



HASTINGS & NAPIER URBAN AREA

Housing and Business Market Indicator Monitoring

Quarterly Report to 31 March 2019



Published May 2019

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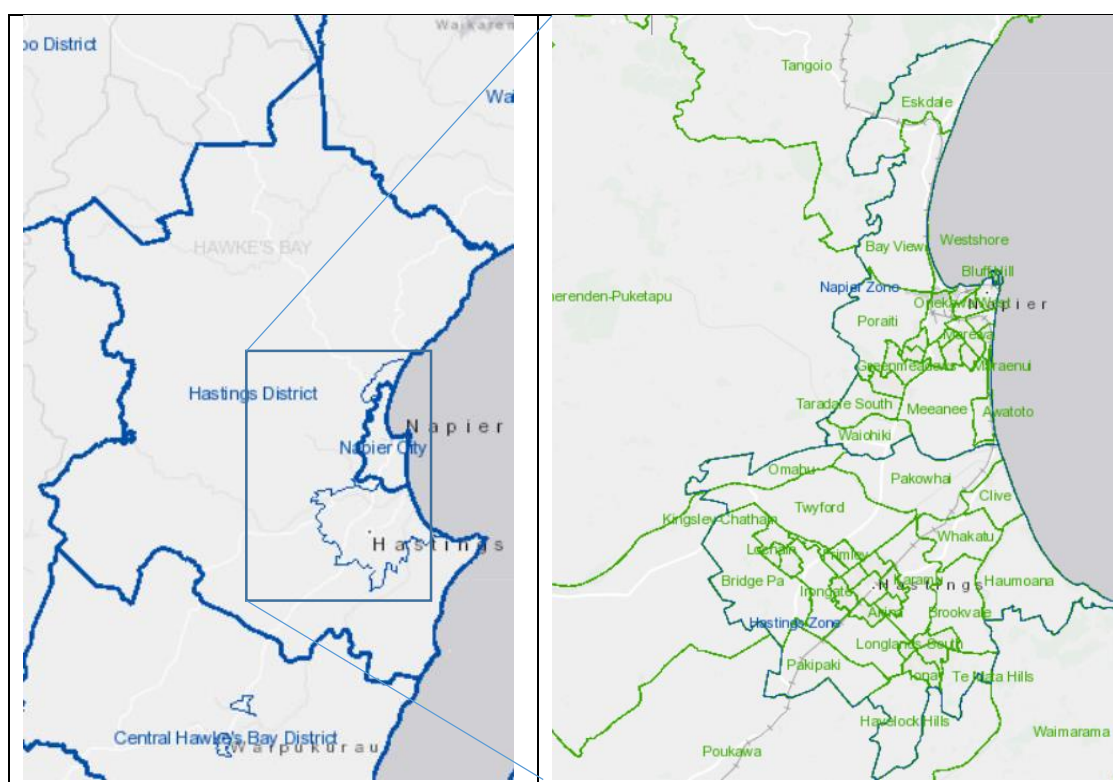
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1. ABOUT THIS REPORT

- 1.1. This report has been prepared by the Hastings District, Napier City and Hawke's Bay Regional Councils (the Partner Councils). It provides a quarterly update of the Napier Hastings property market using a selection of housing and business indicators to meet the monitoring requirements of the government's National Policy Statement on Urban Development Capacity (NPSUDC).
- 1.2. Previously, the partner councils prepared a baseline report¹ of housing and business market trends across a range of variables up to December 2017 (or 2016 in some cases depending on the time series data availability). The intervening three quarterly reports culminated in an annual updated version of the earlier baseline report as at 31 December 2018.
- 1.3. This report is the first of the intervening quarterly reports for 2019. The data used for this quarterly report has been drawn from a number of sources and therefore some of it is reported for the combined Napier Hastings Territorial Areas and some for the Napier Hastings Urban Area, or in rare cases, for the Hawke's Bay region as a whole, depending upon the sources and data collection methods. For further information on the nature of these reports see the 2017 Baseline Report.
- 1.4. **Figure 1** overleaf shows the boundary of the Napier Hastings Main Urban Area in relation to the census area units incorporated within it.

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



(Source StatsNZ)

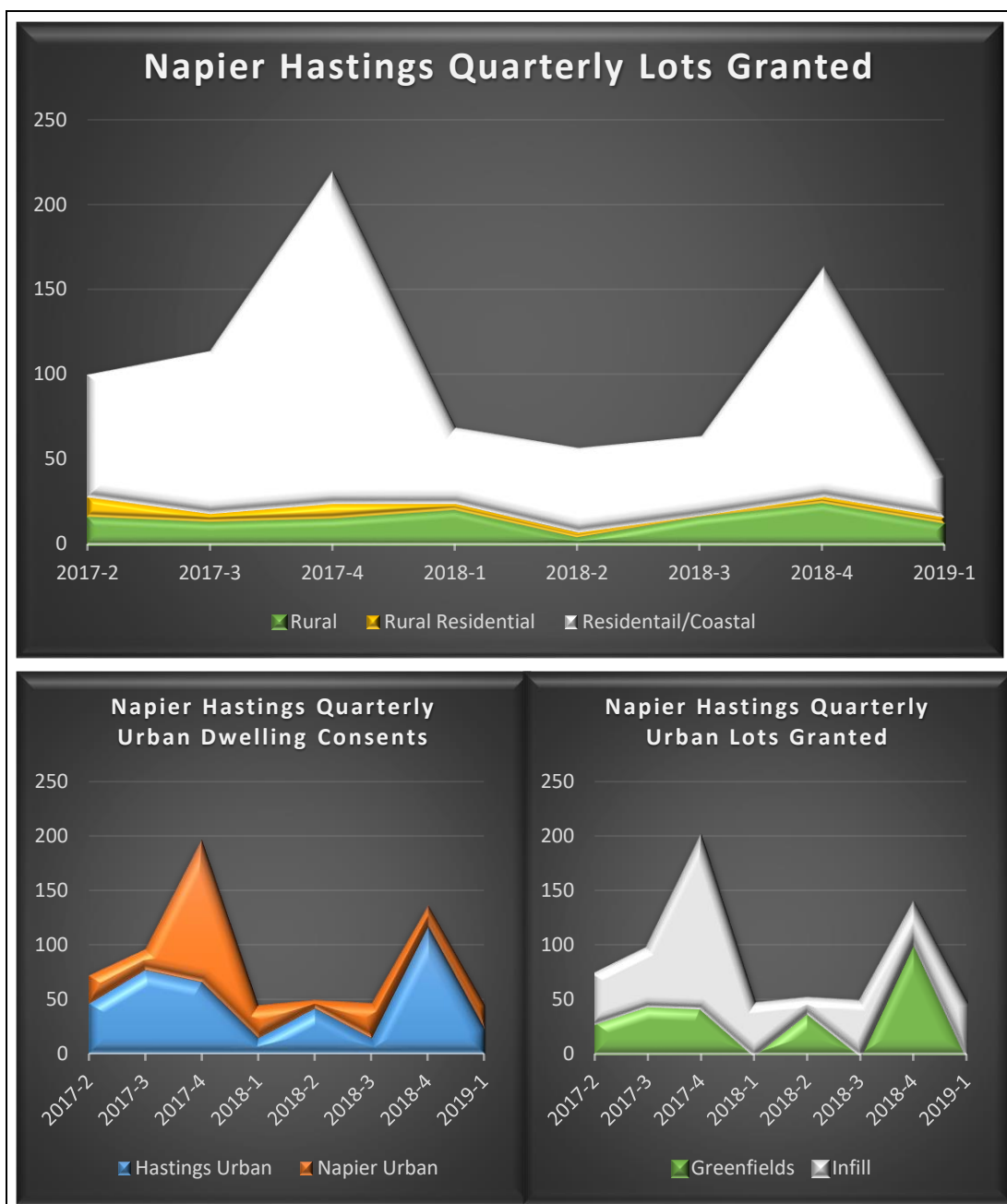
- 1.5. Appendix 1 presents a map to illustrate the location of place names frequently mentioned in this report.

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

2. RESIDENTIAL LAND CAPACITY

- 2.1. **Figure 2** shows the estimated number of new lots for which consent was granted each quarter over the last two years, with the urban lots broken down by Napier and Hastings and by infill and greenfields subdivision.

Figure 2: Napier Hastings Quarterly Lots Granted Last Two Years



(Source NCC and HDC)

- 2.2. The spike in infill urban lots created in Napier in the last quarter of 2017 is due to two large infill subdivisions in Guppy Road Napier previously in long standing market garden use finally being released for development.
- 2.3. The spike at the end of 2018 in Hastings for greenfield lots is related to a large block of land in Lyndhurst Stage 2 following completion of bulk services connections. Subdivisions have returned to more typical background levels over the last quarter, but further large greenfield subdivisions at Lyndhurst are in the consent pipeline and the market is demonstrating renewed interest in the Te Awa greenfield area in Napier, although the cost of servicing remains an issue to be addressed through the consenting process.

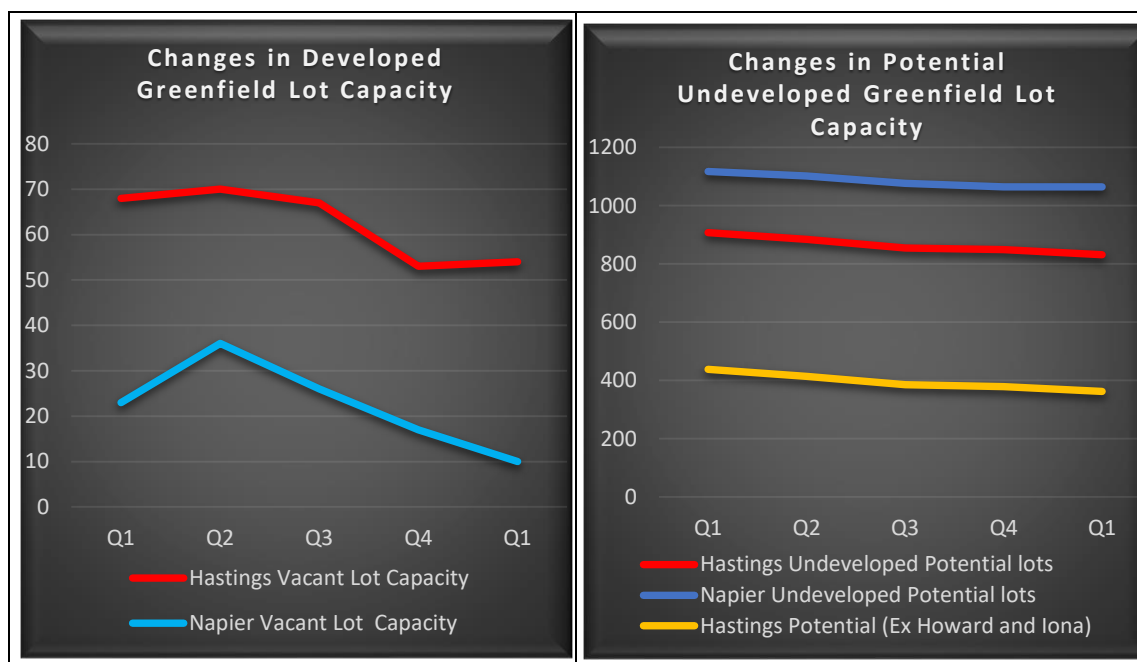
- 2.4. **Table 1** sets out the remaining vacant residential lot capacity within greenfields areas as at the end of March 2019 after allowing for building consents issued over the last quarter. It estimates the number of subdivided lots yet to be built on and the estimated capacity of larger zoned areas serviced with bulk infrastructure that have yet to be subdivided. Overall unbuilt current lot capacity has decreased by 13 lots and total remaining capacity by 54.
- 2.5. While the stock of current lots is fairly small at this point there is considerable capacity available for development. Of the latter 166 lots in Napier and 173 in Hastings have been granted resource consents, but physical construction has not yet been completed.

Table 1: Quarterly Greenfield Residential Land Uptake 31 March 2019

31-Mar-2019 Area	Unbuilt Lot Capacity 31-Dec	New Lots Created this Quarter	Building Consents Granted	Balance lots	Lots yet to be Created	Total Remaining Capacity
Arataki	16	17	7	26	18	44
Lyndhurst Stage 1	4			4	12	16
Lyndhurst Lifestyle Village	0	0		0	0	0
Lyndhurst Stage 2	28		9	19	255	274
Northwood	4			4	77	81
Parklands	9	0	1	8	156	164
Te Awa	8	0	6	2	909	911
Total	69	17	23	63	1427	1490

- 2.6. While the market is demonstrating renewed interest in the Te Awa greenfield area in Napier, this is yet to materialise in formal consent applications due presumably to the relatively high cost of servicing in this location. Additionally NCC has changed the process for selling land in Parklands in an effort to create diversity in the form of housing typology being supplied in this area. The market may take a while to adjust to this offering especially understanding the new associated profit risk assessment compared to the long established homogenous style of house supply.

Figure 3: Quarterly Changes in Greenfield Residential Capacity 2018-2019



(Source HDC and NCC)

- 2.7. As well as these zoned and serviced areas **Table 2** shows the 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. No significant differences are identified.

Table 2: Changes in Current and Planned Residential Section Capacity

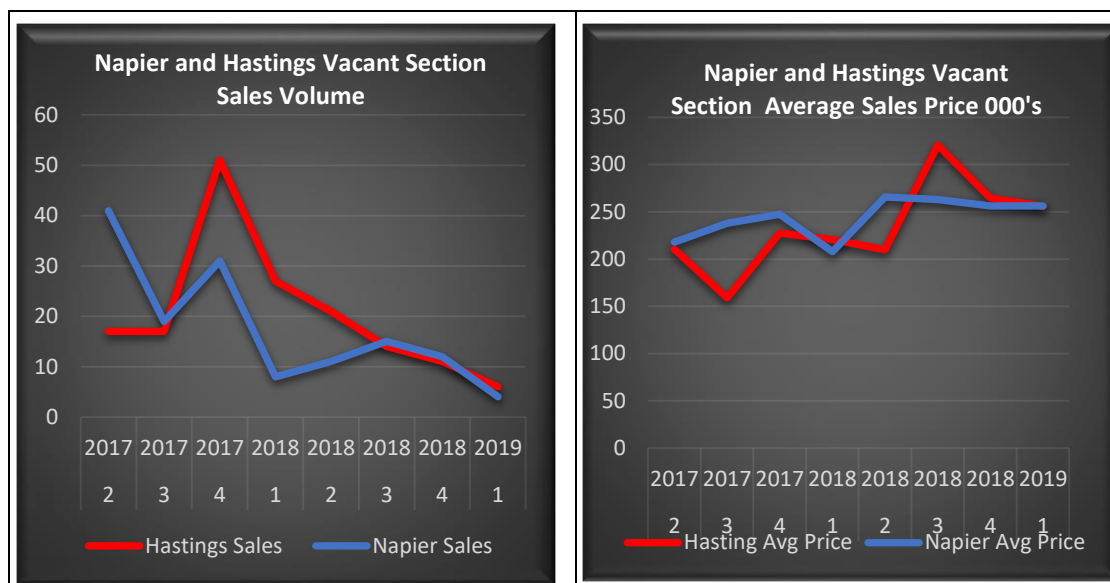
Areas	Change from Last Quarter	Available Capacity
Currently Zoned	-23	1660 ²
Planned Over Next Two Years	No Change	1300
Remaining HPUDS Areas	No Change	2635
Grand Total	No Change	5595

3. LAND PRICES /SALES

- 3.1. **Figure 4** shows Hastings and Napier vacant section sales and median price points. There is likely to be some under-reporting of the last quarter (Q1 2019) and fourth quarter of 2018 due to slow sales notifications. Sales volumes have fluctuated, probably due to the lumpy nature of greenfields land supply releases. An apparent slowing of sales which may be due to the current supply being largely taken up at the end of 2017. Pending releases may see a resurgence in sales. Meanwhile prices have plateaued over the last quarter in both Hastings and Napier

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

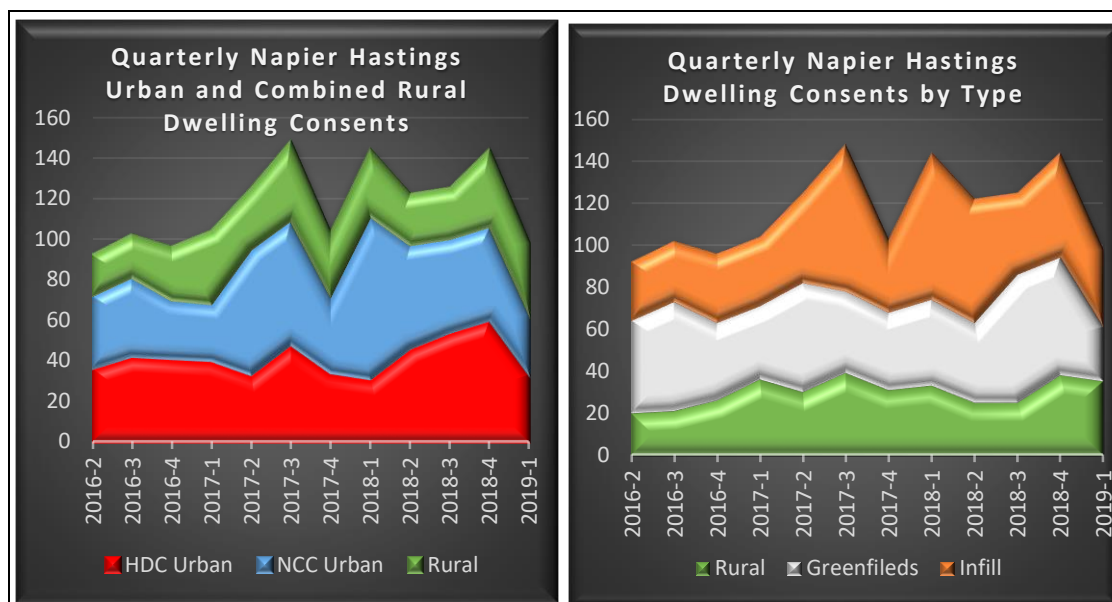


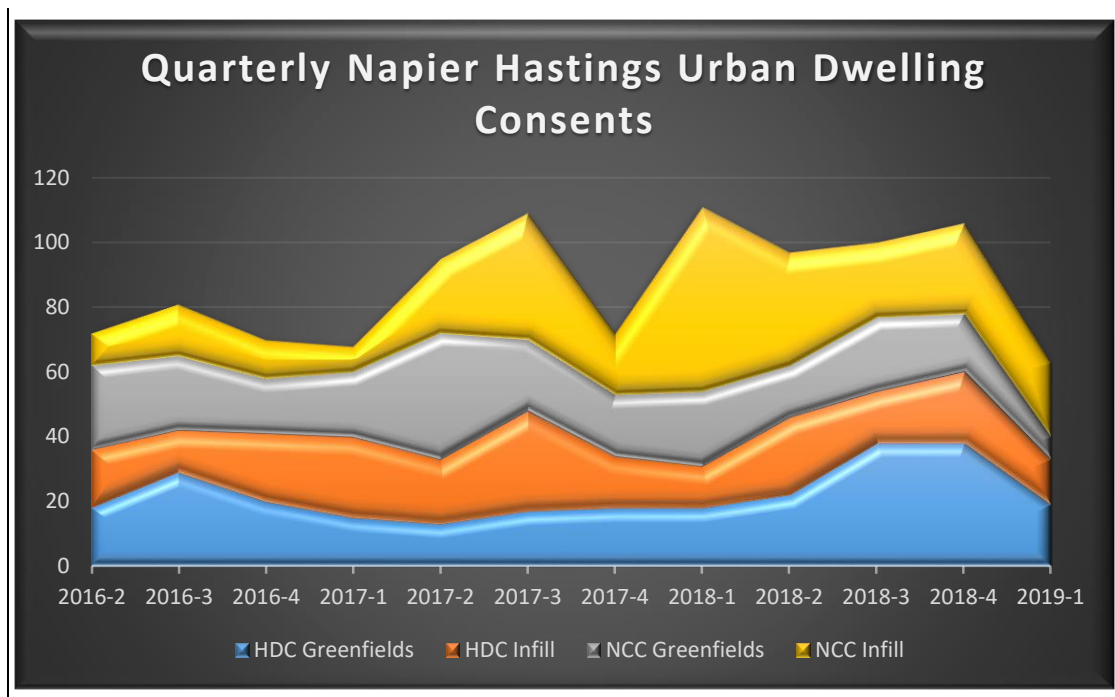
(Source Logan Stone Valuers 2018)

4. BUILDING ACTIVITY

- 4.1. Building consent data in **Figure 5** shows a drop in activity in the last quarter following a surge in Hastings over 2018 as greenfields sites at Lyndhurst Stage 2 hit the market. Levels of infill in Napier have returned to background levels after an intensive Housing New Zealand programme over the last half of 2017 and first half of 2018, but this is expected to increase again once the Guppy Road subdivisions are available to the market. Increase rural activity appears to have stabilised for now, but overall activity has dropped as greenfield activity slips back in both Hastings and Napier.

Figure 5: Napier Hastings Quarterly New Dwelling Consents 2016-2019

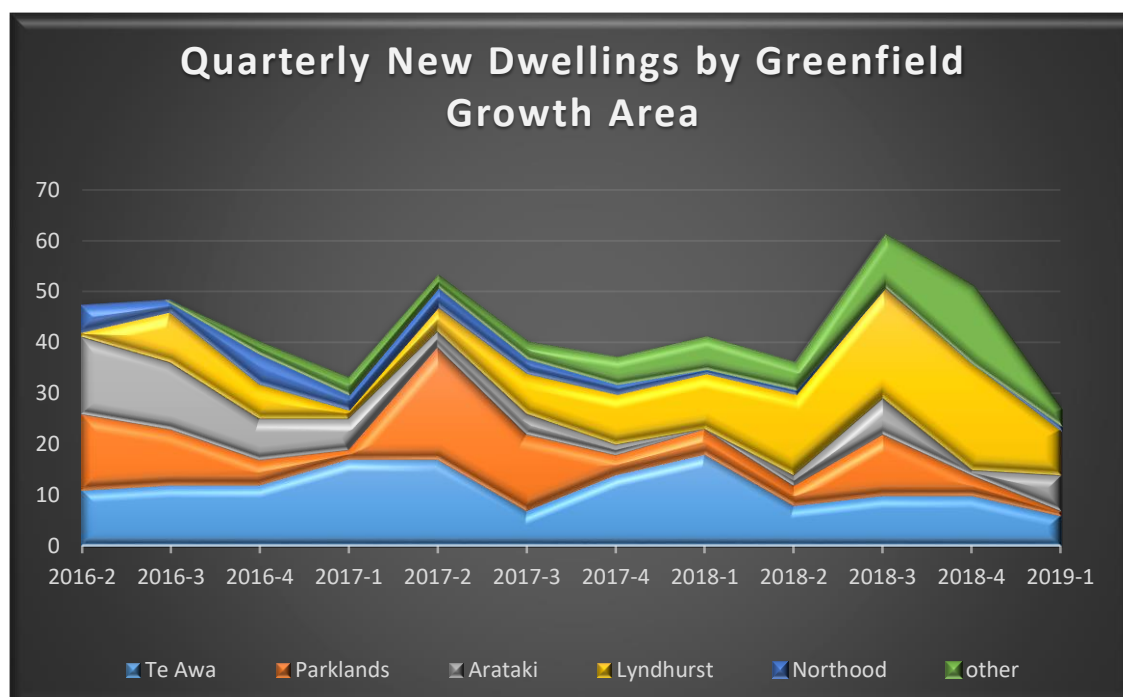




(Source HDC and NCC)

- 4.2. **Figure 6** also shows that improving section availability at Lyndhurst flowed through in building rates last year. Greenfields activity has however slowed as the Lyndhurst backlog settled out and greenfield supply in Napier reached current capacity, pending the completion of the next stages of Parklands and Te Awa. It is recognised that continually progressing greenfield subdivisions to ensure supply continuity is important, while accepting that by their nature they occur in stages and therefore create waves of development in markets the size of Napier/Hastings.

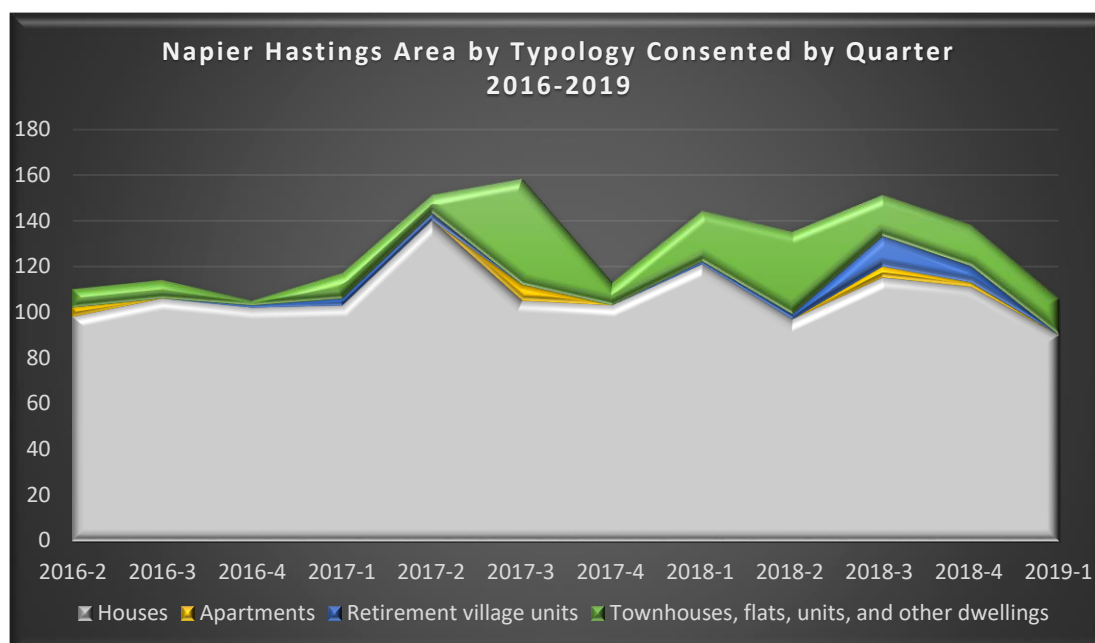
Figure 6: Napier Hastings New Dwelling Consents 2016-2019 by Location



(Source HDC and NCC)

- 4.3. **Figure 7** shows a continuation of the prevalent market preference of typology in the detached dwelling format, although around the middle of last year and continuing over the last two quarters the graph suggested there may be some signs of increasing diversity of housing typology. However, patterns have settled back to background levels over the last quarter. It is noted however that there are a number of retirement villages in the pipeline.

Figure 7: Napier Hastings Quarterly New Dwelling Consents 2016 -2019 by Housing Typology

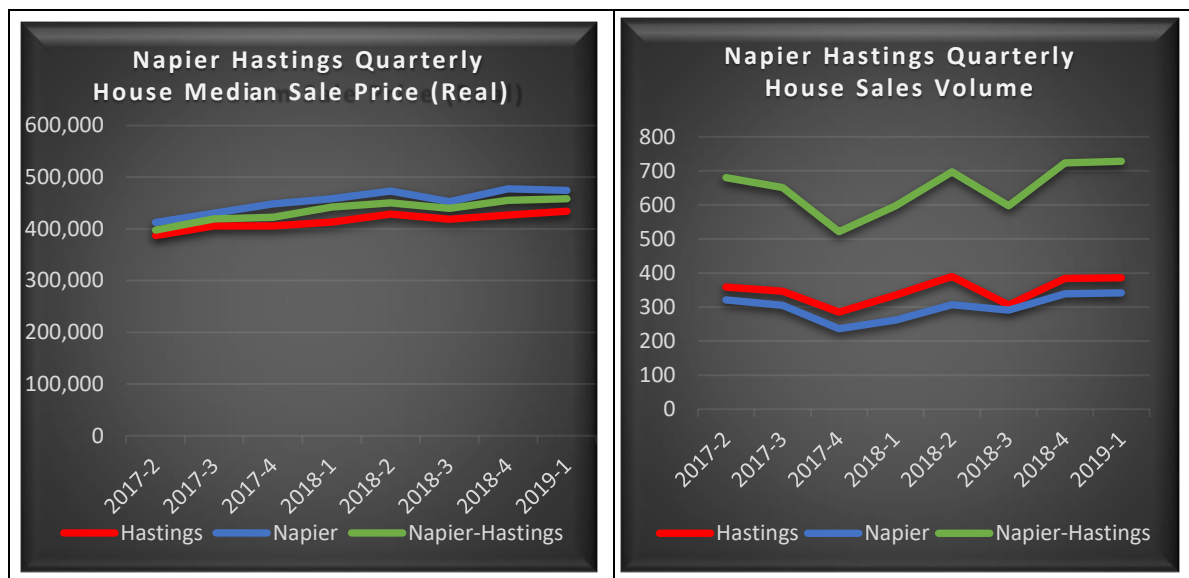


(Source StatsNZ)

5. HOUSE PRICES /SALES ACTIVITY

- 5.1. **Figure 8** presents the median sales price and sales volume for Napier and Hastings per quarter for the past two years. Sales prices have plateaued over the first quarter of 2019 after peaking in the last quarter of 2018. Prices however remained on an upward track.

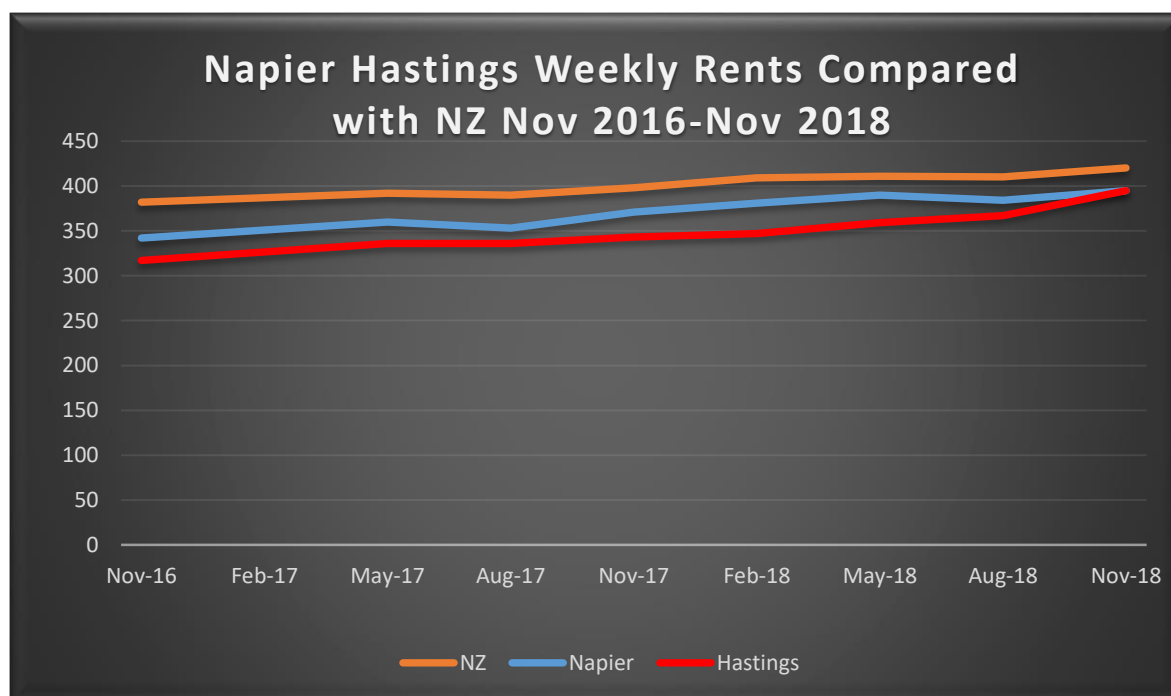
Figure 8: Napier Hastings Quarterly House Sales Volume and Prices



(Source MBIE)

- 5.2. **Figure 9** shows a continuation of a steady increases in weekly rents from 2016 to 2018, particularly in Hastings during the last half of 2018, but Massey University have not yet updated this information for the last quarter.

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

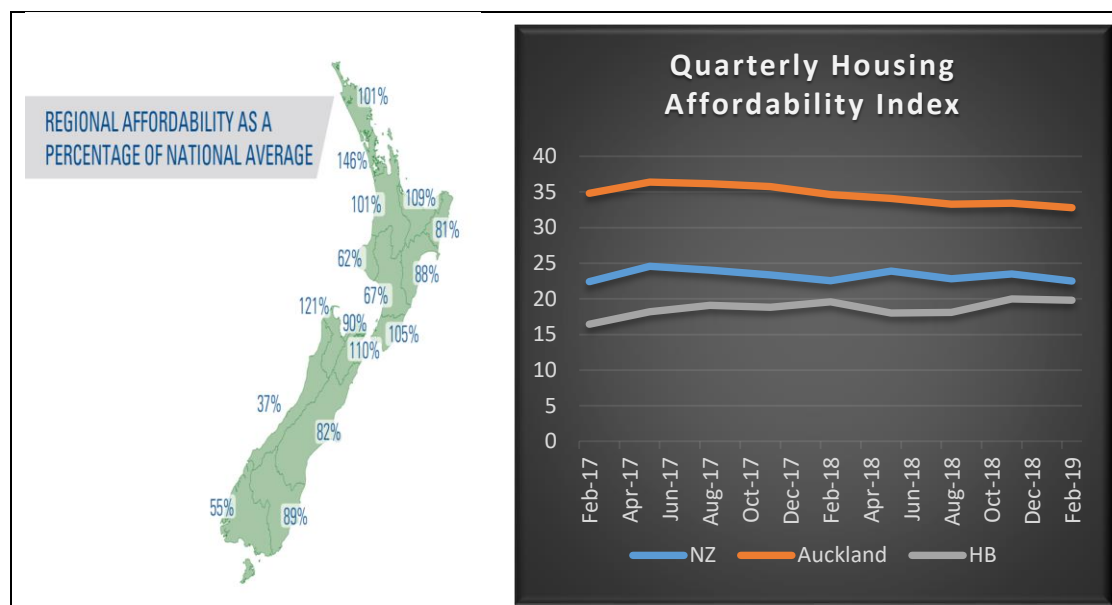


(Source Massey University)

6. HOUSING AFFORDABILITY

6.1. **Figure 10** shows the housing affordability quarterly track using the Massey University index for Hawke's Bay relative to Auckland and New Zealand from 2017 to March 2019. **Table 4** compares Hawke's Bay with the other New Zealand regions since 2017. A slight trend of decreasing housing affordability for Hawke's Bay from around mid-2018 was against the national trend, but has eased slightly over the last quarter.

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



(Source Massey University)

Table 3 Massey University Home Affordability Index Regional Comparison February 2017-February 2019

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 2018	November 2018	February 2019	Improvement	Decline	Improvement	Decline
Northland	21.1	23.1	22.6		7.0%	2.0%	
Auckland	34.9	33.4	32.8	6.0%		1.9%	
Waikato	22.8	23.1	22.8	0.1%		1.5%	
Bay of Plenty	25.2	24.9	24.5	3.0%		1.9%	
Gisborne	15.3	16.2	18.2		19.3%		12.2%
Hawke's Bay	20.2	20.0	19.8	1.9%		0.8%	
Manawatu/Whanganui	13.0	14.2	15.0		15.4%		5.4%
Taranaki	13.9	13.7	14.0		0.5%		1.8%
Wellington	21.2	22.9	23.5		11.2%		2.9%
Tasman	25.9	29.2	27.2		5.2%	6.7%	
Nelson	24.6	23.6	24.8		1.0%		5.3%
Marlborough	19.4	21.4	20.2		4.5%	5.6%	
West Coast	8.8	7.8	8.2	6.9%			5.7%
Canterbury	19.5	18.7	18.5	4.7%		0.8%	
Otago	19.0	21.0	20.1		5.5%	4.5%	
Southland	10.8	11.9	12.4		14.3%		3.9%
New Zealand	22.6	23.5	22.5	0.4%		4.4%	

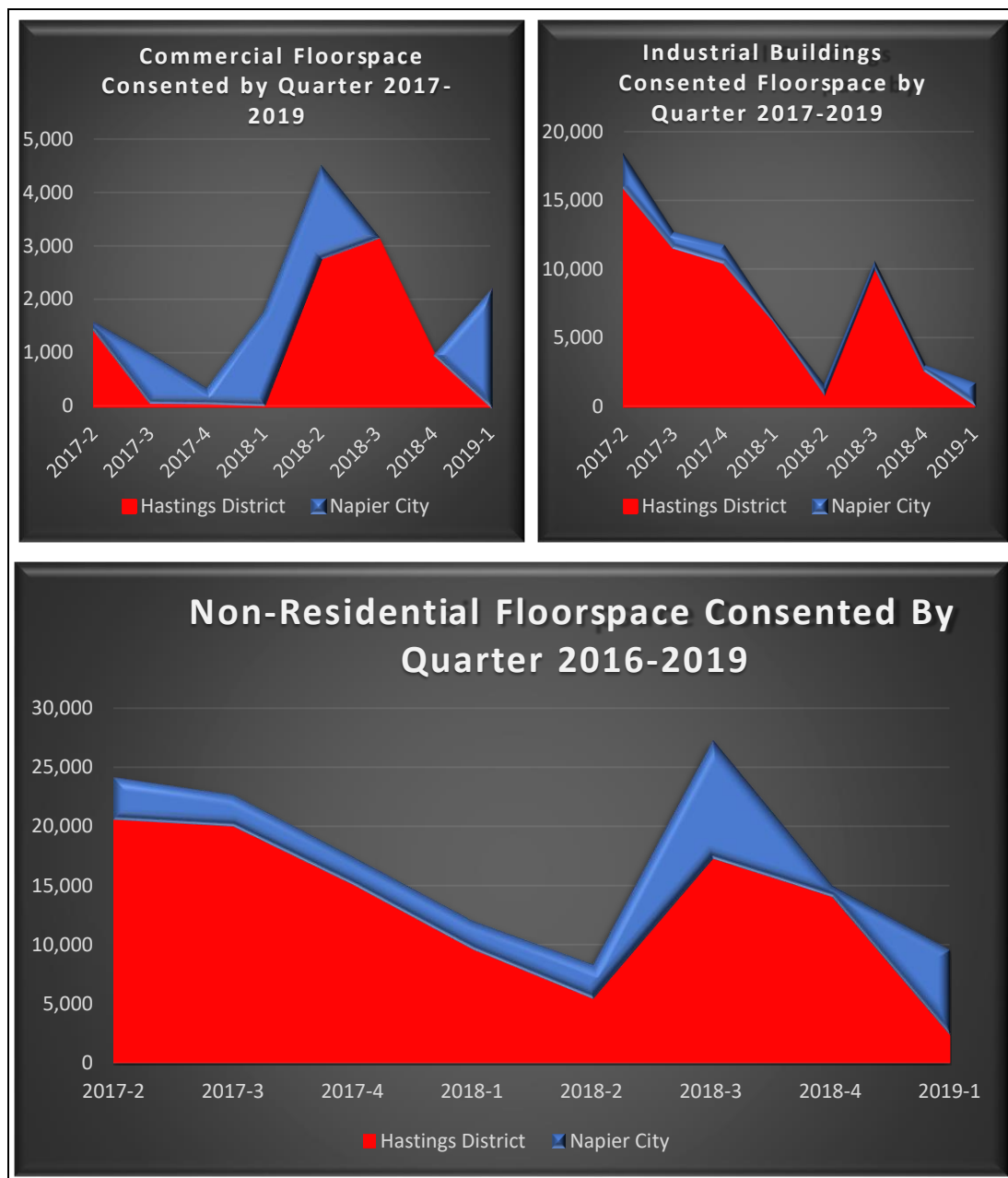
(Source Massey University)

- 6.2. Hawke's Bay's position relative to other regions over this period however slipped from 6th to 7th most affordable region as some regions improved and some regions declined over the last three months.

7. BUSINESS BUILDING ACTIVITY

- 7.1. The lumpy nature of business land development is highlighted in quarterly building consents for commercial, industrial and total non-residential building floorspace consents as shown in **Figure 11**. Overall business consent activity has been subdued over the last quarter following some larger projects being consented through the middle of last year.

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

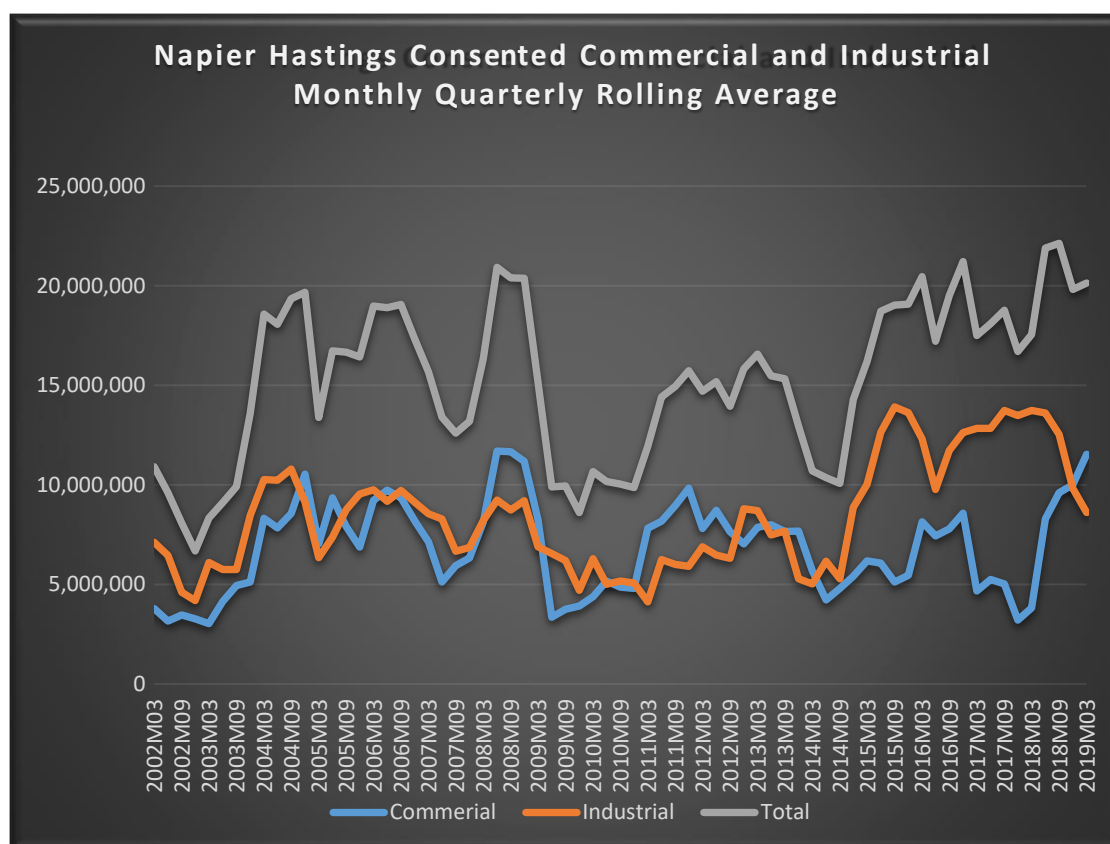


(Source StatsNZ)

- 7.2. 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 consents 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 again over the last quarter, which is notable against a trend of having remained reasonably strong since the beginning of 2015. Although this is a concern it comes after a period of strong growth from 2014 and the

projected growth of the pip fruit sectors and associated industries provides for an optimistic outlook.

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





Appendix 1 - Common placenames in Hastings/Napier urban area