



Kawerau District Council  
Stoneham Park  
Residential Development  
Property Market Report

**Veros**



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Prepared For:



Prepared By:



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# 1. Executive Summary

The township of Kawerau was founded in 1953 to support the local pulp and paper mill.

The town's population is estimated to have grown by 7% since the last census. The population growth that Kawerau is currently experiencing is outstripping the number of building consents that are being issued, in comparison with towns of a similar population size. This lack of available new housing could be one of the factors underpinning the lower population growth rate compared with towns of a similar size.

Only 153 new dwelling consents have been issued from 1990 to 2001. Of these consents, 27% were issued after the census in 2018. These consents show that there is an appetite for town houses, flats and units.

The average house that was sold in Kawerau in the last 12 months was a 100m<sup>2</sup> 1960's three-bedroom home, one bathroom home on a 795m<sup>2</sup> section for around \$430,000. With the release of a new subdivision the market has shown an appetite for larger new homes 3-4 bedroom 2 bathrooms homes on smaller 525 to 550m<sup>2</sup> sections at price points in excess of \$700,000.

The median price for a house has increased by 182% in the last 5 years to \$432,000.

Weekly residential rentals are on the increase. Median weekly rentals have increased from \$200 to \$380 since 2018. This 48.5% increase is a sign of the housing supply shortage that is endemic throughout New Zealand.

The low median income of family groups living in Kawerau can limit choice, driving them toward renting and purchasing older home for budgetary reasons.

Landlords are willing to accept gross rental lower yields in Kawerau. There has been a drop of almost 15% in the last 12 months, from 7% to a 6% return. Investors and private landlords are currently willing to accept gross rental yields at similar levels to Owhata, but not as low as Tauranga, Te Puke, Whakatane or the rest of Rotorua.

Local agents report a buoyant real estate market. They reported that the depth of buyer pool is reducing due to bank pressures, increased interest rates and the lack of quality stock at a 'reasonable' price. This is similar to the reports we are receiving from other agents in neighbouring markets.

Agents report that there would be support from the local market of a large subdivision.

## 2. Kawerau Compared to Similar Sized Towns

Kawerau was founded in 1953 as town to support the Tasman pulp and paper mill. One of New Zealand's newest towns, its location was selected due to its proximity to geothermal energy, the water from the Tarawera River and surrounding forestry.

The town is approximately 70 minutes from Tauranga, 50 minutes to Rotorua, and 30 minutes to Whakatane. Kawerau is built around industrial processing and a large dry port is under development.

Well known for its leafy suburbs and access to the many outdoor activities, Kawerau is enjoying population currently growth.



Figure 1: Kawerau.

At the 2018 census, the population of Kawerau was 7,146 with 2,742 dwellings. In 2021 Statistics New Zealand estimated Kawerau's population to be at 7,670. From 2018 to 2021, 44 new dwelling consents have been issued, according to Statistics NZ data.

222 (8%) of the dwellings in Kawerau were classed as unoccupied during the 2018 Census.

When compared to towns of similar population estimates:

- Kawarau's population growth is below the median.
- The number of existing dwellings at the 2018 census was below that of town of similar populations.
- New dwelling consents 2018-2021 lower than the median of other towns in this size class.

The following table shows population and growth of Kawarau compared to towns of similar population. It is noted that those towns which have experienced they highest estimated growth are either located in close proximity to a major city where increasing house price pressures has pushed population growth into these smaller nearby towns, or are lifestyle destinations.

Ranked by size in NZ	Town	Pop Estimate NZ Stats June 2021	Pop at Census 2018	Estimated Growth	House numbers Census 2018	New dwelling consents 2018-2021	Potential dwelling growth 2018-2021
50	Matamata	8570	7806	10%	3288	518	16%
51	Morrinsville	8410	7758	8%	3027	224	7%
52	Greymouth	8310	7965	4%	3189	47	1%
53	Motueka	8280	8007	3%	2797	120	4%
54	Gore	8250	7908	4%	3645	73	2%
55	Kerikeri	8050	7164	12%	3096	308	10%
56	Ngāruawāhia	7930	6621	17%	2091	259	12%
57	Kawarau	7670	7146	7%	2742	44	2%
58=	Thames	7480	7293	3%	3048	24	1%
58=	Beachlands-Pine Harbour	7480	6261	19%	2304	574	25%
60	Waitara	7290	6915	5%	2853	76	3%
61	Lake Hayes	6750	4677	44%	1674	521	31%
62	Cromwell	6640	5610	18%	2703	441	16%
63	Warkworth	6460	5586	16%	2355	358	15%
64	Whitianga	6330	5493	15%	3804	337	9%
<b>Median</b>		<b>7670</b>	<b>7146</b>	<b>10%</b>	<b>2853</b>	<b>259</b>	<b>9%</b>
<b>Average</b>		<b>7593</b>	<b>6814</b>	<b>12%</b>	<b>2841</b>	<b>262</b>	<b>10%</b>

Figure 2: Population, growth, and dwelling consents of towns similar in size of Kawarau.

To understand how towns have supported or kept up with growth, the relationship between population growth and new dwelling consents issued can be examined. The graph below shows the same 15 towns in the table below and compares population growth and new dwellings consent. The graph illustrates that there is a larger gap between Kawarau's population growth and the issuing of new dwelling consents, as a percentage of existing dwellings, compared to the majority of towns of a similar size.

Percentage Estimated Population Growth 2018 to 2021 vs  
Percentage New Dwelling Consents (2018 to 2021) of Existing Dwellings  
in 2018 Census

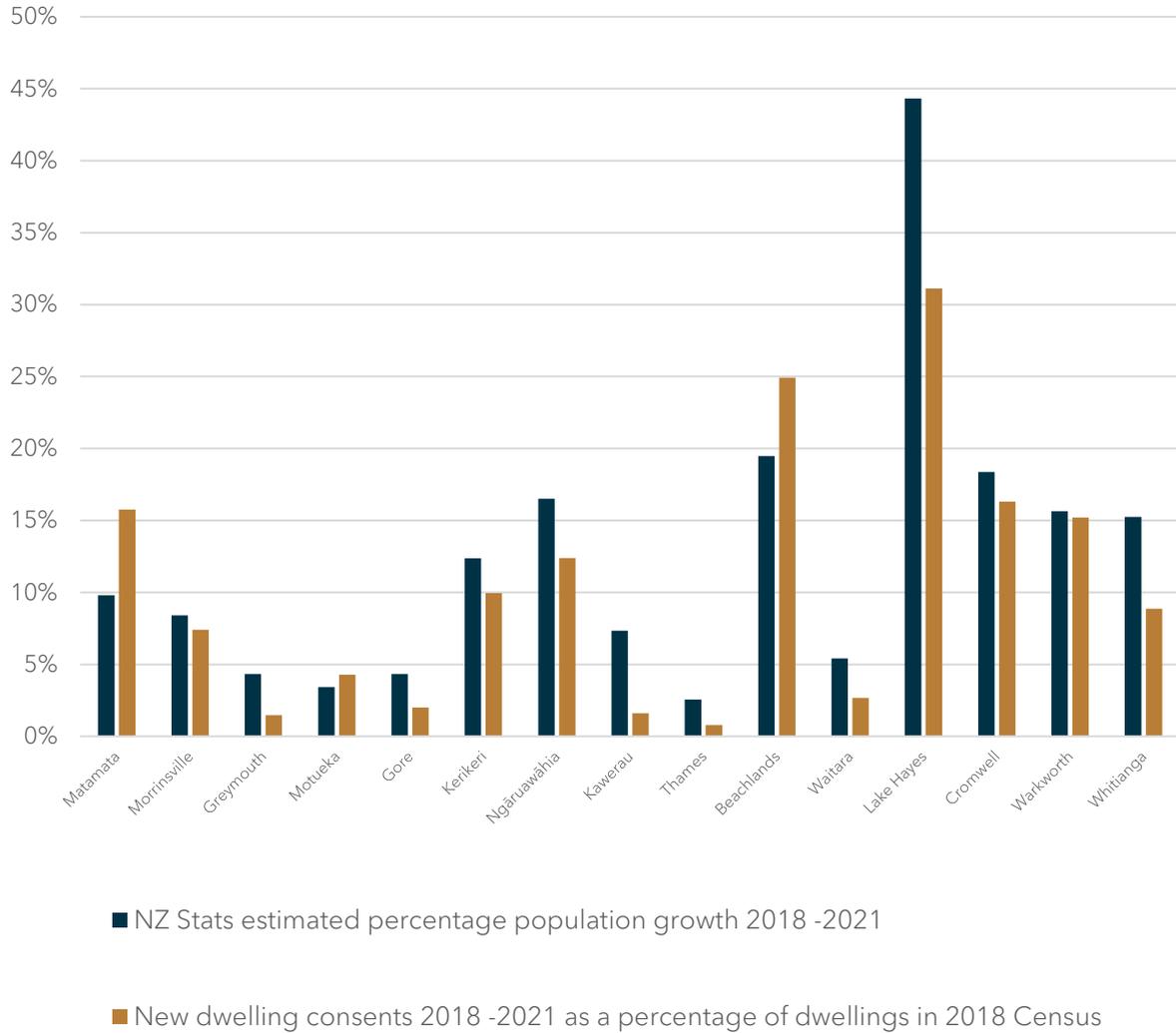


Figure 3: Estimated population growth vs new dwelling consents for towns of similar size of Kawerau.

### 3. New Dwelling Consents in Kawerau

NZ Statistics divides Kawerau into three data collection areas. These areas are Kawerau Industrial, Tarawera Park, and Monika Reserve.

Tarawera Park and Monika Reserve are where the bulk of the town’s housing stock is located.

Monika Reserve is where Stoneham Park Reserve is located.



Figure 4: Statistical areas of Kawerau.

According to NZ Statistics, 157 new dwelling consents have been granted in Kawerau since April 1990. Generally, over this time, only a few consents are issued per year and the highest number of dwellings consented was 19 in 2020. It would appear that this may have been the result of a catch up on the single consent issued in the lockdown year of 2019.

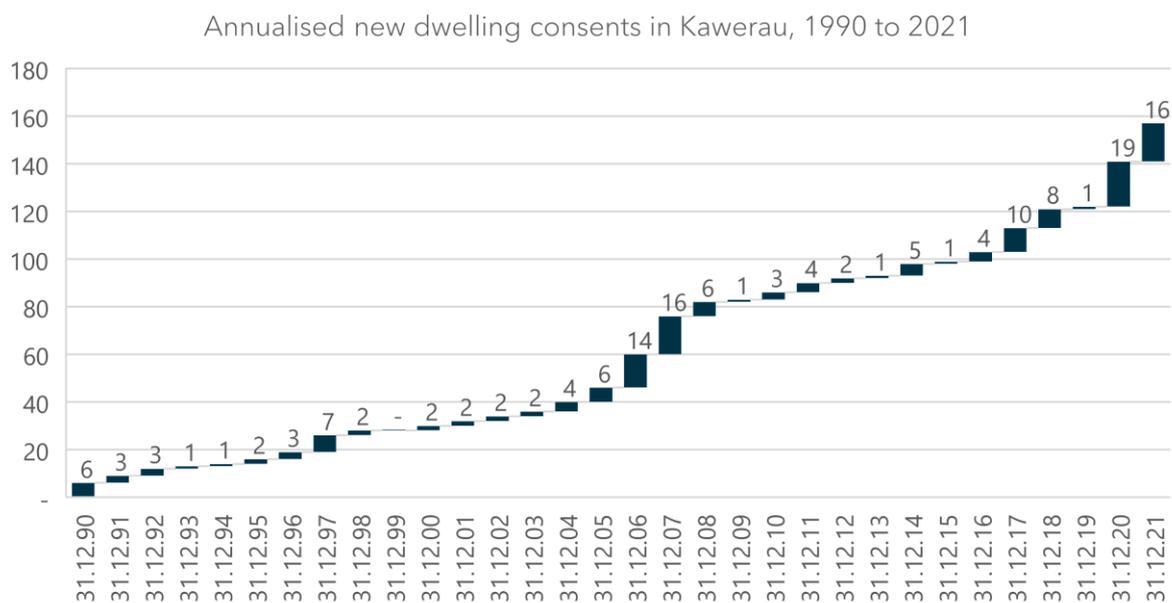


Figure 5: Annualised new dwelling consents in Kawerau from 1990 - 2021.

Since 1990, the number of new dwelling consents have been split, more or less, between Monika Reserve and Tarawera Park. The majority of consents on Monika Reserve have been for houses whereas Tarawera Park has generally had dwellings consented for townhouses, flats or units.

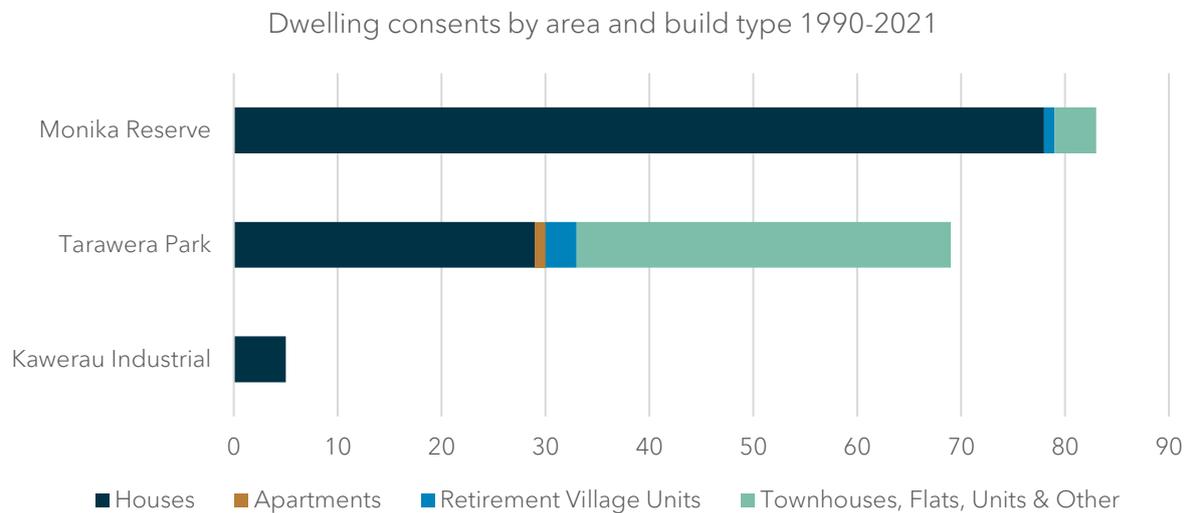


Figure 6: Dwelling consents by area and type in Kawerau 1990 - 2021.

In the last five years, most of the new consents have been on the Tarawera Park side of town. The 50% of the total consents have been for townhouse, flats or units, showing that the Kawerau market is willing to accept this type of dwelling choice.

Only 20% of dwelling consents have been issued in the Monika Reserve area in the last five years.



Figure 7: Dwelling consents by area and type in Kawerau 2016 - 2021.

## 4. Residential Property Market: For Sale

Currently Kawerau has an active residential market. Agents that spoken to reported a buoyant, but slowing market, with a reducing in depth of purchasers.

Like the rest of New Zealand, there have been a steady growth in house prices. Real Estate Institute of New Zealand (REINZ) statistics show that the median house price has steadily risen over the last five years and increased by 182%. The growth over this time has occurred like this:

- Five years ago, the median Kawerau House price was \$153,000
- Three years ago, the median Kawerau House price was \$250,000
- One year ago, the median Kawerau House price was \$335,000
- The current median Kawerau house price is \$432,000

Further REINZ reporting show that properties are currently listed on the market for sale of an average of 36 days before they are sold. Further reporting has outlined that 2.9% of Kawerau's housing stock has turned over in the last 12 months.

According to Core Logics Property Guru, 153 properties were sold between March 2021 and March 2022. The statistics show that the average house to sell during this time was:

- Generally built in the 1960's
- Around 100m<sup>2</sup> with 3-bedrooms and a single bathroom
- On a 795m<sup>2</sup> section
- Purchased for approximately \$395,000

The vast majority of homes sold during this time were three bedrooms.

Kawerau house sales by bedroom numbers in last 12 months

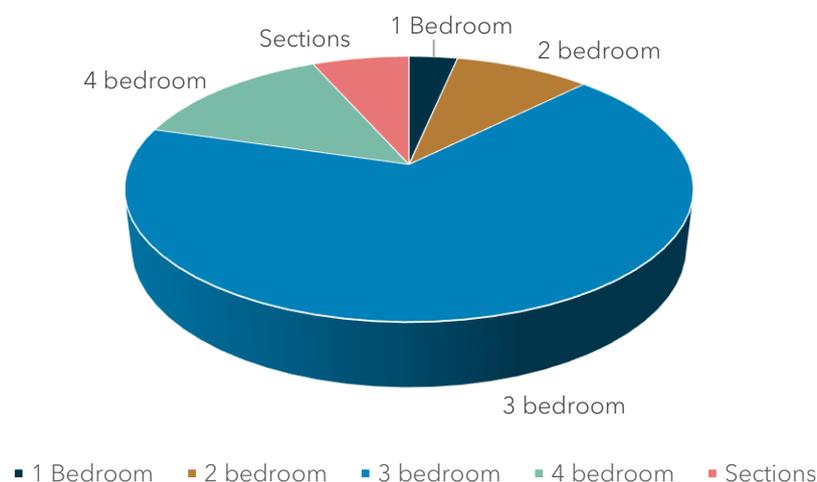


Figure 8: Breakdown of house sizes sold in last 12 months.

In terms of the age of housing sold, the Kawerau housing stock was typically constructed in the 1950's, 1960's, and 1970's. Of the homes sold between March 2021 and 2022, 81% were constructed prior to 1990.

Kawerau house sales by decade of construction in last 12 months

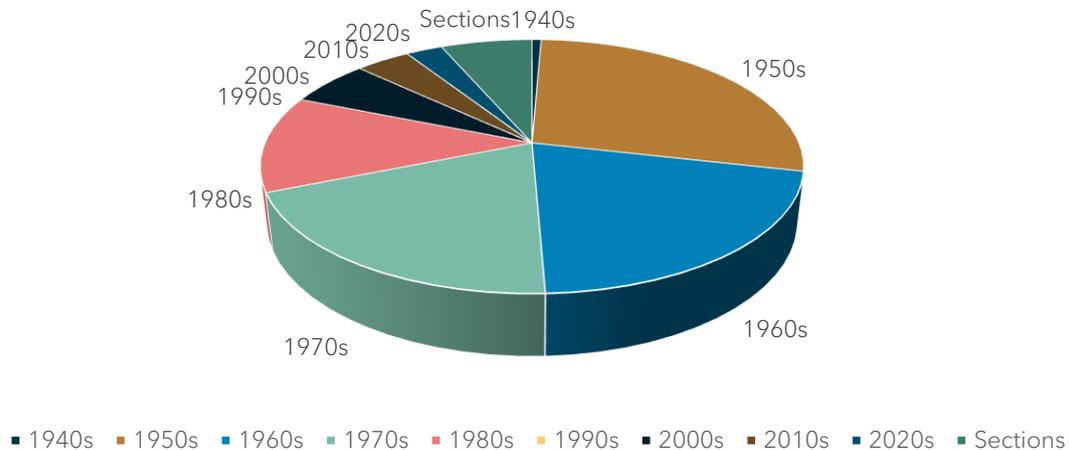


Figure 9: Age of housing sold in the last 12 months.

The ageing nature of the local housing stock is evident when the current listings of property on the market. The typical characteristics of houses for sale are single glazed windows, concrete tile roofs, weather board and have potentially asbestos based building materials.

Currently there are 47 properties advertised for sale on Property.co.nz. Axis currently dominate the local market with a 34% share of the listings. Most of the other 12 agencies with listings have 1 to 6 listings in Kawerau.

Similar to the properties sold in the last 12 months, the average property currently on the market is a 100m<sup>2</sup> three- bedroom, one bathroom home on a 750m<sup>2</sup> section, built in the 1960's. The median list price is much higher than the previous 12 months sales, at \$485,000.

The table below shows the median size and price of new/ home and land packages vs existing houses currently listed for sale in Kawerau. The table shows there is disparity between the modern home and land packages and existing homes on the market. There is a significant difference between prices and section sizes, but the modern homes are larger, have two bathrooms and are significant advantages in heating and insulation. Purchasers may choose older homes over modern homes due to the price point.

Currently on the market	Home and Land Package			Existing Dwellings		
	List Price	Home (m <sup>2</sup> )	Land (m <sup>2</sup> )	List Price	Home (m <sup>2</sup> )	Land (m <sup>2</sup> )
3 Bedroom Median	\$ 661,000	139	525	\$ 485,000	100	718
4 Bedroom Median	\$ 710,000	174	545	\$ 535,000	110	716

Based on 2018 Census, Whakatane and Kawerau Household Income Groups, purchasers' choices may be limited by budgetary and lending constraints. With current mortgage rates and lending structures it, we estimate less than 25% of households with 1 child or more are

eligible for a mortgagee for the median existing three-bedroom home. For existing four-bedroom homes this percentage drops to 17. We estimate that less than 17% of households with 1 child or more have the joint family income to service a mortgage for home and land package three-bedroom home. Less than 12% are in the position to choose a four-bedroom home.

According to Property Guru, of the approximately 10,000 homes Kāinga Ora owns in New Zealand, 39 of those are on Kawerau. They have only made one recent purchase, which was a four-bedroom home in August 2020. All of their other purchases pre date 1990.

## 5. Residential Property Market: For Rent

There is limited supply available in the Kawerau rental market. Currently, there is only one one-bedroom unit advertised for lease at \$380 per week. The lack properties listed for lease would indicate that there is a solid demand for rental property in the area.

Tenancy Services have only had between 6 and 12 bonds lodged per month for over the 12 months. This is down 20% on the previous 12 months and 50% on the 12 months before that again suggesting that demand for rental properties in out weighing supply.

With information for withdraw listings it would appear that generally market rent in Kawerau is:

- 2-bedroom house/ units are around \$325-\$350 per week
- 3-bedroom house/ units are around \$350-\$420 per week
- 4-bedroom house/ units are around \$400-\$550 per week

Looking at historical data since the 2018 Census, whilst Kawerau’s median weekly rental, is on the rise, weekly rental is still significantly less than neighbouring centres which is illustrated in the figure below.

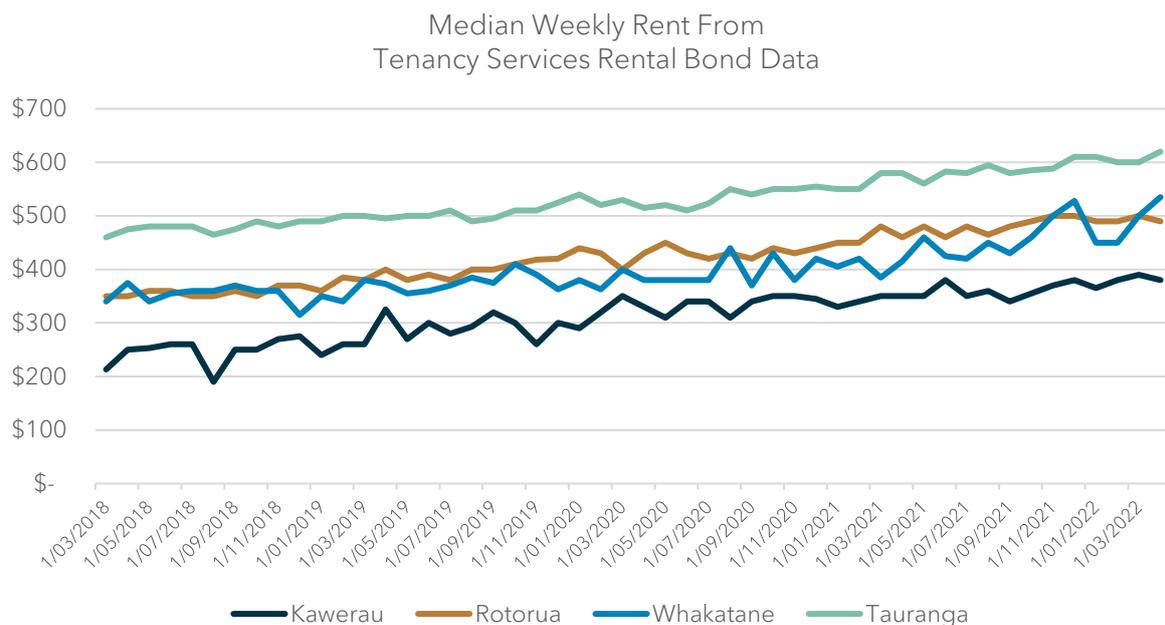


Figure 10: Median weekly rent in Kawerau compared to neighbouring cities.

Over the last six months the upper quartile of rents has been between \$360 and \$514 per week. This shows that the top 25% of the market is potentially willing to bear rentals of over \$500 per week.

REINZ has a Gross Rental Yield Indicator for three-bedroom houses following 56 high rental activity markets throughout NZ. The gross yield is based on REINZ lower quartile selling prices and median rents recorded by Tenancy Services' Bonds Centre in each area over the previous six months. This methodology has been replicated as closely as possible, with the data on hand, so that Kawerau can be compared with neighbouring centres. By examining this data, it can be seen that despite increasing rents in Kawerau, the gross yields for those investing in rental properties are falling, due to the recent sharp increase in house prices.

Kawerau's rental yields fell sharply over 2021, assumedly due to investors chasing higher rental, driving up purchase prices.

The exercise also shows that landlords are willing to accept lower gross yields in areas where superior capital value increase is anticipated.

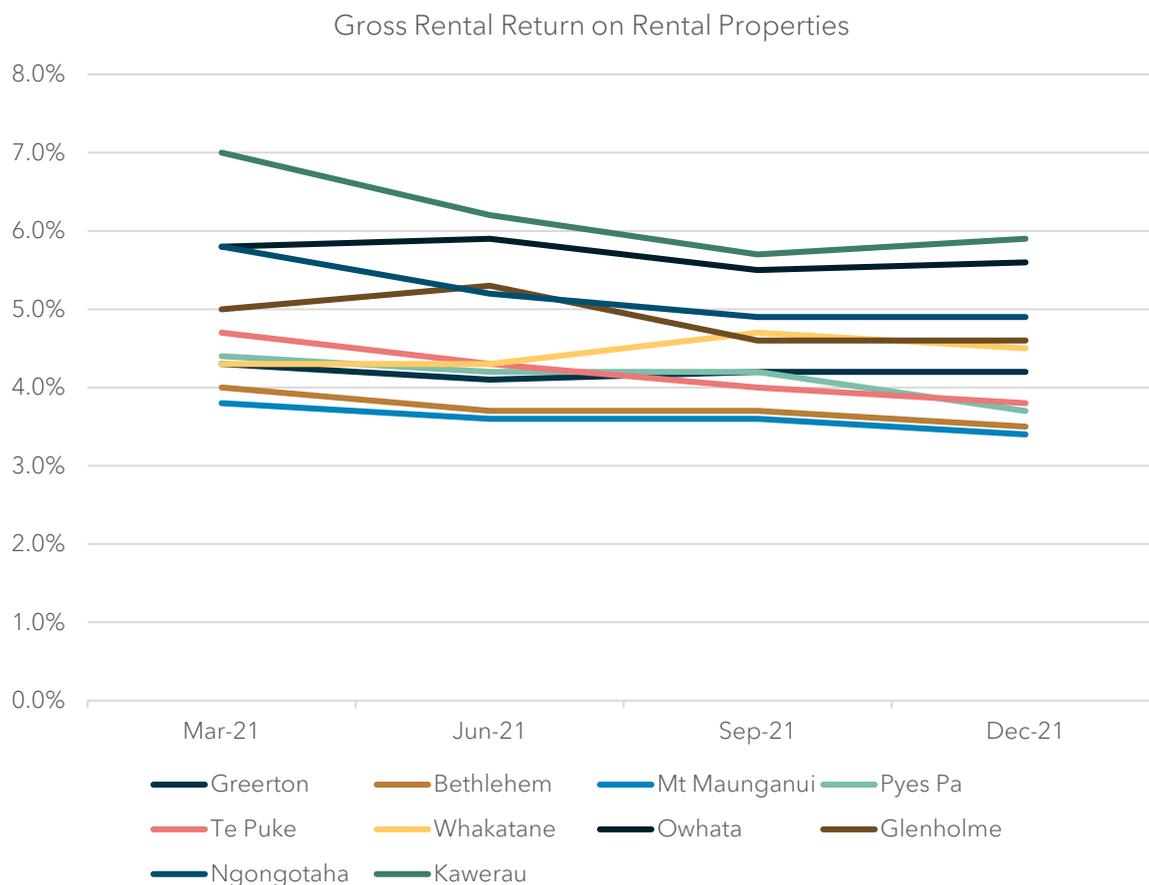


Figure 11: Gross rental return on rental properties in suburbs in the Bay of Plenty.

Taking this information around current rental demand, rental rates and landlords anticipated yield requirements, landlords would need to be prepared to compromise on yield if they were to purchase a new build in Kawerau as an investment property.

We can deduce at today's rental rates and market pricing, if a property investor purchased a land and home package at \$700,000 and they were willing to bear the top quartile of rent at \$500 per month, their gross return would be 3.7%. This is much lower than the Gross Yield Indication for Kawerau of 6% plus or minus .3% over the last 9 months. The investor would need confidence in capital growth of the home in this situation and to be well capitalised, if interest rates started to outstrip realisable income from the property.

To achieve the current Kawerau market rate of return 6%, the investor would need to achieve a rental of \$800 per week (\$41,600 per annum in a market where the median household income is \$50,000) or to purchase the property for \$435,000. Achieving these benchmarks with new homes stock in Kawerau's current market would appear to be difficult.

## 6. The Kawerau Residential Section Market

According to Core Logics Property Guru, 10 residential sections were sold between March 2021 and March 2022

Address	Council Value	Sale Price	Sale Date	Size in m <sup>2</sup>	Rate per m <sup>2</sup>
14 Tiwhatiwha Crescent	\$155,000	\$120,000	06/2021	553	\$217
16 Tiwhatiwha Crescent	\$155,000	\$126,000	07/2021	533	\$236
32 Tiwhatiwha Crescent	\$155,000	\$120,000	09/2021	524	\$229
4 Doug Wilson Crescent	\$230,000	\$225,000	10/2021	721	\$312
13 Hadley Street	\$185,000	\$170,000	12/2021	876	\$194
164 Valley Road	\$180,000	\$170,000	12/2021	873	\$195
10 Forbes Place	\$171,000	\$140,000	12/2021	726	\$193
28 Mawake Taupo Road	\$235,000	\$320,000*	01/2022	964	\$332
20 Tiwhatiwha Crescent	\$155,000	\$131,496	03/2022	545	\$241
<b>Median</b>	<b>\$163,000</b>	<b>\$160,730</b>		<b>637</b>	<b>\$233</b>

\*Included a shed

It can be seen from these sales that the market is willing to accept sections less than the classical 750m<sup>2</sup> site. Without examining all the sections available, it is assumed that this market acceptance for smaller sections has been because of the demand, limited supply, the lower price of the land component and the ability to buy a home and land package.

Currently on the Market there are three sections (not including the sites with the home and land packages at Central Cove). These sections are shown in the table below and range from 720m<sup>2</sup> to 770m<sup>2</sup>.

Address	List Price	Size in m <sup>2</sup>	Rate per m <sup>2</sup>
51 Beattie Road	\$350,000	770	\$455
12 Doug Wilson Crescent	\$320,000	754	\$424
4 Doug Wilson Crescent	\$270,000	721	\$374

It is understood that one of these properties was under contract for \$319,000, but the sale did not proceed. The agents representing these properties have noted that the level of enquiry has reduced for sections in the last few weeks. These sections have been on the market for longer than the average sale property sale time in Kawerau.

## 7. Real Estate Agents' Opinions

We have spoken with several residential real estate agents operating locally in Kawerau and also in the wider regional market. They had noted that the heat was coming out of the local market with the depth of purchasers not being as strong as over the last couple of years. This is consistent with the recent trends occurring nationally in the first quarter of 2022. Their opinions are generally in alignment with agents from neighbouring markets, and with wider market trends that we are experiencing first hand.

They believed the weakening market was being driven by:

- Uncertainty in the New Zealand housing market and economy generally.
- Increasing interest rates and tighter lending requirements reducing the number of potential purchasers in the market.
- Purchasers not seeing the current values prices being sustainable, given the rapid rise in values over recent years.
- Purchasers not seeing the asking prices being sought being congruent with the age and condition of the homes on offer. I.e., where the house may be affordable regionally, the condition of the housing stock is lessor quality that might be found in neighbouring property markets.
- Compression of gross rental yields. This is reducing the attractiveness of residential housing stock to investors as capital growth has outstripped rental and yield growth.
- Legislative changes increasing the burden of home ownership for rentals, which is putting people off becoming private landlords.
- Uncertainty around rapidly increasing construction costs softening section sales.

The agents we spoke to were supportive of a new subdivision within Kawerau. They believed the market was ready. They suggested:

- Keeping the pricing of finished homes at below \$700,000, to give purchasers more choice and provides for a greater buying pool.
- Have a strong design guidelines or covenants for the subdivision to protect value.
- Potentially limit the number of dogs allowed on each section through covenant use.
- Would be nice to see larger sections so the subdivision didn't have the same look and feel as Papamoa.
- Require all sections to be fenced.
- Giving more agents / housebuilders access to the subdivision to create competitive tension in the market and a more diverse array of choices for purchasers.
- Agents spoke of section values at around the \$350,000 mark. This would appear to be contrary to the market evidence on hand for existing sections within Kawerau.

## 8. Regional Comparable Subdivisions

The table below provides an overview of a variety of modern subdivisions from neighbouring towns, or towns of a similar size to Kawerau in the Bay of Plenty/ Waikato. This shows the market is willing to accept a wide variety of section sizes and housing options.

Address	Number of lots	Average Land Size (m <sup>2</sup> )	Smallest Lots (m <sup>2</sup> )	Largest Lots (m <sup>2</sup> )	Comment
Sentinel Drive, Ōmokoroa	A sample of 115 Lots	355	254	856	A varied selection of sections to provide housing choice
Manawa, Pāpāmoa	A sample of 87 Lots in stages 1 & 2	366	200	1,600	Large variety of housing choices, houses built in community spirit, include kaumātua units
Terrace View, Pāpāmoa	A sample of 294 Lots	383	274	839	One of Papamoa's many subdivisions
Highfields Crossing, Katikati	50	431	262	882	Offering a mixture of 2- & 3-bedroom homes consisting of standalone & duplex properties specifically designed within a landscaped and private community.
Wharenui Rise Stage 1, Owhata, Rotorua	52	557	281	780	Diverse section sizes to give choice to buyers. Stages to follow
Bronze Court, Pāpāmoa	46	586	411	727	One of Papamoa's many subdivisions
Omega Place, Coastlands, Whakatāne	47	586	411	727	Prime subdivision near the beach at Coastlands
River Terraces Ngāruawāhia	150	599	243	953	River Terraces is a residential lifestyle development located in the Waikato, north of Hamilton, offering prime sections.
Shaw Road, Whakatāne	64	619	423	1,094	Located in Shaw Road on the outskirts of Whakatane. Quality residential suburb to meet the critical demand for affordable sections
Earl Road, Matamata	46	793	625	1200	New subdivision on the eastern entry to Matamata

## 9. Conclusion

Kawerau population has shown growth in since the 2018 census.

The housing market in particular has been driven by:

- population growth.
- those being able to service mortgages a low interest environment.
- by investors chasing high gross yielding investment properties in an environment of spiralling rental prices.

The majority of the housing stock has reached its expected 50-year life span.

Purchasers can be seen to be accepting of:

- new larger homes on smaller sections through the market.
- town houses, units and flats through the building consents that have been issued in the last 5 years.

Optimising these levers will give residents and those wanting to move to Kawerau a wider choice in the type of dwelling they can live in.



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