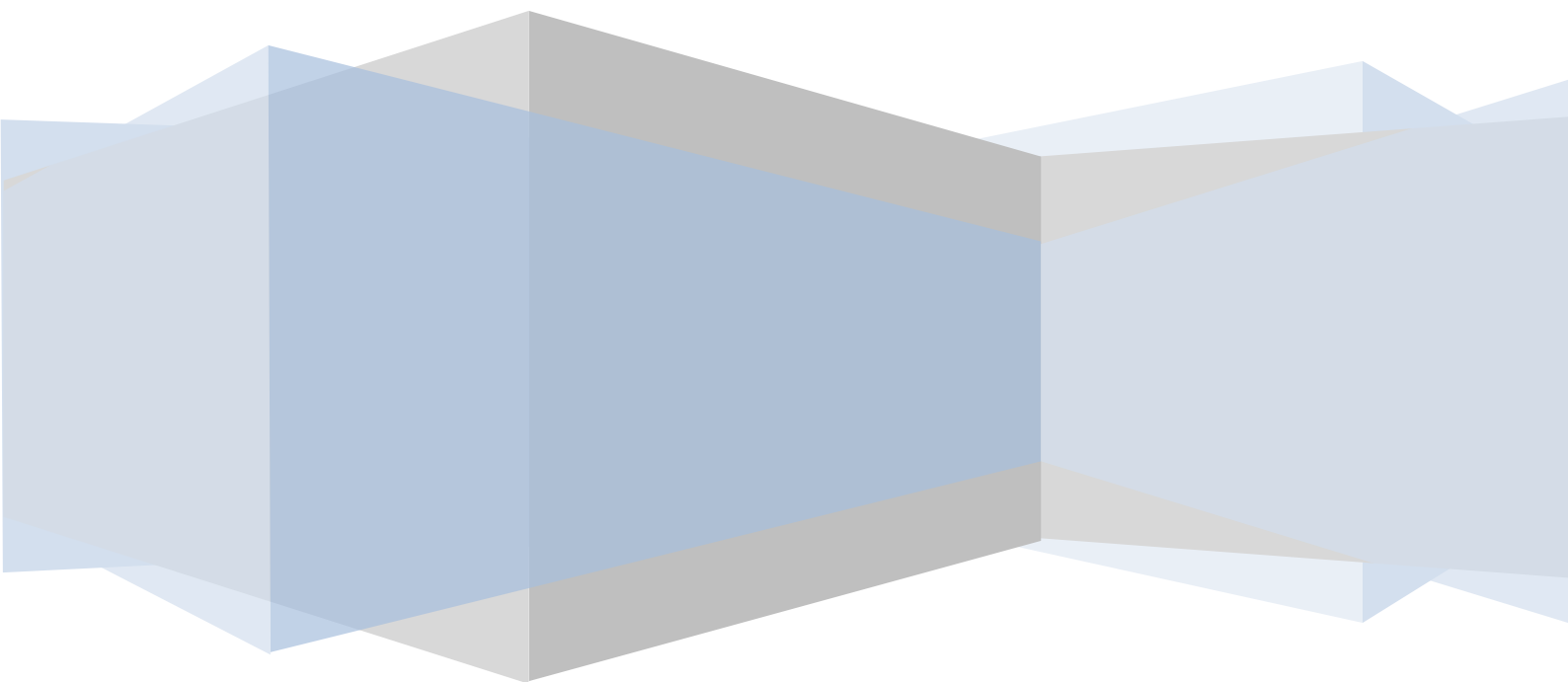


Nelson Housing Issues

Housing need, choice and affordability

March 2015



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1 Background

At the end of 2013 Council decided to combine the Regional Policy Statement and the Nelson Resource Management Plan in an integrated second generation plan review called the "Nelson Plan". Essentially the Nelson Plan outlines the rules and regulations for how we manage our built environment and natural resources.

Council has started the review with defining significant resource management issues for Nelson and determined key strategic outcomes that the Plan is trying to achieve. Related to housing are goals to enable housing choice, encourage residential intensification and quality urban design.

2 Purpose

The purpose of this report is to identify the nature and scope of housing issues in Nelson. It provides an overview of current and projected demographics, the current housing stock, and the residential property market as well as a discussion of housing affordability. It considers available data and research and serves as a starting point for discussion with key stakeholders.

3 Executive Summary

The range and affordability of housing is closely linked to the wellbeing of Nelson's residents and community and to the economy and environment of the district.

Nelson currently has about 20,000 households and is projected to have over 22,000 by 2025. As was the case between 1996 and 2006, most of the projected growth is in the number of one and two-person households, driven by an ageing population and lower birth rates.

Rates of home ownership in Nelson have remained relatively stable, with 68 percent of dwellings either owned by the usual resident(s) or held in a family trust by the usual resident(s). Over 80 percent of Nelson rental properties are owned by private sector landlords and national research suggests their share will increase.

Most of Nelson's housing stock has been built since 1950 and almost a third was built since 1990. The majority are stand-alone houses and two-thirds have three or four bedrooms. Almost two-thirds of private dwellings in Nelson are home to one or two residents. Forty percent of houses with 4 or more bedrooms have one or two residents living in them.

Between 2001 and 2013, there were 2046 more one and two person households but only 369 extra one and two bedroom dwellings. Although the floor area of new houses increased between 1996 and 2006, the trend appears to have reversed since then, consistent with trends overseas.

In the five years between 2009 and 2014, building consents were issued for 1227 new dwellings, of which 18% were classified as apartments. In the previous five years to 2008, there were slightly more consents issued but only 9% were apartments.

Nelson house prices have continued to increase and the median house price in February 2015 was \$367,000. Home ownership in Nelson is relatively less affordable than many other urban areas, with the median house price costing 4.9 times the median annual household income. Other indicators of home loan affordability show that housing in Nelson is affordable for a typical household income, where more than one adult is working, but is not affordable for a single-income buyer.

Compared to other urban areas in New Zealand, rents in Nelson are also high. The annual median rent for a three bedroom houses consumes over a quarter of the annual median income. In terms of rental affordability, only Queenstown, Auckland, and Christchurch are less affordable.

Housing quality contributes to housing affordability through the effect on heating and maintenance costs. Over half of Nelson's housing stock was built before 1978 when

minimum ratings for insulation were first introduced. However, various initiatives supported by EECA, Nelson City Council and the Nelson Marlborough District Health Board have assisted in retrofitting houses with insulation under the EECA Warm Up New Zealand: Heat Smart scheme.

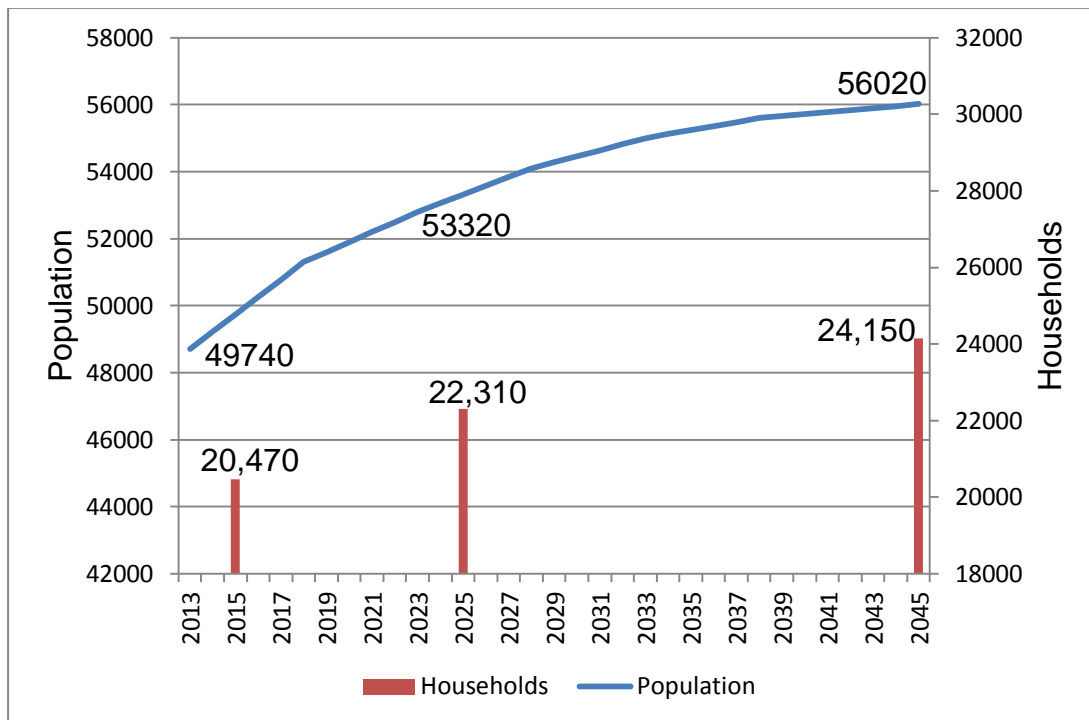
In order to meet labour market demand in key sectors such as health care, manufacturing and education, employees need to be retained in Nelson or recruited from outside region. The provision of affordable housing will be required so that housing costs are not a barrier to the supply of labour.

Future decisions about housing in Nelson will be made within a legislative and policy framework. The policy and activities of national agencies such as Housing New Zealand and the Department of Building and Housing provide the context within which Nelson housing is built, maintained, and lived in. Locally, the Council has a variety of functions which impact on housing. These include planning and regulatory functions and the provision of social housing. Planning must take account of the Resource Management Act, the Local Government Act (LGA) and the Land Transport Management Act (LTMA). The Council also has a number of existing or proposed strategies and policies which will impact on housing choice and affordability, such as the Housing Accord and the Nelson Plan.

4 Population

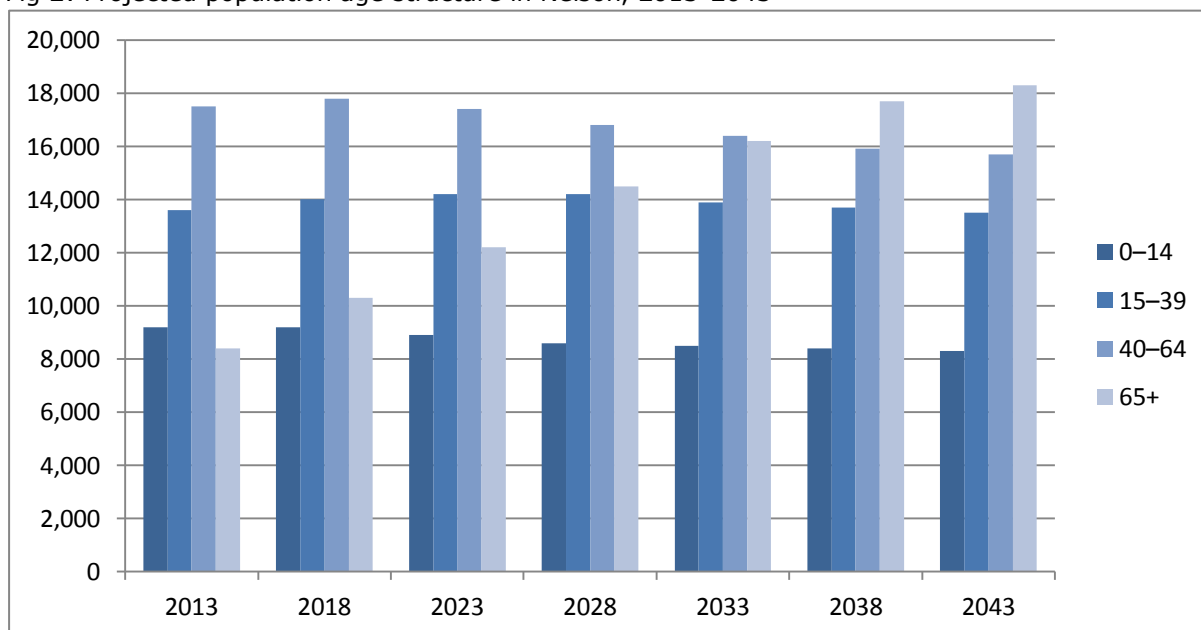
Nelson's population is expected to grow by 3,600 residents over the next ten years to 53,320 in 2025 and then by a further 2,700 over the 20 years between 2025 and 2045 to 56,000 in 2045. Population growth is expected to slow down over time, based on the assumptions that deaths will increase while births stay constant, and that migration rates also remain constant. The number of households in Nelson is projected to increase by about 1,800 to 22,310 by 2025.

Fig 1: Population and household projections for Nelson, 2013-2045



The proportion of the population aged 65 years and over will increase from 18% in 2015 to 25% in 2025 and is likely to make up more than a third of the population in 2045. The number of children is expected to decrease after 2018, with their proportion of the population decreasing from 18% to 16.5% in 2025 and to 15% by 2045.

Fig 2: Projected population age structure in Nelson, 2013-2043¹



The ageing of the population is a global and national trend. By 2043, people aged 65 and over will make up a third of Nelson’s population. Compared with other local authorities in New Zealand, this percentage will place Nelson in the upper quartile.

The location, choice, affordability and design of housing for older people and their proximity to support services and infrastructure will be major issues. To be able to ‘age in place’, older people will need housing which is smaller, safer, low maintenance, more secure and closer to services, transport and family. People living longer with different needs means that flexible models of accommodation encompassing a wide range of settings will be needed. With rates of home ownership on the decline, there is likely to be an increase in the number of older people renting.

4.1 New migrants

According to Census 2013 data, almost a third of Nelson’s population had moved here in the previous five years. Seven percent had moved from overseas and 6 percent had moved from Tasman. The remainder had moved from other parts of New Zealand.

5 Households

According to Census 2013, Nelson had 18,540 households in private occupied dwellings, an increase of 2,586 compared with 2001. Most of the growth was in one-person and two-person households.

¹ Data sourced from Statistics New Zealand projections using their reference years. Where possible, Statistics New Zealand projections have been interpolated to align with Nelson City Council Long Term Plan and Infrastructure Strategy reference years of 2015-2025-2045.

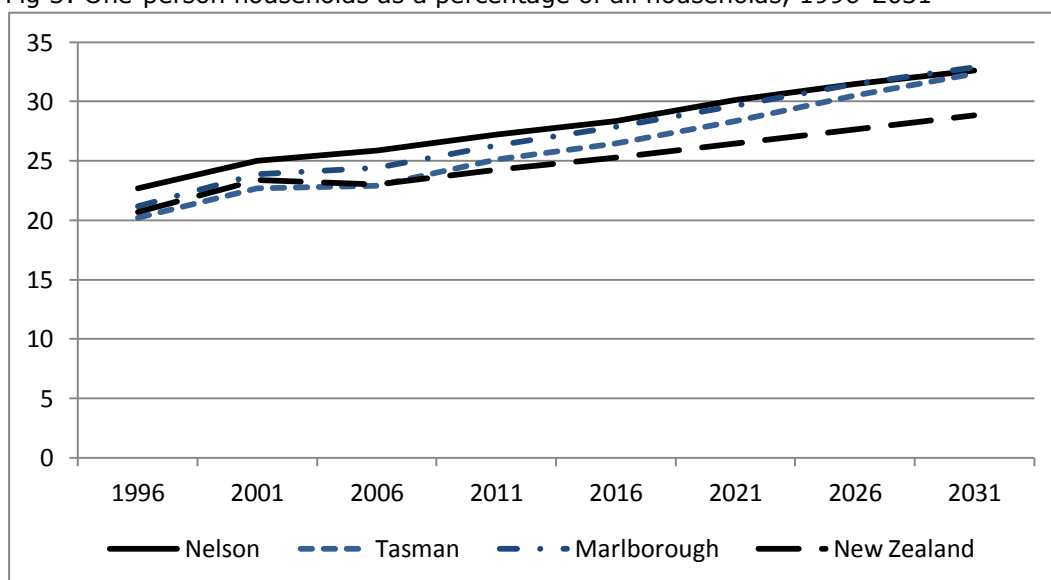
Table 1: Households in Nelson, by number of usual residents, 2001-2013

Number of usual residents	2001	2006	2013	Change 2001-2013	% Change 2001-2013
One	3942	4341	4881	939	24%
Two	5934	6354	7041	1107	19%
Three	2607	2715	2865	258	10%
Four	2196	2238	2442	246	11%
Five or more	1278	1275	1311	33	3%
Total	15954	16920	18540	2586	16%

Household projections to 2031² suggest these trends will continue. The numbers of one-person and two-person households are projected to increase (driven by the ageing population and lower birth rates) while two-parent family households will decrease. The number of single-parent households is projected to stay the same. The trends are very similar in Tasman and Marlborough. Nationally there is also a trend for growth in one-person and two-person households and a decline in two-parent households. However, there is projected to be an increase in one-parent households in New Zealand which is currently not mirrored in Nelson’s projections.

As a percentage of all Nelson households, the share of one-person households increased from 23 percent in 1996 to 26 percent in 2013 and is projected to increase to almost a third of all households by 2031. Tasman and Marlborough are projected to have a similar proportion of one-person households. The proportion of all New Zealand households is slightly lower but still projected to increase by 2031.

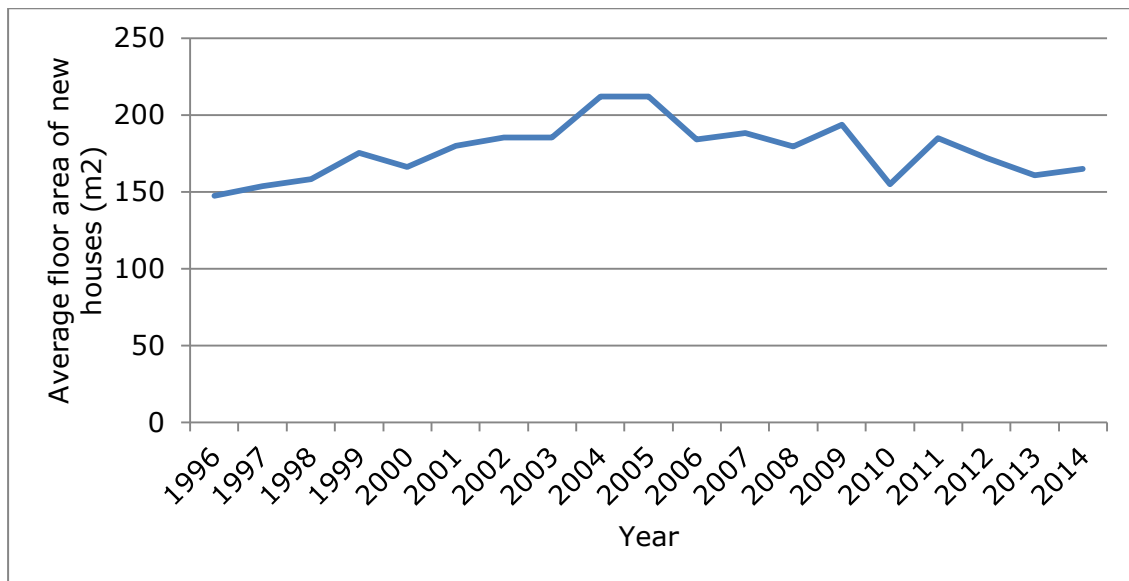
Fig 3: One-person households as a percentage of all households, 1996-2031



² Statistics New Zealand, 2006-base, December 2010. Due to be updated later in 2015 to 2013-base.

Average household size (the average number of residents per household) has been decreasing since 1996 and is projected to keep decreasing but at a slower rate. A continued decline in average household size is projected for all parts of New Zealand between 2006 and 2031. The following graph also shows trends in the average floor area of new houses. Although the size of new houses was increasing between 1996 and 2006, the trend appears to have reversed since then. There have been a considerable number of retirement units included in the building consent data since 2006 but the impact of that on average floor area cannot easily be quantified.

Fig 4: Average floor area of new houses, 1996-2014, Nelson (Statistics NZ, Building Consents)



Trends overseas³ suggest average household size is reaching its minimum and house sizes are reaching their maximum.

³ In 2008, the average household size in Australia increased for the first time in at least a century and the average size of new houses in the United States of America decreased

6 Home ownership

Rates of home ownership in Nelson have remained relatively stable, although rates between 2001 and 2006 were distorted by a change to the Census question to differentiate homes held in a family trust.

Table 2: Tenure of Private Households, Nelson, 2001-2013

Tenure of Households (Private Occupied Dwellings)	2001	2006	2013
Dwellings Owned or Partly Owned by Usual Resident(s)	68.6%	57.4%	54.5%
Dwellings Held in a Family Trust by Usual Resident(s)	-	11.2%	13.8%
Total Dwellings owned or partly owned or held in a family trust	68.6%	68.6%	68.3%
Dwellings Not Owned by Usual Resident(s)	31.4%	31.4%	31.6%

Compared to other regions, Nelson's home ownership rate in 2013 is higher than the national average but slightly lower than the rate for Tasman. Tasman's home ownership rate is higher than other regions, even when including dwellings held in a family trust by residents.

In 2013, half the households owned by usual residents were making mortgage payments on the property and just under half (47%) were freehold (not making mortgage payments). This is slightly higher than the national average where 43 percent of homes are freehold. Households held in family trust were more likely to be freehold (57 percent in Nelson and 50 percent for New Zealand). The majority of residents living in a property they did not own were making rent payments (91%).

In 2013, 86% of rental properties were in private ownership, an increase from 85% in 2006 and 84% in 2001.

Table 3: Sector of Landlord, Private Households, Nelson, 2013

Sector of Landlord, 2006	Percent
Private Person, Trust or Business	86%
Local Authority or City Council	3%
Housing New Zealand Corporation	10%
Other State-Owned Corporation or State-Owned Enterprise or Government Department or Ministry	1%

Research⁴ suggests that the decline in home ownership in New Zealand will continue and the share of private landlords will increase.

⁴ BRANZ Study Report 183 Changing Housing Need (2007)

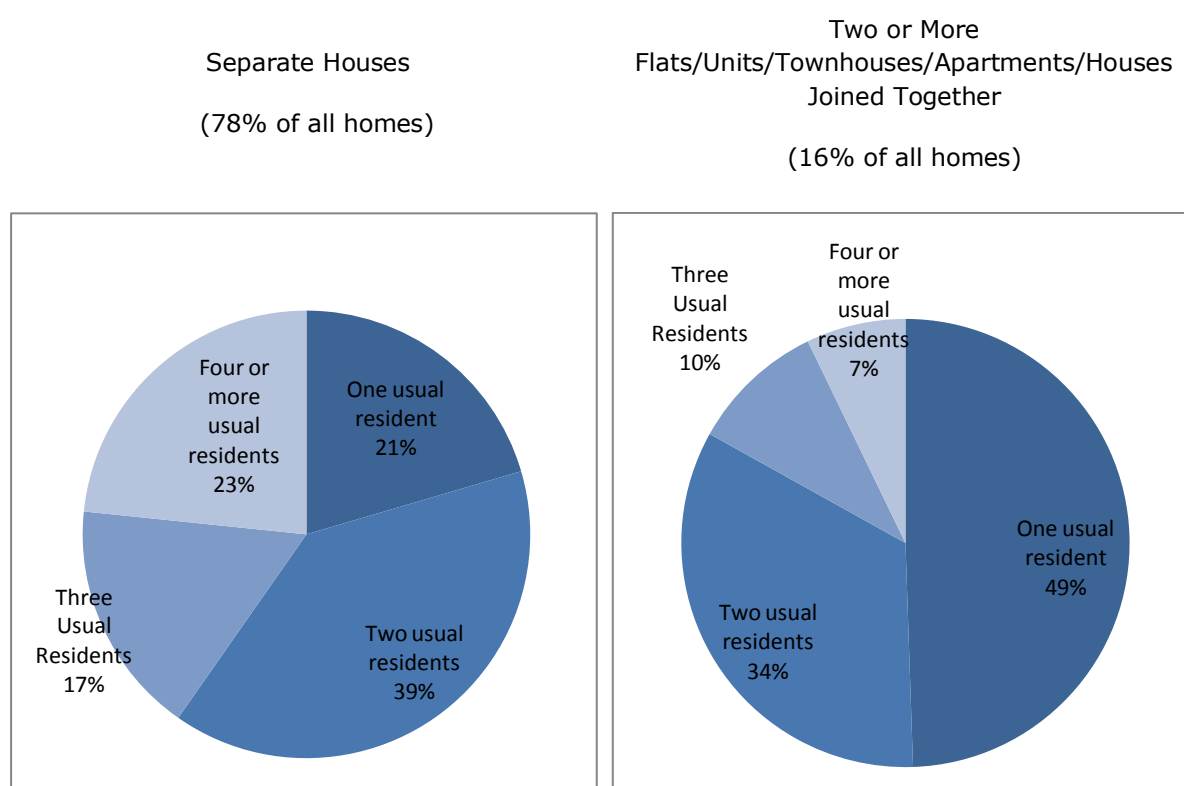
7 Dwellings

In 2013, 78 percent of private homes in Nelson were separate houses and 60 percent of these housed one or two residents.

Across New Zealand, 77 percent of homes are separate houses. However, 60 percent of houses in Wellington City were stand-alone dwellings compared with 92 percent in Selwyn district. Tasman had a relatively high rate, with 86 percent of their housing stock being separate houses.

The other main type of dwelling consists of two or more units joined together, which are 16 percent of Nelson's homes (and 17 percent of all New Zealand homes). Half of these housed one resident and a third housed two residents.

Fig 5: Dwelling type by number of residents, Nelson, 2013

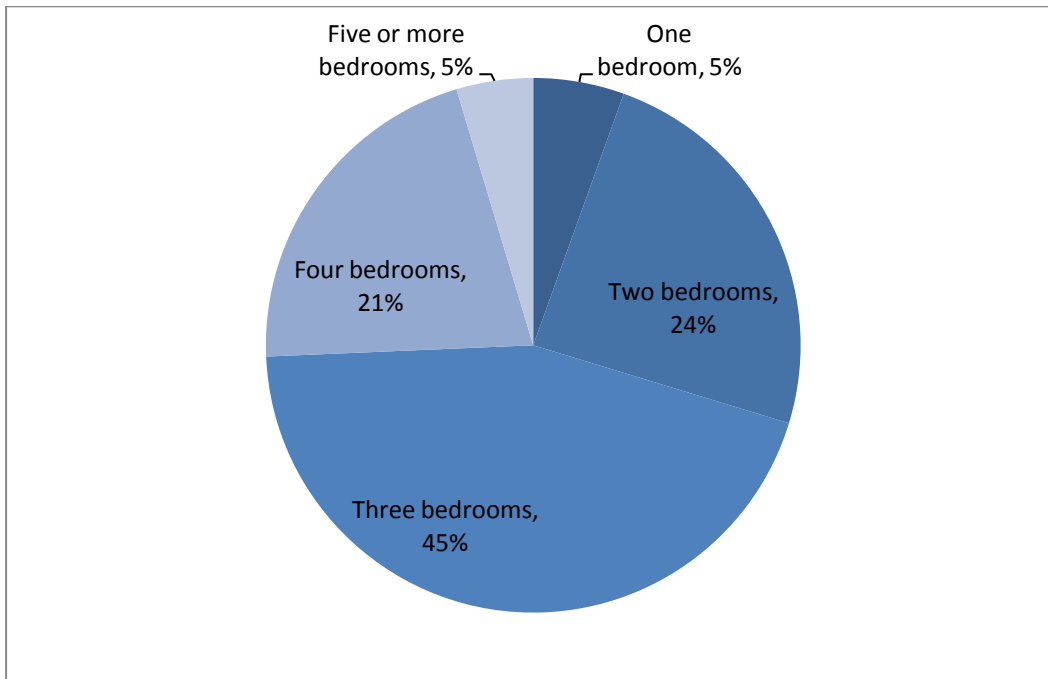


Over 65 percent of Nelson homes have three or four bedrooms. Between 2001 and 2013, there was an increase of nearly 2500 occupied dwellings, with 42 percent of the increase coming from three bedroom homes and 42 percent from four bedroom homes.

Between 2001 and 2013, there were 2046 more one and two person households but only 369 extra one and two bedroom dwellings. This may be due to market demand for more space, but there may also be some barriers to the ability to provide smaller units.

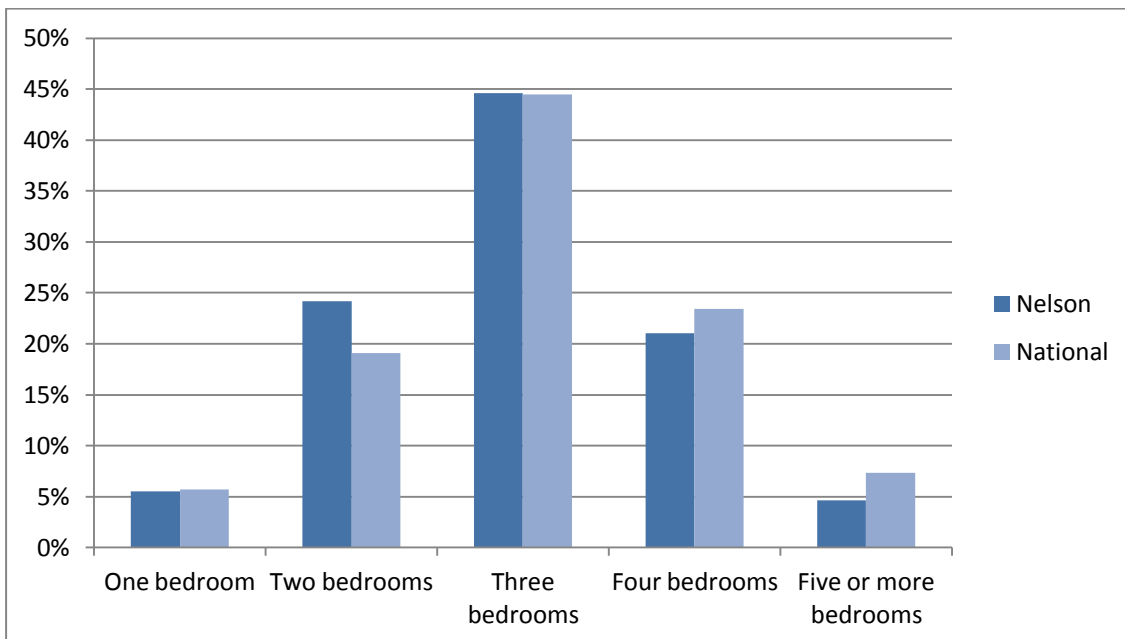
Twenty percent of 3-bedroom houses have one resident and 42 percent have two residents. Forty percent of houses with 4 or more bedrooms have one or two residents living in them.

Fig 6: Dwelling type by number of bedrooms, Nelson, 2013



Compared to national data, Nelson has a slightly higher proportion of two-bedroom homes.

Fig 7: Dwelling type by number of bedrooms, Nelson and New Zealand, 2013



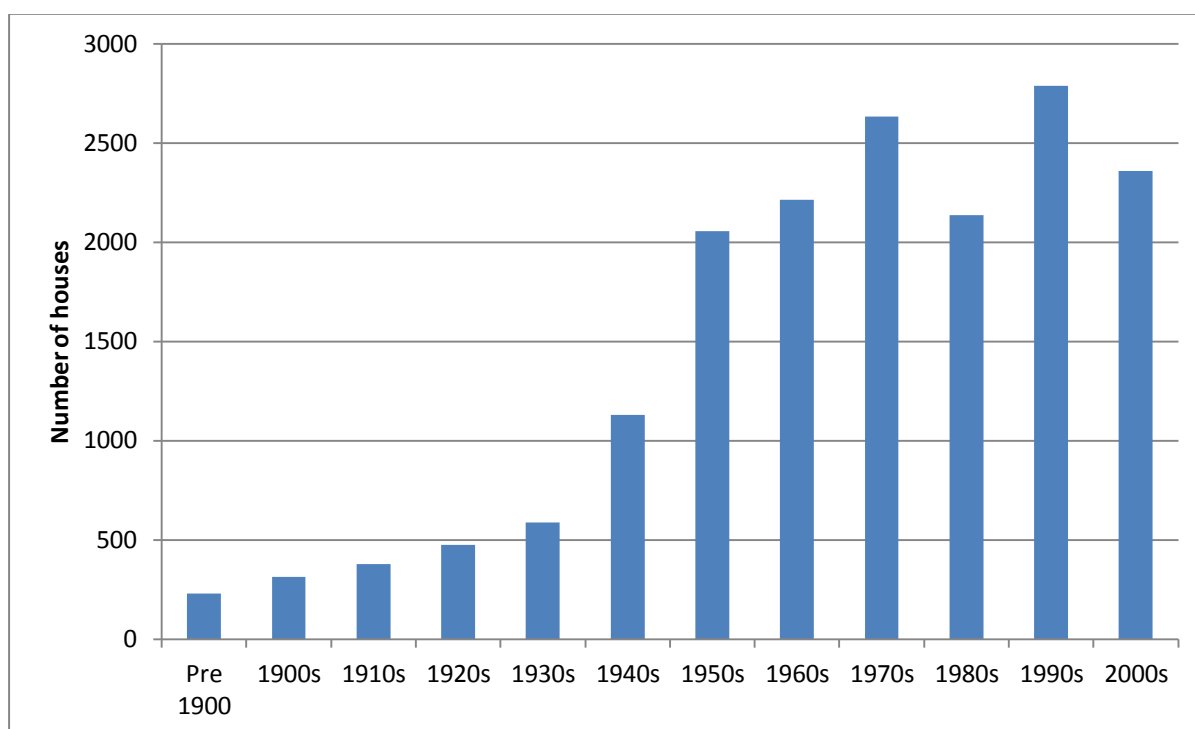
In the five years between 2009 and 2014, building consents were issued for 1227 new dwellings, of which 18% were classified as apartments. In the previous five years to 2008, there were slightly more consents issued but only 9% were apartments.

8 Housing quality

Housing quality contributes to the wider context of housing affordability through the effect on heating and maintenance costs. Unfortunately comprehensive data and information about Nelson's housing stock is limited.

Most of Nelson's housing stock has been built since 1950 with less than one in five properties dating beyond that. Thirty percent of Nelson's residential dwellings have been built since 1990. Over half of Nelson's residential dwellings were built before 1978 which is when minimum ratings for insulation in ceilings, walls, and floors were first introduced.

Fig 8: Original age of residential dwellings in Nelson, by decade, Ratings Valuation database, NCC



The World Health Organisation recommends a minimum indoor temperature of 18°C. Temperatures below that lead to dampness and condensation, which in turn lead to an increase in fungi and dust mites, as well as increased susceptibility to infectious diseases. Cold temperatures also stress the immune system⁵. National research shows that the temperatures in New Zealand homes generally average 6°C below the World Health Organisation minimum recommendation. Studies have also found that fungal growth affects about 40 percent of New Zealand homes.⁶

Research using national data has shown that housing energy costs consume over 10 percent of a decile one household income and over five percent for deciles two and three⁷. New Zealand studies have shown an increased risk of dying in winter among low-income people and those living in rented accommodation.

⁵ Philippa Howden-Chapman, Do damp and mould matter? Health impacts of leaky homes, 2009

⁶ Palmerston North City Council, Housing Needs Assessment, 2011, page 18

⁷ Helen Viggers, Household Economic Survey, 2010, in Philippa Howden-Chapman's May 2012 presentation on Affordable Housing

Improved insulation helps to maintain a healthy home environment and EECA have funded a number of schemes to improve the insulation of New Zealand's housing stock. These have included the Warm Up New Zealand: Heat Smart programme, co-funding the Clean Heat Warm Homes scheme with Nelson City Council, and the Healthier Homes scheme with support from the Nelson Marlborough District Health Board. Nelson City Council is now a partner to the Warm Up New Zealand: Heating Homes scheme.

New Zealand studies found that housing insulation had a benefit to cost ratio of 2:1. Occupants in insulated houses used 23 percent less energy, had significantly fewer days off school or work, and fewer hospital admissions.⁸

The Building Research Association of New Zealand (BRANZ) undertakes a regular survey of New Zealand housing to monitor conditions. The 2010 survey included Nelson in its sample and also aimed to compare the condition of rental and owner-occupied houses⁹. The survey found that generally rental houses were in worse condition overall than owner-occupied houses. The trends with insulation levels were not as conclusive. A slightly higher proportion of rentals than owner-occupied houses had full ceiling and floor insulation. A higher proportion of rental houses had dampness and mould issues compared to owner-occupied.

Renting households were less likely to include people aged 65 years and over. National data from Census has shown that around half of all New Zealand children live in rental houses, despite rentals representing only a third on the national housing stock.

Maintenance costs are also an issue for housing affordability, particularly for home-owners on low or fixed incomes. The average age of a residential property in Nelson is 40 years old but the repair and maintenance costs depends on its size, materials and condition. The BRANZ study concluded that the average cost of repairs and maintenance required to address aspects of houses in poor or serious condition was \$9,700 for rentals and \$8,000 for owner-occupied houses.

Research by BRANZ in 2011 on the sustainability of New Zealand homes¹⁰ found that New Zealanders live in homes that have high environmental impact, with homes built in the last decade having half the environmental impact of homes constructed before this. The government has no mandatory policy for improving the operational environmental sustainability of existing homes but programmes like the EECA Warm Up New Zealand: Heat Smart programme is improving the energy efficiency of the existing housing stock.

⁸ Howden-Chapman, P., et al., Retrofitting houses with insulation to reduce health inequalities: results of a clustered, randomised trial in a community setting. *British Medical Journal*, 2007

⁹ BRANZ Study Report 264, 2010 House Condition Survey – condition comparison by tenure

¹⁰ BRANZ Study Report 253 Sustainability of the New Zealand housing stock, 2011

9 Transport

The location of housing also has implications for transport costs. Nationally, for the lowest household income decile, almost 20 percent of household income is spent on transport costs. For about half of all households, transport costs account for 10 percent of household spending¹¹.

Between 2001 and 2013, there has been an increase in the proportion of Nelson households who have access to a motor vehicle, from 90 percent in 2001 to 93 percent in 2013.

Households in Nelson's central suburbs have the lowest rates of car ownership, with one in ten households having no motor vehicle. In Stoke and Tahunanui, six percent of households have no motor vehicle while nearly all households in Atawhai and Nelson North have at least one motor vehicle.

10 Employment

There were 22,623 employed adults in Nelson in 2013. Of those adults who were employed, 72.5 percent were in full-time employment and 27.5 percent were in part-time employment.

Unemployment increased since 2006 but was slightly lower than in 2001, mirroring the overall trend for New Zealand. The unemployment rate in 2013 was 5.9 percent, compared with 4.3 percent in 2006 and 6.4 percent in 2001. The unemployment rate for New Zealand was 7.1 percent.

Unemployment was higher for the 15-24 year age group than the labour force overall. In 2013, the unemployment rate for this age group in Nelson was 16.1 percent, compared with 10.4 percent in 2006. Nationally the unemployment rate for this age group increased from 13.3 percent in 2006 to 18.4 percent in 2013.

In 2013, 1,428 people aged 65 years and over were employed. At 17.6 percent of this age group, this was a big increase compared with 747 people or 12.1 percent in 2006. Of those in this age group in employment in 2013, almost half (47 percent) were employed full-time and 60 percent were male.

The number of people who live in Nelson and are employed in the health care and social assistance industry increased by 16 percent between 2006 and 2013 and replaced manufacturing as the industry employing the most Nelson residents.

The number of people working in Nelson's second most common industry, retail trade, have remained fairly stable, with 2,574 people employed in 2013 (11.8 percent of the employed adult population).

The number working in the third most common industry, manufacturing, has declined, from 2,736 people (13.0 percent) in 2006 to 2,277 people (10.4 percent) in 2013.

Other industries to experience growth in employment included public administration and safety, professional, scientific and technical services, and education and training.

¹¹ Helen Viggers, Household Economic Survey, 2010, in Philippa Howden-Chapman's May 2012 presentation on Affordable Housing

The workforces in the Health Care and Education industries are both relatively old¹² with a low labour market entry:exit ratio. Demand for these services is projected to grow in line with demographic changes. "While employment in this sector does include some highly skilled occupations, a large portion of the employment is in the lower skilled occupations, such as carers and aides."¹³

In order to meet the labour market demand in these sectors, employees need to be retained in Nelson or recruited from outside region. The provision of medium and lower priced housing will be required so that housing costs are not a barrier to the supply of labour.

The building and construction industry has been identified as one of the drivers of employment growth in the region¹⁴. This sector is poorly paid and has low productivity¹⁵. While the low productivity is likely to be difficult to address, the wages in this sector may well be bid up in the medium term as a result of the rebuild of Christchurch and, in the longer term, as heightened demand for younger workers coincides with a decline in their availability¹⁶.

Although there continues to be projected growth in the number of households and therefore a continuing demand for new houses to be built, this growth is projected to slow. However, the ageing population will drive demand for construction work for the retrofitting of the current housing stock to address mobility and accessibility needs.

¹² National Institute of Demographic and Economic Analysis (NIDEA), Marlborough, Nelson and Tasman Regions – A Socio-Demographic Profile 1986-2061 (June 2012), page 65

¹³ Ibid, page 76

¹⁴ Infometrics, Labour Market and Economic Profile: Nelson-Marlborough (2011), referred to in NIDEA 2012 report

¹⁵ Price Waterhouse Coopers, Valuing the Role of Construction in the New Zealand Economy (2011), referred to in NIDEA 2012 report

¹⁶ National Institute of Demographic and Economic Analysis (NIDEA), Marlborough, Nelson and Tasman Regions – A Socio-Demographic Profile 1986-2061 (June 2012), page 77

11 Residential property market

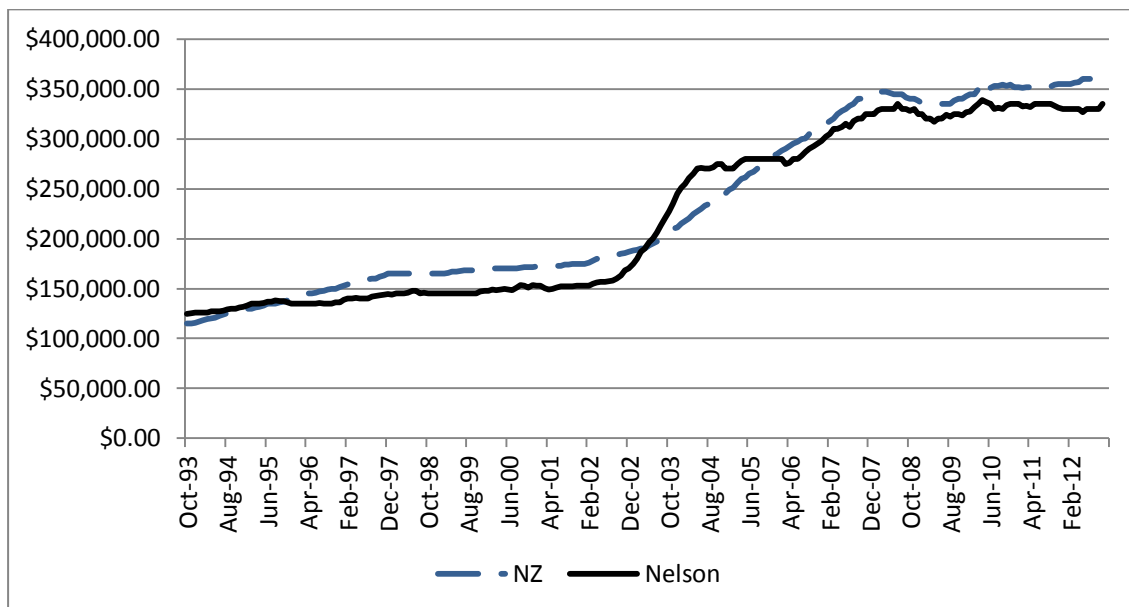
Nelson house prices have followed national trends over the last 20 years, mirroring the property boom in 2003/04.

Median property prices in Nelson at February 2015 were \$367,000, compared to \$345,000 in February 2014. This is lower than the median house price in Richmond of \$460,000 in February 2015 and \$449,000 in February 2014.

Median house prices in Nelson are similar to the Nelson/Marlborough region median house price of \$364,100 in February 2015. The national median house price is \$430,000 which is higher than the median house price in Nelson, but lower than the median house price in Tasman for the same period.

The following graph shows an historic time series of Nelson and New Zealand median sale prices. Unfortunately the data is no longer accessible from the REINZ website.

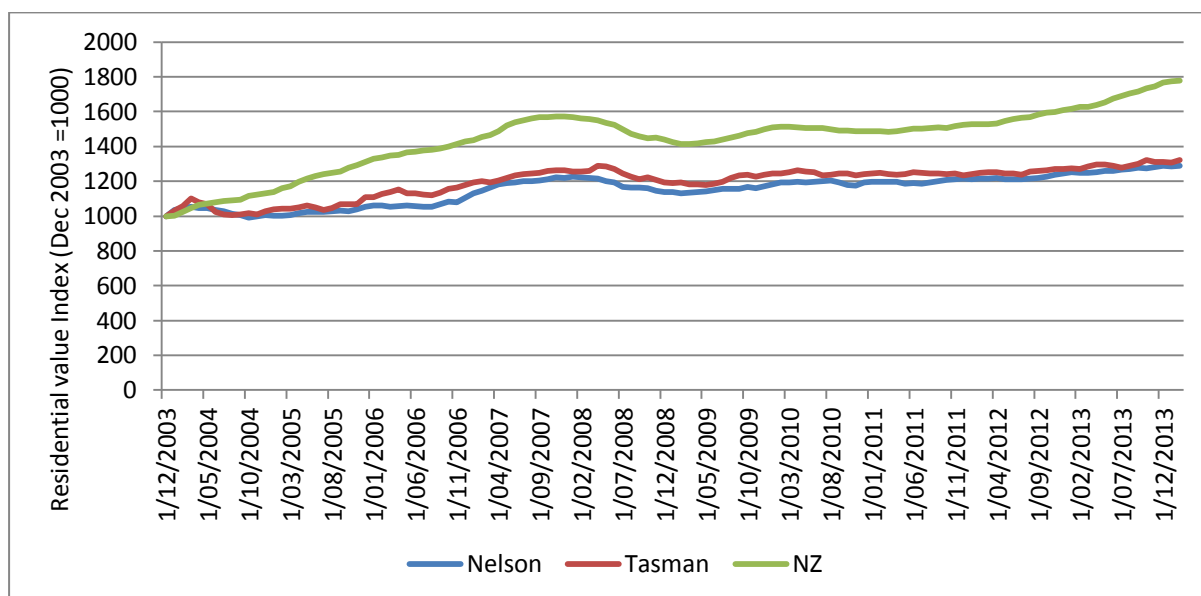
Fig 9: Median Sale Price – Dwellings, Nelson and New Zealand, 1993-2012 (REINZ)¹⁷



¹⁷ The 12 month median is used to remove the volatility of monthly medians based on small samples.

Quotable Value compiles a Residential Value Index which uses quarterly sales data to estimate an average value of all developed residential properties. This shows that although Nelson property values have mirrored national trends and have now increased above the 2007 peak, Nelson property values have not increased by the same degree as nationwide values, which are driven by the Auckland property market.

Fig 10: Residential Value Index, Nelson, Tasman and New Zealand, 2003-2014 (QV)



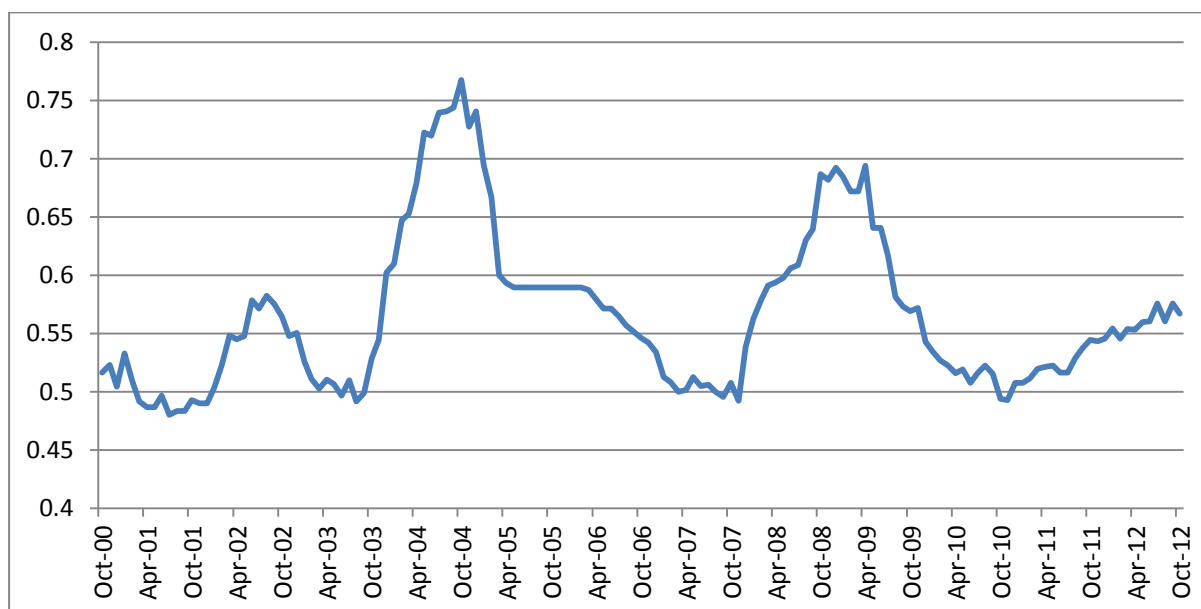
Quotable Value (QV) data for median sale prices also shows the variation in house prices across the city.

Table 4: Median Sale Price by selected suburb, December 2014 quarter (QV)

Suburb	Number of Sales	Median Sale Price
Atawhai	24	\$459,000
Enner Glynn	7	\$404,000
Maitai	6	\$365,500
Marybank	8	\$458,500
Nelson	8	\$383,000
Nelson South	28	\$302,750
Richmond	63	\$443,000
Stoke	68	\$356,125
Tahunanui	14	\$265,000
The Brook	9	\$330,000
The Wood	18	\$423,250
Toi Toi	8	\$265,000
Washington Valley	18	\$286,368

Over the last few years, Nelson section prices have been around 57 percent of house prices. The ratio has been as high as 77 percent over the last 12 years, peaking in October 2004 and again in early 2009. Since October 2010, section prices appear to have been increasing relative to house prices. Nationally, section prices have averaged 49 percent of house prices in 2012.

Fig 11: Section prices as a percentage of house prices, Nelson 2000-2012 (REINZ)



12 Residential rental market

Market rent data is available from the Department of Building and Housing (DBH) based on new tenancies in the six months ending February 2015. The median rent for a three-bedroom house is \$360 in Nelson Central and the Port Hills/Tahuna Hills, and \$367 in Stoke/Nayland/Tahunanui. Median rent for a three bedroom house is \$390 in Richmond/Wakefield/Brightwater/Mapua and nationally, the median rent for a three bedroom house is \$370.

Nationally, rents increased 3.2 percent between October 2013 and October 2014.

In the Nelson Central/Nelson North area there were 60 new tenancies for one room with a median rent of \$200 and 48 new tenancies for a bedroom in a boarding house, with a median rent of \$180. These rents compare with the national median rents of \$190 and \$195 respectively.

The following table shows median rents for the most common types of properties (where there is a large enough sample of new tenancies to avoid the median being skewed).

Table 5: Median rent by property type, 1 September – 28 February, 2015, (DBH)

Property Type	Nelson Central/Nelson North		Port Hills/Tahuna Hills		Stoke/Nayland/Tahunanui		Richmond/Wakefield/Brightwater/Mapua		New Zealand
	New Tenancies	Median Rent	New Tenancies	Median Rent	New Tenancies	Median Rent	New Tenancies	Median Rent	Median Rent
1 bedroom flat	39	\$210	11	\$210	17	\$195	14	\$212	\$230
2 bedroom flat	53	\$275	20	\$270	48	\$270	17	\$310	\$300
2 bedroom house	62	\$320	28	\$305	39	\$300	32	\$320	\$315
3 bedroom house	130	\$360	77	\$360	120	\$367	93	\$390	\$370
4 bedroom house	37	\$400	14	\$437	37	\$440	26	\$435	\$480

13 Housing affordability – home ownership

There are various measures and definitions used to assess the affordability of home ownership.

The house-price-to-income multiple is an internationally recognised indicator, recommended by the United Nations and World Bank, primarily for urban areas. It is defined as the ratio between the median house price and the median annual household income. A median multiple of 3 or less indicates housing affordability (based on US research).

The following table compares Nelson to other predominantly urban areas in New Zealand and shows that Nelson is relatively less affordable than other areas, with the median house price costing 4.76 times the median annual household income. However, the table also shows that this ratio has improved from the same time last year.

Nelson's high affordability ratio appears to be driven by a higher median house price compared to other areas. There is less variation between the median incomes in different areas.

Table 6: Median house price to income multiple, February 2015(interest.co.nz)

	Median house price	Median annual household income	Median house price to income multiple	
	Feb-14	Feb-15	Feb-15	Feb-14
NZ total	\$430,000	\$81,914	5.25	5.16
Wanganui	\$150,000	\$71,509	2.10	2.58
Invercargill	\$210,000	\$72,803	2.88	2.86
Rotorua	\$240,000	\$79,628	3.01	3.69
Gisborne	\$218,000	\$71,951	3.03	3.35
Palmerston North	\$292,250	\$79,630	3.67	3.63
Napier	\$281,000	\$73,305	3.83	3.94
Whangarei	\$306,500	\$79,378	3.86	3.64
Timaru	\$295,000	\$75,603	3.90	3.88
Dunedin	\$281,500	\$69,832	4.03	3.92
Hamilton	\$352,000	\$79,860	4.41	4.78
Hastings	\$325,000	\$73,532	4.42	4.69
Wellington metro	\$410,000	\$88,552	4.63	4.81
Tauranga	\$370,000	\$77,999	4.74	4.92
Nelson	\$367,000	\$74,802	4.91	4.68
New Plymouth	\$373,000	\$75,023	4.97	4.53
Christchurch	\$446,070	\$80,922	5.51	5.45
Queenstown-Lakes	\$568,250	\$75,192	7.56	8.49
Auckland metro	\$675,000	\$85,865	7.86	7.02

According to the AMP360 Home Loan Affordability Series, also available from interest.co.nz, there are four different indices for assessing home loan affordability:

1. **individual first-home buyer**: based on a median income of a person in the 25-29 age group servicing a mortgage on a **lower-quartile** priced house, with a deposit based on 4 years of saving 20 percent of the weekly income
2. **household first-home buyer**: based on a median household income of one male and one female working full-time, both in the 25-29 age group, without children, servicing a mortgage on a **lower-quartile** priced house, with a deposit based on 4 years of saving 20 percent of the weekly income
3. **individual standard buyer**: based on a median income of a person in the 30-34 year old age group servicing a mortgage on a **median** priced house, with a 20 percent deposit
4. **household standard buyer**: based on a median income of one adult male working full-time, one adult female working 50 percent, both in the 30-34 age range, and one 5 year old child, servicing a mortgage on a **median** priced house, with a 20 percent deposit

An index greater than 40 percent is considered “unaffordable”.

The following table shows that housing is affordable for a typical household income, where more than one adult is working, but is not affordable for an individual buyer.

Table 7: Mortgage payments as a percentage of take-home pay (interest.co.nz)

Affordable | **Not affordable**

Index (typical buyer profile)	Nelson February 2015	Nelson February 2014	Nelson February 2010	New Zealand October 2012
Individual first-home buyer	53.7%	50.9%	54.6%	48.9%
Household first-home buyer	26.4%	24.8%	30.5%	23.8%
Individual standard buyer	54.6%	53.3%	70.6%	59.0%
Household standard buyer	36.0%	34.9%	44.8%	38.7%

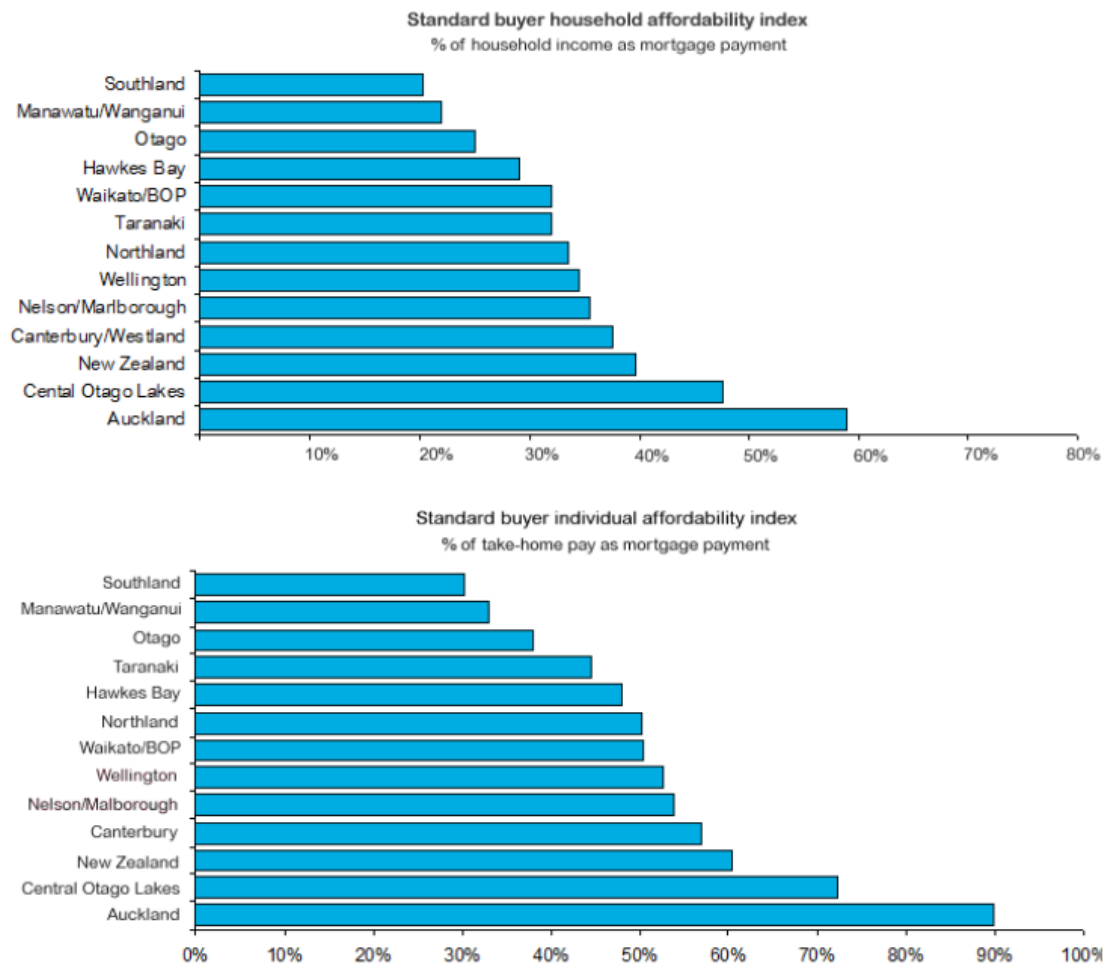
It takes 54.6 percent of a typical single median income to pay the mortgage on a median priced house. However, based on a typical household income, it takes 36.0 percent of the median income to service a mortgage on a median priced house.

The indices for all four buyer profiles have worsened compared with a year ago but have improved from levels experienced five years ago.

The key drivers of home affordability are house prices, incomes and interest rates. Compared with a year ago, house prices have increased by 6.4 percent, incomes are 2 percent higher, and fixed interest rates have dropped by 36 basis points.

Compared to the rest of New Zealand, Nelson-Marlborough is relatively less affordable. Nelson-Marlborough’s housing is the fourth least affordable for an individual buyer and for a household income.

Fig 12: Standard buyer affordability indices: Individual and Household, February 2015 (AMP360 Home Loan Affordability Series)



14 Housing affordability – rental

Compared to other urban areas in New Zealand, rents in Nelson are high. The annual median rent for a three bedroom houses consumes over a quarter of the annual median income. In terms of rental affordability, only Queenstown, Auckland, and Christchurch are less affordable.

Table 8: Rent as a proportion of income, February 2015, interest.co.nz

	Median annual household income	Median annual rent for a 3 bedroom house	Rent as a proportion of income
NZ total	\$81,914	\$20,280	25%
Wanganui District	\$71,509	\$11,440	16%
Invercargill City	\$72,803	\$12,480	17%
Rotorua District	\$79,628	\$14,820	19%
Gisborne District	\$71,951	\$14,560	20%
Palmerston North City	\$79,630	\$16,120	20%
Timaru District	\$75,603	\$15,600	21%
Whangarei District	\$79,378	\$16,640	21%
Hastings District	\$73,532	\$16,120	22%
Dunedin City	\$69,832	\$15,600	22%
Hamilton City	\$79,860	\$18,200	23%
Napier City	\$73,305	\$16,900	23%
New Plymouth District	\$75,023	\$18,460	25%
Tauranga City	\$77,999	\$19,760	25%
Wellington metro	\$88,552	\$22,741	26%
Nelson City	\$74,802	\$19,240	26%
Christchurch City	\$80,922	\$23,400	29%
Auckland metro	\$85,865	\$26,613	31%
Queenstown-Lakes District	\$75,192	\$24,960	33%

15 Specific housing markets

15.1 Retired market

The number of Nelson residents aged 65 and over is projected to increase from 8,400 in 2013 to 18,300 in 2043.

According to Census 2013 data, the majority (91 percent) of older Nelson residents live in private dwellings, including some in retirement village units. Seventy percent live in detached private dwellings, although this proportion drops to 63 percent for residents aged 75 years or over. Eight percent of residents aged 65 and over are accommodated in residential care, increasing to 15 percent for those aged 75 and over.

“Many older New Zealanders find themselves in the situation of being ‘housing rich and income poor’. For this group, housing affordability begins to ‘bite’ when fixed costs like rates and insurance increase, when the house needs essential repairs, or when adaptations are necessary in order to be able to stay put safely. It would be useful to explore the potential for the establishment in New Zealand of organisations modelled on the UK’s Home Improvement Agencies, which make maintenance more affordable and manageable for vulnerable homeowners.”¹⁸

The Nelson-Marlborough District Health Board has taken part in the Good Homes project which focuses on helping older people keep up with repairs and maintenance so they can stay in their own homes and communities for longer.

The Ministry of Social Development¹⁹ stated “for many people the key to maintaining independence is remaining in their own home”. The World Health Organisation has produced a guide to designing age-friendly cities and found a strong link between appropriate housing and the quality of life of older people. The guide included the following recommendations for housing:

- affordable housing is available for all people
- essential services such as electricity need to be affordable
- the design and layout of houses need to have sufficient space for older people to move about freely, even surfaces and appropriately designed bathrooms and kitchens
- modifications and maintenance services also need to be affordable
- housing is located close to services and facilities
- affordable services are provided to enable older people to remain in their own home
- housing design facilitates continued integration of older people into the community
- a range of appropriate and affordable housing is available in the local area
- housing is not located in areas prone to natural disasters
- older people feel safe in the environment they live in

Much of the current housing stock in New Zealand “is less than user-friendly in terms of access, mobility and general safety”²⁰. Research by BRANZ into the costs of fitting

¹⁸ Age Concern, [Income Pressure Points article](#),

¹⁹ Ministry of Social Development, Briefing Paper to the Incoming Minister for Senior Citizens (2002)

²⁰ BRANZ Study Report 263: Lifetime Housing – the Value Case, 2011

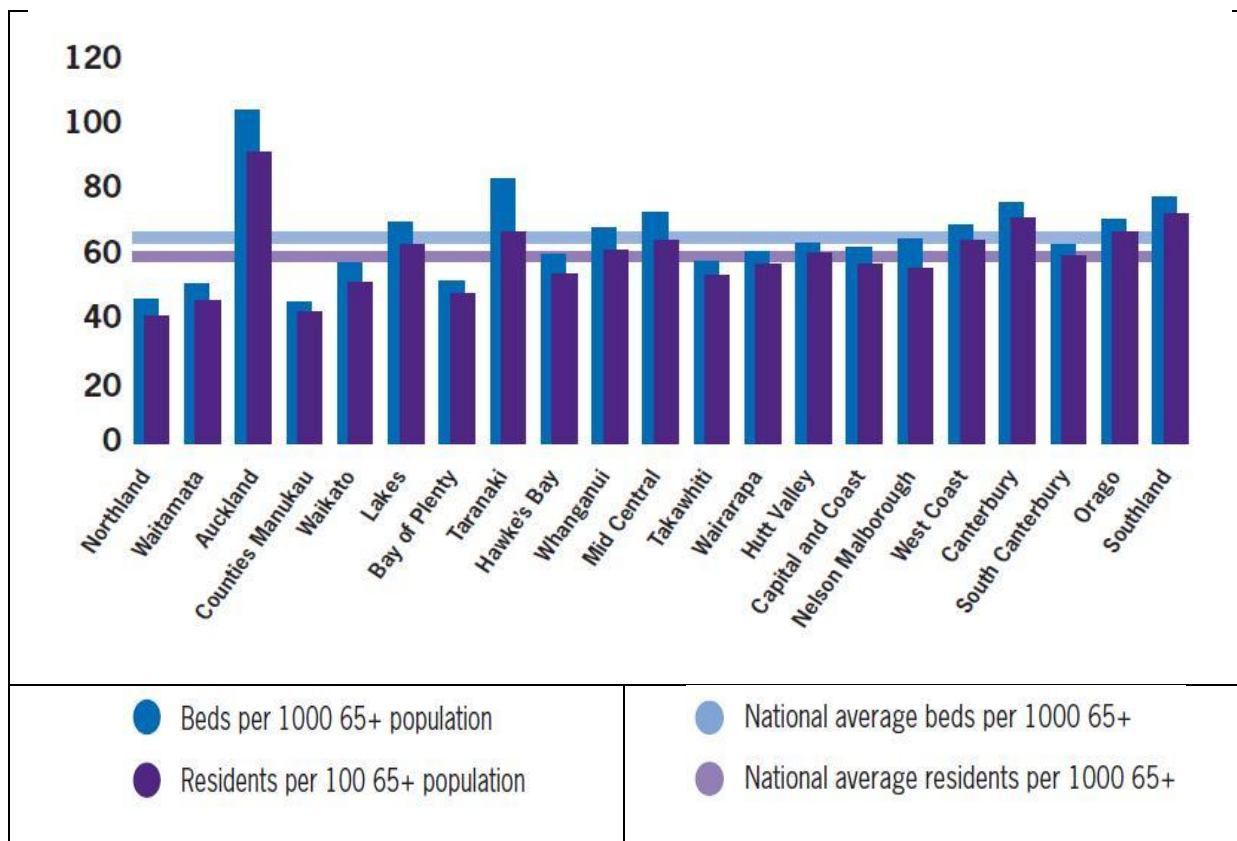
houses with Lifetime Design or User-friendly Features found that it is much cheaper to include those features in a new house than it is to retrofit the same house later. For the majority of single-storey houses, the total extra costs are no more than \$1700 or 0.5 percent of the total cost. When changes are made to existing houses, the costs are typically over \$15,000 just for internal changes. However, no local studies have estimated the savings of reduced injuries in houses with User-friendly features.

15.1.1 Residential care

Nationally, the demand for rest home care and the demand for high dependency services (hospital and dementia) will increase. Most of the recent developments have catered for people who have the financial means to pay for this accommodation²¹.

In 2009 the number of beds and the number of residents in aged residential care in the Nelson Marlborough DHB area were both below the national average²².

Fig 13: Beds and residents in aged residential care, 2009



A review of Aged Residential Care Service considered several scenarios for New Zealand in responding to this increased need. One scenario was for community-based housing as an option for low-income older people. This model provides more choice and supports greater social connection.

²¹ Grant Thornton, Aged Residential Care Review, 2010

²² Grant Thornton, Imagining the future for Aged Residential Care, page 13, 2010

15.2 First-home buyers

As discussed in the section on 'Housing affordability – home ownership', a typical first home in Nelson is unaffordable for a single buyer but affordable for a double-income household.

Previous research on housing affordability in Nelson²³ suggested an attitudinal issue regarding housing in Nelson. First-home buyers were reported to have an expectation of buying a better standard of home, rather than starting with a lower-priced property and working their way up.

15.3 Maori

In 2013, 9.4 percent of Nelson's population identified themselves as belonging to the Maori ethnic group. This was higher than the proportion in 2006 and is projected to keep growing over the next decade at least.

There are currently six kaumatua flats at Whakatu Marae.

No local research into specific housing issues for Maori is known. However, national research²⁴ on Maori housing experiences found that:

- Maori home ownership rates are lower than for Pakeha
- Maori are a large and growing proportion of the HNZC client base and are expected to show ongoing demand for larger houses and houses appropriate for single-parent families or kaumatua
- Major barriers to home ownership are low incomes, high debt levels, poor access to finance, high property prices and the inability to get and use information about home owning
- Proximity to whanau is crucial in preferred house location
- The prevailing housing model, grounded in a market system of individual property rights, conflicts with land development models premised on lineage-based shared property rights and other social and spiritual aspects of Maori housing.

In a wider sense, Maori housing models can be incorporated into sustainable urban design. Councils could reduce barriers to hapu and iwi sustainable development by ensuring that planning rules allow for kainga or cluster housing²⁵. The Nelson Resource Management Plan has limited papakainga provisions and treats it as a controlled activity.

²³ Barbara Graves for Nelson City Council, Towards an Affordable Housing Policy, 2010

²⁴ Centre for Housing Research Aotearoa New Zealand (CHRANZ), Maori Housing Experiences: Emerging Trends and Issues, 2006, referenced in Nelson Marlborough District Health Board Housing Strategic Framework, 2009

²⁵ Keriata Stuart and Michelle Thompson-Fawcett, Taone Tupu Ora: Indigenous knowledge and sustainable urban design

Appendix One: Nelson Areas and Area Units

Area units are geographical boundaries determined by Statistics New Zealand. The area each name refers to can differ from the names commonly used by local residents. For example, Ngawhatu area unit includes the south side of Ngawhatu Road but does not include the site of the former Ngawhatu hospital, which is in the Isel Park area unit.

Where possible, this report summarises the area unit data by five different areas:

- **Stoke:** Saxton, Ngawhatu, Langbein, Isel Park, Nayland, Maitlands, and Enner Glynn area units
- **Tahunanui:** Nelson Airport, Tahunanui, and Tahuna Hills area units
- **Nelson Central:** Grampians, Toi Toi, Washington, Britannia, Port Nelson, Broads, Kirks, Bronte, Trafalgar, The Brook, Atmore, Maitai, and The Wood area units
- **Atawhai:** Atawhai and Clifton area units
- **Nelson North:** Glenduan and Whangamoia area units

Fig 19: Nelson areas, based on Statistics New Zealand area unit boundaries

