

8. hawke's bay

State of play

House prices

Hawke's Bay had the worst-performing house prices of any region in the last year, with property values declining 5.1% in the 12 months to June 2011. Prices for wine and horticultural products have not performed as well as prices for other agricultural products, and many farmers in the region are likely to be focusing on reducing debt following repeated drought conditions over recent summers. As a result, incomes across the broader Hawke's Bay economy remain under pressure, limiting demand in the region's housing market.

Population

Hawke's Bay's population growth is estimated to have been just 0.3%pa in the year to June 2011, well down from the 0.9%pa growth recorded the previous year. The number of people heading overseas from Hawke's Bay during the last 12 months rose 28% from the June 2010 year, while international arrival numbers slipped to a 10 year low. In spite of the negative international migration flows, the region has maintained the trend that has developed over the last four years of attracting people from other parts of the country.

House sales

House sales activity in Hawke's Bay was 18% lower during the 12 months to June 2011. Although the region's economy has recently shown signs of improving after struggling during 2009 and into 2010, this turnaround is yet to show up in house sales, which have reached their lowest level in at least 20 years. The weakness in house sales may be due to persistent caution about spending in the agricultural sector, while slower population growth is also likely to be having a negative effect on sales volumes.

Rents

Rental growth in Hawke's Bay has regained some momentum over the last six months and reached 3.4%pa in June 2011. With house prices having fallen over the same period, gross rental yields have improved to their highest level since early 2004. Investors may be hoping for more stable prices over the coming year but are also likely to try and push rents up further as the region's economy improves.

Construction

The weak housing market and slowing population growth have combined to cause an estimated 27% drop in Hawke's Bay's residential consent numbers in the year to June 2011. The decline in building activity over the last year is the largest in the country and reflects the weakness in house prices that has been evident in the region. Nevertheless, the annual consent total is still well above the low recorded in the first half of 2009.

Forecast

House prices

The Hawke's Bay property market looks set for a turnaround in house price trends over the next year as spending by the agricultural sector picks up. Although the wine industry still looks likely to struggle, good returns for meat and wool, along with improving prices for horticultural products, should boost the region's economic growth and help push house prices up 9.3% by June 2012. Growth in house prices is unlikely to be as fast over the following two years but could still run ahead of the nationwide average.

Population

Hawke's Bay's improving economic growth should help stabilise population growth at around 0.4%pa over the next three years. Although interprovincial migration flows for the region may not be as favourable as they have been between 2009 and 2011, international arrival numbers are expected to pick up from the relatively weak result of 2010/11. The region's lifestyle combined with a tightening labour market are likely to place Hawke's Bay in a favourable light for potential residents.

House sales

The number of house sales in Hawke's Bay is forecast to grow by 5.3% over the next 12 months, a growth rate that is relatively modest when compared with the forecast increase in house prices. The improving regional economy is likely to encourage people to hold on to property and limit the number of houses for sale. Growth in sales volumes is predicted to edge lower in 2013 and 2014 as the number of listings of attractive property in the region stays low.

Construction

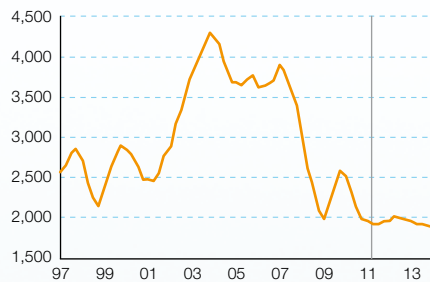
Residential building activity in Hawke's Bay is forecast to stabilise over the next 12 months and then grow 22% in the year to June 2013. Unwillingness by developers and financiers to progress with significant coastal property developments is likely to limit the upturn in construction activity in the region. Although the pick-up in Hawke's Bay's residential build rate is forecast to be smaller than the nationwide upturn, the expansion in the dwelling stock will still be sufficient to satisfy the region's population growth.

Graph 8.1
Median house prices (\$000)
Hawke's Bay



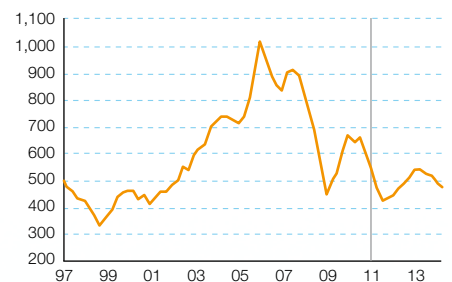
Source: Real Estate Institute of NZ; Infometrics forecasts

Graph 8.2
Annual house sales total
Hawke's Bay



Source: Real Estate Institute of NZ; Infometrics forecasts

Graph 8.3
Annual dwelling consent total
Hawke's Bay



Source: Statistics NZ; Infometrics forecasts