ENCLOSURE T

Economic Assessment for:

996 State Highway 2 Coastal Residential Development

Urban Economics

5 August 2022
AUTHOR Adam Thompson
51798.5.01

Economic Assessment for:

996 State Highway 2 Coastal Residential Development

PREPARED FOR
c/o Development Nous Limited

ABOUT US

OUR AREAS OF EXPERTISE

Economic Analysis

Our work aims to bridge the gap between land-use planning and urban economics. Our focus is on the interaction between land markets, land-use regulations, and urban development. We have developed a range of methodologies using a quantitative approach to analyse the urban spatial structure and audit land-use regulations.

Property Research

We provide property and retail market research to assist with the planning and marketing of new projects. This includes identification of new sites and market areas, assessments of market potential and positioning, and the evaluation of market-feasibility of specific projects.

Development Advisory

We provide development planning and costing advisory services to support small and large-scale developments.

DISCLAIMER

This document has been completed, and services rendered at the request of, and for the purposes of the client only. Urban Economics has taken every care to ensure the correctness and reliability of all the information, forecasts and opinions contained in this report. All data utilised in this report has been obtained by what Urban Economics consider to be credible sources, and Urban Economics has no reason to doubt its accuracy. Urban Economics shall not be liable for any adverse consequences of the client's decisions made in reliance of any report by Urban Economics. It is the responsibility of all parties acting on information contained in this report to make their own enquiries to verify correctness.

P: 09 963 8776

7 Tamariki Avenue, Orewa, Auckland

s 9(2)(a)

www.ue.co.nz

CONTENTS

1. Executive Summary

The proposal is to develop 80 stand alone houses at 996 State Highway 2, Whirinaki.

Within Napier City, the majority of stand alone dwellings are valued in the $400,000 - $800,000 price range. and the majority of terrace houses are valued in the $300,000 - $600,000 price range.

Within the Hastings District, the majority of stand alone dwellings are valued in the $300,000 - $700,000 price range. and the majority of terrace houses are valued at less than $500,000.

Within the study area, the majority of stand alone dwellings were sold in the $400,000-$1,000,000 range and the majority of terrace houses were sold in the range of $400,000-$800,000 range.

Over the 2013-2018 period, Napier City and Hastings District experienced growth of 2,500 people and 900 dwellings per annum. By comparison, the projected growth rate over the 2013-2018 period was for 1,160 people and 410 additional dwellings per annum.

Over the 2018-2020 period, Napier City and Hastings District experienced a slightly higher growth rate of 2,700 people and 980 dwellings per annum. Statistics NZ projected 700 additional people and 250 additional dwellings per annum in Napier and Hastings.

Overall, this confirms that Napier City and Hastings District grew at more than twice the projected growth rate over the 2013 – 2018 period, and almost four times the projected growth rate over the 2018 – 2020 period.

Across both Napier City and Hastings District (combined) the majority of growth in the 2018 – 2020 period has come from international immigration (53%) and internal migration (33%). Only a small fraction has come from natural growth (14%). This trend was approximately the same for the 2013-2018 period, so has occurred for over five years.

The likely driver of Napier City and Hastings District rapid increase in internal and international migration is the high house prices in Auckland and other major cities across New Zealand, which in turn has resulted in an unexpected exodus of Aucklanders to the regions, fewer New Zealanders choosing to move to Auckland, and a large number of new international migrants seeing small and medium size regional towns being more attractive overall, when incomes, lifestyle and house prices are weighed up.

Over the last 5 years, an average of 730 dwellings per annum were consented within the total study area. Of which, standalone dwellings accounted for 495 dwellings and terrace houses accounted for 100 dwellings consented per annum.

There are three developments currently selling similar product within the study area, with 134 lots remaining for sale. This indicates there is a shortage of new residential dwellings within the study area.

The proposed development is located in an attractive location, offering a wide range of amenities that support residential development. The proposed development site is located within an approximate 15-

minute drive-time to Napier City giving the residents access to approximately 6,300 businesses offering a total of an estimated 27,800 jobs.

It is estimated that the construction of the proposed development would result in a total of 147 FTE jobs and would contribute $19.5 million to GDP.

The proposal would provide additional housing at an average market price of approximately $1,040,000. The proposal, therefore, provides housing that meets the market demand for additional dwellings at a lower price than what is typically achieved in the surrounding coastal location.

2. Introduction

This report provides an economic and market assessment to support a fast-track consent application for a proposed residential development at 996 State Highway 2, Whirinaki.

2.1. The Proposal

Figure 1 outlines the location of the proposed development site. It is located on the periphery of Napier City and has a site area of approximately 10 hectares. The proposal is to develop in the order of 80 standalone dwellings, with an estimated average lot size of 660m². The estimated market price for the dwellings is $1,040,000, which is relatively affordable for the surrounding coastal area.

Figure 1: Proposal Site

Source: Development Nous, Google

3. Study Area

Figure 2 outlines the study area which is used to evaluate the local residential market for the proposed development. The study area includes all SA2's (Statistical Area 2) that make up the Napier City and Hastings Districts.

Figure 2: Study Area

Source: Urban Economics

4. Housing Market Supply Assessment

This section provides an overview of the current housing market within the study area.

4.1. Existing Housing Stock (Recent Valuation)

Figure 3 shows the 'existing housing stock' capital valuation for the Napier City and Hastings Districts. The main points to note are:

- In Napier City, the majority of stand alone dwellings are valued in the $400,000 - $800,000 price range.
- In Napier City, the majority of terrace houses are valued in the $300,000 - $600,000 price range.
- In Hastings District, the majority of stand alone dwellings are valued in the $300,000-$700,000 price range.
- In Hastings District, the majority of terrace dwellings are valued at less than $500,000.

Figure 3: Residential Market Stock Profile (Current Capital Valuation)

	Hastings District				Napier City			
Price Bracket	Stand Alone	Terrace	Apartment	Sub-total	Stand Alone	Terrace	Apartment	Sub-total
Less Than $300,000	1,730	780	0	2,510	35	120	50	205
$300,000-$400,000	3,155	1,535	0	4,690	1,080	535	40	1,655
$400,000-$500,000	4,460	795	15	5,270	2,785	855	40	3,680
$500,000-$600,000	2,970	305	0	3,275	5,470	370	55	5,895
$600,000-$700,000	2,040	100	0	2,140	3,805	95	45	3,945
$700,000-$800,000	1,700	60	0	1,760	2,375	55	35	2,465
$800,000-$900,000	1,140	35	0	1,175	1,675	30	40	1,745
$900,000-$1,000,000	605	25	10	640	895	25	30	950
$1,000,000-$1,100,000	355	15	0	370	435	15	20	470
$1,100,000-$1,200,000	235	15	0	250	275	15	15	305
$1,200,000-$1,300,000	150	10	0	160	210	5	15	230
$1,300,000-$1,400,000	105	5	0	110	135	5	0	140
$1,400,000-$1,500,000	75	5	0	80	115	5	5	125
$1,500,000-$1,600,000	70	0	0	70	65	0	0	65
$1,600,000-$1,700,000	45	0	0	45	45	0	0	45
$1,700,000-$1,800,000	45	0	0	45	30	0	0	30
$1,800,000-$1,900,000	40	0	0	40	10	0	0	10
$1,900,000-$2,000,000	35	0	0	35	25	0	0	25
$2,000,000+	100	5	0	105	55	5	5	65
Total	19,055	3,690	25	22,770	19,520	2,135	395	22,050

Source: CoreLogic

4.2. Recent Residential Sales Analysis

Figure 4 shows the distribution of dwelling sales by price over the June 2021-2022 period. The highest priced locations within the study area are Taradale, Havelock North and in coastal locations, which typically achieve sale prices above $1,000,000. The proposal site is located along the coast to the north of Napier, which has a relatively high price profile, consistently achieving sale prices above $1,500,000.

Figure 4: Study Area Residential Sales June 2021-2022

Source: CoreLogic

Figure 5 displays the average residential sale price achieved over the June 2021-2022 period in the study area. Stand alone dwellings achieved the highest average price of $910,000, while terrace housing is the most affordable type with an average sale price of $620,000. Apartments achieved an average sale price of $830,000.

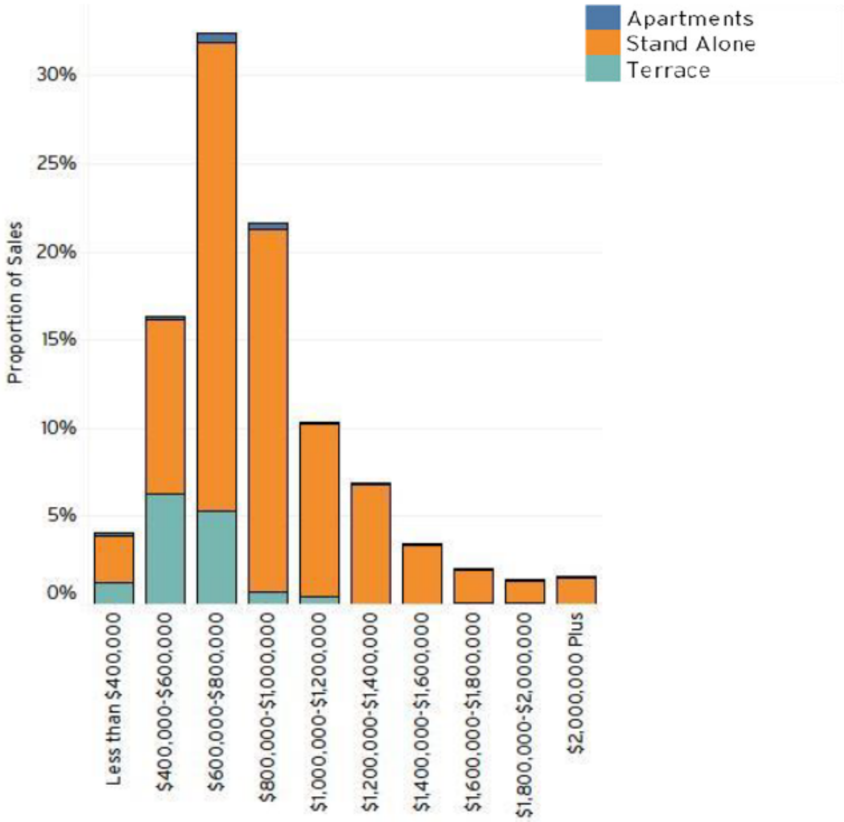
Figure 5: Study Area Average Residential Sale Price by Dwelling Type June 2021-2022

	Average Sale Price		
Type	**Hastings District**	**Napier City**	**Total Study Area**
Stand Alone	$930,000	$880,000	$910,000
Terrace	$610,000	$620,000	$620,000
Apartment	$730,000	$840,000	$830,000
Total	**$880,000**	**$850,000**	**$860,000**

Source: Corelogic

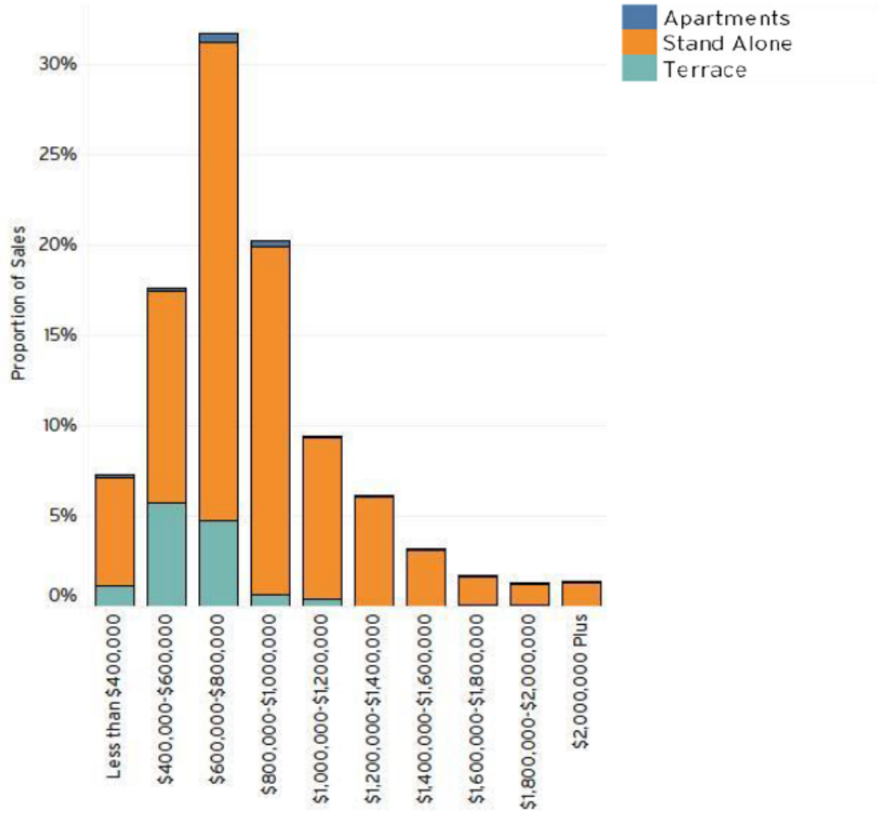
The following figures display the proportion of residential sales for dwellings in the study area and the Hawke's Bay Region for the June 2021 –2022 period. Within the study area, the majority of stand alone dwellings were sold in the $400,000-$1,400,000 range and the majority of terrace houses were sold in the range of $400,000-$800,000 range.

Figure 6: Study Area Sales June 2021–2022



Source: CoreLogic

Figure 7: Hawke's Bay Region Sales June 2021-2022



Source: CoreLogic

5. Housing Market Demand Assessment

5.1. Historic and Projected Population & Household Growth

Figure 8 shows the actual population and household growth in Napier and Hastings over the past two decades. The main points to note are:

- Growth over the 2001-2013 period averaged around 960 people and 350 dwellings per annum.
- Growth over the 2013-2018 period increased significantly, to around 2,520 people and 900 dwellings per annum.
- More recently, over the 2018-2020 period, growth has increased to 2,700 people and 980 dwellings per annum.
- Over the 2013-2020 period, growth in Napier and Hastings is around 920 dwellings per annum.
- Overall, Napier and Hastings have both experienced significant increases in the rate of population growth, particularly over the past 5-7 years. With the most recent rate of growth

being approximately 1,000 dwellings per annum, this indicates Napier and Hastings can support in the order of 5-10 new medium-large scale subdivisions annually.

Figure 8: Actual Population (Census & Statistics NZ Population Estimates 2001 – 2020)

		2001	2006	2013	2018	2020	Growth Per Annum 2001 - 2006	2006 - 2013	2013 - 2018	2018 - 2020
Population	Napier	55,200	56,800	59,600	64,200	66300	320	400	920	1050
	Hastings	69,600	73,200	76,700	84,700	88000	720	500	1600	1650
	Total	**124,800**	**130,000**	**136,300**	**148,900**	**154,300**	**1,040**	**900**	**2,520**	**2,700**
Households	Napier	21,230	21,850	22,920	24,690	25500	120	150	350	410
	Hastings	24,000	25,240	26,450	29,210	30350	250	170	550	570
	Total	**45,230**	**47,090**	**49,370**	**53,900**	**55,850**	**370**	**320**	**900**	**980**

Source: Statistics NZ

Figure 9 outlines the projected population and household growth for Napier and Hastings, as prepared by Statistics NZ. It is useful to compare the projected growth with the actual growth (Figure 8) to determine whether Napier and Hastings are outperforming the historical growth projections. The main points to note in Figure 9 are:

- The Statistics NZ projected growth over the 2013-2018 period was for 1,160 people and 410 households. The actual growth was more than double this (2,520 and 900 respectively).
- Statistics NZ projected a rapid decline in the rate of population growth over the 2018-2020 period, when compared to the previous 2013-2018 period. In particular, Statistics NZ projected an additional 700 people and 250 dwellings per annum. However, actual growth was around 4 times this amount (2,700 and 980 respectively).
- Statistics NZ projects a significant decline in the rate of population growth, to around 600 people or 200 dwellings per annum over the next decade. These projections are based on 2013 data and are not considered to be reliable.

Figure 9: Projected Population (2013 – 2038)

		2013	2018	2020	2023	2028	2038	Growth Per Annum 2013 - 2018	2018 - 2020	2020 - 2023	2023 - 2028	2028 - 2038
Population	Napier	59,600	62,100	62,620	63,400	64,400	65,300	500	260	260	200	90
	Hastings	76,700	80,000	80,880	82,100	83,900	86,000	660	440	410	360	210
	Total	**136,300**	**142,100**	**143,500**	**145,500**	**148,300**	**151,300**	**1,160**	**700**	**670**	**560**	**300**
Households	Napier	21,290	22,180	22,360	22,640	23,000	23,320	180	90	90	70	30
	Hastings	27,390	28,570	28,890	29,320	29,960	30,710	240	160	140	130	80
	Total	**48,680**	**50,750**	**51,250**	**51,960**	**52,960**	**54,030**	**410**	**250**	**240**	**200**	**110**

Source: Statistics NZ

Figure 10 and Figure 11 provide a more detailed breakdown of the composition of growth in Napier and Hastings, in respect to natural growth, internal migration (from elsewhere in NZ) and international migration. The main points to note are:

- Across both Napier and Hastings (combined) the majority of growth over the 2018 – 2020 period has come from international immigration (53%) and internal migration (33%). Only a small fraction has come from natural growth (14%). This trend was approximately the same for the 2013-2018 period, so has occurred for over five years.

- By contrast, Statistics NZ projections indicated only 17% of growth to come from net migration (internal and international). As an example, Statistics NZ projections indicated there would be growth from net migration of 100 people per annum over the most recent 2018-2020 period. Actual growth from net migration over this period has been 3,010, around thirty times higher than predicted.
- The likely driver of Napier and Hastings rapid increase in internal and international net migration is the high house prices in Auckland and other major cities across New Zealand, which in turn has resulted in an unexpected exodus of Aucklanders to the regions, fewer New Zealanders choosing to move to Auckland, and a large number of new international migrants seeing small and medium sized regional towns being more attractive overall, when incomes, lifestyle and house prices are all considered.

Figure 10: Actual Population Growth by Source (2001 – 2020)

			Total				Per Annum			
			2001 - 2006	2006 - 2013	2013 - 2018	2018 - 2020	2001 - 2006	2006 - 2013	2013 - 2018	2018 - 2020
Population	Napier	Natural increase	1,200	2,100	810	210	240	300	160	110
		Internal Migration	1,910	3,870	2,130	480	380	550	430	240
		International Migration	-1,500	-2,860	1,670	1,390	-300	-410	330	700
		Subtotal	**1,610**	**3,110**	**4,610**	**2,080**	**320**	**440**	**920**	**1,050**
	Hastings	Natural Increase	2,400	3,800	2,100	720	480	540	420	360
		Internal Migration	4,330	4500	1850	470	870	340	760	1,050
		International Migration	-3,130	-4,810	4,150	2,040	-630	-690	830	1,020
		Subtotal	**3,600**	**3,490**	**8,100**	**3,230**	**720**	**190**	**2,010**	**2,430**
	Total	Natural Increase	3,600	5,900	2,910	930	720	840	580	470
		Internal Migration	6,240	8370	3980	950	1,250	890	1,190	1,290
		International Migration	-4,630	-7,670	5,820	3,430	-930	-1,100	1,160	1,720
		Total	**5,210**	**6,600**	**12,710**	**5,310**	**1,040**	**630**	**2,930**	**3,480**
Households	Napier	Natural increase	460	810	310	80	90	120	60	40
		Internal Migration	730	1,490	820	180	150	210	160	90
		International Migration	-580	-1,100	640	530	-120	-160	130	270
		Subtotal	**610**	**1,200**	**1,770**	**790**	**120**	**170**	**350**	**400**
	Hastings	Natural increase	860	1,360	750	260	170	190	150	130
		Internal Migration	1,550	1,610	660	170	310	230	130	90
		International Migration	-1,120	-1,720	1,480	730	-220	-250	300	370
		Subtotal	**1,290**	**1,250**	**2,890**	**1,160**	**260**	**170**	**580**	**590**
	Total	Natural Increase	1,320	2,170	1,060	340	260	310	210	170
		Internal Migration	2,280	3100	1480	350	460	440	290	180
		International Migration	-1,700	-2,820	2,120	1,260	-340	-410	430	640
		Total	**1,900**	**2,450**	**4,660**	**1,950**	**380**	**340**	**930**	**990**

Source: Statistics NZ

Figure 11: Projected Population Growth by Source (2013 - 2038)

			Total					Per Annum				
			2013 - 2018	2018 - 2020	2020 - 2023	2023 - 2028	2028 - 2038	2013 - 2018	2018 - 2020	2020 - 2023	2023 - 2028	2028 - 2038
Population	Napier	Natural Increase	1,000	320	480	500	-100	200	160	160	100	-10
		Net Migration	1,500	200	300	500	1,000	300	100	100	100	100
		Subtotal	**2,500**	**520**	**780**	**1,000**	**900**	**500**	**260**	**260**	**200**	**90**
	Hastings	Natural Increase	2,300	880	1,320	1,800	2,100	460	440	440	360	210
		Net Migration	1,000	0	0	0	0	200	0	0	0	0
		Subtotal	**3,300**	**880**	**1,320**	**1,800**	**2,100**	**660**	**440**	**440**	**360**	**210**
	Total	Natural Increase	3,300	1,200	1,800	2,300	2,000	660	600	600	460	200
		Net Migration	2,500	200	300	500	1,000	500	100	100	100	100
		Total	**5,800**	**1,400**	**2,100**	**2,800**	**3,000**	**1,160**	**700**	**700**	**560**	**300**
Households	Napier	Natural Increase	360	110	170	180	-30	70	60	60	40	0
		Net Migration	540	70	110	180	360	110	40	40	40	40
		Subtotal	**900**	**180**	**280**	**360**	**330**	**180**	**90**	**90**	**70**	**30**
	Hastings	Natural Increase	820	310	470	640	750	160	160	160	130	80
		Net Migration	360	0	0	0	0	70	0	0	0	0
		Subtotal	**1,180**	**310**	**470**	**640**	**750**	**240**	**160**	**160**	**130**	**80**
	Total	Natural Increase	1,180	420	640	820	720	240	210	210	160	70
		Net Migration	900	70	110	180	360	180	40	40	40	40
		Total	**2,080**	**490**	**750**	**1,000**	**1,080**	**420**	**250**	**250**	**200**	**110**

Source: Statistics NZ

5.2. National Internal Migration Trends

Figure 12 shows the projected versus actual growth for each region across New Zealand, for the 2013 - 2018 and 2018 - 2020 periods. This shows there has been a trend across many small-medium sized regions to outperform their expected rate of growth, for both the 2013 - 2018 and 2018 - 2020 periods. In contrast, Auckland has underperformed its growth expectations, particularly in the 2013 – 2018 period, and the primary reason has been the relative unaffordability of house prices to incomes in Auckland. Auckland has a shortage of housing and consequently, the house prices are not expected to decline over the next 5-10 years, all else being equal. It is therefore reasonable to expect that the small-medium sized regional towns and cities will continue to outperform their expected rates of growth. This confirms that Napier and Hastings are not isolated occurrences of high growth.

Figure 12: Population Growth Trends by Region

Area	Projected Growth Per Annum		Actual Growth Per Annum		Actual Growth vs Projected Annum	
	2013 - 2018	2018 - 2019	2013 - 2018	2018 - 2019	2013 - 2018	2018 - 2019
Bay of Plenty	4,760	2,980	8,950	8,360	4,190	5,380
Waikato	8,520	5,260	9,490	10,490	970	5,230
Wellington	5,700	3,460	7,880	7,930	2,180	4,470
Canterbury	12,060	8,200	11,590	11,630	-470	3,430
Otago	3,400	2,040	5,610	5,180	2,210	3,140
Northland	2,280	1,440	4,200	4,400	1,920	2,960
Manawatu-Whanganui	1,860	820	3,230	3,400	1,370	2,580
Hawke's Bay	**1,220**	**660**	**2,850**	**3,120**	1,630	2,460
Taranaki	1,100	680	1,540	1,690	440	1,010
Tasman	500	340	1,040	1,200	540	860
Southland	640	180	920	950	280	770
Marlborough	260	180	800	750	540	570
Nelson	620	380	800	950	180	570
Gisborne	300	180	500	600	200	420
West Coast	-100	0	-110	-50	-10	-50
Auckland	41,340	31,880	32,320	31,350	-9,020	-530
Total Regional Council Areas	84,460	58,680	91,610	91,950	7,150	33,270

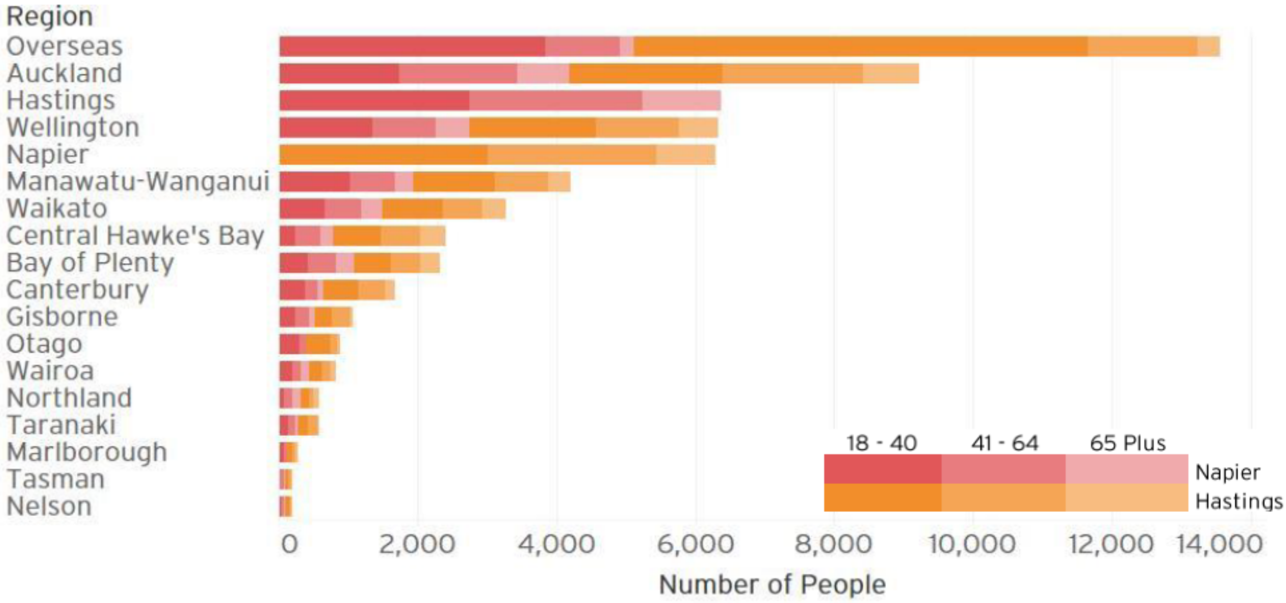
Source: Statistics NZ

5.3. Sources of Growth

The following figures show the demographic composition of growth for Napier City/Hastings area, in terms of age, income and ethnicity. The main points to note from these graphs are:

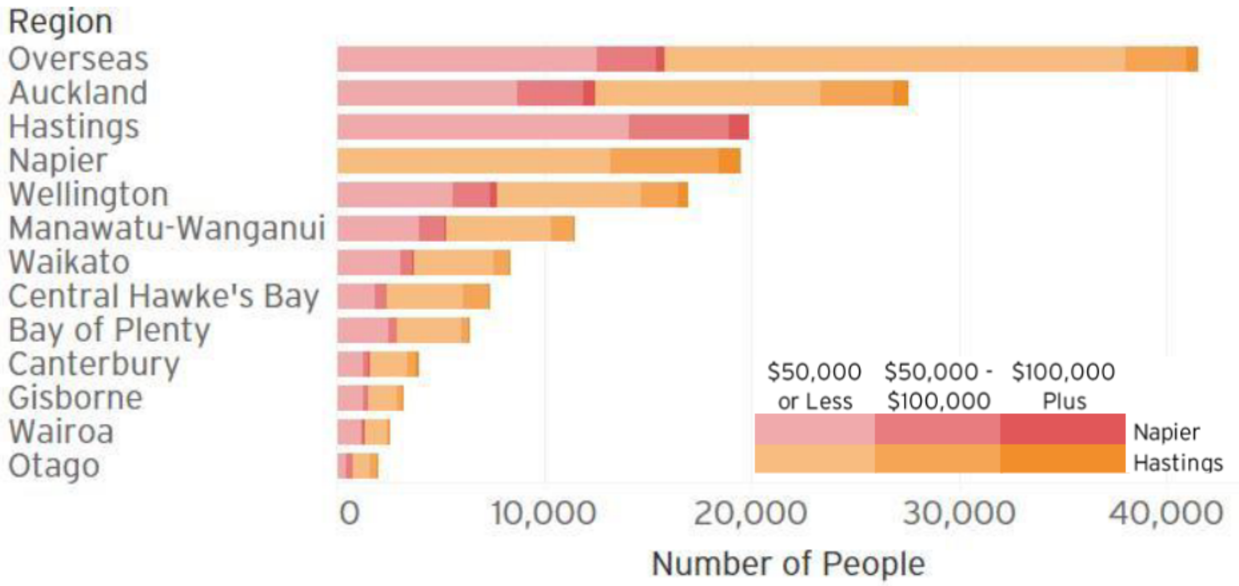
- Overseas migrants tended to be younger (18-40 years).
- Migrants from Auckland tended to be younger (18-40 years) and middle aged (41-64 years).
- The majority of people moving to Napier City/Hasting are on lower individual incomes (under $50,000).
- There is a wide range of ethnicities moving into Napier City/Hastings, both from overseas and from key origins, such as Auckland.

Figure 13: Sources of Growth for Napier City/Hastings by Broad Age Bracket (2013 – 2018)



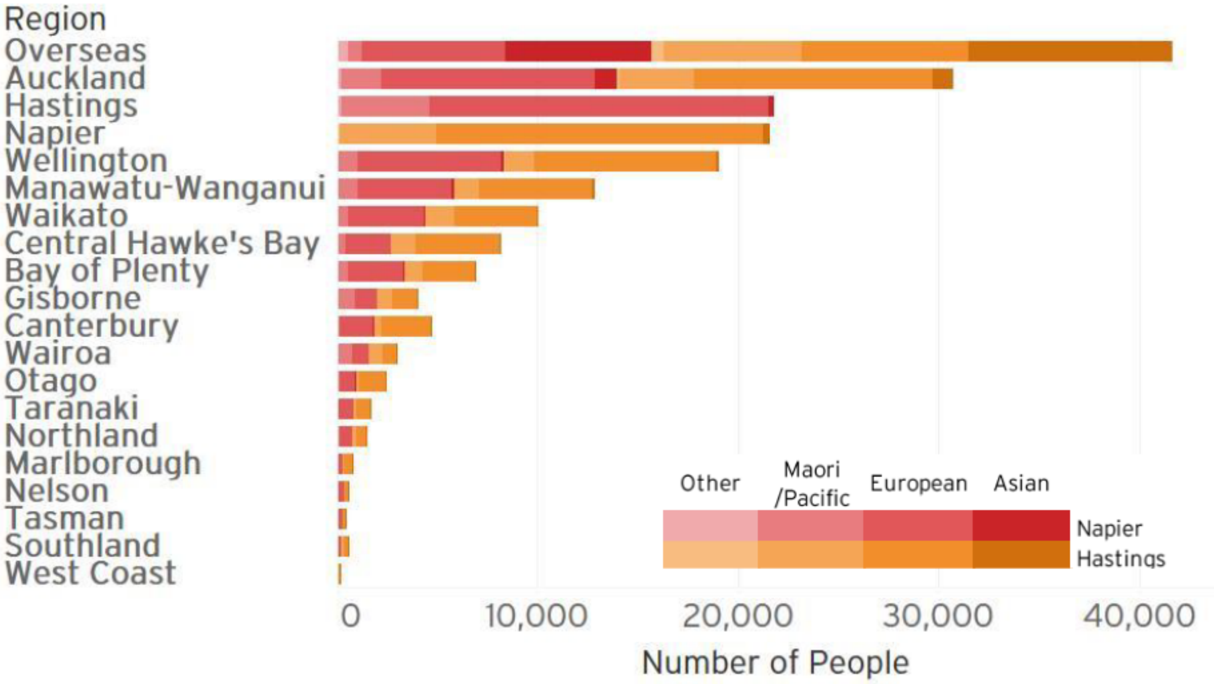
Source: Statistics NZ, Urban Economics

Figure 14: Sources of Growth for Napier City/Hastings by Broad Income Bracket (2013 - 2018)



Source: Statistics NZ, Urban Economics

Figure 15: Sources of Growth for Napier City/Hastings by Broad Ethnicity (2013 - 2018)



Source: Statistics NZ, Urban Economics

Figure 16: Sources of Growth Characteristics (2013 – 2018)

		Hastings	Napier	Total
Age	18 - 40	34%	32%	34%
	41 - 64	42%	41%	42%
	65 years plus	23%	27%	25%
Ethnicity	European	65%	73%	69%
	Asian	11%	11%	11%
	Maori/Pacific	23%	15%	19%
	Other	1%	1%	1%
Income	Less than $50,000	78%	76%	77%
	$50,000 - $100,000	18%	21%	19%
	$100,000 Plus	4%	4%	4%
Origin	Overseas	25%	19%	23%
	Auckland	15%	16%	15%
	Hastings	0%	24%	11%
	Napier	19%	0%	11%
	Wellington	10%	10%	10%
	Manawatu-Wanganui	7%	7%	7%
	Waikato	5%	6%	5%
	Central Hawke's Bay or Wairoa	6%	5%	6%
	Bay of Plenty	4%	4%	4%
	Canterbury	3%	2%	3%
	Gisborne	2%	2%	2%
	Otago	1%	1%	1%
	Northland	1%	1%	1%
	Taranaki	1%	1%	1%
	Marlborough	0%	0%	0%
	Southland	0%	0%	0%
	Tasman	0%	0%	0%
	Nelson	0%	0%	0%
	West Coast	0%	0%	0%

Source: Statistics NZ

5.4. Demographic Profile

Figure 17 provides a demographic profile of Napier and Hastings as well as the New Zealand average. The main points to note are:

- Napier and Hastings have a slightly older population.
- Napier and Hastings have a slightly higher NZ born population.
- Napier and Hastings have a lower proportion of Asian people compared to NZ.
- Home ownership in Napier and Hastings is marginally below the national average.
- Incomes in Napier and Hastings is marginally below the national average.

Figure 17: Demographic Profile 2018 Census

		Hastings District	Napier City	New Zealand
Population and Households	Total Population	81,500	62,200	4.7m
	Total Households	28,100	23,700	1.6m
	Average Household Size	2.9	2.6	2.8
Sex	Male	49%	48%	49%
	Female	51%	52%	51%
Age	Under 18	26%	23%	25%
	18 - 40	25%	24%	28%
	41 - 64	32%	32%	32%
	65 Plus	17%	20%	15%
Birthplace	NZ Born	82%	83%	72%
	Overseas Born	17%	16%	28%
Ethnicity	European	63%	71%	63%
	Māori	24%	20%	15%
	Pacifica	7%	3%	7%
	Asian	5%	4%	13%
	MELAA	0%	1%	1%
	Other	1%	1%	0%
Home Ownership	Own Home or in a Trus	55%	57%	65%
	Renting	45%	43%	35%
Income	$30,000 or less	52%	52%	48%
	$30,000 - $50,000	22%	22%	20%
	$50,000 - $70,000	13%	14%	14%
	$70,000 Plus	13%	13%	17%
	Median Income	$26,500	$26,000	$31,800

Source: Statistics NZ

5.5. New Dwelling Construction 2017-2021

The following figures show dwellings consented since 2017 within the study area and the Hawke's Bay Region. The main points to note are:

- Over the last 5 years, an average of 300 dwellings per annum were consented within the Napier City District. Of which, standalone dwellings accounted for 190 dwellings, terrace houses accounted for 40 dwellings and apartments accounted for only 5 units consented per annum.
- Over the last 5 years, an average of 430 dwellings per annum were consented within the Hastings District. Of which, standalone dwellings accounted for 305 dwellings and terrace houses accounted for 60 dwellings consented per annum.
- Over the last 5 years, an average of 730 dwellings per annum were consented within the total study area. Of which, standalone dwellings accounted for 495 dwellings and terrace houses accounted for 100 dwellings consented per annum.

- Over the last 5 years, an average of 815 dwellings per annum were consented within the Hawke's Bay Region. Of which, standalone dwellings accounted for 570 dwellings, terrace houses accounted for 110 dwellings and apartments accounted for 5 units consented per annum.
- Figure 8 identified an additional 920 households per annum moved into Napier and Hastings from 2013-2020. Given building consents of approximately 730 per annum, this suggests that many new residents are sharing existing dwellings (with relatives or as shared accommodation) or living in dwellings previously used for short-term rental or holiday homes. It also suggests that there may be an underlying shortage of approximately 200 dwellings per annum being built to keep pace with population growth, as the majority of the additional 920 households moving into Napier and Hastings annually would prefer their own accommodation.

Figure 18: Study Area Building Consents (2017 – 2021)

	Napier City					Hastings District				Total Study Area				
Year	Stand Alone	Terrace	Apartment	Retirement Unit	**Sub-total**	Stand Alone	Terrace	Retirement Unit	**Sub-total**	Stand Alone	Terrace	Apartment	Retirement Unit	**Total**
2017	210	40	5	0	**255**	240	35	5	**280**	450	75	5	5	**535**
2018	175	50	5	5	**235**	270	45	15	**330**	445	95	5	20	**565**
2019	180	30	0	35	**245**	295	30	60	**385**	475	60	0	95	**630**
2020	175	30	0	140	**345**	400	60	115	**575**	575	90	0	255	**920**
2021	210	45	10	145	**410**	315	140	125	**580**	525	185	10	270	**990**
Avg p.a.	190	40	5	65	**300**	305	60	65	**430**	495	100	5	130	**730**

Source: Statistics NZ

Figure 19: Hawke's Bay Region Building Consents (2017 – 2021)

Year	**Stand Alone**	**Terrace**	**Apartment**	**Retirement Unit**	**Total**
2017	495	80	5	5	**585**
2018	495	95	5	25	**620**
2019	555	65	0	95	**715**
2020	680	115	0	255	**1,050**
2021	635	195	10	265	**1,105**
Avg p.a.	570	110	5	130	**815**

Source: Statistics NZ

6. Access To Amenity & Employment

The proposed development is located in an attractive location, offering a wide range of amenities that support residential development. Most notably:

- The proposed development site is located within an approximate 15-minute drive-time to Napier City giving the residents access to approximately 6,300 businesses offering an estimated 27,800 jobs.
- The proposed development is within close proximity (350m) to the local beach.
- The residents of the proposed development would have access to a wide range of educational facilities, with several schools located in Napier City.
- The proposed development is within a 20-minute drive-time to several other beaches, vineyards/wineries, supermarkets, golf courses and restaurants.

7. Comparable Developments

Figure 20 provides an outline of comparable developments in the study area. There are three developments currently selling within the study area offering similar sized lots, with 134 remaining for sale. This indicates there is a shortage of new residential dwellings within the study area relative to demand.

Figure 20: Comparable Developments

Development	Location	Price Range	Lot Size Range (m^2)	Remaining Lots
Ikanui Development	Hastings	$455,000-$1,280,000	470-735	38
Te Awanga Terraces	Hastings	$550,000-$1,044,000	620-1,880	26
Parklands Residential Estate	Napier	$200,000-$400,000*	300-1,000	70
Total				**134**

Source: Development Websites, TradeMe, Urban Economics

*Price of lots only

8. Impact of Covid-19

This section assesses the impact of Covid-19 on the residential sector.

8.1. Residential Sector

The NZ Treasury commissioned a report on the impact of Covid-19 on the national economy[1]. This concluded that over the two years ending March 2022, total employment was expected to decline from 2.59 million jobs to 2.47 million jobs, or a decline of 120,000 jobs. The construction sector was similarly expected to decline, from 260,000 jobs to 239,000 jobs, or a decline of 21,000 jobs.

The Covid-19 Recovery (Fast-track Consenting) Act 2020 requires consideration of the costs and benefits of those involved in the construction sector, as follows.

[1] The effects of COVID-19 on the regional economies of New Zealand for The Treasury, October 2020, Infometrics

The project's economic benefits and costs for people or industries affected by COVID-19 (see section 19(a)).

Historically the construction sector has followed the wider economy closely. The global financial crisis of 2008 saw an accompanying drop-off in new dwellings consented. It wasn't until 2020 that the Hawke's Bay Region's building consents recovered to the previous peak of 900 consented dwellings per annum last seen in 2005.

Covid-19 has resulted in New Zealand's borders being largely closed. Record high international immigration has been replaced with near to zero international immigration. This is likely to result in a decline in the number of houses demanded and constructed which may place pressure on the construction sector over the coming years.

9. Economic Contribution of The Proposal

The project would create a considerable number of jobs within the construction industry. The national 'value-added per employee' for each sector has been used to estimate the full-time equivalent (FTE) employment for this project.

Figure 21 outlines the FTEs and value-added to GDP that the proposed development would generate. It is estimated that the construction of the proposed 80 residential stand alone dwellings would result in a total of 147 FTE jobs and would contribute $19.5 million to GDP.

The employment number can be interpreted as the number of FTE jobs created on an annualised basis, i.e. if construction takes two years and is split evenly between the years then 73-74 FTE jobs would be created in each year.

Figure 21: FTE Employee Estimates

Product	Count	Value ($M)	Value Added ($M)	FTE Employees
Stand Alone	80	$66.6	$19.5	147

Source: Urban Economics

Figure 22 shows the estimated national 'value-added per FTE employee'. These value added per employee figures are used to estimate the FTE employees created by the construction project expenditure. Figure 22 illustrates that the construction sector contributes $18.5 billion to the national GDP, employing 139,800 FTEs, resulting in a value-added of $133,000 per FTE employee.

Figure 22: Industry GDP and Value Added per Employee

Sector	Value Added GDP ($M)	FTE Workers	Value Added GDP Per Employee
Construction	$18,540	139,800	$133,000

Source: Statistics NZ, Urban Economics

10. Other Fast Track Assessment Considerations

The COVID-19 Recovery (Fast-track Consenting) Act 2020 requires several other economic considerations, which are addressed as follows.

The project's effect on the social and cultural well-being of current and future generations (see section 19(b)).

The proposed development would provide additional employment and increase the range and relative affordability of housing in the immediate coastal area. The project would have a positive impact on the social and cultural well-being of current and future generations by increasing the housing supply within the study area.

The following figure displays the proposed composition of the development. Prices have been estimated based on the market prices of new dwellings sold over the last year in the study area. The average market price for the dwellings is estimated at $1,040,000. This is relatively affordable for the surrounding coastal areas, which typically achieve prices above $1,500,000. Additionally, supplying new dwellings up to modern building standards reduces the social pressures caused by inadequate housing.

Figure 23: 996 State Highway 2 Development Composition

Product	Count	Land Area (m^2)	GFA (m^2)	Price Estimate	$/GFA ($m^2$)
Stand Alone	80	660	145	$1,040,000	$7,200

Source: Urban Economics, Corelogic

If applicable, whether the project may result in a public benefit by generating employment (see section 19(d)(i)).

As outlined above, the project would create an estimated 147 FTE jobs and contribute $19.5 million to GDP. These jobs would be in roading, construction, landscaping, planting, land surveying, administration and support services and other related activities. This is a notable economic benefit.

If applicable, whether the project may result in a public benefit by increasing the housing supply (see section 19(d)(ii)).

The project would increase the residential housing supply by providing 80 new dwellings to the market.

11. NPS-UD Assessment

The NPS-UD 2020 requires planning decisions to contribute to well-functioning urban environments, which are urban environments that have (or enable) housing that is of a range, type and price that meets demand (Policy 1).

The proposal helps to achieve the NPS-UD objectives as it increases the range of housing available to the market. As outlined above, the proposal would provide additional housing at an average market price of approximately $1,040,000. The proposal, therefore, provides housing that meets the market demand for additional dwellings at a lower price than what is typically achieved in the surrounding coastal location.

12. Conclusion

The proposal would provide a range of stand alone houses to the market within the study area.

The proposal would result in a considerable increase in construction sector output, with an additional 147 full-time equivalent employees (FTEs) with a value-added contribution of $19.5 million to GDP.

The proposal would meet the economic requirements of the fast-track consenting process and is recommended for approval.