



HASTINGS & NAPIER URBAN AREA

Housing and Business Market Indicator Monitoring

Quarterly Report to 31 March 2020

CONTENTS

| | | |
|----|------------------------------------|----|
| 1. | About This Report | 3 |
| 2. | Residential Land Capacity | 4 |
| 3. | Land Prices /Sales | 6 |
| 4. | Building Activity | 7 |
| 5. | House Prices /Sales Activity | 9 |
| 6. | Housing Affordability | 11 |
| 7. | Business Building Activity | 12 |

TABLE OF FIGURES

| | | |
|------------|--|----|
| Figure 1: | Napier-Hastings Urban Areas as defined by StatsNZ | 3 |
| Figure 2: | Napier Hastings Quarterly Lots Granted Last Two Years | 4 |
| Figure 3: | Quarterly Changes in Greenfield Residential Capacity 2018-2020 | 5 |
| Figure 4: | Napier and Hastings Vacant Residential, Quarterly Section Sales Volume and Prices Last Two Years | 6 |
| Figure 5: | Napier Hastings Quarterly New Dwelling Consents 2016-2019 | 7 |
| Figure 6: | Napier Hastings New Dwelling Consents 2016-2019 by Location | 8 |
| Figure 7: | Lot Supply and New Dwelling Demand 2015-2020 | 9 |
| Figure 8: | Napier Hastings Quarterly House Sales Volume and Prices | 10 |
| Figure 9: | Napier Hastings Quarterly Average Rental Movements 2016-2019 | 10 |
| Figure 10: | Hawke's Bay Massey University Quarterly Housing Affordability Index 2016-2019 | 11 |
| Figure 11: | Napier Hastings Quarterly Commercial Industrial and Total Non-Residential Floorspace m2 consented last two years | 12 |

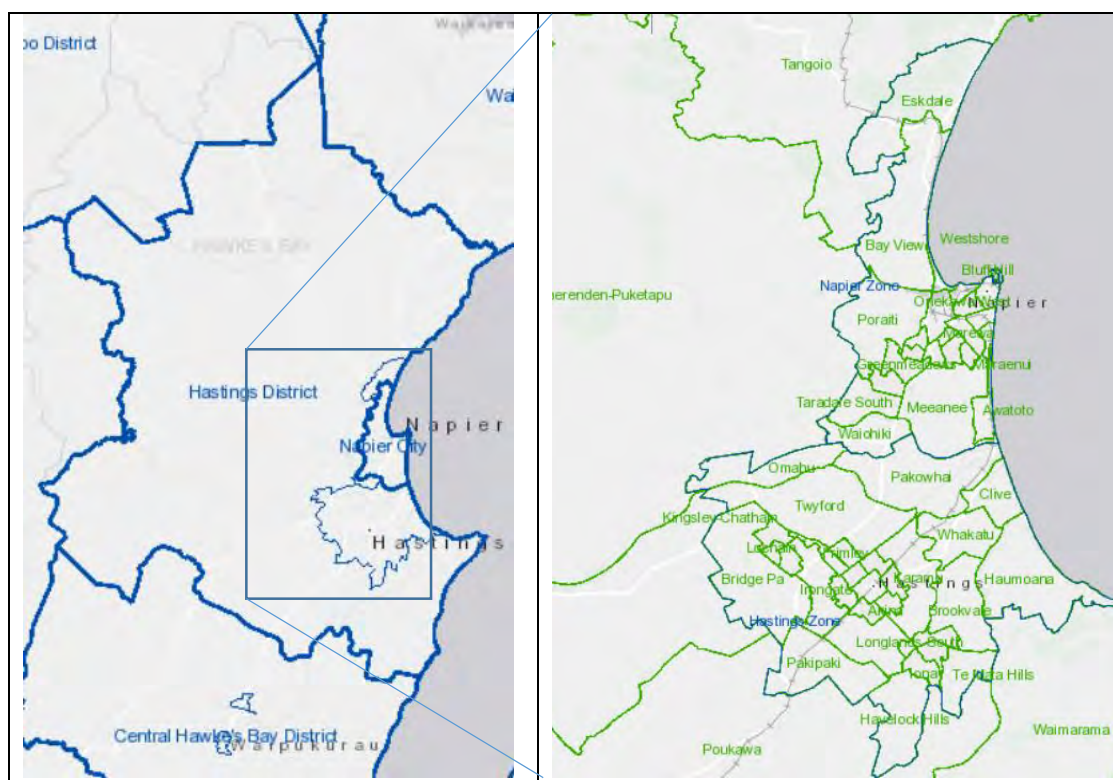
LIST OF TABLES

| | | |
|----------|---|----|
| Table 1: | Quarterly Greenfield Residential Land Uptake 31 March 2019 | 5 |
| Table 2: | Changes in Current and Planned Residential Section Capacity..... | 6 |
| Table 3 | Massey University Home Affordability Index Regional Comparison February 2017-February 2019..... | 11 |

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 and subsequently again in 2019.
- 1.3. This report is the first of the intervening quarterly reports for 2020. 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** below 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)

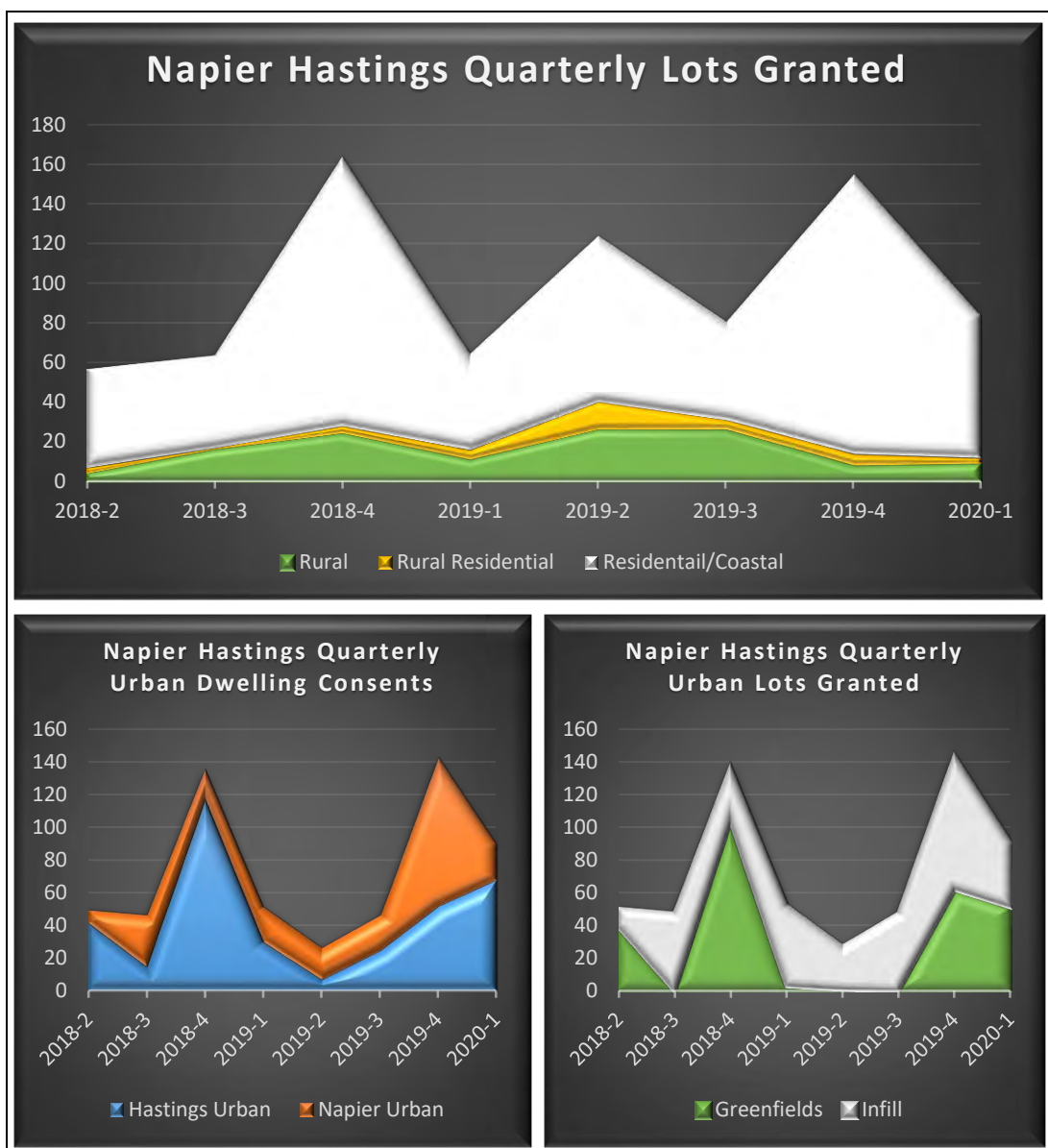
- 1.5. Appendix 1 presents a map to illustrate the location of place names frequently mentioned in this report.

¹Hastings and Napier Urban Area Housing and Business Market Indicator Monitoring Baseline Reports to 31 December 2017, 2018, 2019.

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. The fourth quarter of 2019 saw the consenting of a new block at Te Awa and the final stage of the Guppy Road infill developments, while in Hastings a further Lyndhurst Stage coincided with the HDC's infill subdivision in Tarbet Street Flaxmere. The first quarter of 2020 saw a larger subdivision consented in Arbuckle Road, Lyndhurst.
- 2.3. **Table 1** sets out the remaining vacant residential lot capacity within greenfields areas as at the end of March 2020 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 reduced by 41 lots to 262 with only a small section release at Lyndhurst.
- 2.4. The first quarter of 2020 reflects the commencement of villa construction at three retirement unit complexes so the consented lots (licence to occupy and /or unit titles) are now included

as a block of new capacity, notwithstanding construction is staged. The addition of retirement villages consented at Te Aute Road, Pirmai and Te Awa has added further net household capacity of 330².

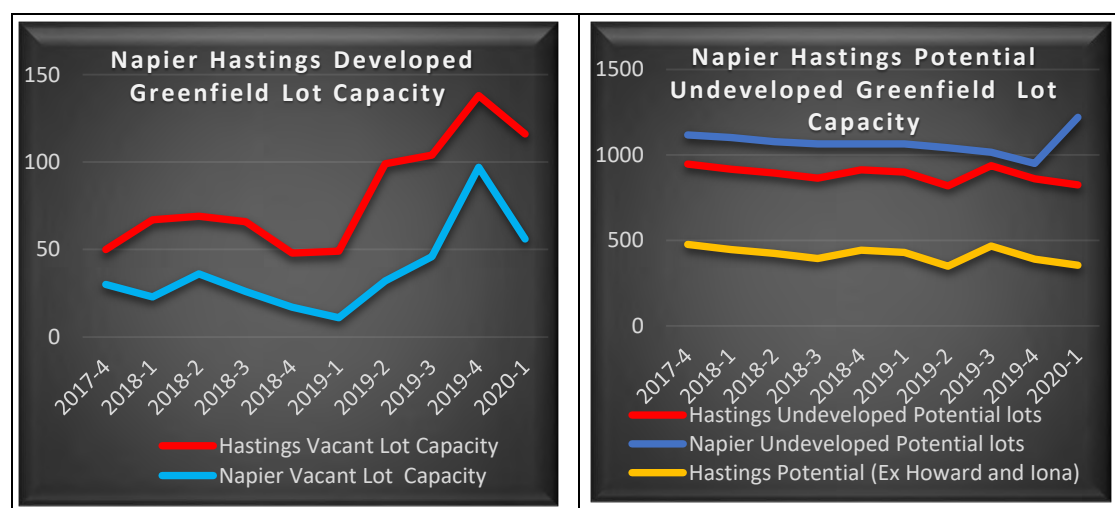
- 2.5. There remains considerable additional zoned capacity available for development at 1590. Of these 187 lots in Napier and 63 in Hastings have been granted resource consents, but for which physical construction has not been completed ready for issuing of new titles as at the end of March.

Table 1: Quarterly Greenfield Residential Land Uptake 31 March 2020

| 31-Mar-2020 Area | Unbuilt Lot Capacity 31-Dec | New Lots Created this Quarter | Building Consents Granted | Balance lots | Lots yet to be Created | Total Remaining Capacity |
|---------------------------------|-----------------------------|-------------------------------|---------------------------|--------------|------------------------|--------------------------|
| Arataki | 28 | 0 | 9 | 19 | 0 | 19 |
| Lyndhurst Stage 1 | 4 | 0 | 2 | 2 | 12 | 14 |
| Lyndhurst Lifestyle Village | 0 | 0 | 0 | 0 | 0 | 0 |
| Lyndhurst Stage 2 | 66 | 5 | 9 | 62 | 177 | 239 |
| Northwood | 38 | 0 | 7 | 31 | 29 | 60 |
| Waingakau Village | 70 | 0 | 7 | 63 | 29 | 92 |
| Gracelands Village | 0 | | 0 | 0 | 17 | 17 |
| Ryman Village Havelock | 0 | 32 | 32 | 0 | 106 | 106 |
| Parklands | 28 | 0 | 0 | 28 | 130 | 158 |
| Bupa Village | 0 | 4 | 4 | 0 | 114 | 114 |
| Summerset Te Awa | 0 | 25 | 25 | 0 | 216 | 216 |
| Te Awa | 69 | 0 | 12 | 57 | 760 | 817 |
| Total | 303 | 66 | 107 | 262 | 1590 | 1852 |
| Less Retirement Villages | 303 | 37 | 78 | 262 | 1260 | 1522 |

- 2.6. **Figure 3** shows the quarterly net change in lot capacity after allowing for new lots and those taken up for new dwellings over the last two years.

Figure 3: Quarterly Changes in Greenfield Residential Capacity 2018-2020



(Source HDC and NCC)

- 2.7. Current capacity had been fluctuating around 80-100 lots between Hastings and Napier, but with Lyndhurst Stage 2 opening up, this has accelerated over 2019 to around 240 lots. Undeveloped capacity would be expected to reduce as a result, but

² Additions to the Graceland's retirement village in Pakowhai Road in 2019 were not included in the lot summaries in the 2019. The additional 33 Villas have now been included in the historical dwelling consent summaries figure, but as the lots are now occupied they are not counted in the lot supply figures. For license to occupy retirement villages, lots are recorded as created at building consented stage, and until then remain counted as potential lots.

in Hastings this has been offset to a degree with the addition of two retirement village developments commencing in the previous two quarters, while in Napier, two other large retirement village developments commenced works in the first quarter of 2020 reveal a spike in new capacity.

- 2.8. **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 the retirement village supply coming on stream. Based on the ten year average greenfields building rate, the current supply of zoned land is likely to be sufficient for 10-15 years, while the remaining capacity is expected to last around 35-40 years.

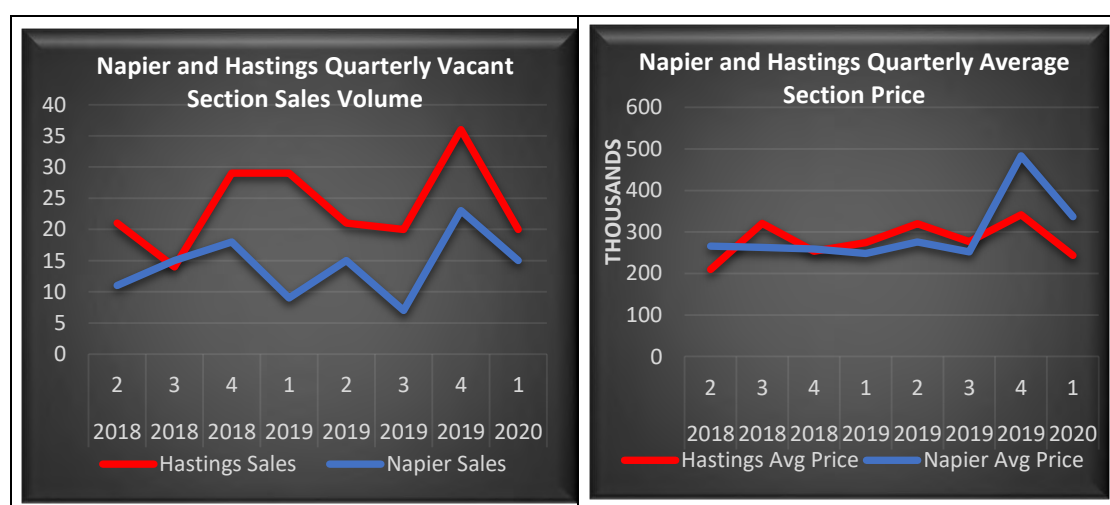
Table 2: Changes in Current and Planned Residential Section Capacity

| Areas | Change from Last Quarter | Available Capacity |
|--|--------------------------|--------------------|
| Currently Zoned (incl Retirement Villages) | +284 | 2022 ³ |
| Planned Over Next Two Years | No Change | 1380 |
| Remaining HPUDS Areas | No Change | 2635 |
| Grand Total | +284 | 6037 |

3. LAND PRICES /SALES

- 3.1. **Figure 4** shows Hastings and Napier vacant section sales and median price points. Releases in the third quarter of 2019 at Lyndhurst and Te Awa saw a surge in sales notifications in the fourth quarter, but these may have dropped back a little in the first quarter of 2020. There is however, likely to be some under-reporting of the last two quarters due to delays in sales notifications. Meanwhile prices also spiked in the last quarter of 2019 despite the new supply and increased sales volume, but have reduced to previous level in the 2020 this far. That spike, particularly in Napier may be due to one or two abnormal sales of premier sections in Oak Road and a change in the sale method for Parklands sections to closed tender.

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

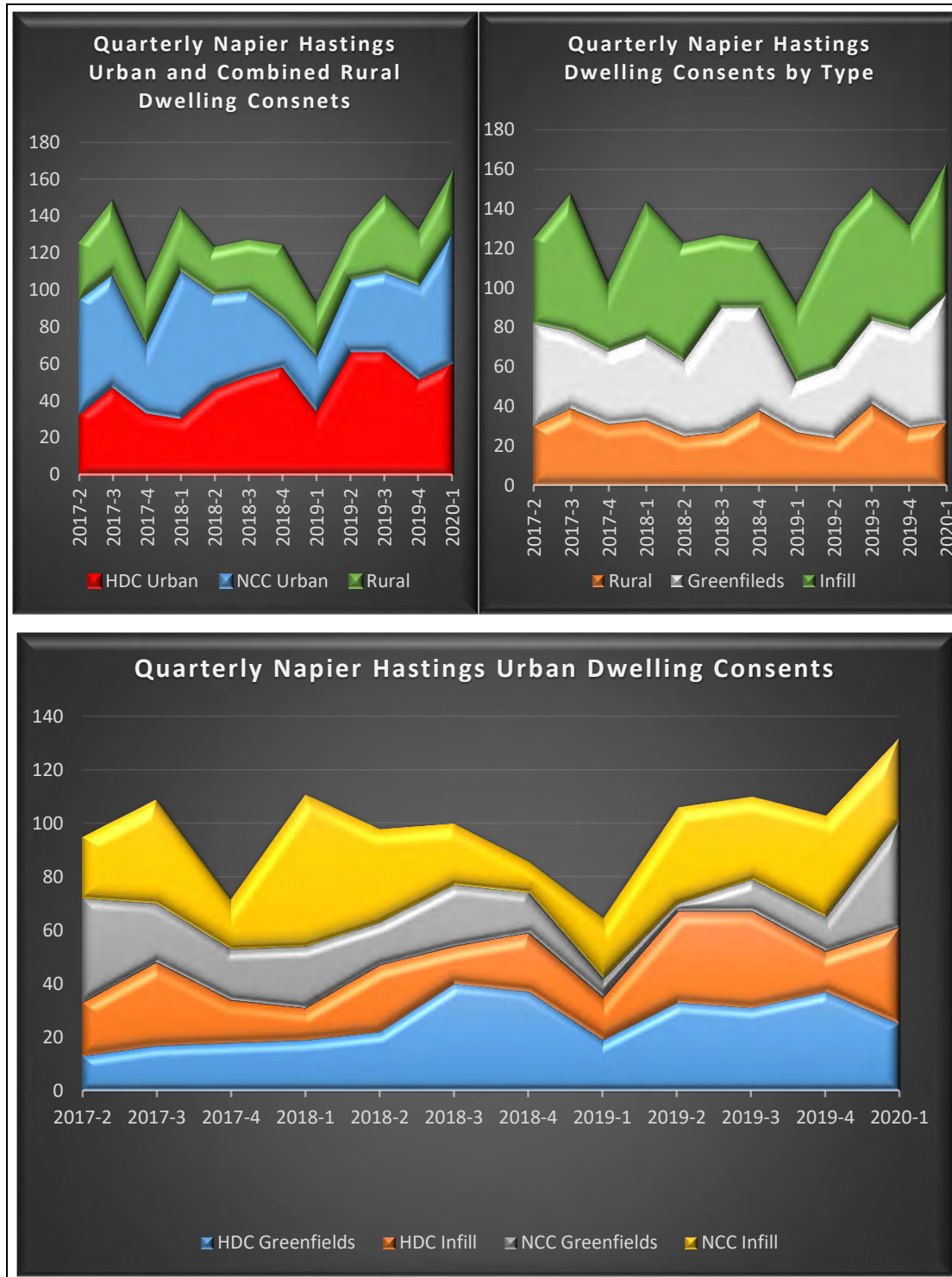


(Source Logan Stone Valuers 2018)

4. BUILDING ACTIVITY

- 4.1. Building consent data in **Figure 5** shows a continued strengthening in activity from an unusually low point in the first quarter of 2019 into 2020 as section supply improved.
- 4.2. Rural development has dropped off a little of this quarter with both infill and greenfields development strengthening. A spike in greenfields development in Napier in this quarter is due to a retirement village development commencing in Te Awa.

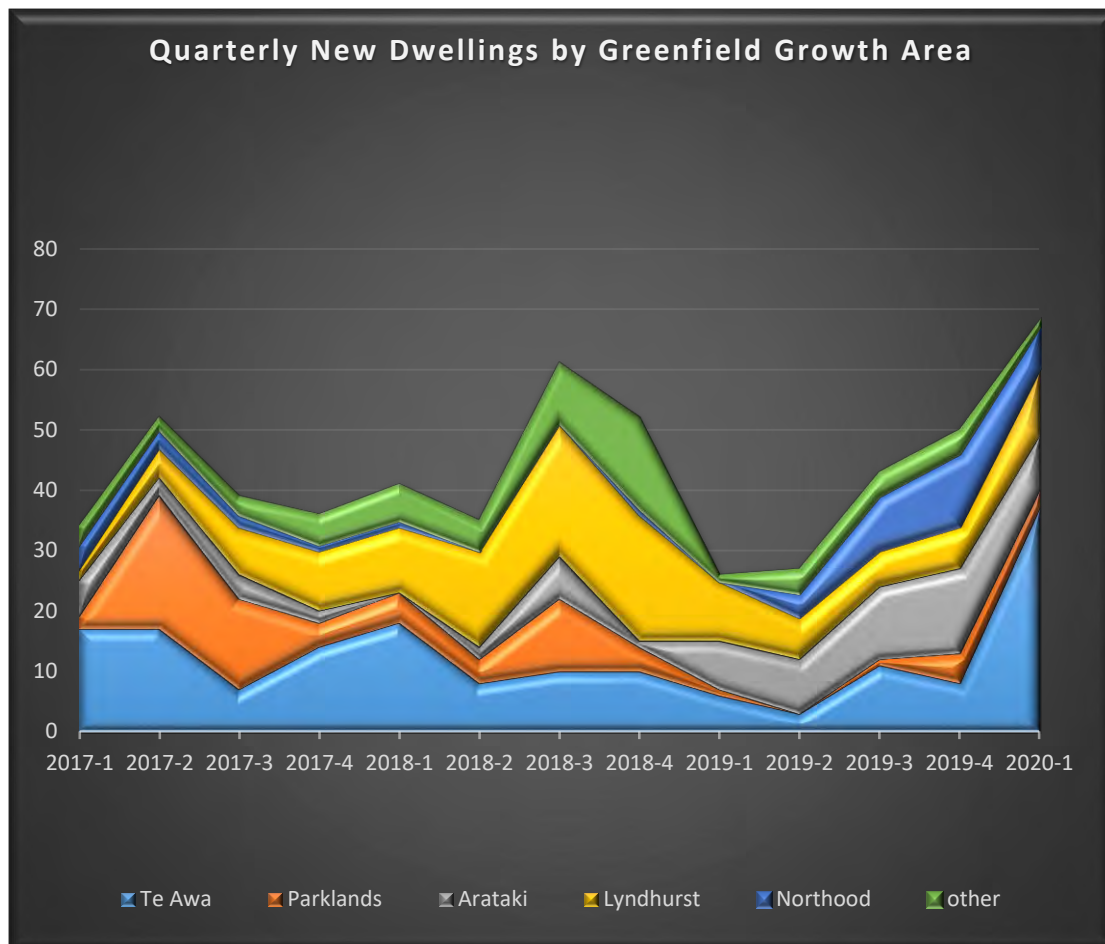
Figure 5: Napier Hastings Quarterly New Dwelling Consents 2017-2020



(Source HDC and NCC)

4.3. **Figure 6** indicates that apart from a slight pick-up in Lyndhurst greenfields activity has slowed across the greenfield growth areas this quarter. As noted above, the spike inactivity in Te Awa is due to the new retirement village consents being granted for stage 1 of that development.

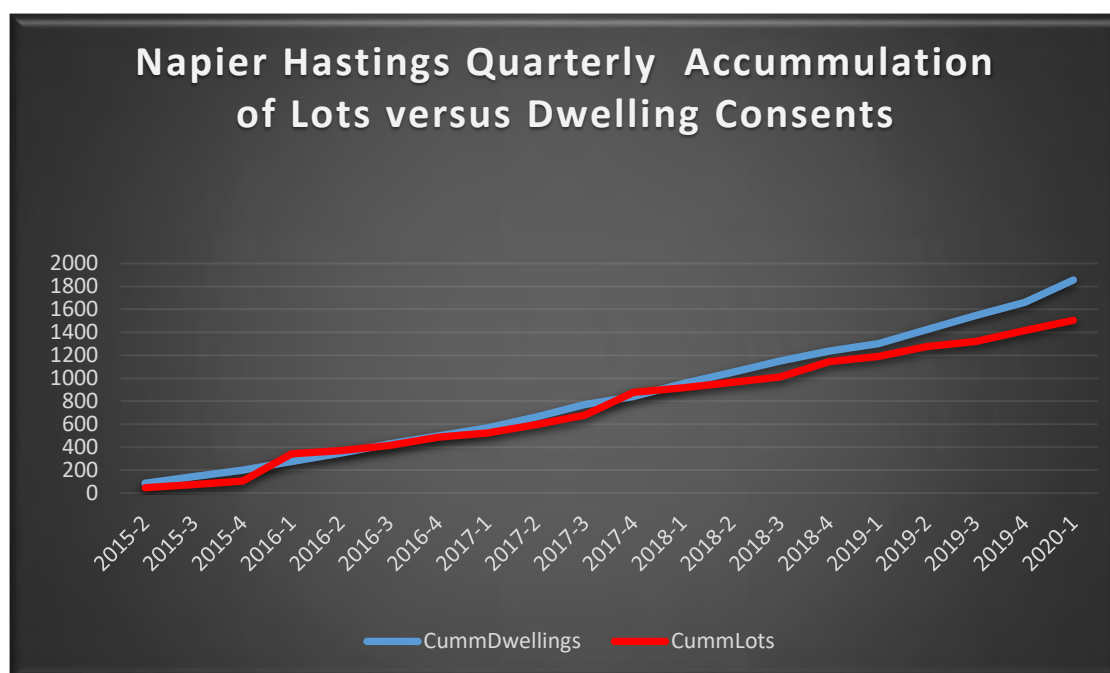
Figure 6: Napier Hastings New Dwelling Consents 2017-2020 by Location



(Source HDC and NCC)

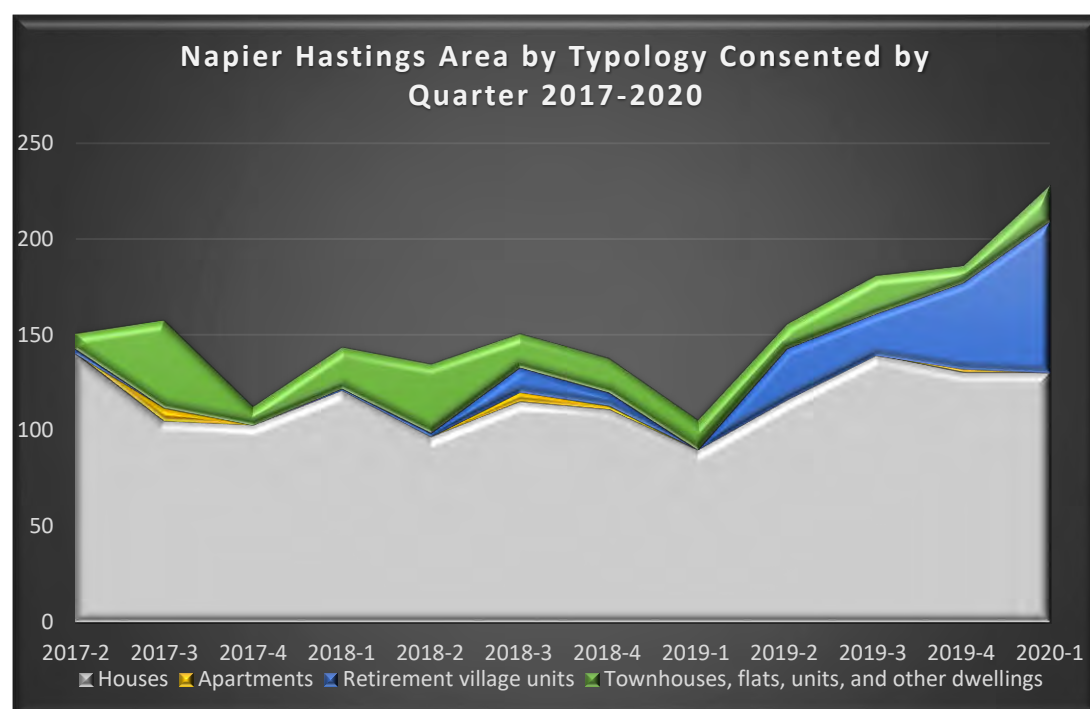
4.4. **Figure 7** tracks the accumulated number of new dwellings constructed since compared to new residential lots. Where a reasonable buffer of lots is maintained the market may be considered to be in balance. Where the buffer becomes too thin or negative then land availability may affect house prices or even new construction rates. As can be seen using a 2015 base the number of new dwellings has been closely matching new lot supply and, in recent times, outstripping it, which is concerning.

Figure 7: Lot Supply and New Dwelling Demand 2015-2020



4.5. **Figure 8** 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 developments. The recent commencement of a number of retirement village developments is clearly evident, but other town house development remain subdued.

Figure 7: Napier Hastings Quarterly New Dwelling Consents 2017 -2020 by Housing Typology

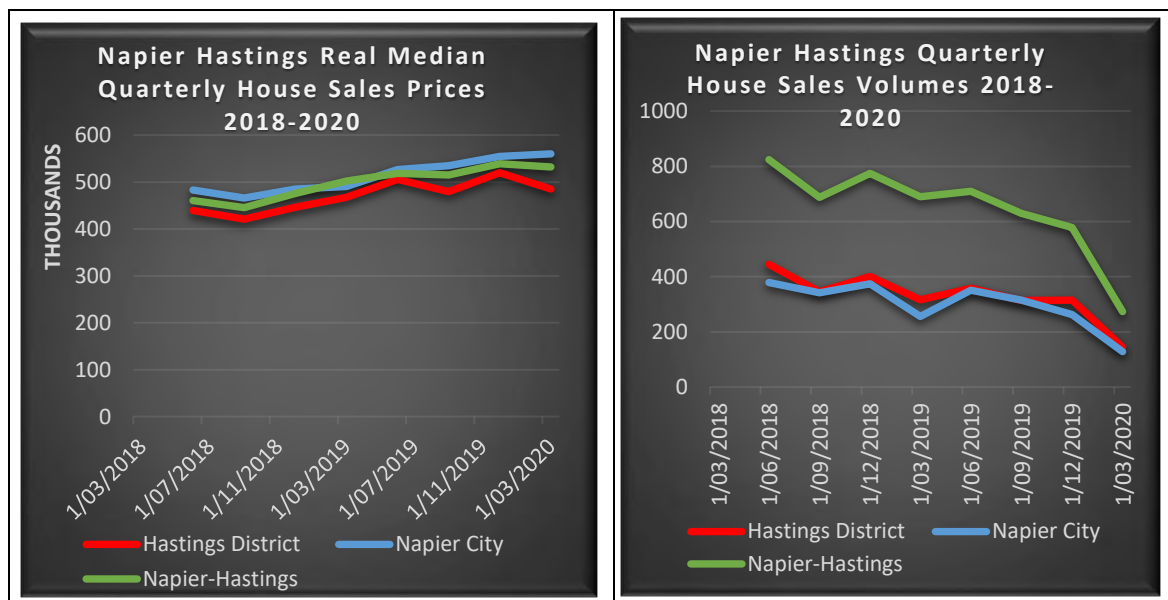


(Source StatsNZ)

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 dropped over middle of 2019 after peaking in the middle part of 2018. Prices however, remained on an upward track over the first half of 2019, despite increased actual and pending greenfields land supply, but prices dropped slightly in Hastings over the last quarter. Impacts of the COVID-19 pandemic are not material in Quarter 1 of 2020.

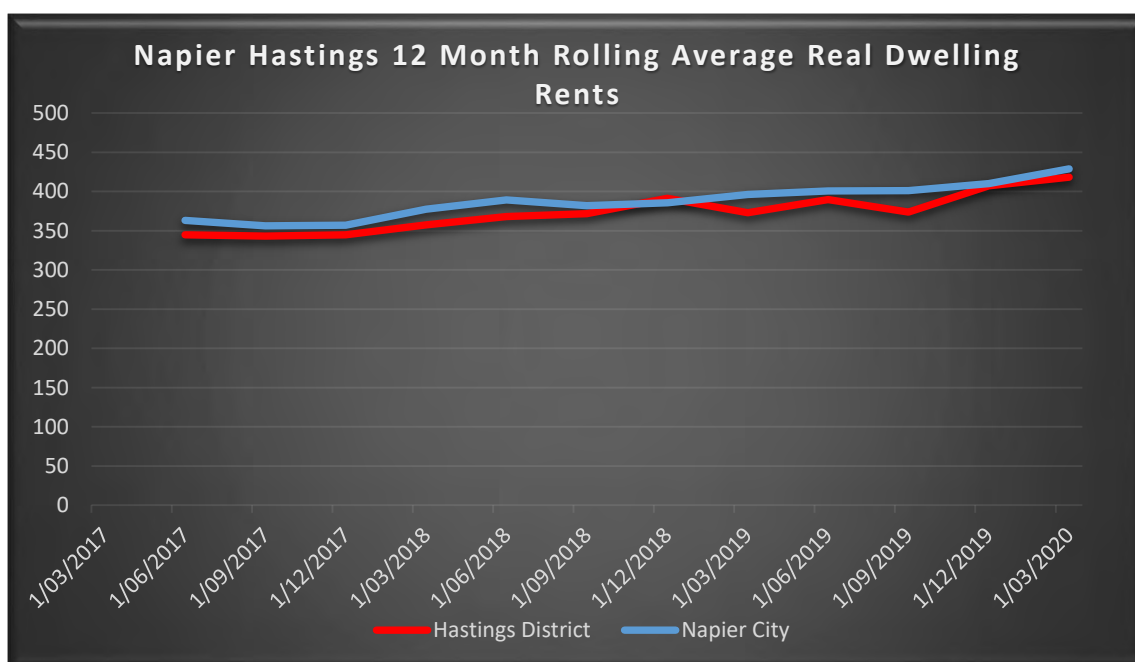
Figure 8: Napier Hastings Quarterly House Sales Volume and Prices



(Source MBIE)

- 5.2. **Figure 9** shows an accompanying increases in weekly rents from 2017 to 2020, particularly in Hastings during the last half of 2018. While Hastings rents slipped back slightly in 2019, they have risen again over the last two quarters.

Figure 9: Napier Hastings Quarterly Average Rental Movements 2017-2020

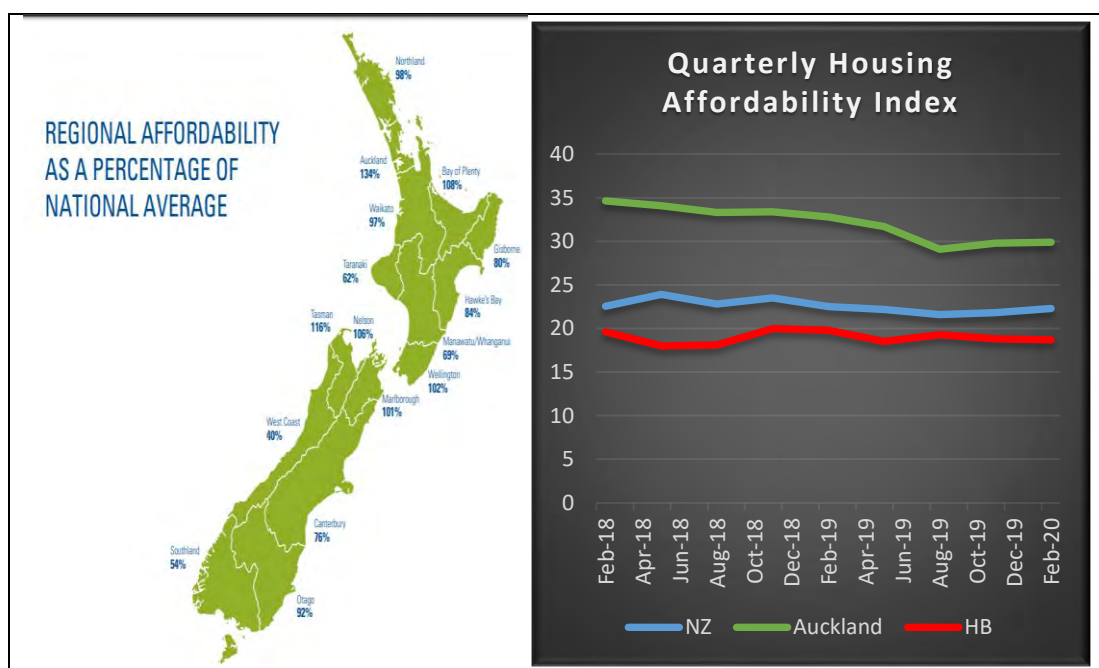


(Source MBIE)

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 August 2020. **Table 3** compares Hawke's Bay with the other New Zealand regions since 2018. Despite rising house prices, Hawke's Bay's overall housing affordability has stayed relatively stable, with a slight improvement over the last quarter, including its position as 7th/16 most affordable region in New Zealand, despite losing ground over the last quarter.

Figure 10: Hawke's Bay Massey University Quarterly Housing Affordability Index 2017-2020



(Source Massey University)

Table 3 Massey University Home Affordability Index Regional Comparison February 2019 - February 2020

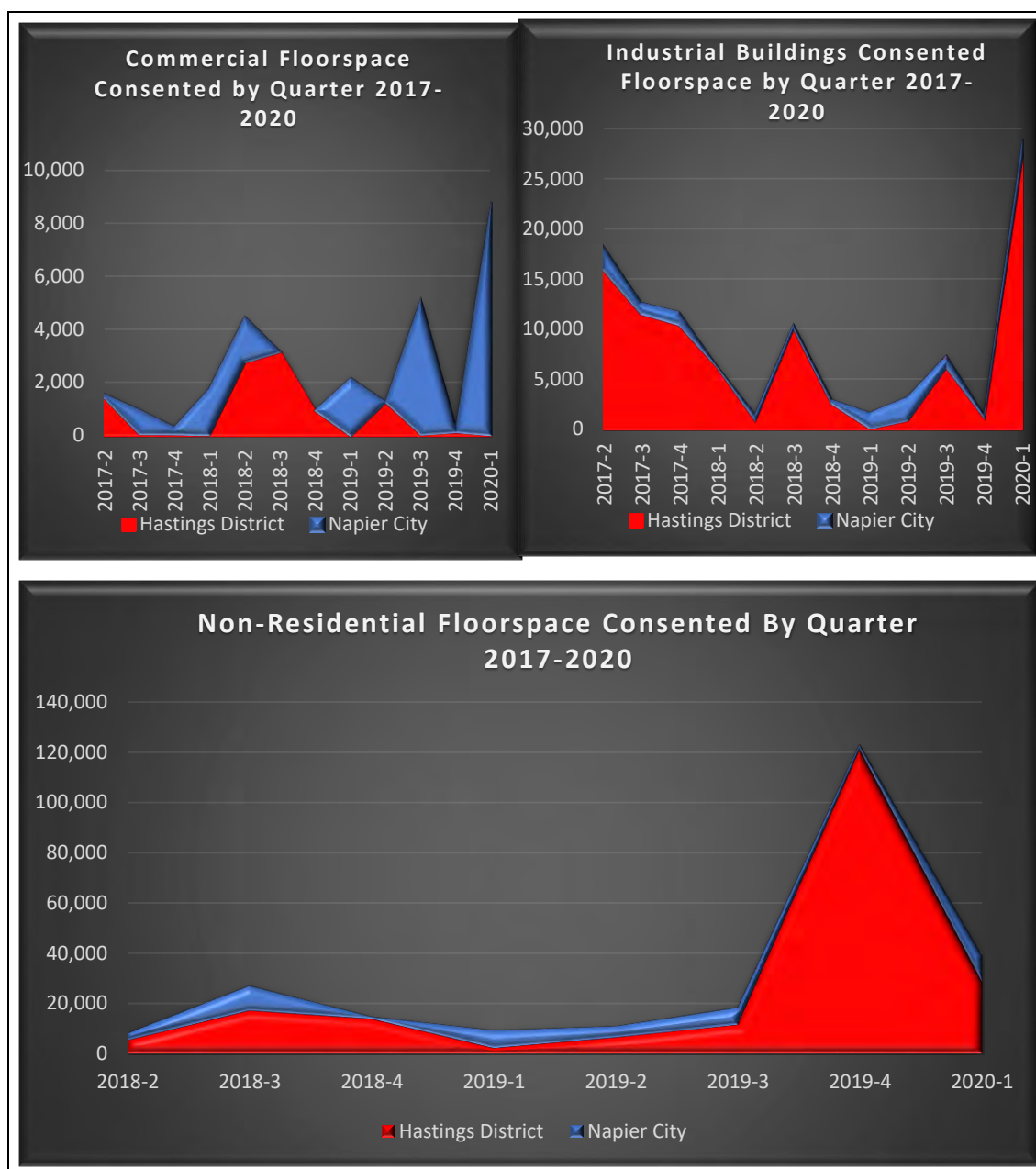
| HOME AFFORDABILITY INDEX | | | | PERCENTAGE CHANGE IN HOME AFFORDABILITY IN THE LAST 12 MONTHS | | PERCENTAGE CHANGE IN HOME AFFORDABILITY IN THE LAST 3 MONTHS | |
|--------------------------|----------|----------|----------|---|---------|--|---------|
| Region | Feb 2019 | Nov 2019 | Feb 2020 | Improvement | Decline | Improvement | Decline |
| Northland | 22.6 | 19.9 | 22.0 | 3.0% | | | 9.5% |
| Auckland | 32.8 | 29.8 | 29.9 | 8.7% | | | 0.1% |
| Waikato | 22.8 | 21.1 | 21.6 | 5.1% | | 0.6% | |
| Bay of Plenty | 24.5 | 22.8 | 24.0 | 1.9% | | | 4.5% |
| Gisborne | 18.2 | 16.3 | 17.9 | 1.5% | | | 12.3% |
| Hawke's Bay | 19.8 | 18.8 | 18.7 | 5.8% | | 3.2% | |
| Manawatu/Whanganui | 15.0 | 14.9 | 15.3 | | 2.4% | | 6.7% |
| Taranaki | 14.0 | 13.9 | 13.8 | 1.3% | | | 1.6% |
| Wellington | 23.5 | 21.4 | 22.8 | 3.3% | | | 2.1% |
| Tasman | 27.2 | 25.1 | 25.9 | 4.8% | | | 12.5% |
| Nelson | 24.8 | 24.3 | 23.7 | 4.6% | | 6.9% | |
| Marlborough | 20.2 | 19.6 | 22.5 | | 11.1% | | 12.6% |
| West Coast | 8.2 | 7.4 | 8.9 | | 8.8% | | 11.7% |
| Canterbury | 18.5 | 17.0 | 17.0 | 8.3% | | | 0.1% |
| Otago | 20.1 | 20.0 | 20.5 | | 2.2% | 1.2% | |
| Southland | 12.4 | 12.3 | 12.1 | 2.3% | | | 1.1% |
| All Regions | 22.5 | 21.8 | 22.3 | 0.7% | | | 1.1% |

(Source Massey University)

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 rebounding over the last quarter with a large commercial development in Napier at 245 Tennyson Street (the Ministry of Social Development office) and large Industrial development in Hastings (Rocket Apples at Irongate). Interestingly the highest non-residential addition of floorspace over the period was in the previous quarter with Hawke's Bay Blue Berries massive shelter expansion.

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. A drop off in consent values over the middle part of last year has turned around over the last two quarters, potentially signalling a buoyant year before the COVID-19 pandemic struck. The next two quarter will no doubt be closely watched.

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

