

National Policy Statement on Urban Development Capacity

Nelson-Tasman Monitoring Report

July 2019 - June 2020



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Summary

The National Policy Statement on Urban Development Capacity (NPS-UDC) requires local authorities within a Medium or High Growth Area to ensure they are well-informed about urban development activity by monitoring property market indicators.

This is the seventh monitoring report jointly prepared by Nelson and Tasman staff to report to both Nelson City and Tasman District Councils. The first five reports were prepared quarterly, between January 2017 and June 2018 before a shift to annual reporting with the sixth report for the year ending 30 June 2019. Following an MfE workshop in November 2018, councils were advised by MfE that instead of producing quarterly reports, councils could produce one annual report with data updated quarterly to make the process less resource-intensive. This schedule has since been confirmed by the new National Policy Statement on Urban Development (NPS-UD). All previous reports are available on the relevant Council's website.

The NPS-UDC itself has been recently (20 August 2020) superseded by the National Policy Statement on Urban Development (NPS-UD). This monitoring report has been prepared to close out the reporting for the NPS-UDC and covers the period 1 July 2019 - 30 June 2020. All future monitoring reports will be prepared in response to requirements of the NPS-UD.

The indicators that are monitored in this report include housing supply, demand, price and affordability, number of new sections created, and building and resource consents for both housing and business.

Updates on current trends in Nelson and Tasman in the last 12 months are summarised as follows:

- Reporting for a 12 month period means any consistent changes to trends in the data are likely to be more reliable. However, some of the data supplied by MHUD for demand and supply of housing for this period include errors that have the potential to compromise the data. For example, one indicator relates to the number of new dwelling building consents compared to the creation of households, with the household demand figure being overestimated for most areas throughout New Zealand. This is an important indicator and without this it is difficult to conclude on how both Districts are keeping up with demand for housing.
- Median house prices in Nelson and Tasman continue to increase relatively strongly. Compared with 5 years ago, median prices in both regions have increased by around 60%.
- The number of applicants on the Ministry of Social Development's housing register has increased by 49% for Nelson and 14% for Tasman, compared with 12 months ago.
- Affordability has improved over the last 12 months, according to the Massey University Index. For the year to May 2020, home affordability improved in Nelson by 11.1% and 7.8% in Tasman. Tasman remains the second least affordable region in the country and Nelson is the third.
- Total building consents for dwellings have increased in Nelson and Tasman in recent years. In the year ending 30 June 2020 building consents in Tasman

have reached a record high of 491 and for the Nelson Urban Area they have remained constant. For Nelson City Council they have reduced over the past 12 months.

- Nelson has seen a slight decrease in the number of new residential sections for the year ending 30 June 2020 compared to the previous 12 months with a drop from 221 sections in 2019 to 211 sections in 2020. Richmond has seen an increase in the number of sections created in the year ending June 2020, (243) compared with the previous year (151). This has led to a total increase for the Nelson Urban Area of 454 (year ending 30 June 2020) compared with 372 for the previous 12 months.
- New sections created in Richmond account for 75% of all sections created in the Tasman District in the past 12 months: 243 of the total 322 sections being on residentially zoned land. In addition, excluded from this count are a further 92 sections created in the Coastal Tasman Area for residential purposes (Rural 3 zoned land) of the Tasman District, for the year ending 30 June 2020. These are not counted as they are not on residentially zoned land, but importantly are adding to the District's potential supply of housing.
- Similar trends can be seen in the resource consents for residential units. For Nelson City these have reduced from 703 lots for the year ending 30 June 2019, to 385 for year ending 30 June 2020. For the Nelson Urban Area these have increased from 861 lots for the year ending 30 June 2019 to 915 lots for the year ending 30 June 2020. The September quarter for Richmond includes The Meadows (special housing area) subdivision in McShane Road which has contributed significantly to the Nelson Urban Area increase. For the year ended 30 June 2020, in Tasman, there were 9 subdivision resource consents granted for intensification within the Richmond intensive development area. There were also additional consents granted that did not involve subdivision.
- The amount of floor space consented for building for business (commercial and industrial) has remained relatively constant across the Nelson Urban Area, Nelson City and Tasman District for the year ending 30 June 2020, compared with the previous 12 months.

The data that is collected to measure housing supply, demand, and pricing naturally varies between quarters. While it is useful to monitor these datasets quarterly, care needs to be taken when looking for trends in the data over such a short period. Any changes to the trends in the data are unlikely to be seen and reliably assessed until there has been a consistent change for at least 12 months.

Introduction

This is the seventh monitoring report implementing the National Policy Statement on Urban Development Capacity (NPS-UDC) for the Nelson Urban Area. The report provides updated data and analysis of changes to the housing and business market for the 12 months ending 30 June 2020.

The NPS-UDC requires local authorities within a Medium or High Growth Area to ensure they are well-informed about the demand for housing and business development capacity, urban development activity, and outcomes. Local authorities are required to monitor a range of indicators quarterly including:

- a. Prices and rents for housing, residential land and business land by location and type; and changes in these prices and rents over time;
- b. The number of resource consents and building consents granted for urban development relative to the growth in population; and
- c. Indicators of housing affordability.

The Ministry of Housing and Urban Development's dashboard of data¹, which this report partly relies on, is updated approximately eight weeks after the quarter ends, hence the reports lag on this basis. The NPS-UDC also requires local authorities to use the information provided by indicators of price efficiency in their land and development markets from December 2017. Most of the data in the dashboard has been recently updated in August 2020.

The first five monitoring reports were prepared quarterly, between January 2017 and June 2018. Following an MfE workshop in November 2018, medium growth councils were advised by MfE that instead of producing quarterly reports, councils could produce one annual report with data updated quarterly to make the process less resource-intensive. Tasman's Environment & Planning Committee approved the preparation of annual rather than quarterly reports on the NPS-UDC monitoring at its meeting of 7 March 2019. This report is the second to be presented on an annual basis.

The NPS-UDC itself has been recently superseded by the National Policy Statement on Urban Development (NPS-UD) and confirmed the new reporting schedule. This monitoring report has been prepared to close out the reporting for the NPS-UDC covering the period 1 July 2019 – 30 June 2020. All future monitoring reports will be prepared in response to the requirements of the NPS-UD.

Nelson Urban Area

Under the NPS-UDC, this report covers both the Nelson Urban Area and the whole of Tasman. The "Nelson Urban Area", as defined by Statistics New Zealand's classification of urban areas includes most of Nelson City's area and the following area units in Tasman - Richmond East and West, Aniseed Hill, Bell Island, Best Island, Hope, and Ranzau. Tasman councillors have previously requested that the data in these monitoring reports cover the whole District and the Nelson Urban Area.

¹ <https://www.hud.govt.nz/urban-development/national-policy-statement-on-urban-development-capacity-nps-udc/urban-development-capacity-dashboard/>

Population Trends

The most recent population estimates from Statistics New Zealand indicate that Nelson's population reached 52,900 as of 30 June 2019 and Tasman's reached 54,800. Tasman's population growth in recent years has been significantly higher than during the previous decade. In the five years between 2013 and 2019, both regions and the Nelson Urban Area experienced population growth of between 9% and 12% (1.4%-2.0% average annual increase). Statistics NZ had previously projected that the Nelson Urban Area's population was likely to grow by 9.95% in the ten years between 2013 and 2023, meaning it was classified as 'medium growth', according to the NPS-UDC, falling just below the ten percent threshold defining 'high growth' urban areas.

Residential Development Trends

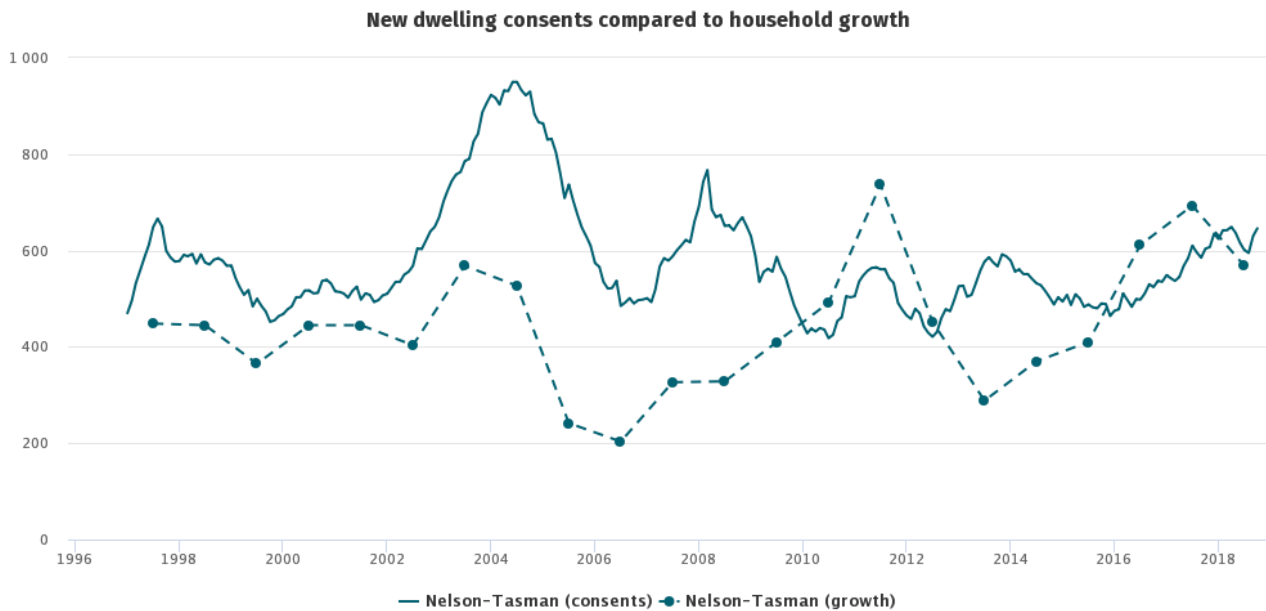
Market Indicators

The purpose of monitoring the market indicators is to support the analysis and understanding of local housing markets by local authorities and support the implementation of the NPS-UDC.

1. Demand and Supply

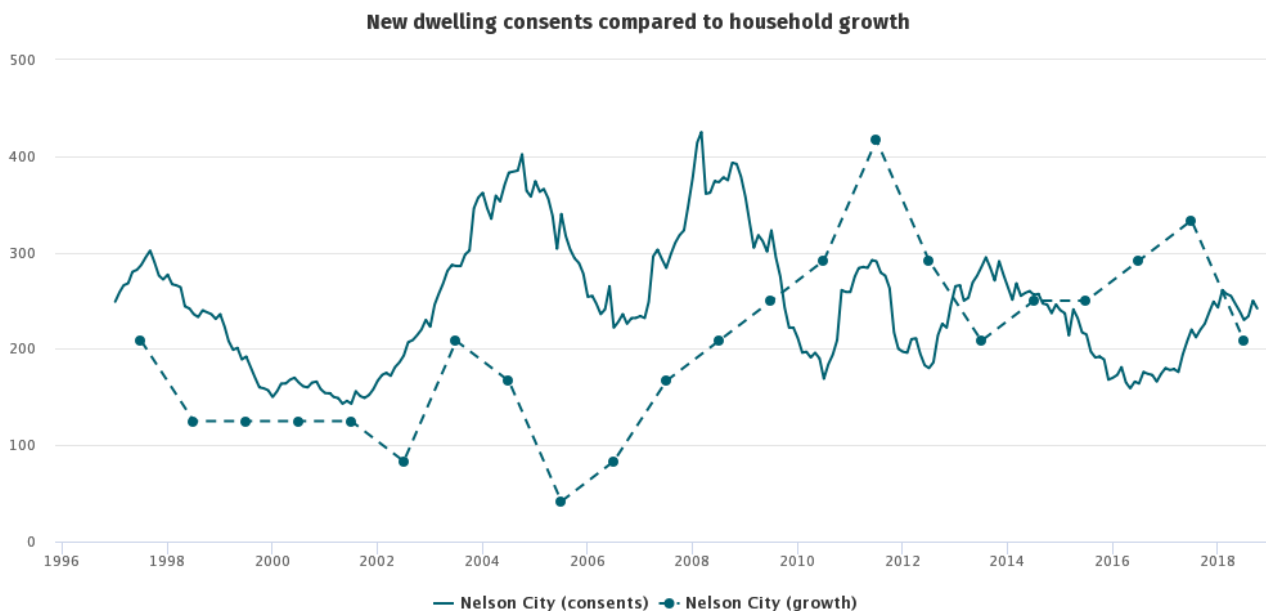
Over the last two decades, Nelson and Tasman have generally had sufficient new housing to meet population and household growth (Graph 1). However, demand outstripped the combined supply of both regions around 2011, when both regions experienced population growth following the Canterbury earthquakes, and again in 2016 - 2017. Graph 1 shows, in 2018 for the two regions overall, housing supply met demand. However individually, building consents were trailing household growth for Nelson, while in Tasman, building consents were just meeting demand (household growth).

MHUD released updated data for this indicator in August 2020, however has since confirmed the need to disregard data beyond 2018 for this indicator. The explanation for the inaccuracies are related to the 2018 census and shortcomings in the model Stats NZ uses to estimate the population between censuses. Some new data may be available around October 2020. This is an important indicator that measures how closely demand is being met for housing and will be updated when reliable new data is available from MHUD.

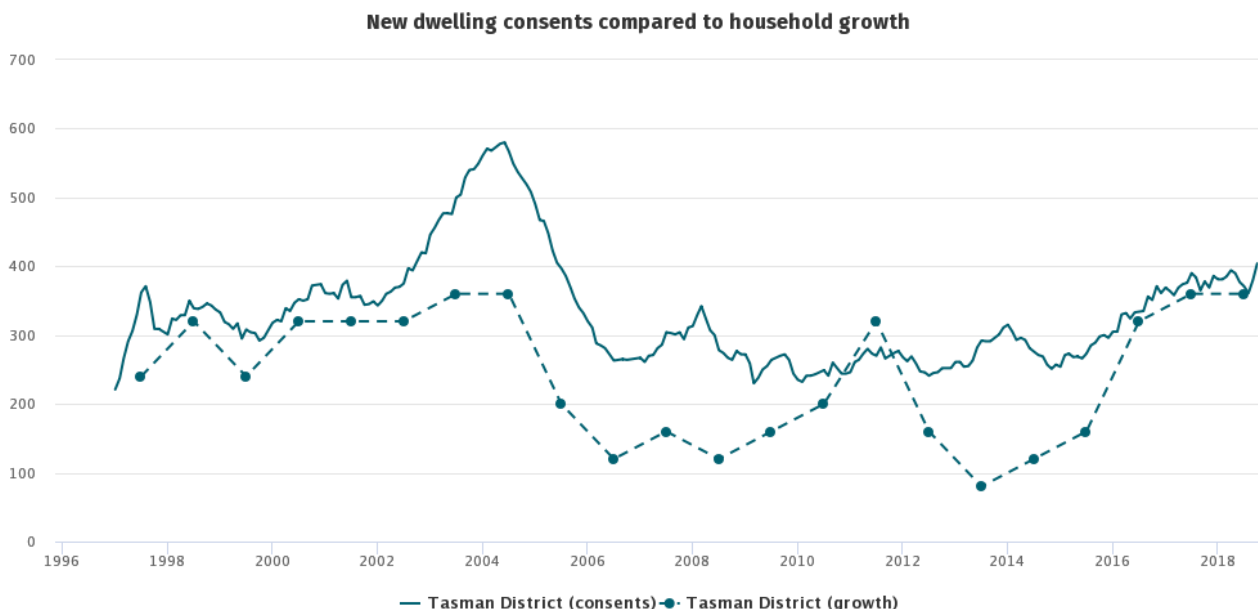


Graph 1. New dwelling consents compared to household growth – Nelson-Tasman Regions Combined.

In reality, there are many market dynamics involved that affect the supply of housing, including the cost of infrastructure, financing packages for low-income homeowners, the market’s limited provision of smaller housing, the timing of the release of land by developers/owners, investor purchase of housing and building costs. While building consents may be issued by a Local Authority that does not necessarily mean the housing is constructed quickly.



Graph 2. New dwelling consents compared to household growth – Nelson City



Graph 3. New dwelling consents compared to household growth –Tasman District

Household growth is used within the MHUD dashboard as a proxy for determining demand. It is calculated from the estimated resident population, divided by the local average household size. The actual resident population and household numbers are confirmed after each Census (note comments above regarding reliability from the 2018 census). Previous censuses have resulted in revisions of Nelson’s population estimates by +/- 4% and Tasman’s by +/- 2%.

The number of new dwelling consents is used within the dashboard as a proxy for determining supply. Both sets of data for supply and demand are sourced from Statistics New Zealand (presented as a 12-month rolling average), with a lag of six months for building consents to account for the time taken from consenting to completion.

Prices and Rents

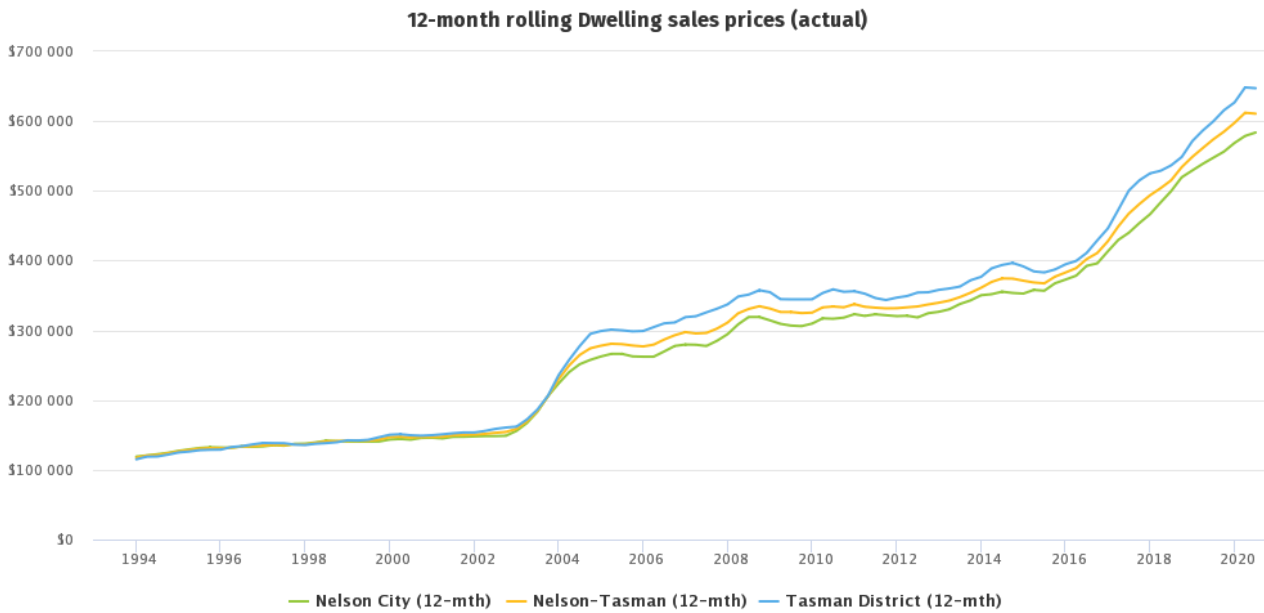
According to MHUD’s dashboard, house prices continue to increase relatively strongly in both Nelson and Tasman (Graph 4). The median sale price for the year ended 30 June 2020 was \$583,625 in Nelson and \$647,188 in Tasman. Compared with 30 June 2019, house prices have increased by 6.6% in Nelson and 7.9% in Tasman. Compared with five years ago, since March 2015 median house prices in both regions have increased by around 60-70%.

REINZ also monitors house prices in the region and its latest monthly report ² finds that as of 30 June 2020, the median house price in Nelson City was \$600,000 and the median in Tasman was \$650,000, similar to the MHUD data above.

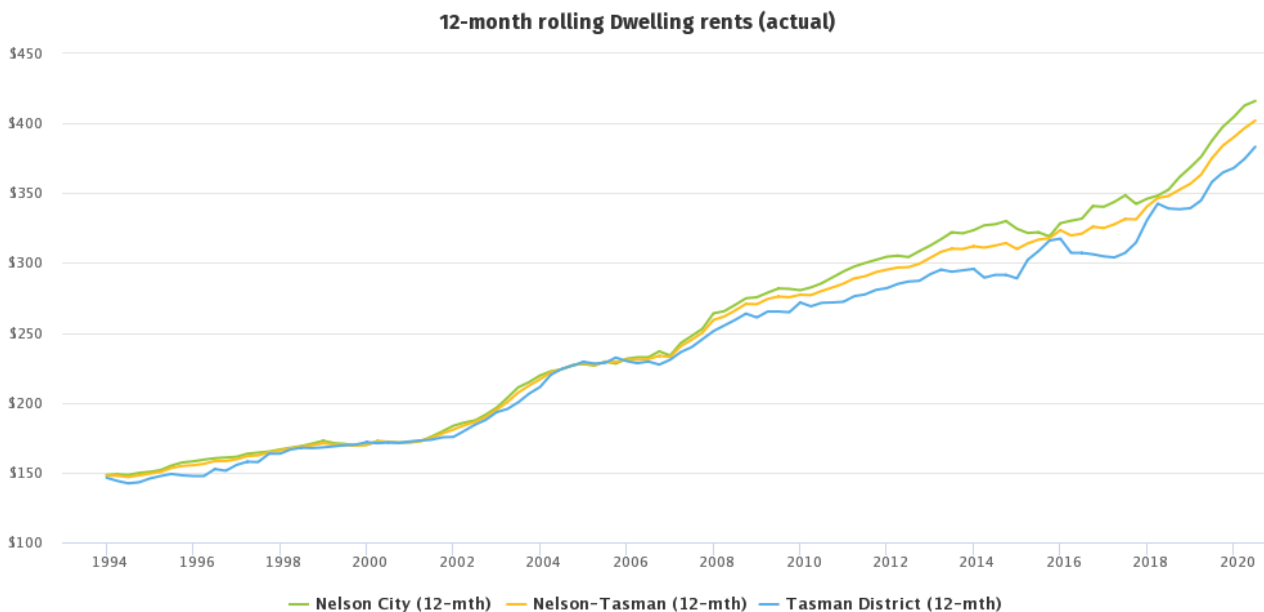
²

<https://www.reinz.co.nz/Media/Default/Statistic%20Documents/2020/July/REINZ%20Monthly%20Property%20Report%20-%20July%202020.pdf>

Residential rents continue to increase at a slower rate than house prices over time (Graph 5).



Graph 4: Dwelling sales prices – actual, rolling average, Nelson-Tasman combined, Nelson City, Tasman District



Graph 5: Dwelling rents – actual, rolling average, Nelson-Tasman combined, Nelson City, Tasman District

Ministry of Social Development’s Housing Register

As of 30 June 2020, the number of applicants on MSD’s Housing Register is 212 for Nelson and 107 for Tasman. These numbers represent an increase of 49% for Nelson and 14% for Tasman compared to the same time in 2019. The Housing Register represents applicants not currently in public housing who have been assessed as eligible, and who are ready to be matched to a suitable property.

Information on Kainga Ora’s build programme indicates that seven new homes are currently being built in Richmond and five in Nelson. These are a mix of one and two-bedroom homes.

2. Housing Affordability

MBIE Housing Affordability Measures

The MBIE derived Housing Affordability Measures (HAM), HAM Buy and HAM Rent, measure trends in affordability of house prices and rents relative to income. The HAM uses data on household incomes of rental households, house prices, and rents. The HAM is designed to map shifts in affordability over time, showing whether there are more or fewer households that have more or less income left over after paying for their housing costs.

The HAM has not been updated since March 2018, with no proposed date for review, so is of limited value at this time. In the absence of an update, the Massey University Aggregate Home Affordability Index has been used instead in the next section.

Massey University Aggregate Home Affordability Index

HOME AFFORDABILITY INDEX				PERCENTAGE CHANGE IN HOME AFFORDABILITY IN THE LAST 12 MONTHS		PERCENTAGE CHANGE IN HOME AFFORDABILITY IN THE LAST 3 MONTHS	
Region	May 2019	Feb 2020	May 2020	Improvement	Decline	Improvement	Decline
Northland	20.0	22.0	19.4	3.0%		11.6%	
Auckland	31.7	29.9	28.5	10.1%		4.8%	
Waikato	22.1	21.6	20.4	7.4%		5.3%	
Bay of Plenty	24.0	24.0	21.2	11.7%		11.7%	
Gisborne	20.4	17.9	15.6	23.5%		13.3%	
Hawke's Bay	18.5	18.7	18.4	0.3%		1.5%	
Manawatū/Whanganui	13.9	15.3	13.7	1.0%		10.6%	
Taranaki	13.1	13.8	13.3		1.8%	3.6%	
Wellington	21.6	22.8	20.2	6.7%		11.4%	
Tasman	27.4	25.9	25.2	7.8%		2.6%	
Nelson	25.1	23.7	22.3	11.1%		5.7%	
Marlborough	19.5	22.5	20.3		4.2%	9.7%	
West Coast	7.5	8.9	7.9		5.1%	11.7%	
Canterbury	17.6	17.0	15.6	11.1%		8.0%	
Otago	20.0	20.5	17.5	12.4%		14.7%	
Southland	11.4	12.1	12.5		9.7%		3.1%
All Regions	22.2	22.3	20.2	9.0%		9.5%	

Table 2: Home Affordability Index (Massey University³)

The Massey Home Affordability Index (30 June 2020) shows that Tasman and Nelson continue to experience affordability challenges. For the last 18 months, Tasman and Nelson have been listed separately in the index whereas previously they were with Marlborough. Similarly, Central Otago Lakes has been separated from the rest of Otago in the past but the region Otago as a whole is now monitored. This change in

³ Source: Home Affordability Report - Quarterly Survey June 2019

classifications is apparently due to a response to a change in boundaries of the datasets that Massey University uses.

The effect of this change in datasets means Tasman remains the second least affordable region in the country (behind Auckland) and Nelson remains the third least affordable.

The index this quarter shows a 2.6% improvement in the Home Affordability Index in the 3 months to 30 June 2020 in Tasman and an improvement of 7.8% over the 12 months to 30 June 2020. For Nelson, there has been a 5.7% improvement in home affordability in the 3 months to 30 June 2020 and an 11.1% improvement over the 12 months to 30 June 2020.

As with the HAM, the Massey Home Affordability Index takes into account the cost of borrowing as well as house prices and wage levels. The mortgage interest rate figures are drawn from Reserve Bank New Zealand data. The Reserve Bank series is based on a 2-year fixed new residential average mortgage interest rate which was revised from 4.78% to 4.19%. Unlike the HAM measure, the income data provided directly from Statistics New Zealand is for both renting and owner-occupier households. Housing prices are released by the Real Estate Institute of New Zealand (REINZ).

The combination of this data provides the opportunity to calculate a reliable and useful summary index. The lower the index the more affordable the housing. The index allows for comparisons over time and between regions of relative housing affordability in New Zealand.

Council data

In addition to the MBIE data, both Nelson and Tasman councils have additional data on residential development trends that can provide further detail on the type and location of development. The following measures are for the Nelson Urban Area, the parts of Nelson and Tasman that are within the Nelson Urban Area, and for the whole of each District.

3. Building Consents Issued

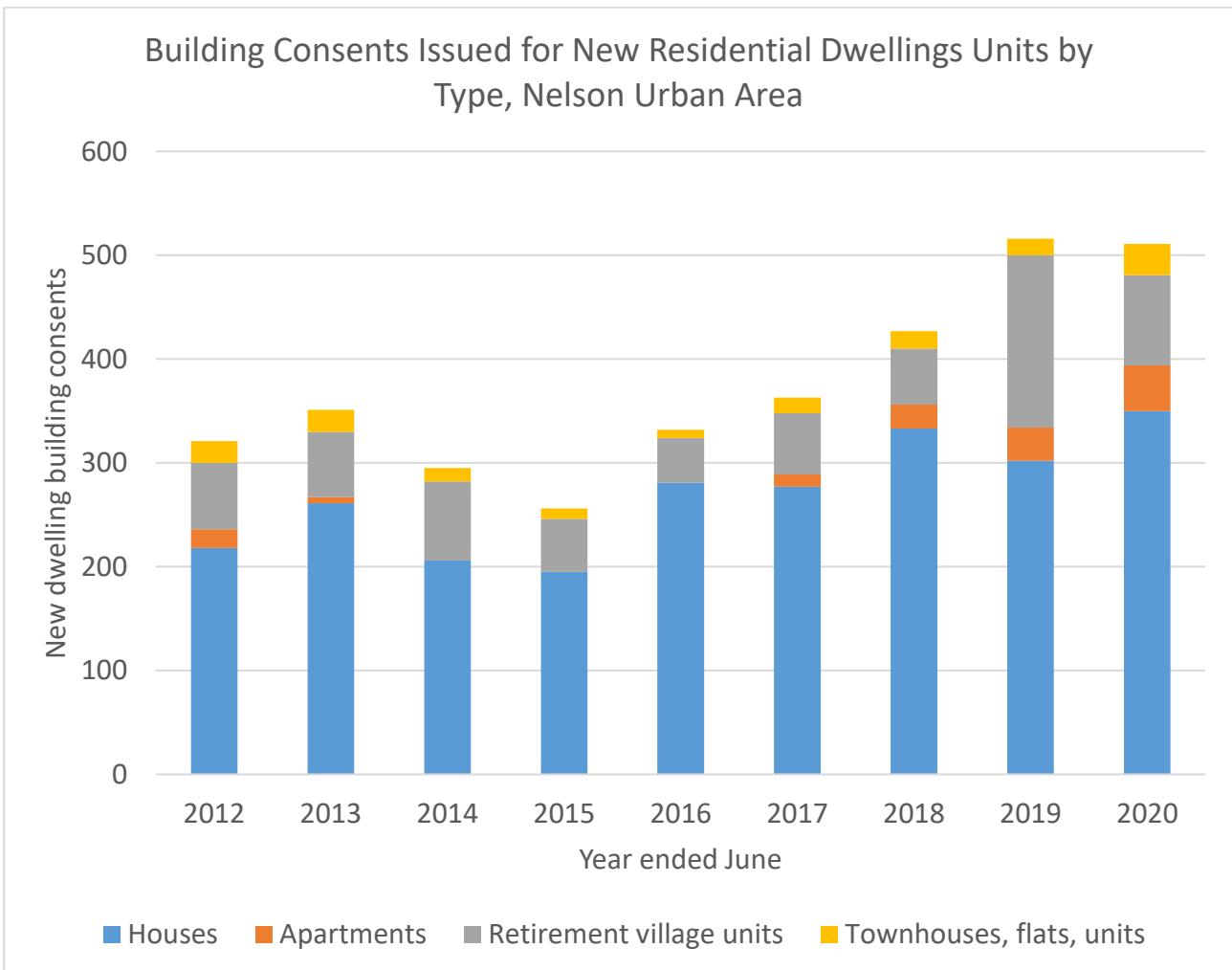
The total number of building consents issued for new dwellings in Nelson has dropped in the last 12 months, while remaining high in Tasman with a record 491 building consents issued in the year ending 30 June 2020. Building consents in Richmond alone have flattened off during this same period. Table 4 details the number of new dwellings granted building consent every quarter over the last 18 months.

	Quarter					
	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Nelson Urban Area	168	106	168	132	123	88
NCC area units within Main Urban Area	122	58	71	57	96	37
TDC area units within Main Urban Area	46	48	97	75	27	51

NCC – all District	122	61	71	58	97	38
TDC – all District (including Richmond)	105	114	149	132	80	130

Table 4. Building consents for new dwellings, actual numbers (Statistics New Zealand⁴)

In recent years, there has been a trend towards attached dwellings, such as apartments, retirement village units, townhouses, or flats. In the year ended 30 June 2020, 28% of consented new dwellings were attached dwellings, compared with an average of 18% in the previous ten years in Nelson and Tasman. Figure 4 below shows the number of new dwelling building consents issues by type for each of the last eleven years.



Graph 7: Building consents for new dwellings, Nelson and Tasman, by type, 2010-2020

4. Yield of Serviced Residential Sites from Residential Zoned Land

⁴ Source: Statistics New Zealand Website – Building Consents Issued: June 2018

Nelson has seen 29 sections created in the June 2020 quarter. On a 12-month basis, there were 211 sections created in the year ending 30 June 2019, compared with 221 from the previous year.

Tasman's figures show both the area units that fall within the Nelson Urban Area (which essentially are Richmond and Hope) and the whole District. For the year ending 30 June 2020, there were 243 sections created within Richmond, compared with 151 from the previous year. This includes some of the special housing area sites in Richmond West (Lower Queen Street) that are starting to come through. Monitoring for the rest of the Tasman district has also commenced from 1 July 2019 and a further 79 sections were created for the year ended 30 June 2020, making a total of 322 sections for the whole District.

In addition, (excluded from table 5) there were 92 sections created in the Coastal Tasman Area for residential purposes (Rural 3 zoned land) of Tasman District, for the year ending 30 June 2020. These are not counted as they are not on residentially zoned land, but importantly they are adding to the District's potential supply of housing.

	Quarter							
	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
NCC area units within Main Urban Area	65	51	8	97	57	29	52	29
TDC area units within Nelson Urban Area (Richmond/ Hope)	39	46	1	65	82	43	16	102
Rest of Tasman District (excluding Richmond/ Hope) July 2019 onwards	-	-	-	-	11	5	31	32

	Year ended June 2019	Year ended June 2020
Nelson Urban Area	372	454
Nelson City	221	211
Rest of Tasman District (excluding Richmond/ Hope) July 2019 onwards	-	79

Table 5: Summary of sections created.

5. Resource Consents for Residential Units

Table 6 below shows the number of new residential lots granted subdivision resource consent each quarter over the year ending 30 June 2020.

Residential Lots granted resource consent	Quarter			
	Sep-19	Dec-19	Mar-20	Jun-20
Nelson City	30	114	72	169

TDC area units within Nelson Urban Area (Richmond/Hope)	477	5	39	9
Rest of Tasman District (excluding Richmond)	9	125	9	7

Table 6: Summary of sections granted resource consent.

For Nelson City, these have reduced from 703 lots for the year ending 30 June 2019 to 385 for the year ending 30 June 2020. For the Nelson Urban Area, these have increased from 861 lots for the year ending 30 June 2019 to 915 lots for the year ending 30 June 2020. The September quarter for Richmond includes The Meadows (special housing area) subdivision in McShane Road which has contributed significantly to the Nelson Urban Area increase. For the year ended 30 June 2020, in Tasman, there were nine consents granted for intensification within the Richmond intensive development area.

The December quarter for the rest of Tasman District includes the Richmond Road, Pohara special housing area, a large consent in Whitby Road Wakefield, and a smaller consent in Edward St Wakefield.

Non-residential Development Trends

6. Building Consents Issued for New Buildings – Total Floor Area (m²)

	Quarter					
	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20
Nelson Urban Area	8267	12884	3647	3793	5501	3465
NCC area units within urban area	5144	12068	2535	1361	1539	2516
TDC area units within Nelson Urban Area	3123	816	1112	2432	3962	949
All Nelson City	5144	12194	2535	1431	2229	2516
All Tasman District	6136	3915	6705	5701	5789	5566

Table 5: Summary of non-residential resource consents.

This data is for consents for new buildings that are either commercial buildings, or factories, industrial, and storage buildings, or hotels, motels, boarding houses, and prisons. For the Nelson Urban Area, Nelson City and for Tasman District, the level of business floor space consented has remained similar to the previous 12 months.

7. Yield of Serviced Industrial/Commercial Sites from Industrial/Commercial Zoned Land

The table below shows the number of new industrial/commercial lots granted title each quarter over the year to end June 2020 for both Nelson and Richmond (TDC area units within Nelson urban area). The figures for Tasman District as a whole are also provided.

New industrial or commercial titles	Quarter			
	Sep-19	Dec-19	Mar-20	Jun-20
Nelson	2	0	0	0
TDC area units within Nelson Urban Area	17	1	0	0
Tasman District	0	1	0	0

Table 6: Summary of Industrial/Commercial lot yield.

8. Resource Consents for Industrial/Commercial Units

The table below shows the number of new commercial and industrial lots granted resource consent each quarter over the year to end 30 June 2020.

Industrial/commercial Lots granted resource consent through subdivision	Quarter			
	Sep-19	Dec-19	Mar-20	Jun-20
Nelson	0	2	0	2
TDC area units within Nelson Urban Area	9	0	0	0
Rest of Tasman District	0	0	0	0

Table 5: Summary of industrial/commercial resource consents.

Price Efficiency Indicators

From 31 December 2017 high and medium growth Local Authorities were required to use a set of price efficiency indicators (along with other evidence) to inform planning decisions (NPS-UDC policy PB7).

The price efficiency indicators are:

- Price – Cost ratio (homes)
- Land ownership concentration
- Rural-urban land value differential
- Industrial zone differential

In 2018, MBIE ceased to update the data and informed Councils that they were not required to report on these measures until the next update. All of the price efficiency measures were updated again in August 2020 and are summarised below.

Price – Cost Ratio indicator (homes)

The price-cost ratio is the gap between house prices and construction costs in the Nelson Main Urban Area for standalone dwellings i.e. the cost of the land.

The indicator assumes that if the cost of land is significant and/or increasing, relative to building costs, there is a shortage of sections relative to demand. Appropriate construction costs are applied to existing houses.

The price-cost ratio is 1.5 when the cost of a section (land) comprises one-third of the house price. Therefore, the 1.5 price-cost ratio is used as a benchmark for assessment as it signals that the supply of land is relatively responsive to demand. If sufficient development opportunities exist, the ratio should be below 1.5 most of the time. It should be noted that the 25% construction cost buffer also allows for construction costs being undervalued on the Building Consent application form.

Graph 8 below shows that the price-cost ratio for the Nelson-Tasman peaked most recently in 2017 and 2018 before dropping again in 2019 and 2020. The latest ratio of 1.41 puts the combined Nelson and Tasman region below the 'acceptable' threshold for the supply of land being responsive to demand i.e. supply of land is relatively responsive to demand.

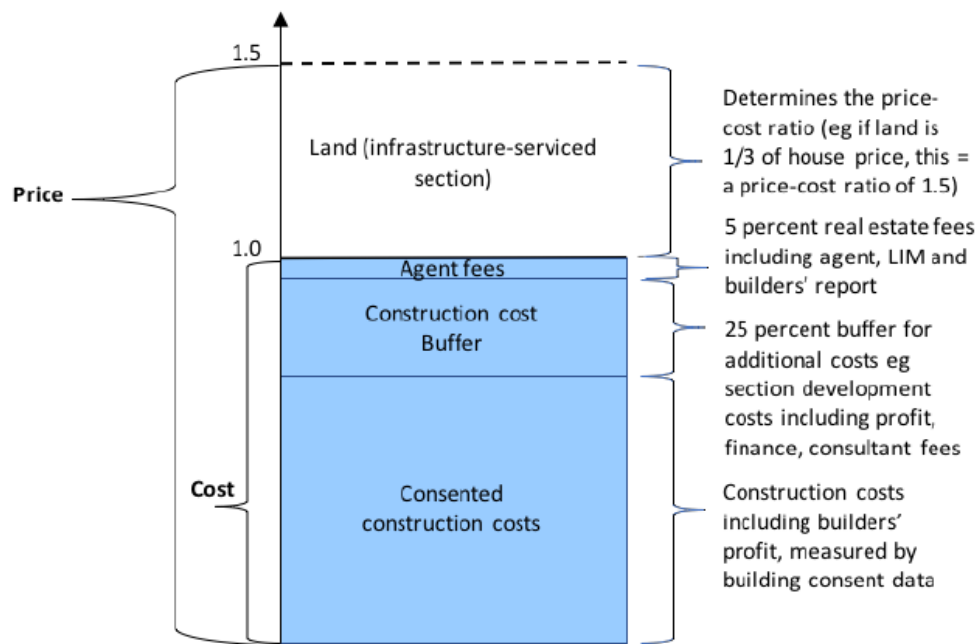
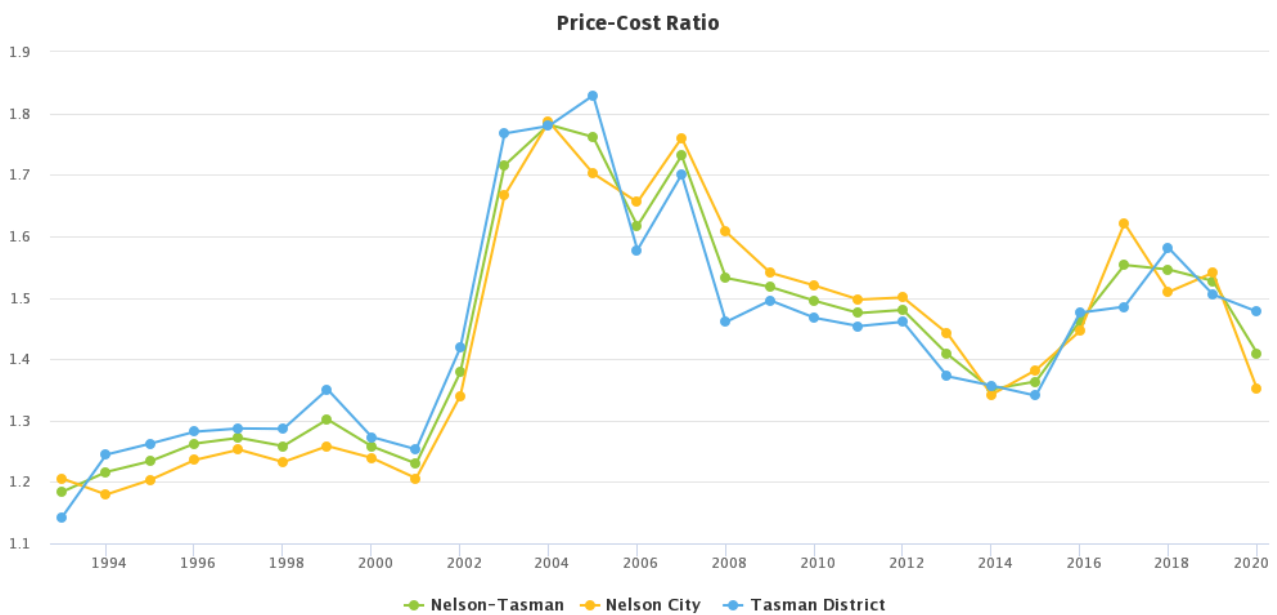


Figure 2: The Components of the Price-Cost Ratio (Source: MBIE)



Graph 8: Price-Cost Ratio, Nelson-Tasman combined, Nelson City, Tasman District

Land ownership concentration

The land ownership concentration measures the distribution of residentially zoned but undeveloped land amongst owners. This measure is an attempt to describe how close to a monopoly a particular area operates with regard to the ownership of undeveloped land. For example, if all of the land was owned by one person, they could choose to release land slowly to the market to keep prices artificially high. At the other end of the scale, if undeveloped land is spread amongst a large number of owners, the market may be more competitive with lower section prices.

Table 6 below shows a summary of the ten largest land ownerships in the Nelson Urban Area.

Rank	Area (Ha)	Title Count	Owner number	Market Share
1	99.3	25	Owner 1	20.30%
2	58.1	4	Owner 2	11.90%
3	35.1	55	Owner 3	7.20%
4	31.5	11	Owner 4	6.40%
5	19.6	4	Owner 5	4.00%
6	17.5	2	Owner 6	3.60%
7	14.6	1	Owner 7	3.00%
8	14.1	4	Owner 8	2.90%
9	12.2	11	Owner 9	2.50%
10	11.6	1	Owner 10	2.40%

Table 6: Undeveloped residentially zoned land – Ownership concentration – Nelson Urban Area

Table 6 shows that around 65% of the undeveloped residentially zoned land is owned by just ten people or companies with the largest landholding being 20.3%, very similar to the previous period's results for the year ending 30 June 2019. Of the top ten owners of undeveloped residentially zoned land, two are in Tasman District.

It is difficult to determine the level of ownership concentration that will begin to affect section prices but for comparison, the Nelson Urban Area is in the top three worst areas for a large amount of land being held by a small number of owners along with Napier and Hamilton.

Rural-urban land value differential

This measure has previously been assessed as not suitable for describing the housing market in the Nelson Urban Area. As a result, MBIE does not require this measure to be reported for the Nelson Urban Area.

Industrial zone differential

This measure has previously been assessed as not suitable for describing the housing market in the Nelson Urban Area. As a result, MBIE does not require this measure to be reported for the Nelson Urban Area.