

Kaikoura earthquake as-is where-is listings analysis for EQC Kaikoura claims settlement project

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Infometrics

Economics put simply

Authorship

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As-is where-is listings

Background

As-is where-is (AIWI) sales represent an intermediate stage in the overall process of restoring housing after a natural disaster. Dwellings sold on an AIWI basis are typically in an uninsurable state due to damage, having either been uninsured at the time of the event or subsequently cash settled by the insurer and the insurance policy cancelled. AIWI sales may enable individuals or companies who are well-equipped to repair or rebuild from earthquake damage to acquire properties and restore housing quality.

However, AIWI sales may lead to concerns around housing quality where they are not being repaired and insured over the long term, as this has negative implications for occupiers and may lead to increased vulnerability to future natural disasters. There is potential for AIWI dwellings to cluster in areas which are more vulnerable to natural disasters, leaving pockets of higher hazard exposure and vulnerability.

Identifying AIWI listings

We have identified AIWI sales based on the use of the keywords 'as-is where-is' or 'uninsured' in residential properties listed for sale on Trademe. This approach is likely to capture the majority of AIWI sales, but does not capture private sales. There are a number of firms and individuals which actively purchase AIWI properties on a private sale basis. We anticipate that the spatial and temporal distribution of on-market AIWI sales is similar to that of private AIWI sales, but have no means to verify this.

AIWI listings

The AIWI market unfolded slowly following the Greater Christchurch earthquakes, reflecting that the market for AIWI sales was undeveloped at the time, and that insurance settlements were spread over an extended period of time. Given the time taken for insurance settlements to get underway, early AIWI sales in 2011 were likely for properties which were uninsured at the time of the earthquakes. AIWI sales picked up in 2013 and peaked over 2015-16 with 524 sales in 2015 and 576 in 2016 (Table 1). AIWI sales in Selwyn and Waimakariri followed a similar pattern, with Selwyn sales peaking in 2017 and Waimakariri sales in 2016.

Despite the Kaikoura earthquake taking place in November 2016, AIWI sales reached a steady level one year later in 2017, peaking in 2018 in Marlborough and Kaikoura, and 2020 in Hurunui. This reflects both that the insurance settlement process was more streamlined for the Kaikoura event, and that the market surrounding AIWI sales had matured following the Christchurch event. In total, there have been 110 AIWI listings across Hurunui, Kaikoura and Marlborough to date, evenly spread across the three territorial authorities.

Table 1

As-is where-is properties for sale

Residential properties listed for sale on as-is where-is basis

Source: Infometrics, CoreLogic

Territorial authority	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Marlborough District ¹						2	6	7	6	6	6	1	33
Kaikoura District						1	6	9	11	6	6	2	39
Hurunui District						-	8	7	6	9	8	4	38
Christchurch City ²	2	-	176	377	524	576	382	231					2,268
Selwyn District ²	-	-	1	2	5	6	9	2					25
Waimakariri District ²	-	-	-	5	5	9	3	5					27

Data covers listings in Marlborough, Kaikoura and Hurunui between October 2016 and March 2022. Listings in Christchurch, Selwyn and Waimakariri between 2011 and 2018.

AIWI in context

AIWI listings in Christchurch City grew to a peak of 8% of all real estate sales in the city in 2016 (Graph 1). AIWI listings peaked a 1% of Selwyn sales in 2017 and 1% of Waimakariri sales in 2016 (omitted from Graph 1 for clarity).

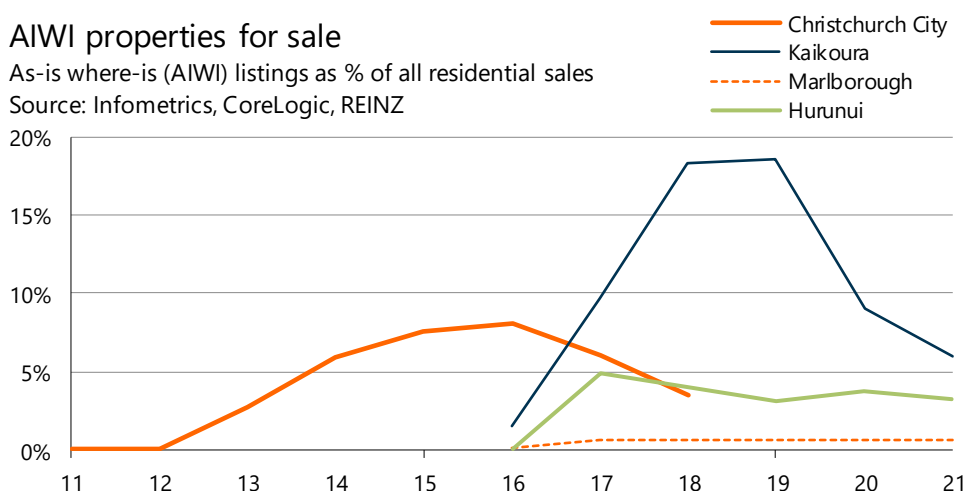
AIWI listings in Kaikoura rapidly rose, amounting to 10% of sales in 2017 and peaking at 19% of sales in 2019. AIWI listings in Hurunui peaked at 5% of all sales in 2017 and have remained around this level. AIWI listings in Marlborough have held under 1% of all sales.

Graph 1

AIWI properties for sale

As-is where-is (AIWI) listings as % of all residential sales

Source: Infometrics, CoreLogic, REINZ



AIWI listings and building consents

Of 110 AIWI sales across Hurunui, Kaikoura and Marlborough, 21 received a building consent since 2016, and 14 of those were earthquake related, involving earthquake repairs or a rebuild.

Spatial clustering

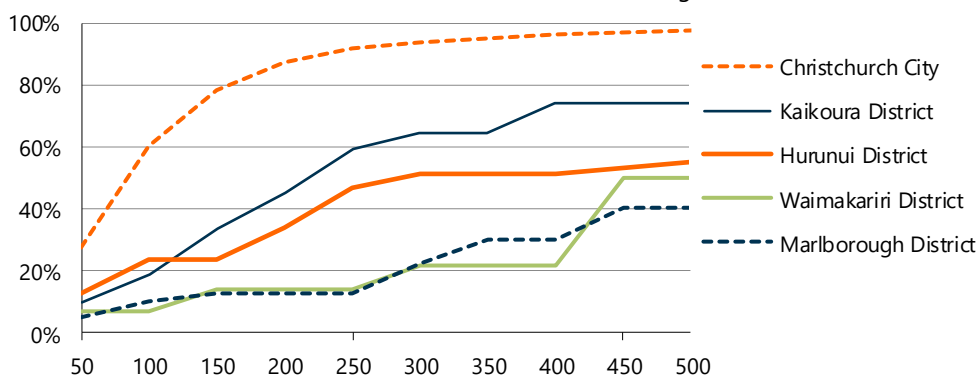
We have assessed spatial clustering of AIWI listings by looking at the distance between each AIWI listing and its nearest neighbour. For example, if two neighbouring urban properties were both listed AIWI, we would expect a distance of less than 50m. Graph 2

portrays the distance between AIWI listings with a cumulative distribution. Christchurch City shows the greatest clustering of all six territorial authorities. In Christchurch City, 27% of AIWI listings are within 50m of another AIWI listing, and 60% are within 100m. Hurunui shows a lower level of clustering, with 13% of AIWI listings within 50m of another AIWI listing, and 23% within 100m. Kaikoura is similar to Hurunui, with 10% of AIWI listings within 50m of another AIWI listing, and 19% within 100m. Selwyn District exhibits no clustering at all, with not one of its 27 AIWI listings within 500m of another one (hence being omitted from Graph 2 for clarity). This reflects the districts highly dispersed population prior to the 2010 earthquake.

Graph 2

AIWI listing distribution

Cumulative distribution, based on distance (m) to nearest listing



Overall, this analysis indicates that there is some clustering of AIWI listings in Christchurch City, low levels in Kaikoura and Hurunui, and minimal to none in Waimakariri, Marlborough and Selwyn.

Clustering of AIWI sales in Christchurch

The clustering of AIWI sales in Christchurch reflects the clustering of severe earthquake damage in areas susceptible to liquefaction and lateral spreading. Conversely, little clustering was evident following the Kaikoura earthquake, with damage driven by various factors including rockfall, liquefaction, lateral spreading and severe ground shaking.

In Greater Christchurch, residential land was classified by MBIE as TC1, TC2 or TC3, with TC1 representing the least vulnerable land to ground damage and TC3 representing the most vulnerable. Dwellings on TC2 and TC3 land required sophisticated foundations to deal with ground damage hazard, and thus faced greater costs for rebuilding than on TC1 land. Within Christchurch City, 5.4% of dwellings on TC3 land were listed as AIWI, compared to 0.9% of TC2 and 0.2% of TC1. This indicates spatial clustering in TC3, and to a lesser extent TC2 areas.

Technical appendix

Identifying AIWI

AIWI properties were identified using the CoreLogic property database. This including text from property sale listings, which was scanned to identify listings using the phrases 'as is where is' and 'uninsured'. This scan was restricted to Christchurch City, Selwyn and Waimakariri Districts between 2011 and 2016, and Kaikoura, Hurunui and Marlborough Districts from 2016 to 2021. This scan yielded a 'long list' of properties, and for Kaikoura, Hurunui and Marlborough, this list was distilled down by eliminating duplicates or non-residential listings.

Properties listed on an AIWI basis are generally uninsurable without significant construction work to remediate damage, which means that they cannot typically be purchased with a mortgage. This means that AIWI properties can be considered a niche product, and therefore real estate agents are typically upfront about their status in real estate listings.

Properties listed on the open market are only one portion of overall AIWI sales. In Greater Christchurch following the 2010-11 earthquakes, several firms developed a niche buying AIWI properties directly from their owners (as private sales) to repair or rebuild. We were unable to identify these properties or quantify the size of the market.

Building consents

The AIWI listings were connected to building consents manually, with the building consent description scanned to identify if the consent pertained to a rebuild or earthquake-related repairs.