



HASTINGS & NAPIER URBAN AREA

Housing and Business Market Indicator Monitoring

2022 Report

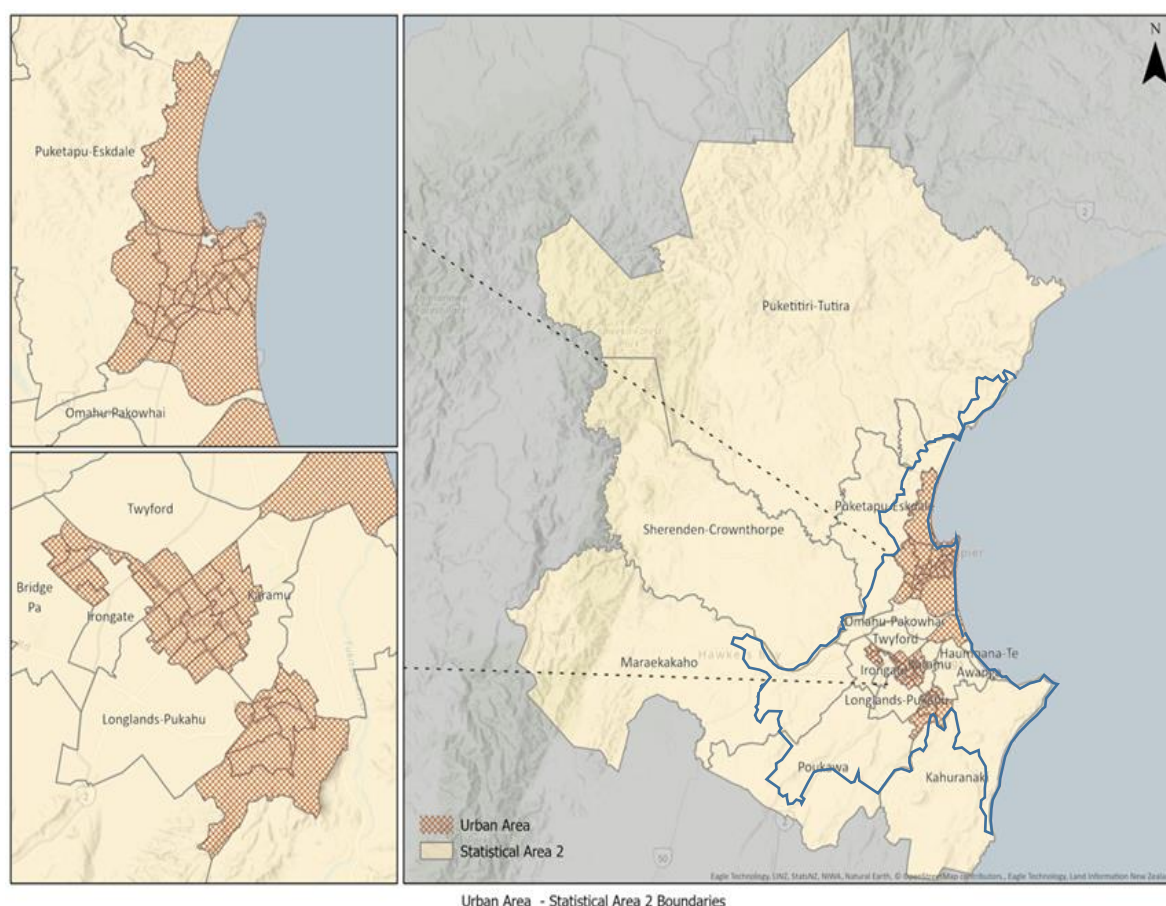
1. Purpose of this Report

- 1.1. This report has been prepared by the Napier City, Hastings District and Hawke's Bay Regional Councils to provide an overview of the Napier-Hastings property market to the end of 2022, using a selection of housing and business indicators. It is designed to meet the government's National Policy Statement on Urban Development 2020 (NPSUD) by monitoring property market indicators on a quarterly and annual basis, so that the Councils stay well-informed about the adequacy of urban development capacity and associated socioeconomic outcomes.
- 1.2. It is anticipated that this will enable the Councils to be more responsive to changes in market demand and other market factors and will provide a key input to the three yearly Housing and Business Capacity Assessments (HBCA), which are also required under the NPSUD.

2. Background

- 2.1. Under the NPSUD the Napier-Hastings Urban Area is classified as a tier 2 urban environment. This brings with it specific obligations to monitor and report on property market indicators. The urban environment is defined as "an area of land that is or is intended to be predominantly urban in character that is part of a housing and labour market of at least 10,000 people". Figure 1 shows the statistical area level 2 (SA2) units broadly fitting that description in relation to the combined territorial authority areas of Napier and Hastings and the Heretaunga Plains Urban Development Strategy Boundary (blue outline). Most of the information contained in this report is however, reported at the territorial authority level.

Figure 1 Napier-Hastings Urban Areas as defined by SNZ



- 2.2. Every tier 1, 2 and 3 local authority must monitor and publish at least annually, the demand and supply for dwellings; prices and rents for dwellings and housing affordability. They must also monitor the proportion of housing development capacity that has been realized in previously urbanised areas (such as through infill housing or redevelopment); and in previously undeveloped (i.e. greenfield) areas, as well as available data on business land.

- 2.3. To meet those requirements a Baseline Monitoring report was prepared in April 2017, (based on 2016 data and based on the requirements of the 2016 Version of the NPSUD) and repeated annually. Three shorter quarterly reports were published and updated selected data from those Baseline reports, but in 2020 these were substituted with infographic quarterly “Snapshots” of key data without commentary.
- 2.4. This report focuses only annual trends, but a fourth quarter snapshot was published ahead of this annual report¹.

3. Joint Monitoring and General Approach

- 3.1. The NPSUD requires Tier 1 and 2 local authorities having an overlapping or common housing and business land market to work together to implement the requirements of the NPSUD (including the preparation of 3 yearly Housing and Business Capacity Assessments and six yearly Future Development Strategies). Napier City Council, Hastings District Council and Hawke’s Bay Regional Council had already worked together from 2009 to produce the Heretaunga Plains Urban Development Strategy 2010 and a review in 2016-2017. The partner Councils have recently embarked on a new Future Development Strategy as required under the NPSUD, which will supersede HPUDS in 2024. Under HPUDS however, the three partner Councils committed to regular joint monitoring on an at least five yearly basis. As part of this approach the partner Councils completed their first Housing Capacity Assessment in 2021, based on 2020 data and Business Capacity Assessment in 2022, based on 2021 data. This Indicator report will provide further information to support the Future Development strategy process.
- 3.2. This report is broken down into the following sections:
- Housing Demand
 - New Dwelling Activity
 - Residential Land Capacity
 - Land Prices /Sales Activity
 - House Prices Sales /Sales Activity
 - Housing Affordability
 - Business Activity and Capacity
- 3.3. It is important that the report is read as a whole. Interpretation of what is happening in the market requires looking data in combination, rather than in isolation. It should also be noted that property market activity can be highly influenced by macroeconomic influences, which can mask or distort the effects of local influences and longer term trends should be relied on over shorter term indications where significant capital or land use decisions are involved. Although some interpretation and commentary given, it is noted that property markets are complex and susceptible to rapid change in response to external influences, so caution should be exercised when drawing conclusions.

4. Housing Demand

- 4.1. Housing demand is based on household growth, which is a function of population and household size, reflecting changing demographic characteristics. The most recent population estimates from Stats NZ indicate that in the year ending June 2022, Napier’s population grew by 0.3% to reach 66,800, and Hastings’ population grew by 0.4% to reach 90,600.

¹ <https://www.hpuds.co.nz/assets/Document-Library/Reports/2022-Q4-Napier-Hastings-Urban-Housing-Market-Snapshot-published-30-Mar-2023.pdf>.

Table 1 Napier-Hastings Population Estimates 2018-2022

Year at 30 June	Population					% Change			
	2018	2019	2020	2021	2022	2019	2020	2021	2022
Hastings District	84,700	86,000	89,400	90,200	90,600	1.5	4.0	0.9	0.4
Napier City	64,200	65,100	66,200	66,600	66,800	1.4	1.7	0.6	0.3

(Source Stats NZ)

- 4.2. The revised estimates of the 2020 population released by SNZ in 2021 and revised in 2022 also showed a much larger population increase for Hastings than was originally estimated in 2020. Table 2 indicates that majority of the population growth in that year for both Hastings and Napier was higher than expected net international migration, likely due in part at least to expat New Zealanders returning home due to Covid 19. For 2021 and 2022 however, SNZ estimated that the majority of Napier-Hastings population growth was due to natural increase with international migration turning negative in 2022, but with net internal migration increasing.

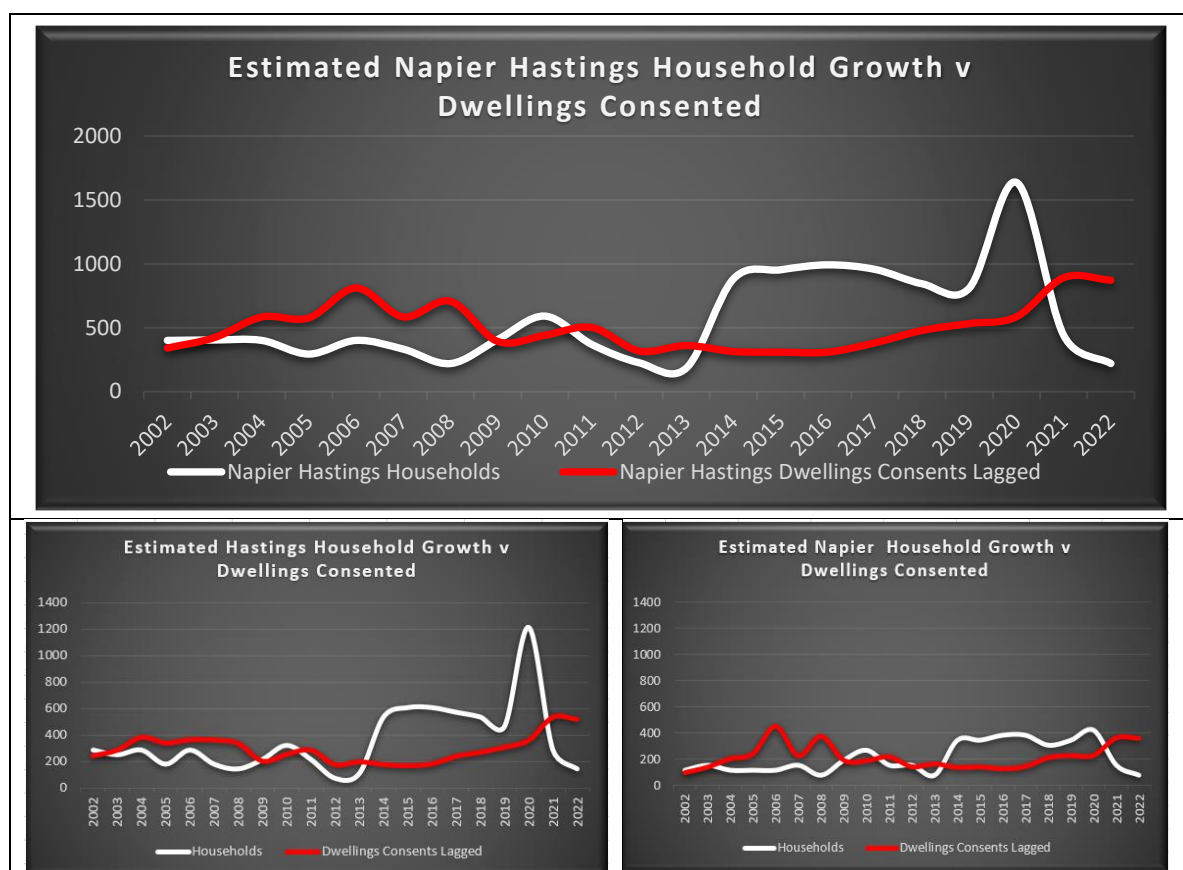
Table 2 Components of Population Change Napier Hastings 2019-2022

Year at 30 June	Natural increase				Net international migration				Net internal migration			
	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022
Hastings District	360	380	430	370	920	3200	470	-110	0	-150	-40	130
Napier City	100	120	180	130	500	940	100	-90	220	100	140	160
% Total 2019	22				68				10			
% Total 2020		10				85				-1		
% Total 2021			48				45				8	
% Total 2022				85				-34				49

(Source Stats NZ)

- 4.3. The 2021 Housing Capacity Assessment adopted a household a starting occupancy rate of 2.8 people per household for Hastings and 2.5 for Napier to convert population projections into Housing projected demand. This gives an estimated 2022 housing demand of 142 for Hastings and 80 for Napier, a total of 222 dwelling units. This compares with the 2021 estimated demand of 550 dwellings, although the 2022 estimates downgraded this to 445. In addition to demand from new growth, the Region's recent past growth profile meant that until 2021 housing supply had not kept up with the surging demand since 2014-2015, as shown in Figure 2 below:

Figure 2 Comparison of Estimate Household Growth and Dwellings Consented (lagged by six months) 2002-2022



(Source HDC and NCC based on SNZ Population Estimates)

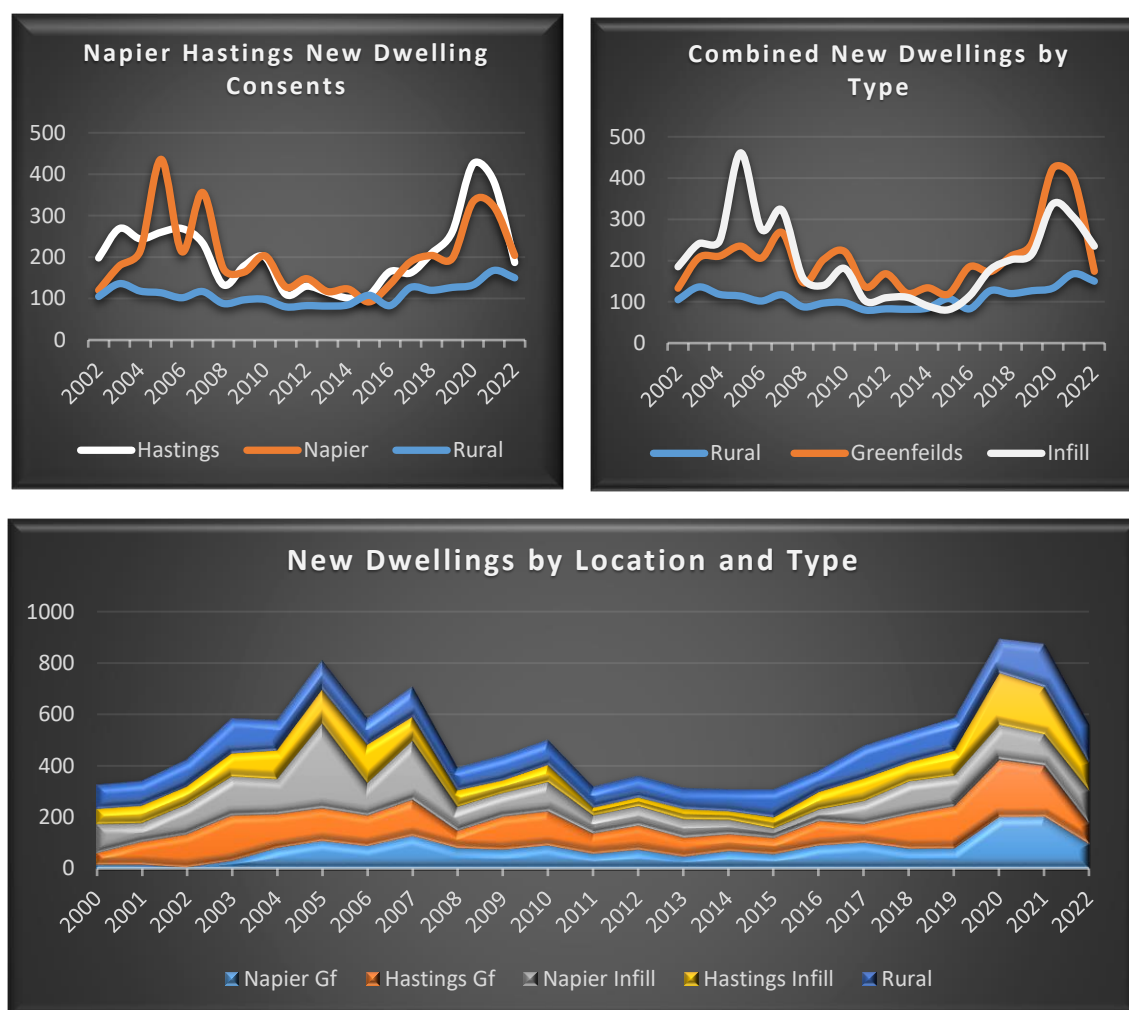
- 4.4. New house building for both Hastings and Napier outstripped household growth for the seven years from 2002 to 2009 and thereafter kept slightly ahead until 2013 (for the most part, the rest of New Zealand outside of Auckland showed a similar pattern). However, from 2014 household growth rose significantly off the back of record international migration and some apparent displacement of buyers from Auckland experiencing significant housing pressure. As a result, demand outstripped supply from around 2014 to 2020 in the order of 1900 homes for Hastings and 400 for Napier, after adjusting for the surplus capacity added from 2002 to 2013.
- 4.5. With international migration affected by Covid19, the 2021 and 2022 population estimates suggested at least a temporary reversal of that pattern. The number of new dwelling consents exceeded household growth over the past 2 years, reducing the shortfall by around 1100 with 650 of those being over the last year.
- 4.6. An alternative method for estimating the housing shortage uses the 2018 Census of Occupied and Un-Occupied dwelling data as a basis, updated with SNZ population estimates and new dwelling consents. This suggested a shortage of around 1250 dwellings in Hastings and 750 in Napier by the end of 2020, but by the end of 2022 this had reduced by around 900 to 1100, distributed roughly 650 for Hastings and 450 for Napier.
- 4.7. Social Housing Registrations (See section 9) however, suggests a more even distribution between Napier and Hastings and sensitivity testing around household size assumptions (and allowing for demolitions), provides a working assumption of 1,000 for Hastings and 500 for Napier for the housing shortage at the end of 2022.
- 4.8. Other influences of housing demand included visitor accommodation and seasonal worker accommodation. The short term rental visitor market (AirBnB) is unlikely to have increased its impact on permanent and long term rental markets during and immediately following Covid19. Similarly, since Covid19 the demand for and projected supply for temporary worker accommodation has been muted due to suppressed inflows. High rates of on farm and industrial zone developments of purpose built RSE accommodation occurred from 2018-2021 (approx.), with consents issued for 3,142 beds, of which 693 are pending construction. Only one consent was issued (for 58 beds) in 2022 with construction still pending. This would likely have eased the pressure of

seasonal accommodation demand on the rental housing sector, but this may well have been affected by Cyclone Gabrielle.

5. New Dwelling Activity

- 5.1. Building consent data reflected in Figure 3 below highlights a pick-up in new urban dwelling construction from the beginning to middle of 2015 across all sectors. This increase slowed over 2019, but accelerated dramatically over 2020 to peak at 896. This was the highest in over 20 years and exceeding the previous high in 2005 of 811. Urban consents dropped slightly in 2021 and more significantly in 2022, with a cooling of the property market as immigration reduced and interest rates rose, but rural lifestyle picked up somewhat. Total consents issued in 2023 numbered 522, which was on a par with 2018. This was well in excess of the growth demand (220), but short by a considerable margin on addressing the backlog target over a 5 year period (700) from 2020.

Figure 3: Napier Hastings New Dwelling Consents 2002-2022



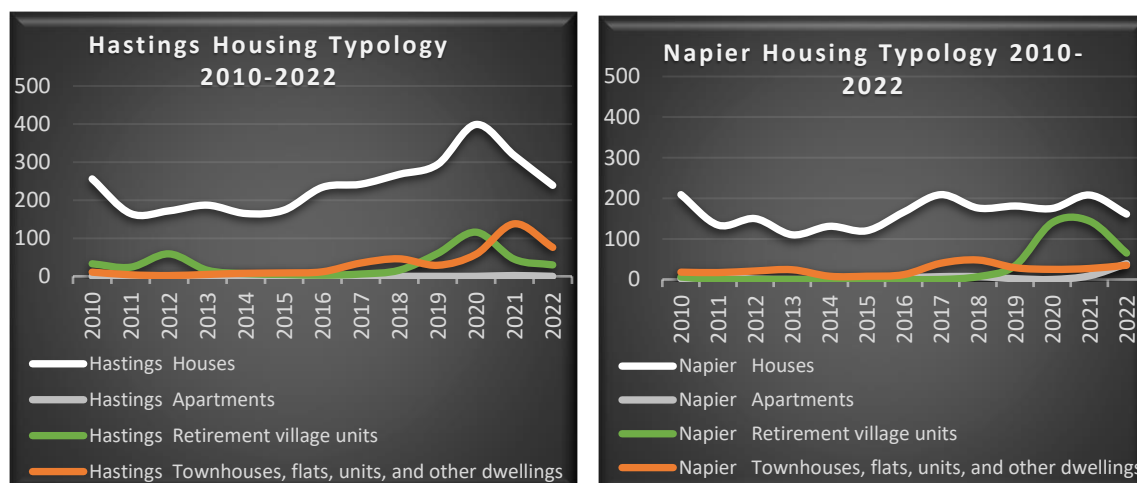
(Source HDC and NCC)

- 5.2. The graph also shows relatively balanced greenfield activity in the two urban areas since 2004 apart from a spike in apartment developments in Napier during the last property cycle. A surge in greenfield development over the two years preceding 2022 was partly fuelled by retirement village developments in both areas, but with a larger number in Napier. Infill developments over the past two years have also been influenced by significant Kainga Ora Homes redevelopment projects, particularly in Hastings. Building rates have reduced in greenfields areas over the last 12 months as the retirement villages have been completed, but overall rates remain historically high.
- 5.3. Figure 4 looks at housing typologies built over the past decade, based on SNZ classifications. These graphs show that while infill is a significant part of the housing market, this has tended to be in the form of detached dwellings, rather than smaller footprint townhouse and semi-detached formats popular in the 1980's and 1990's. There was however, some renewed sign of interest in these formats or modern variants of them (from 2017 in

Hastings), possibly due to market support for more affordable dwellings and increase Kainga Ora Homes activity in 2021 in particular.

- 5.4. The popularity of license to occupy retirement village housing is also clearly evident. The spike Hastings in 2012 associated with the Summerset in the Orchards development in Ada Street and again in 2020 when the significant new Ryman Te Aute Road development and Graceland's Pakowhai village expansion were consented. In Napier the significant new retirement village developments at South Pirimai and Te Awa almost matched the rate of new detached dwelling development in Napier over 2020-2021.

Figure 4 Napier Hastings New Dwelling Consents 2010-2022 by Housing Typology

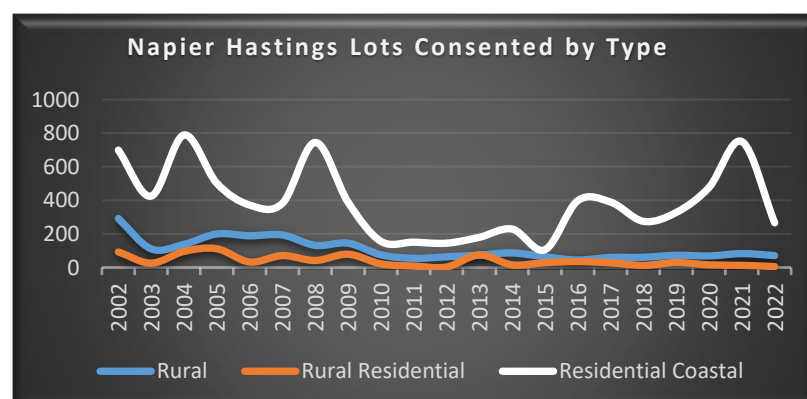


(Source SNZ)

6. Residential Land Capacity

- 6.1. Residential land capacity comprises greenfield residential areas, infill development potential, brownfields² sites and other more dispersed types of living environments, such as coastal settlements, marae based communities and rural residential/lifestyle living.
- 6.2. Figure 5 shows the estimated number of lots for which subdivision consent was granted over the last 20 years, by three main groupings; residential/coastal settlement, rural residential and rural (farming). A large amount of rural subdivision over the earlier part of the millennium tailed off after 2010 and appears to have reached a new equilibrium. A resurgence in new residential subdivision following the GFC started around 2016 and has been on an upward trend over the two previous years, but has dropped off significantly over the last 12 months as the previous consented subdivisions came to market during a cooling of the property cycle.

Figure 5 Napier Hastings Total Lots Granted 2002-2022

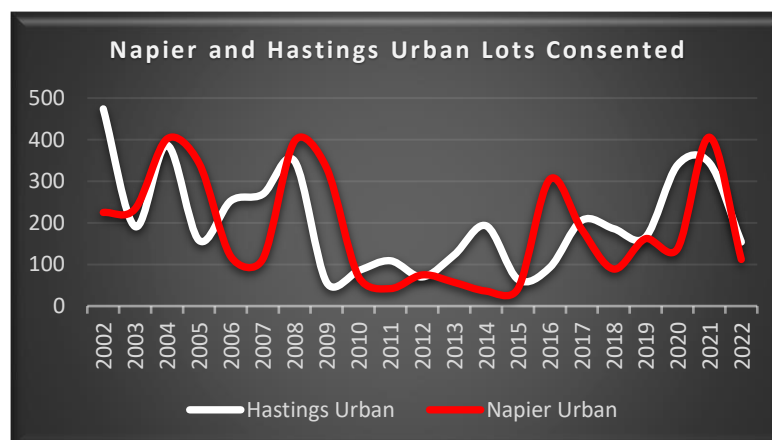


(Source NCC and HDC)

² Redevelopment of obsolete commercial or industrial sites for residential purposes.

- 6.3. Figure 6 shows the residential lots created annually, broken down by Napier and Hastings. By its nature greenfield subdivision tends to occur in large numbers at irregular intervals, with the construction and release of the actual sections usually occurring in smaller stages. Notwithstanding that, there appears to be a relatively balanced pattern of subdivision between Napier and Hastings since 2003.

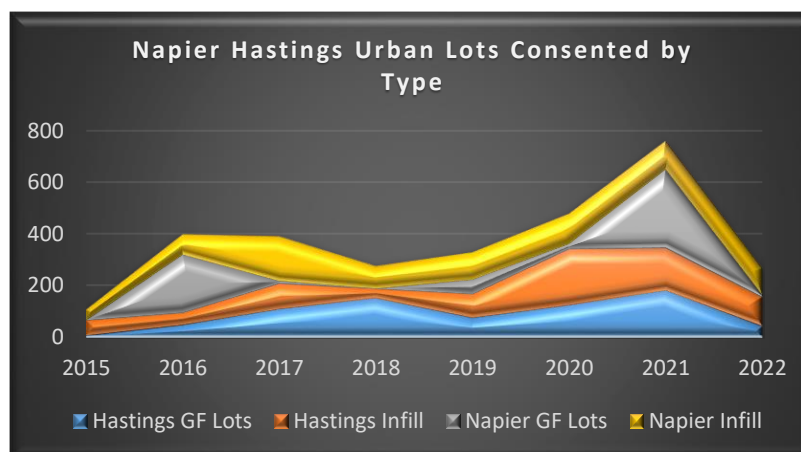
Figure 6 Napier Hastings Urban Residential Lots Consented 2002-2022



(Source NCC and HDC)

- 6.4. Figure 7 also shows urban subdivision by type since 2015. This shows a surge in infill lot creation since the end of 2019 as the Kainga Ora Homes programme gained momentum, particularly in Hastings (the Hastings District Council's Taret Street development was also consented in the last quarter of 2019). As noted above significant greenfield subdivisions in both Napier and Hastings in 2021 have been followed by a significant drop off in 2022.

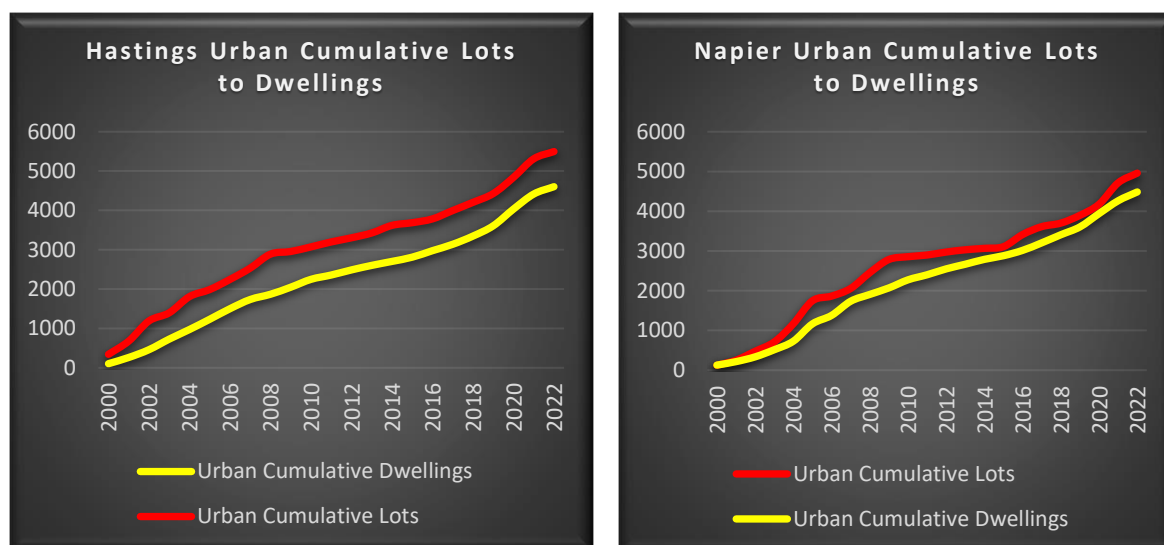
Figure 7 Napier Hastings Urban Lots Consented 2015-2022 by Type



(Source NCC and HDC)

- 6.5. Figure 8 compares the accumulated number of residential lots created against the number of new dwellings constructed using 2000 as the base year. 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 and new construction rates.
- 6.6. As can be seen, from 2000-2009 a reasonably healthy buffer was created and maintained until it started to reduce slightly from 2019, while in Napier the pattern has been more variable and at times marginal. There were slight signs of improvement over 2022.

Figure 8 Comparison of Lot Creation to Dwelling Construction 2000-2022



(Source: Napier City and Hastings District Councils)

Greenfields Capacity

- 6.7. Table 3 sets out the vacant residential lot capacity within the main greenfield growth areas as the end of December 2022, after allowing for building consents over the previous quarter. It estimates the number of subdivided lots that have been completed and are ready for title issue, and the potential capacity of larger zoned areas serviced with bulk infrastructure, that have yet to be subdivided. Note this represents capacity to accommodate new homes and does not necessarily reflect market availability of sites for purchase at any particular point in time. Retirement village villas and apartments are included as new lots at building consents stage as proxy lots (unit titles or license to occupy).

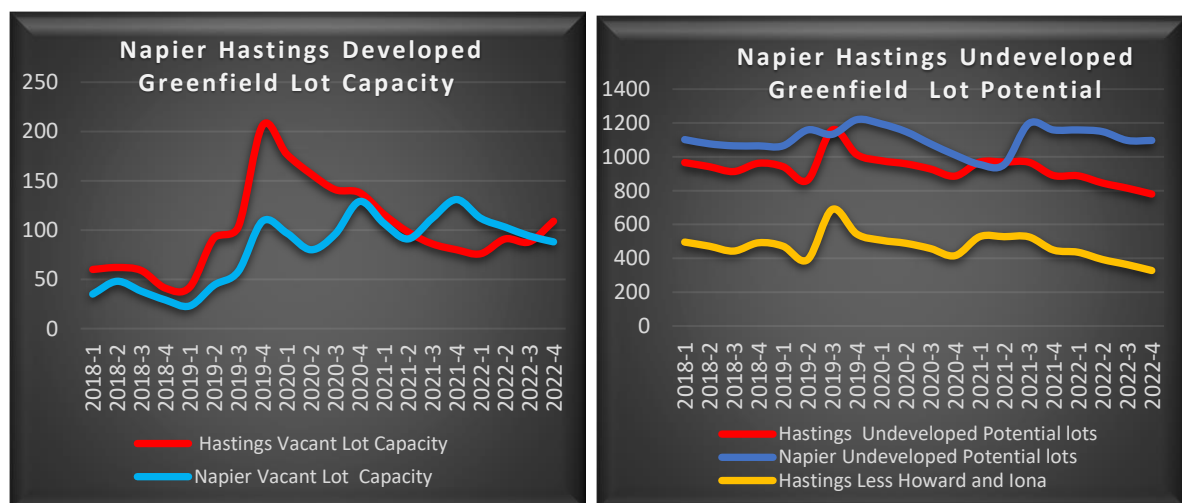
Table 3 Residential Land Capacity and Quarterly Uptake to December 2022

31-Dec-2022 Area	Unbuilt Lot Capacity 31/09/2022	New Lots Created this Quarter	Building Consents Granted	Balance lots	Lots yet to be Created	Total Remaining Capacity
Arataki	0	3	2	1	0	1
Lyndhurst Stage 1	1	0	0	1	9	10
Lyndhurst Lifestyle Village	0	0	0	0	0	0
Lyndhurst Stage 2	11	32	10	33	120	153
Northwood	7	0	0	7	15	22
Waingakau Village	64	0	1	63	22	85
Gracelands Village	0	0	0	0	0	0
Ryman Village Havelock	0	0	0	0	45	45
Brookvale Stage 1	5	0	1	4	99	103
Howard Street	0	0	0	0	0	0
Iona 1a (Breadelbane)	5	0	1	4	18	22
Iona	0	0	0	0	0	0
Parklands	94	0	0	94	366	460
Bupa Village	0	0	0	0	0	0
Summerset Te Awa	0	0	0	0	2	2
Te Awa	4	0	5	-1	729	728
Total	191	35	20	206	1425	1631
Less Retirement Villages	191	35	20	206	1378	1584

(Source NCC and HDC)

- 6.8. At the end of 2022, a total of 206 lots were available to be built on if released by the market (compared to 201 last year) with potential serviced capacity for a further 1397 lots and 47 remaining consented retirement unit sites, giving a total of 1631 developable sites.
- 6.9. Current greenfield dwelling construction rates over the last five years have averaged around 290 p.a. so on that basis the current capacity would last less than 12 months if no further subdivision developments were completed. The current potential capacity shown in table 3 would last around five years and it is noted that greenfield lot creation has averaged 190 p.a. lots over the past five years, having peaked at 271 in 2016, although 2021 saw a record number of lots consented since 2015 in Hastings (179) and Napier (304). Some of these however have yet to commence or complete construction. The household equivalent of a further 350 lots were associated with retirement village development (villas and apartments) over the last two years.
- 6.10. Figure 9 shows the quarterly net change in lot capacity after allowing for new lots and those taken up for new dwellings over the last five years, which fluctuates as build development occurs and new subdivisions are brought to market. Undeveloped potential is also shown and reduces as new subdivisions are brought to market and increases as new areas are zoned and serviced. In recent times the undeveloped potential increases have been due mainly to the addition of new retirement villages in Napier and Hastings and the addition of the Waingākau Village in Flaxmere.

Figure 9 Greenfield Land Uptake 2022



(Source NCC and HDC)

- 6.11. A significant proportion of the potential zoned capacity is in Napier's Te Awa, Western Hills and Park Island growth areas, so a balanced market between Hastings and Napier still relies on Iona and/or Howard Street also being delivered to the market within the next 12 – 18 months.
- 6.12. It is also worth recalling that current dwelling construction rates are not sufficient to meet both growth and the demand backlog as discussed earlier. If the construction sector and land development sectors can rise to task, higher uptake rates could result in the available capacity being consumed earlier than projected. Clearly the impacts of a Covid19 recovery period still adds uncertainty around demand going forward, given that international migration rates and government policy around long term migration are still not well understood or developed.
- 6.13. Table 4 shows future capacity planned to be provided through rezoning and infrastructure provision over the next two years, plus the total remaining capacity of land identified in HPUDS for future development. These represent 1395 and 2310 potential lots respectively, which could be brought forward if needed.

Table 4 Current and Planned Residential Section Capacity

Areas	Available Capacity
Currently Zoned and Developing	
Arataki	1
Lyndhurst	163
Northwood/Tomoana	22
Waingākau (Flaxmere)	85
Haumoana/Te Awanga	109
Brookvale Stage 1	103
Iona 1	22
Parklands*	460
Te Awa**	728
Park Island***	170
Hastings Retirement Villages	45
Napier Retirement Villages	2
Total	1910
Planned Over Next Two Years	
Iona Stage 2 Triangle	195
Howard Street	350
Western Hills (The Mission) (PC12)	550
Brookvale Stage 2 & 3	300
Total	1395
Remaining HPUDS Areas	
Riverbend	350
The Loop	250
Bay View	90
Lyndhurst Extension	170
Brookvale 4	150
Iona Stage 3 Terraces and Hills Plateau	150
Kaiapo Road	350
Copeland/Murdoch	300
Irongate	500
Total	2310
Grand Total	5615

* All consented

** Expected to occur in stages

*** Land recently subject to legislation settling historic Treaty of Waitangi claims

- 6.14. On current greenfield average five year uptake rate of 290 per annum, current and medium term planned developments would last around 10 -12 years and a further eight years for the remaining HPUDS areas. Projected uptake rates may of course, be higher and this being considered as part of the Future Development Strategy work.
- 6.15. Over the past 12 months 222 new greenfields dwellings were consented, representing 10% of the available zoned and developing subdivision capacity in 2021. Over the same period however current zoned capacity increased to 1910 compared with 1511 in 2021, which together with the two year planned subdivision capacity a net increase of 424 lots as new stages at Parklands and Brookvale move through the development pipeline.

Infill Capacity

- 6.16. The 2020 Housing Capacity Assessment reviewed infill capacity in the two main urban areas. On the information available it was concluded that sufficient physical and economic (in terms of financially viable infill and intensification) capacity existed over the medium term (2021-2030) to support approximately 8625

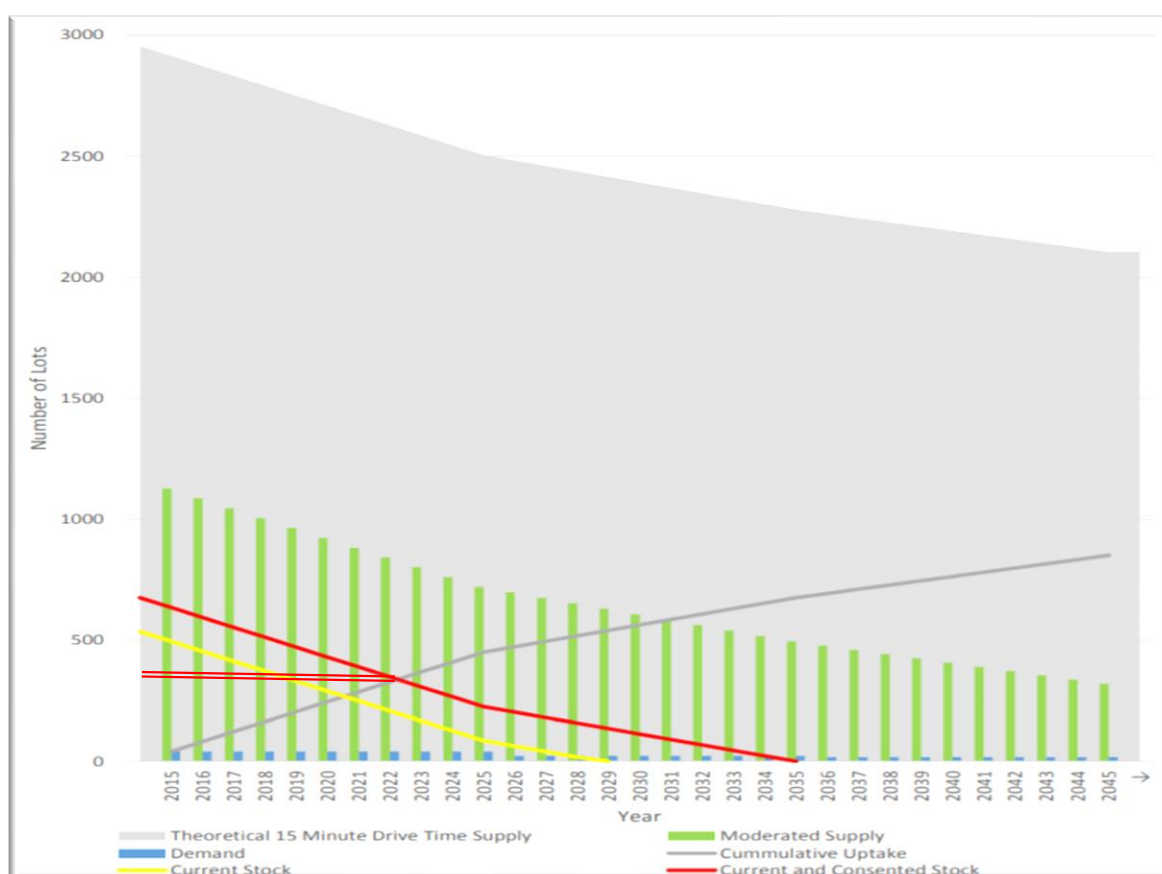
households. Over the last two years new infill dwelling consents totalled 540 or just over 6% of the available capacity.

- 6.17. Overall infill subdivision has been slightly behind actual development rates. The rate of infill housing development over the past five years has averaged 260 p.a. and over the same time period infill subdivision averaged 230 new lots, with a peak of 335 in 2020.

Rural and Lifestyle Capacity

- 6.18. A review of lifestyle lot capacity (within a 15 minute drive of the CBD) undertaken as part of the 2017 HPUDS Review demonstrated that there was sufficient current and consented supply to accommodate demand over the period 2015 to 2030-35. The potential surplus of zoned supply over the following 15 year period would of course depend on the rate of further subdivision of zoned land being undertaken, as depicted in Figure 10 below.
- 6.19. At present the systems for monitoring the remaining capacity for rural lifestyle land are not sufficiently developed to record uptake spatially on a quarterly basis. However, around 462 rural lots and 141 new rural residential lots (total 603) were consented since the base year of 2015 used in the Review. Over the same period 896 new rural dwelling consents were granted. If all the deficit was lifestyle dwellings, then current supply should have reduced by around 293 compared to the 300 indicated by the graph, suggesting an absence of capacity constraints in this sector of the market.

Figure 10 Rural Lifestyle Capacity 15 - Minute Drive Time Supply and Demand Analysis

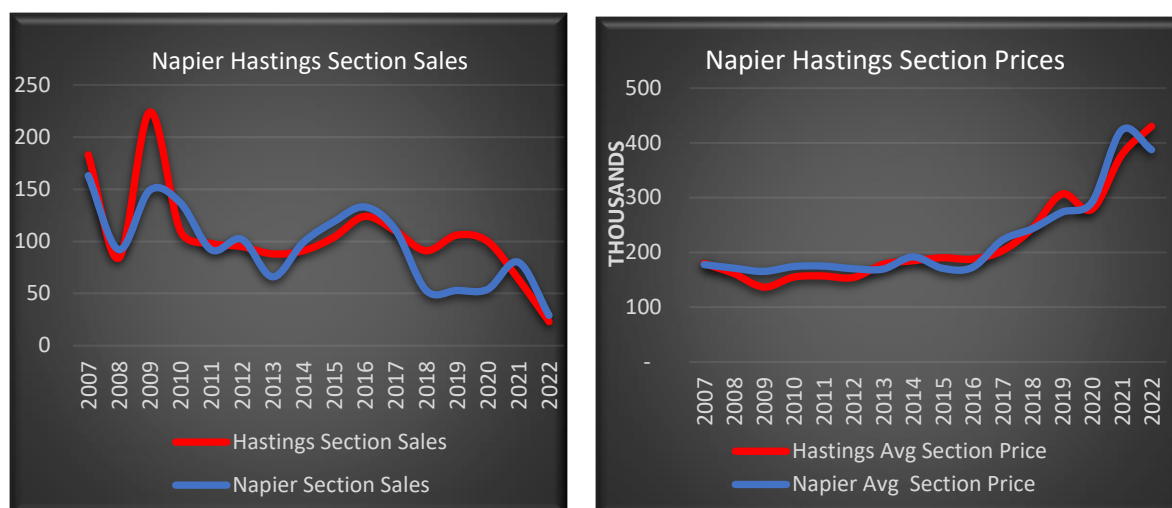


(Source "Review of Rural Residential/Lifestyle Sites - Cheal Consultants 17 June 2016")

7. Land Prices /Sales

- 7.1. Land prices can be an indication of land supply constraints and potentially flow through into general house price inflation. Likewise general house price inflation could be a factor influencing higher land price expectations. Figure 11 shows Napier and Hastings vacant section sales volumes and average sales prices since 2008 for both infill and traditional greenfields sites.

Figure 11 Napier and Hastings Vacant Residential Section Sales Volume and Average Prices

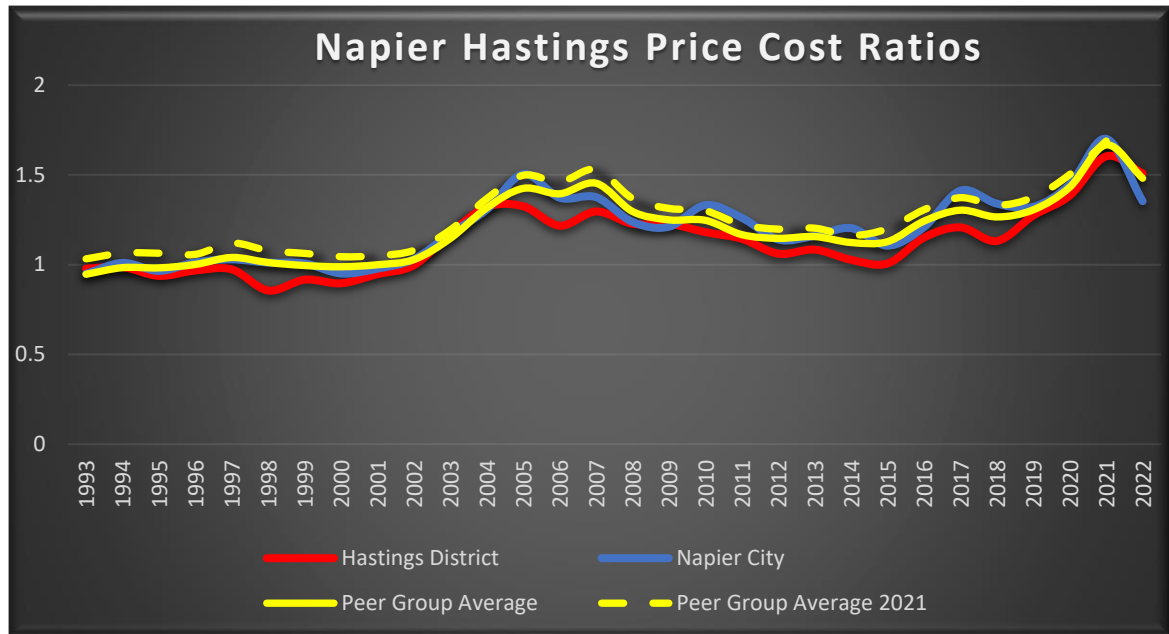


(Source Logan Stone Valuers)

- 7.2. The similarity in the data between Hastings and Napier suggests a strong overlap between the two urban markets. Sales volumes show a marked drop in both cities over 2021, which is likely due to Covid19 affecting people's propensity to move homes during uncertain times and a cooling property market influenced by higher interest rates.
- 7.3. Section prices increased significantly over 2021 but have dropped back over the last year in Napier. The 2021 prices in Napier may have been partly influenced by the proportion of premier sites sold over the period with the Oak Ridge development on comparatively fewer sales volumes. Hastings on the other hand showed similar increase in 2021 but no drop back in 2022 with progress seeming to plateau instead. In both cases there were comparatively few sales meaning averages can be heavily influenced by a few higher value sales, however price growth in both cities has followed general house price movements in both cities (See also Section 8).
- 7.4. Figure 12 shows MBIE/MHUD's Price Cost Ratio for the Napier Hastings Urban Area and for Napier and Hastings since 1993, while Figure 13 shows the 2022 ratio alongside other New Zealand Urban Areas. The Price Cost Ratio is an indicator of whether a shortage of residential land is impacting on general house prices. Generally an index of less than 1.5 would suggest that is not the case, while above 1.5 would suggest the opposite.
- 7.5. Previous reporting based on this measure suggested land supply was not a major driver of overall house price inflation in the region. Even though the peak of the last property cycle (2005), the ratio remained under 1.5. It however, tracked upwards from around 2016 finish over the threshold in 2021 for both Napier and Hastings as well as the Peer Group Average. The 2022 published results however have shifted the ratio downwards across the board and Hastings, Napier and Peer Group average no longer exceed the 1.5 threshold, suggesting that in the current market land supply pressures are not a significant factor.

Figure 12

Price Cost Ratio 1993-2022 Napier Hastings Urban Area

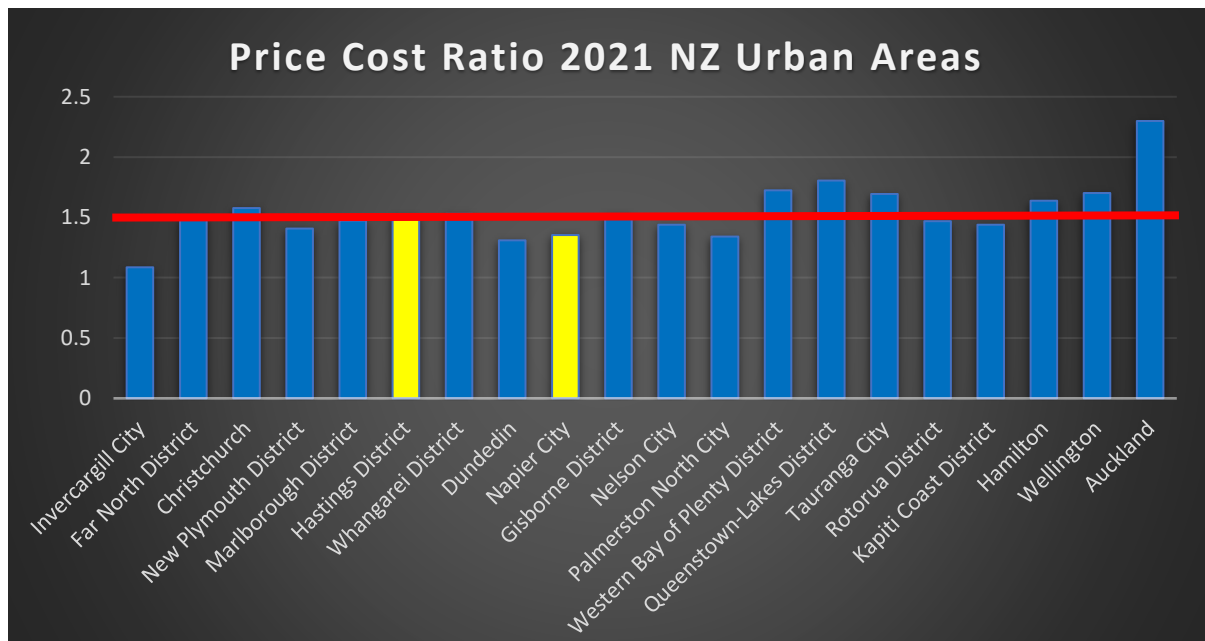


(Source MBIE/MHUD Dashboard)

- 7.6. Overall that fact that the peer group average tracks the local situation and the urban area comparisons for 2022 shown in Figure 13 are very similar, suggests macro factors may be at play, rather local land supply policies.

Figure 13

Price Cost Ratio for New Zealand Urban Areas 2022

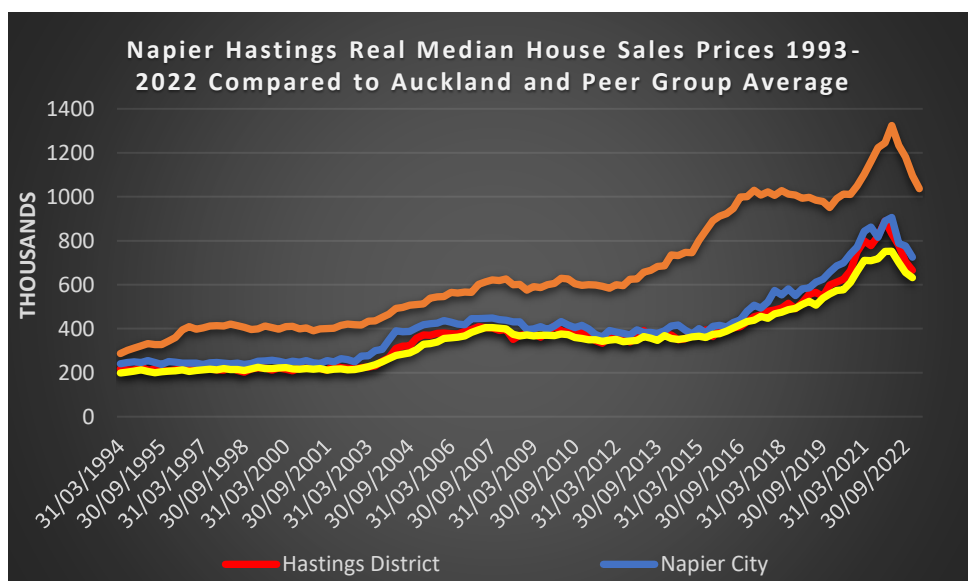


(Source MBIE/MHUD Dashboard)

8. House Prices /Sales Activity

- 8.1. Figure 14 below indicates that house price inflation between Hastings and Napier has been relatively similar overtime. House price inflation had been relatively stable following the GFC that ended the last property cycle, but increased significantly from 2015, mirroring the pattern for vacant land sales, building activity and household (immigration) growth, but with a significant extra up-tick in 2019-2021 edging upward of the peer group average. With rising interest rates house prices have dropped nationally over 2022, with Napier and Hastings finishing the year 19% and 25% down on 2021 respectively.

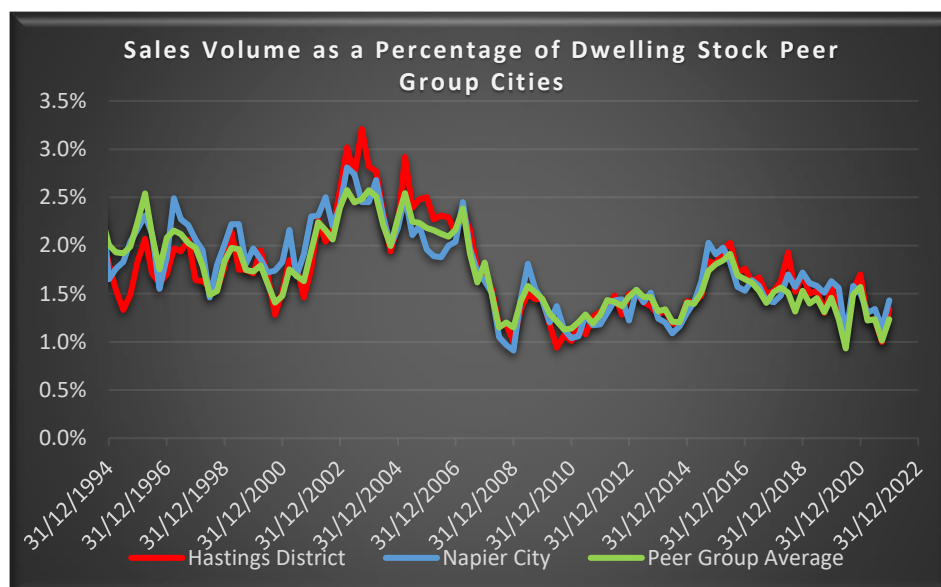
Figure 14 Napier Hastings 12 Month Rolling House Prices Compared with Auckland



(Source MBIE/MHUD Dashboard)

- 8.2. Sale prices showed a similar pattern across the peer group cities, but Figure 15 shows the same trends were also evident in terms of sales volume, again indicating macro market forces at play rather than just local land supply issues.

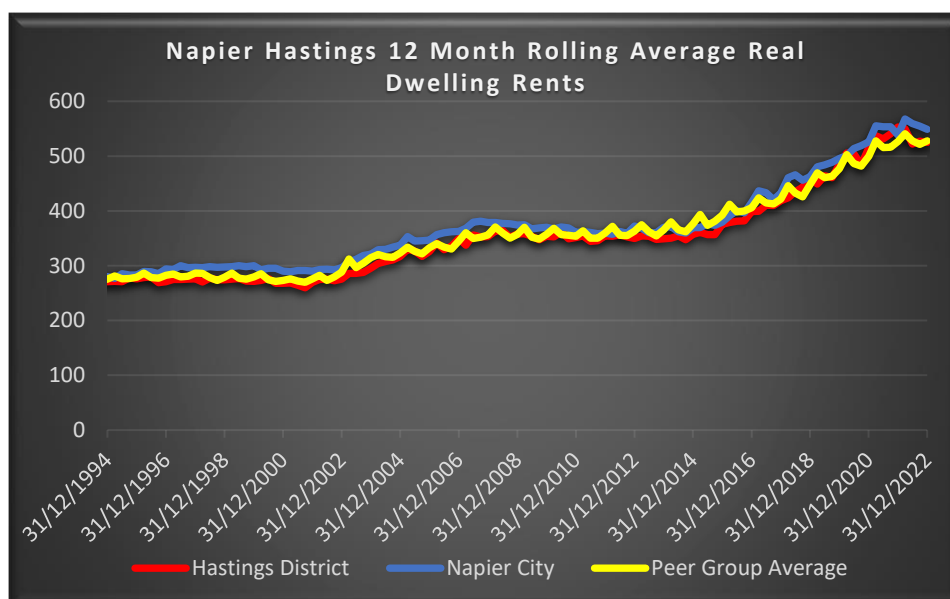
Figure 15 Napier Hastings Sales Activity and Prices Compared to Peer Group 1994-2022



(Source MBIE/MHUD Dashboard)

- 8.3. The trend for rental movements has mimicked those for house prices (although more smoothly), as shown in Figure 16 below, but at a faster pace for Hastings and Napier than for the peer group cities over 2020-2021. Rents have dropped slightly over 2022, but more slowly in Napier than Hastings and the Peer Group cities.

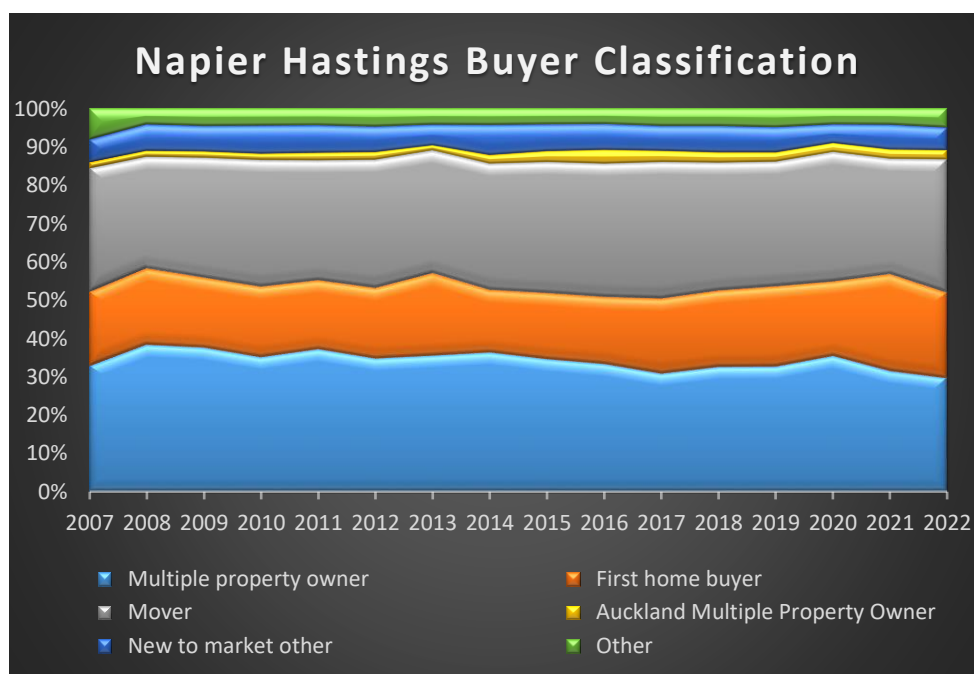
Figure 16 Napier Hastings Monthly Average Rental Movements 1994-2022



(Source MBIE/MHUD)

- 8.4. Figure 17 shows the proportion of buyer types prevalent in the market overtime and again these are relatively consistent between Hastings and Napier, but also consistent with the rest of New Zealand. Since 2017 the proportion of movers has decreased in favour of investors, but investors fell away from 2020 and first home buyers started to increase their share. Over the last year however movers have started becoming more active as Covid 19 influences abate and first home buyers and investors play a lesser role as interest rates rise.

Figure 17 Napier Hastings House Buyer Classification 2007-2021



(Source Core-logic)

- 8.5. A greater proportion of buyers in Hastings and Napier originated from the Auckland Region between 2014 and 2018, as shown in Table 5. As a percentage, Auckland buyers in Hastings and Napier increased from 7% to around 16% of the market (peaking at around 711 buyers in 2016). After returning to previous levels from 2019 a spike in Auckland buyers in 2021 was preceded by a slight increase from other parts of New Zealand from around 20% to 25%. This may have been partly Covid 19 related and has been followed by a higher than average

proportion of local buyers over the last twelve months as sales volumes cool with higher interest rates, with people, including from other parts of New Zealand, now tending to stay put.

Table 5 Origin of House Buyers Napier Hastings 2005-2022

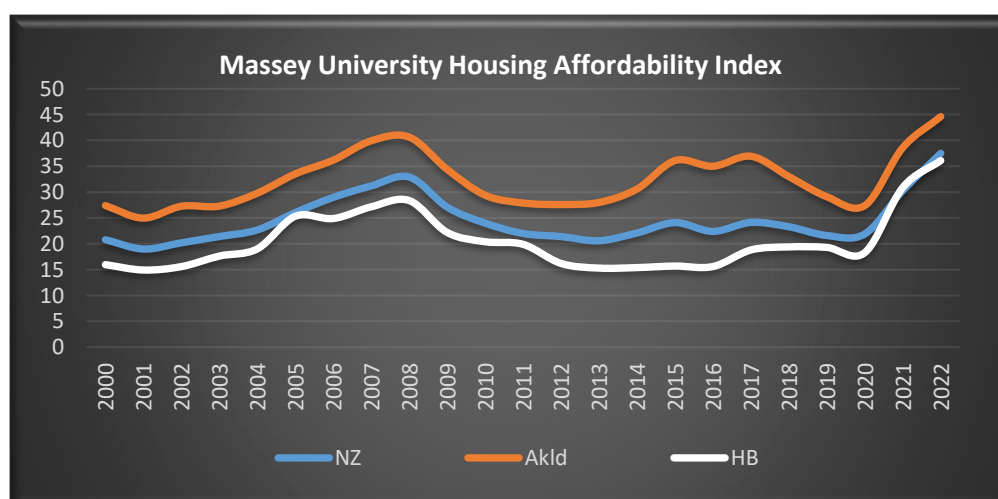
Napier	Auckland	Rest of North Island	South Island	HB	Total	Akld	Hastings	Auckland	Rest of North Island	South Island	HB	Total	Akld
2005	7%	15%	2%	77%	2457	165	2005	6%	16%	3%	76%	2817	155
2006	6%	17%	4%	73%	2458	155	2006	6%	19%	3%	73%	2818	155
2007	7%	19%	3%	71%	2459	174	2007	7%	22%	4%	68%	2819	183
2008	5%	18%	6%	71%	1540	81	2008	7%	19%	5%	69%	1811	131
2009	6%	14%	3%	76%	1793	113	2009	4%	19%	4%	72%	2018	86
2010	3%	15%	3%	79%	1457	48	2010	8%	17%	4%	71%	1518	125
2011	5%	16%	3%	75%	1398	73	2011	8%	16%	3%	74%	1532	126
2012	8%	11%	4%	76%	1652	140	2012	9%	18%	5%	69%	1793	152
2013	8%	16%	3%	73%	1664	126	2013	7%	17%	6%	71%	1797	126
2014	11%	19%	5%	65%	1454	154	2014	12%	18%	5%	65%	1652	198
2015	13%	18%	2%	67%	2020	258	2015	13%	19%	3%	65%	2119	275
2016	15%	17%	3%	66%	2160	314	2016	17%	20%	4%	60%	2405	397
2017	12%	17%	3%	67%	1885	232	2017	13%	16%	4%	68%	2203	275
2018	10%	15%	3%	72%	1951	204	2018	11%	18%	3%	69%	2379	256
2019	7%	15%	2%	75%	2018	145	2019	7%	15%	2%	77%	2145	156
2020	6%	20%	3%	72%	1918	112	2020	8%	19%	3%	71%	2069	160
2021	11%	22%	3%	64%	1750	184	2021	11%	22%	3%	64%	1815	204
2022	10%	13%	1%	76%	1284	125	2022	8%	15%	2%	76%	1343	104
Average	8%	16%	3%	72%	1851	156	Average	9%	18%	3%	70%	2059	181

(Source Core-Logic)

9. Housing Affordability

- 9.1. The above indicators relate to the supply and demand measures and their effect on land and housing prices. When combined with measures of income and interest rates, an overall view of housing affordability can be determined. One of these measures is the long running (1982-2022) Massey University Housing Affordability Index, which considers median disposal income and the costs of servicing a standard mortgage. Figure 18 below shows the change in the index for Hawke's Bay relative to Auckland and New Zealand since the turn of the century, while Table 6 compares Hawke's Bay with the other New Zealand Regions over the last two years.
- 9.2. Housing affordability in Hawke's Bay deteriorated from 2016 to 2017. Even so this was lower than at the end of the last property cycle, due to historically low current interest rates. Affordability stabilised over 2018 and 2019 and slightly improved over 2020, despite house prices continuing to rise. In 2021 however, significant house price movements saw a marked deterioration in affordability and Hawke's Bay slipped from 5th least affordable to 4th. Interest rate rises over 2022 where not sufficiently matched by house price deflation or rising income rates, meaning affordability further deteriorated.

Figure 18 Hawke's Bay Massey University Housing Affordability Index 2000-2022



(Source Massey University)

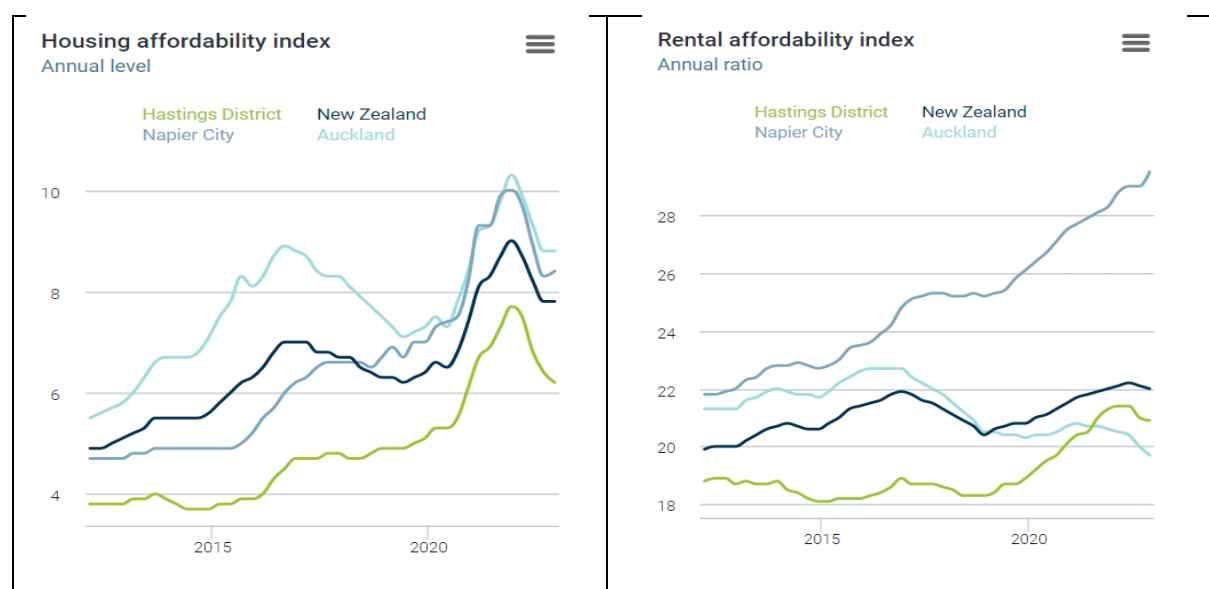
Table 6 Massey University Home Affordability Index Regional Comparison November 2021- November 2022

HOME AFFORDABILITY INDEX				PERCENTAGE CHANGE IN HOME AFFORDABILITY IN THE LAST 12 MONTHS		PERCENTAGE CHANGE IN HOME AFFORDABILITY IN THE LAST 3 MONTHS	
Region	November 2021	August 2022	November 2022	Improvement	Decline	Improvement	Decline
Northland	28.3	32.1	39.3		39.1%		22.6%
Auckland	38.6	43.3	44.6		15.7%		3.1%
Waikato	30.0	36.3	39.2		30.7%		8.0%
Bay of Plenty	32.5	43.1	43.6		33.9%		1.1%
Gisborne	27.2	29.8	36.7		35.2%		23.2%
Hawke's Bay	30.9	34.7	36.1		16.9%		4.2%
Manawatu/Whanganui	22.5	27.0	29.1		29.0%		7.8%
Taranaki	23.6	32.0	33.2		40.6%		3.9%
Wellington	27.6	29.8	32.8		18.7%		10.0%
Tasman	33.1	42.1	47.2		42.4%		12.1%
Nelson	25.5	31.4	34.0		33.7%		8.5%
Marlborough	25.9	33.0	36.3		39.9%		10.1%
West Coast	13.0	17.4	22.4		71.5%		28.4%
Canterbury	26.7	33.5	36.3		35.9%		8.3%
Otago	26.9	33.9	36.0		33.7%		6.0%
Southland	16.6	22.3	25.5		53.6%		14.2%
All Regions	30.3	34.8	37.5		24.0%		7.8%

(Source Massey University)

- 9.3. Infometrics also produce an affordability measure for both buying and renting as shown in Figure 19, but over just the last ten years. These are based on a multiple of household incomes, and do not appear to account for debt servicing. This indicates improved housing affordability over 2022, but worse in Napier than for the rest of NZ as a whole and Hastings since 2017, matching Auckland over 2020-2021. Napier was significantly worse than Hastings, the New Zealand Average and Auckland for rents since at least 2012 and becoming less affordable over the last twelve months while rental affordability eased elsewhere. Medium income affordability measures can however be skewed where there are a high proportion of super-annuitants due to lower reported household incomes, but not necessarily associated with lower wealth.

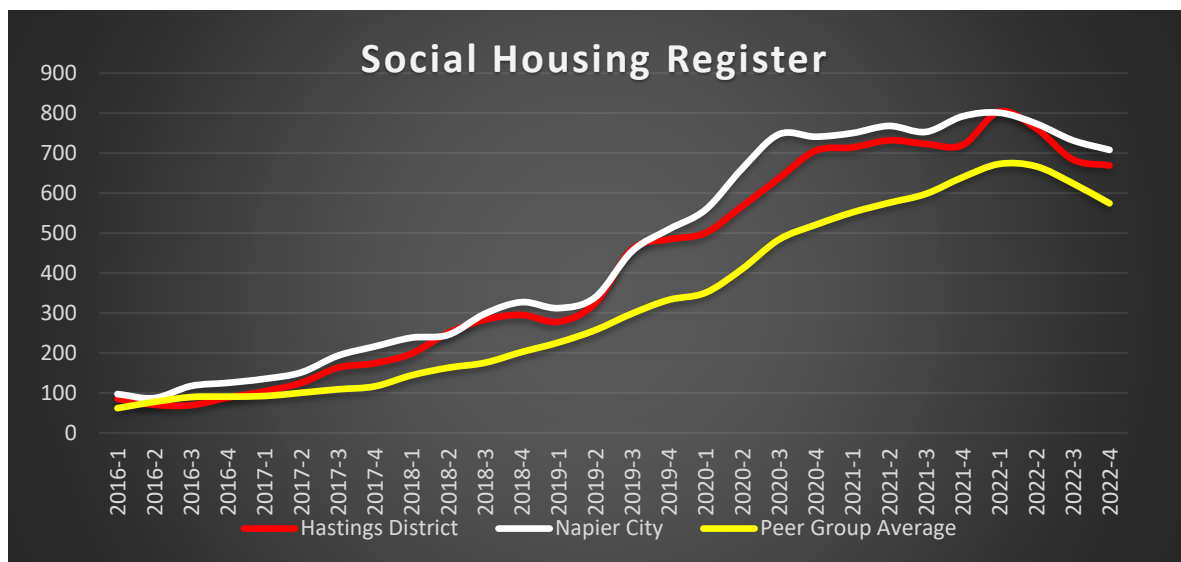
Figure 19 Housing and Rental Affordability Indices Napier Hastings 2010-2022



(Source Infometrics)

- 9.4. The effect of these affordability pressures is reflected in the Social Housing Register, which is effectively a waiting list for public housing. Figure 20 below shows registrations climbed steadily for the beginning of this property cycle and accelerated from 2019 in both Napier and Hastings and to a lesser extent the peer group average. Despite rising house prices and reducing affordability registrations steadied from mid to late 2020 as the Kainga Ora Homes programme completions started coming on stream. Reducing waiting lists over 2022 may also have been influenced by lower household growth (immigration) levels relative to dwelling consents, helping to ease the shortage of housing, as well as a general cooling of the property market as interest rates rose.

Figure 20 Napier Hastings Social Housing Registrations 2016-2022

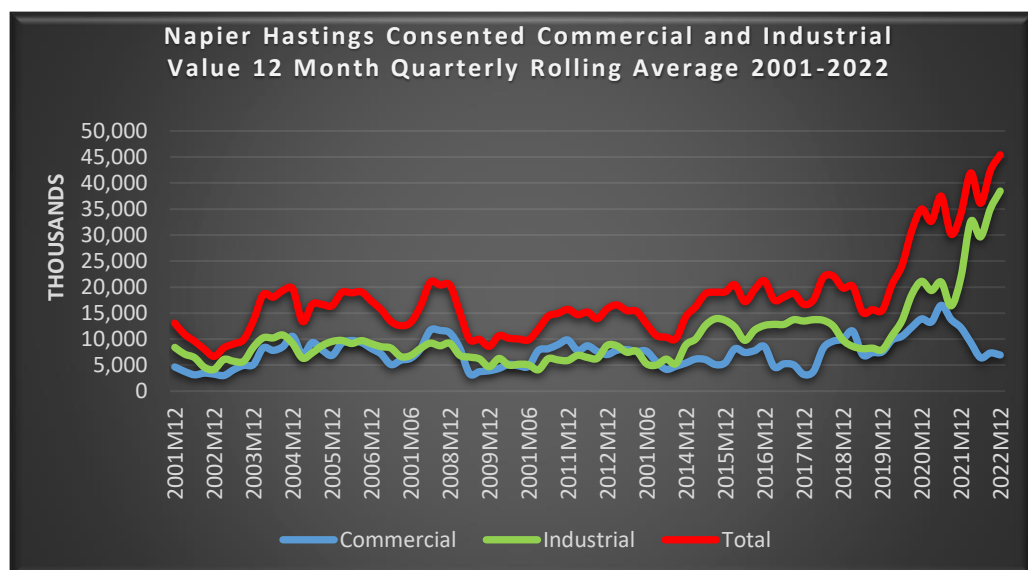


(Source Department of Social Development)

10. Business Building Activity

- 10.1. Figure 21 below shows the total value of commercial and industrial consents issued since 2000. Industrial activity peaked just before the Global Financial Crisis, but started reaching those levels again off the back of significant new industrial developments over 2015-2018.

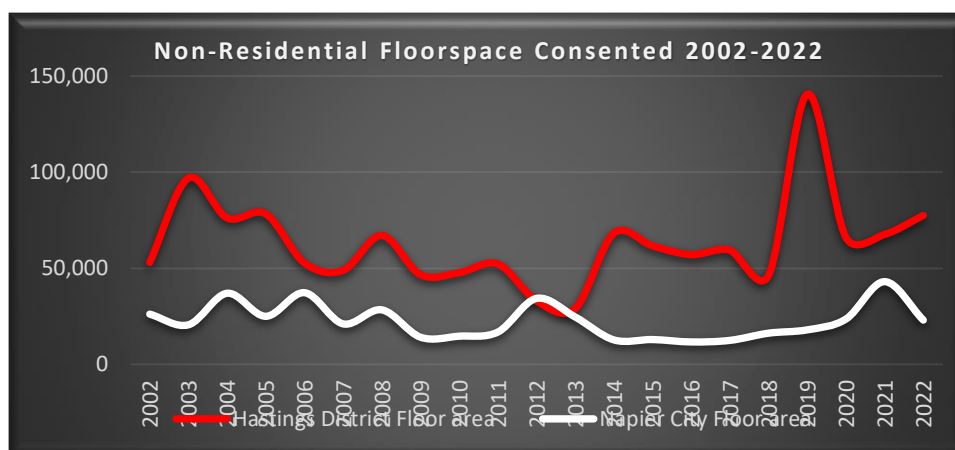
Figure 21 Twelve Monthly Rolling Building Consent Values for Napier Hastings Commercial and Industrial Buildings 2001-2022



(Source StatsNZ)

- 10.2. While there was slight a falling away in 2019, a rapid rise in industrial consent values was experienced over the last three years as the Apple Industry intensification programme resulted in strategic investments in storage and processing capacity. Commercial activity followed a similar pattern to industrial prior to the Global Financial Crisis. An increase in consent values from 2017 is likely due in part to earthquake strengthening requirements, but this has not continued on into 2022 as interest rates rose and inflationary pressures emerged post Covid19.
- 10.3. Figure 22 shows the total non-residential floorspace consented over the last twenty years for Hastings and Napier. The Hastings figures show an increase of approximately 50% from around 2014, and a big spike in 2019, which was largely due to covering for a large blueberry operation.

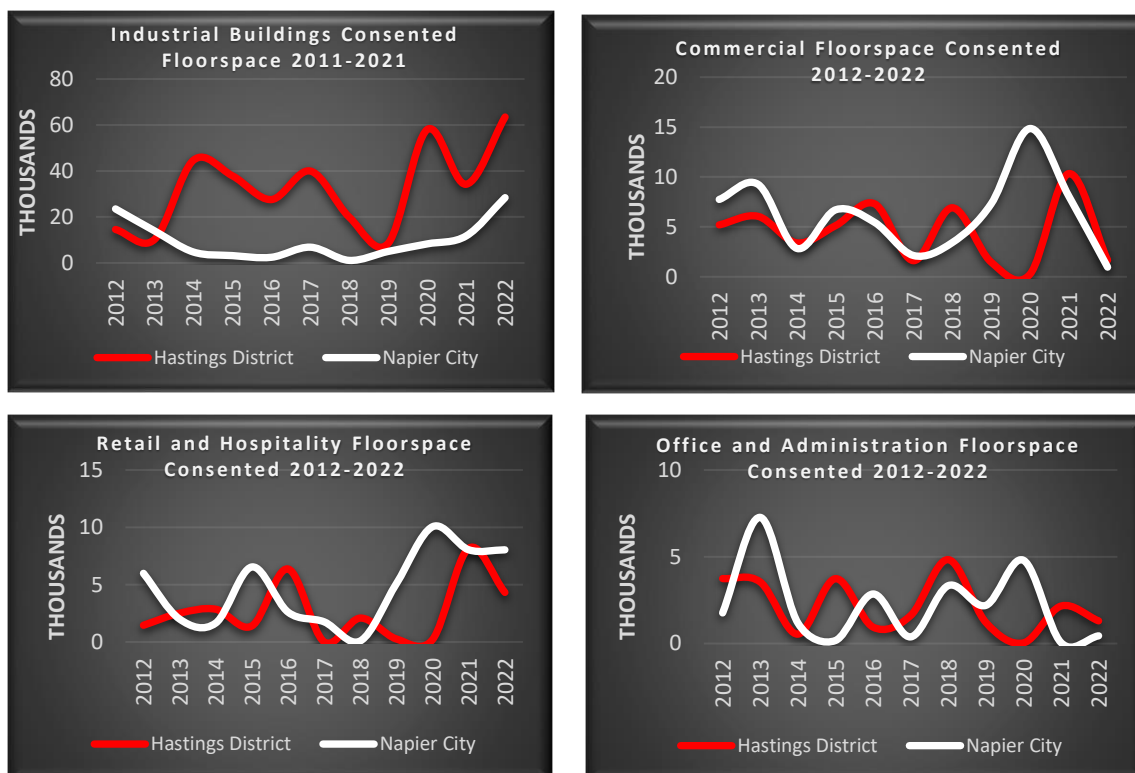
Figure 22 Napier Hastings Non-Residential Floorspace Consented 2002-2022



(Source SNZ)

- 10.4. Figure 23 breaks this down into industrial, retail and office floorspace from 2012, by both Hastings and Napier. This shows the “peaky” nature of commercial development in terms of added floorspace.

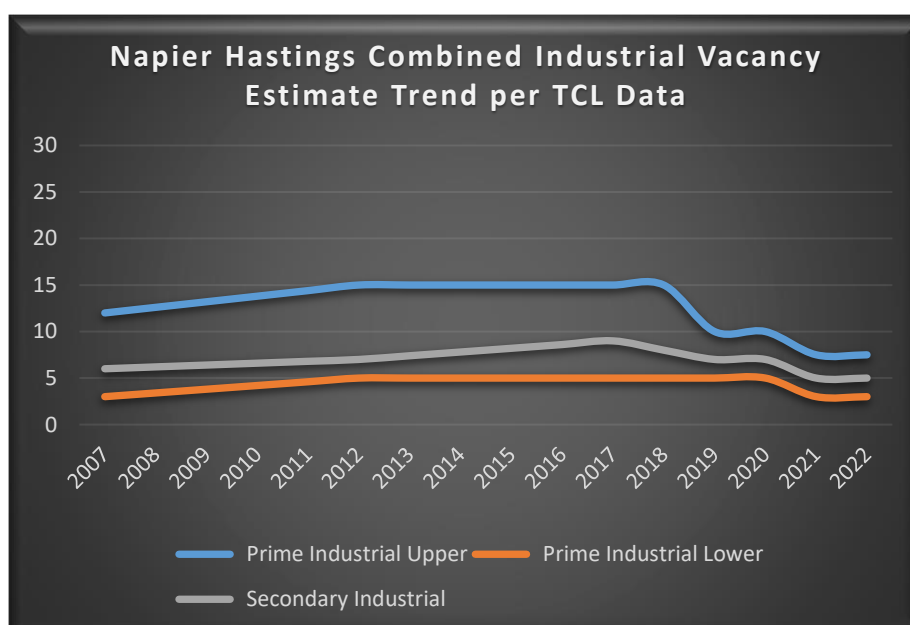
Figure 23 Napier Hastings Industrial and Commercial Floorspace Consented 2011-2021



(Source SNZ)

- 10.5. It also reveals the predominance of Hastings for industrial expansion. A big spike in industrial floorspace in Hastings is evident in 2020, and 2022 combining with some large developments in Napier (mainly at Awatoto), to reach an historic high for the sub-region. The 2020 peak in commercial development in Napier was influenced by the Kmart development and new Ministry of Social Development offices, but strong performance in 2021 and 2022 is also noted.
- 10.6. The graphs that follow have been adapted from estimates of business vacancy supplied by Turley & Co for industrial, retail and office activity for the combined Napier Hastings areas³. Figure 24 presents this information for industrial vacancy with prime property given as an upper and lower estimate.
- 10.7. While the trend seems to be fairly level over time, the overall rate is consistently low and fell lower in 2019. Ordinarily this would suggest constrained supply for prime industrial property, however the Hastings District Council's substantial rezoning of new industrial areas at Irongate, Omaha North and the Tomoana Food Hub should have helped to ease supply issues even in a buoyant economy as some business expand into the new areas.

Figure 24 Napier Hastings Combined Industrial Vacancy Estimate Trend



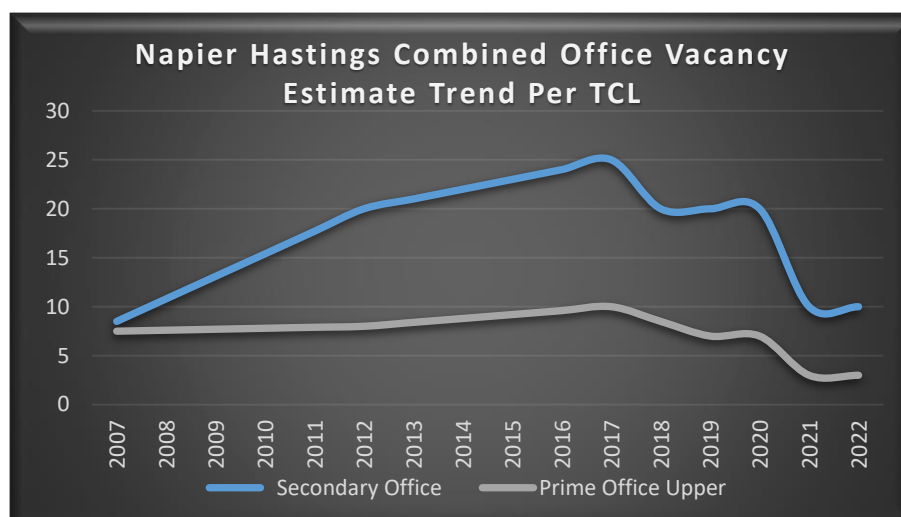
(Source: Turley & Co.)

- 10.8. Figure 25 below shows similar data for the office sector. The 2012 to 2017 vacancy rates are likely to be due to the seismic issues arising from the Canterbury earthquakes with secondary property being vacated in favour of prime property with higher seismic rating. While later stock has been expanding in response it appears to be still sought after and we now see both primary and secondary office property vacancy rates dropping from 2018 to 2021 with the improved economic conditions and rationalisation of stock upon redevelopment. This may have plateaued in 2022 as the economy started to cool in response to higher interest rates.

³ These graphs and discussion above based on them, are the partner Council's **adaptation and interpretation** of a report prepared for them by Turley & Co for the purposes of this report only. No liability shall attach to or be accepted by HDC, NCC, HBRC or Turley & Co. either directly or indirectly in reliance on its publication in this document. *Turley and Co have ceased trading following the death of Pat Turley in 2022 so this series will be discontinued. The 2022 figures are based on 2nd quarter reporting.*

Figure 25

Napier Hastings Combined Office Vacancy Estimate Trend

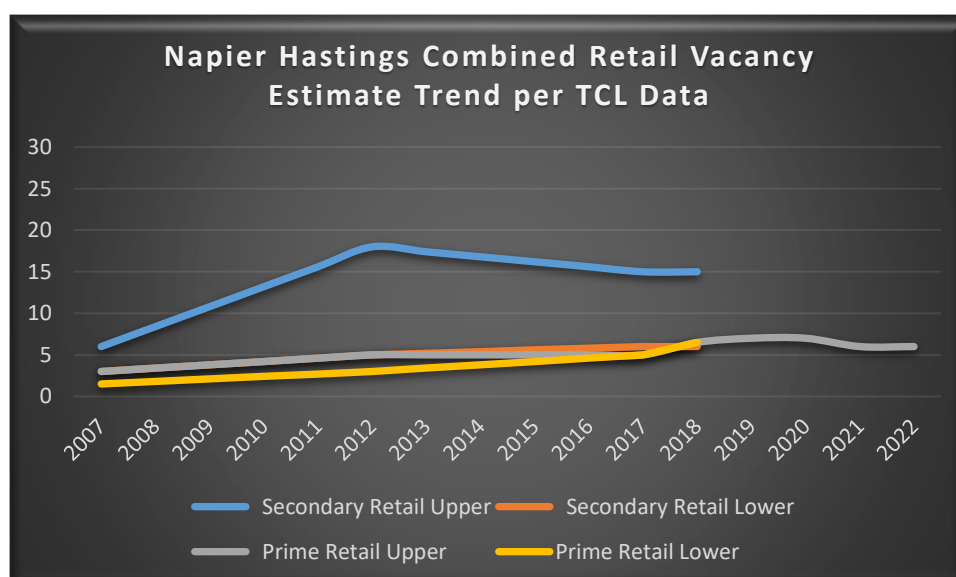


(Source: Turley & Co.)

- 10.9. Figure 26 below provides the same information again, this time for the retail sector. In this case prime means main street strip retail e.g. Upper Emerson Street, Heretaunga 100 and 200 West blocks, while secondary means the main street contiguous strip retail adjacent to primary retail locations. Larger format locations are excluded. From 2019 only one vacancy figure is given for retail representing the primary component of the market. Although trending slightly up wards from 2018 before reducing slightly in 2021 and plateauing in 2022, prime retail vacancy remains very low.

Figure 26

Napier Hastings Combined Retail Vacancy Trend



(Source: Turley & Co.)

- 10.10. Overall, building activity data and property vacancy estimates indicate a continuing strong demand for commercial and industrial property. Table 8 below however indicates high rates of industrial building activity over the past five years, with last year in particular being a record year for industrial development.
- 10.11. Estimated Industrial land uptake for 2022 was nearly 28 ha compared with the previous ten-year average of 11 ha per annum and a previous high of close to 16 ha in 2020. This was based largely on pip-fruit expansion/intensification with its flow on to processing and storage facilities. Notable here were the T & G expansion, and Sun Fruit Stages 2 and 3 in 2022 which followed Rokit in 2020 and Sun Fruit Stage 1 in 2017 in the 10-20,000m² of floorspace range. The pip fruit expansion has likely peaked for now, particularly with Cyclone Gabrielle (February 2023) impacting very significantly on the horticultural industry.

Table 7 Napier Hastings Industrial Floorspace Consented 2005-2022

	Omahu	Whakatu & Tomoana	Irongate	Other Hastings	Awatoto	Onekawa	Other Napier	Total
2005	12,379	14,937	328	1,904	72	7,882	71	37,573
2006	9,086	2,923	2,638	1,736	409	9,646	497	26,934
2007	10,965	2,537	4,505	926	746	6,704	27	26,409
2008	15,973	862	890	6,444	1,666	4,992	14	30,840
2009	7,261	7,679	8,088	552	0	1,377	3,435	28,391
2010	2,307	6,279	1,800	130	54	3,109	1,411	15,090
2011	4,593	14,810	92	4,430	5,165	6,602	0	35,692
2012	2,075	14,865	0	1,014	32	2,408	5,770	26,164
2013	4,638	1,942	1,685	57	1,054	5,255	8,968	23,599
2014	31,676	539	263	200	222	4,589	2,257	39,746
2015	11,086	21,235	4,150	2,423	431	3,935	0	43,260
2016	8,992	20,959	2,230	1,151	427	2,361	0	36,121
2017	11,990	1,794	15,635	195	1,725	3,313	972	35,624
2018	20,066	2,639	0	1,183	2,600	3,060	148	29,697
2019	7,455	3,727	1,313	0	3,330	1,309	1,809	18,943
2020	225	15,533	22,762	10,959	2,607	4,917	367	57,370
2021	13,121	3,009	11,460	3,210	4,959	11,091	46	46,896
2022	9,741	31,068	28,228	0	23,360	4,282	0	96,680
Previous	10,571	5,340	10,234	3,109	3,044	4,738	668	37,706
Ha Average Estimate @ 35% Coverage	3	2	3	1	1	1	0	11

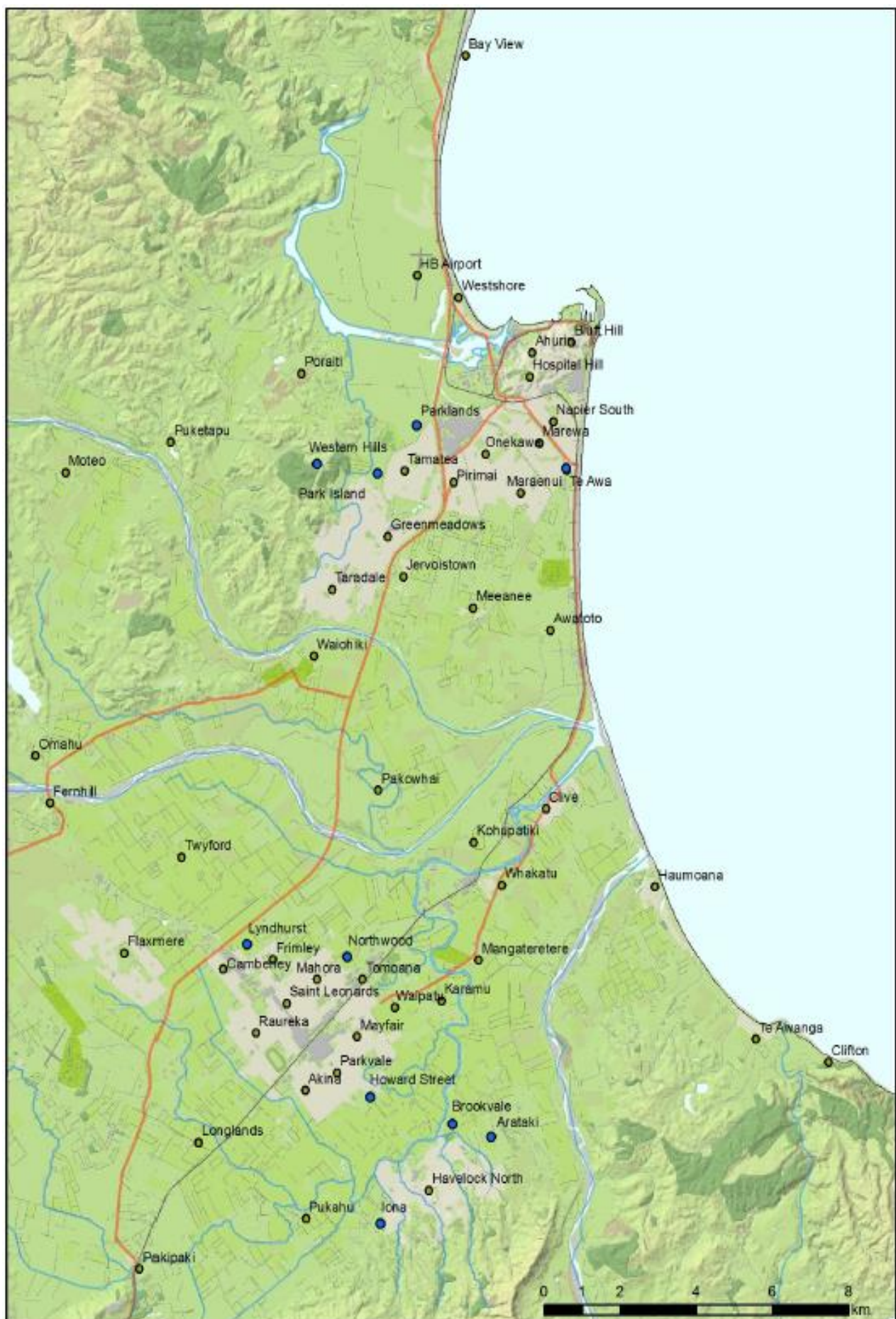
(Source HDC and NCC Building Consent Records)

- 10.12. Remaining current capacity is estimated to be around 170ha. Table 8 indicates significant short to medium term industrial capacity exists over several zones, however, most of that is in Hastings and there could be mismatches in terms of lots sizes and serving provision. Planning however needs to occur sooner rather than later to ensure sufficient capacity is available on an ongoing basis in the medium term to facilitate the diverse needs of businesses, given the long lead times (5-10 years) needed to bring land to market, particularly if the more recent high rates of uptake persist.

Table 8 Available Industrial Land Capacity Napier Hastings

	Zone Area (Ha) Within Land Parcels	Readily Available	Location and Zone	Zone Area (Ha) Within Land Parcels	Readily Available
Hastings District			Napier City		
General Industrial Zone			Main Industrial Zone		
Hastings Central	13	0	Pandora	60	3
Irongate	118	55	Awatoto	47	9
Omahu Road	236	76	Onekawa	103	0
Tomoana	50	0		210	12
Whakatu	164	17	Business Park Zone	44	0
	582	149	Airport Zone	206	4
Zone	17	8	Deferred Airport Zone	44	0
Business Zones	10	0	Suburban Industrial Zone	11	0
Light Industrial Zone		0	Mixed Use and West Quay	49	0
Hastings Central	16	0.02	Port and Marine Zones	1	0
Lodge, Tomoana, Whakatu	17	0	Wastewater Treatment Zone	71	0
	33	0.02	Total Napier City	635	16
Whirinaki Industrial Zone	94	0			
Zone	0	0			
Total Hastings District	734	157	Total Napier Hastings	1369	173

(Source NCC and HDC Survey)



Appendix 1 - Common placenames in Hastings/Napier urban area