



THE NEW LURE OF Hawke's Bay

HAWKE'S BAY IS HAVING A MOMENT IN THE SUN AS NEW WAYS OF WORKING AND LOCKDOWN FATIGUE ARE DRAWING PEOPLE AND THEIR BUSINESS TO THE REGION IN SEARCH OF THAT ELUSIVE WORK-LIFE BALANCE.

HAWKE'S BAY HAS LONG BEEN FAMED for its fruit and wine, drawing a steady stream of sun-seeking, Art Deco loving tourists each summer. But the once slightly isolated region has experienced a dramatic change of fortunes over the past couple of years as more Kiwis recognise what locals have always known - the region offers an enticing balance of lifestyle and commercial opportunity.

Key drivers behind the recent surge of interest in Hawke's Bay as a place to live

and work include a pandemic-driven urge for lifestyle change, the rise of technology allowing people to work from anywhere, and improved transport infrastructure. Add to that large, and largely thriving, horticulture and viticulture sectors that support a wide variety of supplier businesses, and you have a region that's reached a crucial tipping point. Enough regional development has now happened or is in the pipeline that it is attracting further interest.

RESIDENTIAL SNAPSHOT

As in most growth regions, residential property sales have been a highly visible indicator of activity and interest in Hawke's Bay.

Real Estate Institute of New Zealand (REINZ) figures for September 2021 show a 31.6-percent increase in house prices year on year, to a new record average price of \$770,000. Within the region, prices in Central Hawke's Bay District rose to a record average of \$615,000 while

in Hastings District the new record average price was \$812,000.

As economist Cameron Bagrie from Bagrie Economics says, the property market in the region has gone "absolutely ballistic" and while in itself that's not too different from other parts of the country, Hawke's Bay could be a very strong beneficiary of inter-regional migration as, post-pandemic, people look to life in less densely populated areas that offer a more balanced lifestyle.

"The workforce and jobs are now increasingly mobile, where you can work from anywhere, and I suspect people are going to pull up stumps and get out of Auckland."

"THE WORKFORCE AND JOBS ARE NOW INCREASINGLY MOBILE, WHERE YOU CAN WORK FROM ANYWHERE, AND I SUSPECT PEOPLE ARE GOING TO PULL UP STUMPS AND GET OUT OF AUCKLAND!"

INDEPENDENT ECONOMIST
CAMERON BAGRIE

While a lot of residential activity is focused on the twin cities of Napier and Hastings as well as Havelock North, residential sales are booming further south in the likes of Waipawa and Waipukurau as buyers look for lifestyle at a more affordable price.

As in many regions, housing supply is under pressure, though there are ongoing developments in all areas of affordability. Napier City Council's draft district plan upgrades the number of new houses needed from 2,000 in 20 years across Hawke's Bay to 3,500 in 10 years in Napier alone.

A recent release of more than 200ha of rural land for residential development at Western Hills near Taradale, should start to yield sales from mid-2022.

With the region having the highest per capita need for social housing in the country, Hastings District Council (HDC) has earmarked \$12 million for affordable housing infrastructure to pool with a \$16m central government contribution. The funds will go toward emergency and transitional housing as well as first-home buyer options. One of the first developments out of the blocks is Waingākau Village near Flaxmere.

FUELLING THE COMMERCIAL MARKET

Kerry Geange, commercial manager of Bayleys Napier and Havelock North says though Hawke's Bay has been steadily growing for some time, activity in the past couple of years has "blown all predictions out of the water."

"There's a lot of investment coming in and a heck of a lot of people moving here."

What that's doing, he says, is putting pressure on already limited commercial and industrial property stock right around the district.

"That's driving commercial and industrial property prices up. The other aspect of that is businesses that might traditionally have rented premises are now looking to buy," Geange says. That shift is in part being driven by low bank interest rates combined with the government's change in deductibility rules for residential investment property. People are looking for new places to invest that give them a good return.

"We also have a lot of small to medium businesses here; those that provide support services to the apple growers or other big employers like the port. They tend to prefer to own their own premises, rather than pay rent to somebody else," Geange says.

A changing approach to how businesses can operate, and how people can work is also making Hawke's Bay an increasingly attractive option for both employers and employees.

"There's a maturity to the local economy now that maybe wasn't here 25 years ago. There's a new willingness to commute to larger centres like Wellington and Auckland. They can be there in about 90 minutes.

"And people can see the advantage of shared workspaces, that let them work from home some of the time, but still have a small office to use when required. That's changing the types of commercial spaces businesses are looking for."





“MANY LOCAL BUSINESSES WOULDN'T HAVE HAD ANY ONLINE PRESENCE BEFORE COVID. NOW THAT'S JUST NOT AN OPTION.”

HAWKE'S BAY CHAMBER OF COMMERCE
CEO KARLA LEE

There are multiple coworking spaces now open around the region including The Hive in Hastings, Tech Collectives in Ahuriri and Havelock North and the Business Hub in Ahuriri which house key economic development supporters such as New Zealand Trade and Enterprise, Callaghan Innovation and the Hawke's Bay Chamber of Commerce.

Chamber CEO Karla Lee says the rise of shared workspaces is a natural evolution resulting from the changing nature of Hawke's Bay's workforce. "For a start COVID has forced everybody significantly into the future in terms of digital transformation. Many local businesses wouldn't have had any online presence before COVID. Now that's just not an option. But going digital also means you can work from anywhere."

Lee adds that there is an increasing number of small and solo operators entering the commercial landscape. Start-up support courses run by Hawke's Bay Chamber of Commerce in Waipukurau and Wairoa are over-subscribed. "It might be someone made redundant as a result of COVID, or who has been doing something they love on the side, but they're starting to formulate a plan on how they can build a fully-fledged business from a passion." She predicts that will have a flow-on effect on the types of work spaces and commercial property in demand in the near future.

RETAIL UPS AND DOWNS

Like most of the rest of the country, large format retail is continuing to do well in Hawke's Bay and the region has increasing appeal for big brands, says Geange.

"The population is around 170,000 now, that's a good base that creates demand for retail centres, and creates interest from big brands." Geange adds that more land zoned for large format retail is nearing the end of a long Treaty settlement process.

As in most regions, Hawke's Bay's smaller, independent retail has had a more difficult time of it, but two key factors should help support those businesses to a post-COVID rebound.

"Most have made some kind of change to enable them to do business online," says Karla Lee. "But on top of that there is a huge amount of loyalty here toward buying local and supporting the local businesses."

Geange adds that domestic tourism and the reliable Hawke's Bay climate also have a part to play. "There's been a good amount of investment in things like regional sports facilities here that attract a lot of school sports tournaments and competitions." An example is \$40m from Hastings District Council for the Hastings Regional Sports Park.

"Those kind of events and facilities are really important for boosting that local retail economy," says Geange.

A more comprehensive approach to tourism in recent years will also help support local retail, he adds. "It's not just a summer destination any more. There are things going on all year round now, and, particularly while New Zealanders are only able to travel domestically, we are in a good position to benefit."

FOOD FOR THOUGHT

Looking ahead the biggest opportunity for Hawke's Bay still lies in its traditional roots as a food producer. A major constraint on that, says Cameron Bagrie, is meeting the critical shortage of labour and the productivity of what is available.

"If you look at the composition and growth in Hawke's Bay they have a stronger orientation toward the primary sector and manufacturing than the rest of the economy; particularly in horticulture.

"The region's been on a roll for a while on the back of that. The main constraint has been labour; getting enough people to get the fruit off the trees. Without confidence the fruit can be picked, the danger is that investment expanding production grinds to a halt."

The region's story goes far beyond the primary sector though, he says. Tourism, healthcare, professional services, construction and real estate have all shown strong growth.

Long dubbed "the fruit bowl of New Zealand", the region will cement its reputation as a horticulture centre of excellence with the construction of the Foodeast food innovation hub in Hastings. Construction has just begun on the project which will be a collaborative and coworking space tailored to those working in horticultural and food innovation. It will be home to a team of specialists who will work with innovators to connect them with the resources, expertise and research and development services needed to commercialise their ideas.

To facilitate growth in the primary sector, in 2016 Hastings District Council zoned 150ha of previously unproductive land for industrial developments in areas such as Whakatu, Tomoana, Irongate and Omahu. There's been plenty of interest from big players such as Rockit Global's 21,000sqm cool store and headquarters at Irongate, a new beverage plant for Apollo Foods and an upgraded pet food plant for Heinz Watties.

Bagrie says Hawke's Bay is well positioned to maximise on the global demand for food with New Zealand's main food export, dairying, facing challenges.

"The world's population is growing and the world needs to eat. There's a massive opportunity shifting up the value chain but also driving higher orchard yields. We've seen that with apples. We're also starting to see better prices come through in viticulture.

"Our dairy sector has been a big source of growth for the past 20 years but that's not going to be the case for the next 10. Sectors such as horticulture have a wonderful opportunity to step up and fill that void. The biggest constraints on that will be the availability and productivity of the workforce."

OPENING THE CORRIDORS

The ability to commute easily, and quickly to main centres, particularly Auckland and Wellington, from Hawke's Bay has been key to growing commercial activity across the region. Though the airport is based in Napier, the Hawke's Bay Expressway means it is easily accessible from right around the region.

Hawke's Bay Airport Limited (HBAL), which has just opened a newly redeveloped terminal, saw 750,000 passengers pass through in the 2018/19 pre-COVID financial year. Though numbers took a short-term hit as a result of the pandemic the company says on its website it is confident it will meet a 2019 prediction of 1.86 million passengers a year in 25 years.

The ease of transport between Napier and Hastings, and now Waipukurau and Waipawa has also helped fuel residential sales in those central areas, says Geange.

"From Waipukurau you can now be in Havelock North or Hastings in 30 minutes, and Napier in 40." While there's yet to be a flow-on boost to commercial development in those smaller central areas, it will come, Geange says. "Once the residential demand is more established that will drive more commercial development. The likes of supermarkets and service stations inevitably follow the population."

The expressway has also been crucial in moving goods efficiently in and out of Napier Port which is itself undergoing major expansion with the construction of 6 Wharf, which it estimates will allow it to handle 64 percent more bulk cargo, and 50 percent more containers. The new wharf will allow the port to handle more and larger ships including a 94 percent increase in the number of cruise ships, once the sector recovers from the pandemic.



One of the biggest industries relying on Napier Port is forestry, particularly logs coming in from the East Coast north of Wairoa and Gisborne. KiwiRail also just re-opened a rail line between Napier and the East Coast, closed by storm damage in 2012, and again by COVID-19 in 2020. KiwiRail estimates a single train can move the equivalent amount of logs as 50 long distance truck hauls between Napier and Wairoa.

But it's not just the likes of forestry, agriculture and horticulture exporters benefitting from efficient connections to an expanding port. Geange says it is making the region attractive to importers as well. He points to Kiwi furniture company Big Save which shifted all its operations to Napier, based near the port in Ahuriri.

"All these improved connected transport networks, like the airport, the expressway and improvements to the Napier-Taupo Road have all contributed to the growth we've seen in Hawke's Bay," says Geange.

LOOKING AHEAD

The Hawke's Bay story is as much about what's coming as what's already happened, says Geange.

In 2018 Statistics NZ population predictions for Hawke's Bay had it tipping over 180,000 by 2028. But Geange believes the impact of COVID on how, and where, people want to live and work, means an updated population projection would be notably higher.

"We have a lot of people coming in, not just from Auckland. They're coming from Tauranga, Taupo, Wellington and the Manawatu and centralising here.

"The region is ticking a lot of boxes for people, with the right mix of lifestyle, not just for employers but in attracting employees, and commercial opportunity."

The development
LANDSCAPE

6 Wharf - multi-purpose 350-metre length wharf at Napier Port, under construction with HEB Construction, due for completion in 2022.

Western Hills development - 207ha of former stock grazing land to the west of Napier that will be developed into a new suburb by a consortium of developers.

West Quay - four-storey mixed use apartment from Mackersey Development Limited in sought-after Ahuriri.

Joll Road - Stage 1 of the proposed Joll Road mixed use development intends to link the Havelock North CBD to residential areas.

Quest Apartment Hotel - a new 35-room apartment-style hotel in the centre of the Hastings by Wallace Development Company Limited.

Swiss Belboutique - five-star luxury Art Deco-style boutique hotel newly opened in Munroe Street, Napier.

MSD/Oranga Tamariki - the government agencies have moved into a new completed multi-storey office block on Napier's CBD fringe.

Torpedo 7/Kmart - new large format retail stores developed by Wallace Development Company Limited

Hawke's Bay Airport Solar Farm - Hawke's Bay Airport Limited and Centralines have a joint venture agreement to construct a solar farm on 30.8ha of airport land; currently in a feasibility stage.

Foodeast - an \$18 million hub in Hastings offering commercial and industrial spaces for lease, hot-desking and meeting and collaboration stations.

Municipal Building - opening mid-2022 and the last stage of the Toitoti arts and culture precinct development in Hastings.