

# **Heretaunga Plains Urban Development Study Market Demand Report**

**For**

**Hastings District Council  
Napier City Council  
Hawkes Bay Regional Council**

**Prepared By**

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**February 2016**

## 1.0 Executive Summary

### 1.1. The Project

This is a combined study on behalf of Hastings District Council, Napier City Council and the Hawkes Bay Regional Council to determine the urban growth needs on the Heretaunga Plains. The Heretaunga Plains Urban Demand Study (HPUDS) is intended to provide strategic direction for the growth needs of the commercial, industrial and residential sectors for the 30 year period to 2045.

### 1.2. Purpose of Brief

To undertake a review of the 2009 findings, as adopted in HPUDS in December 2010, based on changes in growth drivers and other relevant matters.

### 1.3. Key Findings

The key findings of the overall report follow:

- + The projected household growth rate for the study area on average is 480 new households per annum for the period 2016 – 2025, and then will reduce for the remainder of the study period.
- + The projected household growth rate for the study area reduces to 316 households per annum over the longer run period 2016 - 2045, up on the 2009 projected growth rate of 243.
- + The total potential residential stock from existing and identified potential subdivisions is 5,249 sites. This total is made up of 2,717 sites in Hastings and 2,532 sites in Napier.
- + The stock of available serviced sites in existing subdivisions currently available for sale is a lot more restricted with 323 existing sites in Hastings and 561 sites in Napier.
- + While Hastings has sufficient supply from the existing Northwood and Lyndhurst Stage 2, available supply in Havelock North is almost exhausted due to Arataki Extension now being on hold. Capacity to cater for future growth in Havelock North is seen as a critical issue.
- + Based on declining population and household growth projections, the HPUDS area stock of residential sites is expected to cover demand for both Hastings and Napier well past the study period.
- + Using revised growth projections there would appear to be sufficient greenfields supply in Napier and Hastings to cater for anticipated demand beyond 2045.
- + There are differences in the overall supply of developed greenfields sites available in Napier and Hastings and it will be important to ensure sufficient forward supply is available to meet demand, particularly in Havelock North where the Arataki Extension is now on hold.
- + The total stock of developed and identified potential residential sites are similar and adequate for both Hastings and Napier.
- + The majority of demand exists for new sites within the medium to upper medium price brackets and this appears likely to continue.
- + There is general resistance to lower priced localities and development options.
- + Better quality higher valued new housing is generally expected to be located in Havelock North and potentially on the Mission Heights and Poraiti subdivisions.

- + Demand for sites within rural settlements is expected to remain low.
- + Current demand for new apartments is low and expected to remain subdued for the next 5 - 10 years.
- + Lifestyle supply is difficult to quantify but appears to fall short. The best estimate of the shortfall is over 300 sites over the study period based on total demand of 850 lots, however is almost in balance if demand is at the low end of the projections.
- + Lifestyle demand is also difficult to quantify with available data somewhat conflicting. Our best estimation of demand is 850 lots as follows:

TelferYoung Estimation of Demand					
			2015-2025	2026-2035	2036-2045
Projected Annual Demand for Lifestyle Lots			40-50	20--25	15-20
Total Demand			450	225	175

- + Lifestyle demand is now for smaller sites with some separation/privacy but close to urban facilities.
- + Some of the available supply is of a type and nature that the market does not favour. Demand in preferred situations is therefore likely to be higher.
- + A number of developments including consented developments have faltered since the GFC and have not been completed.
- + Market conditions have improved however some developments remain marginal financially.
- + Within Havelock North, there are blocks potentially able to be subdivided but which may never be subdivided, meaning there is land potentially available but which doesn't come to the market.
- + Should demand exceed supply, prices will increase and this should encourage additional development.
- + From our questionnaire to developers, the most popular form of residential development from those surveyed is standard housing in greenfield developments. This is followed by in-fill developments with a small percentage in low end housing and multi-unit/ townhouse developments.
- + Frimley, Brookvale and Parklands are the areas predominantly being targeted by developers with site areas from 500 square metres to 700 square metres appearing favourable.
- + In Havelock North and Hastings, intensive or compact forms of living are likely to be limited to smaller scale townhouse or gated community developments, mainly within Havelock North but with potentially some in Hastings.
- + In Napier the existing oversupply will most likely prevent any new apartment developments for some period of time, due to lack of profitability. However there is still likely demand in Ahuriri for townhouse developments particularly if well priced and if avoiding body corporate issues.



## 2.0 Scope of Work

### 2.1. Scope of Work

- a) The report shall include not only a current market analysis of the existing and new housing market in terms of volume, broad suburb or new development location and prices, but should also identify any trends such as less conventional forms of urban development that could influence the level of demand in the various sectors.
- b) Identify locations that are or would be attractive to the market for residential development over time for different market price segments/locations.
- c) Identify site sizes, current day pricing and other conditions that would satisfy market demand for land for new housing development.
- d) Provide an indicative breakdown of the raw land costs relative to developed land and the total cost of new housing able to be supported in the market for typical locations identified above.
- e) Identify the current undeveloped stock of lifestyle blocks within the study area and likely uptake rates over time.
- f) Consider the influence of migration on demand.
- g) Identify the factors that make the particular market sector desirable/undesirable or feasible/infeasible.
- h) Identifying how emerging issues such as increased transport costs may influence demand in the various sectors.
- i) Ascertain preference levels for residential site sizes and gauge market acceptance for more compact forms of residential development such as the apartment market.
- j) Consider how emerging issues/trends or preferences may influence the rural urban shift and or the greenfield/infill ratios identified in HPUDS.
- k) Analyse the impact of competing land uses such as horticultural use versus urban or industrial use, and the market response.
- l) Review the 2009 findings relating to the hill areas adjacent to the urban boundaries where landscape values will not be affected by residential development and ascertain market views on landscape values.
- m) Review the 2009 findings relating to any areas on the Heretaunga Plains where limitations on the productivity of the soils are apparent, giving consideration to any existing resource constraints on the area.
- n) Prior to commencing the consultation the Core Technical Advisory Group shall be provided with the list of those parties to be consulted for the demand study and will provide feedback.

### 2.2. Exclusions

- + The housing demands for the retirement sector are specifically excluded.
- + No analysis has been undertaken on market demand for Central Hawkes Bay or Wairoa.

## 2.3. Deliverables

The deliverables relating to the overall management of this project are:

- a) A Market Demand Report for the period 2015-2045, that clearly identifies the level of demand for the various sectors of the residential market, and the market preferences for those various sectors.
- b) The report shall include a section on Compact Urban Development. This should ascertain the level of market acceptance for the various forms of compact residential living e.g. apartments, townhouse developments etc., and ascertain where apartment living should be located. This part of the study should also provide an analysis of the respondents understanding of the term “compact urban development” and identify the elements that they consider are required to achieve successful compact development.
- c) The report should also address what level of density is considered acceptable to the market currently, and in the future (i.e. 10 years), for any new residential subdivision.
- d) The report shall include a section on the trends, including maps that have been identified as affecting future growth considerations over the period of the Heretaunga Plains Urban Development Strategy and how this may impact on the physical environment. This should include consideration of competing land uses, landscape values and resource constraints and where in the study area these values/constraints are likely to influence/compromise development.
- e) A summary of those consulted, how they were identified and the role they have in urban development should also form part of the report. \* NB and refer to new letter n) on page 6.
- f) This report should also include an executive summary of no more than 2 pages.
- g) The study will be subject to peer review as determined by the client. Allowance must be made to allow peer review and incorporate findings in a manner that does not jeopardise delivery.
- h) All computer files applicable to this project shall be supplied in electronic form to the Hawke’s Bay Regional Council within one week of the project completion date.
- i) If requested, a full and accurate account of staff time on the project with a detailed breakdown against project components including: names, hours and charge rates to be supplied to the Hawke’s Bay Regional Council on a progressive monthly basis, or within 2 weeks of either the project’s completion date or notification of termination of engagement.

## 3.0 Methodology

### 3.1. Parties Consulted

- + We have consulted with property developers and builders to ascertain future residential market demand and current and previous practices.
- + Council staff provided detailed information on current and future greenfield subdivision areas for residential expansion and on some changes affecting suitability of earlier identified potential growth areas.
- + We have utilised in-house resources to identify and research a range of market related issues.
- + Telfer Young have engaged six experienced valuers on different parts of this update to ensure robust and objective views were included.



### 3.2. Basis of Assumptions

- + As the basis for our projections on market demand for HPUDS, we have considered the following statistical data sets:
  - (i) Historic subdivision consent data as sourced from the Napier and Hastings Councils.
  - (ii) Statistics Department data as analysed and provided by Economic Solutions Ltd (ESL).
  - (iii) Sales sourced from Valbiz, one of the Property Institute of New Zealand's main sales database.
  - (iv) Building consent (new dwelling) data
- + Primary reliance has been placed on past building consent data sourced from HDC and NCC, as these are viewed as being the most accurate indicator of past demand for residential housing sites.
- + Household growth projections contained in, "*Review of Base Demographic and Economic Growth Trends and Projections Since 2009*" prepared by Economic Solutions Ltd (ESL), have formed the basis of residential land demand projections.
- + The ESL report "*Updated Napier City Population and Household Growth Projections*" dated 8 September 2014 has also been reviewed.
- + The HDC Strategy and Development Group report "*Background to Hastings District Council's Residential Development Programme 2015- 2025*" provided detail on the potential growth areas and their current status.
- + We have reviewed a number of other HDC strategy and working group reports, including:
  - *Vacant Land Sales and Building Construction for Greenfields Sites*
  - *Census 2013 Outputs*
  - *Hastings Greenfields Residential Area Prioritisation (1 Nov 2011)*
  - *Residential Development Programme (29 Oct 2015)*
- + Lifestyle demand has been determined from analysis of vacant land sales data within the more immediate environs of Napier and Hastings Cities. We have checked this against the HDC and NCC building consent data and household growth data referred to above. We have relied upon projections within HPUDS 2010, which projects that 10% of new dwellings will be rural and rural residential from 2015-2025, dropping to 5% for the remainder of the study period (end of 2045).
- + Lifestyle demand was considered relative to the total study region due to current limitations in data capture and recording for this development category by Councils.



### 3.3. Basis of Analysis

- + For the purposes of the current market demand analysis we have separately considered the main component parts, these being:
  - (i) The Residential Market
  - (ii) The Lifestyle Market
- + The Residential market is covered in Section 4.0.
- + The Lifestyle market is covered in Section 5.0.
- + Other investigations related to our brief are covered under Sections 6.0 and 7.0.

### 4.0 Deliverables A- Residential Market Analysis

This deliverable within our Brief is covered under the following sections:

- 4.1 Summary of key findings
- 4.2 Residential market supply and demand- detailed analysis

#### 4.1. Summary of Key Findings

- + Our projections of demand for residential sites within the study area have been primarily based upon the Statistics Department household growth projections for the study period, as analysed by ESL.
- + The household growth rate is projected to average 484 new households for the period 2016 - 2025 and to then reduce for the remainder of the study period.
- + The household growth rate is projected at 322 households per annum for the period 2016 - 2045, up on the 2009 projected growth rate of 241.
- + The total residential stock from existing and identified potential subdivisions is 5,249 sites. This total is made up of 2,717 sites in Hastings and 2,532 sites in Napier.
- + The stock of available sites in existing subdivisions available in the short term is more restricted with 323 existing sites in Hastings (including 66 retirement village sites) and 561 sites in Napier. (Refer Attachments A & B).
- + While Hastings has sufficient supply from the existing Northwood and Lyndhurst Stage 2 areas, available supply in Havelock North is almost exhausted due to the Arataki Extension now being on hold. Capacity to cater for future growth in Havelock North is seen as a critical issue.
- + The HPUDS area stock of residential sites is expected to cover demand for both Hastings and Napier well past the study period.
- + We consider the growth and greenfield projections for the later 20 years of the study period may exceed the household growth projections. Household numbers are a strong driver of demand for new housing but there is a time lag effect between household change and new dwelling building consents.
- + Using revised growth projections there would appear to be sufficient greenfields supply for between 39 – 42 years.

- + There are differences in the overall supply of developed greenfields sites available in Napier and Hastings and it will be important to ensure sufficient forward supply is available to meet demand, particularly in Havelock North where the Arataki Extension is now on hold.
- + The total stock of developed and identified potential residential sites are similar and adequate for both Hastings and Napier.
- + The balancing of supply in advance of expected demand will remain critical.
- + The majority of demand exists for new sites within the medium to upper medium price brackets and this trend appears likely to continue for the study period.
- + There is general resistance to lower priced localities and development options.
- + Better quality higher valued new housing is generally expected to be located in Havelock North and potentially on the Mission Heights and Poraiti subdivisions.
- + Demand for sites within rural settlements is expected to remain at low levels due to the limited access to amenities coupled with the higher costs associated with commuting. Major servicing issues exist in these areas. We see demand in these areas as unlikely to reach the required critical mass in the absence of major stimulus or change.
- + Current demand for new apartments is low and expected to remain subdued for 5-10 years. The Napier Hospital redevelopment represents a major supply bubble and timing of this proposal will be critical. Several other apartment proposals are being considered but current demand and value levels do not support their feasibility.

## 4.2. Residential Market - Detailed Analysis

As the basis of our historic analysis we have treated the building consent data as the more accurate predictor of past residential section demand. Future residential growth projections in this study are based primarily on Census based household projections.

### 4.2.1 Past Residential Site Growth and Projection Comparisons

Growth projections compiled by Telfer Young for HPUDS 2009 are summarised in the below table:

Table 1

HPUDS Growth Projections 2009 - Residential Sites						
	Annual Growth Projections to 2015			Growth Projections to 2045		
	Greenfields	Infil	Total	Greenfields	Infil	Total
<b>Hastings District</b>	84	69	<b>153</b>	76	47	<b>123</b>
<b>Napier City</b>	85	75	<b>160</b>	71	47	<b>118</b>
<b>Total HPUDS Urban</b>	<b>169</b>	<b>144</b>	<b>313</b>	<b>147</b>	<b>94</b>	<b>241</b>

- The 2009 projections identified the need for 313 sites per annum to meet expected demand through to 2015 with this then reducing to 241 sites for the following 30 years.
- Actual growth in residential sites per annum (based on building consent data) did not achieve the HPUDS 2009 projections for the period ending 2015.





- Forward growth estimates (based on Census derived household growth projections:- medium-high) indicate reduced projected 30 year growth for the study period at 322 sites compared to the 2009 projection of 241 sites, per annum.

Table 2

Actual Growth (2009 - 2015) Residential Sites						
	Actual Growth to 2015			Annual Growth Projections to 2045		
	Greenfields	Infil	Total	Greenfields	Infil	Total
Hastings District	84	42	126	88	107	195
Napier City	65	71	136	57	70	127
<b>Total HPUDS Urban</b>	<b>149</b>	<b>113</b>	<b>261</b>	<b>145</b>	<b>177</b>	<b>322</b>

- Of this recent growth around 57% came from greenfield subdivisions and 43% from infill.
- Past 6 years indicated greenfield site uptake 149 sites per annum.
- Uptake of 261 sites represents a 17% decrease on the 2009 estimate of 313 sites.
- Building consents for the 2009 - 2015 period, at 261 per annum, were down 23% on the 17 year average of 338 consents per annum.
- These figures exclude lifestyle and rural development and relate to residential growth, including retirement village activity.

#### 4.2.2 Household Growth and Projections

Household growth projections from HPUDS 2009 are summarised below:

Table 3

Census Unit Area	2009	Projected Households				
		2015	2021	2026	2031	2036
<b>Total Study Area</b>	48603	50911	53130	56660	58505	58925

- The 2015 actual year end figure of 51,455 (table 4) this indicating a 20% higher level of actual growth than predicted for the 6 year period in the 2009 HPUDS projection and the longer run projections are also above the 2009 projections.
- The annual current projected rate of household growth diminishes over the HPUDS study period as shown in table 4:

The above population figures and those in Table 4 include rural and lifestyle households.

Table 4

Census Unit Area	Estimated Actual Households				Projected Households				Change 2015- 2045
	2009	2015	2021	2026	2031	2036	2041	2045	
Total Hastings District	25057	26555	28465	29740	30840	31725	32430	33065	6510
Napier City	23335	24900	26110	27060	27850	28420	28710	29000	4100
<b>Total HPUDS Study Area</b>	<b>48392</b>	<b>51455</b>	<b>54575</b>	<b>56800</b>	<b>58690</b>	<b>60145</b>	<b>61140</b>	<b>62065</b>	<b>10610</b>
<b>Growth For Period</b>		3063	3120	2225	1890	1455	995	925	10610
<b>Growth %</b>		6.3%	6.1%	4.1%	3.3%	2.5%	1.7%	1.5%	20.6%

- Annual household growth is predicted to reduce from the 6.1% experienced over the past 6 years, to 1.5% for the 5 years ending 2045.



Table 5 below excludes the estimated rural households and then deducts the lifestyle content, arriving at the residential household growth projections.

Table 5

Urban & Lifestyle Household Estimate	2009	2015	2021	2026	2031	2036	2041	2045	Total Period
Hastings Households	23811	25241	27079	28303	29356	30199	30886	31482	
Napier Households	23164	24720	25926	26873	27659	28225	28511	28797	
Households Exclg Rural	46976	49961	53006	55175	57015	58425	59397	60279	10318
% Total Households	97.1%		97.0%	97.0%	96.9%	96.9%	96.7%	96.7%	
Growth Per Period		2985	3045	2170	1840	1409	973	882	
Growth Per 10 yr Period				521		325		185	
Deduct Lifestyle Growth		240	245	125	106	81	56	51	664
Lifestyle Sites p.a		40	49	25	21	16	11	10	
New Residential Sites		2745	2800	2045	1734	1328	917	831	9654
Infil (% exclg lifestyle)		43%	50%	50%	58%	58%	63%	63%	
Residential Growth									
Infill Growth		1180	1400	1022	1004	769	579	525	5299
Greenfields Growth		1565	1400	1022	730	559	338	306	4355
		2745	2800	2045	1734	1328	917	831	9654
Growth P.A		457	560	409	347	266	183	166	

- The deduction for rural households was based on reasoned estimates, in the absence of actual figures.
- The Census derived household growth figures indicate different residential growth rates compared to those indicated by historic building consent data.
- For the intervening 6 years since the last HPUDS, building consent figures indicate residential growth (excluding rural and lifestyle) of 261 residential sites per annum.
- By comparison, Census based household growth figures indicate a higher level, averaging 458 sites per annum.

Table 6

Household Growth (Excluding Rural)	Change 2009-2015 Census Based	%	Urban Growth PA	Building Consent Growth PA 2009- 2015	Building Consent Growth PA 1999- 2015
Total Hastings HPUDS	1430	6.0%	238	126	164
Total Napier	1556	6.7%	259	136	174
<b>Total Study Area</b>	<b>2986</b>	<b>6.4%</b>	<b>498</b>		
Less Lifestyle Growth Est	<b>240</b>		<b>40</b>		
<b>Residential Growth</b>	<b>2746</b>		<b>458</b>	<b>261</b>	<b>338</b>

The differences appear to be attributable to a number of factors including:

- The delayed impact on housing stocks from an increase in household units
- The ability of the existing house and apartment stock to absorb additional families
- Housing affordability issues
- Some consents relate to replacement of destroyed stock

Review of the correlation between household change and new dwelling consents over the period 2001 – 2015 indicates short term differences in line with the above result but convergence of these measures over the longer time frame.

Table 7 below summarises the 30 year study period household growth projections:

Table 7

Household Growth (Excluding Rural)	Household Change 2016-2045	% Change For Period	Urban Growth PA
Total Hastings HPUDS	6241	24.7%	208
Total Napier	4077	16.5%	136
<b>Total Study Area</b>	<b>10318</b>	<b>20.7%</b>	<b>344</b>
Less Lifestyle Growth Estimate	664		22
<b>Residential Growth</b>	<b>9654</b>		<b>322</b>

- The lifestyle split is estimated and should be treated as indicative due to limitations in determining lifestyle figures. NB. Our best estimation within the Lifestyle section is for demand of 850 sites with a range between 560 based on household growth projections to 1350 based on previous year's sales.
- The residential growth component of 322 sites per year is slightly up on our HPUDS 2009 projection for the same period of 313 sites.
- Household projections show Hastings (24.7%) achieving higher growth levels than Napier (16.5%).

Retirement units are included in the building consent figures and the following summary indicates the size of this segment of the residential market:

Retirement Unit Consents			
	Period (years)	Consented Units	Units/ pa
Hastings District	21	244	11.6
Napier City	16	106	6.6
<b>Total HPUDS Urban</b>		<b>350</b>	<b>18.2</b>

With proposed additional Hastings and Havelock North greenfields developments, it would appear more reasonable to expect roughly equal growth for Hastings and Napier over the longer run period.

If growth between Hastings and Napier is split on a 50 / 50 basis, as per HPUDS 2009 projections, the 30 year growth projections would be as follows:

Table 8

Residential Sites			
	Annual Growth Projections to 2045		
	Greenfields	Infill	Total
Hastings District	73	88	161
Napier City	73	88	161
<b>Total HPUDS Urban</b>	<b>145</b>	<b>177</b>	<b>322</b>

#### 4.2.3 Infill and Greenfield Demand

Greenfield land is defined as land that has been identified as having future subdivisional potential within the study period and for which rezoning and structure plan hurdles are not predicted to be significant. Preferences have changed over the past 6 years as a number of potential options have dropped from consideration while new options have emerged. Infill refers to new sites created in areas not identified as greenfields.

Infill development comprises urban residential sites created in existing urban areas that have not been identified as greenfields development options in HPUDS and the Councils' Long Term Plans. Some of this development has been in the form of small conventional subdivisions and some involves more intensive and higher density development or redevelopment in residential areas.

HPUDS 2009 found that Napier was achieving a 50% infill rate and that for Hastings infill was 40%. Napier was higher due to apartment development.

The relative proportion of greenfields development to total development is forecast to fall over the 30 study period, as per the following target bands:

Table 9

<b>HPUDS Household Growth Targets</b>				
	<b>2015-25</b>	<b>2025-35</b>	<b>2035-45</b>	<b>2015- 2045</b>
Infill/ Intensification	45%	55%	60%	51%
Greenfields	45%	40%	35%	42%
Lifestyle/ Rural	10%	5%	5%	8%

With the exclusion of Lifestyle/ Rural, the weighted average Infill to Greenfields growth targets amend as per table 10:

Table 10

<b>HPUDS Household Growth Targets- Excluding Lifestyle/ Rural</b>				
	<b>2015-25</b>	<b>2025-35</b>	<b>2035-45</b>	<b>2015- 2045</b>
Infill/ Intensification	50%	58%	63%	55%
Greenfields	50%	42%	37%	45%

Based on this split and after deduction of lifestyle, the infill and greenfields residential growth for each of the 10 year target periods are:

Table 11

<b>Projected Growth Split- Residential Sites</b>			
	<b>Annual Growth Projections 2016 - 2025</b>		
	<b>Greenfields</b>	<b>Infill</b>	<b>Total</b>
<b>Hastings District</b>	144	144	<b>289</b>
<b>Napier City</b>	84	112	<b>196</b>
<b>Total HPUDS Urban</b>	<b>229</b>	<b>256</b>	<b>484</b>

- This 484 new site projection for the ensuing 10 years is in line with the average growth rate of 338 sites per annum, achieved for the 1999- 2015 period.

Projections for the later 10 year portions of the study period follow.

Table 12

<b>Projected Growth Split- Residential Sites</b>			
	<b>Annual Growth Projections to 2026- 35</b>		
	<b>Greenfields</b>	<b>Infill</b>	<b>Total</b>
<b>Hastings District</b>	73	109	<b>182</b>
<b>Napier City</b>	50	75	<b>125</b>
<b>Total HPUDS Urban</b>	<b>122</b>	<b>184</b>	<b>306</b>

- Table 12 illustrates reducing residential growth rates, based on lower predicted household growth.

Table 13

<b>Projected Growth Split- Residential Sites</b>			
	<b>Annual Growth Projections 2036 - 2045</b>		
	<b>Greenfields</b>	<b>Infill</b>	<b>Total</b>
<b>Hastings District</b>	43	79	<b>122</b>
<b>Napier City</b>	18	34	<b>53</b>
<b>Total HPUDS Urban</b>	<b>61</b>	<b>114</b>	<b>175</b>

- The final 10 year band of the study period shows further reduced growth rates, these down between 33% - 48% on the building consent growth indications for the 6 and 17 year periods ending 2015.
- The above projected 10 year growth splits show a reasonably strong development bias towards Hastings, for the remainder of the study period.

It would appear more reasonable to adopt an even split of 50 / 50 for future growth in Hastings and Napier as these markets tend to be in competition with each other.

#### 4.2.4 Greenfields Supply and Demand

HPUDS 2009 found that:

- Hastings had sufficient existing and potential greenfields supply to last 2028 (based on the most probable scenario).
- Napier was predicted to have sufficient stock to meet demand until 2037.

Our analysis of the current stock of existing and potential greenfields residential sites follows:

Table 14

<b>HASTINGS: Reconciliation of Available Sites 10 yrs ending 2025</b>	<b>Greenfields Sites Available</b>	<b>Greenfield Uptake Rate PA to 2025</b>	<b>Total Uptake to 2025</b>	<b>Years to Expiry of Stock</b>	<b>Remaining Sites Period End</b>
<b>Existing Subdivision Sites</b>	323			2.2	
<b>Potential Greenfields Sites</b>	2394			16.6	
<b>Total Existing and Potential Sites</b>	<b>2717</b>	<b>144.3</b>	<b>1443</b>	<b>19</b>	<b>1274</b>

- HPUDS 2009 projected a greenfields uptake rate of 76 sites per annum for the 15 years ending 2024.
- The current projection of 144 represents a substantial increase on that past projection.

Table 15

<b>NAPIER: Reconciliation of Available Sites 10 yrs ending 2025</b>	<b>Greenfields Sites Available</b>	<b>Greenfield Uptake Rate PA to 2025</b>	<b>Total Uptake to 2025</b>	<b>Years to Expiry of Stock</b>	<b>Remaining Sites Period End</b>
<b>Existing Subdivision Sites</b>	561			6.7	
<b>Potential Greenfields Sites</b>	1971			23.4	
<b>Total Existing and Potential Sites</b>	<b>2532</b>	<b>84.2</b>	<b>842</b>	<b>30</b>	<b>1690</b>

- The indicated Napier uptake rate is lower than Hastings due to lower projected household increases

The combined HPUDS study area is summarised below:

Table 16

HPUDS: Reconciliation of Available Sites 10 yrs ending 2025	Greenfields Sites Available	Greenfield Uptake Rate PA to 2025	Total Uptake to 2025	Years to Expiry of Stock	Remaining Sites Period End
Existing Subdivision Sites	884			3.9	
Potential Greenfields Sites	4365			19.1	
<b>Total Existing and Potential Sites</b>	<b>5249</b>	<b>228.5</b>	<b>2285</b>	<b>23</b>	<b>2964</b>

The impact of the reduced growth in household numbers for the last 10 years of the study period for the combined HPUDS area is illustrated in the following table:

Table 17

HPUDS: Reconciliation of Available Sites 10 yrs ending 2045	Remaining Sites 2036	Greenfield Uptake Rate 2036-45	Total Uptake to 2036- 45	Years to Expiry of Stock	Remaining Sites Period End
<b>Total Existing and Potential Sites</b>	<b>1739</b>	<b>61.2</b>	<b>612</b>	<b>28</b>	<b>1127</b>

- The uptake rate from greenfields developments reduces from 229 sites per annum for the initial 10 years of the study period to 61 sites for the last 10 years.
- Infill growth is forecast to be at 256 sites per annum for the initial 10 years of the study period reduces to 114 sites for the last 10 years.
- Based on these reducing household growth figures and greater infill projections, indicated greenfield supply is sufficient to cater for demand beyond the study period.

Household growth projections for the later parts of the study period should be treated as indicative only.

Population growth is a significant factor driving demand for new houses and residential sites. New Zealand is experiencing record immigration inflows currently but whether this will continue over the longer term trend, is doubtful. Hawkes Bay is well placed for medium and long term growth if global conditions and government policy dictate.

Growth projections for the 30 year study period are summarised below:

Table 18

Projected Growth Split- Residential Sites			
	Annual Growth Projections 2016 - 2045		
Hastings District	87	111	197
Napier City	51	74	124
<b>Total HPUDS Urban</b>	<b>137</b>	<b>184</b>	<b>322</b>

On the basis of a residual greenfields stock of 2,285 sites at the end of year 2025, there is sufficient greenfield supply for to cater for anticipated demand beyond 2045.

Similarly infill growth can be accommodated by HPUDS intensification targets,

Overall there is a buffer in available supply should growth rates increase or intensification targets not be met.



A summary of greenfield subdivisions for Hastings follows:

<b>Hastings District Residential Section Stock Analysis December 2016</b>				
<b>Subdivision</b>	<b>No. of Sites</b>	<b>Total Available Sites</b>	<b>Site Price Bracket</b>	<b>Indicative Timing</b>
<b>Residential Subdivisions- Existing Stock</b>				
Arataki	76		Upper medium	Current
	28	104	Upper medium	Current
Lyndhurst- stage 1	15		Medium	Current
	83*	98	Medium	Current
Williams St- Northwood	20		Medium	Current
Williams St- Northwood	101	121	Medium	Current
<b>Consented Existing Available Sites</b>		<b>323</b>		
<b>Residential Subdivisions- Potential Stock</b>				
Lyndhurst- stage 2		270	Medium	2019-2029
Lyndhurst Extension		230	Medium	2024-2034
Middle / Iona Road Residential	90		Medium	2018-2021
Balance Iona Road Triangle	69	159	Medium	2021-2026
Southern Havelock Hills	49		Upper	2021-2026
Havelock North Hills- Lower	77		Higher	2021-2030
Havelock North Hills- Upper	43	169	Higher	2021-2030
Brookvale		270	Medium	2018-25
Kaiapo Road		350	Lower to medium	2021-2026
Howard Street		80	Medium	2021-2026
Flaxmere		86		2021-2031
Arataki Extension		150		Unknown
Irongate - Flaxmere East		270	Lower	Unknown
Murdoch Copeland Road		230	Lower to medium	2026-36
Te Awanga		130	Medium	Unknown
<b>Potential Identified Additional Sites</b>		<b>2394</b>		
<b>Total Hastings Greenfields Sites</b>		<b>2717</b>		

Refer Attachment A – Full Schedule



A summary of greenfield subdivisions for Napier follows:

<b>Napier City Council Residential Section Stock January 2016</b>				
<b>Subdivision</b>	<b>No. of Sites</b>	<b>Total Available Sites</b>	<b>Site Price Bracket</b>	<b>Indicative Timing</b>
<b>Residential Subdivisions- Existing Stock</b>				
Parklands	35		Medium	Current
	309	344	Medium	
Te Awa Estate	166	166	Medium	Current
Napier Hospital- Stage 1		5	Upper	Current
Mer Place		7	Upper medium	Current
Silverhills		33	Upper	2016/17 start
15 Franklin Road/ Rogers Road		6		
		<b>561</b>		
<b>Residential Subdivisions- Potential Stock</b>				
Te Awa Estate Balance		663		2021- 2030
Hukurere School Site		9	Upper medium	2021- 2025
Marist Heights		350	Upper medium	2021- 2030
Park Island		170	Medium	2021- 2025
Napier Hospital- Stage 2		26	Upper	2021- 2030
Napier Hospital- Stage 3	6	27	Upper	
	21	27	Upper medium	
Napier Hospital- Two Tower Blocks		36	Upper medium	
Riverbend Road		250	Low	Unknown
Willowbank Rd (The Loop)		350	Low	Unknown
Bayview Coastal		90	Medium	Unknown
		<b>1971</b>		
		<b>2532</b>		

Refer Attachment B – Full Schedule

With the growing trend for smaller greenfield sites, the comparative attractiveness of infill sites may reduce.

New subdivisions also include land covenants preventing further subdivision. These subdivisions have not been included by Councils as potential future infill areas.

Council fees for infill subdivision have increased substantially in recent years, this limiting the economic viability of this form of development in lower priced locations.



### 4.3. Residential Pricing Detailed Analysis

The majority of new residential development is occurring in the upper medium price bracket from \$325,000 (for smaller infill developments) to \$650,000 for good quality four bedroom homes in new greenfield subdivisions, house and land packages.

These levels compare to current median home price for Hawkes Bay of approximately \$310,000.

There is a transition of people from lower priced existing stock to new housing with first home buyers moving into the lower price existing stock. This acts to reduce the impact that the lack of affordability of new housing has on the market.

Below is a summary based on recent sales data within the various locations showing typical section sizes, dwelling sizes and prices. This is based on sales of near new and second hand houses.

Current Market Analysis				
		Typical Section Size m2	Typical House Size Incl Garage m2	Typical Pricing Levels
Te Awa		500	180	\$425-\$450,000
Parklands		625	215	\$475-\$550,000
Frimley/Northwood		750	210	\$475-\$525,000
Arataki		780	233	\$550-\$650,000

Developer responses indicate a strong preference for land in upper medium price brackets. While there is likely to be demand for lower priced residential sites, the associated lower profit margins, higher relative development levies and higher risk factors are likely to dissuade potential developers from working in this sector. This may not be an issue with more affordable homes in the existing second hand market which allows those sellers to step up and become buyers in the new market.

## 5.0 Deliverables B – Lifestyle Market

This deliverable within our Brief is covered under the following sections:

- 5.1 Summary of key findings
- 5.2 Lifestyle supply
- 5.3 Lifestyle demand
- 5.4 Lifestyle pricing and market analysis
- 5.5 Lifestyle market trends

### 5.1. Summary of Key Findings

- + Future lifestyle demand is difficult to predict due to incomplete records and substitution of property types for lifestyle use. E.g. use of an orchard for lifestyle use.
- + The various data bases considered supplied variable demand profiles. We considered 3 approaches summarised below.
- + Based on building consent data, we estimate between 35-45 lifestyle lots per annum will be required until 2025, then this should fall to between 18 – 22 per annum.

Lifestyle Lot Numbers - Based on Building Consent Data				
Building Consent Data				
		Avg 1999-2015		
Average Per Year 1999 to 2015		439		
Average to Y.E 2009		487		
Average Post 2009		352		
Adopt		400		
Predicted Rural/Lifestyle Percentages		2015-2025	2026-2035	2036-2045
As Percentage of Total Consents		10%	5%	5%
Predicted Number of Lifestyle Lots Per Annum		40	20	20
High		44	22	22
Low		35	18	18

- + Based on Household Growth Data supplied by ESL, the estimated lifestyle growth is 37 lots per annum until 2025, then falling to 12 for the next 10 year period and then to 7 for the next 10 year period.

Lifestyle Lot Numbers - Based on Household Growth Data				
Household Growth Data		2015-2025	2026-2035	2036-2045
Projected Increases in Households		3735	2485	1440
Predicted Number of Lifestyle Lots Per Annum		37	12	7



- + Annual demand (based on sales evidence) has averaged 55 sites per annum since 2006. This is the number of purchased lots. Not all will be built on and some will resell as vacant, however this suggests current demand is between approximately 40-50 lots annually. Annual sales numbers are shown below:

Lifestyle Demand - Based on Market Sales				
Year			Annual Sales	
2006			53	
2007			60	
2008			22	
2009			56	
2010			65	
2011			67	
2012			45	
2013			78	
2014			67	
2015			37	
Annual Average			55	

- + Assuming demand is 45 sales annually, this equates to 1350 sites being required over the study period.
- + The above calculations are summarised with the TelferYoung 2009 report with projections shown in the table below.

Demand Projections Summary	2015-2025	2026-2035	2036-2045	Total
Based on Building Consent Data Per Annum	40	20	20	800
Based on Housing Growth Data Per Annum	37	12	7	560
Based on Sales Data - Assuming 45 per year	45	45	45	1350
Telfer Young Projection	40-50	20-25	15-20	850

- + This gives an annual demand estimate over the 30 year study period of approximately 28 lots per annum, this compares to our 2009 estimate of lifestyle sites.
- + TelferYoung's prediction is that demand will not be as low as the household growth data predicts. Demand will not only come about from increasing household numbers but from a desire to be in new modern housing in preferred locations. While older second hand stock may exist, this may not meet buyer preferences.
- + Many proposed development proposals have stalled due to falling values for lifestyle blocks since the GFC. The market has recently improved and some stalled projects may now be reactivated.
- + Any future demand is likely to be within close proximity to urban facilities.
- + Smaller lifestyle blocks are now generally preferred. Relaxing of subdivisional rules in rural residential areas (i.e. in-fill) may help meet some of the land demand in preferred areas, thus reducing the need for further rezoning.
- + Demographics (aging population and smaller family units) are expected to result in lower future lifestyle demand.



## 5.2. Lifestyle Supply

- + Projections indicate a shortfall in supply dependent on the level of demand, but matching supply at the low end of demand projections.
- + Some of the shortfall may be met from “residential” developments in Kaiapo, Silverhills, Havelock North with approximately 500 larger residential sites included in the residential figures, with 350 being in Kaiapo.
- + Longer term supply projections are based on estimated yields only taking into account the land topography etc. Additional work in this area should be undertaken to more correctly define longer term supply.
- + Recent demand has improved and some of the over-supply that previously existed in 2010-2014 has been taken up.
- + Future supply is difficult to predict. Numerous projects are stalled due to slow market conditions since 2008 but it is anticipated some developments at least will be reactivated as market conditions improve.
- + There are significant areas of land available surrounding both Napier and Havelock North that have potential for rural lifestyle development that are well located in regard to urban areas and are seen as being acceptable to the market.
- + Part of the current supply is in areas that are not readily acceptable by the market, resulting in stronger demand in preferred areas and weaker demand in other areas.
- + Some of the consented developments such as farm parks, may never be developed due to a lack of demand in that particular location. This tends to overstate potential supply. Other developments appear under-capitalised and require major expenditure on roading and services to get underway.
- + The strong preference now is for small sites with some separation from neighbours, well located close to main urban areas.
- + Some of the current supply is either more outlying, or challenging to build on with issues with services and or access.
- + Though there are quite significant areas of land available longer term, the number of building platforms able to be created is difficult to predict due to contour issues, access, high tension powerlines, shaded aspects, all impacting on desirability of building platforms.
- + The situation will need to be monitored but we believe in order for sufficient supply in the desired areas surrounding Napier and Hastings to be available longer term, some additional areas in the Havelock North Hills, Bay View and Seafiel Rd, Poraiti, and Springfield Rd will need to be identified and possibly rezoned to facilitate development.
- + Alternatively some intensification of subdivision in preferred areas could be considered.



- + The following table lists the current known subdivisions, as well as estimates the future supply from mainly Rural Residential zoned land. This is based on our best estimation of what is available and may not be a complete list of subdivisions. Additionally some developments may not proceed, while others not yet contemplated will occur over the study period.

<b>Lifestyle Block Stock Analysis</b>				<b>Available Sites</b>	<b>Status</b>
Updated 12/2/2016					
<b>Sites Available or Likely Available</b>					
Esk Hills			3	Titled	
Esk Ridge			16	Titled	
Kopaki Bay			19	Proposed	
Jeroistown			6	On market	
Swamp Rd 39 Degrees			4	Titled	
Hill Country Estate			6	Titled	
Oakley Endlseigh Rd			5	Titled	
Durham Dr			3	Titled	
Parkhill			12	Titled	
Matarua Farm Park			4	Titled	
Willow View			5	Titled	
Gunner Rd			13	Consented	
Matangi Road			12	Consented	
Maraetotara Farm Park			15	Mainly titled - no road access presently	
Haupouri Equestrian Park			19	Consented	
Haupouri Farm Park			13	Consented - subject to appeal	
Hilton Station Middle Rd			23	Consented	
Roy's Hill Limestone Properties			35	Farm Park - not consented	
		Current Supply	<b>213</b>		
<b>Possible Areas of Future Development</b>					
		Area hectares			
Jeroistown			10	Estimate	
Penrith Rd Area NCC	50		20	Estimate	
Poraiti NCC Other Land	135		75	Estimate	
Seafield Rd	85		30-40	Estimate	
Springfield Rd NCC	150		20-30	Estimate	
Endsleigh Dr Full 360 Ltd Benson Pope			25	Unknown	
Endsleigh Dr Roseanna Dev			0	Unknown	
Whakapirau Rd Farm Park			35	Unknown	
Linden Ridge			10-15	Not consented	
Other Havelock North	50-75		45	Estimated	
Silverhills	In residential	33			
Kaiapo	In residential	350			
Havelock North Hills	In residential	120		As Per HDC Figures	
Land Adjacent Kopaki Bay	125		40	Estimate	
		Potential Future Supply	<b>320</b>		
		Total Supply	<b>533</b>		
<b>Estimated Uptake</b>					
			Medium High	Low	
Based on TelferYoung Estimation of Take Up	2016-2025		450	370	
	2026-2035		225	120	
	2036-2045		175	70	
Total Demad			<b>850</b>	<b>560</b>	

- + We estimate current listings for lifestyle blocks is approximately 70-80, noting that at least one of these is advertised as a single property but is consented for 19 lots. NB. Not all of these will be in areas sought after by the market.

### 5.3. Lifestyle Demand

- + HPUDS 2010 projects that 10% of new dwellings will be rural and rural residential from 2015-2025, dropping to 5% for the remainder of the 30 year study period.
- + Analysis of both TLA consent data and in-house sales data indicates demand at approximately 90-100 lots per year over the study area for the 10 years prior to 2009, however demand has fallen since the GFC.
- + Demand since 2006 has seen an average 55 vacant lifestyle block sales per annum. While not all of these would be built on initially, with some resold as vacant, it suggests demand is approximately at this level.
- + Analysis of building consent data varies from the housing growth data projections.
- + Our best estimate of annual demand over the study period is based on our interpretation of the data available and is as follows:

TelferYoung Estimation of Demand					
			2015-2025	2026-2035	2036-2045
Projected Annual Demand for Lifestyle Lots			40-50	20--25	15-20
Total Demand			450	225	175

- + This is similar to our estimations in 2009. At that point we predicted 2015-2045 demand would be between 27 sites per annum with a possible higher end demand of 44 sites per annum. Additionally we predicted 50 sales per annum from 2009-2015 which appears approximately correct based on the average 55 sales recorded.
- + Demand for good quality lifestyle blocks will continue in spite of stable populations simply from a demand from people wanting to live in high quality modern housing.
- + We anticipate the greatest demand will be in the Havelock North Hills area, followed by Poraiti and Bay View and areas toward the coast and within the Tuki Tuki River valley.
- + Demand is often supply lead – sales will occur where land is available but market evidence suggests the highest prices and therefore highest demand is in Havelock North followed by Poraiti, then Bay View, and with a spread throughout other areas including the Tuki Tuki Valley, Waimarama, Maraekakaho.
- + Schooling and ability to access certain schools is an influencer on location preference.
- + Distance from urban facilities is a major factor however, there is also a trend for some more isolated and private situations, however these are likely to be only a small part of the market.
- + Affordability is an issue. Lifestyle “blocks” within close proximity to cities are generally in the upper medium to high price bracket and affordable to a more limited sector of the market.
- + If demand is higher than anticipated, prices will rise which will in turn have an impact and temper demand.
- + We anticipate a trend of lessening demand mainly from demographics with an aging population expected to lessen demand for lifestyle blocks, as access to amenities and services is needed.

- + Factoring in some easing in demand, it is likely demand will exceed supply over the study period but many factors around pricing will ultimately impact this.
- + If demand stayed at current levels, supply would be exhausted in the study period.

Total Surplus/Shortfall Identified Through Study Period				
Identified Supply				533
Low Demand Scenario	560	Surplus		-27
Expected Demand	850	Shortfall		242
Demand at Current Level	1350	Shortfall		742

- + As discussed, some of the shortfall will be met from larger sized residential developments e.g. Kaiapo.
- + We conclude supply and demand outcomes are sensitive to small variations in assumptions however to some extent market forces will balance supply. If there is insufficient supply of lifestyle blocks, prices will rise and demand will ease and likely vice versa. The balance will be met in the demand or lack thereof for residential sites.
- + Some demand for rural lifestyle use has been met by smaller orchard properties being purchased by non-operating owners, where the residence and surrounds are used for rural lifestyle purposes and the productive land leased out.

#### 5.4. Lifestyle Pricing and Market Analysis

- + The average lifestyle block selling prices were:

Average Prices Based on Analysis of Sales Data				
Year	2008	2009	2012	2015
Average Prices	\$ 300,000	\$ 319,500	\$ 285,000	\$ 337,000

- + The average vacant lifestyle block value is approximately 175% to 200% higher than the average residential section price.
- + Affordability issues will arise as in some cases the remaining land becomes more difficult and expensive to develop.
- + We anticipate an easing in demand going forward, but this unlikely to be as high as predicted from data analysis with buyer preference being for more modern developments.
- + Below is an approximation of current pricing levels for vacant sites:

Rural Lifestyle Market Analysis			
		Napier	Havelock North Hastings
Premium Sites		\$500,000 plus	\$750,000 plus
Desirable Locations Attractive Views		\$300 to \$400,000	\$300 to \$500,000
Desirable Locations Limited View		\$250 to \$300,000	\$250 to \$300,000
More Outlying Rural Locations		\$180 to \$225,000	\$180 to \$225,000



### **5.5. Lifestyle Market Trends**

- + There is an ongoing demand for good and high quality rural lifestyle and rural residential sites within close proximity to Napier and Hastings with these remaining popular.
- + There is a recent trend whereby the rural lifestyle section is developed as a smaller lot with a farm-park type common area for recreational purposes. Examples include Esk Hills, Esk Ridge, Parkhill Farm and Blackbarn. Essentially buyers want a large building platform, separation from neighbours, views, good services, limited extra land maintenance, no hobby farming.
- + Hobby farming will most likely be met from existing developed stock.
- + With a seeming acceptance for smaller rural lifestyle sites, consideration could be given to relaxing minimum site sizes in the rural lifestyle areas.
- + Outlying farm parks appear to be struggling and need a point of difference in order to sell.
- + There is low demand for vacant holdings in outlying locations.

### **5.6. Coastal Lifestyle**

- + There are limited opportunities for lifestyle development in true beachfront locations due to coastal erosion and potential rising sea level issues.



## 6.0 Deliverable C - Subdivision Preferences, Densities and Developers Survey

### 6.1. Summary of Key Findings

We have conducted a survey of sixteen developers active in the land subdivision market. We have received ten responses and our interpretation of these is now summarised:

- + In the current market, the most popular form of development from those surveyed is standard housing in greenfield developments. This is followed by in-fill developments with a small percentage in low end housing and multi-unit/ townhouse developments.
- + The new homes being built are within the \$325,000 to \$500,000 price bracket (construction costs).
- + Frimley, Brookvale and Parklands are the areas predominantly being targeted by developers with site areas from 500 square metres to 700 square metres appearing favourable.
- + In addition to the urban development the survey indicates some demand for rural and lifestyle sections with site areas from 2500 square metres to 10,000 square metres.
- + The key determinants in selecting a development are; the ability to complete in a timely fashion; profitability, meeting client needs; and; preferred development and realisation periods.
- + A high proportion of developers concentrate the majority of their business in the new, single dwelling housing markets, which are also the areas considered as having the highest market demand.
- + Havelock North was identified as being an area where the demand for housing is high, both currently and likely in the future.
- + It was identified that the attractiveness of an area is greatly enhanced by reputation. It is considered those areas renowned for being in a 'safe' community and with good schools are preferred locations. This was followed by wealth perception of an area and its future prospects.
- + From an aesthetic viewpoint, it was indicated that there was a demand for attractive streetscape and reserve outlooks.
- + The list of factors attributing to the unattractiveness of an area include cheap housing, reputation of surrounding suburbs, traffic volumes, proximity to industrial areas and orchard sprays and isolated communities where medical and other services are not easily accessible.
- + The main factors identified in making a dwelling attractive were price, condition and maintenance requirements whereas proximity to shops and commercial areas was not considered as 'critical'.
- + Variation of building design, good private outdoor living areas, low street fencing and modern behavioural covenants were other factors considered important when making a dwelling attractive.
- + In general, the majority of those surveyed indicated that they were open to more intensive forms of residential development providing that there was sufficient demand and a more flexible approach taken by the Council to accommodate developers and their requirements.

- + Advantages associated with higher density development included more affordable housing given that less land would be required per unit, less encroachment on productive land and improved economic utilisation of the land.
- + It was considered that development levies and client demand were the two main factors against building more intensively but the removal of average section size and multi-dwelling provisions, relaxed height restrictions and flexibility with road design were also cited.

## 7.0 Deliverable D – Other Areas of Investigation

This deliverable within of our Brief is covered under the following sections:

- 6.1 Summary of key findings
- 6.2 Competing land use analysis
- 6.3 Urban development adjacent to significant landscape areas
- 6.4 Influence of migration on demand levels
- 6.5 Influence of temporary workers and holiday accommodation on demand levels
- 6.6 Cluster housing
- 6.7 Acceptance of compact forms of living
- 6.8 Identify areas where limitations on soil productivity are apparent

### 7.1. Summary of Key Findings

- + There are competing rural and urban land demand issues on the Heretaunga Plains.
- + The less productive soil areas generally do not fit the more preferred areas of development.
- + Development on the hills adjacent the Heretaunga Plains would likely be well received, if close to urban facilities and not impacting on significant landscape areas.
- + Migration and temporary workers are unlikely to have a significant impact on future demand.
- + Cluster housing could be successful but generally would require a focal point of difference– e.g. golf courses.
- + More intensive forms of development have seen mixed degrees of market success and future developments of this type will be tempered by modest demand and will be more likely in high value locations.

### 7.2. Competing Land Uses Analysis

- + The continued growth of Napier and Hastings cities will require the rezoning of Rural and Plains zone land for urban use.
- + Some of the most suited land is of high fertility and agricultural worth.
- + Areas of less productive land are available for urban expansion but generally these do not fit in with the most preferable options from a development perspective and particularly the provision of services.
- + To cater for future growth, trade-offs will be required.
- + The recent Napier trend of apartment development encroaching into the older office building stock is unlikely to be a significant factor going forward.



- + Future expansion of the CBD in both cities is not predicted to be significant, with redevelopment of existing inner city housing for commercial use expected to continue at low levels.
- + The majority of the parcels that would appear to form natural extensions of the existing urban boundaries, out to physical features such as drains, water courses and the Regional Sports Park, involve highly fertile land, the rezoning of which would meet strong resistance.
- + Market and locational demand preferences are such that the lower priced subdivision options near Camberley and Flaxmere are likely to meet with strong developer resistance.

### **7.3. Urban Development Adjacent to Significant Landscape Areas**

- + Significant landscape areas are identified in the District Plans and development likely to impact on these seems to be well controlled.
- + It would appear generally accepted that these significant areas need continued protection.
- + Development of the hill areas of Napier, Havelock North and Hastings District should continue but significant ridgeline and landscape or amenity areas should be well separated from such development.
- + There is likely to be good demand for well located sites on elevated positions offering views.

### **7.4. Influence of Migration on Demand Levels**

- + Migration into the study area could have an impact on the demand for residential and lifestyle land. The future impact or extent of this is difficult to gauge.
- + Population growth is expected to be mainly the result of natural growth, not migration hence the reducing household growth projections.
- + Zero growth is forecast from migration with inflows expected to balance outflows.
- + Migration into New Zealand is expected to concentrate in the larger population centres and not in Hawkes Bay.
- + Migration gain from within New Zealand is expected to benefit Hawkes Bay but is likely to be offset by external migration loss.
- + This is one of the big unknowns going forward.

### **7.5. Influence of Temporary Workers and Holiday Homes on Demand Levels**

- + Around 12,000 temporary workers are employed in Hawkes Bay each year for seasonal work on a variety of crops.
- + The RSE scheme, where overseas workers supplement the local labour force, began in 2007 and has risen to over 3000 annual placements currently.
- + This scheme provides for employers to supply accommodation for workers over the period of their employment.



- + In recent years, some employers have utilised older motel accommodation, however this form of accommodation is becoming exhausted. Other employers are providing accommodation 'on site' at the places of work on horticultural properties, this being in the form of purpose built accommodation or temporary relocated workers accommodation.
- + It is considered that into the future, as worker numbers increase and there is a lack of older motel stock available, RSE worker accommodation will be concentrated 'on site' at the employers place of work rather than being in new greenfield subdivision type locations.
- + Seasonal worker enterprise's such as shearing contractors have also moved toward securing temporary worker accommodation by way of older motel accommodation, however these types of operations are seen as smaller than the RSE scheme.
- + Tourism accommodation properties are generally in inner city or main transport route situations with some exceptions being retreat/lodge type properties on existing rural sites.
- + Any new Tourism accommodation development is seen as directly competing with apartment type developments for available land and few new accommodation type properties are envisaged on Greenfield /fringe residential land.
- + The holiday home market is difficult to quantify with there being greater concentrations of these in the coastal localities.
- + The growth in this class of property is directly related to people seeking asset growth through capital gains. This in turn is a function of our taxation laws and the ability to offset property related losses against income from other sources, while this market component is seen as being relatively stable and unlikely to show any significant change proportionately.

## 7.6. Cluster Housing

- + Cluster housing is considered desirable and is generally focussed around a particular focal point such as:-
  - A Golf Course - There have been two proposals in Hawkes Bay, neither having materialised, with a number of golf course developments having occurred within New Zealand.
  - Water/Aquatic Park - Housing developments around a manmade lake, examples are Lake Hood – Ashburton and Pegasus Township at Woodend.
  - Racecourse - Such as the small pocket of housing in Market Street, Hastings with an outlook over the home straight for the Hawkes Bay Racing complex and additionally has the benefit of pleasant outlook across open areas when racing is not in progress.
  - Motor Racing Tracks - Hampton Downs – Meremere development which has 80 privately owned apartments on site.
  - Canal Housing - This is prominent in Whitianga, Pauanui and north of Auckland.
- + Cluster housing has also been successful when combined with a security gated community.
  - Blackbarn Road – involving a high quality development around a small golf course, tennis courts, pavilion along with communal vineyard and further plantings this also relying on the gated nature of the development to enhance exclusivity and desirability.
  - Louie/Howard Street involving 47 sections developed on the former Hawkes Bay Electric Power Board site and geared toward older occupiers.



- + This form of development can offer benefits from the concentration of services in one particular locality, this resulting in lower development costs.
- + Cluster housing is expected to remain an option for new development on the Heretaunga Plains, but is not expected to be a large contributor of sites. Should a substantial development around a golf course or water park situation eventuate, this is likely to meet with good demand.

### **7.7. Acceptance of Compact Living Forms.**

- + Demand for sites suitable for family living are mostly in the 600 sqm and above size, this being sufficient size to being able to accommodate a new dwelling of 180 to 250 sqm floor area. There is significant market preference away from two level residential development, with most modern subdivisions covenanting to require a single storey dwelling.
- + There was unprecedented apartment development within Napier in the 2003-2008 period, this resulting in development along the Ahuriri foreshore areas, a large development on the Hill and some apartment conversion development of office buildings within central Napier.
- + Around 300 new apartments were developed, with much of the demand driven by speculation rather than by an accommodation need. This resulted in significant oversupply.
- + A significant downward realignment of prices has occurred and the current oversupply could take 5-10 years to balance.
- + The leasehold tenure associated with some of the developments has exacerbated matters due to increased awareness of leasehold issues highlighted as market conditions have tightened.
- + Only very limited apartment development has occurred in Havelock North and there has been none of significance within Hastings.
- + Apartment development has tended to occur in conjunction with significant views and for this reason has primarily centred in the Ahuriri area, due to the availability of suitable land.
- + Intensive or compact forms of living are likely to be limited to smaller scale townhouse or gated community developments within Havelock North and Hastings in the foreseeable future, while in Napier the existing oversupply will most likely prevent any new apartment developments for some period of time, due to lack of profitability.
- + Recent developments of townhouses have been aimed more at the upper end of the market. While these may be easier to sell than apartments currently, the oversupply of apartments will impact on this market sector.
- + Retirement villages will offer an alternative form of compact living, for which there appears to be good market acceptance targeted at the upper medium to higher income socio economic groups.

## 7.8. Identify Areas Where Limitations on Soil Productivity are Apparent

- + There is a significant area of lower productive soils between Portsmouth Road, Ngatarawa Road, State Highway 50 and Stock Road.
- + The predominant soil type in this locality is the Paki Paki Pumice Series (classes 7 and 8).
- + Urban development could be centred around the two established Golf courses and utilise land occupied by some of the poorer soils while being within close proximity to existing infrastructure.
- + It is estimated that there are some 985 hectares of land from the western end of Flaxmere through to Ngatarawa Road on the western boundary and Stock Road on the eastern boundary, excluding the two existing golf courses and Bridge Pa aerodrome.
- + Issues will arise from the aerodrome, and there will likely be market resistance of development in the area, though it may meet lower medium priced housing needs.
- + Additional options exist south of Havelock North towards Paki Paki, but again market acceptance of these areas may not be good.
- + The land south of Awatoto Road in the McLeod Road area is of low productive value, but is close to an industrial area and may be better suited for such use.
- + The soils on Lagoon Farm, and Landcorp Farm are also of low productivity but their low lying nature may prevent development and airport issues would come into play.

Yours faithfully  
**TelferYoung (Hawkes Bay) Limited**

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## **Attachment A Hastings District Residential Stock Analysis**

## Hastings District Residential Section Stock Analysis December 2016

Subdivision	Type	No. of Sites	Total Available Sites	Site Price Bracket	Indicative Timing	Comment
<b>Residential Subdivisions- Existing Stock</b>						
Arataki	Residential	76	104	Upper medium	Current	Vacant sites in developed subdivision. Additional sites available identified in greenfields data 31/12/2015.
	Residential	28		Upper medium	Current	
Lyndhurst- stage 1	Residential	15	98	Medium	Current	Developed subdivision with a small number of remaining sites. * These sites include 66 sites associated with proposed retirement village.
	Residential	83*		Medium	Current	
Williams St- Northwood	Residential	20	121	Medium	Current	Vacant sites in developed subdivision, commenced 2003/ 04 and in later stages. Additional sites still to be developed as identified in greenfields data 31/12/2015.
Williams St- Northwood	Residential	101		Medium	Current	
<b>Consented Existing Available Sites 323</b>						
<b>Residential Subdivisions- Potential Stock</b>						
Lyndhurst- stage 2	Residential		270	Medium	2019-2029	Requires a review of the Structure Plan to address stormwater issues. This has been made a priority with LTP including servicing investment 2015/16. Deferred zone would then be uplifted.
Lyndhurst Extension			230	Medium	2024-2034	Likely to be programmed for 2022-25.
Middle / Iona Road Residential	Residential	90		Medium	2018-2021	The Iona Road options have been identified as needing advancing due to the issues affecting the Arataki Extension. Reynolds Road land already zoned Residential but not serviced. Option to develop first.
Balance Iona Road Triangle	Residential	69	159	Medium	2021-2026	Balance of land - rezoning and services required.
Southern Havelock Hills	Residential	49	169	Upper Higher	2021-2026	Land to Iona Road frontage, east of triangle block and part of larger hill block. Assumed average density of 2,500m2 each.
Havelock North Hills- Lower Lifestyle	Lifestyle	77		Higher	2021-2030	
Havelock North Hills- Upper	Lifestyle	43		Higher	2021-2030	
Brookvale	Residential		270	Medium	2018-25	Possible fragmented subdivision option to replace Arataki extension. No structure Plan, zone change of Regional Policy Statement change as yet.
Kaiaipo Road	Low density residential		350	Lower to medium	2021-2026	A low density residential greenfields alternative. Structure planning likely to be more difficult due to drainage constraints, the number of owners and staging issues. Unlikely to be needed until 2021-26.
Howard Street			80	Medium	2021-2026	Smaller potential subdivision able to be developed along side Kaipō or Copeland Road if there is the need for a better market mix.
Flaxmere			86		2021-2031	Location and price bracket is not attractive to developers. The vacant sites in northern Flaxmere exclude 16 sites on Wilkie Place zoned deferred industrial. Additional land has been identified for more intensive development. Existing stock seen as likely to satisfy demand until around 2031.
Arataki Extension			150		Unknown	Excludes proposed school site. This extension is no longer available within the timeframes under which allowed for infrastructure spending in 2016/17. Odour issues have and will continue to delay this option.
Irongate - Flaxmere East			270	Lower	Unknown	Longer term subdivision option. Location and price bracket is not attractive to developers.
Murdoch Copeland Road			230	Lower to medium	2026-36	identifies as a lower priced option for development in 2026-36.
Te Awanga			130	Medium	Unknown	The Haumoana/ Te Awanga Structure Plan was put on hold due to coastal erosion issues. No funding provided in LTP at this stage- Coastal Hazards Strategy and Cape Coast Master Planning requires completion first.
			<b>Potential Identified Additional Sites 2394</b>			
			<b>Total Hastings Greenfields Sites 2717</b>			





**Attachment B**  
**Napier City Residential Stock Analysis**

## Napier City Council Residential Section Stock January 2016

Subdivision	Type	No. of Sites	Available Sites	Site Price Bracket	Indicative Timing	Comment
<b>Residential Subdivisions- Existing Stock</b>						
Parklands	Residential	35	344	Medium	Current	Consented sites available
	Residential	309		Medium	Current	Two stages of development to complete- Concept Plan but not yet consented. 219 + 90 sites.
Te Awa Estate	Residential	166	166	Medium	Current	Consented portion of subdivision
Napier Hospital- Stage 1	Residential	5	5	Upper	Current	Larger vacant sites.
Mer Place	Residential	7	7	Upper medium	Current	Developed 13 lot subdivision. 7 sites vacant.
Silverhills	Residential	33	33	Upper	2016/17 start	Consented subdivision with mix of section sizes fro 760m2 to 2500m2. Development not yet commenced.
15 Franklin Road/ Rogers Road	Residential	6	6			Larger self serviced lots- Scheme Plan approved.
			<b>561</b>			
<b>Residential Subdivisions- Potential Stock</b>						
Te Awa Estate Balance	Residential		663		2021 - 2030	Non consented portion. Market feedback is that development costs are too high. Larger lot sizes with on-site servicing being considered. Future yield therefore uncertain.
Hukurere School Site	Residential		9	Upper medium	2021 - 2025	Consent obtained for 9 sites, 7 are easily serviceable and 2 may be difficult to develop. Yield based on easily accessed land only.
Marist Heights	Residential		350	Upper medium	2021 - 2030	Zoning in place and no real impedement to development. Review of development options over larger land area being considered currently. The potential site yield could be considerably higher, including lifestyle sites.
Park Island	Residential		170	Medium	2021 - 2025	Structure Plan, Zone and Concept Plan in place. Land banked for Treaty claim but development likely to be advanced.
Napier Hospital- Stage 2	Residential	6	26	Upper	2021 - 2030	Proposed apartments in Arohaina. Currently on hold.
Napier Hospital- Stage 3	Residential	21	27	Upper medium		Proposed dwellings.
Napier Hospital- Two Tower Blocks			36	Upper medium		Terraced houses. Proposed tower block apartments.
Riverbend Road	Residential		250	Low	Unknown	Longer term development option. While in HPUDS, rezoning and Structure Plan required. Not currently justified due to low interest in the lower priced section market.
Willowbank Rd (The Loop)	Residential		350	Low	Unknown	Longer term development option. While in HPUDS, rezoning and Structure Plan required. Not currently justified due to low interest in the lower priced section market.
Bayview Coastal	Residential		90	Medium	Unknown	Longer term development option. While in HPUDS, rezoning and Structure Plan required.
			<b>1971</b>			
			<b>2532</b>			
			<b>Potential Identified Additional Sites</b>			
			<b>Total Napier Greenfields Sites</b>			