



# **HASTINGS & NAPIER URBAN AREA**

## **Housing and Business Market Indicator Monitoring**

***Quarterly Report to 31 March 2018***



**Published May 2018**

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## 1. PURPOSE OF THIS REPORT

- 1.1. This report has been prepared by the Hastings District, Napier City and Hawke's Bay Regional Councils to provide a quarterly update of the Napier Hastings property market using a selection of housing and business indicators. It is prepared to meet the monitoring requirements of the government's National Policy Statement on Urban Development Capacity (NPSUDC).
- 1.2. The NPSUDC Policy PB6 requires the three councils to monitor a range of indicators on a quarterly basis including:
  - a) prices and rents for housing, residential land and business land, by location and type; and the changes in these prices and rents over time;
  - b) the number of resource consents and building consents granted for urban development relative to the growth in population; and
  - c) indicators of housing affordability.

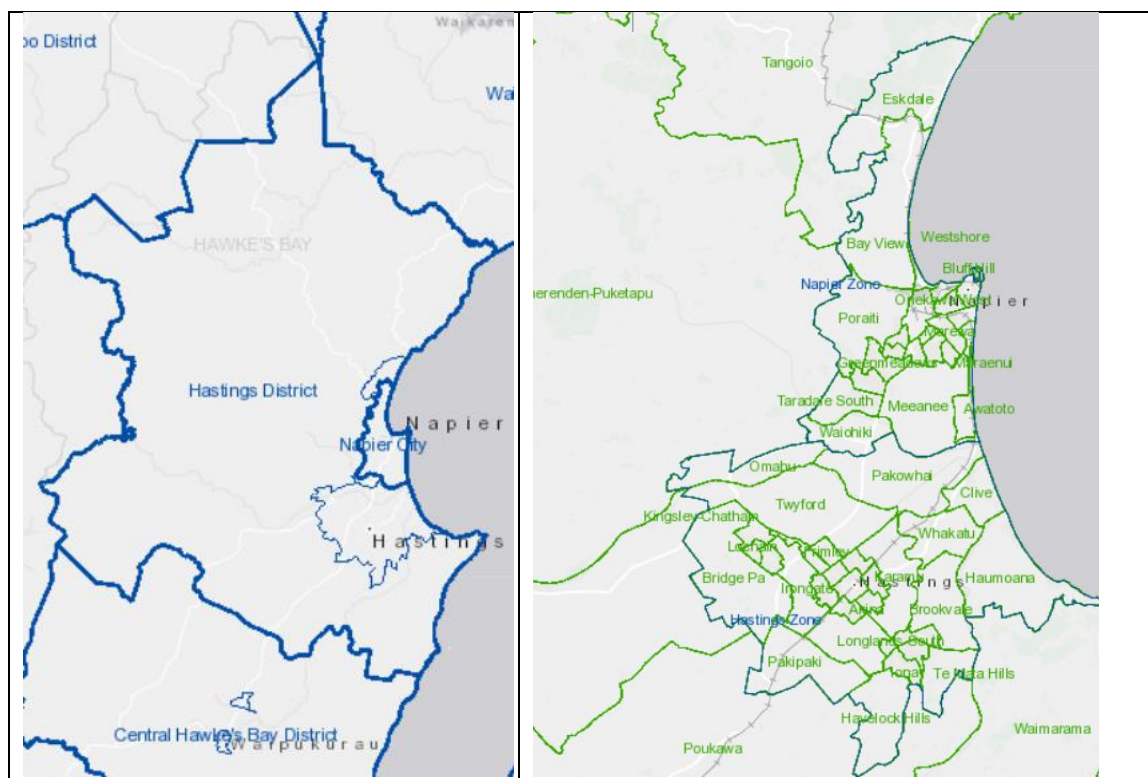
## 2. ABOUT THIS REPORT

- 2.1. Where data is or will be available at three monthly intervals (i.e. quarterly), short monitoring reports for each of the three quarters between calendar years, will be produced. This report is the first of the intervening quarterly reports providing data for the period 1 January to 31 March 2018.
- 2.2. Previously, the three councils had prepared a baseline report<sup>1</sup> of housing and business market trends across a range of variables up to December 2017 (or 2016 in some cases depending on the time series data availability). Each of the three quarterly reports will culminate in an annual updated version of the baseline report.
- 2.3. The data used for this quarterly report has been drawn from a number of sources and therefore some is reported for the combined Napier Hastings Urban Territorial Areas and some for the Napier Hastings Urban Area, or in rare cases, for the Hawke's Bay region as a whole, depending upon the sources and data collection methods.
- 2.4. **Figure 1** overleaf shows the boundary of the Napier Hastings Main Urban Area in relation to the census area units incorporated within it.
- 2.5. In many cases, trends will remain the same from quarter to quarter, and unless there is a notable change in an indicator, detailed commentary on the indicators will be provided on an annual rather than quarterly basis.

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

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



(Source StatsNZ)

- 2.7. **Table 1** sets out the indicators contained in this report, and Appendix 1 presents a map to illustrate the location of place names frequently mentioned in this report.

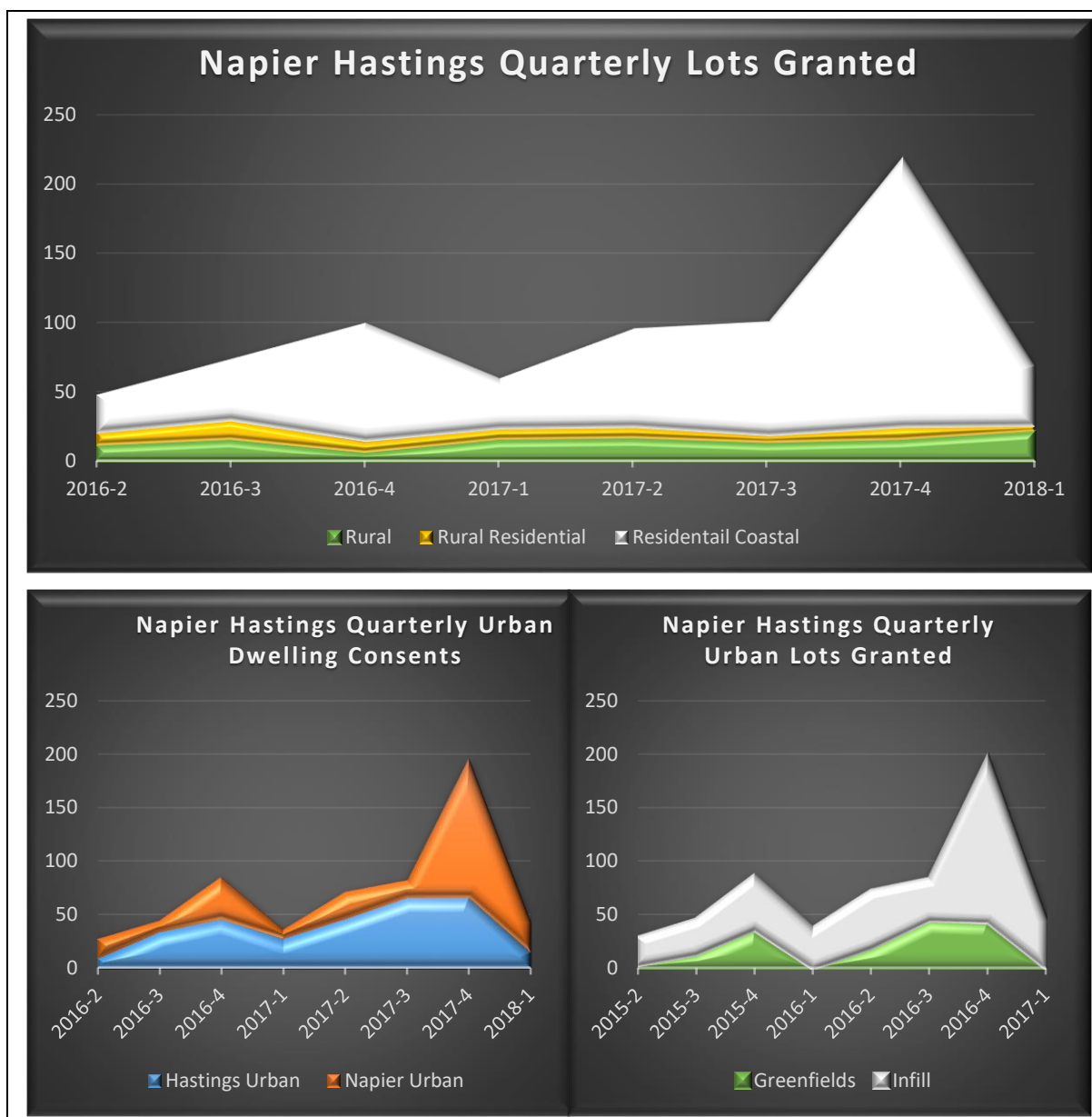
**Table 1 Summary of Indicators Reported**

NPSUDC-Ref	Type	Topic	Figure or Table	Quarterly Indicator
PB6 (b)	Residential	Land	Figure 2	House Lots Consented
PB6 (b)	Residential	Land	Table 2	Current Greenfields Residential Land Uptake
PB6 (b)	Residential	Land	Figure 3	Greenfield Residential Land Uptake Trend 2018
PB6 (b)	Residential	Land	Table 3	Changes Greenfield Residential Section Capacity
PB6 (a)	Residential	Land	Figure 4	Vacant Residential Section Sales Volume/Value
PB6 (a)	Residential	Dwellings	Figure 5	New Dwelling Consents Last Three Years
PB6 (a)	Residential	Dwellings	Figure 6	New Dwelling Consents by Greenfields Location
PB6 (a)	Residential	Dwellings	Figure 7	New Dwelling Consents by Housing Typology
PB6 (a)	Residential	Dwellings	Figure 8	Dwelling Sales Volume and Median Price
PB6 (a)	Residential	Dwellings	Figure 9	Average Weekly Dwelling Rental Movements
PB6 (c)	Residential	Affordability	Figure 10	Housing Affordability Index Movements
PB6 (c)	Residential	Affordability	Table 4	Housing Affordability Index Regional Comparison
PB6 (b)	Business	Building	Figure 11	Business Floorspace m <sup>2</sup> Consented
PB6 (b)	Business	Value	Figure 12	Industrial and Commercial Building Consent Value

### 3. RESIDENTIAL LAND CAPACITY

- 3.1. Overall residential land capacity comprises greenfield residential areas, infill development potential, brownfields developments and other dispersed types of living environments such as coastal settlements, marae based communities and rural residential/lifestyle living.
- 3.2. **Figure 2** shows the estimated quarterly number of lots for which consent was granted and the urban lots broken down by Napier and Hastings and by infill and greenfields subdivision.

**Figure 2: Napier Hastings Quarterly Lots Granted Last Two Years**



(Source NCC and HDC)

- 3.3. After a spike in infill subdivision in Napier in the last quarter of last year in Guppy Road, infill subdivision rates have return to background levels in 2018.
- 3.4. **Table 2** sets out the remaining vacant residential lot capacity within greenfield areas as at the end of March 2018 after allowing for building consents issued over the last quarter. It estimates the number of subdivided lots yet to be built on and the estimated capacity of larger zoned areas serviced with bulk infrastructure that have yet to be subdivided. Of the latter 209 lots in Napier (mostly Parklands) and 93 in Hastings (mostly Northwood) have resource consents for subdivision granted, but physical construction has not yet been completed. Overall capacity has increased by 39 lots in Arataki due to the release of the proposed school site (former camp ground) back into the developable area pool.

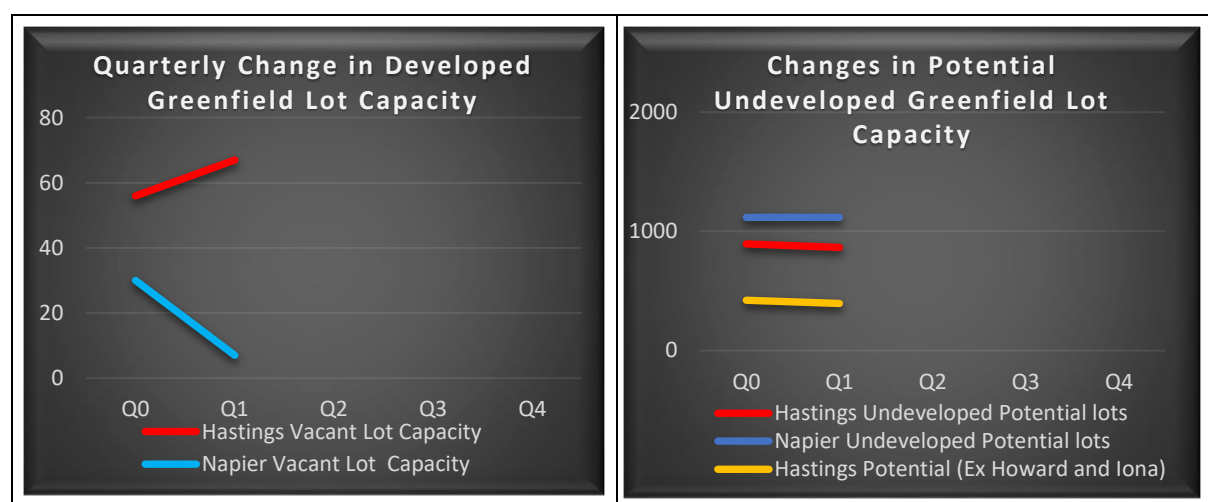


**Table 2: Quarterly Greenfield Residential Land Uptake 31 March 2018**

YTD 31/03/2018 Area	Unbuilt Lot Capacity 30-Dec '17	New Lots Created Last Quarter	Building Consents Granted Last Quarter	Balance lots Unbuilt	Lots yet to be Created	Total Remaining Capacity
Arataki	10	0	0	10	64	77
Lyndhurst Stage 1	16	0	6	10	13	23
Lyndhurst Lifestyle Village	22	0	1	21	0	21
Lyndhurst Stage 2	2	29	2	29	237	266
Northwood	6	0	1	5	80	85
Parklands	8	0	5	3	181	184
Te Awa	22	0	18	4	936	940
<b>Total</b>	<b>86</b>	<b>29</b>	<b>33</b>	<b>82</b>	<b>1511</b>	<b>1596</b>

- 3.5. **Figure 3** is the beginning of a quarterly track of uptake and remaining capacity in these greenfield growth areas in total from March 2018. This will ultimately represent three years of quarterly data. What it shows however, is that there is a shortage of vacant greenfield sections in Napier at present, despite plenty of potential capacity, and the current pinch point on Hastings supply is easing as new sections in Lyndhurst stage 2 come on stream. The Napier shortage is however, offset by the 130 lot infill developments at Guppy Road consented last quarter.

**Figure 3: Quarterly Greenfield Residential Land Uptake Trend 2018**



(Source HDC and NCC)

- 3.6. As well as these zoned and serviced areas **Table 3** shows the changes in 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. The net change in currently zoned capacity of just three is due the Arataki School Site being returned to the residential land development pool, increasing the potential yield by 39 sites and offsetting the 33 sites taken up for new dwellings in the quarter.

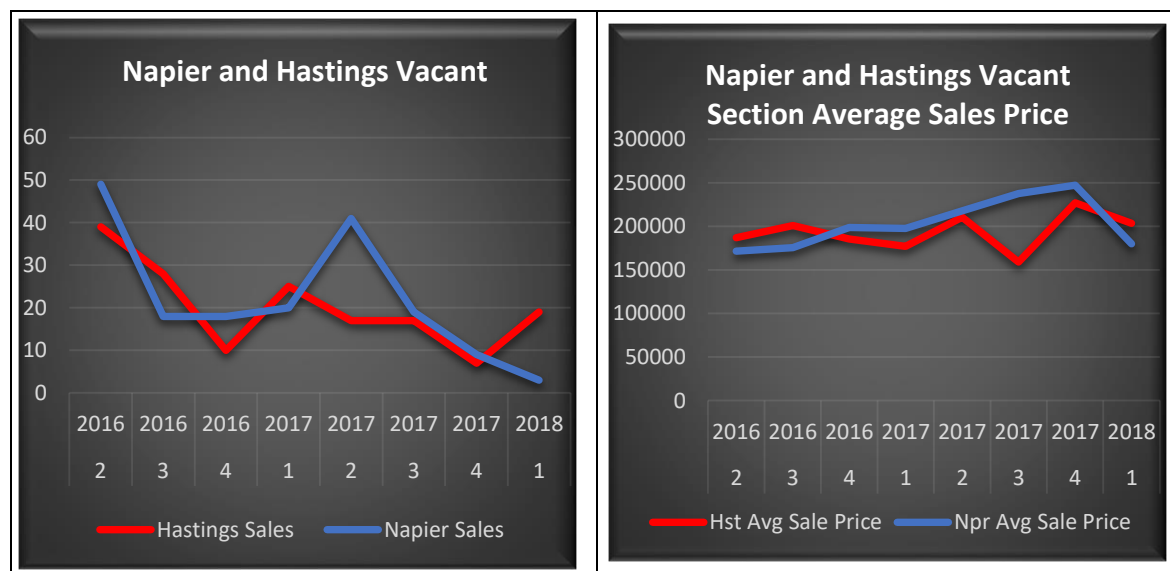
**Table 3 Changes in Current and Planned Residential Section Capacity**

Areas	Change from Last Quarter	Available Capacity
Currently Zoned	+6	1766
Planned Over Next Two Years	No Change	1300
Remaining HPUDES Areas	No Change	2235
Grand Total	No Change	5711

## 4. LAND PRICES /SALES

- 4.1. **Figure 4** shows Hastings and Napier quarterly rolling average vacant section sales and average sales prices over the last 2 years. This covers both infill and traditional greenfields sites. There may still be some under-reporting of the last fourth quarter of 2017 and first quarter of 2018, due to slow sales notifications. While sales volumes have fluctuated, probably due to the lumpy nature of greenfield land supply releases, prices have generally risen fairly steadily, particularly in Napier (despite less constrained greenfields land supply until the end of 2017).

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

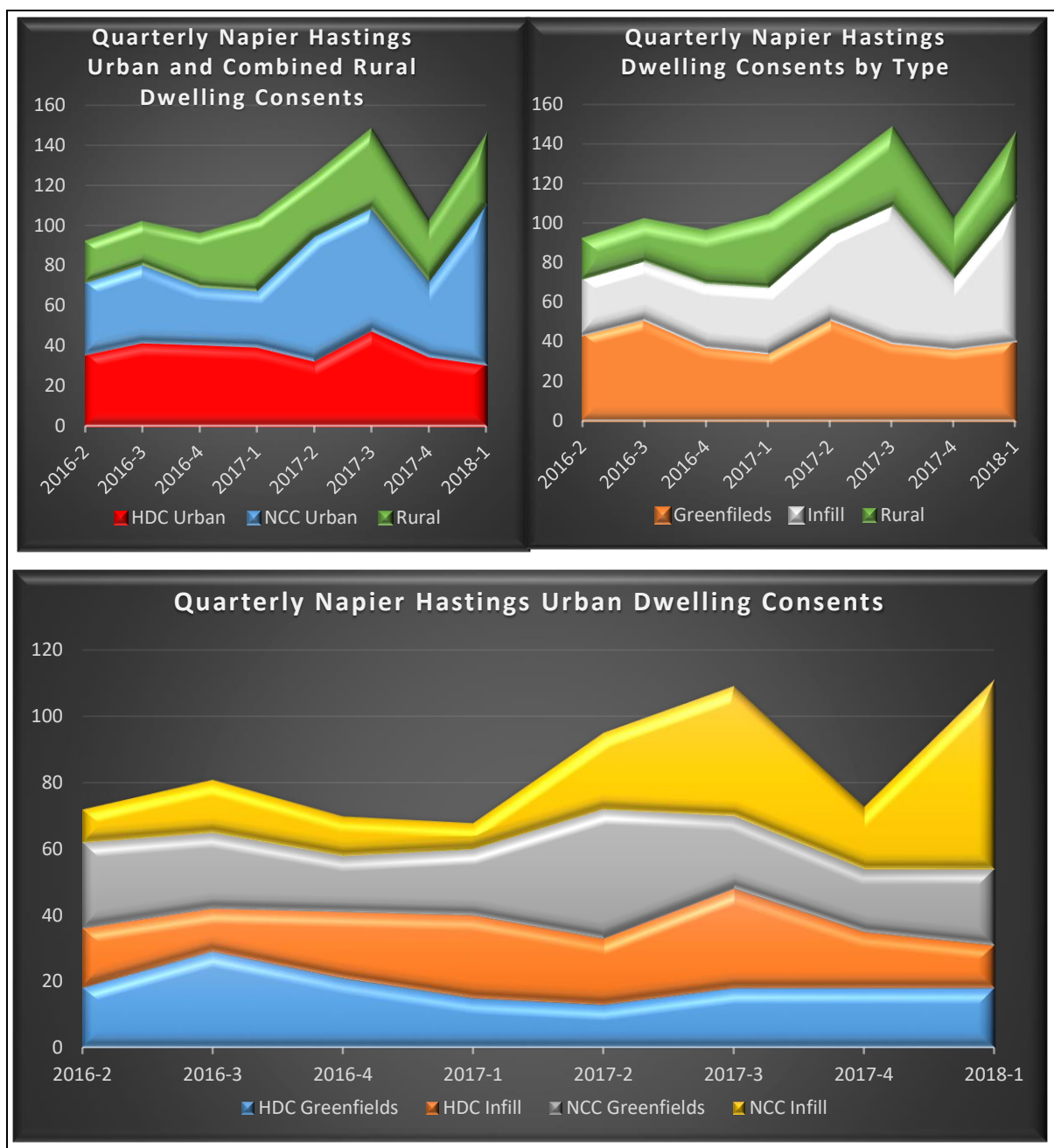


(Source Logan Stone Valuers)

## 5. BUILDING ACTIVITY

- 5.1. Building consent data in **Figure 5** shows a pick-up in new urban dwelling construction from around the beginning to middle of 2016 in both Hastings and Napier after a slow period following the GFC. The last quarter of 2017 however, potentially signalled a slower period, but a pick up in the first quarter of 2018 suggests that this was temporary. However the first quarter 2018 increase is largely due to a large number of consents being granted for supplementary dwellings (generally as detached units) in Napier as part of Housing New Zealand's social housing programme, rather than more broadly based market factors. This may be masking a deeper trend, but this will not be able to be determined until further quarterly results are available.

**Figure 5: Napier Hastings Quarterly New Dwelling Consents 2016-2018**

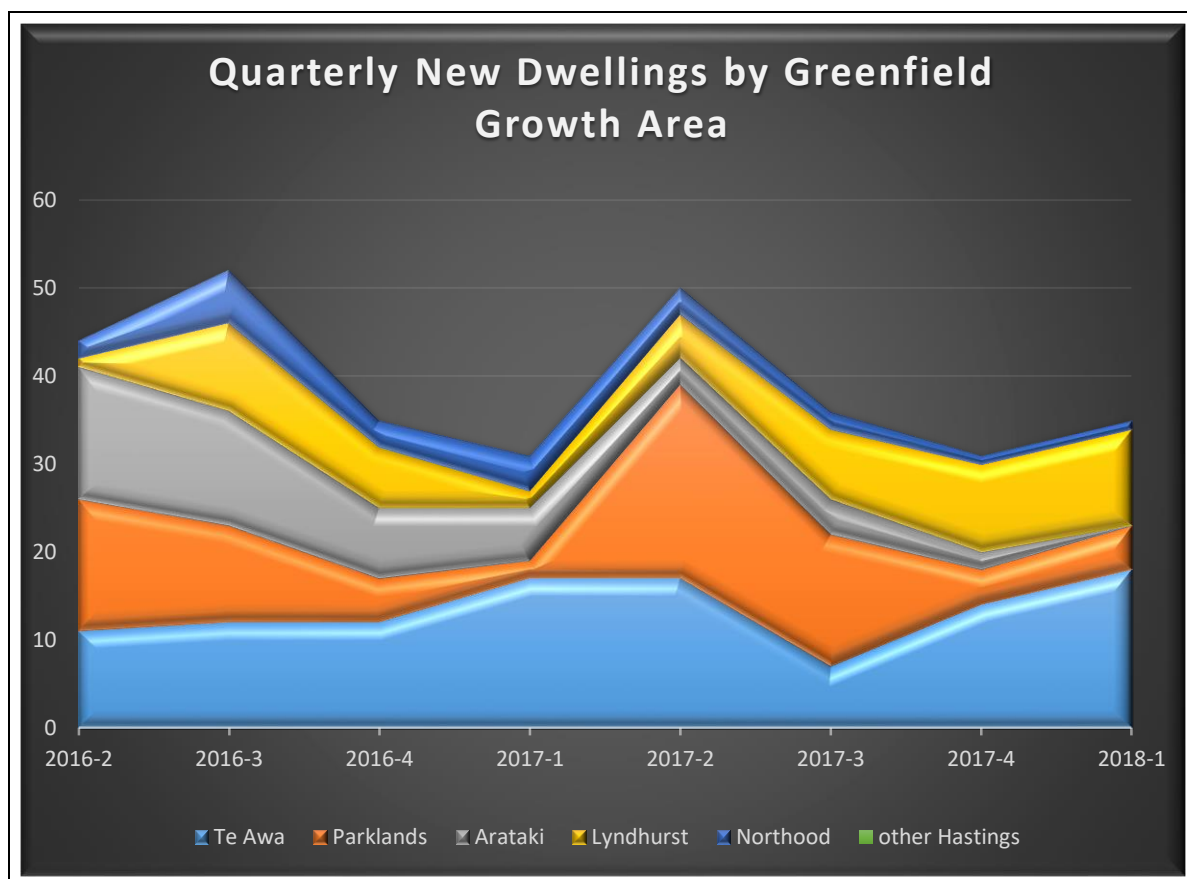


(Source HDC and NCC)

- 5.2. While increased infill and rural/lifestyle development dipped in the last quarter of 2017, infill development rebounded strongly due to Housing NZ's supplementary dwelling programme in Napier.
- 5.3. **Figure 6** shows improving section availability at Lyndhurst is starting to be reflected in slight increases toward the end of 2017 and into first quarter of 2018. A large release of sections at Parklands the first quarter of 2017 subsequently resulted in a building spike in the second quarter. However, this has been followed by a temporary shortage of available sections while the Napier City Council completes variations to its master plan associated with planning for the Park Island sportsground development. This has seen increased uptake in Te Awa over the last two quarters.



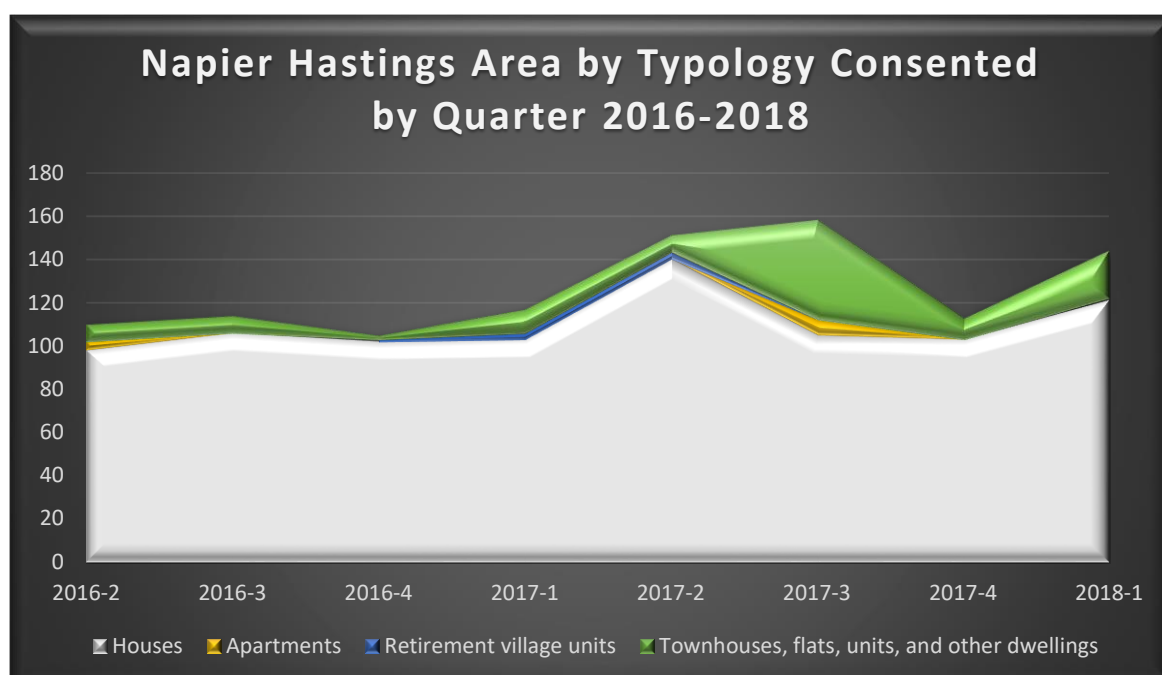
**Figure 6: Napier Hastings New Dwelling Consents 2016-2018 by Location**



(Source HDC and NCC)

- 5.4. **Figure 7** shows a continuation of the prevalent household typology in the detached dwelling format despite increased infill development, although from the middle of last year there have been some signs of increasing diversity. Hastings District Council adopted a Medium Density Housing Strategy in November 2017 to encourage greater development of semi-detached and terraced forms of intensification in addition to traditional infill.

**Figure 7: Napier Hastings Quarterly New Dwelling Consents 2016 -2018 by Housing Typology**

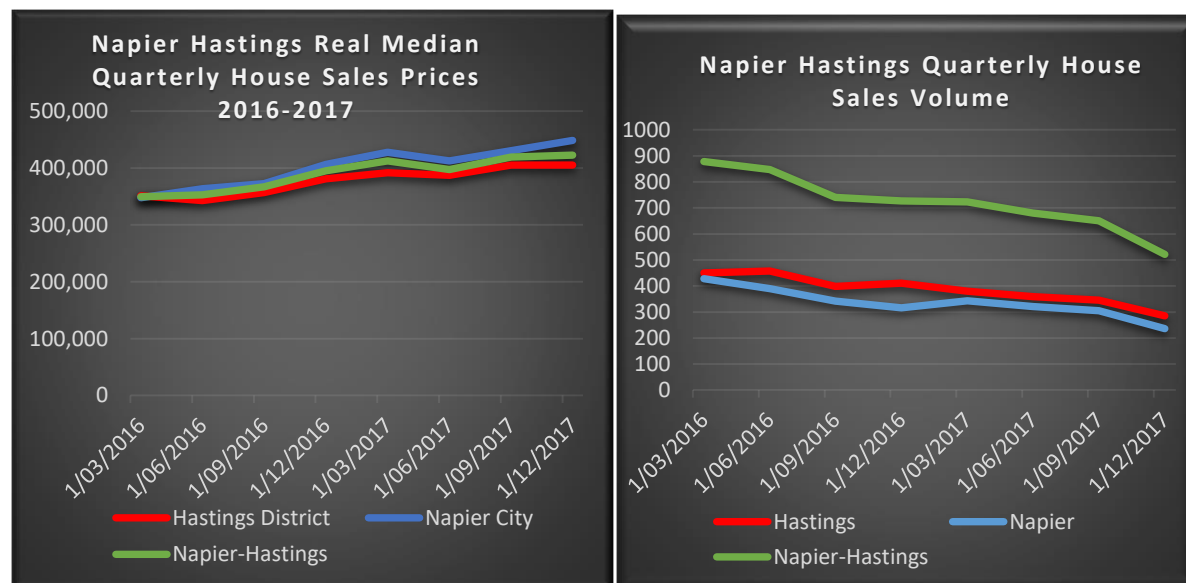


(Source StatsNZ)

## 6. HOUSE PRICES /SALES ACTIVITY

- 6.1. **Figure 8** presents the median sales price and sales volume for Napier and Hastings per quarter for the past two years. A reduction in sales volume is apparent accompanied by a steady rise in prices. This is similar to the vacant land sales track, but with less volatility in sales volume. NOTE the MBIE update for Q1 2018 will not be available until the end of May so will report in the June quarterly report.

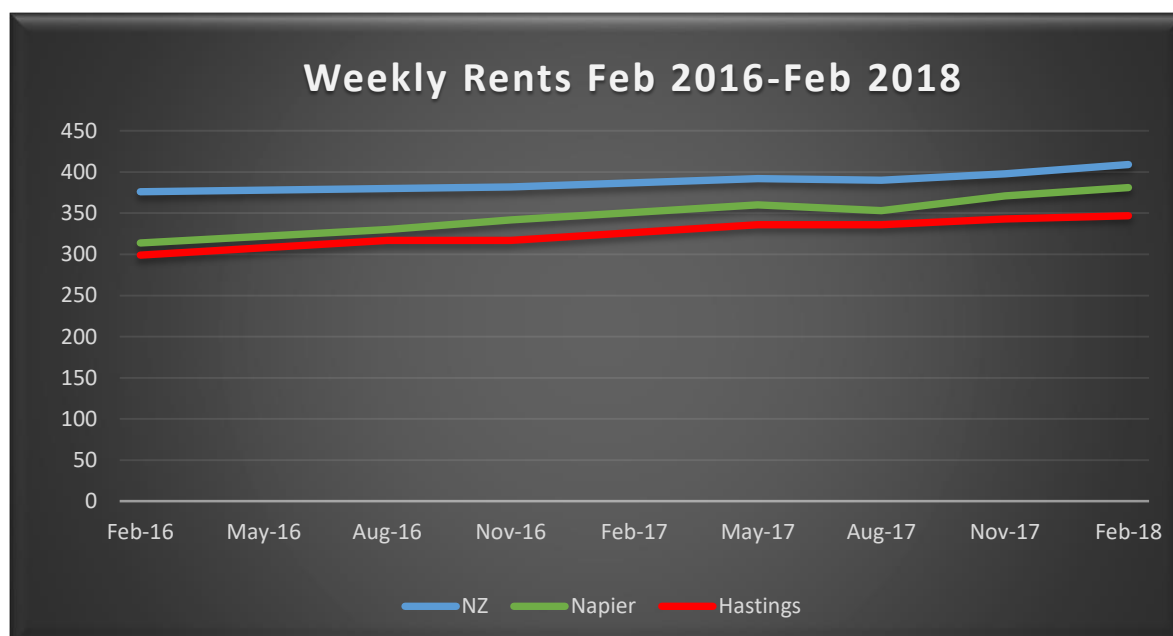
**Figure 8: Napier Hastings Quarterly House Sales Volume and Prices**



(Source MBIE)

- 6.2. **Figure 9** shows a continuation of increases in weekly rents from 2016, into 2018, particularly in Napier from the later half of 2017 and into 2018.

**Figure 9: Napier Hastings Monthly Average Rental Movements 2016-2018**

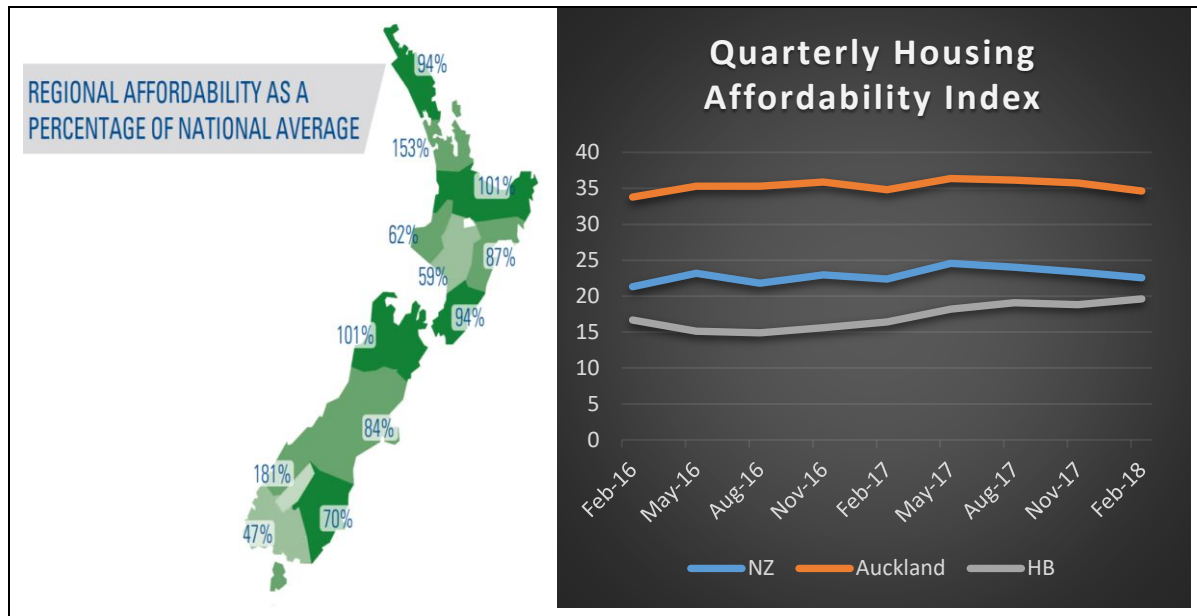


(Source Massey University)

## 7. HOUSING AFFORDABILITY

- 7.1. **Figure 10** shows the housing affordability quarterly track from 2016 using the Massey University index for Hawke's Bay relative to Auckland and New Zealand from 2016 to March 2018. **Table 4** compares Hawke's Bay with the other New Zealand regions since 2016. A trend of decreasing housing affordability from around mid 2016 continued over the first quarter of 2018, against the national trend over the last three quarters of 2017.

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



(Source Massey University)

**Table 4: Massey University Home Affordability Index Regional Comparison Nov 2017-Nov 2018**

HOME AFFORDABILITY INDEX				PERCENTAGE CHANGE IN HOME AFFORDABILITY IN THE LAST 12 MONTHS		PERCENTAGE CHANGE IN HOME AFFORDABILITY IN THE LAST 3 MONTHS	
Region	February 2017	November 2017	February 2018	Improvement	Decline	Improvement	Decline
Northland	20.90	20.30	21.14		1.2%		4.1%
Auckland	33.61	35.74	34.63		3.0%	3.1%	
Waikato/Bay of Plenty	21.37	23.26	22.79		6.7%	2.0%	
Hawke's Bay	16.43	18.20	19.58		19.2%		7.5%
Taranaki	13.63	14.77	14.05		3.1%	4.9%	
Manawatu/Whanganui	12.11	14.14	13.38		10.5%	5.4%	
Wellington	20.68	21.74	21.14		2.2%	2.8%	
Nelson/Marlborough	21.39	23.42	22.77		6.4%	2.8%	
Canterbury/Westland	19.10	20.17	19.00	0.5%		5.8%	
Otago	15.35	15.86	15.70		2.3%	1.0%	
Central Otago Lakes	36.42	39.55	40.78		12.0%		3.1%
Southland	9.94	12.12	10.62		6.8%	12.4%	
New Zealand	21.63	23.35	22.57		4.4%	3.4%	

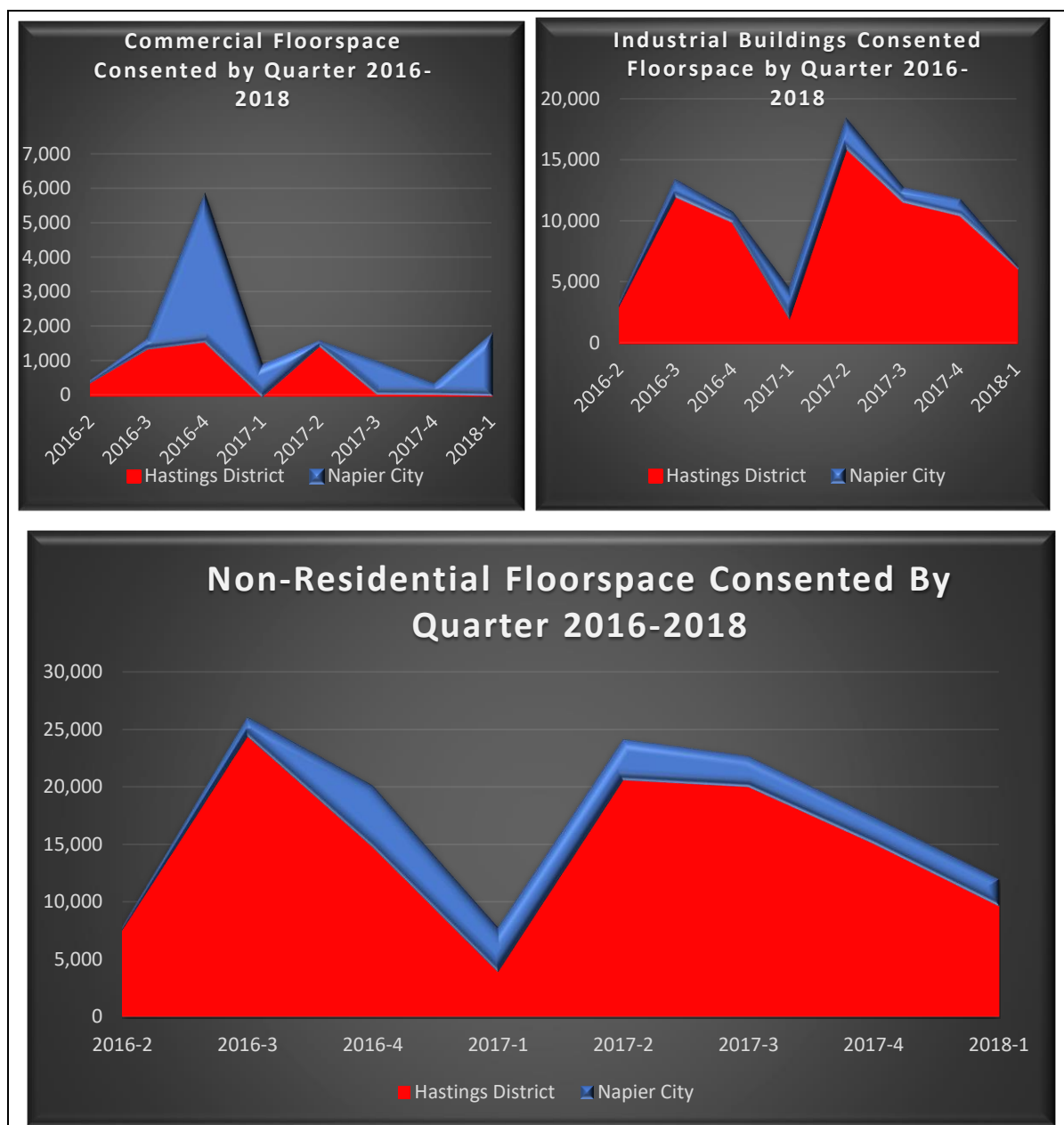
(Source Massey University)

- 7.2. Hawke's Bay's housing affordability deteriorated over the last 12 months by 19.2%, against the national trend, after improving through most of 2016. Hawke's Bay's position relative to other regions has slipped to 6th most affordable from 5th.
- 7.3. Overall home affordability in the region sits well relative to the rest of New Zealand, but is worsening as house prices rise quickly on the back of record increased migration a buoyant local economy, and some pinch points in residential land supply.

## 8. BUSINESS BUILDING ACTIVITY

- 8.1. The lumpy nature of business land development is highlighted in quarterly building consents for commercial, industrial and total non-residential building floorspace consents as shown in **Figure 11**. A slight rise in commercial floorspace consents in Napier is due to expansion at the airport while industrial floorspace consents have dropped across both cities over the last quarter. Given the spikey nature of industrial and commercial building rates this does not necessarily signal cause for immediate concern.

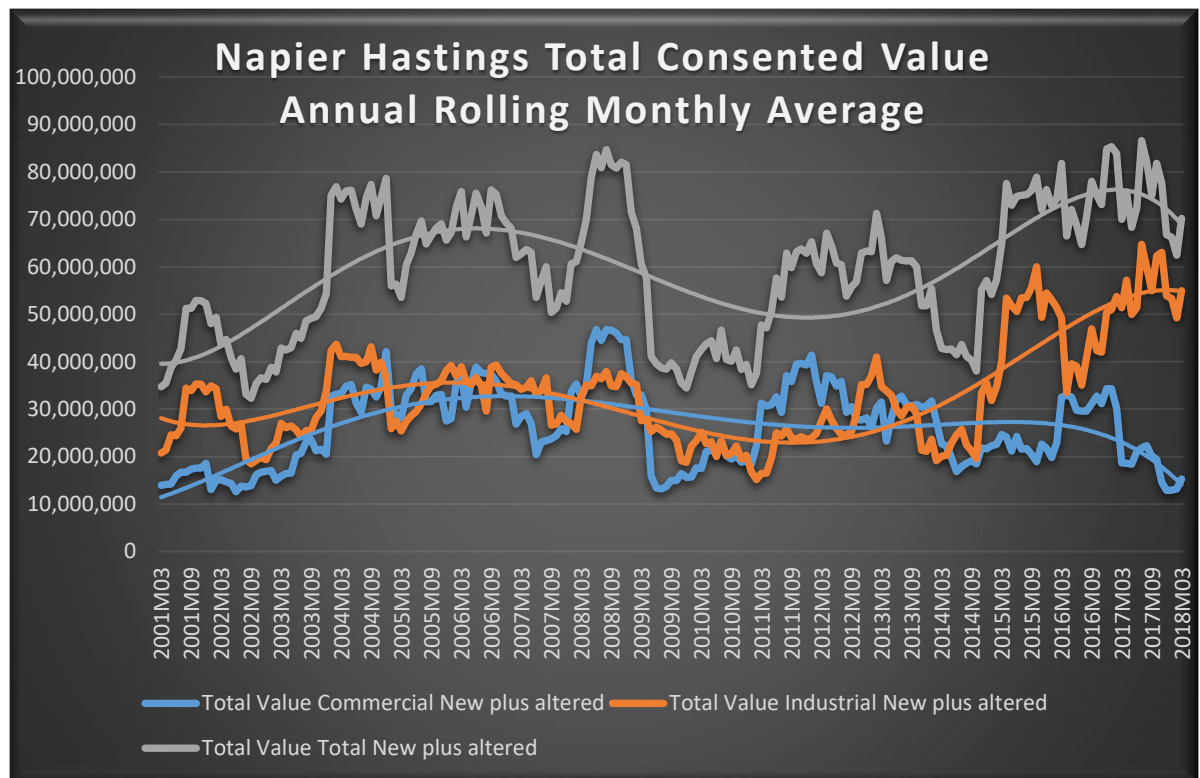
**Figure 11: Napier Hastings Quarterly Commercial Industrial and Total Non-Residential Floorspace m2 consented last two years**



(Source StatsNZ)

- 8.2. Despite this **Figure 12** indicates a slight rise in the value of both commercial and industrial building consents granted over the last three months after sliding over the previous three to six months.

**Figure 12** Napier Hastings Commercial and Industrial







Appendix 1 - Common placenames in Hastings/Napier urban area