Heretaunga Plains Urban Development Study Phase 2 – Market Demand Brief

for

Hastings District Council
Napier City Council
Hawkes Bay Regional Council

by

TelferYoung Hawkes Bay Ltd

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1. Introduction

1.1 Purpose of the Project

This is a combined study on behalf of Hastings District Council, Napier City Council and the Hawkes Bay Regional Council to provide for urban growth needs on the Heretaunga Plains. The study is intended to provide strategic direction for the growth needs of the commercial, industrial and residential sectors for the 25 to 30 year period from 2015.

1.2 Purpose of Brief

+ To obtain a better understanding of the residential market by undertaking a market analysis of the various components of the residential sector on the Heretaunga Plains and to identify levels of demand for various components that comprise the residential sector i.e. “know who wants what and where”.

+ To investigate the issue of competing land uses.

+ Establish the level of acceptance towards more compact forms of residential development.

+ Provide guidance on the quantity of lifestyle blocks and guidance as to the best locations for them.

1.3 Scope of Work

The study includes the Heretaunga Plains and the small rural settlements on the fringes such as Maraekakaho, Puketapu and Pakipaki, the coastal settlements of Waimarama, Ocean Beach, Te Awanga and Haumoana. The aim of this report is to outline market analysis so as to allow the combined Councils to:-

+ Understand the residential market, identify trends and less conventional forms of urban development that could influence demand.

+ Identify the current undeveloped stock of lifestyle blocks within the study area.

+ Consider the influence of migration on demand.

+ Identify factors that make particular market sectors desirable and undesirable.

+ Identify how emerging issues such as transport costs may influence future market demand.

+ Ascertain preferences for residential section size, gauge market acceptance for more compact forms of residential development.

+ Consider how emerging issues/trends may influence rural urban shift and Greenfield/infill ratios.

+ Analyse impact on competing land uses such as horticultural use versus urban or industrial use.

+ Identify hill areas adjacent to urban boundaries where landscape values will not be affected by residential development.

+ Identify areas in the Heretaunga Plains where limitations on productivity of soils are apparent.

+ Quantify the level of demand for non-permanent housing sector including holiday homes and temporary worker accommodation.

1.4 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. Methodology

2.1 Parties Consulted

+ Parties consulted have included property developers and builders, real estate agents, and surveyors to ascertain future residential market demand and current and previous practices.

+ Territorial local authority staff have been consulted in respect to ascertaining areas where future residential expansion may be possible and to identify existing and future stock of residential and lifestyle properties.

+ We have utilised in-house resources to; identify additional areas for possible future expansion; identify areas with limited soil productivity; analyse previous market trends and; undertake projections of expected market trends based on previous market history taking account of consulted party responses.

2.2 Basis of Assumptions and Critical Analysis of These

+ As the statistical basis for our projections on market demand for the Heretaunga Plains Urban Demand Study (HPUDS), we have considered 3 main 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, the Property Institute of New Zealand's main sales database.

+ In terms of the Lifestyle projections we have also considered a survey undertaken by East Hills in support of an earlier private plan change.

+ Historical analysis of consents and sales data indicates substantially higher levels of house growth activity than is projected for the study period.

+ Primary reliance has been placed on the ESL figures for our demand projections.

+ Subdivision consent activity for the past 10 years has been at a significantly higher level than the projected growth levels for the study period. (Total consents, including lifestyle, averaged 482 per annum for last 10 years). Growth projections for the study period are forecast at 267 per annum or 55% of the level of subdivision consents for the last 10 years.

+ The analysis of lifestyle and residential has been split between Napier City and Hastings, the latter covering the balance of the HPUDS area not in Napier. This approach has been taken to get a more accurate correlation between past supply activity and household growth going forward. Because of the reduced lifestyle area within the Napier City boundary, our lifestyle projections have been based on the total study area.

+ Issues including; the aging nature of the population; disproportionate growth within the lower socio economic groups; housing affordability issues; the length of the study period and; external macro influences all have an affect on the level of confidence of these projections.

+ It is also worth noting that there are differences in the way subdivision consents are recorded between the two urban authorities, Napier recording these when the 224c Certificate has been granted whereas Hastings records

consented subdivisions prior to the 224c step. The impact of this is not believed to be substantial.

+ The definitions of greenfield and infill are also the cause for possible inconsistencies. All of Napier's main existing subdivisions are on land either zoned or partly zoned Residential and are classified as greenfield developments. Hastings by comparison uses the term to only cover land within newly rezoned urban expansion areas with other developments classed as infill.

+ All projections need to be treated with caution as relatively small percentage changes result in significant differences over the period of the study.

2.3 Basis of Analysis

+ For the purposes of the 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 3.0 Deliverables A and comprises sites in areas currently or potentially zoned Residential.

+ The lifestyle market is covered in Section 4.0 Deliverables B and comprises rural residential sites in areas zoned Rural or Rural Residential.

+ Other investigations related to our brief are covered under Section 5.0 Deliverables C and section 6.0 Deliverables D.

3.0 Deliverables A- Residential Market

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

3.1 Summary of Key Findings

3.1.1 Total HPUDS Findings

+ Our projections of demand for sections have been primarily based upon the Statistics Department household growth projections for the period, as analysed by ESL.

+ The growth rate is projected to average 385 new households for the period 2009- 2015 and to then reduce during the study period.

+ The projected growth rate for the study area is 267 households per annum for the period 2015- 2045.

Table 1

Household Projections Heretaunga Plains

Year	2009	2015	2021	2031	2041	2045
Total Napier	23387	24535	25625	27200	28081	28270
Balance Study Area	25216	26376	27505	29460	30424	30655
Total Study Area	48603	50911	53130	56660	58505	58925

Year	Change 2009-2015	%	P A Growth	Change 2009-2045	%	P A Growth	Change 2015-2045	%	P A Growth
Total Napier	1148	4.9%	191	4883	20.9%	136	3735	15.2%	125
Balance Study Area	1160	4.6%	193	5439	21.6%	151	4279	16.2%	143
Total Study Area	2308	4.7%	385	10322	21.2%	287	8014	15.7%	267

+ The total residential stock from existing subdivisions or future stages of these is 3,323 sites. This total is made up of 1224 sites in Hastings and 2099 sites in Napier.

+ For the HPUDS area this stock of sites is expected to cover demand until 2038 assuming supply criteria exactly match demand criteria. However, this is unlikely to be the case in reality.

+ Scenario 3 (**Attachment 3**) covers the most likely greenfield and infill supply from potential development areas for the study period, these exclude the lower priced housing areas, the Bridge Pa Golf Course and Maraekakaho options. The total supply of existing and potential new residential sites reduces to 8,099 lots, this comprising an estimated 3,323 sites from existing subdivisions, 1107 potential greenfield sites and 3,669 infill sites. This supply would cover overall HPUDS greenfield growth until around 2038 and would appear the more realistic growth scenario.

+ There are major differences in forward supply between the Napier and Hastings urban areas with Napier's existing supply sufficient to meet demand through to 2037, this extending to 2048 when potential greenfield development land is added. In contrast, Hastings' existing supply is sufficient to meet demand through until only 2024, this extending to 2029 when the potential greenfield development land is added. Potential greenfield land is defined as land that has been identified as having future subdivisional potential within the study period and for which rezoning hurdles are not predicted to be significant.

+ We have undertaken some sensitivity analysis under scenario 4 (**Attachment 4**), this based on higher growth projections or a 10% increase to the total projected household growth shown in table 1 above or

household growth of 7,939 for the study period. This growth would require 294 sites per annum, this split to include an increased 15% lifestyle component of 44 per annum, increased greenfield component of 55% or 162 sites per annum and a reduced infill component of 30% or 88 sites per annum.

+ Under this higher growth projection, the overall supply is sufficient to match demand until 2036 but with Napier's existing and potential supply sufficient to meet Greenfield demand through to 2044 and with Hastings' existing and potential supply sufficient to match demand through until only 2028. The total supply of existing and potential new residential sites is 7,939 lots, this comprising an estimated 3,323 sites from existing subdivisions, 1107 potential greenfield sites and 3,509 infill sites.

+ The risks of rising sea levels and erosion problems as a consequence of 'climate change' appear to have negatively impacted on demand levels within coastal areas for sites immediately fronting the water or beach where low stock is currently matched by low demand.

+ We anticipate solid future demand for land in coastal areas that is not affected by erosion issues but which enjoys sea views and/ or easy access to the coast. Some of this is of a lifestyle nature.

+ While overall supply appears sufficient to meet expected greenfields demand on a region wide basis until 2038 (scenario 3), there are notable imbalances in supply opportunities evident between Napier City and the Hastings urban areas.

+ The balancing of supply in advance of expected demand will remain critical and Hastings will have to look at available options to increase the supply of greenfield land well in advance of this date.

+ If the infill supply figures used in our analysis are found to be high, this would hasten the time until supply is depleted.

+ In the past there have been imbalances in the supply of new sites suitable for the building of new higher quality homes.

+ Development is likely to be primarily in the upper medium and higher priced sectors with developers resistant to lower priced localities and development options. As indicated in answers to questions 1 and 2 of Part One of the Developers Survey, with particular reference to the developer's preferred housing quality and price bracket.

+ The medium and upper medium quality housing areas across the survey area are likely to be well received by the market while resistance would be expected for lower priced subdivisions.

+ Better quality higher valued new housing is generally expected to be located in Havelock North and potentially on the Mission Heights subdivision.

+ 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 areas such as Maraekakaho and any development would need considerable scale to justify the servicing investment costs. We see demand in these areas as unlikely to reach the required critical mass in the absence of major stimulus or change.

+ Limited new apartment development is forecast for the next 5-10 years and beyond. After 10 years demand will depend on the availability of land with significant views.

3.1.2 Hastings Summary Of key Findings

+ The current stock of residential sites is 1,224 sites or supply until 2024 based on projected uptake rates of 84 sites per annum until 2015 and reducing to 76 sites per annum for the study period.

+ These household growth rates are substantially lower than for the subdivision consent activity for the preceding period 1997- 2009 when an average of 103 greenfield sites per annum were created. Refer **Table 3.**

+ To allow closer examination of potential areas of short fall we have considered 4 different scenarios, as explained above in section 3.2.1.

+ Scenario 3 (**Attachment 3**) covers the most likely greenfield and infill supply from potential development areas for the study period, these excluding the low priced housing areas, the Bridge Pa Golf Course and Maraekakaho options. The total supply of existing and potential new residential sites reduces to 8,099 lots, this comprising an estimated 3,323 sites from existing subdivisions, 1,107 potential greenfield sites and 3,669 infill sites. This supply would cover overall HPUDS greenfield growth until around 2038 and would appear the more realistic growth scenario.

+ Analysis of Scenario 3 highlights the differences in future supply between the Napier and Hastings urban areas. Hastings' existing supply is sufficient to meet demand until only 2024 and extending this period slightly to 2029 when the identified potential greenfield development land is added.

+ The infill numbers have been projected to match infill supply with demand over the period of the study but are dependent upon the potential supply of infill sites being sufficient. More research is needed to verify this.

+ Sensitivity analysis was considered under scenario 4 (**Attachment 4**), this based on higher growth projections or a 10% increase to the total projected household numbers or 8,815 for the study period.

+ In the event of this higher level of growth there would be the need for 157 sites per annum for Hastings split to include an increased lifestyle component of 32 sites per annum, increased greenfield component of 81 sites per annum and a reduced infill component of 44 sites per annum.

+ Under this higher growth projection, the overall supply is sufficient to match demand in Hastings until 2028. The total supply of existing and potential new residential sites is 3,306 lots, this comprising an estimated 1,224 sites from existing subdivisions, 345 potential greenfield sites and 1,736 infill sites.

+ Potential exists for further greenfield residential sites to be developed beyond these outlined scenarios however this would require encroachment on highly fertile rural land and such moves are likely to meet strong opposition.

+ The two lower priced greenfield subdivision options, comprising Kaiapo Road and Irongate/York Roads, were identified as part of the HUDS Towards 2020 report done in 1993. We are of the view these have only a low probability of proceeding during the study period, or at all as a result of developer preferences for medium to upper medium priced developments, in addition to infrastructural, servicing and development constraints.

+ Hastings has sufficient existing and potential greenfield supply under the most likely development scenario to last only until 2028 and will have to look at available options to increase this supply or development will increasingly focus in Napier as the study period progresses.

+ Coastal subdivisions, Papakainga and rural localities such as Maraekakaho are unlikely to have a significant influence on this supply.

+ Infill subdivision has contributed a 50.2% proportion of total new residential sites since 1999, an average of 108 sites per annum, but will fall significantly in coming years.

+ Infill is predicted to provide approximately 45% of new sites until 2015 and from 2015 to 2045 this will fall to an average rate of 35% or 47 new sites per annum. More research is required to confirm the overall quantity of potential infill sites and the ability to realise these.

+ Infill is projected to create 1402 new sites in the 2015- 2045 period however more analysis of potential infill site numbers is required to confirm this.

3.1.3 Napier Summary of Key Findings

+ The current stock of residential sites from existing subdivisions and future stages of these is 2099 sites or supply until 2037 based on projected greenfield uptake rates of 98 sites per annum until 2015 and reducing to 71 sites per annum for the study period with infill rates estimated at 75 new sites per annum until 2015 and then reducing to 47 per annum for the study period.

+ Subdivision consent activity for the preceding period 1997- 2009 averaged 84 greenfield sites per annum with this projected to fall to 71 sites per annum for the study period.

+ Scenario 1 (**Attachment 1**) includes all the identified potential and existing stock, this comprising 3,471 greenfield sites and an estimated 1,852 infill sites, giving a total of 5,323 sites, or greenfield supply through until 2057.

+ Scenario 1 includes two lower priced greenfield housing options that potentially could contribute 610 sites, however for the reasons outlined above, we see there is lower probability of these developments proceeding.

+ There are few development options available in Napier City and excluding the two low priced greenfield options in Riverbend Road and The Loop, potential and existing stock has been identified to comprise 2,861 greenfield sites and an estimated 1,852 infill sites, giving a total of 4,713 sites, or greenfield supply through until 2048. Refer scenario 2 & 3 (**Attachment 2 & 3**).

+ This available site supply is greater than that for Hastings mainly due to the Parklands and Te Awa subdivisions.

+ Sensitivity analysis was considered under Scenario 4 (**Attachment 4**), including our high end growth projections, or a 10% increase to the total projected household numbers and comprising a 15% lifestyle component, increased residential component of 55% and a reduced infill component of 30%.

+ This higher level of growth would require the need for 294 sites per annum for the total study area and would require 137 sites per annum for Napier split to include a lifestyle component of 12 sites per annum, increased greenfield component of 81 sites per annum and a reduced infill component of 44 sites per annum.

+ Under this higher growth projection, the overall supply is sufficient to match demand in Napier until 2043. The total supply of existing and potential new residential sites is 2,861 lots, this comprising an estimated 2099 sites from existing subdivisions, 762 potential greenfield sites and 1,772 infill sites.

+ Infill contributed 47.3% of new sites in the last 12 year period or 76 sites per annum. **Table 5** below.

+ Infill is projected to create a further 1402 sites over the 2015- 2045 period but will show significant decrease to 47 sites per annum. Again more research is required to confirm these infill numbers.

+ There appears less risk of insufficient supply in Napier as the major potential development areas of Te Awa Estate, Parklands and Mission Heights are already largely zoned residential.

+ There was significant apartment development activity during 2003 – 2008 but this activity has now stalled.

3.2 Residential Market Supply- Detailed Analysis

3.2.1 Supply- Total HPUDS Area

+ To allow closer examination of potential areas of a shortfall of site supply we have considered 4 different scenarios:

  Scenario 1: Including all likely potential subdivision options. **Attachment 1**

  Scenario 2: Including all likely potential subdivision options but excluding low priced housing areas. **Attachment 2**

  Scenario 3: Including all likely potential subdivision options but excluding low priced housing areas, Bridge Pa Golf Course and Maraekakaho. **Attachment 3**

  Scenario 4: Including all likely potential subdivision options but reflecting high end greenfield and lifestyle growth, and low end infill together with exclusion of low priced housing areas, Bridge Pa Golf Course and Maraekakaho. **Attachment 4**

+ Scenario 1 would effectively represent the most optimistic scenario. Under this the total supply of existing and potential new residential sites is estimated at 9,572 lots, this comprising an estimated 3,669 infill sites and 5,903 greenfield sites. This could potentially cover greenfield growth until around 2048 however the implications of matching supply with demand, rezoning and servicing implications make these projections optimistic.

+ Under Scenario 2 the low priced housing site options have been excluded as there is clear evidence that developers consider the lower priced developments to be high risk and on the basis of recent experience, would

be unlikely to want involvement. The total supply of existing and potential new residential sites is estimated at 8,454 lots, this comprising an estimated 3,669 infill sites and 4,785 greenfield sites. This could potentially cover greenfield growth until around 2041.

+ Scenarios 1 and 2 include a number of potential greenfield lower price subdivision options that we do not see as likely to prove viable and more weighting is given to scenario 3, with scenario 4 providing sensitivity analysis based on higher growth projections for the study period.

+ Scenario 3 includes the most likely development areas, but excludes the low priced housing areas, as well as the Bridge Pa Golf Course and Maraekakaho options. Scenario 3 is considered to be the most likely of the four scenarios. The total supply of existing and potential new residential sites reduces to 8,099 lots, this comprising an estimated 3,323 sites from existing subdivisions, 1,107 potential greenfield sites and 3,669 infill sites. This supply would cover overall HPUDS greenfield growth until around 2038 and would appear the more realistic growth scenario.

+ Closer analysis of Scenario 3 highlights the differences between the Napier and Hastings urban areas with Napier's existing supply sufficient to meet demand through to 2037 and extending this period to 2048 when potential Greenfield development land is added. In contrast, Hastings' existing supply is sufficient to meet demand through until 2024 and extending this period slightly to 2029 when the potential greenfield development land is added.

+ Scenario 4 is a simulation of scenario 3 but includes our high end growth projections, or a 10% increase to the total projected household growth but with a reduced proportion from infill.

+ We have undertaken some sensitivity analysis under scenario 4, this based on higher growth projections or a 10% increase to the total projected household growth shown in table 1, or household growth of 8815 for the study period. This growth would equate to the need for 294 sites per annum split to include an increased 15% lifestyle component of 44 per annum, increased greenfield component of 55% or 162 sites per annum and a reduced infill component of 30% or 88 sites per annum.

+ There is potentially a shortfall likely to emerge beyond 2038 if options to rezone rural land are not successful.

+ Any future rezoning requirements will constrain the ability of Hastings to expand into areas which could be seen as logical urban extensions such as the Lyndhurst/ Regional Sports Park block through to Evenden Road

+ Of this total, infill subdivision is expected to create around 163 sites per annum until 2015 and then to reduce to an average of 66 sites per annum through until 2045.

Table 2

Average Annual Historic Site Supply Napier & Hastings Combined- By Consents

	Years	Infill	Greenfields	Coastal	Total Residential Sites	Unit Title Apartments etc	Total Combined Residential Including Unit Titles	Lifestyle	Other (Plains/ Rural)	Total Combined
Napier	10	76	84		**160**	25	**185**	16		**201**
Hastings	10	108	93	6	**207**		**207**	74	111	**392**
		184	177	**6**	**367**	**25**	**392**	**90**	**111**	**593**
		50.2%	48.3%							

+ Table 2 summarises subdivision consents issued for the HPUDS area over the past 10 years. Over this period on average of 367 residential sites have been created per annum (excluding unit titles). Additionally there have been 25 apartment unit titles, 90 lifestyle lots and 111 other rural lots per annum for the period.

+ Numbers on a year to year basis have fluctuated as is seen in Tables 3 and 5.

3.2.2 Supply- Hastings/Havelock North/Coastal

+ The supply of residential lots for the period 1999- 2009 (part year) has totalled 2,078, which averages out to be 207 sites per annum. **Refer table 3.**

+ This supply comprised 1,084 infill sites and 930 greenfield sites and 64 coastal sites. The ratios are infill at 52.2%, greenfields at 44.8% and coastal residential at 3.0%.

+ Of note is the level of infill which is considerably higher than earlier estimates with the preferred “urban” growth scenario under the HUDS Interim Deman Review 2005 review being 15% infill and 85% greenfield.

+ There was almost nill apartment development in Hastings and Havelock North during the 1999-2009 period although the figures do include retirement units.

+ The rate of household growth is projected at 193 per annum for the period 2009-2015 and 143 per annum for the period 2015- 2045. These figures cover the Heretaunga Plains study area but exclude Napier.

+ These growth rate projections include retirement units, the projected number of which is 68 per annum for Hastings and Napier combined for the study period. We would project these as most likely being fairly evenly split between Napier and Hastings.

+ The current stock of residential sites from existing subdivisions or future stages of these is 1,224 or supply until 2024. **Refer Table 4.**

+ Existing coastal subdivisions contain a stock of 36 sites with potential greenfield coastal subdivisions identified as being capable of providing a further 150 sites, excluding Ocean Beach. Ocean Beach could potentially add significant stock but the future nature of development is uncertain and could alternatively be of a lifestyle nature.

+ A potential for up to 200 sites in Maraekakaho could be possible but this would depend on a longer term large scale development proving to be viable and feasible.

+ Infill subdivision has contributed 51.4% proportion of total new residential sites since 1997 but this proportion is forecast to fall significantly in coming years as the available stock is depleted. We consider that infill will contribute approximately 45% of new sites or 69 sites per annum until 2015 and that from 2015 until 2045 this will fall to an average of 47 new sites per annum.

+ Finally Papakianga sites have been identified as potentially contributing to the housing stock however no figures have been forthcoming as to likely forward supply or demand. More work is required in this area.

+ Table 3 summarises subdivision consents issued for Hastings over the past 12.5 years. An adjustment has been made to the “Other” category to account for a lifestyle component included in the figure of 2181 sites. Our analysis has identified this as being around 21.6%.

Table 3

HASTINGS ALLOTMENTS CREATED BY CONSENTS

Year	Infill	Greenfield	Coastal	Total Residential Sites	Rural - Resi	Other (Plains/Rural)	Total
1999	125	111	5	241	64	253	558
2000	85	125	2	212	39	167	418
2001	106	193	2	301	51	165	517
2002	67	96	8	171	28	104	303
2003	188	138	30	356	62	100	518
2004	141	2	11	154	38	110	302
2005	91	6	2	99	46	138	283
2006	74	120	1	195	10	185	390
2007	180	126	3	309	36	60	405
2008	14	11	0	25	56	68	149
2009 part	13	2	0	15	1	66	82
	1084	**930**	**64**	**2078**	**431**	**1416**	**3925**
					306	306	
	52.2%	**44.8%**	**3.0%**	**100.0%**	**737**	**1110**	
Average Per Annum	**108**	**93**	**6**	**207**	**74**	**111**	**392**

Note:
The Other category includes a substantial lifestyle content, estimated at 21.6% or 30.6 sites per annum. Adjustment in the above table for this.

Table 4

Hastings District Residential Section Stock Analysis September 2009				
Subdivision	**Total Sites Created**	**Dwellings Constructed to Date**	**Available Sites**	**Site Price Bracket**
(1) PART & DEVELOPED RESIDENTIAL SUBDIVISIONS				
Arataki/ Parklands- stage 1	460	450	10	Upper medium
Arataki/ Parklands- stage 2	255	3	252	Upper medium
Hikanui Drive	5		5	Higher
Lyndhurst- stage 1	350	80	270	Upper medium
Rochfort/Selwyn Roads	40	37	3	Higher
Margaret Avenue	30	20	10	Higher
Burberry Ridge	35	14	21	Higher
Frimley Oaks	40	37	3	Upper medium
Howard Street	40	31	9	Upper medium
Lyndhurst- stage 2	400		400	Upper medium
Williams St/Northwood	250	66	184	Medium
Farndon Road, Clive	21		21	Upper medium
	1926	**738**	**1188**	
(2) POTENTIALLY SUBDIVISIBLE LAND				
Area 2, Clive			28	Medium
Read Cres, Clive			35	Medium
Irongate York Rd			270	Low price
Kaiapo Road			238	Low price
Middle and Iona Road extension			92	Medium
Sth expansion to Havelock Hills			40	Higher
Bridge Pa Golf Course	155		155	Higher
			858	

+ Table 4 summarises the stock of developed, partly developed or potential greenfield subdivision land.

3.2.3 Supply - Napier City

+ The supply of residential lots for the period 2000- 2009 (part year) has totalled 1,759, an average of 185 new sites per annum. **Refer Table 5.**

+ These figures include 242 apartment units which if excluded, show a total of 1,517 sites or an average of 160 per annum.

+ This supply comprised 718 infill sites and 799 greenfield sites at a ratio of 47.3% to 52.7%, this being down from an earlier high of 65% infill to 35% Greenfield for the period 1993-1999.

+ There was significant apartment development during the 2003 – 2008 period with 242 units sites recorded but with the true total considered to be around 300.

+ The figures include retirement units**.**

+ The current stock of residential sites from existing subdivisions or future stages of these is 2,099 or supply until 2036. This figure includes land in the Whirinaki locality which would be expected to attract demand from Napier primarily.

+ There are a further 1,244 sites available from areas identified as having greenfield subdivisional potential within the time frames of this study. These include the Mission Heights, Park Island/ Wharerangi Road, Riverbend Road, Loop/ Cross Country Drain subdivisional options together with some potential for Bay View, subject to satisfying major servicing constraints.

+ Coastal subdivision stock comprises 49 existing sites with a proposed coastal subdivision capable of providing a further 128 sites but with part dependent upon major expenditure on reticulated services.

+ On average infill subdivision has contributed 76 sites per annum for the period 2000- 2009 (part year). As supply becomes depleted, infill supply is predicted to reduce to around 45% of new sites created for the period 2009-2015 and then to fall to an average rate of 47 sites per annum for the period through until 2045. Infill is projected to create a further 1,852 sites through until 2045.

Table 5

Napier City - Summary of Created Residential and Rural Residential Sites 2000 - 2009

	Infill	Greenfields	Total Residential Sites	Unit Title (Apartments & Motel Conversions)	Total Combined Residential Including Unit Titles	Rural Residential (1.5ha Average)	Total Combined
2000	31		**31**	4	35		35
2001	29	32	**61**		61	1	62
2002	46	36	**82**		82	18	100
2003	61	97	**158**	14	172	8	180
2004	79	130	**209**	5	214	54	268
2005	108	61	**169**	87	256	3	259
2006	135	165	**300**	55	355	9	364
2007	93	169	**262**	58	320	4	324
2008	98	50	**148**	17	165	33	198
Part 2009	38	59	**97**	2	99	21	120
9.5	718	799	**1517**	242	1759	151	**1910**
	47.3%	**52.7%**		**13.8%**			
Average Per Annum	**76**	**84**	**160**	**25**	**185**	**16**	**201**

Note: Consent is recorded when the 224 is signed.

Table 6

Napier City Residential Section Stock September 2009				
Subdivision	**Total Sites Created**	**Dwellings Constructed to Date**	**Available Sites**	**Site Price Bracket**
(1) PART & DEVELOPED RESIDENTIAL SUBDIVISIONS				
Parklands	800	150	650	Upper medium
Te Awa Estate/ Serpentine/ Napier Boys High School	1400	64	1336	Medium
Hukuraire School Site	40		40	Upper medium
Pirimai South	42	30	12	Lower medium
Meeanee	12		12	Medium
			2050	
(2) POTENTIALLY SUBDIVISIBLE LAND				
Marist Holdings Ltd			350	Upper medium
Park Island			170	Medium
Riverbend Road			260	Low
Cross Country Drain/ Willowbank Rd (The Loop)			350	Low
Bayview			114	Medium
			1244	
(3) COASTAL RESIDENTIAL SUBDIVISIONS				
Whirinaki- Evans Family Trust	6		6	Medium
Tangoio	30		30	Medium
Mer Place Bayview	13		13	Higher
			49	
(4) POTENTIAL COASTAL RESIDENTIAL SUBDIVISIONS				
Whirinaki- coastal			15	Upper medium
Whirinaki- coastal infill			12	Upper medium
Whirinaki- inland			40	Medium
Bayview coastal- B Nichols	61		61	Higher
			128	
		TOTAL	**3471**	

+ Table 6 summarises the stock of developed, partly developed or potential greenfield subdivision land.

3.2.4 Coastal Residential SectionSupply

+ Strong demand for coastal residential sites was evident between 2003-2006.

+ Demand reduced over the 2007-2009 period resulting in negative price corrections, as evidenced by recent sales evidence.

+ There is restricted availability of coastal residential site locations.

+ Low demand through 2008/2009 is evident from lack of sales in Mer Place, Bay View even under mortgagee sale conditions.

+ An analysis of coastal activity implies that the high demand has gone out of the waterfront property market as 'high end' property sales levels affect land value affordability as a consequence of building costs i.e. the realisable market value price less cost of building has brought land value affordability down.

+ Perception of rising sea levels as a consequence of 'climate change' erosion problems at Clifton/Te Awanga and beach nourishment issues at Westshore, along with the number of 'safer' property options available to the market away from the coast may all be factors influencing the demand for waterfront property.

+ Low stock of waterfront sites is matched by current low demand.

+ We anticipate ongoing future demand for land in the wider coastal zone not at risk of erosion issues, but which enjoys sea views and/ or easy access to the coast and other amenities.

3.3 Residential Market Demand- Detailed Analysis

3.3.1 Demand- Total HPUDS Area

+ The potentially available stock of lots has the ability cater for household demand until 2038 if all potential greenfield developments proceeds (Scenario 3). In reality however the matching of supply to demand across the whole HPUDS area is not simple and factors including; resistance to the rezoning of productive rural land; location preferences and; servicing constraints will reduce this supply.

+ Demand projections, based on Statistics Department and ESL analysis show household growth rates slowly increasing from 2015 to 2031, after which growth tapers off through to 2045.

+ The projected residential site uptake rate for the total survey area is 385 per annum for the period ending 2015, this then reducing to 267 per annum until 2045. Over the period 2009 – 2045 the average rate is projected to be 287 sites per annum. **Refer table 1**.

+ Although any analysis of the retirement sector lies outside the scope of this study it is worth noting that the 65+ age group is having an increasing influence on the residential market. By 2045 it is estimated that 26% of the population will be and age of 65+.

+ This change in the composition of the population age creates supply and pressures as the aging population frees up existing housing stock to move into retirement facilities and, as the growth in numbers requires the continued expansion of retirement homes on residential land. For further details refer to the work completed by ESL on the Retirement Sector.

3.3.2 Demand-Hastings/Havelock North

+ Balancing supply with demand will be critical if sufficient stock of sites is to be maintained in advance of anticipated demand through to 2045.

+ Careful ongoing monitoring of buyer preferences and characteristics, particularly in terms of subdivisional features, section and completed house price brackets, locational preferences and undesirable influences will be required.

+ Based on the average projected growth in household units of 143 per annum for the study period, the existing and potential Greenfield and infill stock should be capable of satisfying demand through until 2024 (scenario 3) or, in the case of 10% higher household growth, until 2029. This is dependant on achieving rezoning or development of 4 smaller land areas, 2 in Clive and 2 in Havelock North.

+ No significant greenfield options are currently considered feasible around the periphery of the Hastings Urban Area once Northwood and Lyndhurst are completed.

+ 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 expected to have a downward impact on the potential supply figure with two potential subdivisions adjoining the less desirable housing suburbs of Camberley and Flaxmere, likely to meet with strong developer resistance.

+ 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.

+ Some financial incentives and/or initiatives may be required in order to facilitate the development of lower priced sections.

+ If the Irongate/York Rd and Kaiapo Rd are taken out of the figures, this reduces the section stock by some 508 sites or 3-4 years average uptake. These have been identified to involve approximately 25% of the total available sites.

+ The balancing of available stock between Napier, Hastings City, Havelock North and other locations has in the past proved difficult. In the past there have been imbalances where, despite the demand for the building of new higher quality homes, the unavailability of suitable new sites, has caused buyers to relocate, for example from Napier to Havelock North.

+ Higher quality new housing is generally anticipated to be located in Havelock North and the Marist Holdings subdivision, in Poraiti, Napier.

+ Demand for sites within rural settlements is expected to remain at low levels due to the lack of amenities provided and the higher costs associated with travel.

3.3.3 Demand- Napier

+ The projected rate of household growth is 191 sites per annum for the period 2009-2015 and then reducing to 125 per annum through to 2045. Refer table 1.

+ Based on the overall average projected growth in household units, this supply is capable of satisfying household demand until 2048 under the most optimistic scenario and 2037 under the most realistic projections.

+ Market and locational demand preferences are likely to favour the medium to upper medium priced developments and the economic feasibility of low priced site development will remain marginal.

+ There would appear less risk with ongoing supply in Napier, than with Hastings as the major potential development areas of Te Awa Estate, Parklands and Marist Heights are already largely zoned for residential or in the case of part of the Te Awa Estate, are intended for rezoning. These developments contribute 2,336 existing and potential sites with the addition of 1,852 potential infill sites.

+ Potential opportunities to cover any shortfall could include the further development of Bayview, Jervoistown back to the Cross Country drain or other alternatives. Further investigation into the feasibility and viability of options would need to be considered.

+ There has been some negative stigma in the past whereby Napier East has not been as well regarded as Taradale and Greenmeadows for new housing. The establishment of Te Awa Estate has reduced this perception although generally the Te Awa pricing is behind Parklands by around 5% for similar type houses. This subdivision does offer some high end housing stock.

+ With the exception of a small part of Te Awa Estate, currently there is no Napier subdivision catering for higher priced above average housing over $500,000. The proposed Marist Holdings development may cater for this upper end of the market.

3.4 Residential Infill Demand Detailed Analysis

+ Infill development covers; intensive redevelopment of residential sites; demolition/ removal of houses on larger sites and re-subdivision and; subdivison and development of vacant parts of larger sections (these mainly rear sites).

+ Previously infill levels have been relatively high in both cities but as the available options for infill development are exhausted, the quantity of new infill sites is anticipated to reduce. Refer tables 3 and 5.

+ In Napier earlier estimates indicated that the available stock of infill sites would be between 450 to 500 sites by 2016. We have been unable to verify the accuracy of these figures and see this as an area requiring further research.

+ We have assessed the available stock at 1,852 sites for Napier and 1816 sites for Hastings, these figures based on the expectation of reduced infill subdivision activity levels but without having been able to undertake any accurate assessments of available stock. From 2015 we assess the need for 1,402 infill sites in both Napier and Hastings to meet expected demand through until 2045.

+ In Hastings there is thought that the available infill options may be around the 50% developed level but to our knowledge this has not been confirmed by any in depth studies.

+ There is a need to accurately quantify the available stock of infill sites especially as demand not able to be serviced by infill subdivision will need to be catered for from greenfield and/or alternative developments.

+ It is important to note that some of the historical data has some misclassification between the greenfield and infill categories. As a result the Napier and Hastings infill figures cannot be assessed on a comparable basis. The definition in the Hastings District Plan defines greenfield land as being “within newly rezoned urban expansion areas” and any other subdivision is deemed infill.

+ 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. As a result infill potential is finite and something that will progressively reduce over time.

+ While options for further infill subdivision exist, this form of development is locality sensitive and again has tended to be centred in well established areas.

+ Council fees for this type of development have increased substantially in recent years and the impact of these reduces the economic viability of this form of development in lower priced locations.

3.5 Residential Pricing Detailed Analysis

+ The majority of new residential development is occurring in the upper medium price bracket from $300,000 (for smaller infill developments) to $500,000 for good quality four bedroom homes in new greenfield subdivisions.

+ The recent market downturn has seen a decrease in activity above the $450,000 price bracket.

+ These levels compare to current median home prices for Hawkes Bay of approximately $260,000.

+ 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.

4.0 Deliverables B – Lifestyle Market

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

4.1 Summary of key findings
4.2 Lifestyle supply- detailed analysis
4.3 Lifestyle demand- detailed analysis
4.4 Lifestyle pricing and market analysis
4.5 Lifestyle market trends
4.6 Coastal lifestyle

4.1 Summary of Key Findings

+ Future lifestyle demand is difficult to predict however we have based our demand projection within the constraints of total household growth projections of 8014 during the study period as per ESL.

+ There is sufficient supply to 2015.

+ There is a predicted surplus in supply of 155 sites (see Table 7) from 2015 – 2045, however this is based on projected demand for new lifestyle housing being 10% of household growth projections. Over the last 10 years it has been approximately 20%.

+ A reduction in future demand is anticipated due to changing demographics, demonstrated by a significant fall off in demand over the last 2 years when demand has been between 5 - 10%.

+ Supply and demand levels 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 vice versa. **Refer Table 8**

+ Many existing development proposals have stalled due to the current anticipated return on investment as well as recent falling demand.

+ There appear to be land options available to cover and meet demand but further planning changes will need to be undertaken in time, and suitable land identified, to encourage to be development.

+ Any future demand is likely to be in close proximity to urban facilities.

+ Smaller lifestyle blocks may be a developing trend and the relaxing of subdivisional rules in rural residential areas (ie 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 but if demand does not ease as predicted, there would be a shortfall in supply.

+ Our projections are based on 27 new lifestyle houses per year on average over the study period.

+ If demand continued at 50% of the level experienced over the last 10 years, (ie 44 new lifestyle properties per year or 16.5% of new housing) , and some of the less likely developments did not proceed, there would be a shortfall of approximately 632 sites over the study period. Refer Table 8.

4.2 Lifestyle Supply – Detailed Analysis

+ Currently there is sufficient supply going forward to 2015 with current market demand being tempered by a general slow down in the market.

+ Supply from 2015 to 2045 is presently uncertain. Numerous projects are stalled due to current slow market conditions but it is anticipated many developments will be re-initiated as market conditions improve.

+ We see a satisfactory supply of land to meet demand from 2015-2045, however there are limited firm proposals to develop.

+ 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.

+ The supply of more outlying lifestyle blocks will be reduced by Plan Change 49, but also we anticipate some easing in demand for these outlying blocks.

+ We anticipate the existing supply of outlying blocks will largely be sufficient to meet that demand going forward until 2045, with only a small number of new sites created and with existing developed properties being turned over.

+ 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 Seafield Rd, Poraiti, and Springfield Rd will need to be identified and possibly rezoned to facilitate development.

4.3 Lifestyle Demand - Detailed Analysis

+ Past demand is difficult to measure due to a high number of subdivisions within HDC data being classified as “Other” and we suspect that a significant proportion (average of 38 per year) of these are for lifestyle use.

+ If the 38 “Other” are misclassified, this will distort our base data as they amount to some 43% of the lifestyle market.

+ 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 last 10 years but only 35 in 2008 and only 12 during 2009 year to date.

+ This past demand is supported by research undertaken by East Hills in support of a private plan change to re-zone Kopaki Bay. They identified demand for rural lifestyle blocks between 1994 and 2004 at 93 lots per year.

+ 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.

+ From our investigations, we are reasonably satisfied past demand has been for approximately 90 lots per annum over the last 10-15 years, except for a significant drop in demand over the last 2 years.

+ Our best estimate of annual demand over the study period is an average of 27 sites per annum, based on 10 % of the total stock of new housing being lifestyle. (ESL projections).

+ This is a significant decrease on recent past trends and will need to be monitored going forward.

+ We anticipate the greatest demand will be in the Havelock North Hills area, followed by Poraiti and Bay View.

+ 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.

+ Our investigations and enquiries indicate buyers generally have identified preferential locations and are not easily open to change.

+ Schooling and ability to access certain schools is a major influencer on location preference.

+ Demand from 2015 on is likely to be driven by access to services, including schooling and other urban facilities.

+ We believe distance from urban facilities will become an even more significant factor from 2015 as personal travel (as a result of reduced oil reserves) is anticipated to become more expensive. However, this may be somewhat offset by innovations in technology including access to high speed internet and working from home which may temper this affect.

+ 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 limited sector of the market.

+ If demand is higher than anticipated, prices will rise which will in turn have a negative impact on tempering demand.

+ We anticipate a trend of lessening demand going forward as prices limit affordability and the impact of travel makes outlying blocks less attractive.

+ Demographics with an aging population are expected to also act to lessen demand for lifestyle blocks, as access to amenities and services is needed.

+ By anticipating an easing in demand for Lifestyle blocks, supply should meet demand until 2045 assuming that the predicted developments occur over time or new developments replace those that fail.

+ We have investigated the sensitivity of a 10% increase in housing stock/demand over 2015 -2045 and lifestyle demand increasing from 10% to 16.5% of the new stock. We have also excluded some of the less likely development options. Under this higher growth scenario, there would be a supply shortfall of 504 lots or supply until 2034. Refer Table 8.

+ 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.

+ A summary of the supply and demand is shown in table 7 below:

Table 7

Lifestyle Block Stock Analysis					Available/ Potential Sites
Updated 13/10/2009	Input Anna Summerfield, own resources				
Subdivision		**Area ha**			
Esk Hills					33
Linden Ridge					15
Esk Ridge					10
Seafield Rd					120
Kopaki Bay					175
Other Puketitiri					50
Penrith Rd					10
Poraiti Heights					18
Korokipo					10
Parkhill					30
Clifton Rd					18
Waimarama Area					15
Aintree Rd					34
Aintree Rd Balance					50
Endsleigh Dr Full 360 Ltd					25
Endsleigh Dr Roseanna Dev					14
589 Middle Rd PRM Ltd					22
Kahuranaki Rd Eastwick					17
Te Punga Station					
Maraetotara					21
Whakapirau Rd Mangatutu Station					42
Aorangi Paritu					15
Carter Holt Craggy Range					19
					763
Other Long Term Possibilities (Estimated Areas and Yields)					
Meeanee		400			50
Puketapu		40			35
Poraiti Other Land		140			75
Parkhill Area		166			80
Bayview		500			150
Springfield Rd		400			30
Havelock North *		274.5			180
Kaiapo		32			30
					630
	Total Supply				**1393**
Estimated Uptake					
Based on Council Subdivision Consents		Annual Avg	Other Plains		Total
Hastings	1997-2009	35	50		85
Napier	2000-2009	16	0		16
					101
Based on TelferYoung Sales Analysis					
Napier Hastings	2000-2008	Annual Average			98
Say	50	per yr	2009-2015		300
	27	per yr	2015-2045		810
	Total Demand				1110
	Surplus				**283**

* Area based on HDC data, yield estimated

Table 8

Lifestyle Block Stock Analysis					
Updated 13/10/2009	Input Anna Summerfield, own resources				
Subdivision				**Available/**	
Based on 10% Additional Growth in Household					
Demand				**Potential**	
15% of New Households Residential				**Sites**	
Supply Reduced to Most Likely Development Options Only					
Esk Hills				33	
Linden Ridge				15	
Esk Ridge				10	
Seafield Rd				120	
Kopaki Bay				175	
Other Puketitiri				50	
Penrith Rd				10	
Poraiti Heights				18	
Korokipo				10	
Parkhill				30	
Clifton Rd				18	
Waimarama Area				15	
Aintree Rd				34	
Aintree Rd Balance				50	
Endsleigh Dr Full 360 Ltd				25	
Endsleigh Dr Roseanna Dev				14	
589 Middle Rd PRM Ltd				22	
Kahuranaki Rd Eastwick				17	
Other Long Term Possibilities (Estimated Areas and Yields)					
		Area ha		666	
Meeanee		400		50	Estimate
Puketapu		40		35	
Poraiti Other Land		140		75	
Bayview		500	Estimated	100	
Springfield Rd	Estimate	400		30	
Havelock *		274.5		180	
Kaiapo		32		30	
				450	
	Total Supply			**1116**	
Estimated Uptake					
Say	50	per yr	2009-2015	300	
	44	per yr	2015-2045	1320	
	Total Demand			1620	
	Deficit			**504**	
* Area based on HDC data, yield estimated					

4.4 Lifestyle Pricing and Market Analysis

+ The graph below shows prices increased moderately over the period 2000 to 2004, but have since increased more significantly since then.

+ Statistically values have held since 2005 but we are aware market levels have fallen through 2009 and the year to date figures are 10% down relative to 2008.

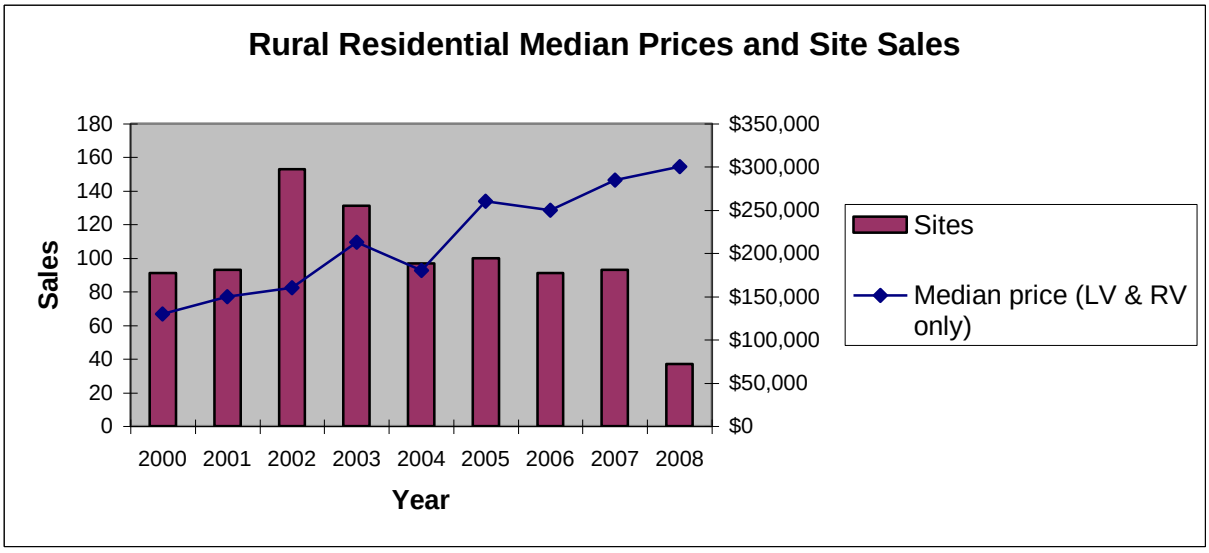
+ The average vacant lifestyle block value is approximately 175 to 200% higher than the average residential section price.

+ Affordability issues will arise as in some cases the remaining land becomes more difficult and expensive to develop.

+ Demand over the last 10-15 years has been reasonably consistent except for a significant fall off in recent years due to tightening market conditions.

+ We anticipate a fall in demand going forward, but this is at odds with the data over the last 10 years and careful monitoring will be required to assess demand for lifestyle blocks does actually fall as predicted.

Graph 1



4.5 Lifestyle Market Trends

+ There is an ongoing demand for rural lifestyle and rural residential sites within close proximity to town and these remain popular.

+ The increased cost of commuting has impacted negatively on demand for those sites that are further from Napier and Hastings.

+ There have also been developments in remote technology that allow people to work more from home and these have reduced the need to travel to a workplace daily.

+ There appears to be increased consideration to available schooling options.

+ 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.

+ With a seeming acceptance for smaller rural lifestyle sites, consideration could be given to relaxing minimum site sizes in the rural lifestyle areas.

4.6 Coastal Lifestyle

+ There are limited opportunities for lifestyle development in true beachfront locations with the available opportunities limited to a few sites in Waimarama, and the odd one off position north of Napier around Bay View.

+ Those sites with direct beach access will remain in the higher price bracket and will likely be affordable to a small sector of buyers only.

+ Areas with coastal proximity and/or sea views such as Bay View, Poraiti, Te Awanga, Haumoana and some areas in the Tuki Tuki valley are popular. Prices in such locations tend to be above average and hence affordable to fewer buyers. The net impact of this is reduced demand.

+ We anticipate that future demand for those areas having sea views and/or coastal access will remain steady in the future.

+ Proximity to services will also remain a significant factor and this will possibly have as much an effect on lifestyle demand in a particular area, as will coastal influence.

+ While we see coastal influence as a desirable characteristic for a lifestyle development, coastal influence alone will not ensure market demand. Access to services is also required.

5.0 Deliverable C - Subdivision Preferences, Densities and Developers Survey

5.1 Summary of Key Findings

We have conducted a survey of twenty five developers active in the land subdivision market. A summary of the results is appended as **Attachment 5**. We have received fifteen 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.

+ Frimley, Brookvale and Parklands are the areas predominantly being targeted by developers with site areas from 400 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; meeting client needs; profitability and; preferred development and realisation periods.

+ A high proportion of developers concentrate the majority of their business in the new dwelling and 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 greater than supply. Flaxmere and Frimley were identified as being areas where supply is greater than demand.

+ Rezoning and the immediate over supply of land within the Frimley area was one reason for the imbalance in this otherwise popular location.

+ 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 aren't 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 lower 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.

6.0 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

6.1 Summary of Key Findings

+ There are competing rural and urban land demand issues of 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 limited market success and future development in these areas will be tempered by modest demand.

6.2 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.

6.3 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.

6.4 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.

+ 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.

6.5 Influence of Temporary Workers and Holiday Homes on Demand Levels

+ Around 12,000 temporary workers are employed in Hawkes Bay each year for season work on a variety of crops.

+ These workers come from other parts of NZ and from overseas mainly for the February to May period.

+ The workers are housed using a variety of options including urban rented houses, houses on farm and orchard properties, specially constructed or altered accommodation facilities and temporary accommodation.

+ The numbers of these workers appears relatively stable and while their accommodation needs are significant, the market has already adjusted to cater for these and is not likely to face significant additional pressure to meet these ongoing housing needs.

+ This accommodation use has utilised some of the poorer housing stock that may otherwise have been redeveloped or renovated and has also utilised some older motel and other building types.

+ 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.

+ This market component is seen as being relatively stable and unlikely to show any significant change proportionately.

6.6 Cluster Housing

+ Cluster housing is considered desirable and is generally focussed around a particular activity or focal point such as:-

  A Golf Course - There are two proposals in Hawkes Bay at present 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 - Refer the Hampton Downs – Meremere development which has 80 apartments on site.

  Canal Housing - This prominent in Whitianga, Pauanui and north of Auckland.

+ Cluster housing has also been successful when combined with a security gated community.

  - Louie/Howard Street involving 47 sections recently developed on the former Hawkes Bay Electric Power Board site.

  - 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.

+ 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.

6.7 Acceptance of Compact Forms of Living.

+ 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 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.

+ Retirement villages will offer an alternative form of compact living for which there appears to be good market acceptance.

+ The former Napier hospital site and ‘Tower Block’ offers potential for refurbishment into apartments.

+ This form of development, along with retirement villages, primarily are targeted at the upper medium to higher income socio economic groups.

6.8 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 existing industrial areas and may be better suited to that 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.