

A Stocktake of
Manawatū District
Housing

He Tatauranga
Wharenoho ki te Rohe o
Manawatū

December 2020





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1.0

Introduction Kupu whakataki

The New Zealand housing market is a hot topic at present as increasing house prices and rental costs rise outside the reach of more New Zealanders. In the past, much of the attention has been on housing pressures in the large urban centres such as Auckland and Wellington. In 2020, house price growth in New Zealand’s regions substantially outstripped house price growth in the cities, with rental prices and growth in demand for housing assistance following suit.

MANAWATŪ DISTRICT VS NEW ZEALAND (YEAR TO DECEMBER 2020)

	Average house price growth	Average Weekly Rental price growth	Average Weekly Rental price growth
Manawatū District	↑ 21.4%	↑ 14.7%	↑ 132%
New Zealand	↑ 11.1%	↑ 6.3%	↑ 64.9%

While affordability and access to suitable housing is deteriorating both in the Manawatū District and across the nation, local outcomes have tended to be better than for New Zealand as a whole.

The key findings from the research are summarised below:

- The Census indicates housing outcomes in 2018 were better for residents of the Manawatū District versus New Zealand. Specifically, home ownership rates in the District were higher in younger age groups and for lower and middle income households than for New Zealand as a whole. Home ownership rates across ethnicities were also higher than the national average.
- While this is positive, housing market indicators since 2018 show that strong growth in house prices and rising rental costs are adversely affecting the affordability of housing in the District. In a nutshell, housing and rental affordability is deteriorating at a faster rate in the Manawatū District than nationally.
 - Median and average house prices in the District over the year to December 2020 increased by 22.1% and 21.4% respectively. This compares with a 19.3% increase in median house prices nationally and a 11.1% increase in average price for New Zealand.

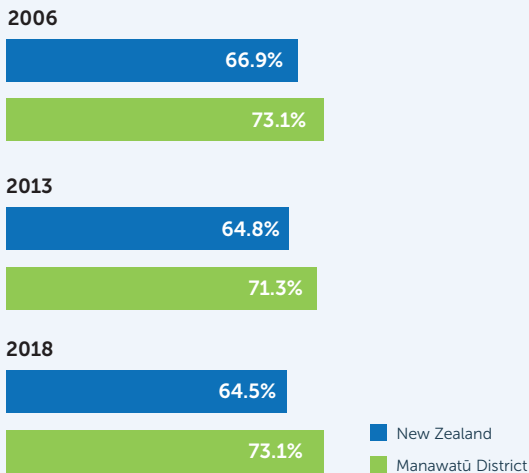
- Lower quartile (LQ) house prices are rising faster than median and upper quartile (UQ) house prices. Over the year to October 2020, LQ house prices increased by 21.5% to \$413,000. In contrast, median and UQ house prices increased by 16.4% and 16.3% respectively. Higher house price increases in LQ homes are eroding affordability for first home buyers and families on low to middle incomes.
 - Average weekly rental prices increased by 14.7% over the year to December 2020 compared with a 6.3% increase in national average weekly rents.
 - LQ weekly rents increased by 17.2% in the District, relative to an 11.1% increase in median (50th percentile) rents and a 4.7% increase in UQ rents. Substantial price increases for LQ rents places an additional burden on low-income families, reducing the level of disposable income available for other goods and services that contribute to wellbeing.
 - The length of rental tenancies is getting longer relative to the 1990s and early 2000s. This is positive in the sense that it implies longer market rental tenancies and greater security of tenure. It also indicates less rental stock available to the market.
 - Average incomes increased by 4.0% over 2020 relative to the 22.1% increase in median local house prices and 14.7% increase in median weekly rents.
- Dampness and mould in residential properties is associated with poor health outcomes. Rental properties in the Manawatū District are almost 7-times more likely to be always damp and 3.5-times more likely to report continual mould of larger than A4 paper size than properties that are owned, partly owned, or held in a family trust.
 - Wealth outcomes for homeowners are substantially better than for those that rent their homes. Home ownership is also becoming more dependent on the wealth of parents to support the next generation into home ownership. The difference in wealth and wellbeing outcomes for those who own property and those who do not, are likely to continue to widen over time unless policy is implemented that incentivises affordable housing development and ownership structures that support home ownership for more New Zealanders.
 - There were an estimated 12,351 dwellings in the District as at Census night 2018. Houses built between March 2018 and December 2020 are estimated at 515 with an additional 52 dwellings relocated to the district over the same period. The number of dwellings in the District as at December 2020 is estimated at 13,011.
 - There are several factors that have led to high demand for residential property in the District. Population and employment growth has driven demand for housing across both the housing and rental markets. Low interest rates and higher returns to investment in residential property have further fuelled demand and house price growth, while increasing costs of compliance have added to the price of supplying properties to the market.
 - The growth rate of rental property investment in the district has also declined, reducing the supply of rentals to the market relative to population; and, while consents for new dwellings are strong, they are not strong enough to keep up with demand.
 - The above factors in addition to price pressure in residential construction is adding to costs and fuelling record house prices and rental price growth.
 - The lack of affordability and availability of suitable residential properties in the District is reflected in the substantial increase in the number of families eligible for public housing and the exponential increase in Special Needs Grants for emergency housing in the District over the past two years.
 - Elevated demand for public housing is placing pressure on existing supplies of public housing in the District. Planned investment in additional public housing falls short of current needs, let alone the anticipated increase in need as a result of growth in the over 65 population and the further erosion of housing affordability in the District.

Housing in our District - a snapshot

The 2018 Census indicated there was a total of 12,351 private and non-private dwellings in the District. Of these, 11,232 were occupied private dwellings. Rental properties made up 3,012 of private occupied dwellings; 1,641 commercial rental properties plus 1,371 properties estimated to be part of the informal rental market. An additional 507 dwellings were empty on Census night and 546 had residents who were away. A further 69 dwellings were under construction.

In December 2020, there was an estimated 13,011 dwellings in the Manawātū District; an increase of 660 dwellings since Census night (6 March, 2020).

Owner-occupied home ownership rates



Manawātū District has a higher level of home ownership than the New Zealand average, and it follows, a lower level of renting. **In 2018, 26.9% of owner occupied dwellings in the district were rented as opposed to owned.**

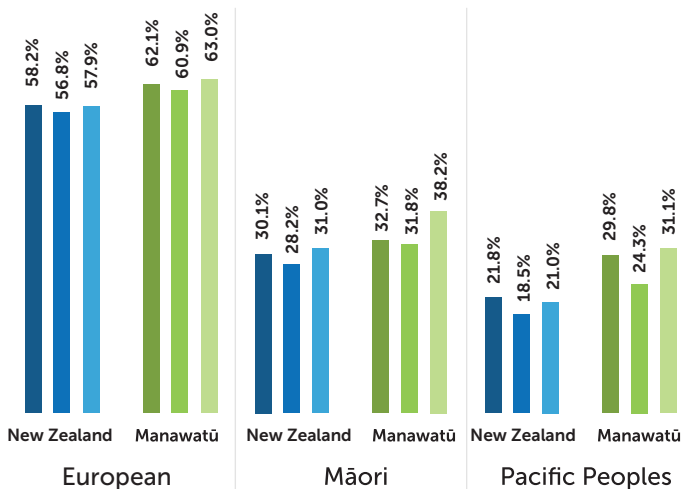
Growth in market rental properties slowed to 0.8% per annum between 2013 and 2018. This compares with 2.3% average growth per year between 2006 and 2013.

Home ownership of young people and those on low to middle incomes is also higher in the District than the national average.

44.8% of 20-29 year olds live in an owner-occupied dwelling in the district versus 26.8% across New Zealand.

44.3% of homes in the District are owned by households who earn < = \$70,000 per year. This compares with 40.9% of New Zealand households.

Individual home ownership rates by ethnicity



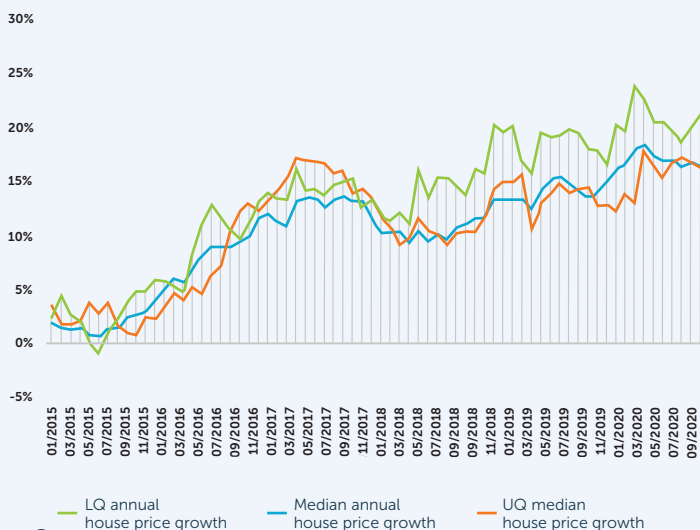
Local Māori and Pacific Peoples also have a higher level of individual home ownership than nationally, but this is still well beneath individual home ownership rates for residents of European descent.

Local rental properties are almost 7 times more likely to be 'always damp' and over 3 times as likely to constantly have 'mould of over A4 size'. Across household tenure, wealth outcomes are also worse for those who do not own their own home.

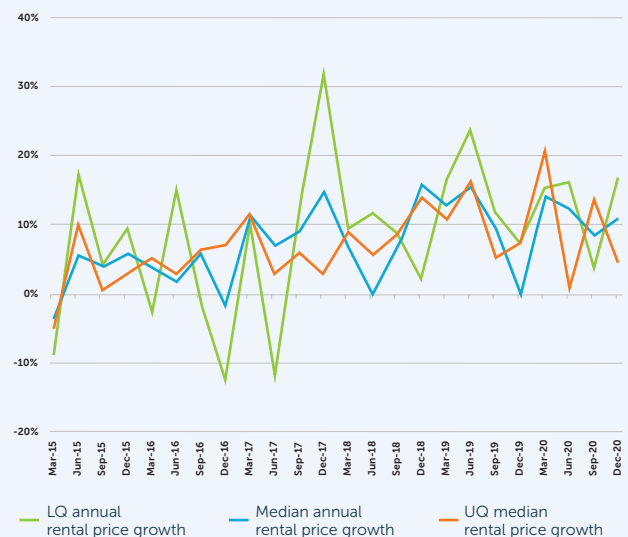
The costs of both buying and renting a home are increasing in the District

The cost of lower quartile housing for both renters and first home buyers is increasing faster than for higher value properties, increasing hardship for lower and middle income families.

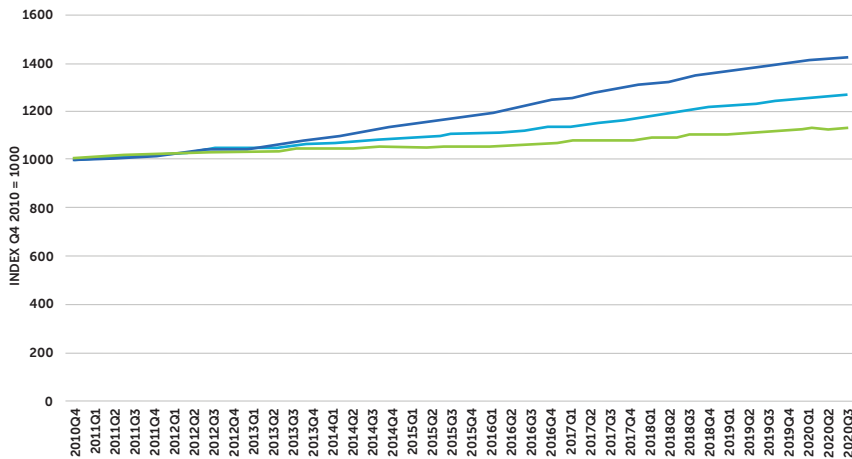
Annual house price growth



Annual rental price growth



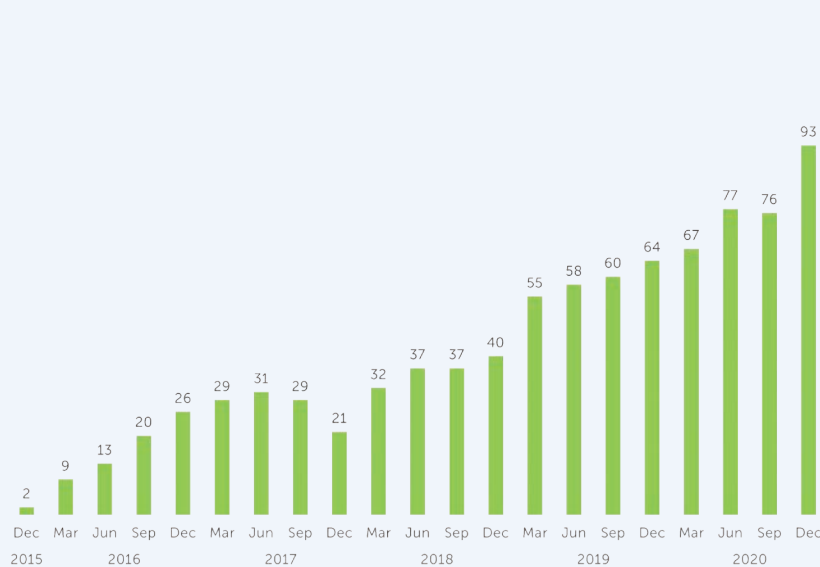
Residential Construction Producer Price Indices 2010 - 2020



New dwelling consents have averaged 170 per year over the five years to December 2020 compared with 104 per year for the previous five years. Despite the substantial increase in new houses built, the construction of new dwellings is not keeping pace with population growth.

Construction costs are rising much faster than many household goods placing additional upward pressure on house prices.

Sharp increases in housing and rental costs are driving greater demand for public housing



Public housing:

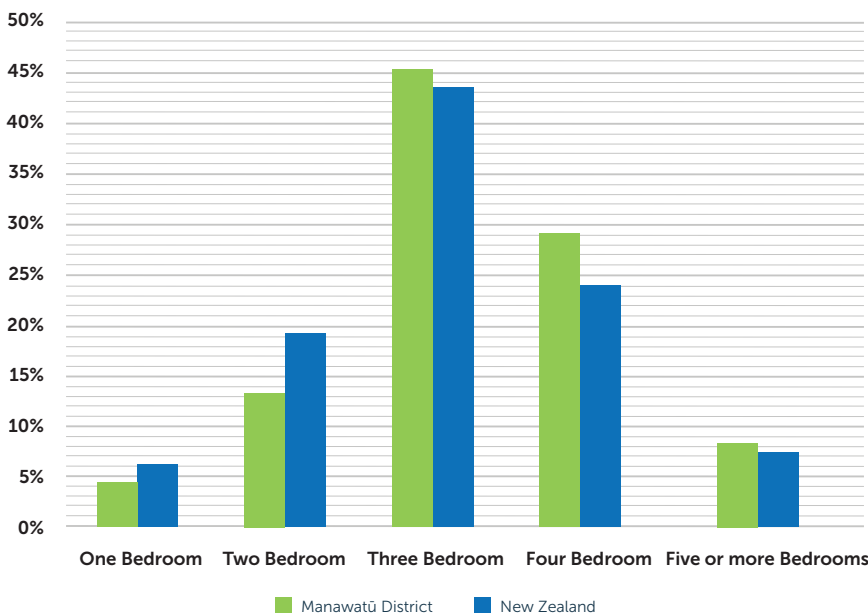
Increasing housing and rental costs and lack of availability is reflected in the number of families awaiting public housing in the District.

Emergency housing grants have increased sharply. In the June quarter 2020, **there were 105 grants for emergency housing in the District at a value of just over \$100k.** This compares with 6 grants in the March quarter 2018 at a value of just under \$4k.

Local public housing demand is dominated by the need for one and two bedroom dwellings.

In 2020, public housing available through Kainga Ora included 78 one and two bedroom dwellings and 76 homes with three or more bedrooms. Across the district, current housing stock indicates a higher proportion of houses with 3+ bedrooms and a lower proportion of one and two bedroom houses relative to the New Zealand average.

Our dwellings by number of bedrooms



Our houses tend to have more bedrooms **but our demographics are changing: Local residents aged 65+ are forecast to increase from 5,440 in 2020** to almost 9,200 in 2050. This implies a further shift toward demand for smaller dwellings.

In 2018, there was an estimated 126 people in our district estimated to be severely housing.¹ This is 41.8 people per 10,000 population. This compares with 88.6 people per 10,000 that are estimated to be severely housing deprived across New Zealand.

¹ Severely housing deprived includes those that are without shelter, in temporary accommodation and who are sharing accommodation



2.0

Supply and demand conditions

Ngā āhuatanga o te whakarato me te popono

The factors that have led to current housing market outcomes in New Zealand are many and complex and have been brewing across generations and through successive governments. Firstly, 'baby-boomers' were brought up in a time when Government policies emphasised home ownership and the growth of the suburban middle-class. This emphasis by government embedded the prevalence of home ownership in the New Zealand psyche, resulting in a building boom through till the mid-1970s and a cultural emphasis on home ownership that continues today.

Over the years, the vast majority of New Zealand housing has been developed and provided by the private sector. Government intervention into the housing market also has a long history, starting with railway housing suburbs

in the late 19th Century, worker housing in the early 20th Century, and eventually state housing from the 1930s onward. The policy drivers for these interventions have changed over time – from supporting a required workforce, encouraging population growth, through to the more recent focus on social equity. The emphasis and preference of tools (loans, home ownership support, direct provision of rental housing) has also waxed and waned over these times with changes in government. The changing face of government housing assistance over the generations is included in section 7.0 of this report, but in a nutshell, while the cultural emphasis on home ownership is alive and well, government financial support for home ownership has been deteriorating since the 1980s.

“From the start, public debate over state housing policy in New Zealand has centered on this very issue: how far should governments intervene in the housing market?”

State housing, The state steps in (and out), New Zealand History.

The restructuring of the New Zealand economy beginning in the 1980s adopted the stance that government was inefficient relative to the private sector, driving the mass privatisation of goods and services traditionally provided, at least in-part, by government. Public provision of housing was a casualty of the restructuring program.

The Labour government of 1984 removed the family benefit capitalisation scheme which enabled families to access government support payments in a lump sum to buy their first home. Market rents were also introduced to incentivise demand for private sector rentals and end the dependency of higher income tenants on public housing.

In the 1990s, the National government introduced market rents for all public-housing tenancies alongside adoption of the accommodation supplement (AS). The AS was introduced to reduce pressure on subsidised public provision of housing and was a way to encourage the private sector to provide housing for those who were closer to affording market rents. Also in the 1990s, the objectives of the Housing Corporation shifted more toward financial efficiency

due to conservative social policy reforms and the need to address structural deficits in the economy. In recognition of the public good objectives of public housing alongside financial efficiency, social objectives were restored to the goals of the Housing Corporation in 1996.

An estimated 12,000 state houses were sold in the 1990s. Subsequent National governments continued with plans to disinvest in public housing with the announcement of plans to sell a further 8,000 properties between 2015-2017. The intention of these policies was not to surrender responsibility for public and social housing to the private sector per se, but to grow the third-sector provision of social housing in our communities. Consistent with this intention, some of the properties previously owned by Housing New Zealand were transferred to Community Housing Provider ownership.

Local government has had, and continues to play a significant role in both the provision of social housing and the delivery of housing to the market through administration of the Resource Management Act 1991 (RMA) and Building Act 2002. How successful local government has been in creating the right conditions to support delivery of social and market housing has often been questioned. Over the years, local government has been criticised for inefficient management of social housing portfolios. Central government policy also excluded Council from access to Income Related Rent Subsidies (IRRS) to support the provision of low-income tenancies, favouring provision by CHPs. This disadvantaged local government provision of social housing relative to third sector providers.

Local government implementation of the RMA including District Plan settings have also been faithfully represented as a barrier to the delivery of market housing, imposing delays and additional costs on developers and failing to ensure adequate land supply to cater for market choice. These criticisms have grown louder as the mismatch between housing supply and demand has become increasingly evident. The RMA has become a political football as local government implementation has, rather simplistically, been blamed for inadequate supply of housing in its entirety. The challenges and failures of local government in planning for growth are discussed further in Table 1.2.

Policy settings across central and local government have contributed to the current 'housing crisis'. While successive governments throughout New Zealand's history have agreed that a level of public provision of housing is needed, an over reliance on the private market to provide for housing needs across time and socioeconomic circumstances has contributed to the current housing conditions. Housing developers are simply not incentivised to build housing that meets the affordability needs of all segments of the market.

The private sector will not provide public housing to maximise the well-being of vulnerable families and deliver the associated public benefits. This is a role for government.

A socially optimal level of housing generates positive benefits to both occupiers and wider society, that are not captured by the private market. In a nutshell, housing provides both public and private benefits. For example, having a warm and dry home provides security and wellbeing benefits to the inhabitants, while reducing the burden on the primary health sector. Educational outcomes are also deemed to improve with suitable housing, reaping both long term benefits to society and the productivity of the current and future workforce. In the reverse, where families cannot access housing, there are wider societal costs that fall outside the negative impacts on the family.

While the nature and scale of intervention may have changed over time, since the 1950s all governments have accepted that the state should provide homes for the poorest New Zealanders and those who suffer discrimination in the market. The current 'housing crisis' suggests however that policies to provide and influence housing supply across segments of the market have failed to provide housing at the price and quantity required to optimise the public good.

Acknowledging both the importance of housing to social outcomes and the complexity of factors that have contributed to current housing market conditions, Tables 2.1 and 2.2 provide a summary of demand and supply side factors that have contributed to current housing market outcomes.

TABLE 2.1: DEMAND SIDE FACTORS

Demand Side	Comments
Population growth	<p>The New Zealand population has been growing strongly over the last five years driving demand for both rental properties and owner-occupied housing. Following this trend, the district population has grown by 1.6% over the 5-year period versus an annual average of 1.1% over the previous 5-year period.</p> <p>While far fewer migrants arrived or left the country in 2020 compared with recent years (net gain of 44,100 over the year to December 2020)² house price growth posted record continued to accelerate over 2020.</p>
Local labour force growth	<p>The number of filled jobs in the district (excluding self-employed) increased by 14% in the September 2020 quarter versus the September 2019 quarter. This compares with a 0.2% increase nationally and a 5.7% increase across the region.</p>
Negligible returns to traditional investments relative to capital gains	<p>Average and median house prices continue to surge in the District increasing by 18.3% and 22.1% respectively, over the year to December 2020. This effect is observed across the western world currently as well as in the stock market as returns to investment in equities far exceed returns on bank deposits (currently between 0.8% - 0.9% per annum for one-to-five-year terms).</p>
Cheap money – Historically low interest rates	<p>The Overnight Cash Rate (OCR) has declined to a record low of 0.25% and market mortgage rates are advertised as low as 2.29%. The low interest rates are supporting demand which in turn, is contributing to record asset price inflation. Mass investment in new builds in the housing market in addition to appropriate investment in the accumulation of public and affordable housing is needed over a prolonged period to increase supply across high demand segments of the housing continuum.</p>

² Statistics New Zealand, 2021a.



TABLE 2.2: SUPPLY SIDE FACTORS

Supply side	Comments
Insufficient land supply	<p>Planning adequately for growth requires the relative accuracy of population and household growth forecasts to enable sufficient zoning of land, infrastructure investment and financial planning to enable growth works. Statistics New Zealand population and household growth forecasts have consistently underestimated population growth across New Zealand leading in many cases to insufficient planning for growth by local councils.</p> <p>The NPS-UD³ place greater requirements on Councils to ensure sufficient land is zoned to provide for residential development over the 15–20-year time frame but this still requires relative accuracy of forecasts. Based on current forecasts, sufficient land is zoned in the district to provide for residential demand and market choice as required by the NPS-UD however this is unlikely to cater for all segments of market demand. Policies to support more affordable housing options within the district will provide for greater market choice.</p>
Residential infrastructure costs	<p>Ageing infrastructure and the investment required to address quality issues adds substantial costs to the development of land for residential development. Upward pressure on the marginal price of new housing, due in-part, to the need to fund infrastructure is contributing to supply side costs and adding to price pressure in the housing market. Substantial rate rises also add to the accommodation costs of homeowners and contribute to price increases for renters. Large rate rises have the potential to reduce demand for property placing downward pressure on house price growth. Recent housing demand however has proven insensitive to price increases. Hence, rate rises are expected to have an inconsequential impact on demand under current market conditions.</p>
Local government funding constraints	<p>Fiscal centralisation and limited funding tools available to local government to fund large scale infrastructure projects have constrained some local government authorities to provide for residential development.</p>

³ Ministry for the Environment, 2020a

Residential construction price pressures

The cost of building is rising with growth in both construction input and output prices substantially exceeding price growth of other household goods. The Quarterly Economic Survey (December 2020) showed the number of construction jobs increased by 17,600 over 2020.⁴ This indicates growth in labour capacity in the sector which will support both the building sector and regulatory functions such as those administered by local councils. Supply chain constraints and rising material costs, however, are likely to continue to put upward pressure on the price of residential property (see figure 5.1).

Market failure

The market will not provide for the public good benefits of housing resulting in suboptimal provision of social and affordable housing relative to demand.

Commercial developers are motivated by profit maximisation. Affordable housing development will not maximise profit and therefore will not be provided in total by the market. Government intervention is required to ensure housing supply in non-market housing. Successive governments have failed to implement policy to incentivise supply of housing across the continuum or the important role of government in delivery.

Regulatory failure

New Zealand tax policy favours investment in market housing and disincentivises upgrades to rental properties. Firstly, capital gains earned on residential property is not considered income unless the property is not the principal family home and is sold within 10-years of purchase. The bright-line test applies in this case and tax is paid on the profit earned from sale of the residential property. Outside of this scenario, income earned on buying and selling residential property is essentially tax free.

Secondly, the tax system applies a depreciation rate of 0% on capital expenses that improve the quality of a rental property. For example, the expense of installing insulation to a dwelling to meet the healthy home standards is not deductible, and subject to a 0% depreciation rate along with the building. Expenses to upgrade insulation of a property above the existing standard attract the same treatment. Minor works and maintenance and repairs that do not change the character of the building and capital that is considered separate from the building such as heat pumps are deductible and/or depreciable.

Build-to-rent tax incentives in New South Wales are an example of how the tax system can be used to incentivise investment in new housing to meet the demand for affordable, quality and secure rental housing.⁵

⁴ Statistics New Zealand, (2021b)

⁵ Property Council of Australia, 2021

Financial market settings

Reducing access to capital for investment in new builds through policies such as LVR restrictions will reduce the (AS) Aggregate Supply of houses to the market. On the other side of the equation, demand from investors or speculators in existing housing is adding to demand and contributing to house price inflation. Financial market risk aversion is also limiting investment in new models of assisted and public housing.

Public good benefits of housing quality

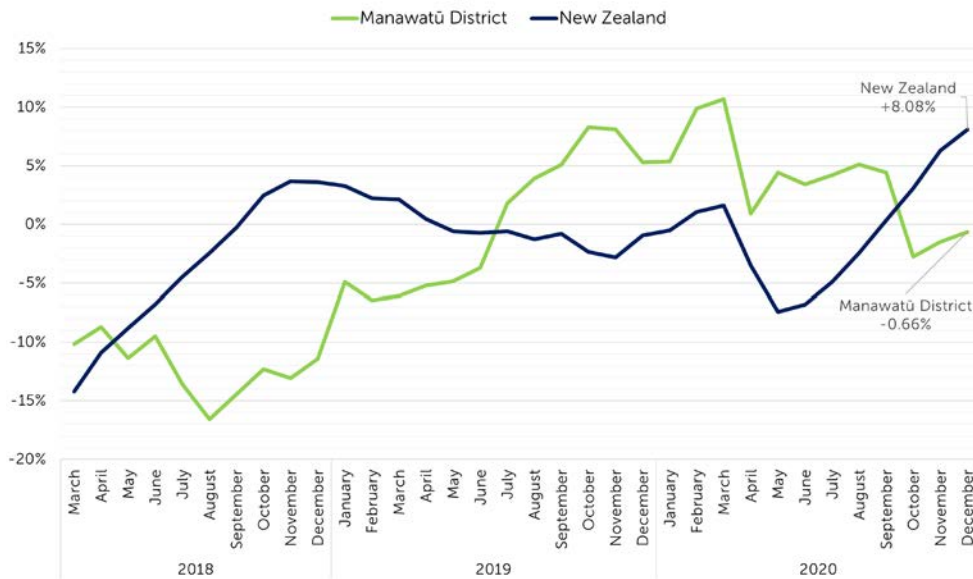
Ensuring sufficient quantity and quality of housing provides substantial positive benefits to society. However, a regulatory approach to achieving this also risks imposing additional costs on renters as landlords pass on the costs of compliance. The government should consider policies that reduce the cost imposition on landlords and reduces pressure on rental prices to tenants, such as through targeted tax incentives for quality improvements and to incentivise investment in affordable, quality, and secure housing.



Housing market interventions available to Manawatū District Council are discussed within the Manawatū District Council Housing Programme Establishment Report.

Declining house sale volumes in 2020 also placed pressure on local house prices.

Figure 2.1: Change in house sale volumes – Manawatū District 2018-2020

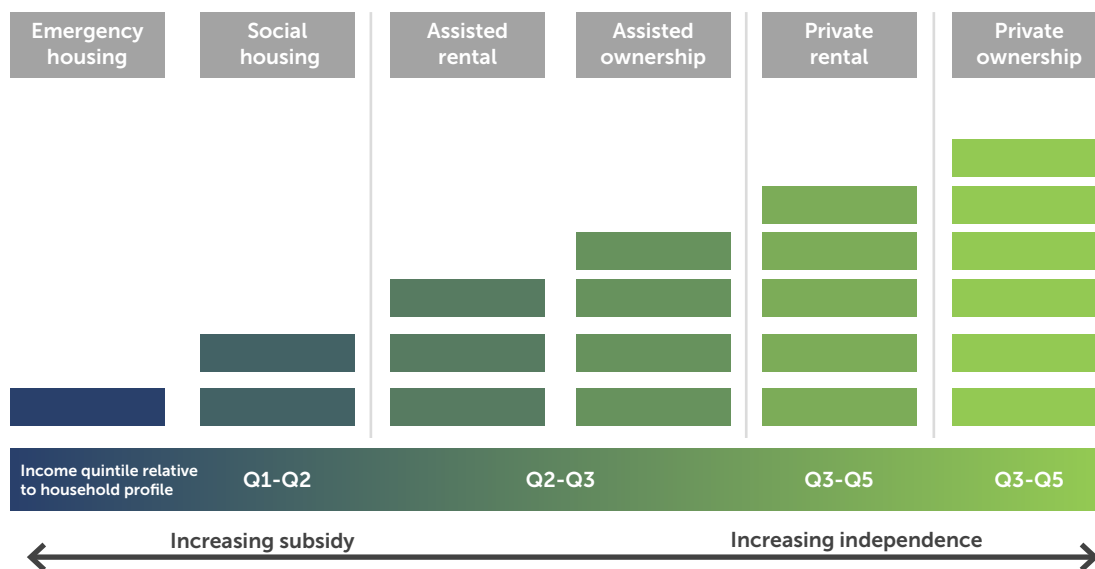


Source: REINZ, 2021a

2.1 The Housing Continuum

Apart from the market and government, Community Housing Providers (CHPs) are active in providing homes to meet a range of housing needs in New Zealand, where people are not able to afford or access private market properties (either rented or owned). The housing continuum is illustrated below.

Figure 2.2: The housing continuum



Source: Community Housing Nga Wharerau o Aotearoa, 2020.

The purpose of the continuum is to show how performance in one part of the continuum impacts on access to housing across other parts of the continuum. For example, as accommodation costs increase, a great proportion of families are driven into assisted and public housing. This is being observed more as house prices and the costs of providing private rental properties to the market continues to increase.

This raises the need to consider new tools to drive investment in affordable, assisted, and public housing to provide for housing needs in addition to new models to enable CHPs to support the community toward increasing independence. This also raises the potential role for collective ownership models in improving access to quality affordable housing. Papakainga and body corporate ownership models are two such mechanisms with the potential to improve outcomes for people who face barriers to home ownership. At the local government level, this can be considered within District Planning processes and policy settings. Central government also has a role to play in ensuring legal ownership structures which improve the outcomes of collective ownership, in particular the enhancement of well-being and wealth outcomes.

“ Māori are disproportionately represented on state housing waiting lists. They are more likely to live in housing of poor condition compared with the rest of the population. Māori are also less likely than non-Māori to own their own home. ”

Office of the Auditor General, 2011

For Māori, this includes reducing the barriers to development by de-risking bank lending for affordable housing development on Māori land, supporting Papakainga housing development through the district plan process and central and local government investment in high quality infrastructure to support quality Papakainga development. As above, development of ownership structures which improve outcomes for collective ownership would also support intergenerational wealth and wellbeing outcomes for Māori.

“ Māori land is an asset that can make building a house more affordable for those who hold shares in the land. Where Māori already own the land, the costs of developing houses are reduced. This reduction can range from 15% to 40%, depending on land values. ”

Office of the Auditor General, 2011

The following chapters provide the latest data on both market and non-market housing characteristics in the Manawatū District.





3.0

Home ownership Te rangatiratanga whare

Latest Corelogic research to December 2020 estimates that it would take 5.5 years to save for a deposit in the District versus 9 years on average across New Zealand. While this is relatively positive for the District, the estimated length of time to save for a deposit has deteriorated from an average of 4.6 years over the period 2004-2020.

Corelogic, 2021

The significance of home ownership has been drummed into the New Zealand psyche throughout the 20th century. However, with strong growth in house prices and rising rental costs, fewer New Zealanders today can either afford the escalating house prices or save for a deposit.⁶

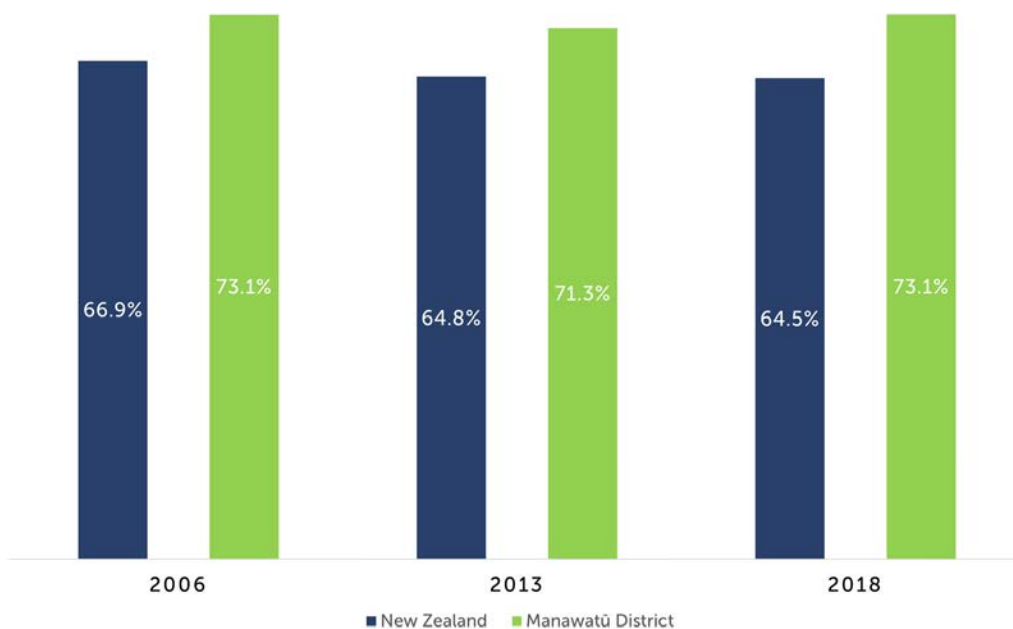
With prices escalating, home ownership is becoming more-and-more dependent on the wealth of parents to support the next generation to buy their first home. It follows that for poorer families, home ownership is becoming further out of reach. As housing costs continue to rise excluding more kiwis from home ownership, wellbeing and wealth outcomes between those who own property and those who do not, can be expected to widen further.

⁶ Corelogic estimates are based on the average household income versus the average house price in each period.

Rates of home ownership in the Manawatū District are higher than for New Zealand, but market conditions are deteriorating.

In the Manawatū District, rates of owner-occupied home ownership are holding up. This compares well nationally, where rates of homeownership have been declining since 2006.

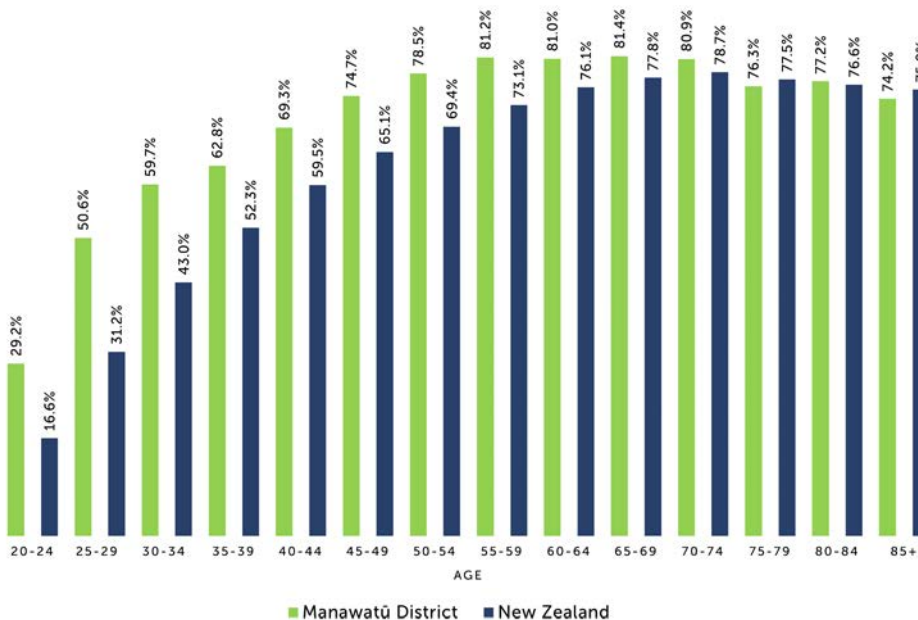
Figure 3.1: Owner-occupied home ownership⁷ 2006 to 2018



Source: Statistics New Zealand, 2020a

Reflecting the relative affordability of local home ownership, home ownership rates are also higher amongst younger age-groups in the District relative to the national average.

Figure 3.2: Home ownership rates by age (2018 Census)

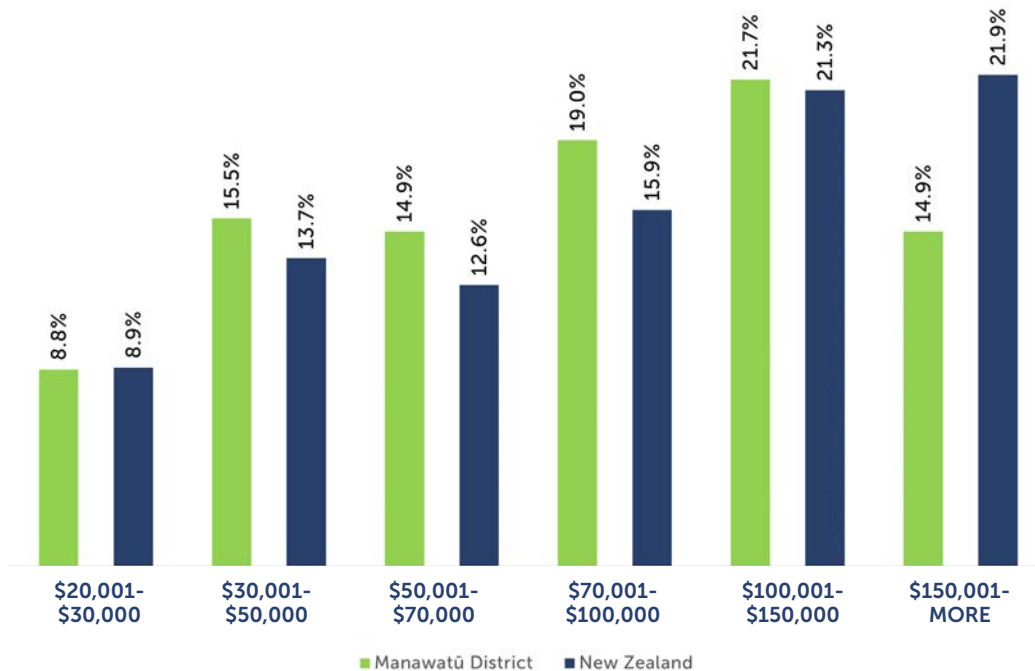


Source: Statistics New Zealand, 2020a

⁷ Owner occupied - Dwelling fully or partially owned by one of the members usually resident in the household. A dwelling held in a family trust is owned by the family trust, and therefore, the household does not directly own the dwelling but in dissemination is still considered owned.

Home ownership rates for low to middle income families are also higher in the District than for the national average.

Figure 3.3: Home ownership by income level (Census 2018)



Source: Statistics New Zealand, 2020a

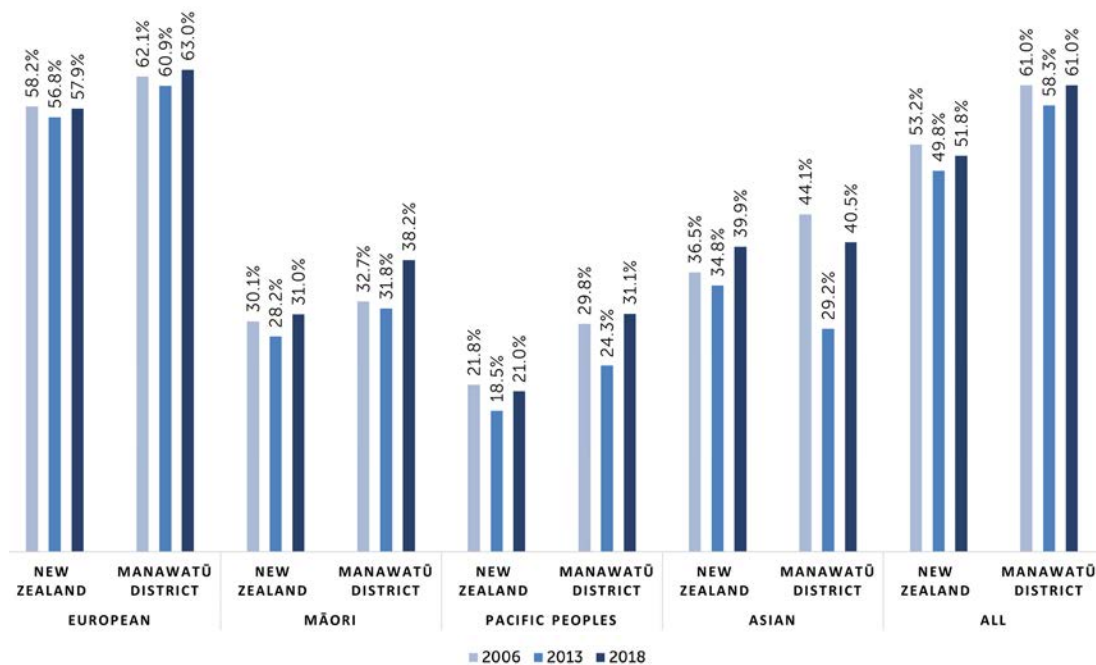
The analysis of ownership across ethnicities is based on individual home ownership as opposed to owner-occupied data. Individual home ownership focuses on the tenure of the oldest person in the house and differs from owner-occupied ownership in the sense that it does not consider the status of family members within the family home. It follows that reported home ownership is lower than reflected in the owner-occupied statistics.

The 2018 Census indicated that individual home ownership across ethnicities is also higher in the District than for New Zealand. As reflected in home ownership levels overall, and across age groups and income levels, the affordability of the district relative to much of New Zealand has resulted in greater access to home ownership for local people.



A greater proportion of local Māori and Pacific Peoples own their own homes relative to New Zealand, but individual home ownership is still well behind ownership by European residents.

Figure 3.4: Individual home ownership rates by high level ethnic group – 2006 to 2018⁸



Source: Statistics New Zealand, 2021c

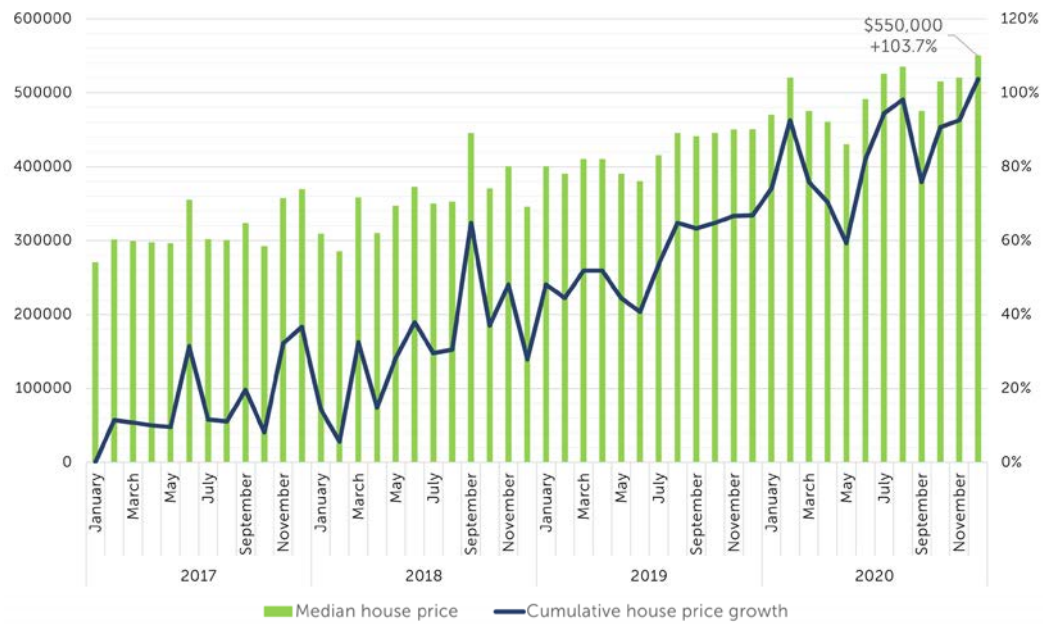
3.1 House prices and affordability

As discussed, the 2018 Census data indicated that home ownership outcomes are substantially better in the District than for much of New Zealand. While relatively speaking this remains the case, regional and local house prices posted record gains in 2020. Specifically, to the year ended December 2020, median house prices across the Manawātū-Whanganui Region increased by 31.3% to \$528,000. In the district, the median house price hit \$550,000; an increase of 22.1% from December 2019. This compares with a 19.3% increase in median house prices nationally.

Average house prices also increased strongly over the year to December 2020. Nationally, the average house price grew by 11.1% to an average value of \$788,967 in December 2020. In the District, average house prices remain lower than the national average but are growing at a substantially faster rate. To December 2020, the average house price in the District was \$523,227, an increase of 21.4% since December 2019.

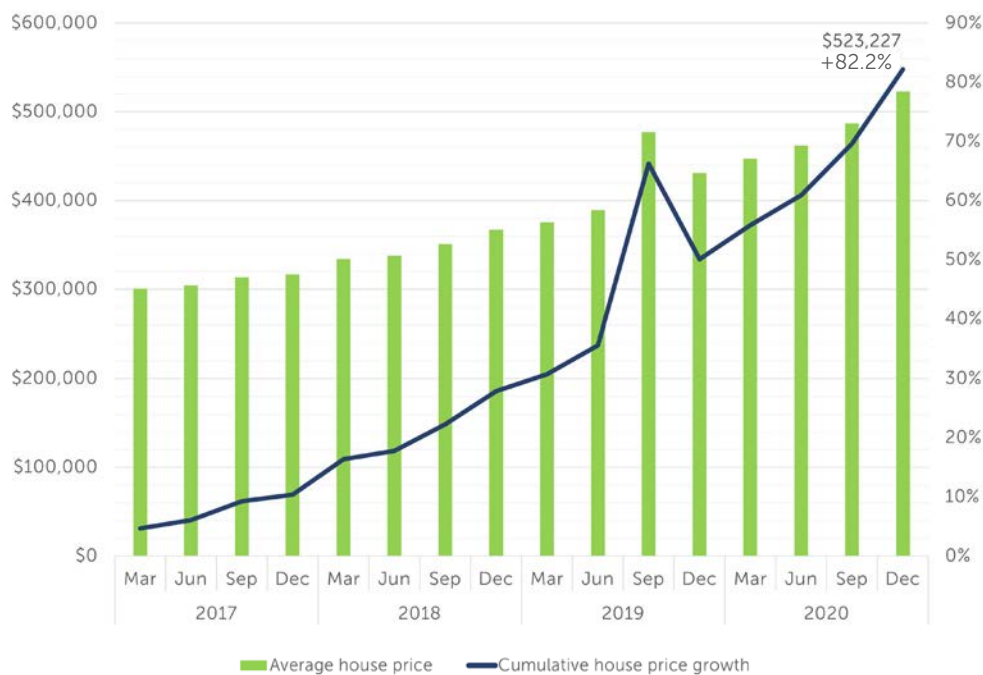
⁸ Individual home ownership indicates whether a person aged 15 years and over owns (or partly owns) the dwelling they usually live in or holds the dwelling in a family trust. This variable provides information on home ownership at the individual level i.e., whether individual people own their home or not. This is different to tenure of household which indicates home ownership at the household level i.e., whether one or more household members own their home or not.

Figure 3.5: Median house price and cumulative growth – Manawatū District (2017-2020)



Source: Corelogic, 2021b

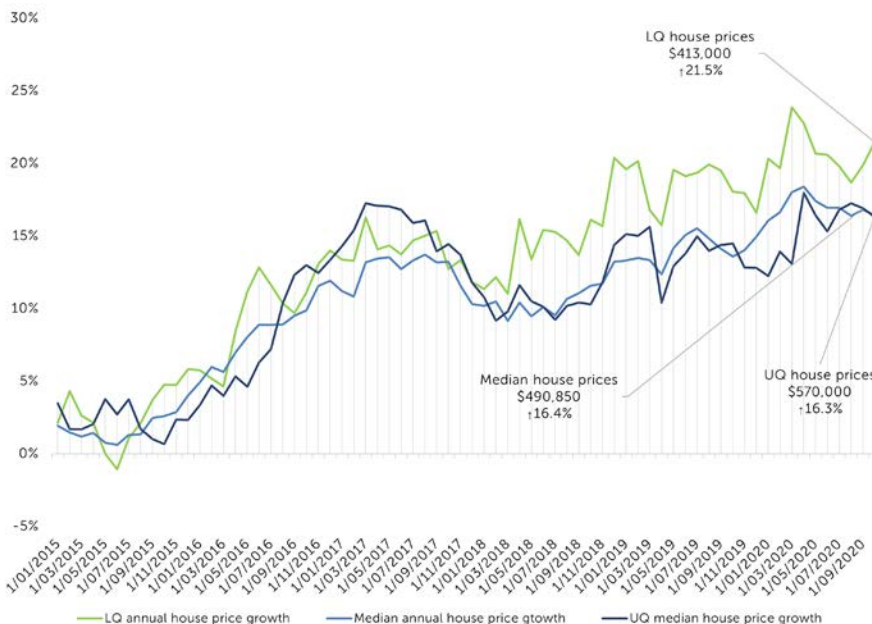
Figure 3.6: Average house price growth Manawatū District (2017 to 2020)



Source: Corelogic, 2021c

Over the year to October 2020, LQ house prices increased by 21.5% versus approximately 16.0% for median and upper quartile prices. Over the five years to October 2020, LQ house prices increased by a total of 108.6%. This compares with increases of 83.6% and 90.0% for median and upper quartile (UQ) prices, respectively.

Figure 3.7: Manawatū District LQ, Median and HQ house price growth



Source: Corelogic, 2021d

As illustrated in figure 3.8, average house prices are rising much faster than incomes in the District. Over the year to March 2020, average house prices increased by 22% relative to a 4% increase in average incomes. The difference between house price growth and income growth is much less nationally. Specifically, over the year to March 2020, the average house price across New Zealand increased by 4.2% relative to a 3.6% increase in income. This indicates that house price affordability in the District is being eroded at a faster rate than in other parts of the country.

Lower quartile house prices are rising faster than higher value homes, placing an additional burden on first home buyers and lower income earners.

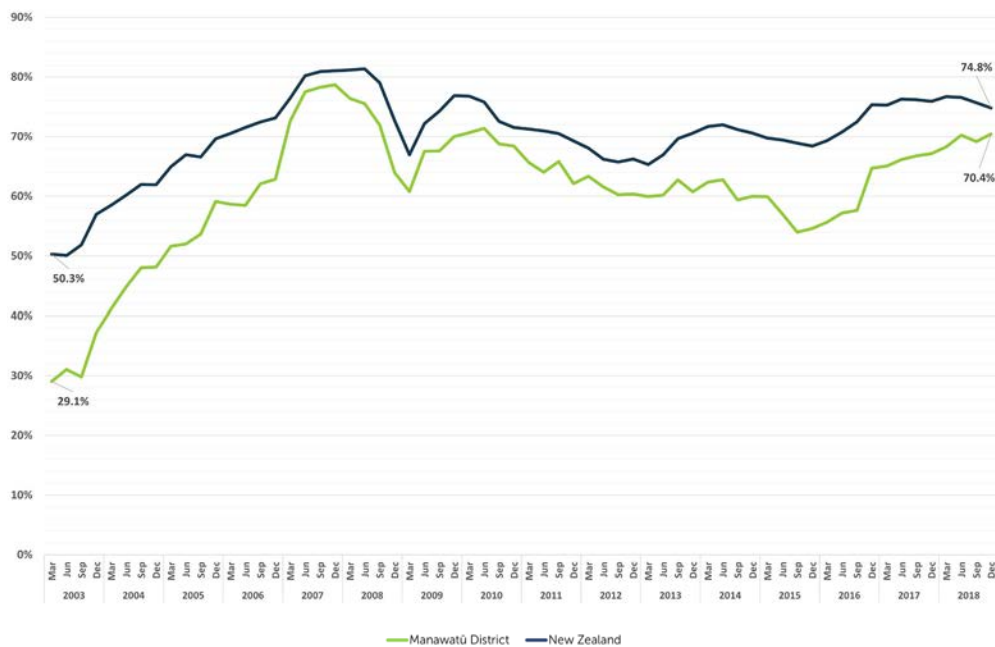
Figure 3.8: Manawatū District annual average house price and income growth



Sources: Infometrics, 2021a; Corelogic, 2021c

Affordability for first home buyers has declined substantially since the early 2000s. In December 2018, 70.4% of first home buyers were spending more than 30% of their income on housing costs compared with 29.1% in 2003. In 2003, a substantially lower proportion of first home buyers in the District spent more than 30% of their income on housing costs (29.1% District versus 50.3% NZ). In 2018, this had eroded to within 5 percentage points with 70.4% of District first home buyers paying more than 30% on housing costs relative to New Zealand at 74.8%. The substantial increase in house prices since December 2018, is expected to have eroded housing affordability for first home buyers further, despite lower mortgage interest rates and the removal of LVR restrictions over 2020.

Figure 3.9: Share of first home buyer households spending more than 30% of income on housing costs



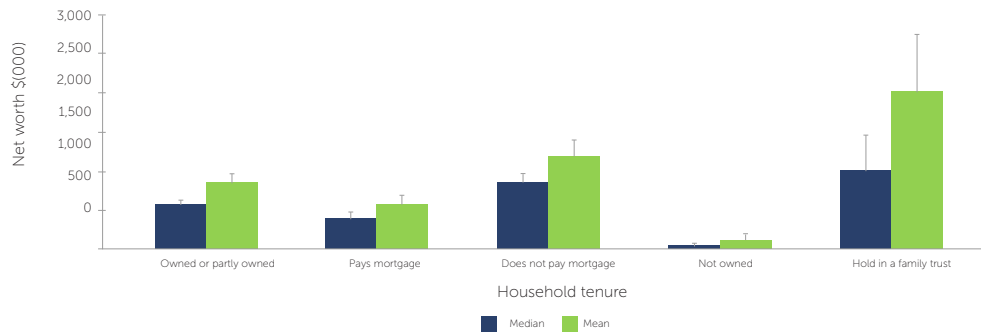
Source: Ministry of Housing and Urban Development, 2019a



3.2 Housing ownership and wealth distribution

Wealth outcomes for those who own property versus those who do not, clearly shows the inequality that lack of access to home ownership imposes on individuals and families. As more young people rely on their parent’s wealth to buy their first home, intergenerational inequalities will be exacerbated.

Figure 3.10: Median and mean net worth of households, by household tenure, June 2019

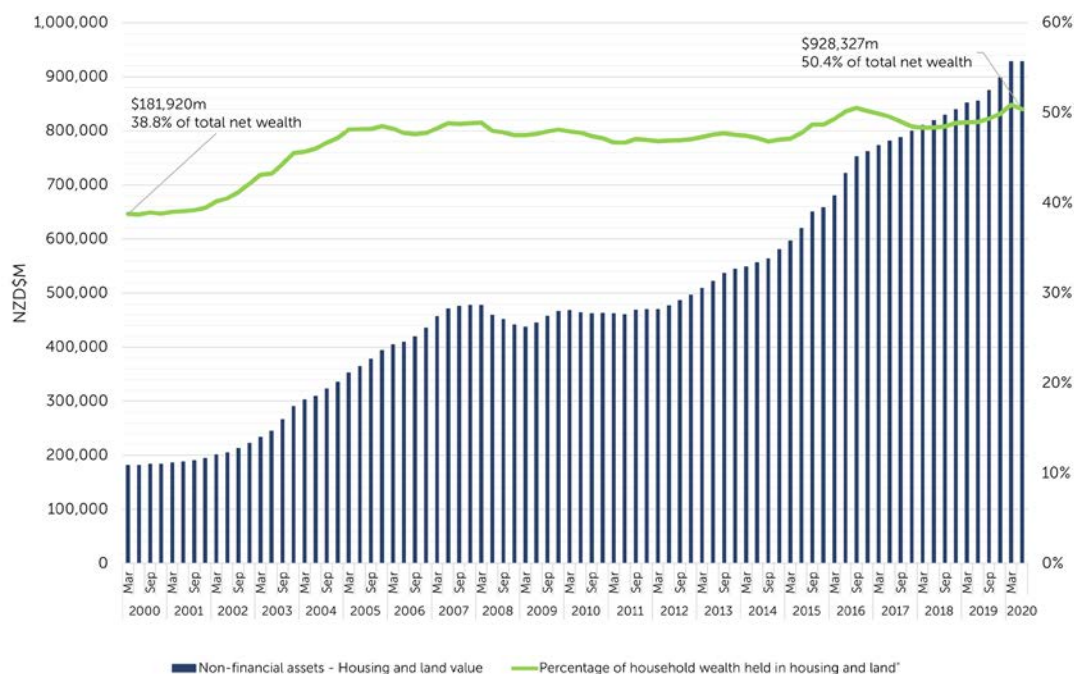


Source: Statistics New Zealand, 2020b

Across New Zealand, a growing proportion of household wealth is held in housing and land (non-financial assets).

In 2000, 38.8% of net household wealth was held in housing and land assets. In June 2020, this had grown to \$928.3 trillion or 50.4% of net household wealth. The increased proportion of wealth held in housing and land is a consequence of strong demand driven by higher-than-expected population growth, cheap money, and high capital returns to housing relative to traditional investments, policy which has increased the marginal price of housing, and disinvestment in housing supply across the public and social housing continuum.

Figure 3.11: Household wealth in non-financial assets – 2000 to 2020



Source: Reserve Bank of New Zealand, 2021a

As indicated in figure 3.11, wealth held in land and housing tends to increase in periods of strong asset price inflation. Elevated returns to housing are driving levels of investment and increasing the vulnerability of the financial system from a possible asset price correction or increasing interest rates and a decline in the ability of households to service mortgage debt. This is a factor that needs to be watched as government considers their policy response to the housing market crisis, including directing the Reserve Bank of New Zealand (RBNZ) to consider house price inflation in their remit.



4.0

The rental market Te māketē rīhi whare

With strong growth in house and land values, infrastructure costs and increased regulatory compliance, rental properties are becoming less affordable, demand for non-market housing is increasing, severe housing deprivation is evident in the local community, and the need for state assistance is ballooning. Growing market demand when there is already an inadequate supply of affordable housing is creating intense pressures and driving up the cost of market renting.

The rental stock is also becoming less likely to turn over and tenancies are gradually becoming longer (see figure 4.10). While this is positive in the sense that tenants are having to move less, it also implies fewer rental properties are becoming available to renters. These trends are consistent with a tighter rental market and the observed erosion in the availability and affordability of housing across the continuum. The unsustainable rise in rental prices in the District is reflected in figure 4.1 which compares average rental prices with income growth.

Figure 4.1: Manawatū District annual average rental price and income growth



Source: Infometrics, 2021; Ministry of Business, Innovation and Employment, 2021

As accommodation costs increase at a rate higher than income, more families have been pushed into the affordable and assisted housing spectrum of the housing continuum. This raises the need to consider new tools to enable assisted and public housing to maximise the public good.

4.1 Rental Stock – Manawatū District

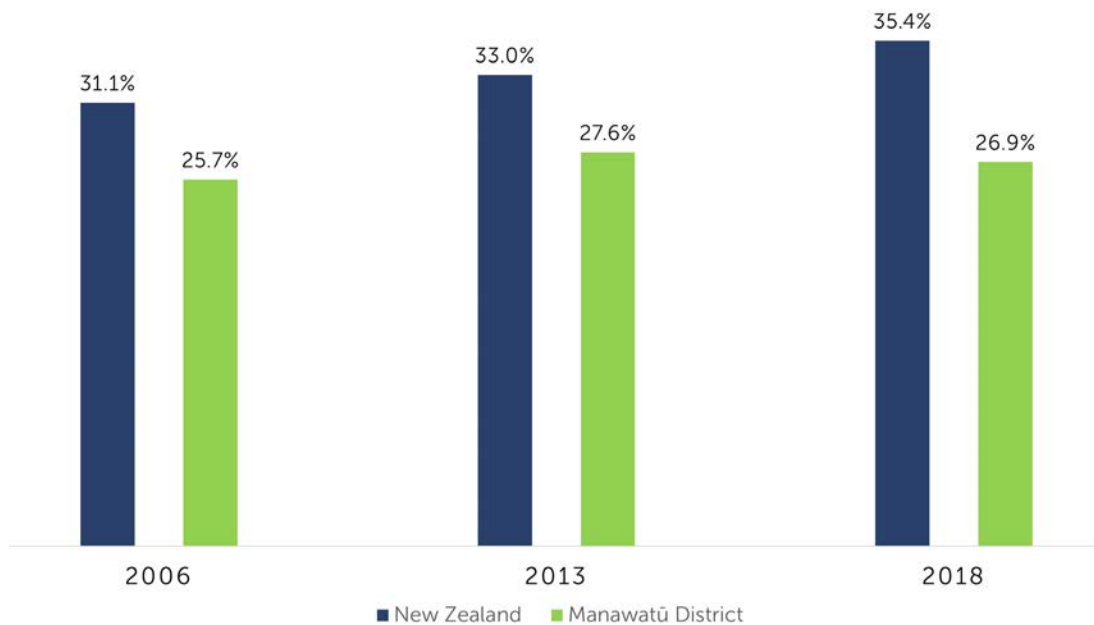
A lower proportion of the Manawatū District population rent their homes relative to the New Zealand average.

The rental stock is made up of both the formal and the informal rental market. The formal rental market is revealed through bonds lodged with Central Government tenancy services while the informal rental market is where property is either rented or provided free without the tenancy being lodged with tenancy services. As such, the total rental stock by area is estimated from the number of households reported within the Census that are neither owner nor held in a family trust.

The percentage of dwellings not owned or held in a family trust in the District (the estimated rental stock) was 26.9% of the total housing stock as at March 2018. As a percentage of total properties, this is a decline of 0.7% from the 2013 Census, and a 1.2% increase compared with 2006.

In nominal terms, the total rental stock has increased from 2,484 properties in 2006, to 2,892 in the 2013 Census, to a total of 3,012 properties in the 2018 Census. While the number of rental properties has increased, growth rates are poor with rental properties increasing a mere 4.1% between 2013 and 2018. This is an average of 0.8% growth in rental stock per year versus an average of 2.3% growth per year over the period 2006 to 2013⁹. A lower rate of homes not owned by the occupants is positive in the sense that access to home ownership is higher locally than for much of New Zealand; however, it also implies that growth in rental properties is falling short of the growth in demand.

Figure 4.2: Rental stock – the percentage of occupied dwellings not owned or held in a family trust



Source: Statistics New Zealand, 2020a

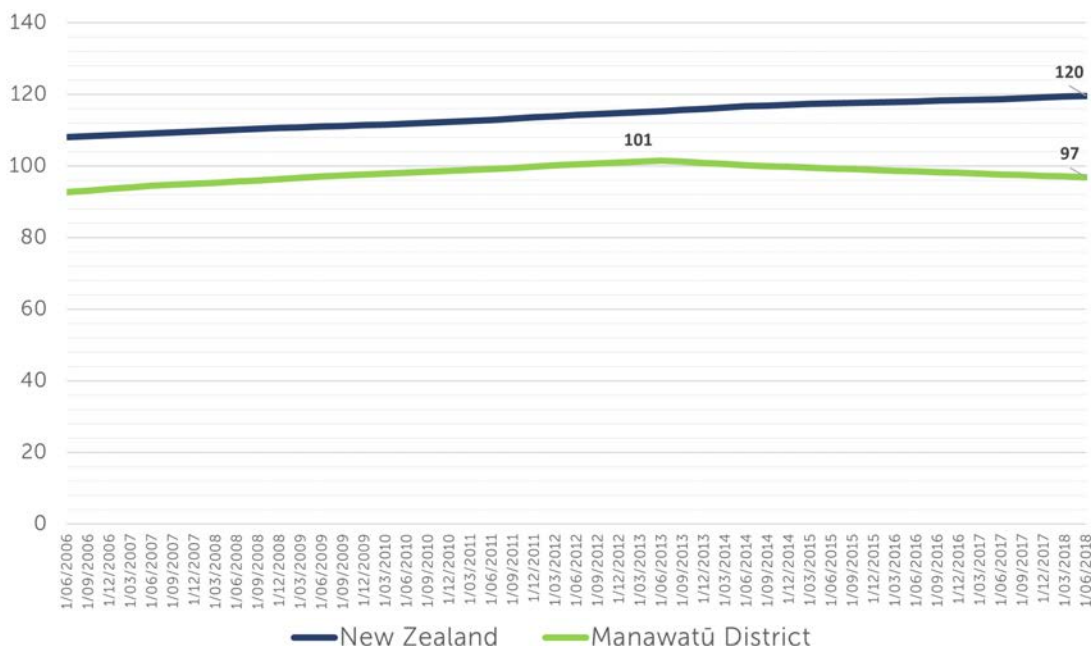
⁹ There was a 16.4% increase in the total rental stock in the District over the period 2006 to 2013 (Statistics New Zealand, Tenure of household).

Local rental stock per 1,000 population has been declining since 2013. In contrast, national rental stock by population has been steadily increasing over time with 120 rental properties available per 1,000 population in contrast to 97 per 1,000 population in the District.

As discussed, the availability of rental housing is measured by both private rental properties and Census data of households not owned or held in a family trust. Comparing these measures provides an indication of how the total rental stock is changing over time.

Comparing these measures for the District, both the quantum of market rentals and dwellings not owned or held in a family trust, is fewer per 1,000 population than at the national level. Specifically, market rentals in the District were 51 per 1,000 population in 2018 versus 78 per 1,000 population across New Zealand, and total rental stock was 97 per 1,000 locally versus 120 per 1,000 population nationally. The local rental stock has also declined from its peak of 101 per 1,000 population between 2012 to 2014. Overall, rental stock per 1,000 population in the District has been declining since 2013 relative to nationally, where rental stock by population has been increasing over time.

Figure 4.3: Total rental stock per 1,000 population – Manawatū District versus New Zealand

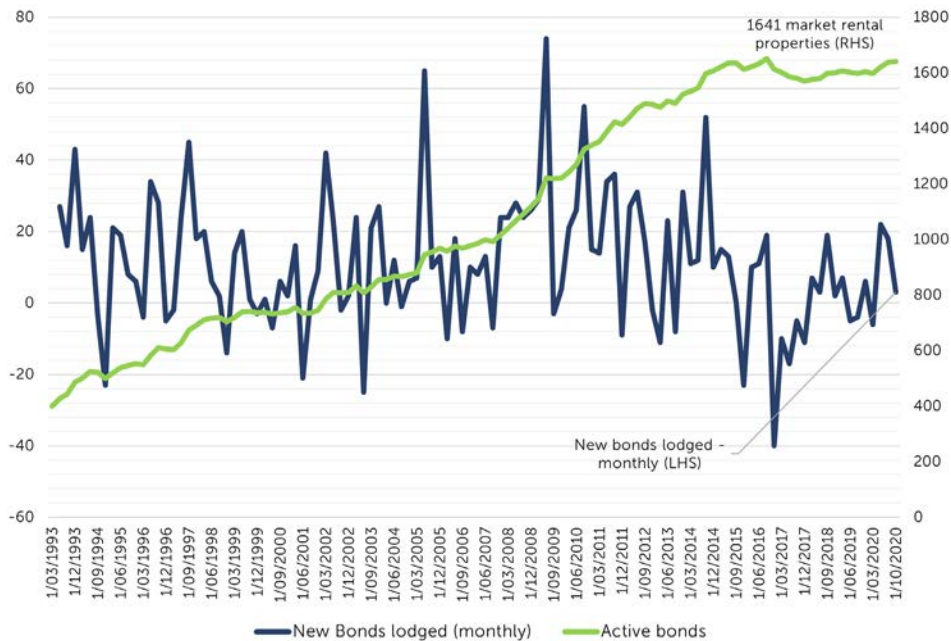


Source: Statistics New Zealand, 2020a; Statistics New Zealand, 2020c

Estimating the total rental stock is not easily achieved outside Census data. For market rentals however, monthly bond and rental data provide an up-to-date picture of the private rental market in the District including growth in market rentals and the number of new bonds as a proportion of total bonds. As indicated, the number of new bonds has been declining since 2013 while growth in commercial rental properties has also slowed markedly since then.

The 2018 Census indicated there were a total of 12,351 private and non-private dwellings in the District. Of these, 11,232 were occupied private dwellings. Rental properties made up 3,012 of private occupied dwellings; 1,641 commercial rental properties plus 1,371 properties estimated to be part of the informal rental market. An additional 507 dwellings were empty on Census night while there were 546 properties with residents away. 69 dwellings were under construction.

Figure 4.4: Local market rental properties versus monthly new bonds – October 2020

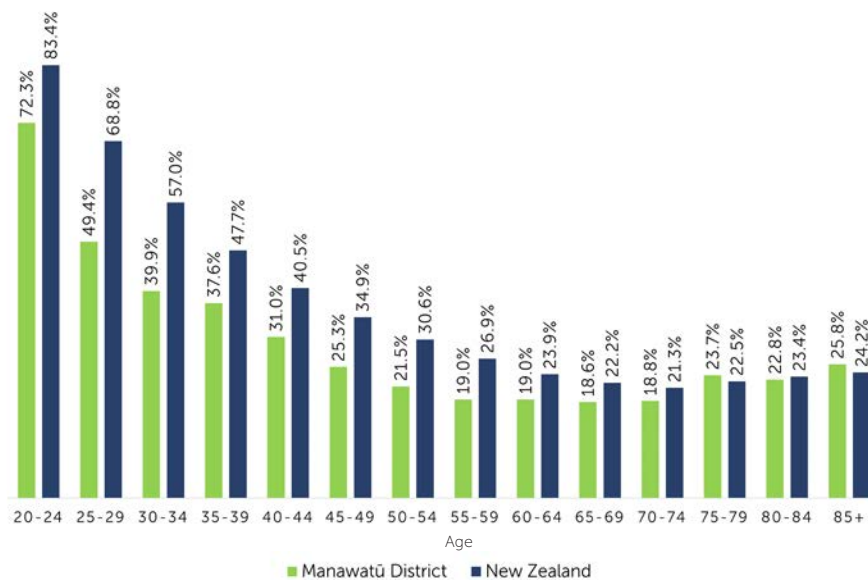


Source: Ministry of Business, Innovation and Employment, 2021

4.2 Rental tenure

Consistent with local rates of home ownership relative to national, Manawatū District has a lower percentage of renters across most age groups. Of note, the percentage of renters across age groups only exceeds national figures in the 75-79 year and 85+ age groups. This implies that a greater proportion of our older resident’s experience material hardship than at the national level. It also raises concerns that as rents rise, the wellbeing of our older renters on fixed incomes, will be eroded further.

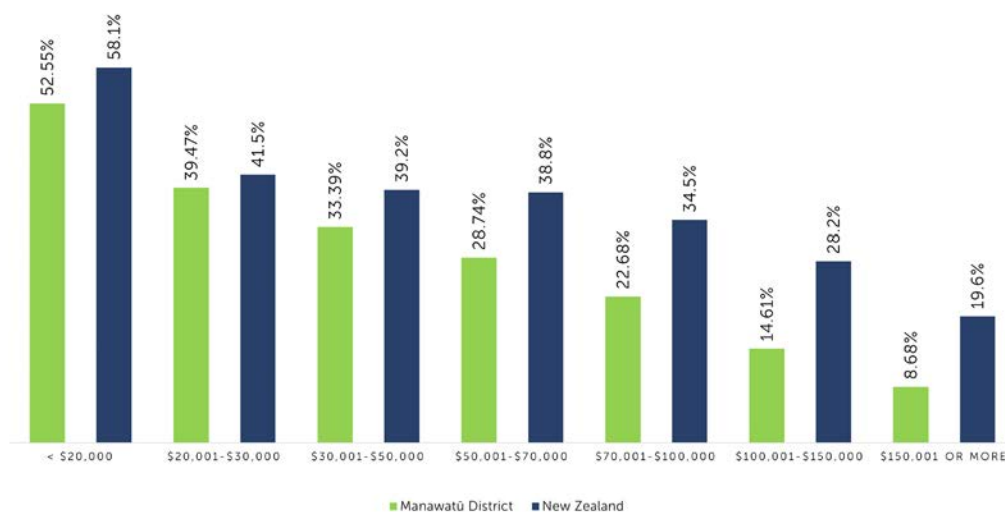
Figure 4.5: Renting by age group (2018 Census)



Source: Statistics New Zealand, 2020a

It also follows that the proportion of renters across income levels is lower in the Manawatū District than nationally. This is the case across all income levels, indicating there was better access to home ownership in the District in 2018 relative to much of New Zealand.

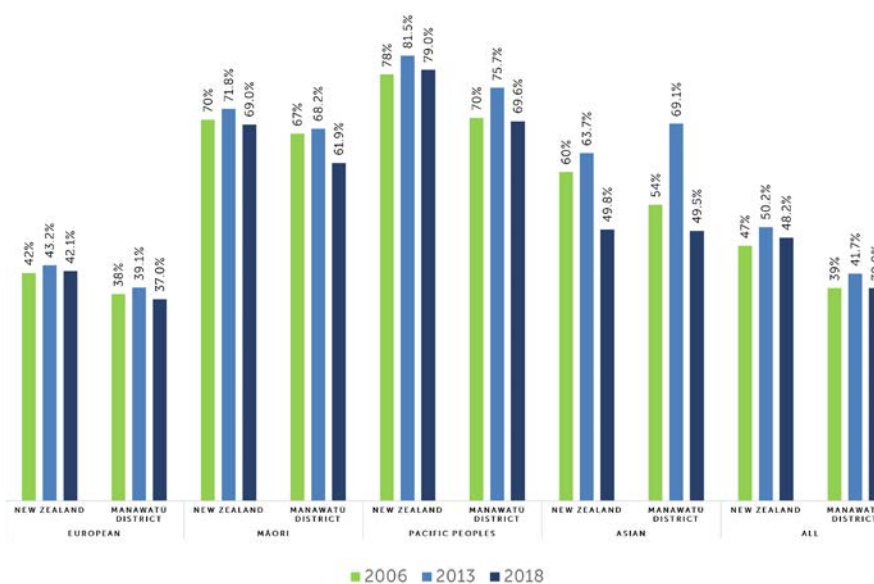
Figure 4.6: Renting by income level (2018 Census)



Source: Statistics New Zealand, 2020a

Local home ownership trends from the 2018 Census indicated a higher rate of home ownership across all ethnicities compared with New Zealand. This characteristic is reflected in the proportion of renters by main ethnic group in the District relative to New Zealand.

Figure 4.7: Proportion of renters by main ethnic group¹⁰



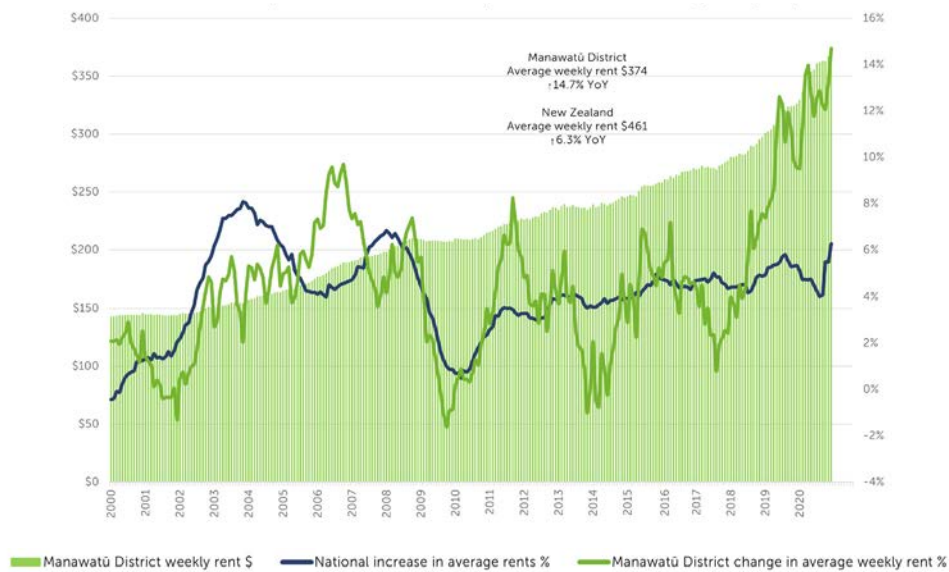
Source: Statistics New Zealand, 2021c

¹⁰ Analysis is based on individual tenure consistent with the analysis of home ownership across ethnicities included in section 3.

4.3 Rents and affordability

Illustrated in figure 4.1, average rents in the district are rising substantially faster than local average incomes. Over the three-years to December 2020, local average rents increased by 35.1%, from \$280 per week to \$374 per week. This compares with a 14.7% increase in average rents nationally to an average of \$461 per week over the same period. As below, the increase in local weekly rents has been particularly strong over the year to December 2020 with average rental costs rising by 14.7% compared with a 6.3% increase nationally. The rate of increase in the District over the last year is equal to growth in average rents nationally, over the last three-years.

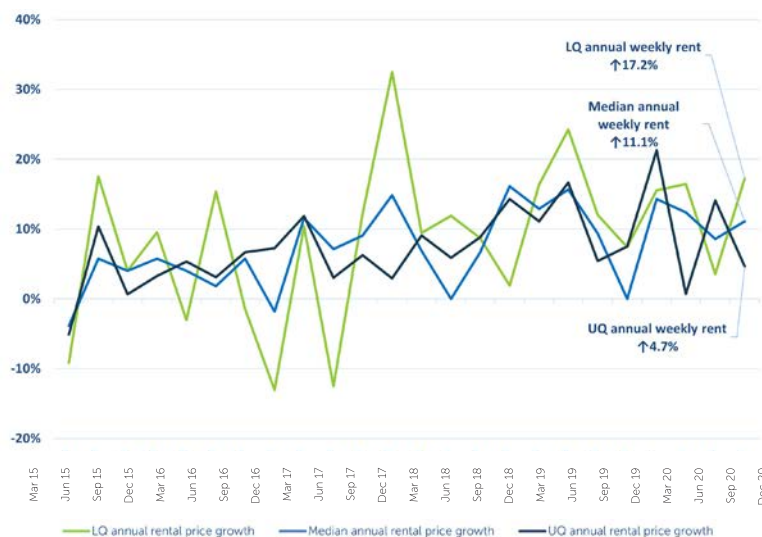
Figure 4.8: Manawatū District average weekly rents and annual growth in rental prices



Source: Ministry of Business, Innovation and Employment, 2021

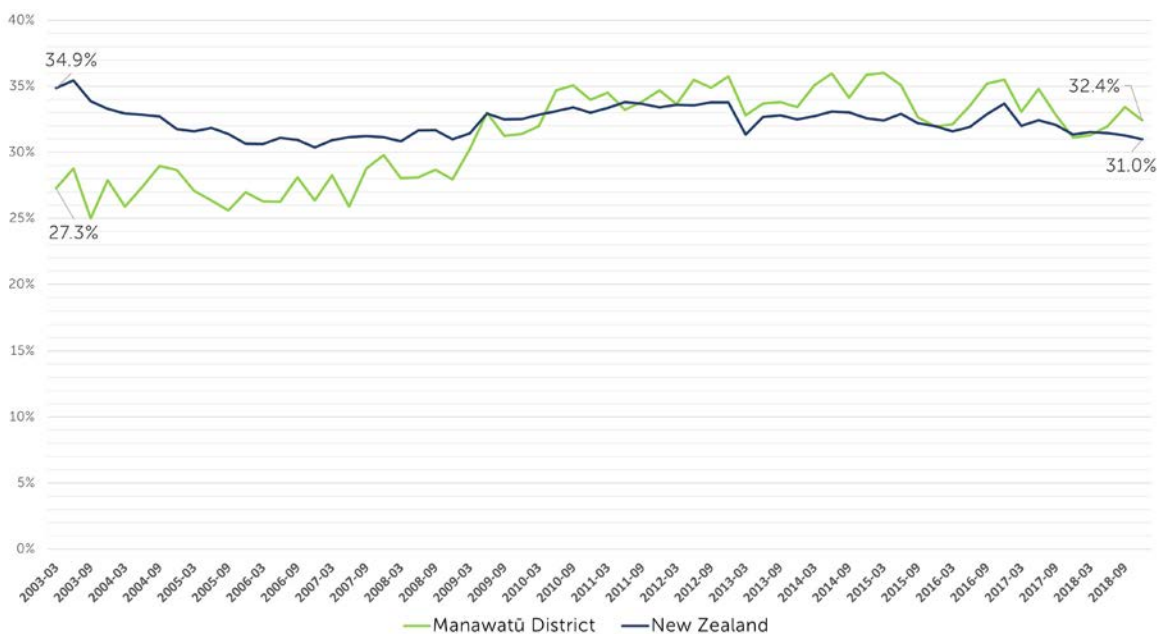
For lower quartile rents, the rate of growth is substantially higher than for median or UQ rents, again reflecting the greater impact on lower to middle income families than those who can afford to rent at the upper end of the market. Figure 4.9 below considers rental price growth over time across quartiles and differs from figure 4.1 and figure 4.8 in that it applies median price as opposed to average price. The same story however is reflected in both measures; the price of market renting is becoming unsustainable for more local families.

Figure 4.9: Manawatū District LQ, Median and HQ rental price growth



Source: Corelogic, 2021d

Figure 4.10: HAM Rent 30% - Share of renting households spending more than 30% of income on housing costs¹¹



Source: Ministry of Housing and Urban Development, 2019b

Affordability for local renters has declined substantially since the early 2000s with the percentage of renting households paying more than 30% of their incomes on housing costs exceeding the national percentage in 2018. In December 2018, 32.4% of renters in the Manawatū District were spending more than 30% of their income on housing costs compared with 31.0% nationally. This compares with 2003, where a substantially lower proportion of local renters spent more than 30% of their income on housing costs than the national average (27.3% District versus 34.9% NZ). The substantial increase in rental costs since December 2018, is expected to have substantially eroded rental affordability in the District relative to the rest of New Zealand.

4.4 Wellbeing outcomes for renters

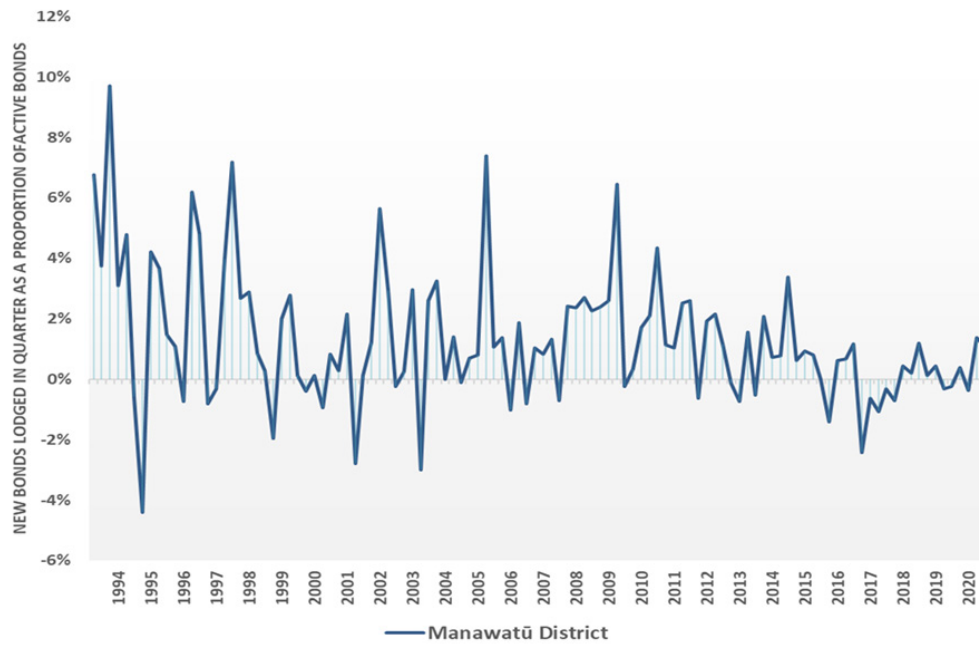
The negative impact on wealth outcomes for renters relative to homeowners is discussed in section 3 of this report. Further impacts include a lack of security of housing (tenure), explained as the risk of displacement due to changes outside the control of the tenant. This could include sale of the property, requirement of the landlord for a family member to occupy the property or until recently, the withdrawal of the property from the tenant without cause. The withdrawal of a rental home has the potential to disrupt schooling and community support networks from tenants, imposing welfare costs in addition to financial costs on often vulnerable families.

Recent data implies that local security of tenure has improved over the last 10-years as the ratio of new bonds to total bonds has been declining. This indicates that the turnover of rental properties has slowed substantially and that tenants are staying in their properties longer.

While this is positive on the one hand, a reduction in turnover without reasonable growth in the number of rental properties as observed in the Manawatū District, implies fewer properties are available to local renters. The lack of availability of rental properties in addition to the erosion of affordability has converged to drive a substantial increase in the number of local families eligible for public housing. This impact is discussed further in section 6.0 of this report.

¹¹ The Housing Affordability Measure (HAM) measures trends in housing affordability for the renting household. Housing Percent Measure (Housing Percent Rent) identifies the proportion of renters in an area (region, territorial authority and Auckland wards) whose rent is more than 30% of their household income. A higher number on the chart indicates more households are below the average and a lower level of affordability.

Figure 4.11: Turnover of private rental housing – 1994 to 2020



Source: Ministry of Business, Innovation and Employment, 2021

Rental tenure is also associated with poor health outcomes. From the 2018 Census, dwellings not owned or held in a family trust are almost 7 times more likely to be always damp and 3.5 times more likely to always have mould of larger than an A4 size, than homes owned, partly owned, or held in a family trust. As reflected in table 4.1, the proportion of homes that suffer from dampness and mould are also reported as lower in the Manawatū District than nationally.

Table 4.1: Household dampness and mould by tenure – Manawatū District versus New Zealand (Census 2018)

	New Zealand			Manawatū District		
	Total households	Dwellings owned, partly owned, or held in a family trust	Dwellings not owned or held in a family trust	Total households	Dwellings owned, partly owned, or held in a family trust	Dwellings not owned or held in a family trust
Always Damp	3.0%	1.1%	7.5%	1.9%	0.8%	5.4%
Sometimes Damp	18.5%	13.7%	30.6%	16.2%	13.2%	25.2%
Not Damp	78.5%	85.2%	61.9%	81.9%	86.1%	69.4%
Mould over A4 size- Always	4.3%	2.1%	8.9%	3.2%	1.9%	7.1%
Mould over A4 size- Sometimes	12.6%	9.5%	19.1%	10.5%	8.9%	15.2%
No mould/ mould smaller than A4 size	83.1%	88.4%	72.0%	86.3%	89.2%	77.7%

Source: Statistics New Zealand, 2018a; Statistics New Zealand, 2018b

Rental tenure is associated with lower quality housing both locally and nationally. Therefore, tenants of rental properties are more likely to suffer from health impacts of low-quality housing. By extension, this would be a particular risk for lower income families who would be less likely to secure warm, dry, and healthy housing

“People living in damp, cold, and mouldy had more frequent colds and flu, and were more likely to suffer from asthma. They also tended to have poorer mental wellbeing than those who lived in homes without these problems.”

Statistics New Zealand, 2020b, p. 12





5.0

New Housing Te whakatū wharenoho hou

The rate of building, scale and price range of new builds is one of the key factors influencing housing market conditions. Current rates of new builds are strong relative to past time periods. Population growth has also been particularly strong with the rate of new dwellings in December 2020 holding at one new dwelling per 2.6 people; an improvement from 2015 of one new dwelling per 6.2 additional residents.

From figure 4.1, growth in residential dwelling investment is also volatile and does not necessarily match the rate of actual or anticipated population growth. Residential housing investment also changes in response to changing demographic characteristics such as an increased need for aged residential housing. Market investment in new dwellings is less sensitive to changes in demand characteristics such as the demand for affordable housing, where the return to affordable housing for investors is far less profitable than higher quality dwellings.

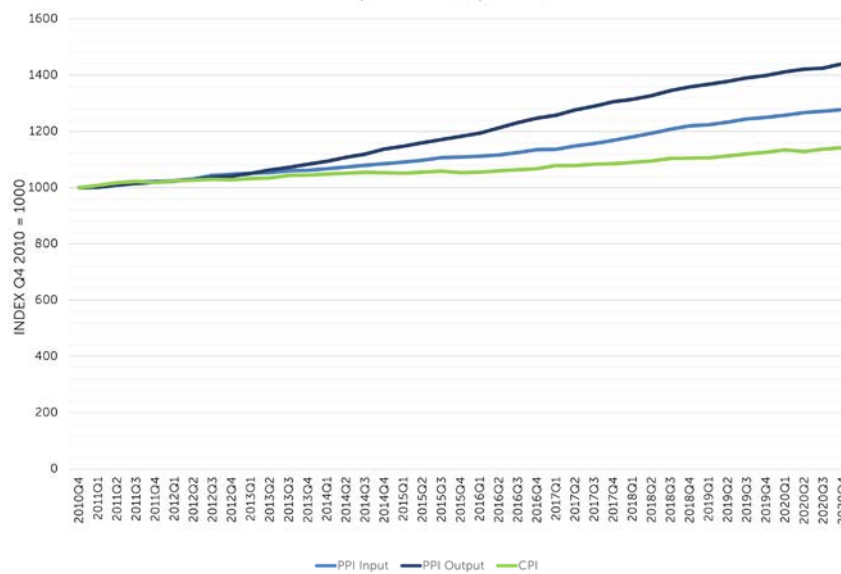
Another factor influencing the pace of growth in residential dwellings is resource constraints. In particular, insufficient skilled labour to undertake builds in a timely manner, limited land supply and rising costs of construction and infrastructure costs placing upward pressure on affordability. The Manawatū District has sufficient land zoned for forecast demand however the erosion of affordability implies more affordable options are needed to cater for market demand. Resource constraints and rising construction costs are also putting pressure on prices and the pace of residential development. Council is considering options for reducing pressure on the marginal price of infill development to incentivise affordable residential development in the Feilding urban area.

On the upside, the Quarterly Economic Survey indicated an additional 17,600 construction jobs were created over the year to December 2020. This is promising as it implies the construction sector is scaling up to cater for increased demand. While it takes time to upskill new workers, building the capacity of the residential construction sector will support the pace and price of housing construction over the longer term.

Output costs within the residential construction sector currently are rising much faster than the rate of general inflation. Specifically, over the 10-years to September 2020, output costs are estimated to have increased by 42.5% in contrast to a 27.2% estimated increase in residential construction input costs and a 13.7% increase in the rate of general inflation (Consumer Price Index - CPI). The rate of growth in residential construction costs has placed additional pressure on the cost of new builds. These costs have flowed through to the housing market, placing upward pressure on house prices.

Council has a proactive capital works programme in place to service land for new residential development. With current funding mechanisms available to local councils however, there is limited scope to fund infrastructure through any other mechanism than rates or development contributions. Cost pressures from infrastructure development unavoidably contributes to the cost of new housing and adds to marginal house price growth across the Manawatū District housing market.

Figure 5.1: Residential construction cost pressures relative to CPI



Source: Statistics New Zealand, 2021d, 2021e, 2021f

5.1 Population and housing stock changes

The 2018 Census indicated there were 12,351 private and non-private dwellings in the District as at 6 March 2018. 11,391 of these dwellings were occupied private dwellings with a further 546 properties occupied but vacant on the night of the Census. A further 507 dwellings were estimated to be unoccupied while 69 dwellings were under construction.

From March 2018 to December 2020, there were a further 512 new dwellings and 70 relocated dwellings consented in the District. Assuming a lag time of six-months between consent and completion of builds and relocation, the following table details the estimated housing stock in the Manawatū District as at December 2020.

Table 5.1: Estimated housing stock of the Manawatū District December 2020

Housing Stock	Total
Private occupied dwellings (2018 Census)	11,391
Vacant properties (2018 Census)	546
Unoccupied dwellings (2018 Census)	507
Dwellings under construction (2018 Census)	69
Dwellings consented between March 2018 and June 2020	446
Relocated dwellings March 2018 to June 2020	52
Estimated Housing Stock – Dec 2020	13,011

Source: Statistics New Zealand, 2020a; Manawatū District Council, 2021

Population growth and housing development growth rates have been increasing over time.

From September 2015 to September 2020, annual average consents for new dwellings reached 164 versus an annual average of 104 for the five years to September 2015, 137 from the period September 2005 to September 2010, and 83 for the period 2000 to 2005.

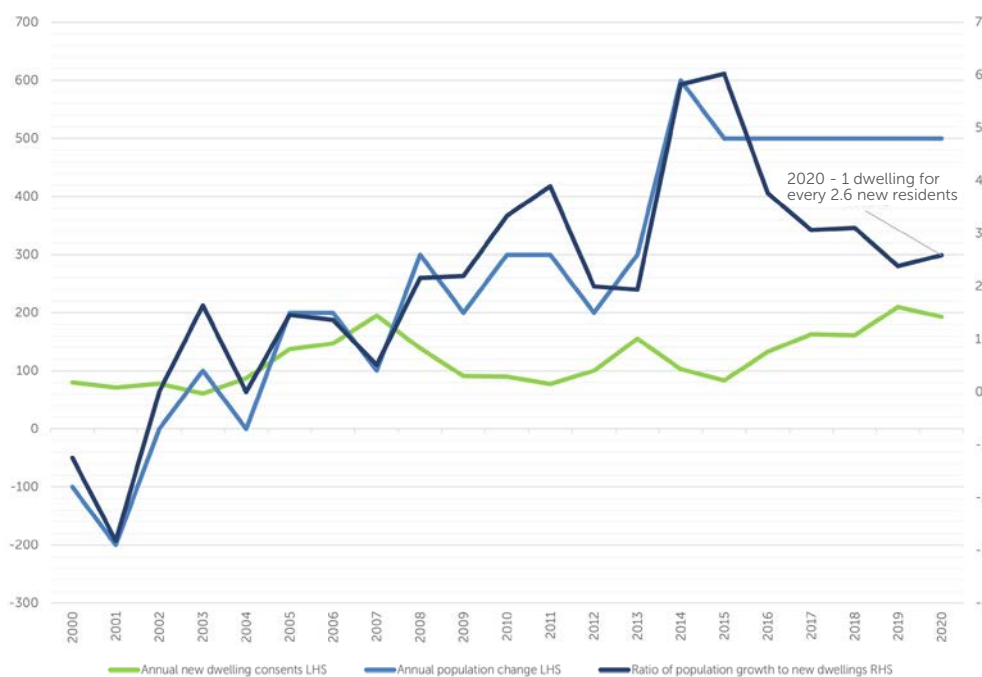
Population increased by 1.6% per annum over the five-years to September 2020 versus 1.3% for the five-years ended September 2015, 0.8% for the five-years to September 2010 and 0.1% growth per annum over the period 2000 to 2005.

Over the last five to six years, both population growth and investment in new dwellings has been strong in nominal terms. However, in terms of the number of new residential properties consented relative to population growth, the ratio of new dwellings per person has declined substantially since the early 2000s. This indicates that the rate of growth in new dwellings is not keeping up with demand; especially when we consider the increased demand for smaller homes from an ageing population and demand for public housing. This is discussed later in the report.

Figure 5.2 shows new dwellings per annum, population growth and the ratio of new dwellings to population growth. As illustrated, while the number of new dwellings per annum has increased, the ratio of new dwellings to population has been weak since 2008.

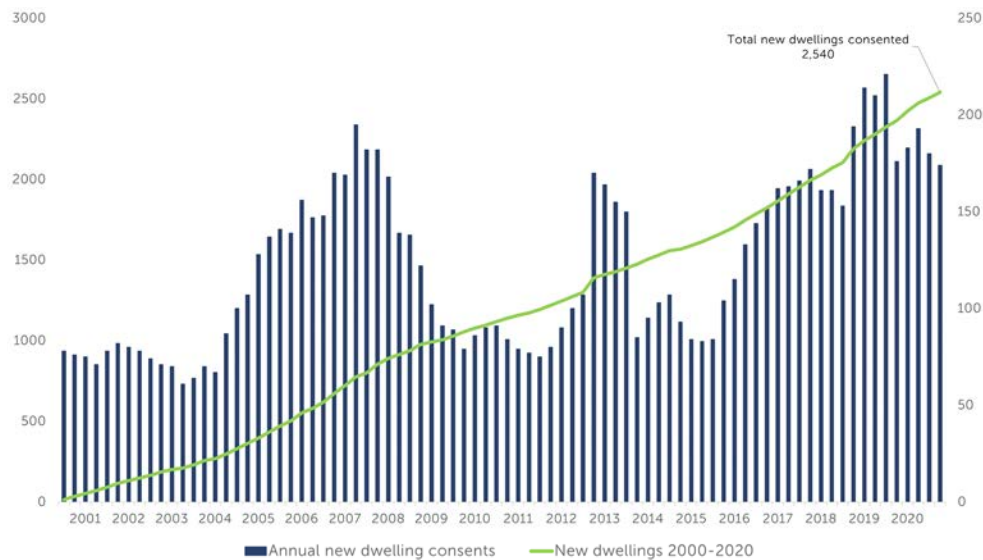
Based on the current average occupancy rate of 2.5 persons per household and the forecast decline in average household occupancy rates over time, the ratio of new houses to population growth needs to increase further to cater for existing and forecast demand.

Figure 5.2: Population change, new dwellings, and ratio of new dwellings to population growth



Source/s: Statistics New Zealand, 2020c; Statistics New Zealand, 2021g

Figure 5.3: Consents for new dwellings Manawatū District – 2000 to 2020



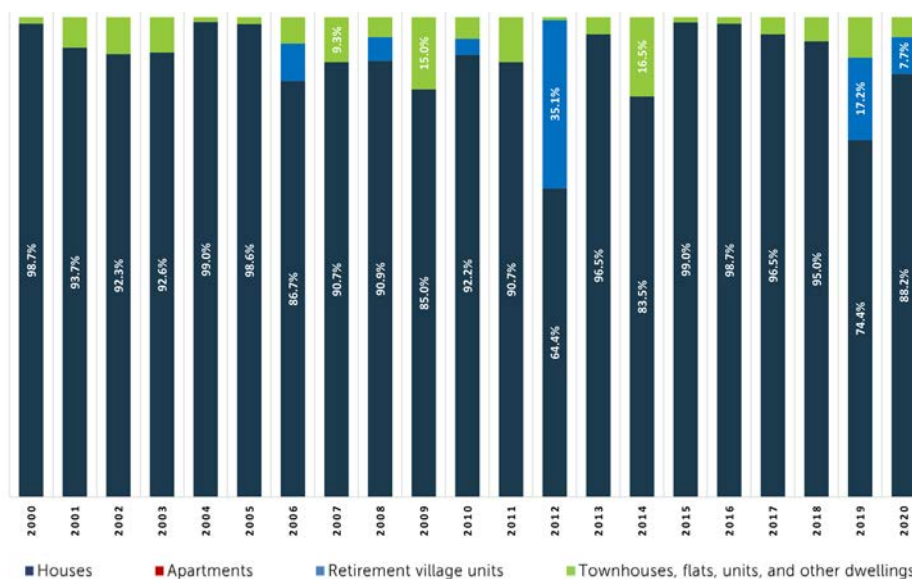
Source: Statistics New Zealand, 2021g

There were 2,540 building consents for new dwellings issued in the Manawatū District over the 20-years to September 2020. New dwelling consents were particularly strong over 2019 reaching a peak of 210 new dwellings. The number of new dwelling consents were also particularly strong over the period 2005 to 2008, in 2013 and then from 2017 to 2020. The high level of residential development between 2005 to 2008 and then again in 2013 is in the context of significantly lower population growth than is currently being experienced in the District.

5.2 Housing development trends

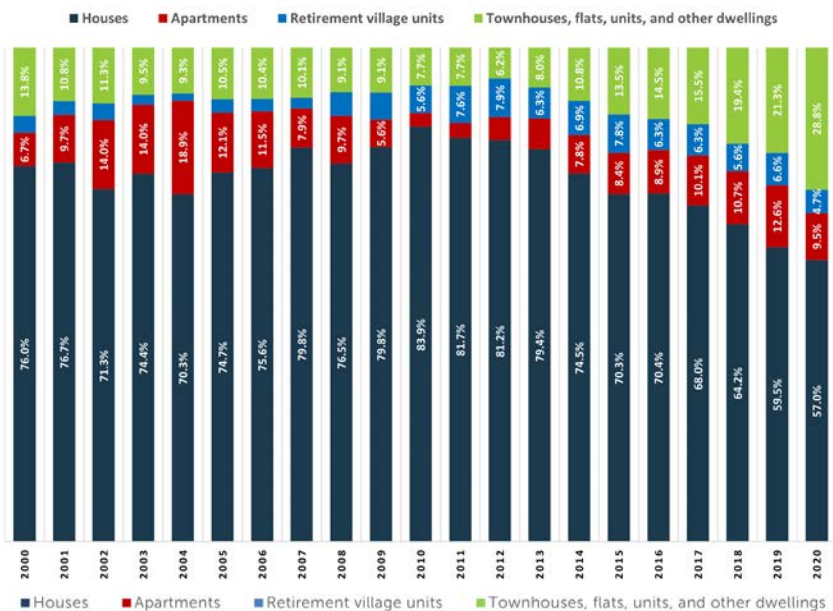
Local housing development tends toward stand-alone houses with substantially fewer alternative types of dwellings. Also of note, is the relative strength of retirement village development in the district relative to townhouses, flats, units, and other dwellings.

Figure 5.4: Housing development trends – Manawatū District



Source: Statistics New Zealand, 2021g

Figure 5.5: Housing development trends – New Zealand

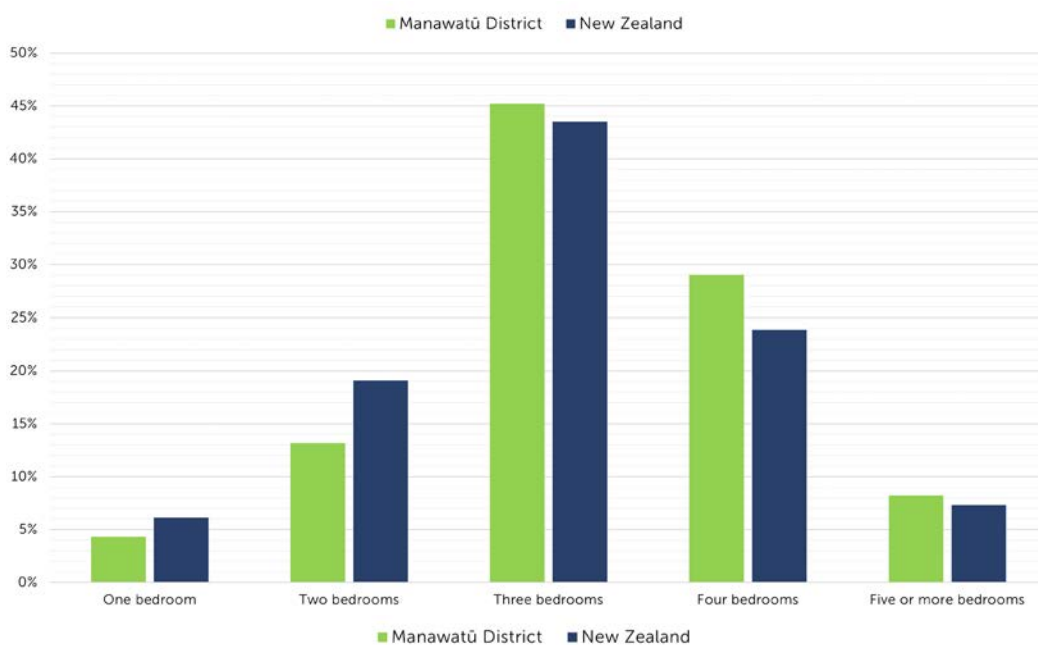


Source: Statistics New Zealand, 2021g

In contrast, across New Zealand, residential development relies less on stand-alone houses and more on typically smaller dwellings such as apartments, townhouses, flats, units, and other dwellings. This implies greater density in other parts of New Zealand than in the District and a potential mismatch between housing demand and housing supply in the District. This assertion is discussed further in section 6.0 of this report.

This finding is consistent with 2018 Census data that indicates that a greater proportion of housing in the District tends to have more bedrooms, relative to New Zealand.

Figure 5.6: Proportion of housing stock by bedrooms – Manawatū District and New Zealand



Source: Statistics New Zealand, 2018c

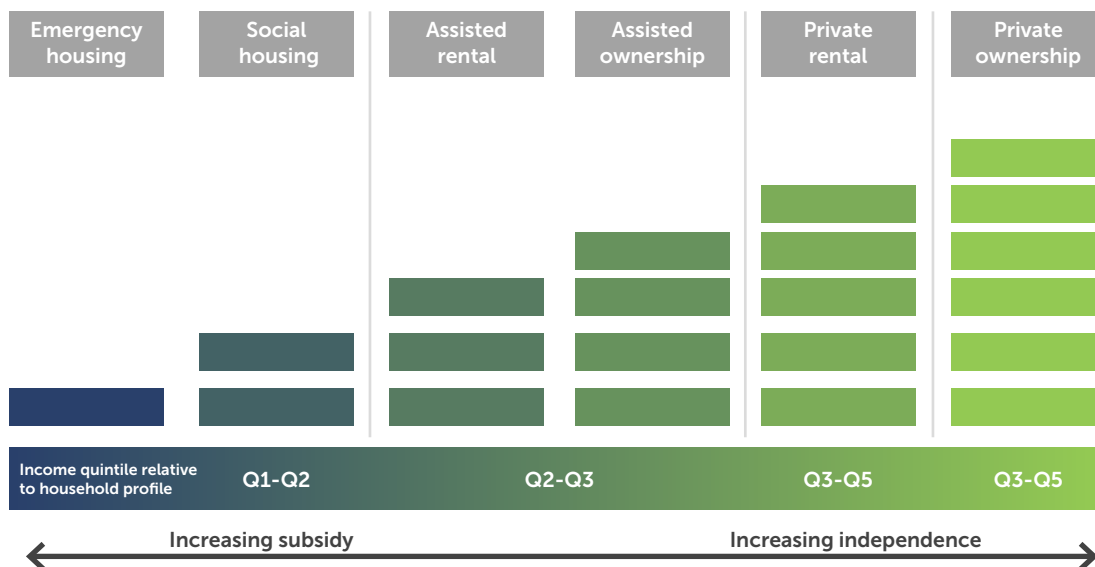


6.0

Public and social housing Wharenoho tūmatanui, wharenoho ahupori

Public and social housing explains the provision of housing by Kāinga Ora (Central government), and communities and community housing providers, and is tenanted by people who are eligible for support. It includes emergency housing provisions, in addition to transitional housing and longer term subsidised public housing. It operates in the emergency housing and social housing areas of the housing continuum; in many cases with the goal of supporting greater independence of the household into assisted or private rental tenure. There is limited focus locally, on the transition of people from public and assisted rental tenure to assisted or private ownership.

Figure 6.1: The housing continuum



Source: Community Housing Nga Wharerau o Aotearoa, 2020.

Public housing eligibility relies on the following criteria:

- Aged over 16 years.
- New Zealand citizenship, permanent residence, or refugee status.
- Serious housing need such as the absence of basic living facilities, overcrowding, lack of security of tenure.
- Suitability of the property for medical and physical needs.
- Ability to afford a private rental.
- Availability of a private rental that meets the family’s needs.
- Limited income and cash assets of less than \$42,700.¹²

¹² Income threshold is \$635.75 net income per week for single people or \$978.06 net income per week if the applicant has a partner or children. In some instances, applicant with income or assets above these thresholds may be considered. <https://www.workandincome.govt.nz/housing/find-a-house/who-can-get-public-housing.html#null>

6.1 Public and social housing supply

The Manawatū District relies predominantly on the provision of public housing from Kāinga Ora and the Manawatū Community Trust with limited public housing available through other providers. Table 6.1 indicates the number of public and transitional houses known to be available currently, in addition to public housing stock currently planned or under construction.

Table 6.1: Manawatū District Public Housing Stock

	Provider	Number of dwellings	1-bedroom	2-bedroom	3-bedroom	4-bedroom
Current Public Housing Stock	Kāinga Ora	161	12	74	61	14
	Manawatū Community Trust	205	205			
	Total	366	217	74	61	14
	Transitional housing	16				
	Current Public Housing	382				
Planned public housing stock	Kāinga Ora	8	8			
	Manawatū Community Trust	15	10			5
	Transitional housing	24	24			
	Total planned public housing	47	42	0	0	5
	Estimated housing stock	429				

Source: Property Group, 2020

* Kāinga Ora currently has 4 properties that are vacant. One is under repair while three are undergoing renewal and maintenance

** There is estimated to be an additional 8 public housing units available via community organisations (Source - Kāinga Ora)

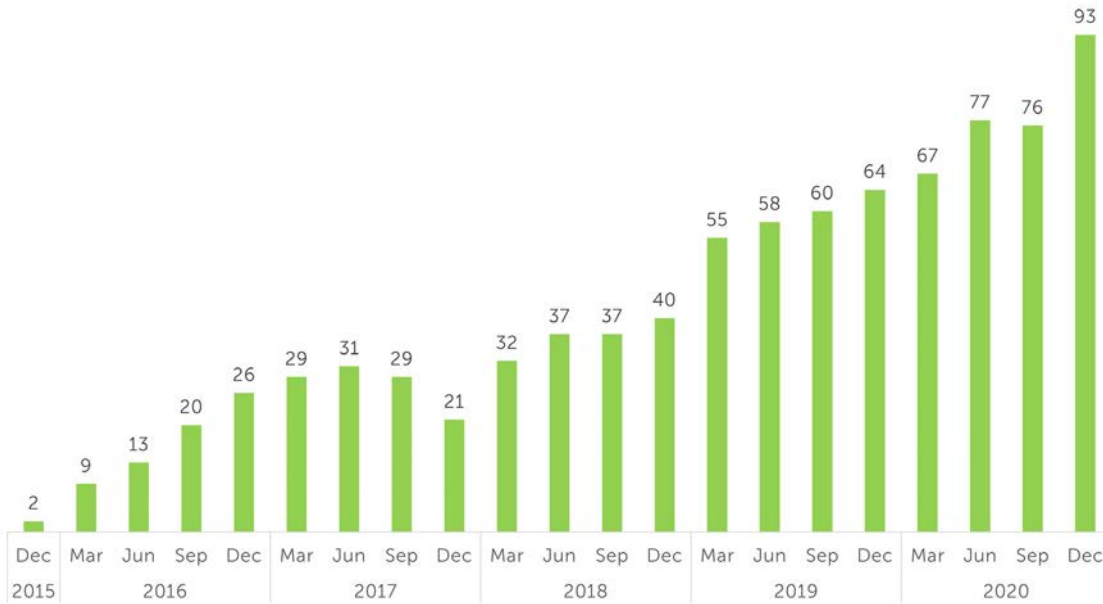


6.2 Public housing demand

Demand for public housing in the District has grown strongly over the 5-years to December 2020. Specifically, families that were eligible for public housing have increased from two in December 2015 to 93 in December 2020. This represents 45.3% growth in the number of people eligible for social housing in the district since December 2019.

The current provision of public and social housing in the district is not meeting the needs of the local community. Planned and current investment in new public housing stock is also not sufficient to meet the current demand, let alone the increase in need anticipated as a result of growth in the 65+ age group and unsustainable increases in housing costs.

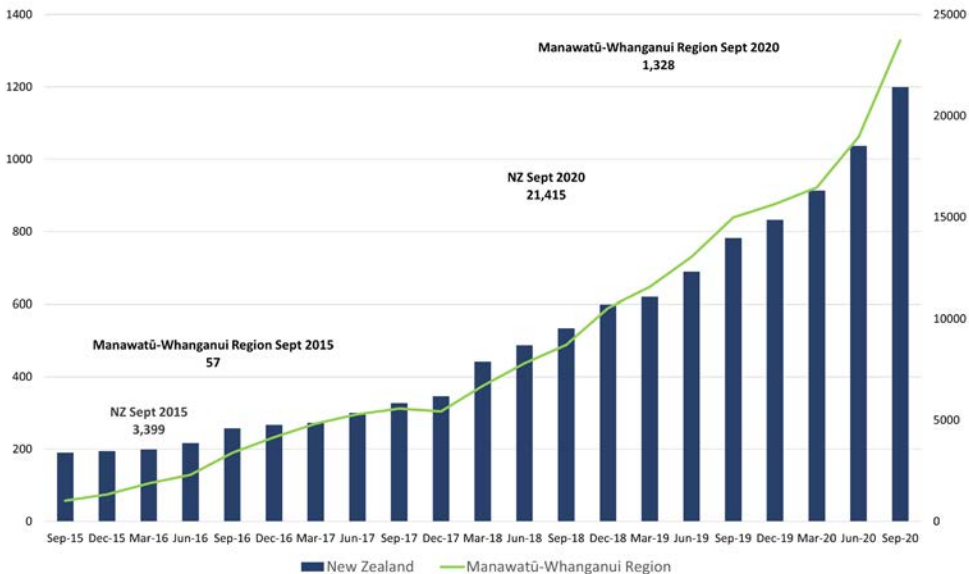
Figure 6.2: Public housing register – Manawatū District



Source: Ministry of Social Development, 2021a

Public housing demand both regionally and nationally has also increased strongly with public housing eligibility rising from 57 in September 2015 to over 1,300 in September 2020. Similarly, demand for public housing nationally has increased from 3,400 in September 2015 to over 21,000 in September 2020. This is a 23.3-fold increase in demand regionally versus a 6.3-fold increase in national eligibility for public housing over the 5-years to September 2020.

Figure 6.3: Regional and national public housing register



Source: Ministry of Social Development, 2021a

Local trends in demand for public housing for Māori and New Zealand Europeans indicates that demand has increased across both ethnicities. Specifically, demand for public housing by Māori families has increased from two families in June 2017 to 36 in June 2020 while demand from European families has increased from 16 families in June 2017 to 32 in June 2020.

Demand characteristics across ethnicities is subject to considerable variability across quarters. For example, demand for public housing from New Zealand European families fell to two in September 2017 and has been comparatively low relative to the needs of Māori over time. Of interest, the period from September 2019 to June 2020 saw a substantial rise in the number of New Zealand European families needing housing assistance.

Figure 6.4: Public housing demand across ethnicities – Manawatū District



Source: Ministry of Social Development, 2020a

Local demand for public and social housing is dominated by the need for one- and two-bedroom dwellings. Specifically, 80% of local public housing demand as at September 2020 was for one- and two-bedroom dwellings versus 81.0% of national public housing demand. Both locally and nationally, needs are dominated by one and two person households as opposed to the need for large dwellings to accommodate large family groups.

Detailed ethnicity data is not available for the September and December quarters at the time of publication, however overall public housing demand has increased to 93 in the District from 76 in September 2020. Public housing demand will be continue to be monitored to identify impacts across ethnicities.



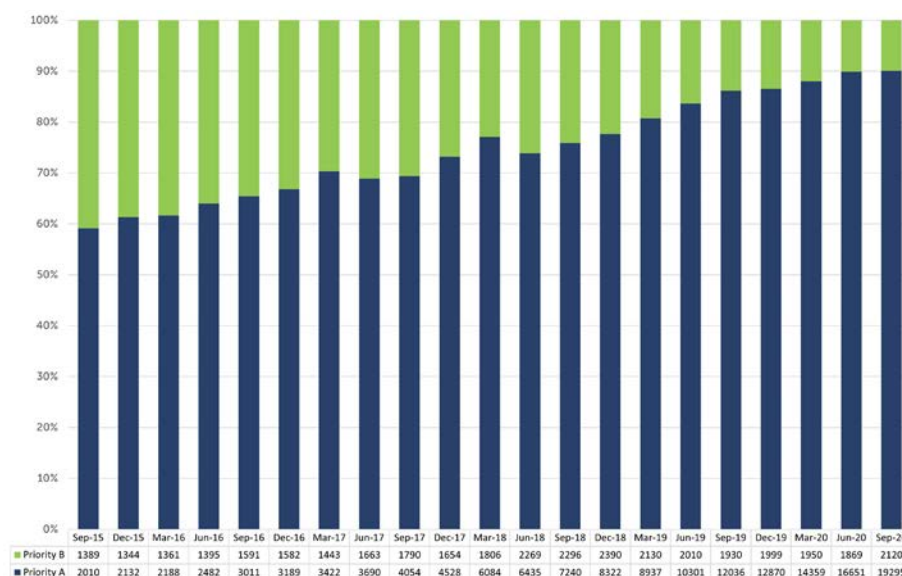
6.3 Priority of public housing needs

The priority of public housing eligibility refers to the urgency of housing needs of applicants. Priority data for the Manawātū District is suppressed however national data and data for other parts of New Zealand provides some insight into the urgency of the housing needs of those on the housing register here in the District.

Housing Priority A in the register ‘refers to applicants who are considered at risk and includes households with a severe and persistent housing need that must be addressed immediately’ compared with Housing Priority B explained as ‘...applicants who have a serious housing need and includes households with a significant need’.

At territorial authority level, the proportion of families that qualified as housing priority A ranged from 72.7% in the Westland District to 100% in areas such as Southland and South Wairarapa in the September quarter 2020. Nationally, the proportion of registered families considered Priority A was 90.1% while in Palmerston North, the proportion of Priority A families was 96.1% in the same period. From the data, we can assume that at risk families with severe and persistent housing needs that must be addressed immediately accounted for between 72.7% to 100% of the total number of registered families in the District. Of note, in September 2015, only 59.1% of total applicants on the national housing register were classified as Priority A. Deteriorating conditions for families and the lack of public housing stock available to support at risk families, is a clear indication of the shortage of public housing across Aotearoa and most likely, in the Manawātū District as well.

Figure 6.5: Public housing priority – New Zealand



Source: Ministry of Social Development, 2021a



6.4 Severe housing deprivation

Housing deprivation by territorial authority has been difficult to quantify. While anecdotally, there is evidence of growing needs with observed homelessness increasing across much of New Zealand, until recently, there has been little evidence to understand the proportion of severe housing deprivation in the District or changes over time.

Estimates from 2013 indicated that 87.9 per 10,000 New Zealanders suffered severe housing deprivation.¹³ In 2018, this figure had increased to 88.6 people per 10,000. These latest figures estimate there was a total of 41,376 New Zealanders living in severe housing deprivation in 2018.

Locally, 41.8 people per 10,000 population are estimated to suffer severe housing deprivation and are therefore unable to secure emergency or public housing even in the most dire of circumstances. This compares with 59.9 people per 10,000 across the region.

There is currently a lack of time series data to compare whether rates of severe housing deprivation in the District are getting better or worse over time.

Kawerau District is estimated to have the highest prevalence of housing need with 226.7 people per 10,000 estimated to suffer severe housing deprivation. At the other end of the scale, Selwyn is estimated to have the lowest level of housing deprivation with 23.3 people per 10,000 estimated to be severely housing deprived.

Table 6.2: Severe housing deprivation – Manawatū-Whanganui Region and Manawatū District

Area	Without Shelter		Temporary accommodation		Sharing accommodation		Total severely housing deprived		
	No. people	Rate p/10,000 people	No. people	Rate p/10,000 people	No. people	Rate p/10,000 people	No. people	% of total severely housing deprived	Rate p/10,000 people
Manawatū District	33	10.9	27	9.0	69	22.9	126	0.3	41.8
Manawatū Whanganui Region	162	6.8	279	11.7	993	41.6	1,431	3.5	59.9

Source: Amore, Viggers & Chapman, 2020

¹³ Severe housing deprivation is defined as those people without shelter, in temporary accommodation and sharing accommodation.





7.0

Housing Assistance Ratonga āwhina wharenoho

7.1 Housing assistance in New Zealand

Housing assistance has been provided to renters and homeowners in a wide variety of ways since the 19th Century in New Zealand. In general, these have been provided to:

- Renters in the form of accommodation supplement, special needs grants, and income related rent subsidies.
- Homeowners in the form of State Advances loans, Māori Affairs loans, through to First Home Grants and more recently the Kiwisaver first home deposit scheme; and
- Specific assistance targeted to particular demographic groups or housing situations (such as loans on multiply owned Māori land, or grants to community housing providers).

The scale and impact of previous housing assistance schemes was much more significant than those of today. By the end of the 1920s the state was financing nearly half of all new homes being built in New Zealand, and even in the mid-1950s state home loans accounted for 34% of all new-home mortgages. The combination of capitalising the family benefit and low-interest state mortgages helped push the national rate of home ownership from 61% to 69% in the 1950s and 1960s. Even in the 1970s when the state started to promote private-sector lending, it continued to lend to low-income home buyers and even extended lending criteria to cover renovations (helping fuel the gentrification of areas such as Ponsonby and Thorndon).

Other less direct forms of housing assistance have also been provided in the past. In an economic sense, tax incentives favouring homeowners are a form of assistance that has been provided in New Zealand for several decades. Supportive regulation of housing-focussed lending institutions was also common prior to the 1990s, with the likes of Building Societies and other non-bank lending institutions providing an important source of capital for housing, especially in the regions. A stocktake of these less direct forms of assistance is beyond the scope of this report, but it is worth noting that:

- Manawatū's locally created and owned non-bank lending institutions have not survived like other regions (such as Wairarapa, Taranaki, Nelson, or Southland)
- The number of non-bank lenders in New Zealand has significantly reduced since the mid-2000s and having peaked at 6% of residential mortgage lending in 2008 they now represent just over 1%.

A range of government housing assistance schemes continue to run in New Zealand. Early schemes such as the Housing Innovation Fund aimed to grow the scale of the community housing sector, and similar schemes continue to run targeted at high-demand areas such as Auckland, Tauranga, and Queenstown. Funding assistance to local governments (such as the recent \$1 billion Housing Infrastructure Fund) and private sector (such as the \$350 million Residential Development Response Fund and the \$250 million Land for Housing programme) are similarly focussed on high-demand areas. Manawatū receives little, if any, of this form of housing assistance.

In addition, while CHPs are eligible for central government assistance to support housing affordability for low-income tenants, local government has been excluded from this assistance via ineligibility for the Income Related Rent Subsidy. This has impacted on the wellbeing of some Council tenants where rental costs were not able to be subsidised by other means. In effect, low-income tenants of council housing are more likely to pay more for accommodation than tenants of CHPs, as a result of policy that excludes Councils from passing on the benefits of central government housing assistance for low-income households. This policy setting is both non-sensical and undermines the equity objectives of housing assistance for low income and vulnerable New Zealanders.

Access to the IRRS could also be used to fund an increase in supply of public housing by Councils and/or their housing providers. Specifically, analysis from the Manawatū Community Trust estimates they could provide an additional 30 one-and-two-bedroom dwellings in the first year if market rents were able to be collected from their current stock via access to IRRS. The Trust estimates a further 191 dwellings are required by 2030 to provide the same proportion of one- and two-bedroom properties to the community housing stock, as the Trust provides today.¹⁴

It is also worth noting that policy settings for access to Kiwisaver grants for first home buyers are not responsive to changes in house prices. For example, to qualify for a first home housing grant in the Manawatū District, an existing purchase property cannot be worth more than \$400,000 and the value of a new build can not exceed \$500,000. The LQ price for dwellings in the Manawatū District hit \$413,000 in October of 2020. This means that less than 25% of existing homes can be expected to meet the criteria for access to the housing grant. This example highlights the importance of ensuring price settings are regularly reviewed to ensure relevance to the market for which they apply.

¹⁴ Projections based on Subnational family and household projections, population by living arrangement type, and age, 2013(base)-2038 update and Subnational population projections, by age and sex, 2013 (base)-2043 update.



7.2 Accommodation Supplement

The Accommodation Supplement (AS) is a form of accommodation subsidy paid to households who pay market rent, mortgage or board. The AS was introduced in the 1990s to reduce pressure on subsidised public housing by encouraging the private sector to provide housing for those who were closer to affording market rents.

Access to the housing supplement depends on a number of criteria including family situation, accommodation costs, location, level of household income and the value of assets held. The calculation of entitlement to the AS is determined by the mix of the above conditions relevant to the applicant, but in a nutshell requires that accommodation costs render disposable income insufficient to pay for other essential goods and services.

Entitlement to the AS however is subject to income caps which are reviewed annually. The income caps for 2021 for the Manawatū District are included below:

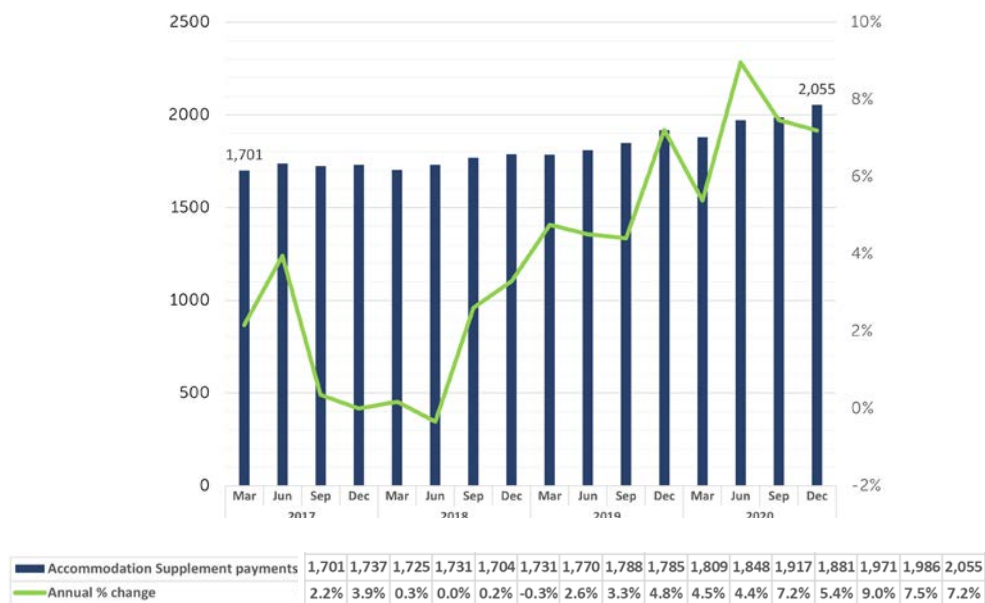
Table 7.1: Income caps for eligibility for Accommodation Supplement – Manawatū District

Family situation	Maximum annual income - Feilding	Maximum annual income - Rest of Manawatū District
Single, 16+ years	\$44,200	\$42,120
Married, civil union or de facto couple (without children)	\$60,892	\$55,692
Married, civil union or de facto, 1+ children	\$74,412	\$66,092
Sole parent, 1 child	\$58,916	\$53,716
Sole parent, 2+ child	\$70,356	\$62,036

Source: Work and Income, 2021

The level of entitlement to the AS for residents of the Manawatū District has increased by 18.7% over the period December 2016 to December 2020. The strongest growth in entitlement was over the 2020 calendar year where the number of households eligible for the AS increased by 7.2%. This compares with an increase in payments of 5.2% in 2019, and an increase of 1.6% and 1.4% respectively in 2017 and 2018.

Figure 7.1: Manawatū District Accommodation Supplement (AS) payments and quarterly growth rate



Source: Ministry of Social development, 2021b

While the growth in AS payments is not as sharp as the growth in emergency housing grants or the increase in households eligible for public housing, the strong increase over 2019 and 2020 indicates a growing need for assistance to enable families to afford market housing. This finding is consistent with the deterioration in affordability observed across the local housing continuum.

7.3 Emergency housing needs

The substantial rise in Special Needs Grants for housing indicates a sharp deterioration in access to public and affordable housing both across the Manawatū District and nationally.

As indicated in figure 7.2, Special Needs Grants for emergency housing needs in the District increased from \$3,940 in March 2018 to a total of \$100,543 in June 2020. National figures indicate a similar rise in emergency housing needs with grants increasing from \$6.6m in March 2018 to a total of \$79.3m in June 2020.

The June quarter 2020 does include much of the period that the country was in lockdown in response to COVID-19 however, more recent data on eligibility for the housing register implies that emergency housing needs remain elevated relative to typical levels.

Figure 7.2: Special Needs Grants (Emergency Housing) – Manawatū District



Source: Ministry of Social Development, 2020b

Emergency housing grants by family size are consistent with the assertion that needs are dominated by smaller families and one-person households both locally and nationally.

To put the findings into context, 92.4% of the total value of emergency housing grants are for families of less than four in the District compared with 77.5% of emergency housing grants across the country.

This characteristic of housing need implies that a greater proportion of public and community investment is needed in the development of quality and affordable one and two-bedroom homes both locally and nationally.

Table 7.2: Emergency Housing Special Needs Grants by family size

Manawatū District					
Four or more		Less than four		Total	
Grants	Amount	Grants	Amount	Grants	Amount
6	\$7,685	105	\$92,858	105	\$100,543

New Zealand					
Four or more		Less than four		Total	
Grants	Amount	Grants	Amount	Grants	Amount
5,662	\$17,870,900	33,221	\$61,515,869	38,883	\$79,286,769

Source: Ministry of Social Development, 2020b



8.0

Conclusion Whakakapinga

The purpose of the Manawatū District housing stocktake is to inform the development of a Housing Strategy to support the housing objectives of the Manawatū District Council. The findings from the analysis indicate that while housing conditions are better in the District than for some other parts of New Zealand, access to, and affordability of housing is deteriorating at a faster rate here than nationally.

If the current trend continues, in 2050 we are likely to see substantial undersupply of houses for lower income families and smaller homes suitable for the ageing population. We can also expect to see a substantial escalation in severe housing deprivation and growing inequality and disparities in wealth and wellbeing between those who own property and those who do not.

The following conclusions are highlighted:

- Record breaking increases in local house prices will exclude a greater proportion of local households from home ownership. This is particularly concerning due to stronger growth in house prices for lower quartile homes which ideally, should be accessible to families on low to middle incomes.
- Alongside double-digit growth in house prices, strong increases in rental prices are diminishing the capacity of families to save for a deposit to buy a home, as more of the family income is spent on accommodation costs. Rising accommodation costs are also placing extra pressure on households to provide for other goods and services needed for health and wellbeing.
- Homeowners accrue substantially higher material wealth over their lifetime. Home ownership is also becoming more dependent upon the wealth of parents; hence, intergenerational poverty is likely to be further embedded via a lack of access to family wealth to purchase a home. Property that is owned is also less likely to suffer from damp and mouldy conditions, delivering better health outcomes for property owners relative to renters.
- Increasing housing costs are driving rapid growth in demand for public and social housing and emergency assistance. Public housing providers are not keeping up with the sharp increase in demand. The lack of central government attention on deteriorating housing outcomes for regional populations such as ours, is likely to result in further delays and underinvestment.
- Government policy does not adequately enable and incentivise investment in undersupplied segments of the housing market, such as lower quartile and public housing. The exclusion of local government from the IRRS limits Council's ability to build supply of social housing and to invest to meet current and forecast demand. This includes investment in much needed one- and two-bedroom properties to provide for the ageing population and smaller, more affordable housing. Central government policy that is focused on housing objectives as opposed to providers, would better support investment in public housing development.

Policy interventions available to Manawatū District Council to support local housing outcomes are discussed within the Manawatū District Council Housing Programme Establishment Report.

8.1 Limitations of the study

This analysis has highlighted the deterioration of housing affordability in the Manawātū District over time. In some aspects, the research has relied on national level data due to the absence of specific local data. This includes lack of access to local residential investment and indebtedness data, rental yield data, and information on the priority of families eligible for public housing in the District.

While the range of national data provides insights into national trends, it would be useful to understand any differences at the local level relative to the national average and other parts of New Zealand. For example, levels of investment in new housing stock at the local level would be useful to gauge the impact of investment on the supply of residential dwellings relative to investment in existing housing stock. This data is unlikely to become available at the subnational level.

8.2 Recommendations for further analysis

While not the purpose of the housing stocktake, the analysis of local housing market outcomes made it difficult to exclude a policy discussion from the analysis. This is intentionally high level and included for the purpose of providing context to the discussion, the various policy approaches that have been applied by successive governments and the outcome of these policies over time. The discussion highlights the need to explore new policy tools and settings that incentivise investment in the undersupplied segments of the housing market.

Recommended areas of further analysis include:

- Updated forecasts of future demand for public housing based on 2020 projections of population and household growth at the SA2 level.
- Further investigation into the impact of local government access to IRRS tenancies. In particular, how access to subsidies would support investment in the supply in public housing relative to future demand projections.
- Analysis of rental yield data at the local level and how influential a factor this is in rental property investment. It would be particularly interesting to compare rental yields from between 2006 and 2013 when growth in rental properties was over 2% per annum, relative to rental yields over the period 2013 to 2018, when growth in rental properties was 0.8%. The influence of capital gains on rental property investment is expected to be a substantial factor in addition to the costs of capital (interest rates), and government policy.
- Monitoring of central government housing investment and policy settings to gauge advocacy and investment opportunities for local government.
- Keeping an eye out for financial stress from rising interest rates and the risk of eroding serviceability of mortgage debt on highly leveraged local households.





9.0

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