



HASTINGS & NAPIER URBAN AREA

Housing and Business Market Indicator Monitoring

Quarterly Report to 30 June 2019

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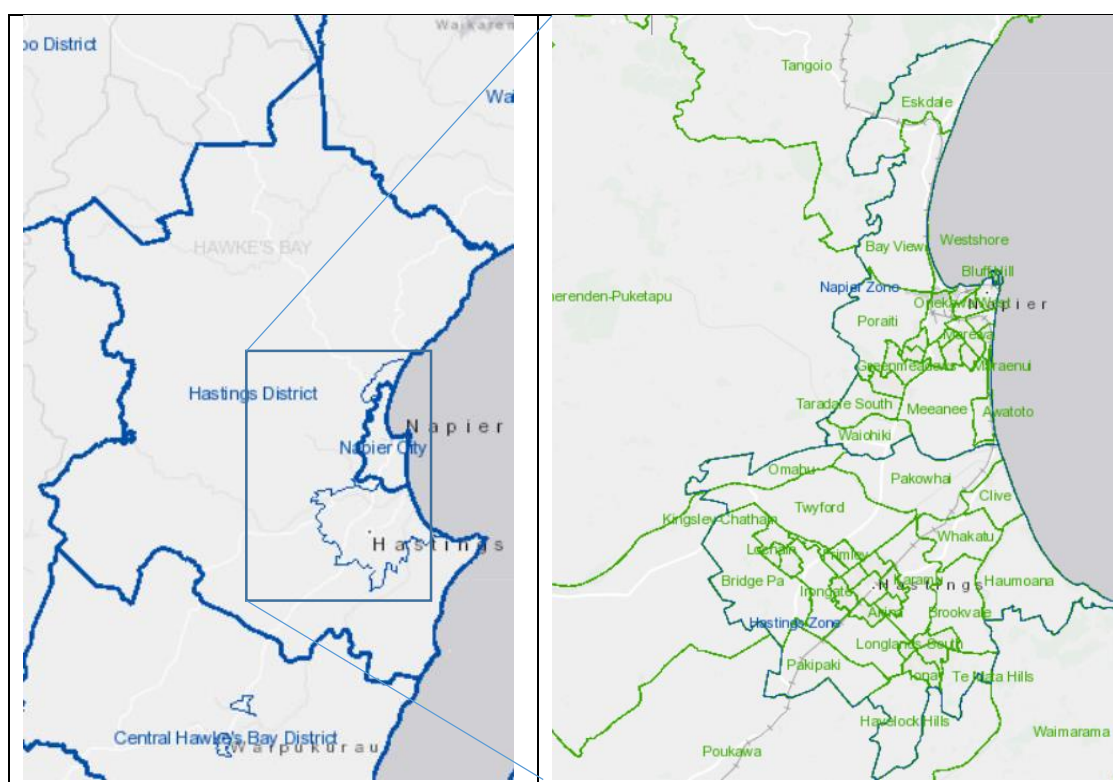
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1. ABOUT THIS REPORT

- 1.1. This report has been prepared by the Hastings District, Napier City and Hawke's Bay Regional Councils (the Partner Councils). It provides a quarterly update of the Napier Hastings property market using a selection of housing and business indicators to meet the monitoring requirements of the government's National Policy Statement on Urban Development Capacity (NPSUDC).
- 1.2. Previously, the partner councils prepared a baseline report¹ of housing and business market trends across a range of variables up to December 2017 (or 2016 in some cases depending on the time series data availability). The intervening three quarterly reports culminated in an annual updated version of the earlier baseline report as at 31 December 2018.
- 1.3. This report is the second of the intervening quarterly reports for 2019. The data used for this quarterly report has been drawn from a number of sources and therefore some of it is reported for the combined Napier Hastings Territorial Areas and some for the Napier Hastings Urban Area, or in rare cases, for the Hawke's Bay region as a whole, depending upon the sources and data collection methods. For further information on the nature of these reports see the 2017 Baseline Report.
- 1.4. **Figure 1** overleaf shows the boundary of the Napier Hastings Main Urban Area in relation to the census area units incorporated within it.

Figure 1: Napier-Hastings Urban Areas as defined by StatsNZ



(Source StatsNZ)

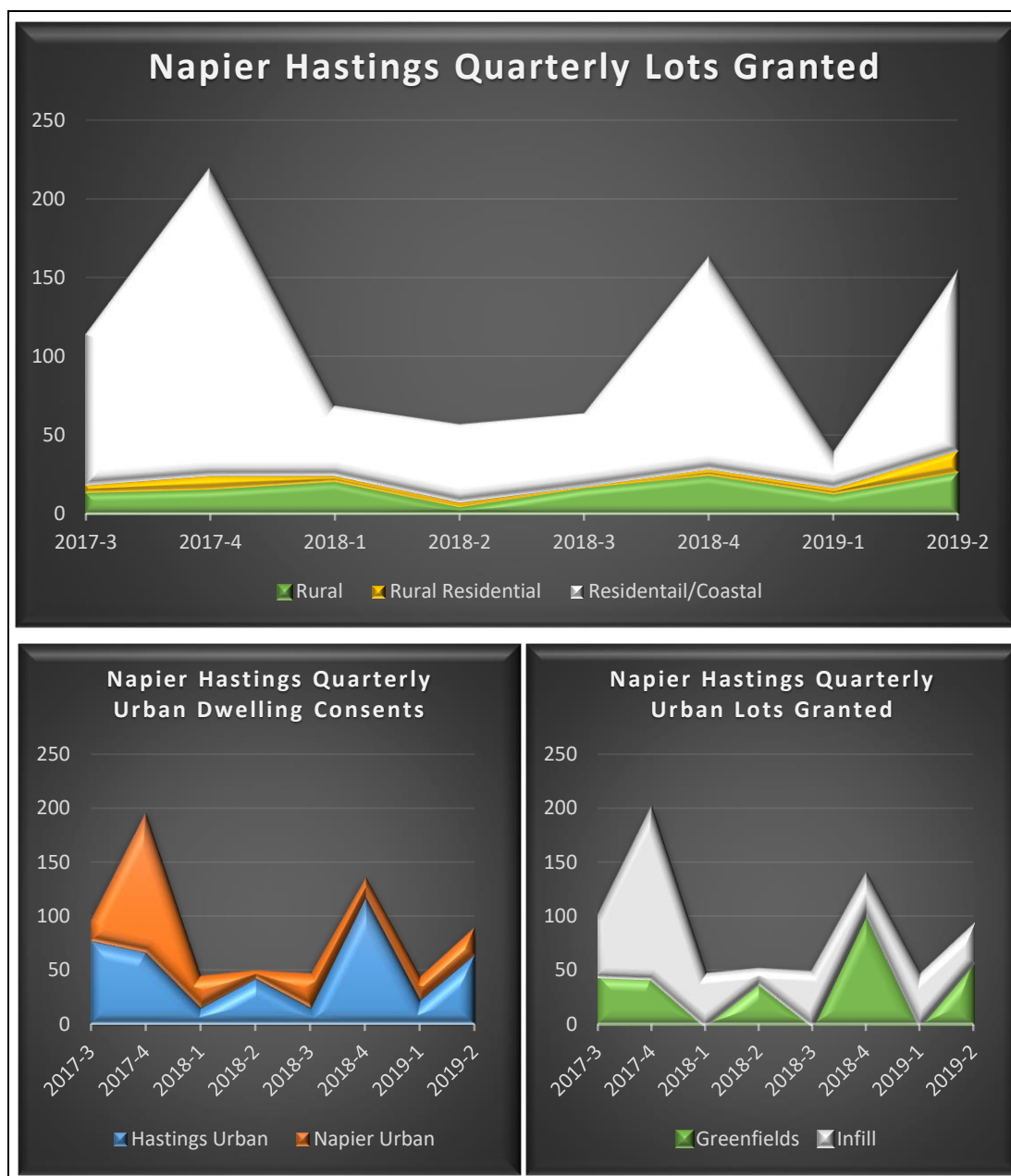
- 1.5. Appendix 1 presents a map to illustrate the location of place names frequently mentioned in this report.

¹Hastings and Napier Urban Area Housing and Business Market Indicator Monitoring Baseline Report to 31 December 2017.

2. RESIDENTIAL LAND CAPACITY

- 2.1. **Figure 2** shows the estimated number of new lots consented each quarter over the last two years, with the urban lots broken down by Napier and Hastings and by infill and greenfields subdivision.

Figure 2: Napier Hastings Quarterly Lots Granted Last Two Years



(Source NCC and HDC)

- 2.2. A spike in infill urban lots created in Napier in the last quarter of 2017 was due to two large infill subdivisions in Guppy Road Napier. These had previously been in long standing market garden use.
- 2.3. The spike at the end of 2018 in Hastings for greenfield lots is related to a large block of land in Lyndhurst Stage 2 being released following completion of bulk services connections, while the second quarter of 2019 saw the consenting of a new block at Clive backing on to Muddy Creek.
- 2.4. **Table 1** sets out the remaining vacant residential lot capacity within greenfields areas as at the end of June 2019 after allowing for building consents issued over the last quarter. It estimates the number of subdivided lots available for, but not yet built on, and the estimated

capacity of larger zoned areas serviced with bulk infrastructure that have yet to be subdivided. Overall unbuilt current lot capacity (balance lots) has increased by 71 lots to 132.

- 2.5. The stock of current lots has increased with releases at Arataki, Northwood and Te Awa, but is still fairly modest, representing around 80% of a typical year of greenfields building activity. There remains however, considerable zoned capacity available for development², of which 166 lots in Napier and 103 in Hastings have been granted resource consents as at the end of June, but for which physical construction has not been completed ready for issuing of new titles.

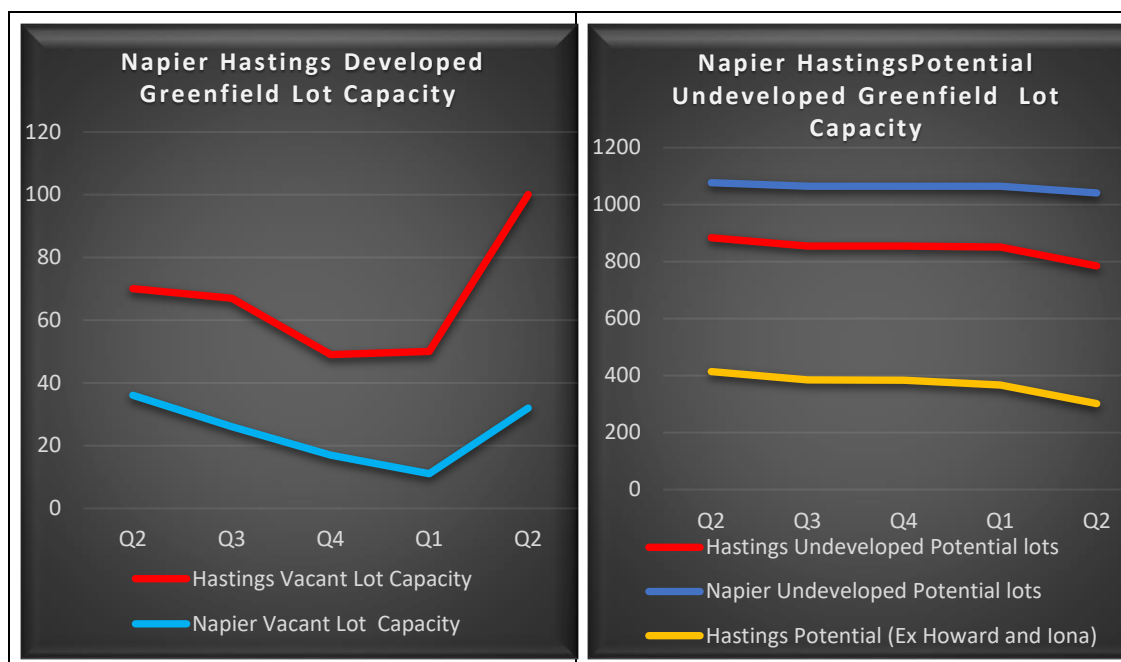
Table 1: Quarterly Greenfield Residential Land Uptake 30 June 2019

30-Jun-2019 Area	Unbuilt Lot Capacity 31-Mar	New Lots Created this Quarter	Building Consents Granted	Balance lots	Lots yet to be Created	Total Remaining Capacity
Arataki	22	34	5	51	3	54
Lyndhurst Stage 1	4			4	12	16
Lyndhurst Lifestyle Village	0	0		0	0	0
Lyndhurst Stage 2	19		6	13	248	261
Northwood	5	31	4	32	53	85
Parklands	8	0	0	8	156	164
Te Awa	3	24	3	24	973	997
Total	61	89	18	132	1445	1577

- 2.6. There is increasing market interest in development options within Te Awa. A 48 lot subdivision in Stage 2 of the Te Awa Structure Plan Area has been applied for but is currently on hold while servicing options for the sites are agreed with Council. A separate resource consent application has also been lodged for another site within Te Awa involving approximately 180 lots but is likely to be publicly notified due to concerns about being a gated community with a body corporate providing and maintaining infrastructure. Additionally NCC has changed the process for selling land in Parklands in an effort to create diversity in the form of housing typology being supplied in this area. The market may take a while to adjust to this offering especially understanding the new associated profit risk assessment compared to the long established homogenous style of house supply.

² A Retirement Village complex comprising 241 units, 43 care beds and 56 assisted living sites has been granted consent for part of remaining stages of Te Awa, leaving potential for 733 residential sections. Total remaining dwelling capacity at Te Awa has therefore increased from 909 to 997 to account for the retirement units, but not the assisted living and care beds.

Figure 3: Quarterly Changes in Greenfield Residential Capacity 2018-2019



(Source HDC and NCC)

- 2.7. **Table 2** shows the currently zoned section capacity, plus capacity planned to be provided through rezoning and infrastructure provision over the next two years and the total remaining capacity of land identified in HPUDS for future development. The currently zoned capacity includes Park Island, which is subject to Treaty Settlement processes of an estimated 170 lots. It also includes an adjustment for previously underestimated capacity in approximately 17 lots, mostly due to changed assumptions at Arataki, plus the extra yield at Te Awa likely to be generated by the proposed retirement village referred to in footnote 2. Flaxmere West's Wainakau development of approximately 80 units has also been added to the medium term supply. Based on the ten year average greenfields building rate, the current supply of zoned land is likely to be sufficient for ten years, while the remaining capacity is expected to last around 35 years.

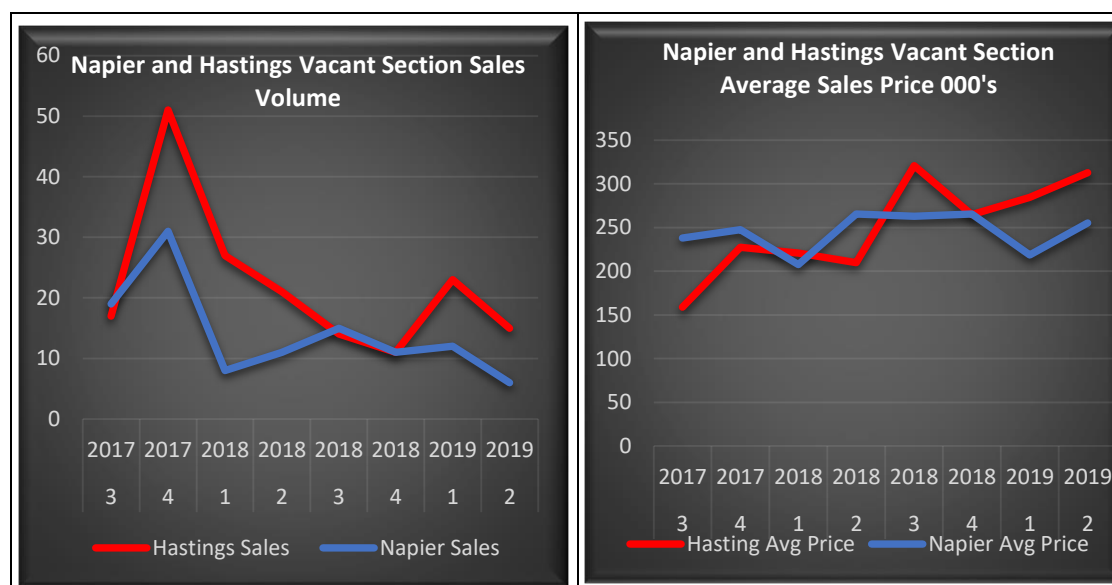
Table 2: Changes in Current and Planned Residential Section Capacity

Areas	Change from Last Quarter	Available Capacity
Currently Zoned	+88	1748
Planned Over Next Two Years	+80	1380
Remaining HPUDS Areas	No Change	2635
Grand Total	+168	5763

3. LAND PRICES /SALES

- 3.1. **Figure 4** shows Hastings and Napier vacant section sales and median price points. There is likely to be some under-reporting of the last two quarters due to delays in sales notifications. Sales volumes have fluctuated, probably due to the lumpy nature of greenfields land supply releases. Releases in the last quarter at Lyndhurst and Te Awa may see a resurgence in sales notifications in the next quarter. Meanwhile prices continue to rise despite overall reduced sales and strengthening of land supply over the last 18 months.

Figure 4: Napier and Hastings Vacant Residential, Quarterly Section Sales Volume and Prices Last Two Years

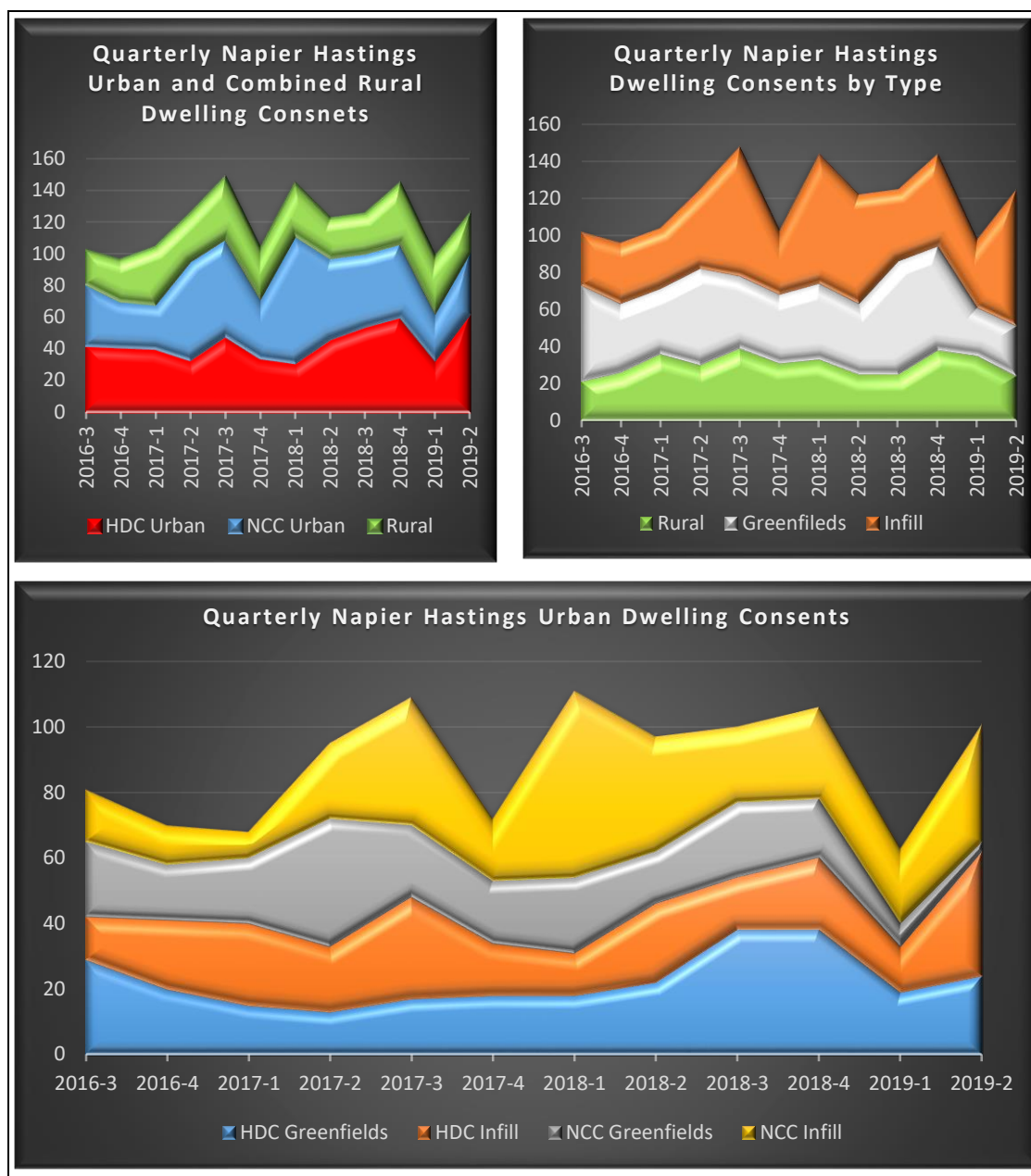


(Source Logan Stone Valuers 2018)

4. BUILDING ACTIVITY

- 4.1. Building consent data in **Figure 5** shows a rebound in activity after a drop in the last quarter, following sustained greenfields land supply releases through 2018 drying up ahead of the next staged releases in 2019. This may see renewed greenfields building activity in the next two quarters.
- 4.2. Levels of infill in Napier increased with the Guppy Road subdivisions becoming available to the market, but there has also been a significant increase in infill in Hastings. The latter is due to further retirement unit development at Goddard Lane (Mary-Doyle) and a Housing New Zealand redevelopment in Raureka (involving previous demolition of older stock from 2011 to 2018, but at greater densities). Both greenfields and rural dwelling activity appears to have plateaued for now, but overall activity has increased with these infill developments.

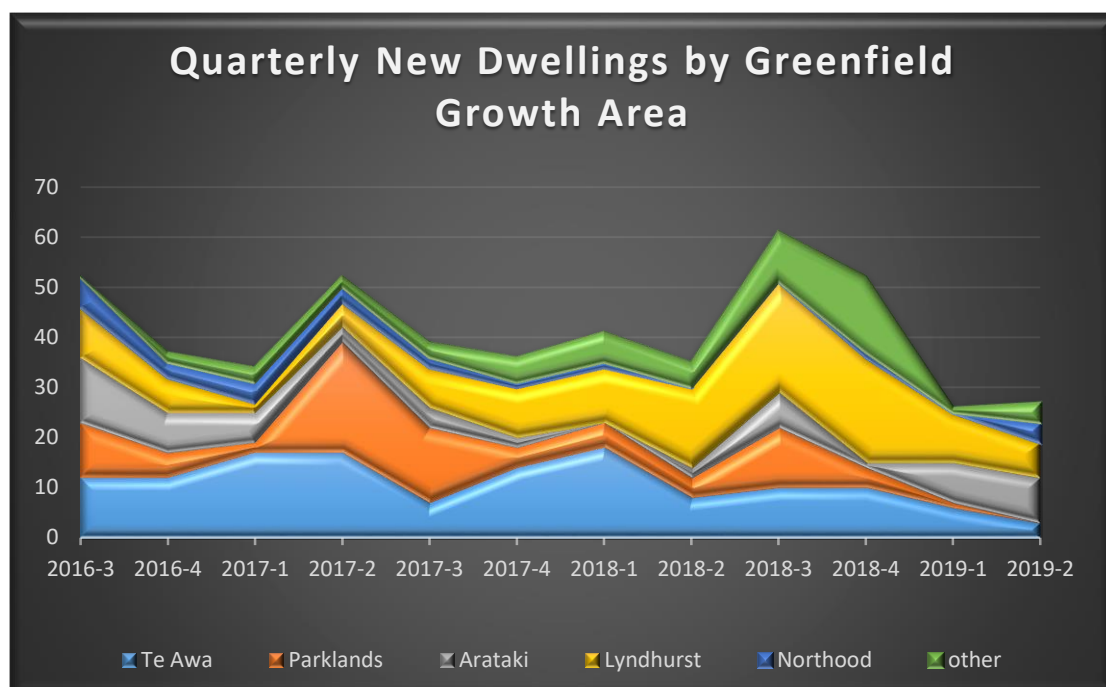
Figure 5: Napier Hastings Quarterly New Dwelling Consents 2016-2019



(Source HDC and NCC)

- 4.3. **Figure 6** indicates that greenfields activity has slowed as the Lyndhurst section releases filled up and greenfield supply in Napier reached current capacity, pending the completion of the next stages of the Parklands and Te Awa developments. Only Arataki showed improvement as the last of the sections there have been released. It is recognised that continually progressing greenfield subdivisions to ensure supply continuity is important, while accepting that by their nature they occur in stages and therefore creates waves of development in markets the size of Napier/Hastings.

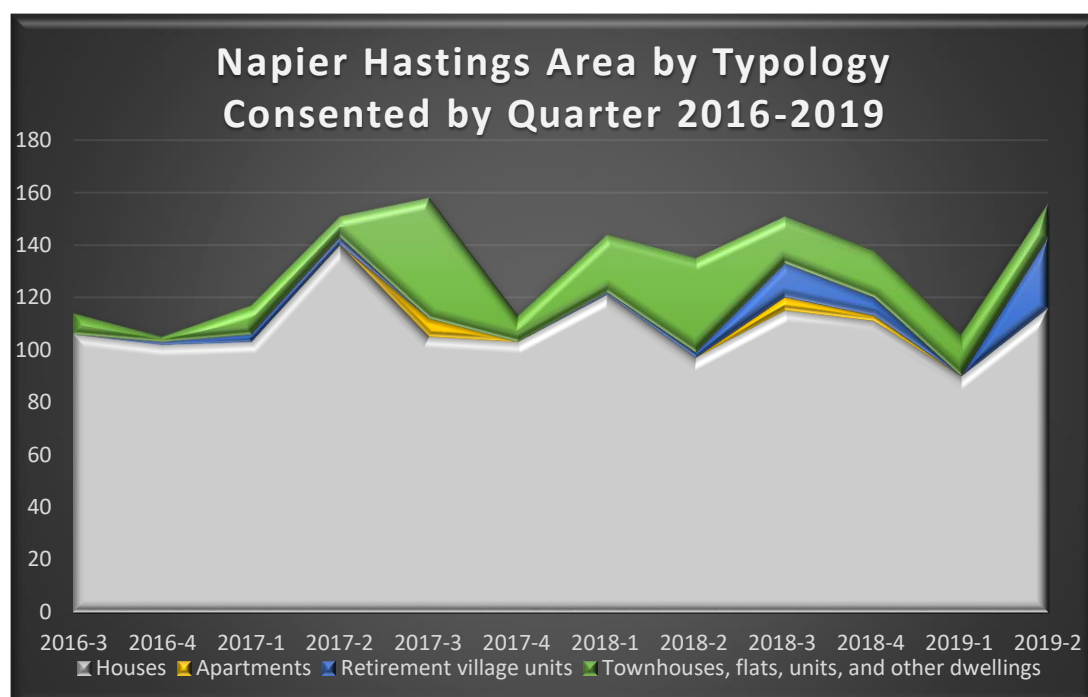
Figure 6: Napier Hastings New Dwelling Consents 2016-2019 by Location



(Source HDC and NCC)

- 4.4. **Figure 7** shows a continuation of the market preference for detached dwelling formats. There were some signs of increasing diversity of housing typology through the middle of 2017 to 2018, probably due to semi-detached units being incorporated into the Frimley Lifestyle Village and Housing New Zealand development. There are also a number of retirement villages in the pipeline and the Goddard Lane (Mary Doyle) are evident in the last quarter.

Figure 7: Napier Hastings Quarterly New Dwelling Consents 2016 -2019 by Housing Typology

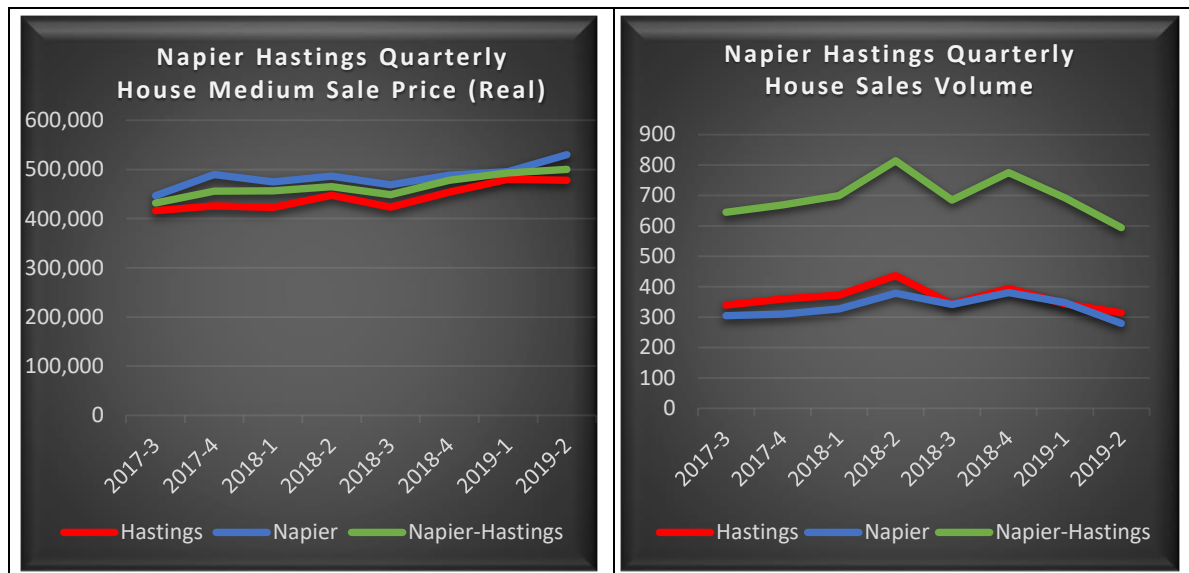


(Source StatsNZ)

5. HOUSE PRICES /SALES ACTIVITY

- 5.1. **Figure 8** presents the median sales price and sales volume for Napier and Hastings per quarter for the past two years. Sales volumes have plateaued over the first two quarters of 2019 after peaking in the last quarter of 2018. Prices however, remain on an upward track, despite increased actual and pending greenfields land supply.

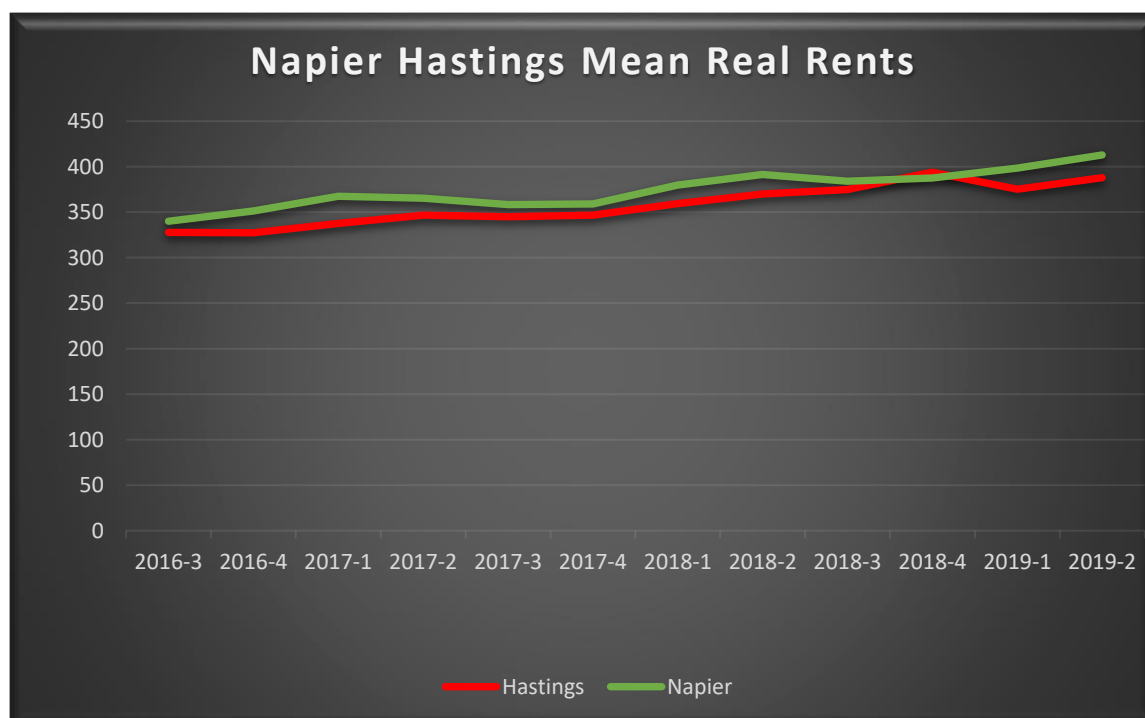
Figure 8: Napier Hastings Quarterly House Sales Volume and Prices



(Source MBIE)

- 5.2. **Figure 9** shows an accompanying increases in weekly rents from 2016 to 2019 particularly in Hastings during the last half of 2018.

Figure 9: Napier Hastings Quarterly Average Rental Movements 2016-2019

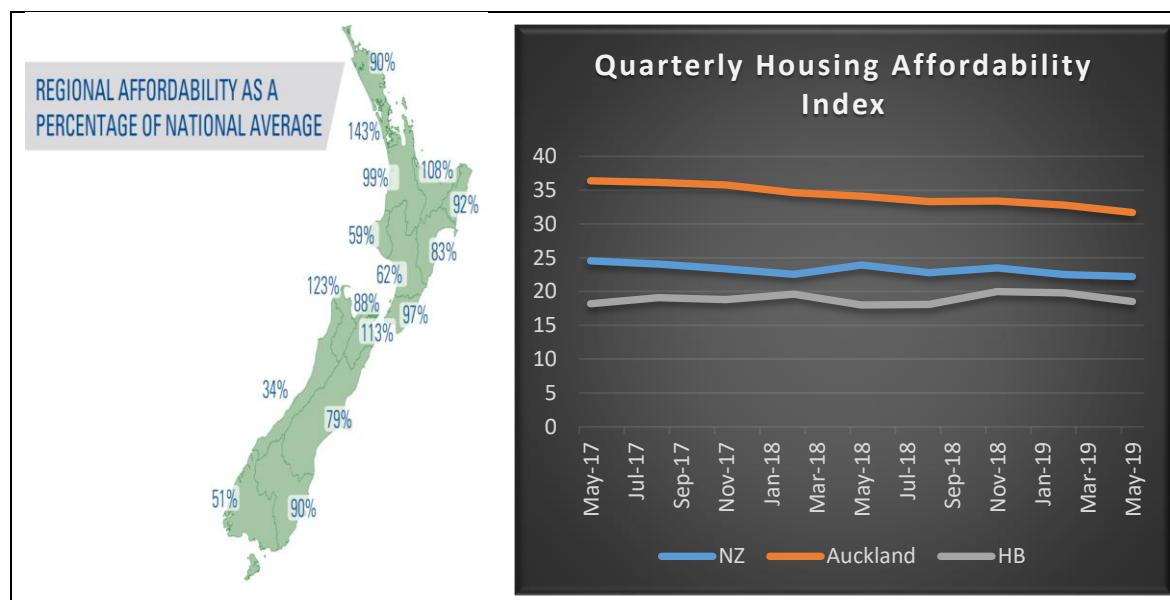


(Source MBIE)

6. HOUSING AFFORDABILITY

- 6.1. **Figure 10** shows the housing affordability quarterly track using the Massey University index for Hawke's Bay relative to Auckland and New Zealand from 2017 to March 2019. **Table 3** compares Hawke's Bay with the other New Zealand regions since 2017. A slight trend of decreasing housing affordability for Hawke's Bay from around mid-2018 was against the national trend, but has eased slightly over the last quarter.

Figure 10: Hawke's Bay Massey University Quarterly Housing Affordability Index 2016-2018



(Source Massey University)

Table 3 Massey University Home Affordability Index Regional Comparison February 2017-February 2019

HOME AFFORDABILITY INDEX				PERCENTAGE CHANGE IN HOME AFFORDABILITY IN THE LAST 12 MONTHS		PERCENTAGE CHANGE IN HOME AFFORDABILITY IN THE LAST 3 MONTHS	
Region	May 2018	February 2019	May 2019	Improvement	Decline	Improvement	Decline
Northland	22.5	22.6	20.0	11.0%		11.6%	
Auckland	34.0	32.8	31.7	6.9%		3.3%	
Waikato	22.8	22.8	22.1	3.1%		3.0%	
Bay of Plenty	26.4	24.5	24.0	8.9%		1.9%	
Gisborne	14.1	18.2	20.4		44.1%		11.7%
Hawke's Bay	19.3	19.8	18.5	4.5%		6.9%	
Manawatu/Whanganui	13.7	15.0	13.9		1.2%	7.6%	
Taranaki	13.6	14.0	13.1	4.1%		6.6%	
Wellington	22.0	23.5	21.6	2.0%		8.2%	
Tasman	29.7	27.2	27.4	7.9%			0.5%
Nelson	22.6	24.8	25.1		11.0%		1.3%
Marlborough	21.2	20.2	19.5	7.8%		3.6%	
West Coast	9.7	8.2	7.5	22.5%		8.6%	
Canterbury	19.1	18.5	17.6	7.9%		5.1%	
Otago	20.3	20.1	20.0	1.8%		0.6%	
Southland	10.9	12.4	11.4		4.1%	8.1%	
All Regions	23.5	22.5	22.2	5.4%		1.2%	

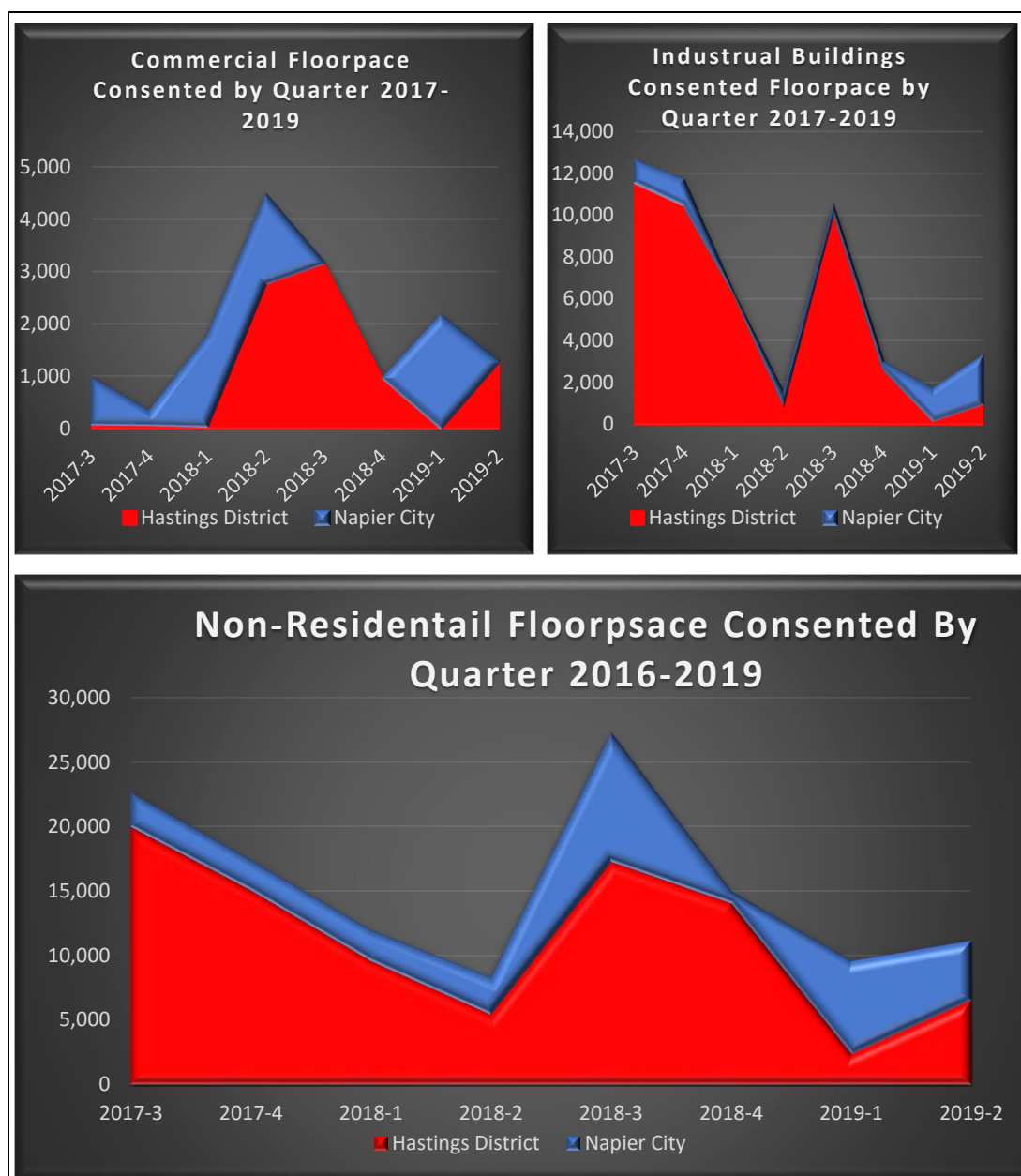
(Source Massey University)

- 6.2. Hawke's Bay's position relative to other regions over this period however improved to 6th from 7th most affordable region as some regions improved and some regions declined over the last three months.

7. BUSINESS BUILDING ACTIVITY

- 7.1. The lumpy nature of business land development is highlighted in quarterly building consents for commercial, industrial and total non-residential building floorspace consents as shown in **Figure 11**. Overall business consent activity has been relatively subdued over the last two quarters following some larger projects being consented through the middle of last year.

Figure 11: Napier Hastings Quarterly Commercial Industrial and Total Non-Residential Floorspace m2 consented last two years



(Source StatsNZ)

- 7.2. A rolling average of consented value in **Figure 12** helps to smooth out these spikes. This indicates a significant drop in the value of commercial consents over the previous six months, after peaking with the airport expansion and new Hastings Police Headquarters. It may also potentially indicate the end of the new construction following the introduction of the uprated seismic code. The value of industrial consents also softened again over the last quarter, which is notable against a trend of having remained reasonably strong since the beginning of 2015.

Although this is a concern the projected growth of the pip fruit sectors and associated industries provides for an optimistic outlook.

Figure 12: Napier Hastings Industrial Consented Building Value last 15 Years

