor to moderate damage, is 98% complete<sup>8</sup>. The settlement and repair process of private insurers, which dealt with moderate to major damage, is 87% complete, however 70% of these have been cash settled, meaning that the housing stock has not necessarily been repaired<sup>9</sup>. Although there are relatively few houses yet to be settled with the insurers, many of those remaining will require complex repairs, meaning that insurer repair programmes will continue into 2017 and beyond.

In cases where the houses have not been repaired by the insurer, the owners may have arranged for repairs themselves; deferred repairs and put the funds towards other purposes; or on-sold the property in an unrepaired state. It is likely that many of these houses will remain unrepaired for some time to come. CDC research estimates that 7% of all Christchurch City house sales in 2016 were on an as-is-where-is (AIWI) basis<sup>10</sup>, that is unrepaired and unable to obtain full insurance. The lack of full insurance means that buyers are unable to obtain a mortgage over an AIWI house, so they are unlikely to be suitable for first home buyers, despite being relatively affordable. AIWI houses were particularly attractive as rental properties early in the rebuild as they commanded relatively high rents despite being damaged, providing investors with a high yield. However, the rental market has since turned in favour of renters, which may lead to discounted rents and therefore lower yields for AIWI properties. In the long run, these properties are likely to be repaired or rebuilt, however it is unclear what will happen to them in the short term. These properties tend to be clustered in areas with high construction costs, particularly flood management areas and on liquefaction prone soils. There is no official register of as-is-where-is houses, meaning that prospective buyers are reliant on the vendors' disclosure and thorough due diligence.

### Land supply

Greater Christchurch is well placed to accommodate further population growth, due to the flat surrounding topography and large areas of residential zoned land. The government re-zoned large swathes of rural land around the city in 2013, providing for 28,500 sections in addition to previous plan enabled capacity. It is

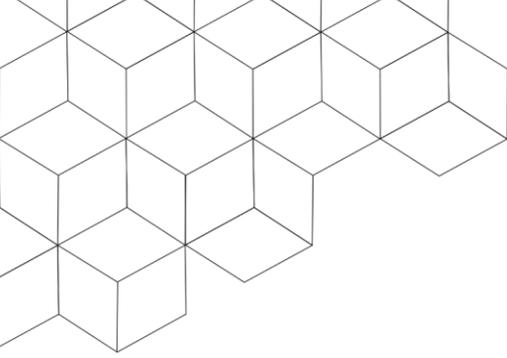
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<sup>7</sup> CDC, 2016, Housing affordability knowledgebase

<sup>8</sup> Fletcher EQR, 2016

<sup>9</sup> Insurance Council of NZ, 2017

<sup>10</sup> CDC, 2017, As-is where-is housing knowledgebase



estimated that under current zoning in Christchurch City alone, there is land available for 15,000 additional dwellings in existing neighbourhoods, and 30,000 dwellings in new subdivisions<sup>11</sup>. Ample land supply is a key component of housing affordability, acting as a circuit breaker for any deterioration in housing unaffordability.

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<sup>11</sup> Christchurch City Council, 2017, Housing and business development capacity