



HASTINGS & NAPIER URBAN AREA

Housing and Business Market Indicator Monitoring

***Quarterly Report to 30 September
2018***



**HASTINGS
DISTRICT
COUNCIL**



HAWKE'S BAY
REGIONAL COUNCIL



NAPIER
CITY COUNCIL
Te Kaunihera o Ahuriri

Published September 2018

CONTENTS

1.	Purpose of this Report	2
2.	About This Report	2
3.	Residential Land Capacity.....	4
4.	Land Prices /Sales	6
5.	Building Activity.....	6
6.	House Prices /Sales Activity.....	9
7.	Housing Affordability	10
8.	Business Building Activity.....	11

TABLE OF FIGURES

Figure 1:	Napier-Hastings Urban Areas as defined by StatsNZ	3
Figure 2:	Napier Hastings Quarterly Lots Granted Last Two Years	4
Figure 5:	Napier Hastings Quarterly New Dwelling Consents 2016-2018	7
Figure 6:	Napier Hastings New Dwelling Consents 2016-2018 by Location	8
Figure 7:	Napier Hastings Quarterly New Dwelling Consents 2016 -2018 by Housing Typology	8
Figure 8:	Napier Hastings Quarterly House Sales Volume and Prices	9
Figure 9:	Napier Hastings Monthly Average Rental Movements 2016-2018	9
Figure 10:	Hawke's Bay Massey University Quarterly Housing Affordability Index 2016-2018	10
Figure 11:	Napier Hastings Quarterly Commercial Industrial and Total Non-Residential Floorspace m2 consented last two years	11
Figure 12:	Napier Hastings Industrial Consented Building Value last 15 Years	12

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1. PURPOSE OF THIS REPORT

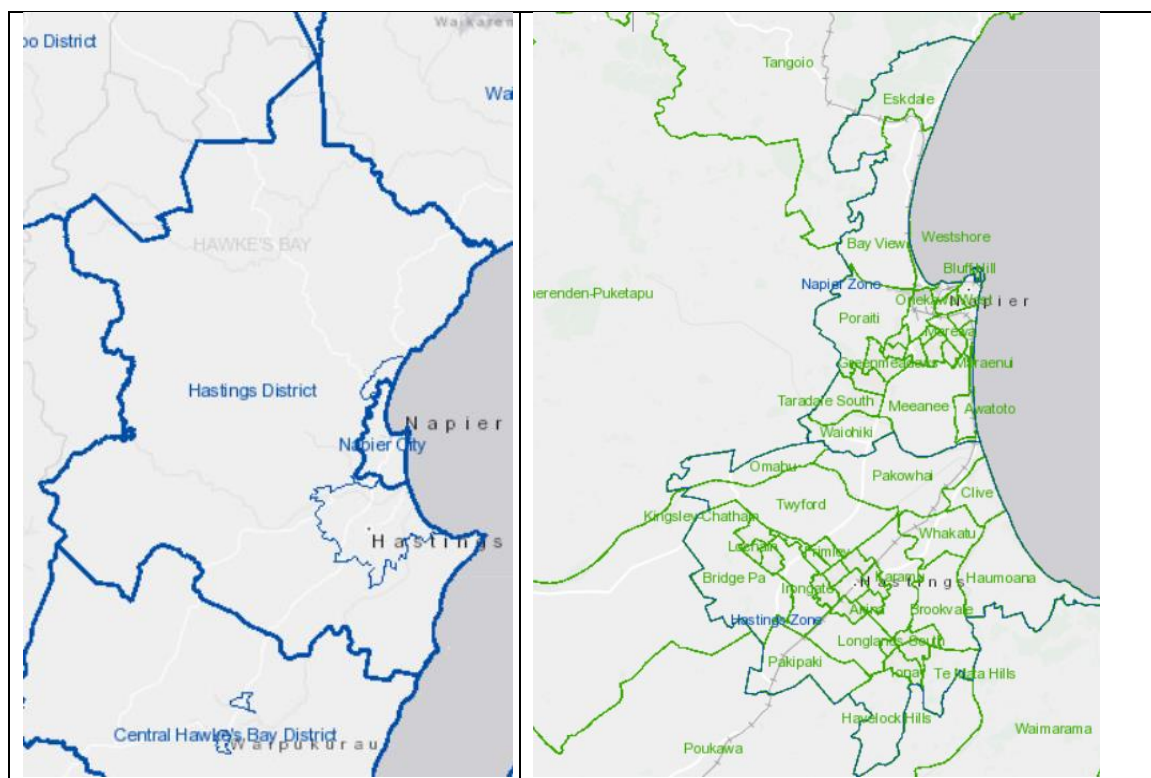
- 1.1. This report has been prepared by the Hastings District, Napier City and Hawke's Bay Regional Councils (the Partner Councils). It provides a quarterly update of the Napier Hastings property market using a selection of housing and business indicators to meet the monitoring requirements of the government's National Policy Statement on Urban Development Capacity (NPSUDC).
- 1.2. 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.
- 1.3. Previously, the partner councils prepared a baseline report¹ of housing and business market trends across a range of variables up to December 2017 (or 2016 in some cases depending on the time series data availability).

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 third of the intervening quarterly reports providing data for the period 30 June to 30 September 2018. The three quarterly reports will culminate in an annual updated version of the earlier baseline report to 31 December 2018.
- 2.2. 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.
- 2.3. The data used for this quarterly report has been drawn from a number of sources and therefore some of it is reported for the combined Napier Hastings Territorial Areas and some for the Napier Hastings Urban Area, or in rare cases, for the Hawke's Bay region as a whole, depending upon the sources and data collection methods. **Figure 1** overleaf shows the boundary of the Napier Hastings Main Urban Area in relation to the census area units incorporated within it.
- 2.4. It is intended that over time the data can be arranged and reported in a manner more closely aligning with the joint urban growth strategy - the Heretaunga Urban Development Strategy (HPUDS) - that was prepared initially by three partner Councils in 2010 and most latterly reviewed in 2017.

¹Hastings 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)

- 2.6. **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.

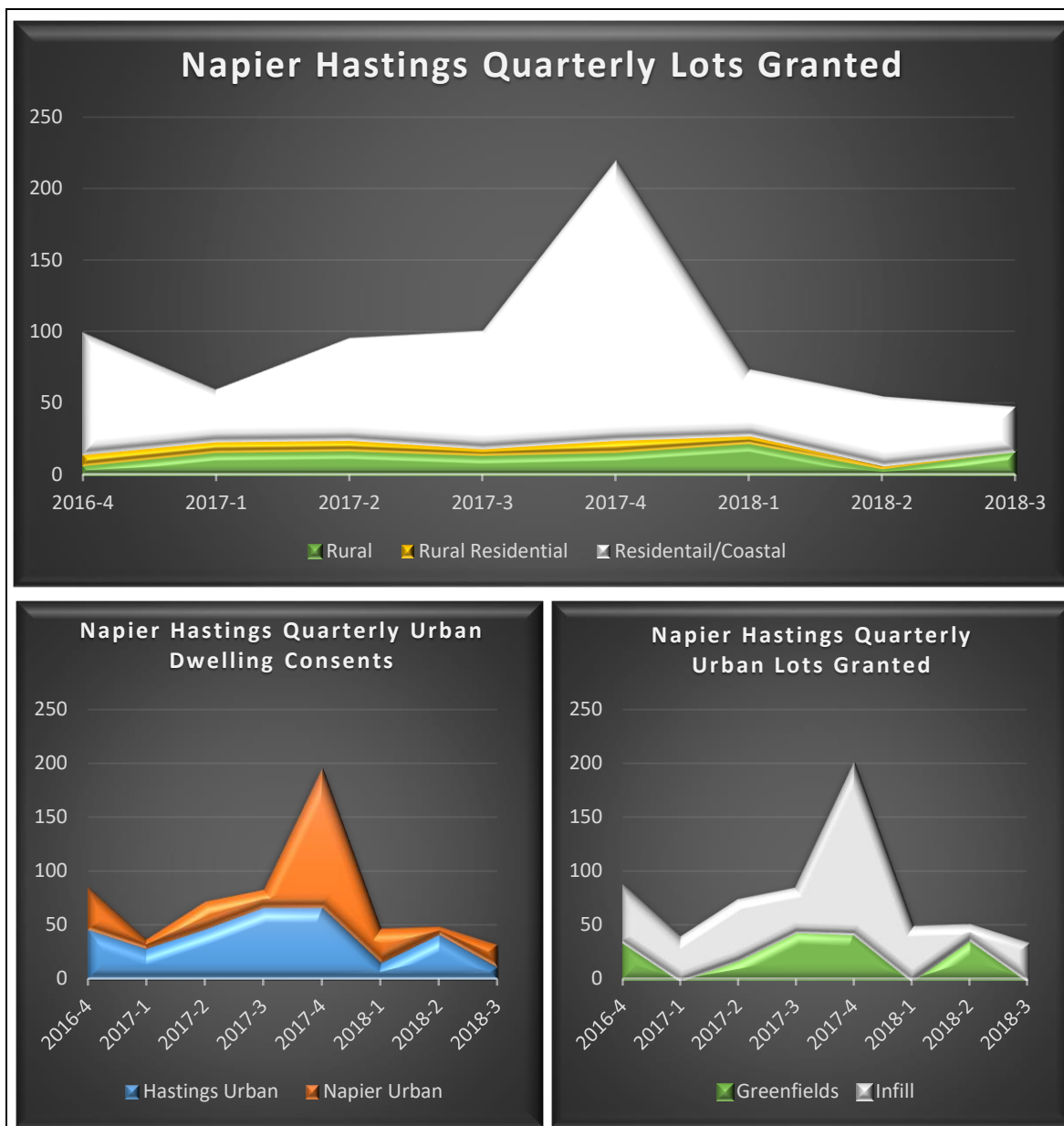
Table 1: Summary of Indicators Reported

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 ² 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 developments² 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 new lots created lots for which consent was granted with the urban lots broken down by Napier and Hastings and by infill and greenfields subdivision.

Figure 2: Napier Hastings Quarterly Lots Granted Last Two Years



(Source NCC and HDC)

- 3.3. After a spike in infill subdivision in Napier in the last quarter of last year due to the Guppy Road consent (residential housing on a property previously used for market gardening for a significant time), infill subdivision rates have now returned to background levels in 2018. Rural and lifestyle consents dropped to historically low levels in the second quarter, but have recovered somewhat over the last quarter.
- 3.4. **Table 2** sets out the remaining vacant residential lot capacity within greenfields areas as at the end of June 2018 after allowing for building consents issued over the last quarter. It estimates the

² Brownfields means redundant or obsolete commercial or industrial properties available for redevelopment for residential purposes.

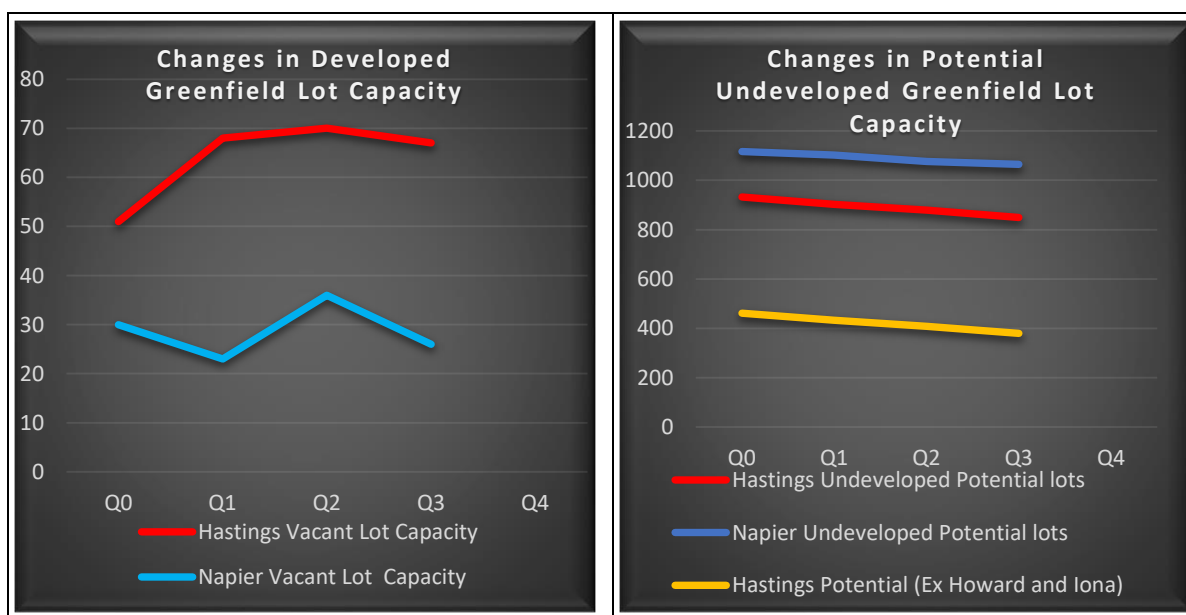
number of subdivided lots yet to be built on and the estimated capacity of larger zoned areas serviced with bulk infrastructure that have yet to be subdivided. Of the latter 197 lots in Napier (mostly Parklands) and 79 in Hastings (mostly Northwood) have resource consents for subdivision granted, but physical construction has not yet been completed. Overall unbuilt current lot capacity has decreased by 13 lots and total remaining capacity by 54.

Table 2: Quarterly Greenfield Residential Land Uptake 30 September 2018

YTD 30/09/2018	Unbuilt Lot Capacity	New Lots Created Last Quarter	Building Consents Granted Last Quarter	Balance lots Unbuilt	Lots yet to be Created	Total Remaining Capacity
Area	31/06/2018					
Arataki	18	7	8	17	35	52
Lyndhurst Stage 1	8	0	4	4	13	17
Lyndhurst Lifestyle Village	9	0	6	3	0	3
Lyndhurst Stage 2	32	19	13	38	255	293
Northwood	3	3	1	5	77	82
Parklands	25	0	12	13	156	169
Te Awa	11	12	10	13	909	922
Total	106	41	54	93	1445	1538

- 3.5. The effect of a temporary shortage of vacant greenfields sections in Napier over the last few quarters is likely to be eased by a 130 lot infill development in Guppy road approved in the first quarter. This should come on stream over the next 3-6 months and will be supported by future staged release of sections from the City Councils Parkland subdivision.

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, which remains unchanged over this quarter.

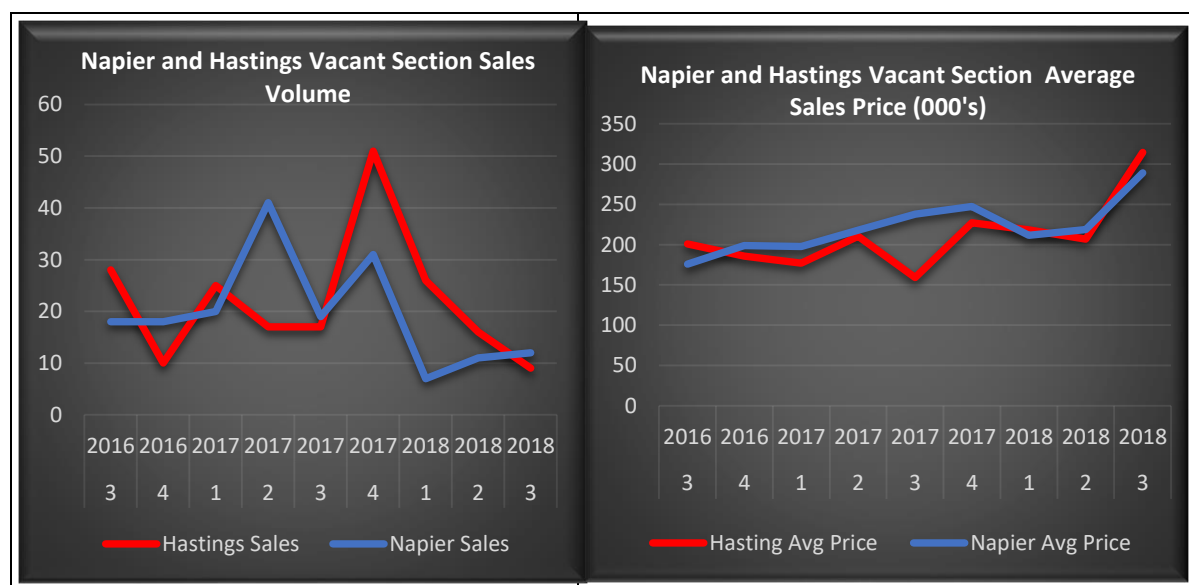
Table 3: Changes in Current and Planned Residential Section Capacity

Areas	Change from Last Quarter	Available Capacity
Currently Zoned	-54	1708 ³
Planned Over Next Two Years	No Change	1300
Remaining HPUDS Areas	No Change	2635
Grand Total	No Change	5719

4. LAND PRICES /SALES

- 4.1. **Figure 4** shows Hastings and Napier vacant section sales and median price points. There is likely to be some under-reporting of the last two quarters of 2018, due to slow sales notifications. While sales volumes have fluctuated, probably due to the lumpy nature of greenfields land supply releases, prices have generally risen sharply over the last quarter. This is surprising given the current and imminent easing of supply constraints, but may be due to low reported volumes of available sections which will not be evident until the next quarter or two.

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



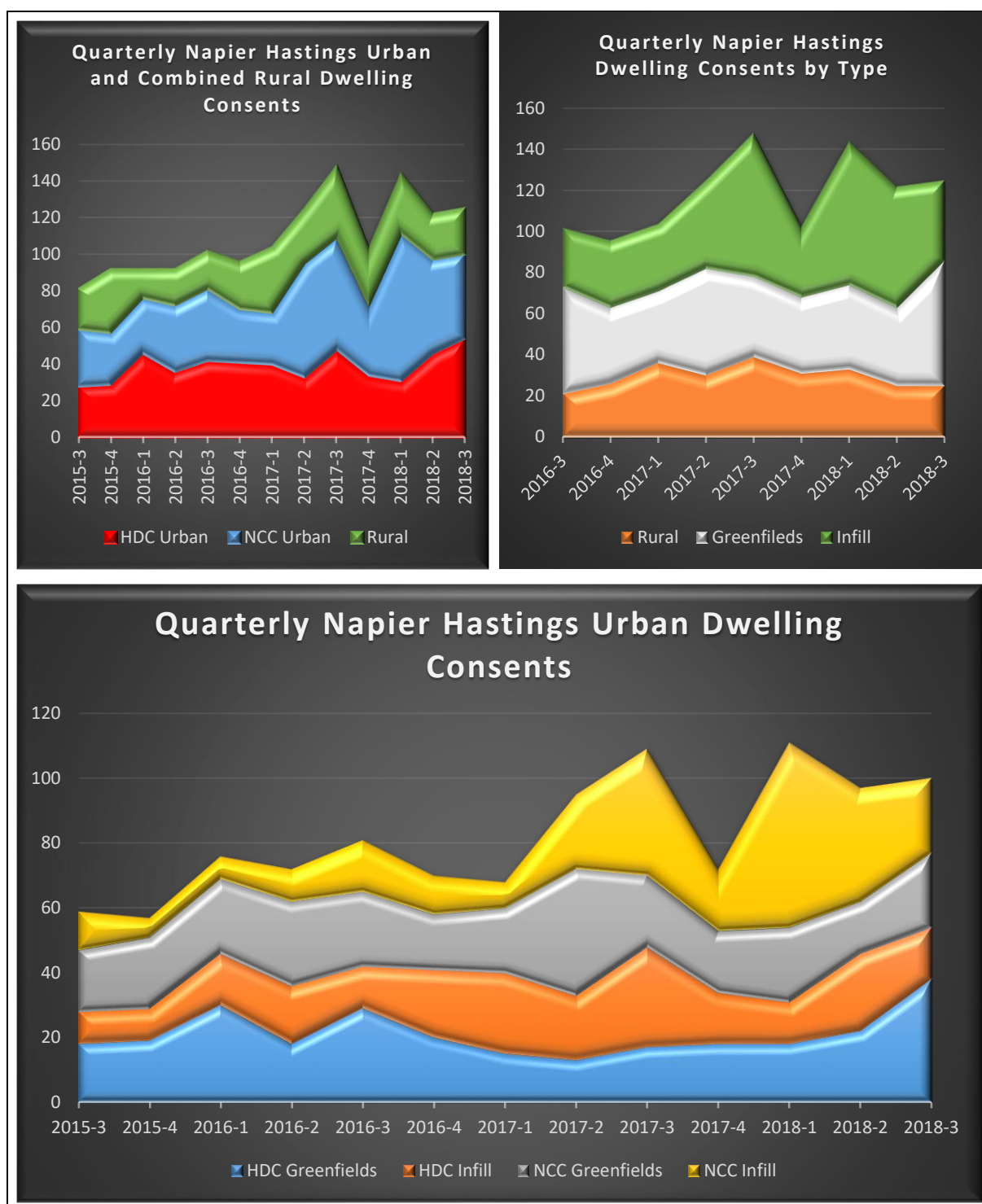
(Source Logan Stone Valuers 2018)

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 the middle of 2016 in both Hastings and Napier after a slow period following the GFC. A drop in activity in the last quarter of 2017 appears to have been temporary. However the first quarter of 2018 increase in Infill in Napier was influenced by a large number of consents being granted for supplementary dwellings (generally as detached units) as part of Housing New Zealand's social housing programme. The resulting drop in Napier infill rates over the last two quarters has been offset to a degree by increasing infill rates in Hastings albeit it now showing a trend of weakening. Greenfields rates in Hastings are however, on the rise as easing land supply constraints start to influence building patterns, while rural development rates have remained steady.

³ Includes Park Island subject to Treaty Settlement processes of an estimated 170 lots. Also includes adjustment for previously underestimated capacity in Lyndhurst Stage 2 of approximately 50 lots

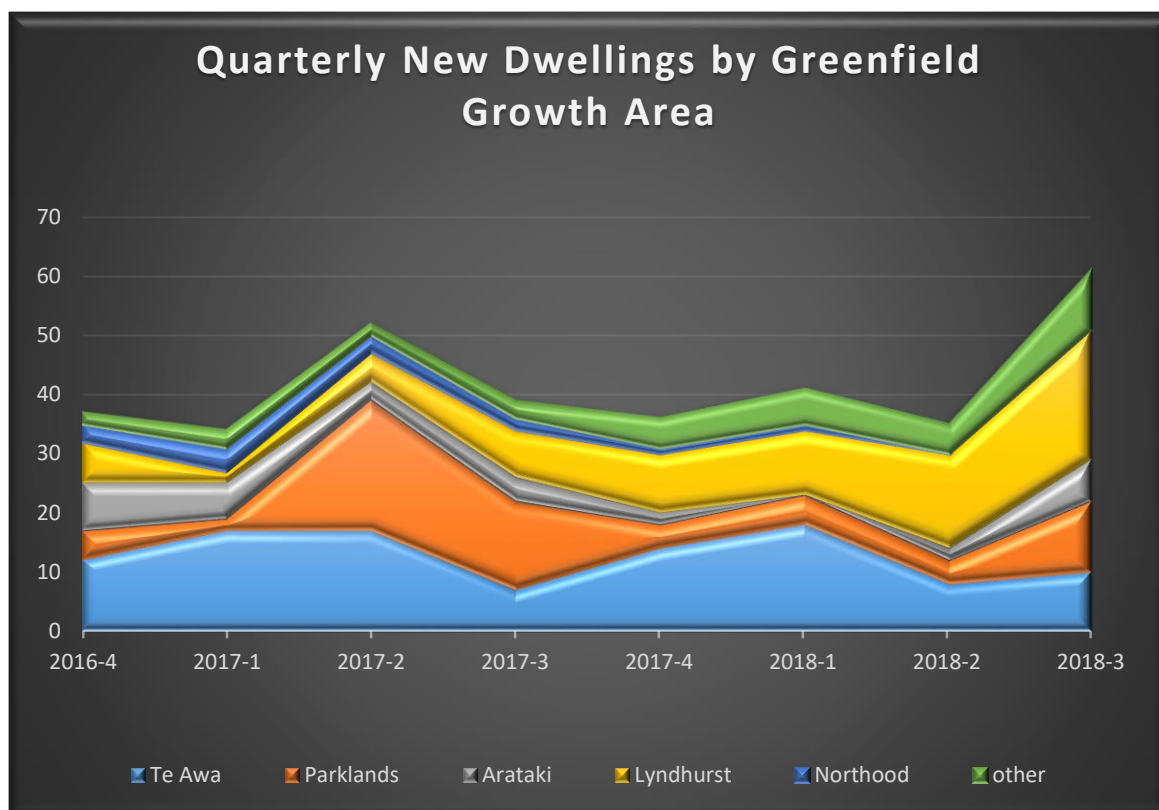
Figure 5: Napier Hastings Quarterly New Dwelling Consents 2016-2018



(Source HDC and NCC)

- 5.2. **Figure 6** shows also that improving section availability at Lyndhurst is starting to show through in building rates, while Northwood struggles to get its sections to market. The large release of sections at Parklands in the first quarter of 2017 saw a surge in development until the end of the third quarter of 2017. This was followed by a temporary shortage of available sections while the Napier City Council completed the physical works necessary to bring the next stage of development to market. While increased supply in Te Awa helped fill the gap that too was exhausted by the second quarter of this year. However a new the release of sections at Parklands has eased the situation, noting also that the infill developments at Guppy Road are likely to be supplying a similar market niche.

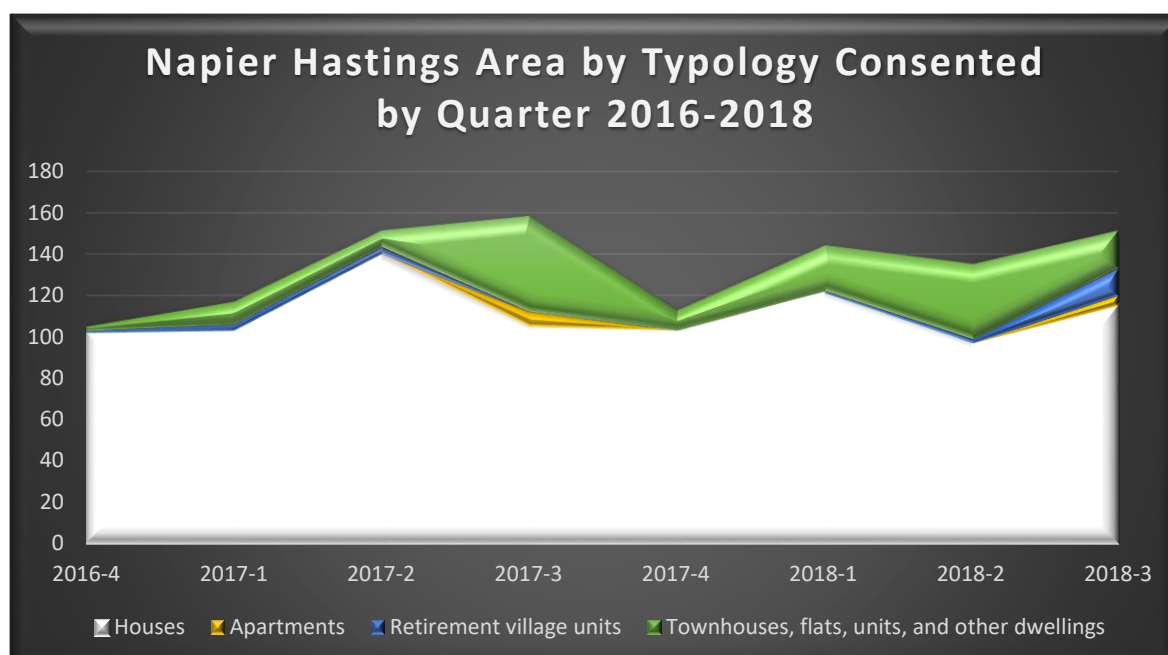
Figure 6: Napier Hastings New Dwelling Consents 2016-2018 by Location



(Source HDC and NCC)

- 5.3. **Figure 7** shows a continuation of the prevalent market preference of household typology in the detached dwelling format, although since the middle of last year and continuing over the last two quarters the graph suggests there may be some signs of increasing diversity of housing typology. The 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 as well as duplex style housing being a popular form of redevelopment in Napier along the coastal margin.

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

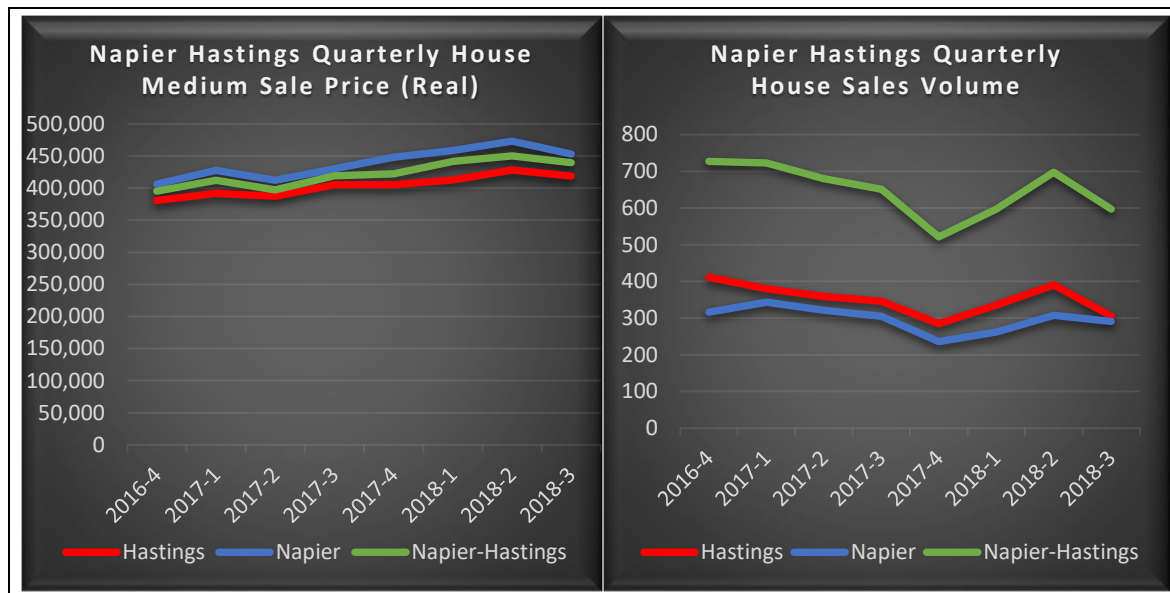


(Source StatsNZ)

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. Sales prices have softened over the last quarter after peaking in the second quarter. This is similar to the vacant land sales track, apart from the 4th quarter of last year (which may have been related to the general election).

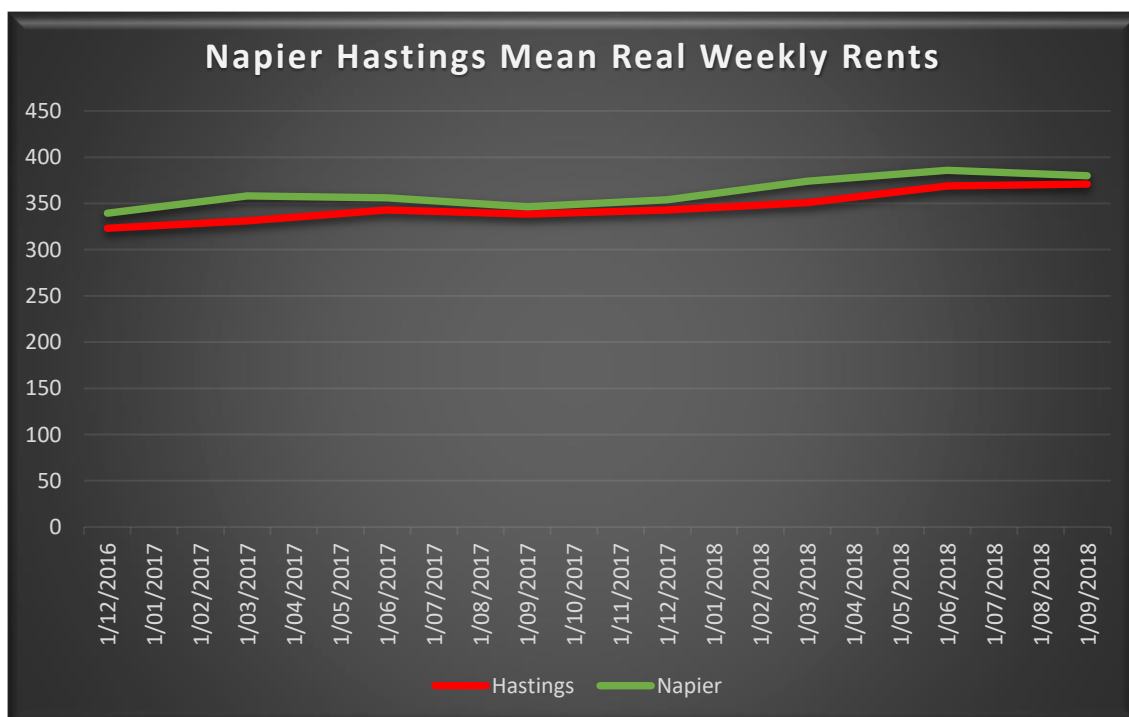
Figure 8: Napier Hastings Quarterly House Sales Volume and Prices



(Source MBIE)

- 6.2. **Figure 9** shows a continuation of a steady increases in weekly rents from 2016, into 2018, particularly in Napier during the first half of 2018.

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

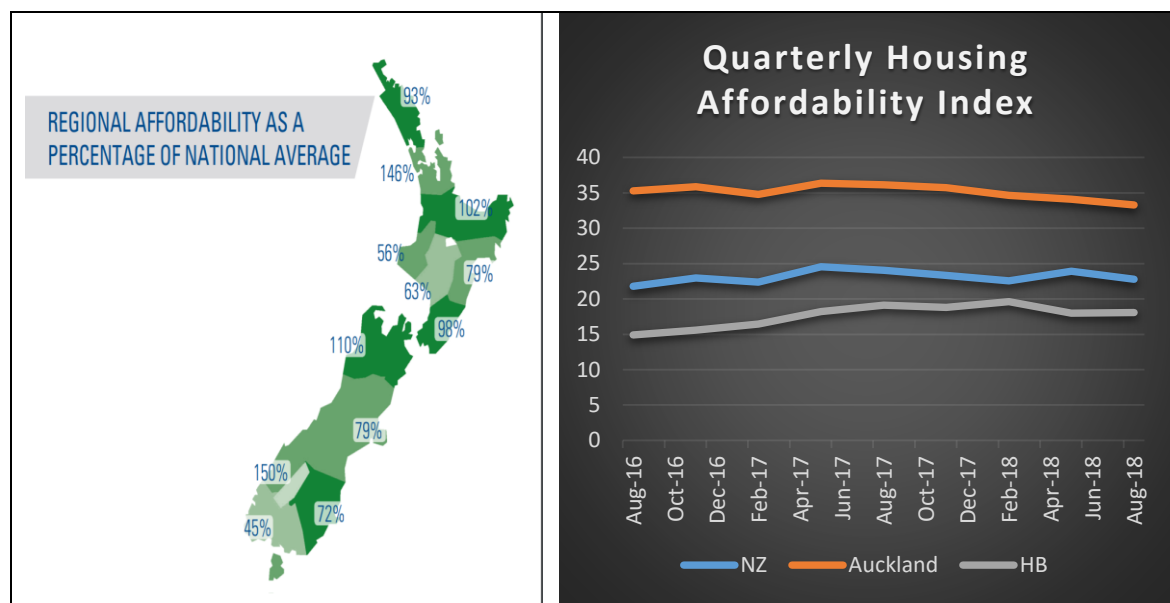


(Source MBIE)

7. HOUSING AFFORDABILITY

- 7.1. **Figure 10** shows the housing affordability quarterly track using the Massey University index for Hawke's Bay relative to Auckland and New Zealand from 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 was against the national trend, but has eased over the last two quarters.

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 August 2017-August 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	August 2017	May 2018	August 2018	Improvement	Decline	Improvement	Decline
Northland	20.2	22.6	21.2		4.5%	6.5%	
Auckland	35.1	34.1	33.3	5.0%		2.3%	
Waikato/Bay of Plenty	23.3	23.2	23.3	0.1%			0.3%
Hawke's Bay	18.5	18.0	18.1	2.2%			0.8%
Taranaki	13.5	13.5	12.8	4.9%		4.9%	
Manawatu/Whanganui	13.4	14.2	14.3		6.8%		0.9%
Wellington	20.1	21.9	22.3		11.4%		2.2%
Nelson/Marlborough	23.6	23.2	25.1		6.5%		8.5%
Canterbury/Westland	18.9	18.5	18.0	4.6%		2.5%	
Otago	15.5	16.3	16.4		5.8%		0.4%
Central Otago Lakes	39.2	36.1	34.3	12.5%		5.0%	
Southland	11.5	10.9	10.3	10.5%		5.8%	
New Zealand	23.3	23.9	22.8	2.1%		4.4%	

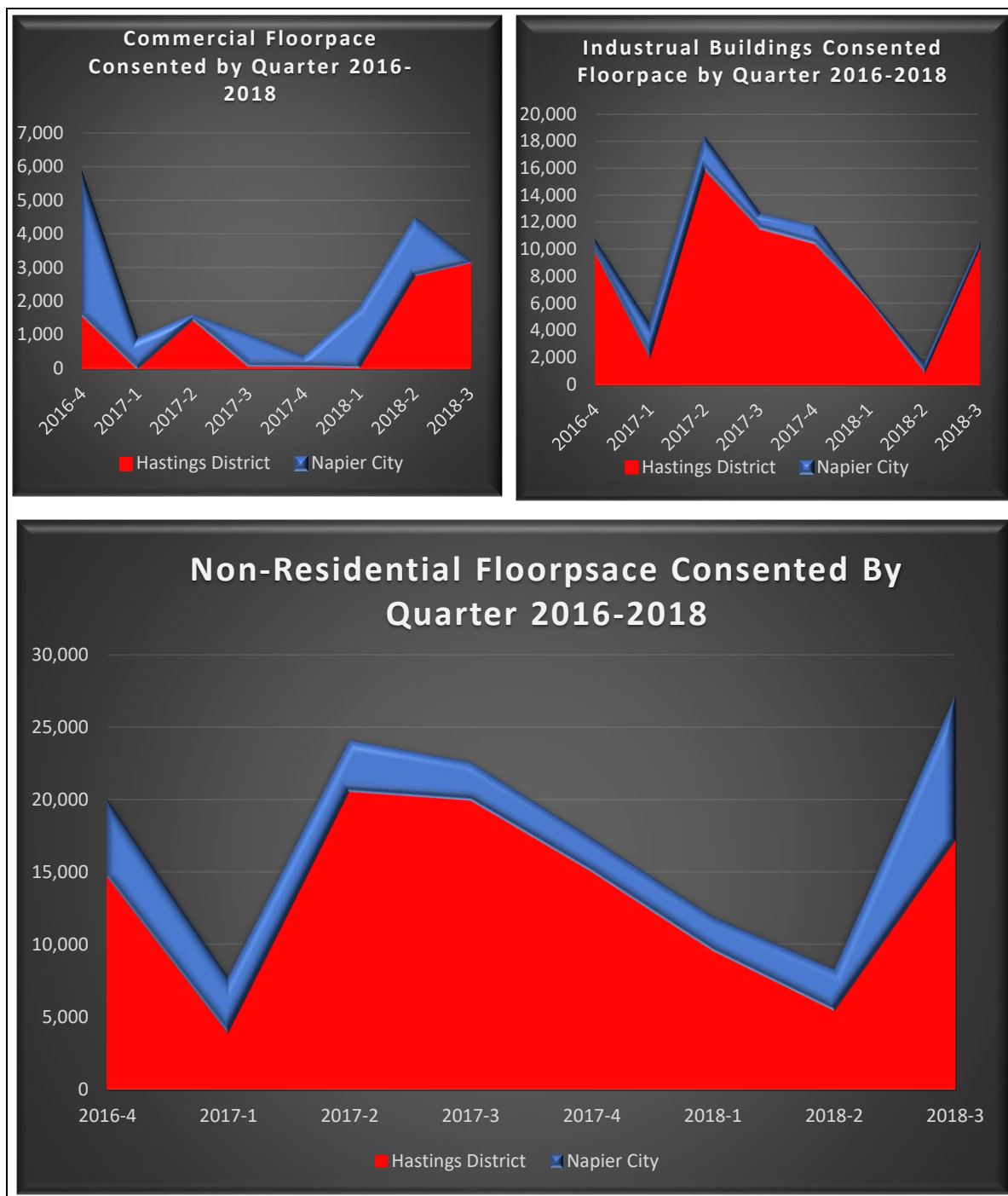
(Source Massey University)

- 7.2. Hawke's Bay's position relative to other regions over this period slipped to 6th most affordable region, however the last two quarters have possibly signalled a turn around with Hawke's Bay affordability improving and holding steady and recapturing its position as the 5th most affordable region.

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 and industrial floorspace consents in Hastings reflects the commencements of a new commercial development in upper Joll Road Havelock North and on the corner of Hastings Street and Ellison Road Hastings and a major coolstore expansion in Raupare Road. The other non-residential consent of significance in Napier relates to an amendment to the design of the Hawkes Bay Airport to increase its floorplate. Given the spikey nature of industrial and commercial building rates this does not necessarily signal a significant trend.

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

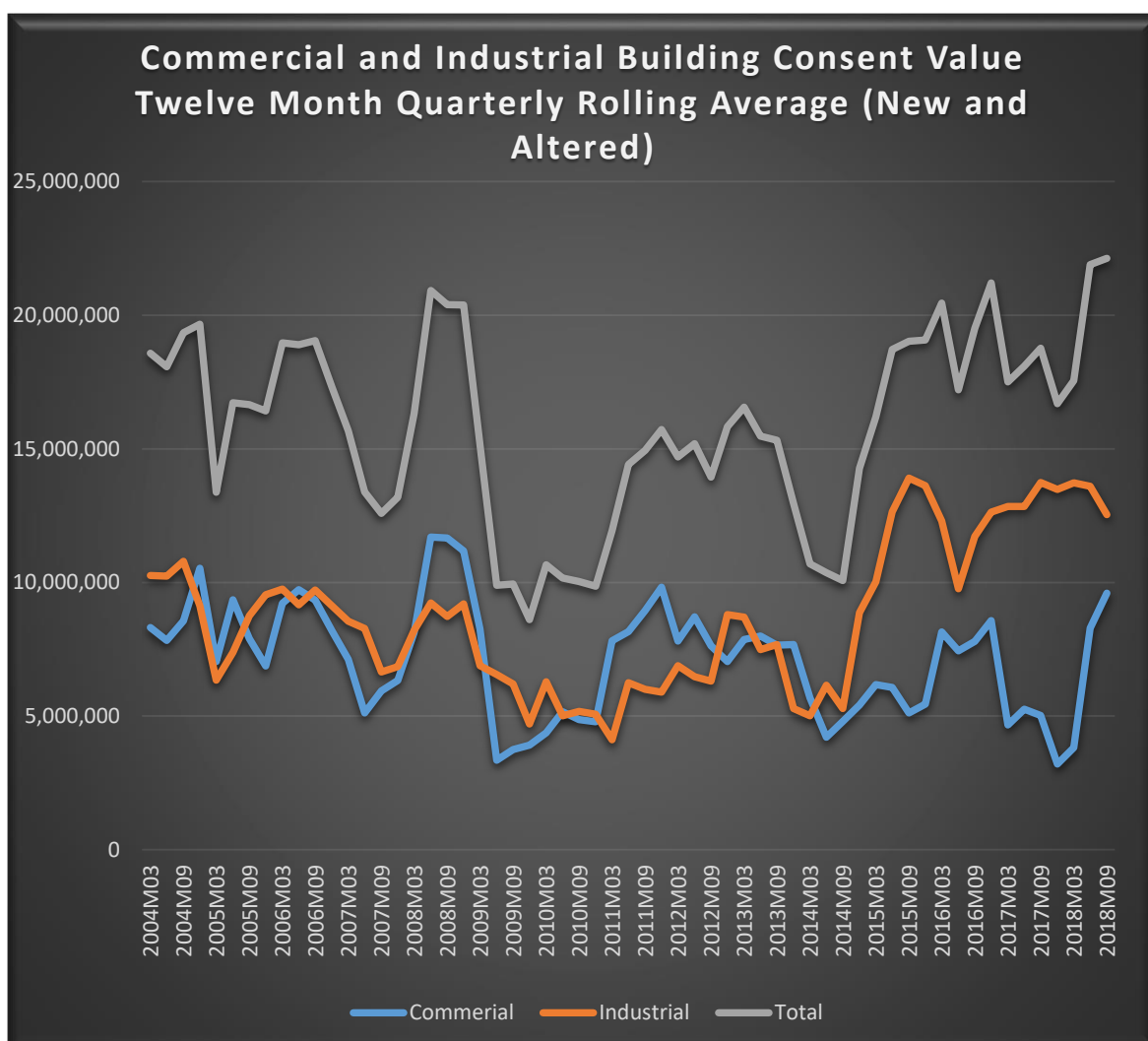


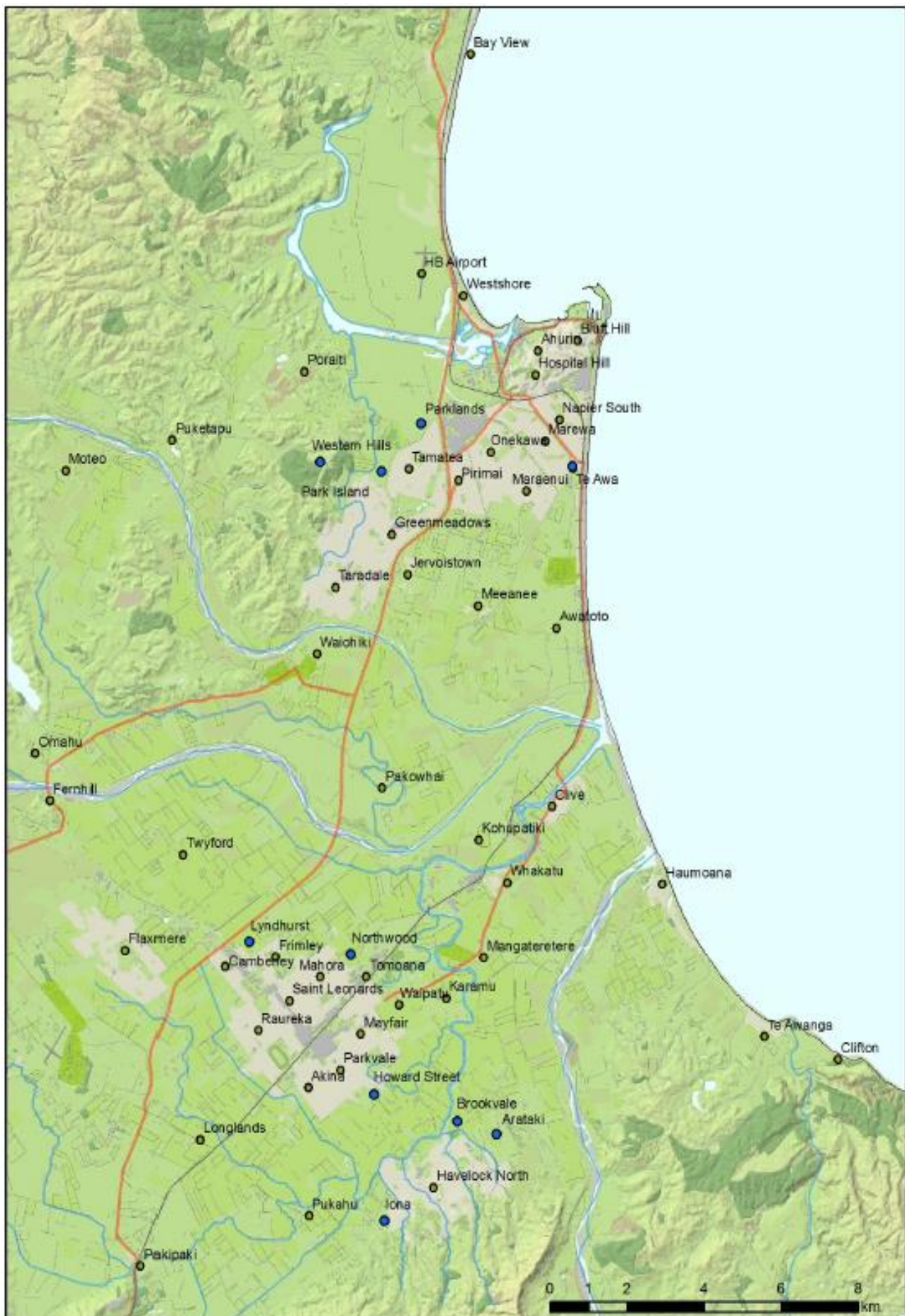
(Source StatsNZ)

- 8.2. A rolling average of consented value in **Figure 12** helps to smooth out these spikes. This indicates a significant rise in the value of commercial over the previous six months, due largely to the new Police

Station (\$10m) in Hastings and airport terminal expansion in Napier (\$9m). The value of industrial consents softened over the last quarter, which is notable against a trend of having remained reasonably strong since the beginning of 2015, apart from a sharp drop in the first half of 2016...

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





Appendix 1 - Common placenames in Hastings/Napier urban area