



HASTINGS & NAPIER URBAN AREA

Housing and Business Market Indicator Monitoring

Quarterly Report to 30 June 2020

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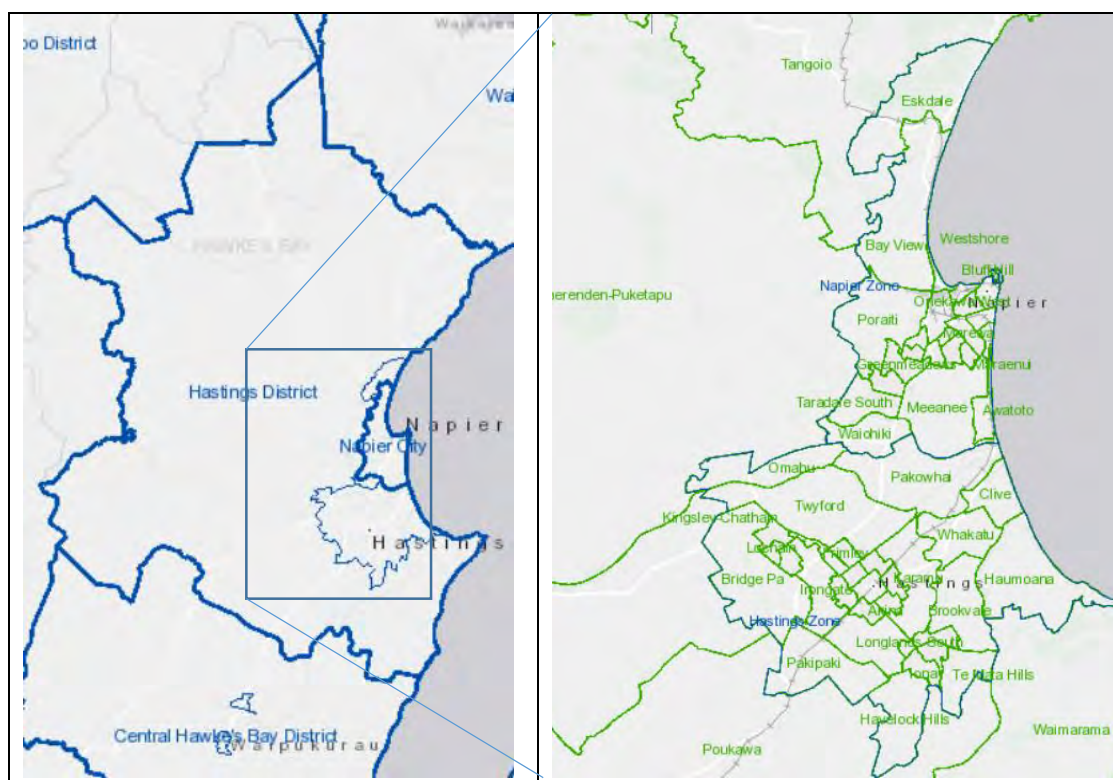
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1. ABOUT THIS REPORT

- 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 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)

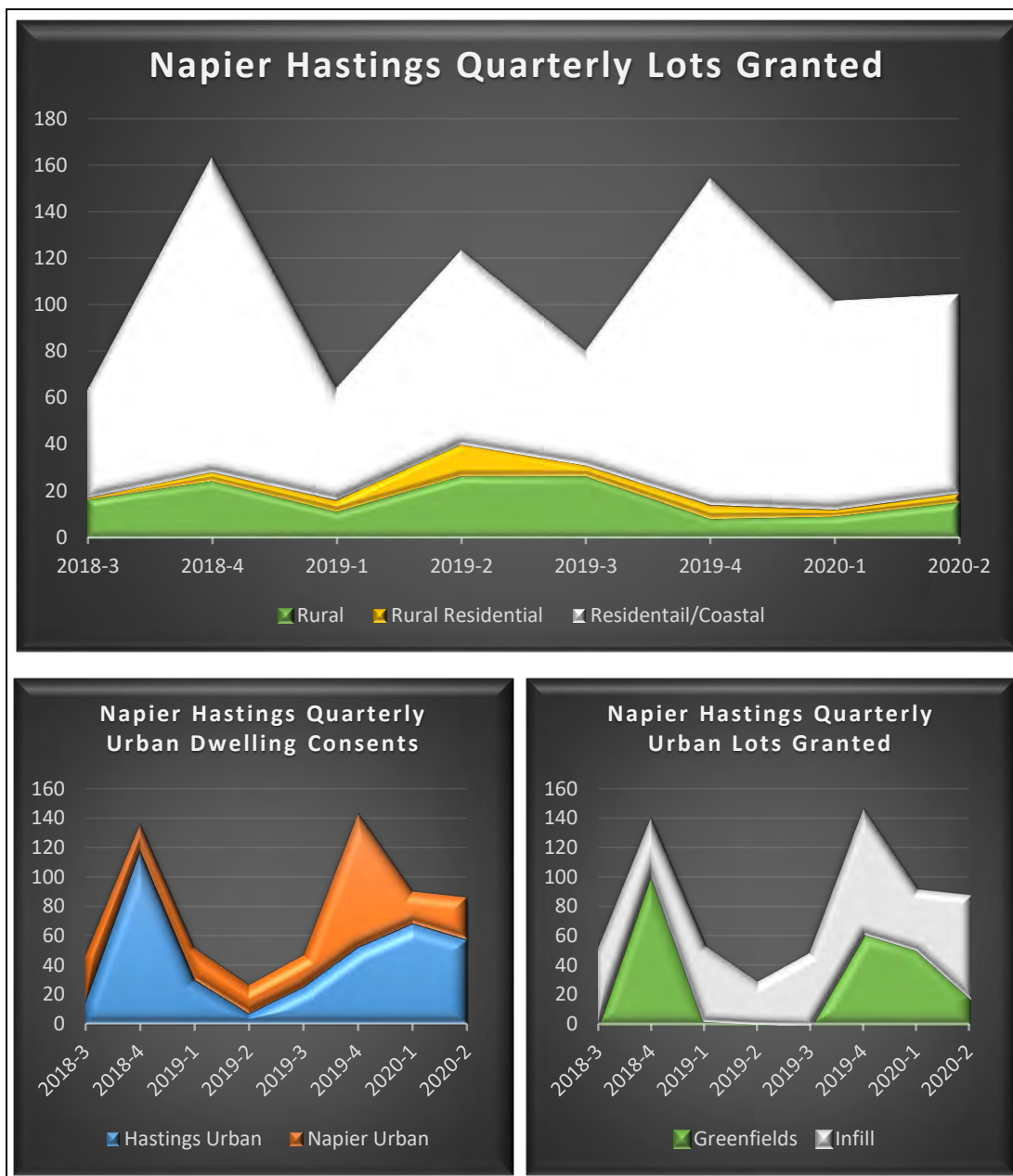
- 1.5. Appendix 1 presents a map to illustrate the location of place names frequently mentioned in this report.

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 2018-2020



(Source NCC and HDC)

- 2.2. New lot creation has been averaging around 80 lots per quarter, but greenfield spikes are evident in the fourth quarters of 2018 and 2019. The first two quarters of 2020 have seen a mix of greenfield and infill developments, largely in Hastings, including a 40 lot Kainga Ora Homes development in Kauri Street (net 17 dwelling capacity increase).
- 2.3. **Table 1** sets out the remaining vacant residential lot capacity within greenfields areas as at the 30th June 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 33 lots to 238 with only a small greenfield section release at Lyndhurst.

- 2.4. The first two quarters 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 1497. Of these 187 lots in Napier and 25 in Hastings have been granted resource consents, but as at the end of June physical construction had not been completed ready for issuing of new titles.

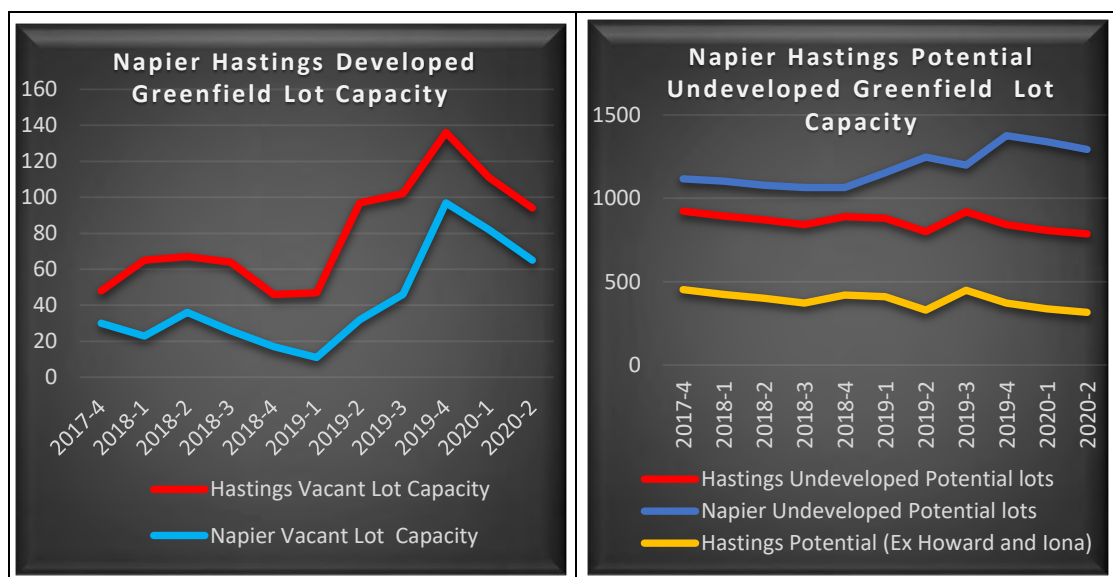
Table 1: Quarterly Greenfield Residential Land Uptake 30 June 2020

30-Jun-2020 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	19	0	8	11	0	11
Lyndhurst Stage 1	2	0	1	1	12	13
Lyndhurst Lifestyle Village	0	0	0	0	0	0
Lyndhurst Stage 2	59	18	20	57	153	210
Northwood	31	3	9	25	25	50
Waingakau Village	63	0	0	63	29	92
Gracelands Village	0	0	0	0	17	17
Ryman Village Havelock	0	0	0	0	106	106
Parklands	25	0	4	21	130	151
Bupa Village	0	16	16	0	79	79
Summerset Te Awa	0	30	30	0	186	186
Te Awa	57	0	13	44	760	804
Total	256	67	101	222	1497	1719
Less Retirement Villages	256	21	55	222	1109	1331

- 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.

² Additions to the Graceland's retirement village in Pakowhai Road in 2019 and commencement of the BUPA village at Primiai were not included in the lot summaries in the 2019. The additional 33 and 23 Villas respectively 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.

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



(Source HDC and NCC)

- 2.7. Current capacity increased over 2019 from around 80 lots to peak at around 240 lots with renewed activity at Parklands and Te Awa and the remaining stages of Arataki and Northwood augmented ongoing supply at Lyndhurst. Undeveloped capacity would be expected to reduce as a result, but retirement village developments have added new development potential to more than offset this. With little additional capacity being delivered over the last two quarters capacity has dropped back to around 160 traditional lots or about a years forward supply, plus another 60 lots at Waingakau in Flaxmere.
- 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 HPU DS for future development. 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)	-100	1889 ³
Planned Over Next Two Years	No Change	1380
Remaining HPU DS Areas	No Change	2635
Grand Total	-100	5904

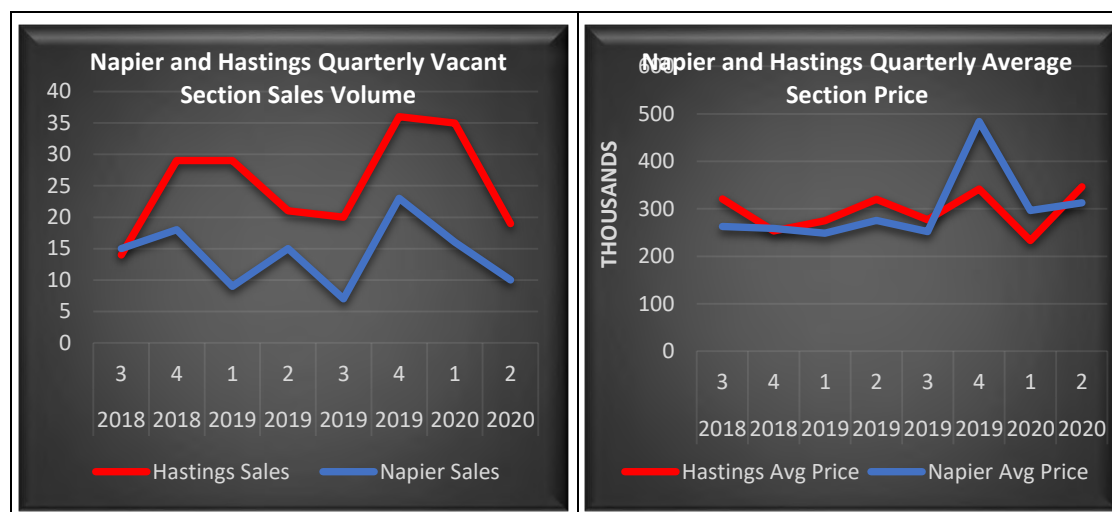
3. LAND PRICES /SALES

- 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 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

³ Includes Park Island subject to Treaty Settlement processes of an estimated 170 lots, and two new retirement village developments in Napier
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sales volume (discussed in the Q1 Report), but have reduced to previous levels in the 2020 this far, although Hastings prices show a worrying uptick over the last quarter.

Figure 4: Napier and Hastings Vacant Residential, Quarterly Section Sales Volume and Prices 2018-2020

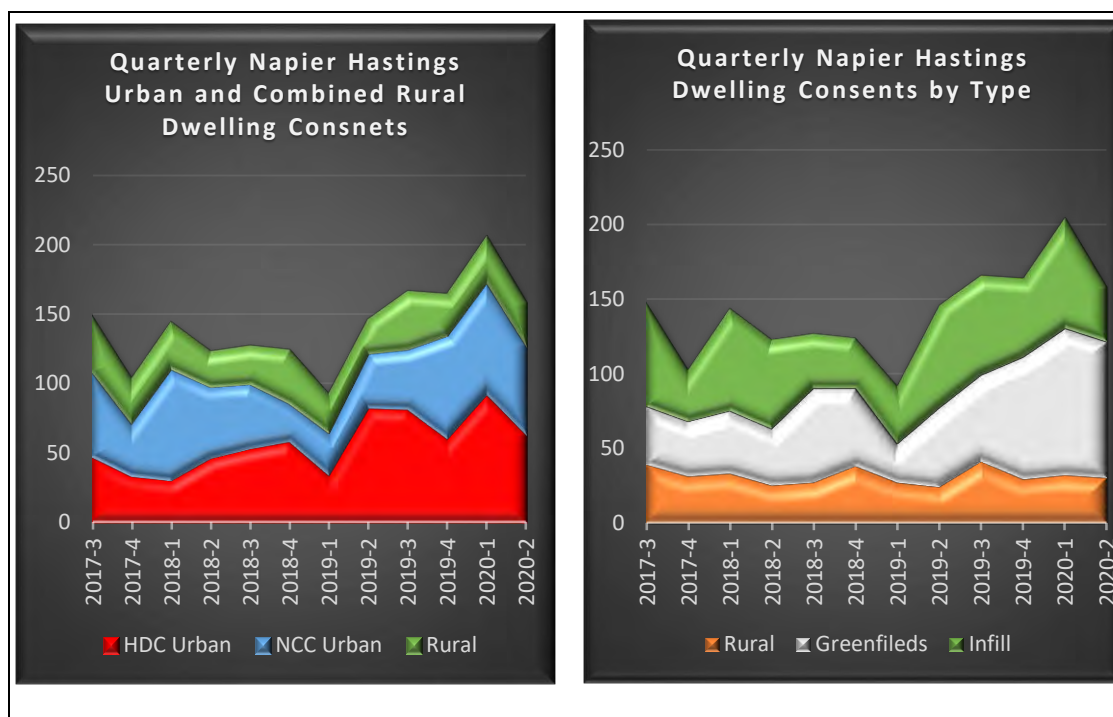


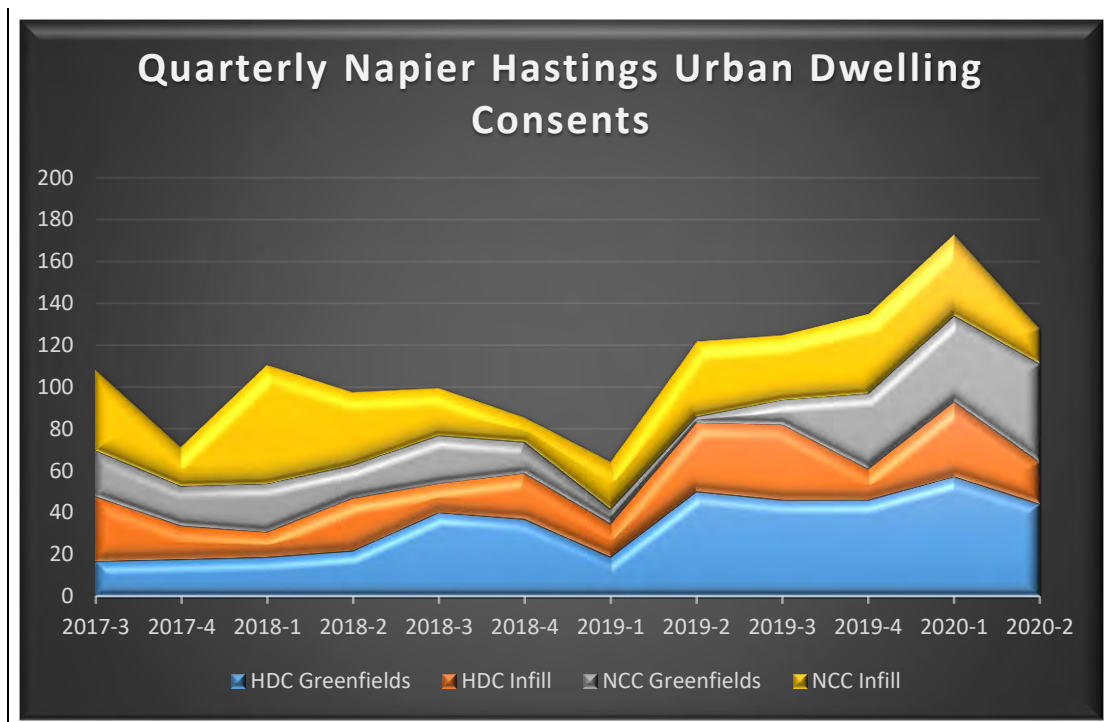
(Source Logan Stone Valuers 2018)

4. BUILDING ACTIVITY

- 4.1. Building consent data in **Figure 5** shows a weakening of activity, from a high point in the last quarter as section supply improved. The drop off was across the board for urban (Napier and Hastings, greenfields and linfill) s and may be at least partly related to the Covid19 Lockdown.

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

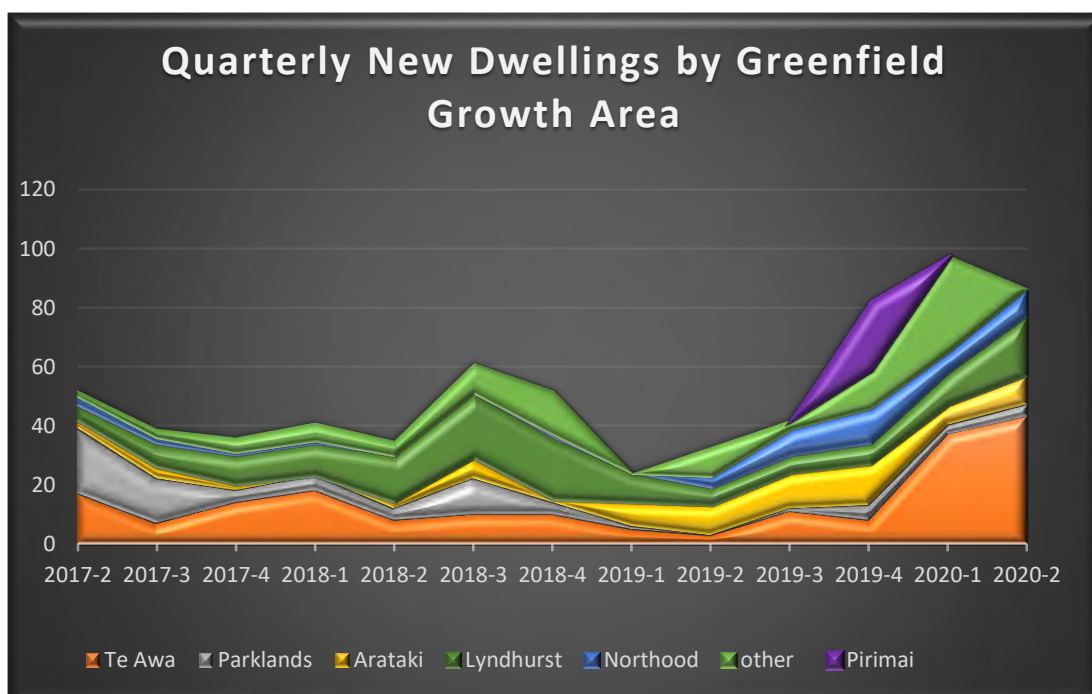




(Source HDC and NCC)

- 4.2. **Figure 6** indicates that apart from a s pick-up in Te Awa greenfields activity has slowed across most of the greenfield growth areas over the last two quarters. 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. A start on the Pirimai retirement village is also evident in the las quarter of last year.

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



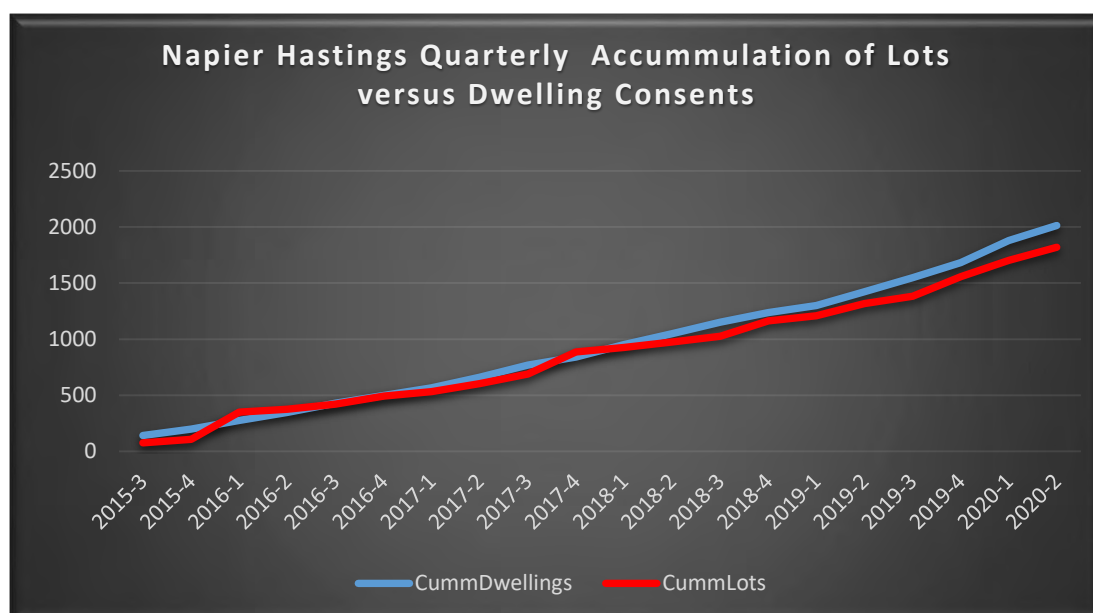
(Source HDC and NCC)

- 4.3. **Figure 7** tracks the accumulated number of new dwellings constructed since compared to new residential lots⁴. Where a reasonable buffer of lots is maintained the market may considered to be in balance. Where the buffer becomes too thin or negative then land availability may

⁴ Adjusted for account licence to occupy lots in the retirement villages.

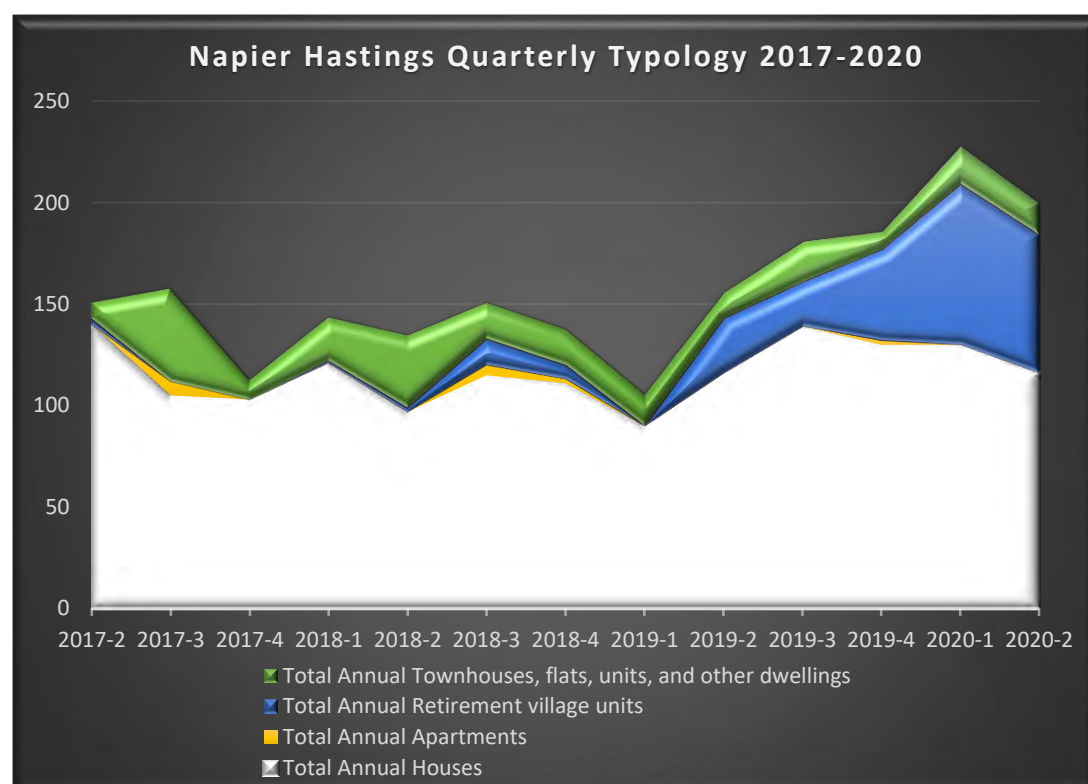
affect house prices or even new construction rates. As can be seen using a 2015 base the number of new dwellings has been closely matching new lot supply and, in recent times, slightly outstripping it, which is concerning.

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



4.4. **Figure 8** shows a continuation of the market preference for detached dwelling formats, but the recent commencement of a number of retirement village developments is clearly evident, traditional town house development remains subdued.

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

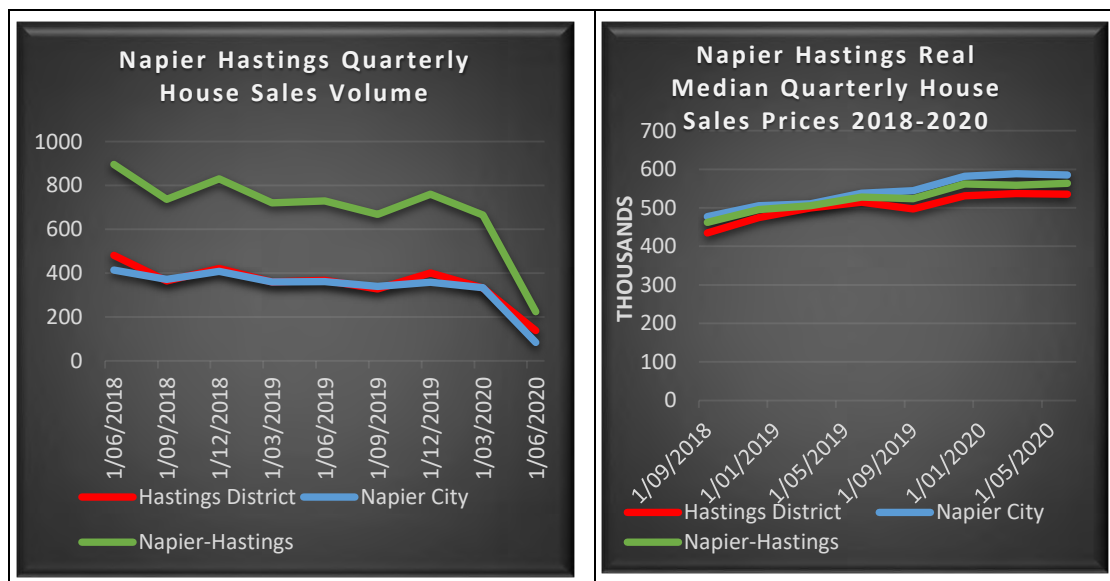


(Source StatsNZ)

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, but have decreased again in 2020. Impacts of the COVID-19 pandemic do not appear material in the first quarter of 2020, but the drop off is more pronounced in the second quarter, although the last quarter is usually affected by slow reporting of sales in any event, so any Covid 19 impact is hard to determine until the next report. Prices however, seem to have flattened after remaining on an upward track over the first half of 2019.

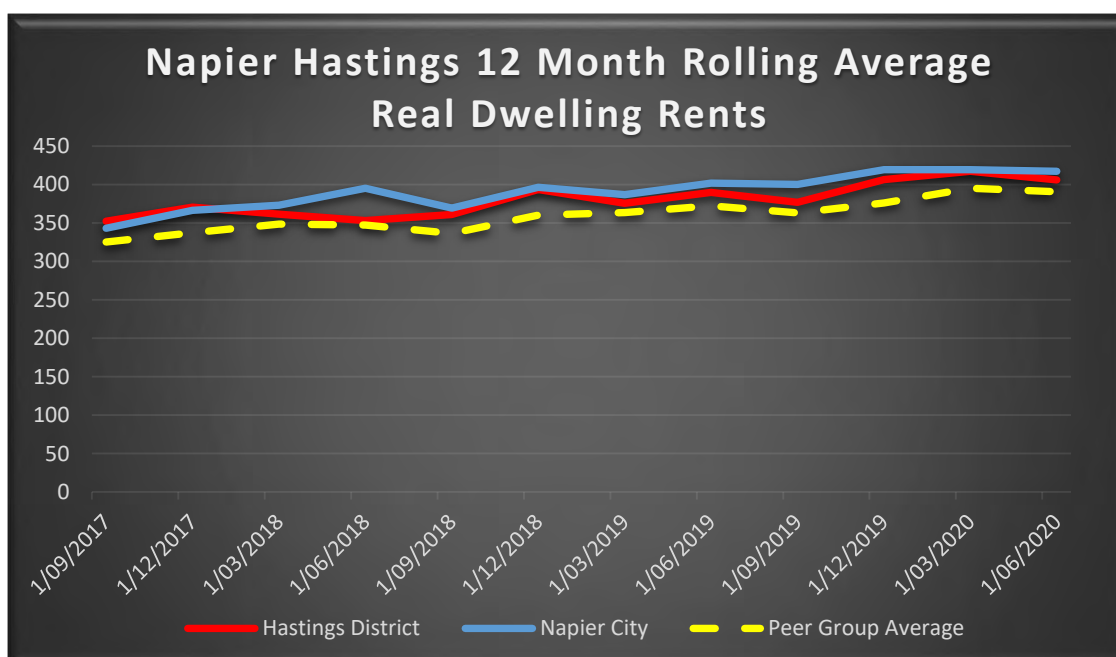
Figure 8: Napier Hastings Quarterly House Sales Volume and Prices 2018-2020



(Source MBIE)

- 5.2. **Figure 9** shows an accompanying flattening weekly rents over the last two quarters across both Napier and Hastings and peer group cities, which could be partly Covid 19 related (rent freezes). Until then rents had steadily increased.

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

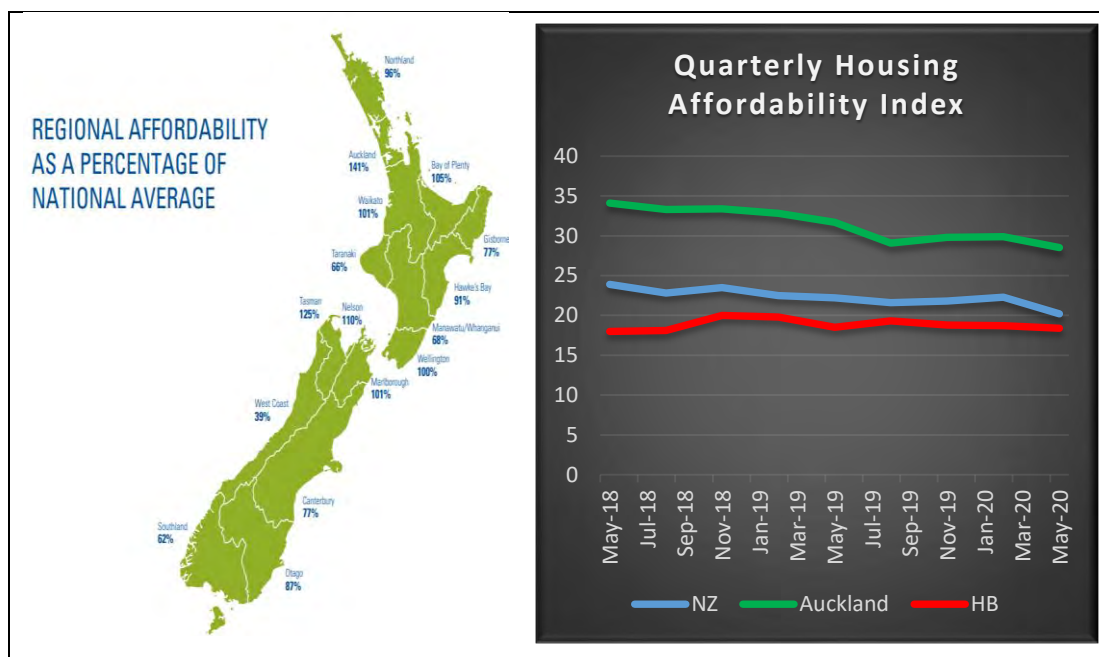


(Source MBIE)

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 June 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, but less than for the rest of New Zealand and dropping one place to be the 8th/16 most affordable region in New Zealand.

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

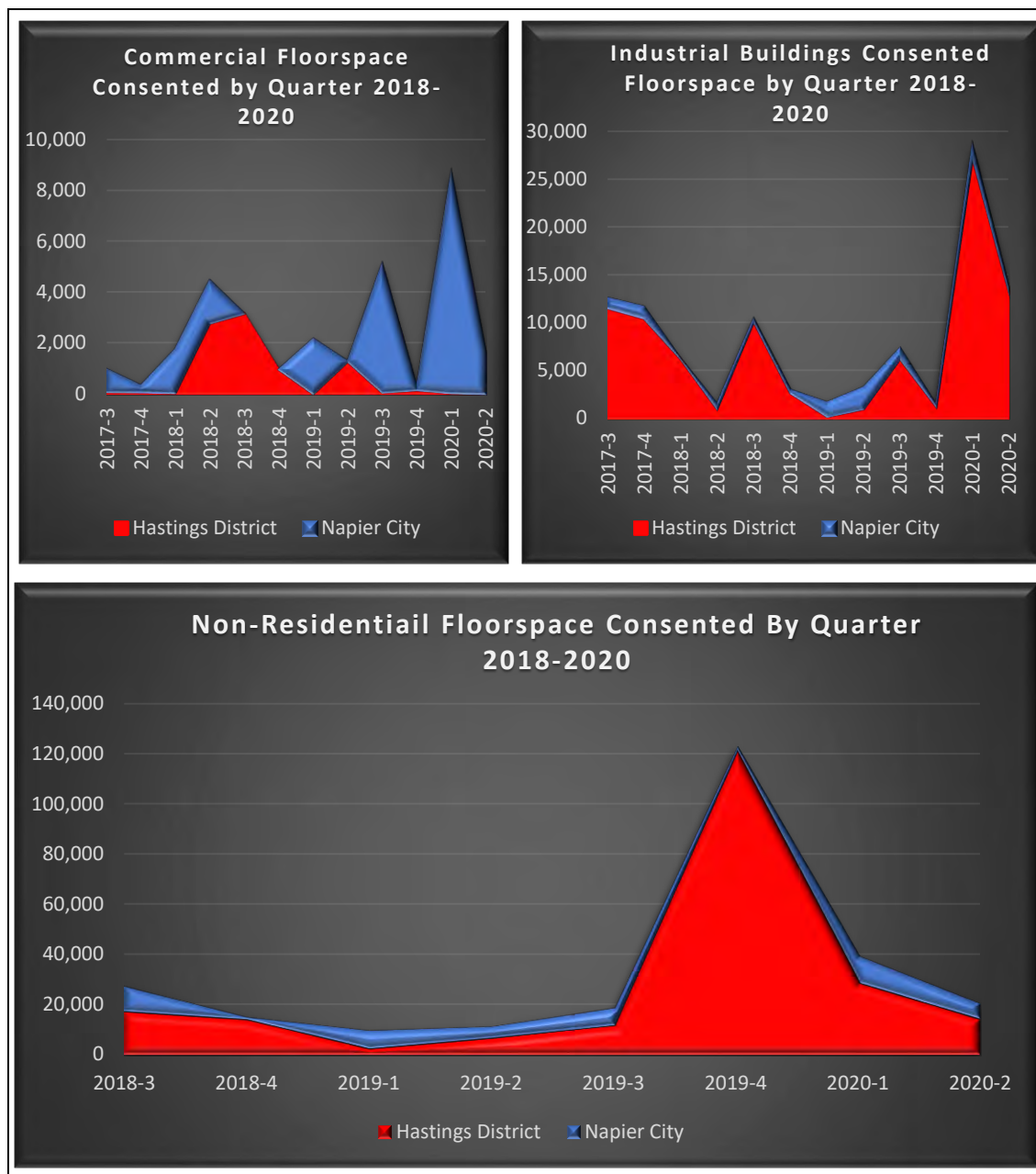
HOME AFFORDABILITY INDEX				PERCENTAGE CHANGE IN HOME AFFORDABILITY IN THE LAST 12 MONTHS		PERCENTAGE CHANGE IN HOME AFFORDABILITY IN THE LAST 3 MONTHS	
Region	May 2019	Feb 2020	May 2020	Improvement	Decline	Improvement	Decline
Northland	20.0	22.0	19.4	3.0%		11.6%	
Auckland	31.7	29.9	28.5	10.1%		4.8%	
Waikato	22.1	21.6	20.4	7.4%		5.3%	
Bay of Plenty	24.0	24.0	21.2	11.7%		11.7%	
Gisborne	20.4	17.9	15.6	23.5%		13.3%	
Hawke's Bay	18.5	18.7	18.4	0.3%		1.5%	
Manawatu/Whanganui	13.9	15.3	13.7	1.0%		10.6%	
Taranaki	13.1	13.8	13.3		1.8%	3.6%	
Wellington	21.6	22.8	20.2	6.7%		11.4%	
Tasman	27.4	25.9	25.2	7.8%		2.6%	
Nelson	25.1	23.7	22.3	11.1%		5.7%	
Marlborough	19.5	22.5	20.3		4.2%	9.7%	
West Coast	7.5	8.9	7.9		5.1%	11.7%	
Canterbury	17.6	17.0	15.6	11.1%		8.0%	
Otago	20.0	20.5	17.5	12.4%		14.7%	
Southland	11.4	12.1	12.5		9.7%		3.1%
All Regions	22.2	22.3	20.2	9.0%		9.5%	

(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 returned to normal level after a big spike in the previous quarter.

Figure 11: Napier Hastings Quarterly Commercial Industrial and Total Non-Residential Floorspace m2 consented 2018-2020



(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 quarters will no doubt be closely watched.

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

