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Housing solutions for low to moderate income

Ian Mitchell, Bev James, Fiona Cram and Chris Glaudel

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1222 Moonshine Road
RD1, Porirua 5381
Private Bag 50 908
Porirua 5240
New Zealand
branz.nz

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RESEARCH REPORT

Housing solutions for low to moderate income households

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Authors – Ian Mitchell / Bev James / Fiona Cram / Chris Glaudel

Livingston and Associates Ltd/ Public Policy Research / Katoa Ltd / Community Housing Solutions ltd

ian.mitchell@livingstonassociates.co.nz / bev@bevjames.nz / fionac@katoa.net.nz / projects@communityhousing.org.nz

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Preface

This research improves our understanding of the challenges associated with providing affordable housing solutions for low to moderate income households with limited equity. The research identifies the size and location of these households and their housing stress outcomes along with the impact of any Accommodation Supplement payments. We adopted a housing systems based approach to build on our understanding of the opportunities to grow different affordable housing solutions in a New Zealand context.

Acknowledgements

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[1] Dr Bev James (Public Policy Research), Dr Fiona Cram (Katoa Ltd) and Chris Glaudel (Community Housing Solutions Ltd)

1. Executive Summary

Low to moderate income households with limited equity have increased both in number and as a proportion of total households over the last decade. They are often in housing that is precarious or does not meet their changing needs. Typically they have some limited assets or equity which means they are excluded from public and council housing and trapped in a housing market that is increasingly unable to deliver secure, affordable housing. Young working households, seniors in retirement, households which include a disabled person, and households identifying as Māori and Pacific households are particularly vulnerable to these conditions and consequently their long-term housing outlook is poor.

These households do not have sufficient capital to access sustainable affordable housing. Finding secure housing solutions for these households by leveraging their limited but useful assets would relieve pressure on the current rental market. The objective of this project is to build our understanding of how other countries provide housing for these households, including the housing tenure models and the policy and funding settings for such models that have been successfully used overseas. In the New Zealand context, we will establish the size and location of these submarkets, test economic feasibility and the level of subsidy required, and adopt a systems based approach to build on our understanding of the opportunities to grow these models in New Zealand. The end goal will be to use our systems based analysis to develop potential housing solutions

1.1 Rapid literature review

Housing markets and systems settings vary in comparable countries such as the United Kingdom, Australia, and the United States. This creates challenges when looking at overseas examples of housing solution enablers and relating them to a New Zealand context. Analysis of affordable housing solutions suggests there are no easy solutions. The lack of affordability for individual households is due to inadequate income and/or savings relative to market prices, rents and other unavoidable housing costs. The problems around low incomes relative to housing costs can only be addressed by increasing incomes or reducing housing costs in the short to medium term by some form of subsidy and in the longer term by structural change in the housing and related systems. There are a wide range of solutions operating in different jurisdictions, however, they all struggle to operate at appropriate scale unless they are backed by a sustainable source of equity and finance that is insulated from changes in government policy associated with election cycles.

Overseas literature suggests a range of barriers and enablers affecting the growth of affordable housing solutions. These include: affordable housing solutions should reflect the housing need at a local level; there is a lack of knowledge around alternative housing solutions; distinct legal status for alternative tenures can enable uptake of these models; standardised documentation for different alternative housing solutions/tenures improves access to finance and acceptability; planning rules and building regulations can limit supply side responses to changes in demand and hinder innovation; variation in government support has increased providers/developers operational risk and uncertainty and limited the organisations’ ability to grow; and affordable housing developments that target low to moderate income households have poor financial feasibility without subsidised capital and/or grants.

In summary, a wide variety of funding models are used overseas to support affordable housing solutions. A range of approaches could provide a sustainable flow of capital in a New Zealand context and include: Government backed bonds and guarantees as a source affordable finance; inclusionary zoning; and the use of private public partnerships linked to subsidised mixed tenure build to rent models.

1.2 Analysis of the characteristics of low to moderate income household subgroups – the size of the challenge

A significant proportion of low to moderate income households in New Zealand are experiencing housing stress (paying more than 30% of their gross annual income[2] in housing costs) and severe housing stress (paying more than 50% of their gross annual income in housing costs). In the year ending June 2022, there were 194,100 low to moderate income renters paying more than 30% of their gross annual household income in housing costs and of those 82,800 households were paying more than 50% of their gross annual income in housing costs. Low to moderate income households also had lower levels of net worth that reduces their capacity to cope with unexpected changes in their financial circumstances. The subgroups identified included low to moderate income:

- Younger renter households – 51,200 households with reference people aged less than 30 years paying more than 30% of their gross annual income in rent with 22,000 of these households paying more than 50% of their gross annual income in rent;
- Older renter households - there were 28,300 households with reference people aged over 65 years paying more than 30% of their gross annual income in rent with 10,000 of these households paying more than 50% of their gross annual income in rent;
- Households which include at least one disabled person totalled 484,000 in 2021 with 140,000 in owner occupier with mortgages, 140,000 in owner occupier without mortgages and 203,000 not owned households. A total of 40% of not owned households with a disabled person had an income of less than $50,000 gross per annum compared to 26% across all households with disabled people; and
- Households including at least one person identifying as Māori were over represented in all of the above subgroups with lower than average net worth and higher proportion of households paying more than 30% of their gross annual household income in housing costs.

[2] Gross include includes all government support payments such as the Accommodation Supplement.

1.3 Industry perspectives

The industry interviews provided insight into innovations in New Zealand's affordable housing sector. Providers are experiencing unsatisfiable demand for their services. Our industry participants included a range of organisations across the housing system, including housing providers, industry organisations, public sector organisations and funders. A total of 27 interviews were completed. Housing affordability appears to have deteriorated such that significant numbers of low to moderate income working households cannot affordably pay market housing costs (even after receiving Government support including the Accommodation Supplement and Working for Families payments). Owner occupation has slipped well beyond their reach even with support programmes such as shared equity and subsidised land lease developments. These households face a limited number of choices: they can remain in place paying ever higher proportions of their incomes in housing costs; relocate to cheaper housing somewhere else within their housing market (if they can find it); they can crowd, grouping more income earners into the same dwelling to share the housings costs; or relocate and try and reestablish themselves in a lower cost housing market/region.

The sector has a diverse range of organisations providing housing to households which are increasingly unable to cope with the prices the current market system settings have delivered. The services they provide have been life changing for those who can access them. Their ability of organisations to expand their services has been limited by access to affordable capital required to fund projects, due in part to the low yields generated by affordable housing developments and a lack of sustainable funding from government and/or other sources.

The sector has demonstrated significant innovation in terms of design and solutions offered. The majority have adopted a place-based strategy focusing on the needs of their individual communities/housing markets with an emphasis on their targeted subgroups (including older residents, people/households with disabilities) and including specialised Māori focused providers.

Other observations included;

- Council planning rules and regulations can hinder innovative design impacting on density, and ability to provide communal space. This is particularly true for projects focused on providing affordable rent for older people and people with disabilities;
- Government support for Māori organisations has assisted in providing infrastructure funding to enable development on multiply owned land, facilitated the repair of existing dwellings, and provided grants for affordable rental and shared equity home ownership. Unfortunately these programmes are no longer available; and
- Financiers noted that the standardisation of housing solution documentation would assist in reducing costs and time frames associated with funding approval. Their view was that the large number of small providers has hindered the sector's growth and there was also a lack of financial and development expertise within the sector.

1.4 Feasibility of potential housing solutions

Different housing solutions were modelled to determine their financial feasibility as an option to provide low to moderate income households with affordable housing. A number of potential housing solutions were examined with our targeted subgroups across different development typologies. First, the potential for shared equity as a housing solution for low to moderate income households was examined comparing households' ability to affordably buy a typical market priced dwelling using a shared equity solution relative to their ability to pay. Affordable rental solutions were examined across a number of different development typologies included a main centre, one to three bedroom 300 unit apartment complex, a main centre 125 unit one and two bedroom apartment complex targeting superannuitants, and a provincial centre one, two and three bedroom duplex/standalone development. None of these solutions were affordable to the subgroups.

We concluded a key barrier to operationalising these housing solutions at scale is their poor financial feasibility. Low to moderate income households have insufficient income to be able to affordably pay the housing costs (rents) required to provide the yields required to attract private sector capital. However we note, as demonstrated in our industry interviews, some innovative developers/investors have developed models that can provide returns that satisfy their investment criteria (including the developer's profit as part of the long term return). Nevertheless the household incomes required are higher than the moderate household income threshold and considerably higher than the low household income threshold which are the focus of this research. Consequently understanding and developing sustainable sources of funding/equity for any proposed affordable housing solution will be a key enabler going forward.

1.5 Systems based analysis and potential housing solutions

Our housing systems analysis identified factors contributing to housing outcomes of low to moderate income households. The data analysis identified the overall outcomes for these households along with the subgroups experiencing the poorest outcomes: renter households generally; older renters and owner occupiers with mortgages; Māori; and households with disabilities. Altogether, 194,000 renter households are paying over 30% of their income towards housing costs, with 84,000 of these paying over 50%.

The growing number of low to moderate income households unable to affordably pay their housing costs reflects a structural imbalance in the housing system. The amount these households can afford to pay is significantly lower than the returns required to build affordable housing developments. The shortfall in returns limits the flow of impact investor and private sector capital to affordable housing providers. Over time this has resulted in the poor housing outcomes for low to moderate income households that include large numbers of our essential workers. They face limited choices: pay large proportions of their incomes in housing costs; crowd multiple income earners into the same dwelling reducing the ratio of housing costs to income; shift to lower cost housing in the same market if available; or shift to a lower cost housing market and hopefully find employment within the associated labour market.

The primary government support for these households has been delivered by the Accommodation Supplement. However this support, although costing over $2 billion dollar per annum, has proved ineffective at reducing the poor outcomes experienced by low to moderate income households. The cost of the programme would need to more than double if the desire was to improve affordability outcomes for low to moderate income renter households (Saville-Smith and Mitchell, 2020).

Any policy responses attempting to improve affordability outcomes for low to moderate income households require a commitment to affordability outcomes for households based on the proportion of income paid in housing costs (their ability to pay) rather than on a proportion of market rent. In this approach, housing costs would not exceed 30% of gross household income rather than rents set at 80% of the market median. The relative movements in low to moderate household incomes, housing costs and prices over the last two decades have resulted in affordable owner occupation shifting increasingly out of reach, even with models such as shared equity and a pepper corn land lease. Without sustainable low-cost capital and funding tools any potential solutions will remain niche rather than at scale solutions required to meet the clearly documented needs.

Responses to provide homes affordable to low to moderate income households should address:

- Access to affordable capital and finance;
- Resource Management reform focused on enabling development capacity within housing markets;
- Local government processes, planning rules and regulations;
- Government legal settings; and
- Broader Government settings.

Improving access to affordable capital and finance

To address the low yields from affordable housing, attract private investment and grow sources of capital the following actions are recommended:

- Enable mandatory inclusionary housing requirements and other value capture mechanisms to create a capital fund which can be used to subsidise affordable housing developments within the same housing market;
- Subsidise/use incentives to encourage build to rent developers to include a portion of the units dedicated for affordable rents. For example, revenue from inclusionary housing contributions could be used to subsidise units within a build to rent development providing affordable rental units;
- Establish an affordable housing debt/bond facility backed by a government guarantee to provide affordable housing developers lower cost finance[3];
- Provide additional funding tools including capital grants to support affordable housing solutions like shared equity and affordable rental programmes. Potentially these could be funded by new revenue sources (such as a stamp duty, land tax and/or capital gains tax) to complement new funding tools including new tax revenues;

[3] Note the Government announced support for the Community Housing Funding Agency to support bond financing in March.

- Provide additional funding for the Whai Kāinga Whai Oranga programme providing a tailored response integrating funding across housing tenures and infrastructure for Māori; and
- Adjust the Reserve Bank's categorisation of community housing providers as investors and associated risk weighting requirements to lower their cost of bank lending.

Resource Management reform

To increase the efficiency and effectiveness of the Resource Management system to deliver affordable and accessible homes the following actions are recommended:

- Build on existing policy initiatives seeking to reform planning rules and regulations limiting development capacity, particularly within our key growth centres, and ensure development capacity is enabled by investing in infrastructure to support growth;
- Implement an enabling planning framework which incentivises affordable housing, provides consistency across the country, improves the certainty and pace of consenting and enables redevelopment and intensification;
- Address land banking behaviours by utilising a combination of targeted rates on build-ready land, using infrastructure bonds directly linked to the serviced sections, and charging rates on land value only;
- Constrain the use of private covenants which unduly restrict tenures and typologies; and
- Improve the availability and timeliness of data to identify growing diversity and changing housing demand and needs; for example, tenure change, changes in family and household composition, ageing population, prevalence of housing stress in different geographic locations, demographics and segments.

Local government processes, planning rules and regulation

To ensure local authorities contribute to the delivery of affordable homes for low to moderate income households the following actions are recommended:

- Continue to build on existing initiatives/reforms and develop new funding and financing tools to ensure timely delivery of infrastructure required to enable both greenfield and brownfield development capacity;
- Ensure local council rules and regulations do not restrict innovation in design and the development of affordable or accessible dwellings,
- Engage with Māori to understand and support their local responses; and
- Incentivise universal design for private homes.

Government legal settings

- Ensure private covenants do not impact on the supply of affordable housing and they do not breach the Human Rights Act, Residential Tenancies Act, Property Law Act or Commerce Act; and
- Enable alternative tenures by ensuring appropriate legal structures exist for affordable housing solutions. For example, enact legislation to enable affordable rental and limited equity housing cooperatives and develop standardised agreements and education programmes to encourage their use;
- Encourage innovative housing solutions such as shared equity, co-housing, and affordable rentals by developing and sharing standardised documents through Tenancy Services.

Broader Government policy settings

To ensure national policy settings support the delivery of affordable homes for low to moderate income households the following actions are recommended:

- Continue financial support for low to moderate income households and review the Accommodation Supplement settings to ensure they are targeted on the neediest households. For example should the current tenure neutral settings continue with payments made to owner occupiers?
- Develop a population strategy to smooth the flow of immigration to better match infrastructure development, enabled development capacity, housing demand and the sector's ability to build dwellings taking into account time lags to complete developments. From a housing market's perspective, it's not necessarily the level of net migration rather it is the rapid swings in net gain/loss which make it difficult for the development/construction sector to respond to changes in the level of growth in demand;
- Establish programmes for older households to enable "aging in place" by reviewing and improving funds to upgrade their homes for accessibility needs. In addition, policy settings around renters' housing costs, Accommodation Supplement settings and Superannuation payment levels need to be reviewed and adjusted to improve their housing outcomes;
- Follow through on the Crown's commitments, strategy and framework under Te Tiriti o Waitangi; MAIHI Ka Ora – the National Māori Housing Strategy; and the Māori and Iwi Housing Innovation (MAIHI) framework;
- Support housing development on Māori multiply-owned land by addressing legal, structural, and financial challenges, and providing infrastructure funding;
- Develop strategies to encourage partnering or amalgamation amongst providers to overcome scale and expertise constraints which could be enabled by central government funding settings; and
- Continue Government support to increase industry knowledge and capability to deliver models supporting low to moderate income households by standardising documentation and offering training programmes to increase understanding of existing and new models. In addition, continued support for existing budgeting and first-time homebuyer education programmes along with debt consolidation programmes would be advantageous.

2. Introduction

Low to moderate income households with limited equity have increased both in number and as a proportion of total households over the last decade. They are often in housing that is precarious or does not meet their changing needs. Typically they have some limited assets or equity that means they are excluded from public and council housing and trapped in a housing market that is increasingly unable to deliver secure, affordable housing. Young working households, seniors in retirement, households that include a disabled person, and households identifying as Māori and Pacific households are particularly vulnerable to these conditions and consequently their long-term housing outlook is poor.

These households do not have sufficient capital to access sustainable affordable housing. Finding secure housing solutions for these households by leveraging their limited but useful assets would relieve pressure on the current rental market. The objective of this project is to build our understanding of how other countries provide housing for these households, including the housing tenure models and the policy and funding settings for such models that have been successfully used overseas. In the New Zealand context, we establish the size and location of these submarkets, test economic feasibility and the level of subsidy required, and adopt a systems based approach to build on our understanding of the opportunities to grow these models in New Zealand. The end goal is to use our systems based analysis to develop potential housing solutions.

2.1 Research approach

This research used a mixed method approach to inform the debate around housing solutions for low to moderate income households. The research included the following stages:

- Rapid review of published literature;
- Analysis of the characteristics and size of potential low to moderate income household submarkets;
- Interviews with industry participants;
- Analysis of potential housing solutions; and
- Systems analysis of potential barriers and enablers of different housing solutions.

In the first stage, the research team engaged with overseas research and practitioner experts to identify alternative housing solutions for low to moderate income households with limited equity, their organisational structures, how they are funded and enablers for achieving alternative housing solutions. Building on those discussions, a rapid review of overseas literature was undertaken. The review identified how different housing models are operationalised and funded overseas, to better understand the approaches used to overcome challenges faced in those markets**.** Informed by engagement with overseas experts, the review covered a selection of models serving low to moderate income households, the market shares achieved and any evaluations of housing outcomes generated by the models as well as social and economic benefits.

The second stage involved the identification of the demographic characteristics of the low to moderate income household subgroups with limited equity that would benefit from housing models/solutions to provide insight into their size (number of households) and regional distribution. Customised datasets from Statistics New Zealand's Household Economic Survey were used for this analysis.

The third stage of the research project included in-depth semi-structured interviews with organisations engaged in the housing sector, in funding, development and operation of housing for low to moderate income households with limited equity. In addition, a small number of interviews were conducted with government and non-government agencies with an interest in housing for low to moderate income households. It is not the purpose of this study to record the perspectives of people living in low to moderate income households on their housing needs and aspirations. Nevertheless, some interview participants presented such perspectives, while a few have direct lived experience of housing precarity.

The aim of this stage was to identify and collect information on different housing models already in use domestically and to explore whether alternative, more effective housing solutions for low to moderate income households have been developed. The in-depth interview method allowed for extended conversations enabling participants to explain their real-world experiences. This deepened our understanding of the dynamics and complexities they face in developing housing solutions. Interview participants included a range of organisational types and models involved in the production of housing for low to moderate income households with limited equity, including some of the most active organisations.

The fourth step of the research project included modelling the potential financial sustainability of different affordable housing solutions developments targeting low to moderate income households across a range of different household subgroups.

The last stage of the project pulled together the analysis from the previous stages and examined the opportunity for alternative tenure models using a systems-based approach taking into account the different steps listed above. The objective was to understand the ways in which different housing solutions/models interact with different parts of the housing system along with the enablers and barriers operating within this system that impact the ability of these models to grow to appropriate scale (rather than trying to map the whole housing system with all its feedback loops). In addition, the policy implications of the research findings and suggestions on where changes to system settings are required to reduce the challenges in operationalising different housing models were developed. The implications of the research findings were considered across a range of participants in the housing market, including affordable housing providers, financiers, equity investors, advisors and policy makers.

3. Rapid literature review

3.1 Introduction

The objective of this section of the report is to provide an overview of key literature focused on the provision of appropriate affordable housing for low to moderate income households with limited equity. Schmid (2022), in their review of housing solutions used in a European context, concludes that countries that offer a range of solutions within their markets targeting the different groups in housing need tend to have superior financial and social outcomes compared to those focused on more traditional tenures. For example the range of solutions for different segments of the housing market (in addition to social housing) adopted could include:

- Affordable rental;
- Shared equity;
- Affordable rent to buy;
- Affordable self-build plots;
- Community land trusts; and
- Co-living.

The publications reviewed have been grouped into the following topics:

- Different housing models and the subgroups in need of assistance;
- Funding strategies to grow the supply of affordable housing;
- Housing policy considerations; and
- Case studies.

Note that some of these publications traverse a number of topics and consequently relate to more than one of the subheadings listed above.

To inform our literature review we engaged with overseas experts and housing providers to identify new or emerging models serving low to moderate income households in their countries. Twelve overseas experts and housing providers from seven countries were contacted and asked about emerging trends. Countries with similar legal and financial systems including Australia, Canada and the UK were prioritised. In addition, the USA, South Korea, the Netherlands and other European countries were included for additional insight. One focus of this engagement was to identify models supporting Indigenous peoples. This engagement helped to confirm research and/or evaluation publications for our rapid review of the literature. It also identified new programmes that are not yet profiled in research journals. The main learnings from this engagement that are applicable in a New Zealand context are included in the balance of this section. In addition, Case Studies providing more detail are included in Appendices five and six.

3.2 Housing models and subgroups in need of assistance

The objective of this section of the literature review is to discuss the different housing models and the subgroups they are intended to serve in a range of overseas housing markets.

Housing solutions for older households

The growing and more complex housing needs of ageing populations has been the subject of study in comparable countries, where the significant shortcomings of the market and the overall housing system in developing appropriate housing solutions have been identified.

Faulkner *et al*. (2023) identified “the growing instability in the housing circumstances of the older[4] population in Australia, witnessed through increasing housing precariousness and homelessness. These, in turn, are the result of declining rates of home ownership, carriage of mortgage debt into retirement, restricted access to social housing and a decline over time in investment in alternative affordable housing options” (page 2). Their analysis found older people in housing need were spread across Australia’s metropolitan, urban and regional communities and were not a highly mobile group. They also found that low income older households were typically one person households with a significant proportion of people not in paid work. An increasing proportion of those households were renters. Faulkner *et al.* (2023) concluded that the Australian housing system lacks diversity, noting that the provision of alternative housing options/models for lower income older households is still developing in Australia and although there are some small scale models they seem unlikely to grow significantly in the foreseeable future.

Faulkner *et al*. (2023) identified a number of barriers limiting the growth of alternative housing options for older households including:

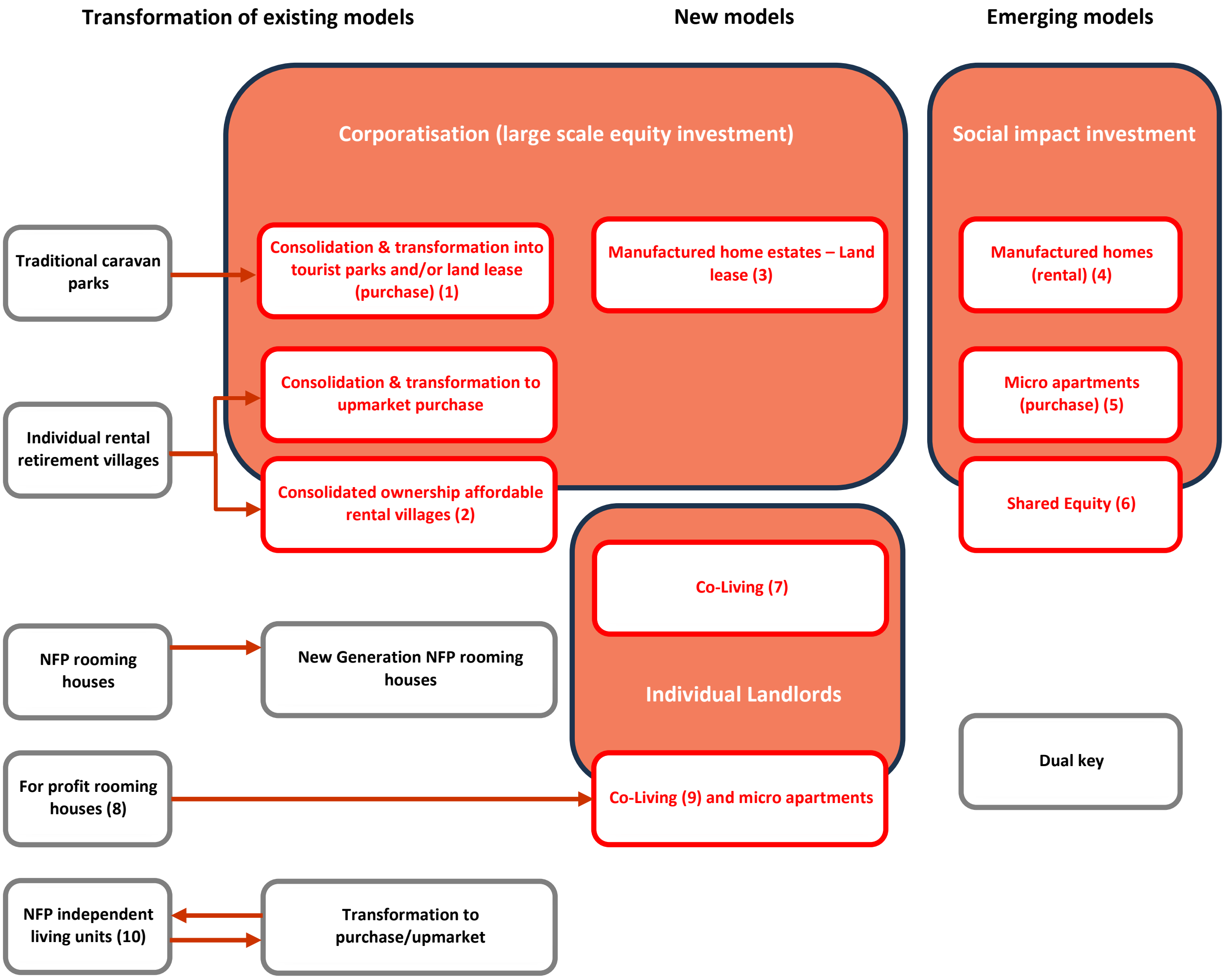
- The returns provided by affordable rental housing are typically not sufficient to attract private investment;
- Lenders can be reluctant to provide debt to older low income households;
- Taxes and charges often increase housing costs, thus impairing housing affordability; and
- Planning rules and regulations act as impediments, including impacts limiting the construction of small dwellings (these include minimum dwelling sizes). They concluded the housing system lacks diversity due to the regulation of small dwellings.

Faulkner *et al.* (2023) suggested a number of policy options, including considering how planning regimes could be used to encourage more one and two bedroom small dwellings. These options included reducing car parking requirements to improve project viability, incorporating inclusionary zoning provisions within regulations to increase the supply of affordable housing, and developing strategies to make better use of underutilised housing. They also concluded increased federal/state land provision and funding support could assist in increasing the supply of age friendly housing.

[4] In this study, older people were defined as aged 55 years and over for non-Indigenous people and 45 years and over for Indigenous Australians.

Figure 3.1 from Falkner *et al.* (2023) outlines the broad transformations occurring in the market for housing for older people encompassing transformation of existing models (e.g. caravan parks and rooming houses) to meet market/occupancy needs, alongside development of more or less established new and emerging models. There are also some new and emerging models such as land lease, affordable rental villages, co-living, micro-apartments and shared equity.

Figure 3.1: Changes in market structure



Source: Faulkner *et al* .(2023) page 23.

Notes:

1 Tourism offers highest and best use for caravan parks, attracts higher revenue while being lower cost. Land Lease provides stable rent income on land while permitting profit on sale of development.

2 Ownership is concentrating.

3 A large sector aimed at a cohort able to purchase a dwelling, often upmarket and typically well above modest savings level.

4 Rental of both land and dwelling model under consideration if scale and replicability possible. Affordability potential if land costs sufficiently low (e.g. in regional areas).

5 Demand but planning, project and mortgage finance barriers. Requires cross-subsidy from other housing provision.

6 Affordability extremely difficult to obtain if purchaser needs to pay mortgage and rent. Australian Consumer Law presents a barrier to lending for older people.

7 Sold to individual buyers with property manager provided by developer as part of their retirement home operations.

8 Small enterprises with owner/managers. Site value and lack of profitability resulting in sale for other uses.

9 Sold to individual buyers with property manager appointed by landlord.

10 NFPs converting to aged care reflecting the greater subsidy and the need for asset renewal. Some providers cross-subsidising affordable independent living units from high earning villages.

Faulkner *et al*. (2023) identified that adapted existing models and even new and emerging housing models do not meet the range of older households' financial, social and cultural needs. They pointed out that a lack of imagination in terms of responses to the housing needs of older lower income households reflects a lack of ingenuity across the whole of Australia's housing sector. This is despite awareness of the need to develop a diversified range of options to meet increasingly diverse financial, social and cultural needs. Their discussions with industry participants identified an appetite for, and some experimentation with, innovative models. Affordability was assumed to mean affordable living, not simply affordable housing. The practical reality of this significant difference in understanding is that housing needs to be sustainable, delivering lower energy costs while increasing resident comfort. The provision (and perhaps increasing expectation) of sustainability, however, was another cost element increasing the affordability challenge. Communal facilities such as laundries reduce costs but are not popular with older people who typically have had private laundries throughout their lives. Many of the study participants working in the supply-side of the market were supportive of arrangements that increase incidental social interactions to overcome social isolation, suggesting that there is likely to be a shift to greater communality as providers seek social impact. This more social focus in housing speaks to the need for good design, both in terms of the features of housing suitable for ageing households and the need for age friendly neighbourhoods (page 40).

Multi-generational and inter-generational housing

Multi-generational and inter-generational housing are similar in that they emphasise housing solutions that involve relationships and common living arrangements across generations. However they do differ. Multi-generational households are defined in the research literature as households that include two or more adult generations. For example, older people living with adult children and/or grandchildren and/or other relatives in the same residence. Living in multi-generational households is a long-standing practice common in many cultures including Māori, Pacific, Asian, Middle Eastern and Southern European. It is becoming more visible as a housing option in New Zealand, including in those communities where it has been less common in the past.

Research about multi-generational housing has been conducted in countries as diverse as Denmark, Netherlands, Germany, France, Poland, the United Kingdom, Canada, United States and New Zealand. Several studies note that research on the outcomes of multi-generational housing is limited. Nevertheless, reviews show benefits for older people including improved health, reduced need for formal support services, reduced loneliness, and an increased sense of financial and physical security. For both young and old, there are benefits of social interaction, cooperation, increased sense of trust, mutual support and sharing resources (Mahmood *et al.,* 2020; Molinsky *et al.,* 2023; Nayak *et al*., 2023; Suleman and Bhatia, 2021).

The number of people living in extended families in New Zealand has increased. However, there is limited research about these households. Lysnar and Dupuis' (2015) analysis of census data noted statistics on extended family households have been collected since 1996 and there was a 49% increase in extended family households between 1996 and 2013. Over that time, extended family households grew at a faster rate than single-person households. There was also a greater number of people living in extended family households compared to those living in single-person households in 2013. The numbers of those households grew among all main ethnic groups – NZ European, Māori, Pacific and Asian. In 2013, over half of all extended family households comprised three or more generations, and the three-plus generations was the fastest growing extended family household type. Overall, multi-generational households contain more members than the average New Zealand household.

Inter-generational housing involves at least two generations and households of unrelated individuals. Although the term is sometimes used for multiple generations living under one roof, it is generally applied to older and younger people living close together although in separate dwellings. Such developments differ from general housing in that they are purpose-built, intentional communities. Inter-generational housing is distinguished from general housing in relation to "… how interactions between different generations occur and in the services provided to residents" (Hackett, 2011, page 3). Research about inter-generational housing has been conducted in countries as diverse as Denmark, Netherlands, Germany, France, Poland, the United Kingdom, Canada, United States and New Zealand.

Studies show that there are similar drivers for the observed increase in interest and uptake of both multi-generational and inter-generational housing, particularly rising housing unaffordability and lack of supply, concerns about loneliness (affecting both older and younger people) and a desire for social interaction. Several studies note that while evaluations of outcomes of inter-generational housing are limited, they show benefits for older people including improved health, reduced need for formal support services, reduced loneliness, and increased sense of financial and physical security. For both young and old, there are benefits of social interaction, cooperation, increased sense of trust, mutual support and sharing resources (Mahmood *et al*., 2020; Molinsky *et al*., 2023; Nayak *et al*., 2023; Suleman and Bhatia, 2021). In the United States, older adults are the fastest growing population group in cohousing.[5]

[5] See Cohousing Assn of the US: Seniors

The composition (generations and ages) of both inter-generational housing and multi-generational households suggests tailored housing responses are needed, because the market does not meet those needs. Overseas, innovative market responses to the needs of multi-generational households have included 'dual-key' / 'dual-occupancy' residences, consisting of two dwellings under one roof and on a single land title, as well as enabling accessory dwellings to be constructed. In Australia, multi-generational households make up an important part of the 'knockdown rebuild' market (i.e., the reconstruction of existing dwellings to accommodate extended family members). This market segment has received very little market or policy attention, yet it has implications for intensification of existing urban areas (Liu and Easthope, 2012). Housing models associated with inter-generational housing include cohousing, cooperative housing and housing operated by public authorities or not-for-profit organisations. Tenures include owner-occupation, rental and forms of shared equity. Internationally, most inter-generational housing appears to be developed and managed by not-for-profit organisations.

The key barriers to increasing options for multi-generational and inter-generational housing relate to difficulties in accessing suitable land sites, planning impediments, difficulties in obtaining funding, housing and construction industry capability and lack of familiarity, and understanding of those households' needs and appropriate housing models by housing providers, financial institutions and public sector agencies.

The enablers to multi-generational housing identified in the literature are:

- Sustained funding sources for development and operation. These include tax credits and other types of financial subsidies for developers, project feasibility and construction grants, suitable finance products for purchaser households and accommodation subsidies for renters;
- National, state and local government support in facilitating innovative housing developments, including provision of land and buildings, allowing flexibility in planning requirements, and provision of catalyst funding; and
- Strong partnerships across public, private and not-for-profit entities.

Lysnar and Dupuis (2015:61) sum up the NZ situation, noting "… confusion, misapprehension and a general lack of understanding about common features of MGHs [multi-generational households], such as second kitchens, minor dwellings, granny flats, sleepouts, and the rules and regulations relating to their establishment and use. There is also confusion as to what requires building consent, resource consent, or both, and the risk of dwellings not being covered by insurance in the event of damage or loss of the building."

Housing cooperatives

Housing cooperatives are a form of collective where the occupying households are members of the cooperative and have a say in the governance of the cooperative. Typically occupying households lease their units from the cooperative and may or may not pay a fee to become a member. There are three common forms of cooperatives and these include: rental or zero equity cooperatives; limited equity cooperatives; and market cooperatives. Residents typically do not have an equity share in the ownership of a rental cooperative, partial equity shared in a limited equity cooperative and full equity share in a market cooperative. Under each of the three structures, the cooperative owns all the units/complex and membership of the cooperative entitles the member to occupy a unit and use the complexes facilities. Any equity investment is in the cooperative (Livingston and Associates, 2018). Cooperatives provide members with a degree of control and security of tenure over their living environment and can provide owner occupier like outcomes for their residents. Housing cooperatives are active in a large number of countries and in the past have been particularly active in Scandinavian countries.

Bengtsson's (2024) pathway dependence analysis of the Swedish housing cooperative regime identified three critical junctures in its growth. These were:

- The introduction of the Tenant Ownership Act in 1930 which established the legal framework for the tenure;
- The introduction of the Swedish universal housing regime after the Second World War when cooperative housing was granted a central role in housing provision. These changes saw cooperative market share grow from 4% to 14% of the total market. Membership/ownership has largely targeted towards moderate income households; and
- The deregulation of the cooperative tenure in 1968 to 1969, which was the result of political pressure from cooperative organisations and politicians. These reforms removed the price controls limiting transfer values of individual memberships and as a result prices increased by 337% between 1974 and 1980 and 338% between 1980 and 1988. Cooperatives' market share also grew from 14% to 24% by 2024.

Bengtsson (2024) concluded that in today's Swedish housing market the cooperative tenure has developed into a more collective form of individual home ownership alongside family dwellings with the similar risks and benefits to individual households. The reforms undermined the market position of households with fewer financial means. Bengtsson concluded the tenure role of cooperatives within the housing system, previously directed at households of fewer means and based on individual ownership, is vulnerable in the long run. The critical junctures identified, particularly the deregulation of the tenure, resulted in a self-destruct instead of self-reinforcing path dependent process from the perspective of providing affordable housing for low to moderate income households.

Regan and Gollings (2024) suggested the following policies to grow the size of the affordable housing cooperative sector in the UK:

- Recognise cooperative housing tenancies as a distinct legal status with clear rights and expectations;
- Improve the public and local authorities' and regulators' understanding of cooperatives;
- Give social and private tenants a collective right to buy, taking priority over other bidders, as in the USA and Canada;
- Establish a cooperative housing lender backed by a state guarantee and able to borrow on the bond market and provide financing to cooperatives at attractive interest rates;
- Give community groups the right of first refusal on the sale of delict buildings and public land; and
- Set up mechanisms to share knowledge and best practice around cooperative developments and operation.

Community Land Trusts

Community Land Trusts (CLT) are typically private not-for-profit corporations established to obtain and develop properties for affordable housing. This is a dual ownership model where a land trust will own the land and lease the right to develop the space above the land to potential owner occupiers. Typically, leases are for terms of 50 to 99 years with the lessee having multiple rights of renewal. The lessee's interest is also inheritable gives an exclusive right to occupy the land and the right to resell their interest (Livingston and Associates, 2018).

ADA (2021) identified community land trusts as an option that can be used to supply affordable housing in locations where affordable housing would otherwise not be developed. However, they concluded that community land trusts often rely on land being gifted or sold to the community land trust at prices significantly below the open market value in order to make their projects affordable. In addition, the provision of the infrastructure and the professional fees associated with the development can also have a significant impact on the project's feasibility. ADA also identified a mis-match between the increasing number of older people and the dwelling typology they currently occupy and their actual housing need. They note that many older people are asset rich but cash poor and would benefit from releasing equity through downsizing.

ADA (2021) identified the barriers to the use of community land trusts as:

- Accessing land/development capacity at affordable prices;
- Lack of market knowledge around the tenure and general acceptance in the market place;
- Ability to obtain development finance and the availability of mortgage lenders in the market for the purchase of units within the development; and
- The perceived risk and lack of knowledge regarding the planning process, legal arrangements, costs of services, etc. associated with a community land trust development.

Shared equity models

Shared equity models are used in a number of countries including England, Wales, Australia, the Netherlands and New Zealand. The essential feature of shared equity models is that the home purchaser shares the capital cost of purchasing a dwelling with an equity partner. This allows them to buy into a dwelling with a lower level of income or equity than would otherwise be required. Thus, this model makes the transaction more affordable allowing the purchaser to buy a dwelling more suited to their needs, in a more desirable location, and/or become a first home buyer when they had insufficient income and/or equity to purchase a dwelling on their own. Shared equity models help create equity for individual households and provide ongoing support for affordable housing by recycling the equity investment across multiple dwellings (post resale of units). These tenures tend to be more transitional in nature with households moving on to full ownership over time partly as a result of the asset/wealth building opportunities they provide. Shared equity models are best suited to housing markets where affordability is poor but not severe.

Perkins *et al*. (2020) identified a number of barriers for renter households transitioning to owner occupation. These included a lack of knowledge around the process of purchasing a dwelling, low incomes, and insufficient savings for a deposit. They concluded upfront deposit assistance and/or shared equity schemes would significantly increase the number of households able to buy a dwelling across the USA.

Perkins *et al*. (2020) cited a number of reasons shared equity schemes have only experienced moderate growth in the USA and these included:

- Lack of subsidies required to close the gap between what households can afford to pay and the market pricing of the dwelling;
- Limited funding for providing the stewardship required around these programmes;
- Lack of potential purchaser knowledge around these products and their limited understanding given their more complex structure; and
- Limitations placed on future capital gains.

Perkins *et al*. (2020) identified a number of countries that have introduced shared equity programmes for older households. Both England and Scotland have older person shared ownership schemes targeting people aged 55 years and older where households can sell their existing dwelling to downsize and buy a new or existing dwelling. Purchasers can buy between 10% and 75% of the dwelling. Rent is paid on the unpurchased portion of the dwelling (3% on the share greater than 25%) if the occupiers buy less than 75% of the dwelling. The properties are on a ground leasehold arrangement and ground rents are also payable.

Retirement villages/Licence to occupy/Occupancy rights agreements

Licence to occupy tenure in New Zealand grew with the development of the retirement village industry. The right to occupy a unit in a retirement village and access common areas is established though a licence to occupy, now called an occupancy right agreement (ORA). The occupation right is an ownership minus tenure[6]. Operation of retirement villages is governed by the Retirement Villages Act (2003). There are now over 30,000 retirement village units under ORA agreements.

The retirement industry is dominated by commercial for-profit organisations. The terms and conditions reflect this. For example, typically an occupier will pay for the occupation right and depending on how long they occupy the unit receive 65% to 75% of their initial purchase price on exit. The balance is retained by the village operator as a deferred management fee. In addition, the occupiers pay a weekly (or monthly) fee that reflects the actual cost of operating and maintaining the village (Livingston and Associates, 2018). Licences to occupy have also been used as a tenure within some Papakāinga housing initiatives. For example, the Waimarāma 3A1C2 Incorporation development completed in 2017 at Waimarāma in the Hawke's Bay used a mixed ownership structure that included three new affordable rental homes and two home-ownership properties under a "Licence to Occupy". Overall this approach does not offer any significant advantages as a housing solution for low to moderate income households with limited equity.

Equity release schemes

Equity release schemes allow households with equity in dwellings to access their capital investment in the dwellings to supplement their income. There are two main types of equity release. These are reverse mortgages and shared equity purchases. These schemes have a complex mixture of benefits and disadvantages. For older owner occupiers, they provide an opportunity to supplement their income and to remain in their dwelling and age in place.

However studies by Naumanen et al. (2012)[7] and Hoekstra and Dol[8] (2021) found that people's views about their homes as a place to live—rather than assets to be traded—can limit the uptake of equity release options such as reverse mortgages, shared equity arrangements, rented out unused space, and downsizing to a smaller property.

Saville-Smith (2019) analysis identified reverse equity mortgages as a way of older owner occupiers to supplement their income. She noted reverse equity loans have struggled to achieve significant market share, with only a 2% market penetration in the USA and similar rates in Australia. Since the initial growth in interest for these mortgages prior to 2009, there has been limited mainstream financial institutional interest. In a New Zealand context there has been limited mainstream financial institutional interest in these products since the global financial crisis more than a decade ago. She cites the complexity of reverse equity loans as a barrier to growth in the sector as well as households' view of predatory behaviour by lenders. Despite consumer reluctance, they remain an option for older households with significant equity to access capital.

[6] The concept of ownership minus and rental plus type tenures are discussed in section 5.3.1
[7] A comparative study in UK, Ireland, Netherlands, Italy and Germany.
[8] A comparative study in Finland and Portugal.

Saville-Smith (2019) also discussed downsizing as another option older owner occupier households have to release value from their dwelling. Households have a number of challenges including a lack of suitable stock to buy in their preferred locality and the price difference for an older dwelling (existing residence) and a newer smaller dwelling may not be as great as anticipated and consequently the equity released may be smaller than expected. Households selling and relocating into retirement villages (buying an occupancy right agreement) face similar challenges and typically need to sell a moderate to high value unencumbered dwelling (for that location) to have sufficient capital to buy the retirement village unit while still releasing equity from the original dwelling. As a housing solution, households in retirement village units also faced ongoing weekly fees that form a non-discretionary cost impacting on their disposable incomes and ultimately, on exiting the village, they received a smaller capital sum than what they originally paid (also see above).

MOTU (2024) examined the applicability of two main types of equity release products in a New Zealand context using current dwelling values and assessed what types of households could potentially gain from reverse mortgages and home reversion plans. Reverse equity mortgages are a mortgage taken out by the owner occupier with no repayments made (the interest compounds and is added to the total mortgage) and on sale the mortgage plus compounded interest is repaid. A home reversion plan differs with the homeowner selling a portion of the dwelling in exchange for a lump sum or a fixed income stream. When the dwelling is sold the organisation that purchased part of the dwelling receives a pro-rata share of the sale. For example, if they purchased 40% of the dwelling, they would receive 40% of the sale price when sold at some date in the future.

MOTU (2024) concluded, when comparing reverse equity mortgages with home reversion plans, that reverse equity mortgages may be a better option when the house value growth rate is higher than mortgage interest rates charged. They also noted home reversion plans may be better than reverse equity mortgages during periods of low value growth, when the owner occupier has no existing mortgages or it’s likely they will continue to live in the dwelling for a long period of time.

MOTU concluded that there were a number of occasions when dwelling equity release schemes may be beneficial for retirees:

- With high net worth and low incomes. The scheme would allow them to increase consumption over and above Superannuation;
- During times of high property value growth. Reverse equity mortgages may be beneficial when value growth is high relative to mortgage interest rates. High value growth means the amount of equity available when the dwelling is sold will be higher;
- Equity release schemes can provide support for retirees who live longer than expected and have used all their other savings, effectively providing them with extra income in the latter stages of their lives; and
- They also provide retired owner occupiers with access to some of their wealth without having to sell their dwelling and relocate.

MOTU (2024) also concluded home equity release schemes may not be beneficial when:

- Reverse equity mortgages may not be a good option during periods of low or negative value growth. The owner occupier's equity may be quickly eroded in these circumstances;
- Home equity release schemes may limit occupiers' future choices if they have an unexpected call on their wealth due to things like paying the expenses associated with a health event; and
- Typically, a home equity release scheme requires the dwelling to be sold when the owner occupier(s) dies. This may not be the best outcome if there are other household members living in the dwelling as they would need to relocate or buy the dwelling at market value.

These housing solutions rely on households having significant equity in their dwelling and as a consequence are not an option for low to moderate income households with limited equity.

3.3 Strategies to grow the supply of affordable homes for low to moderate income households

One of the key challenges in growing the supply of affordable housing is improving access to affordable capital (debt, equity, grants etc). The objective of this section of the literature review is to focus on the funding strategies used in different housing markets to increase the supply of affordable housing targeting low to moderate income households.

ADA (2021) promotes a model that uses institutional investor capital to provide affordable rent, rent to buy, shared equity and outright purchase of smaller multiunit and standalone dwellings that enable the release of larger existing dwellings on the market. The mix of dwellings and tenures used within a development varies depending on the communities' housing need. They also promote co-living models as a way to reduce development costs per unit with rooms or studios let to tenants who share communal facilities. The co-living models target single younger and older people.

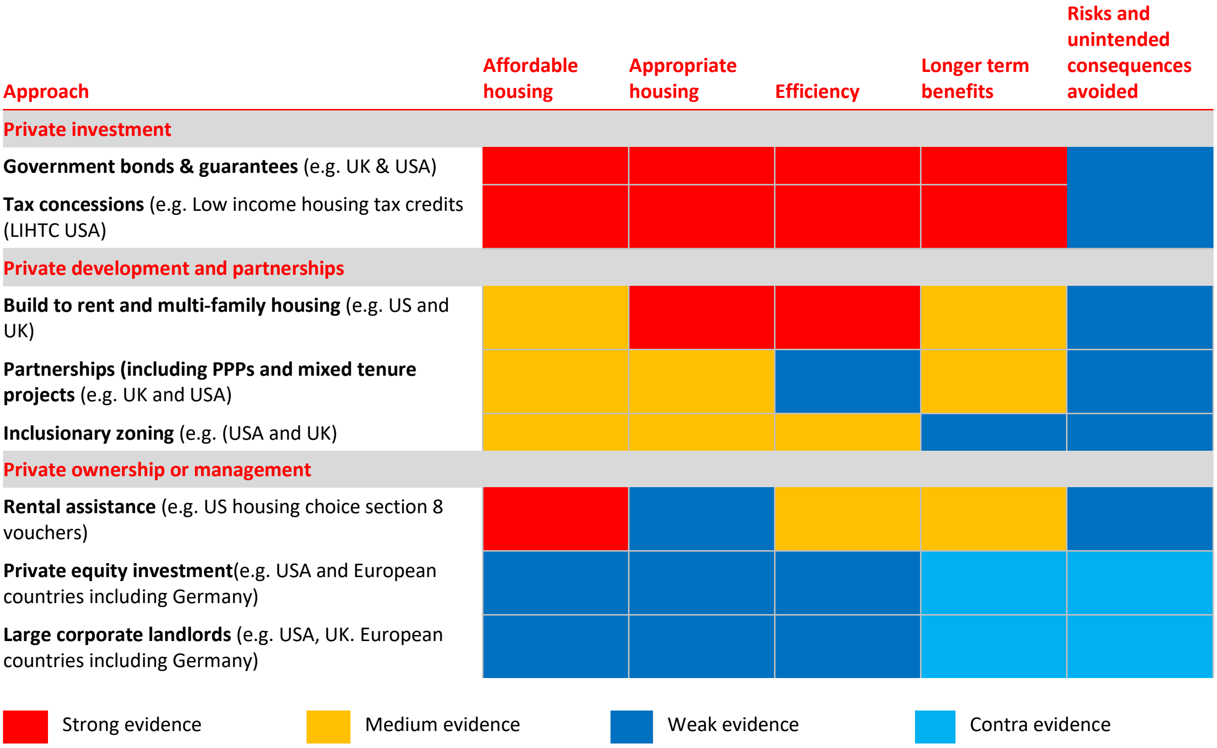
Benedict *et al*. (2022) examined the challenges associated with attracting more private sector capital to invest in affordable and social housing for low to moderate income households in Australia. They identified overseas examples where the private sector has been actively investing in affordable housing. For example, in the United Kingdom, private investment in social and affordable housing dwarfs government grant funding by a factor of three to one (Williams, Williamson *et al*. 2020). Savills UK estimated that the combination of debt finance, government grant, and planning contributions (under s106) is sufficient to fund delivery of around 190,000 new affordable rental dwellings and 60,000 shared ownership dwellings between 2021 to 2026 (UK 2021). In the United States, over one million affordable rental units have been financed by private investors incentivised by the longstanding low-income housing tax credit scheme (LIHTC), including over 100,000 new dwellings in 2020 alone (US Department of Housing and Urban Development 2021).

Benedict *et al*. (2022) identified a number of challenges to growing private sector investment in affordable housing for low to moderate income households:

- The private sector had concerns over changing government policy environments and identified a stable regulatory environment and funding (grant) certainty as essential to increasing the scale of private sector investment;
- Affordable housing was not financially feasible without significant government assistance. Private sector investment in affordable housing for low income households will only be enabled by capital grants. Where governments are not able to provide capital to underpin housing construction, the potential use of other levers such as government land (leased at pepper corn rentals) or the use of planning powers and regulations (such as inclusionary zoning and/or density benefits) will be needed; and
- Returns were not as competitive as standard developments where the units are developed and on sold. The rise in private sector interest in affordable housing investment reflects the sector's search for yield relative to other potential opportunities. If returns from other assets improve the appetite from the private sector for low yield affordable housing investments may diminish.

Benedict *et al*. (2022) identified a number of international policy/strategy initiatives that have been used to support and increase the supply of social and affordable housing by the private sector for low to moderate income households and rated them to reflect the strength of the evidence supporting their ability to achieve their goals. The outcomes of their analysis are presented in Figure 3.2.

Figure 3.2: International models of private sector participation in social and affordable housing supply



Source: Benedict *et al*. (2022)

Benedict *et al*. (2022, page 75) noted "government backed bonds and loan guarantees have led to the growth of institutional investment in the supply of new affordable housing. In the UK, regulated housing associations utilise this finance to develop and provide appropriate and efficient housing, mitigating risks for both investors and residents. However, there are concerns that institutional investment is turning housing associations away from the social housing mission, making them quasi private sector developers whose main focus is on open market developments and increased rental income.".

Benedict et al. (2022, page 75) found that US tax concessions through the LIHTC programmes have proven instrumental in delivering a pipeline of affordable rental units, financed by private equity and debt. However, affordability is secured only for the duration of the federal tax subsidy period (15 years), or state regulatory periods expiring after 30+ years and raising the prospect of displacement for lower income tenants. Further, with the majority of credits awarded to private affordable housing developers, it may be argued that not-for-profit developers have been squeezed out of an uneven playing field.

Benedict *et al*. (2022, page 75) noted models of private involvement in developing new social and affordable housing supply may include the growing build to rent sector, with approximately one-third of this housing in the US targeting eligible low-income earners. However, the majority of this housing is funded through the LIHTC, and build to rent projects appear unlikely to offer affordable rents for lower income earners without additional subsidy. While more emergent, the UK build to rent private rental sector is contributing new affordable housing supply, typically in response to planning requirements for affordable homes. Overall, consistent application of planning requirements for affordable housing inclusion has contributed to new supply of appropriate homes over time. However, in the UK, there have been ongoing concerns about the inefficiency of site specific negotiations for affordable housing, which are often protracted and resource intensive. Further, as government grants for new social housing construction decline, planning requirements for affordable housing have increasingly allowed developers to meet their obligations through products requiring lower subsidy by targeting higher income groups, such as keyworkers.

The evidence on public private partnerships to deliver new social and affordable housing, often through 'estate' renewal, remains mixed, Benedict *et al*. (2022, page 76). While an established model for redeveloping aged social housing supply, and/or adding to the existing stock, the approach has been associated with trauma and displacement for established residents in many cases. These projects also involve long procurement and planning approval processes, with increased costs to developers.

Benedict *et al*. (2022) notes in the UK and parts of the US, governments have applied mandatory inclusionary zoning through the planning system, resulting in more affordable, appropriate housing. However, evidence shows that inclusionary planning is not sufficient alone to meet long term housing demand from low income households and focus is shifting towards delivering housing for moderate income households due to lower availability of government subsidy for new construction.

Benedict *et al*. (2022) concluded that the US's Housing Choice (Section 8) Rental Vouchers enable millions of people to lease housing in the private rental market at an affordable rate. Further, this rental subsidy improves the capacity for developers to leverage private debt for construction or refurbishment of affordable housing. However, while improving affordability, where recipients use this subsidy to rent existing housing units the quality and appropriateness is dependent on the market. Historically, and more recently in the wake of the COVID-19 pandemic, the rental subsidy has been taken advantage of by 'slum lords' providing sub-standard housing in high cost market locations, such as Single Room Occupancy (SRO) hotels in New York City and San Francisco. Therefore, as shown in Figure 3.2, there are questions as to the appropriateness of housing outcomes delivered via this subsidy.

Benedict *et al*. (2022) suggests that the involvement of large corporate landlords in the US, UK and European countries (including in Germany's affordable rental sector) has been associated with increased rents and displacement of existing tenants, as well as poor maintenance of the housing stock. Similarly, in the US, private equity investment in under-market rental property and social housing has led to many existing low-income households being displaced through gentrification or being stranded in sub-standard housing while investors cut costs to sustain target returns.

Benedict *et al*. (2022) concluded that involving the private sector does not necessarily lead to increased social or affordable housing supply and, in fact, may lead to poorer outcomes for residents and communities. However, when programmes are carefully designed and risks mitigated through stringent regulation and oversight, private involvement can:

- Extend public subsidy and resources by leveraging access to additional sources of capital and land;
- Assist in cross subsidising the provision of housing for those on very low and low incomes;
- Support innovation in the design and delivery of new housing products and the mix of market segments served;
- Contribute to capacity building within the not-for-profit social and affordable housing sector and the housing industry more widely; and
- Help stabilise rates of new housing production, enabling construction to respond better to shifts in demographic demand (e.g. population growth and change, unmet housing need), and mitigate peaks and troughs in the market cycle.

(Benedict *et al.,* page 77)

3.4 Housing policy considerations

The objective of this section of the literature review is to discuss the housing policy challenges and options adopted in different housing markets in the context of increasing the supply of affordable housing for low to moderate income households.

According to Swanson (2020), there are a number of overriding factors that should be incorporated into housing policy, including:

- Adequate housing is a human right;
- Homes first, investments second – they concluded that commodification of housing as a financial strategy leads to speculation and individual and institutional expectations or dependencies on a profit from ownership that often comes at the expense of others' ability to find and afford an adequate home; and
- 'Make room for everyone' policy means all housing policy should be created with the intent of accommodating the whole population across all income levels into appropriate housing within the community they live in.

Carty *et al*. (2014, page 49) in their research into the affordable housing programmes developed in three centres[9] concluded "on a policy front, a key recommendation is that the field (affordable housing) needs more flexible forms of capital that can be used to support multiple tenure options and neighbourhood stabilisation goals. For all three not-for-profits, the primary challenge is not operating capacity, even though rental, lease purchase and owner-occupier programmes all required different approaches. The largest obstacle has been – and continues to be – finding appropriate capital sources".

Seo *et al*. (2024) in their analysis of the structure of the South Korean housing system noted in recent decades there has been a global policy shift away from supply-side housing assistance towards demand-side cash subsidies. However, there has been insufficient empirical evidence on whether cash transfer has a critical advantage over the direct supply of subsidised housing in alleviating low-income renters' immediate housing difficulties. Their study examined and compared the effects of supply- and demand-side housing subsidies on multidimensional housing problems among the lowest-income households in South Korea using longitudinal survey data. Their analysis demonstrated that public rental housing improves the recipients' housing quality while it exacerbates housing cost burden and overcrowding. Meanwhile, the cash subsidy paid to private renters failed to enhance the recipients' housing quality or lessen their housing cost burden and it aggravated overcrowding. The study showed that different types of housing subsidies have different immediate housing outcomes, suggesting that the rationale for the ongoing global policy redirection towards demand-side subsidies needs to be reconsidered in the local (South Korean) context.

[9] Housing Development Fund (HDF) in Connecticut, Project for Pride in Living (PPL) in Minnesota, and the Atlanta Neighbourhood Development Partnership (ANDP) in Georgia.

From their analysis of affordable housing solutions, Whitehouse and Williams (2020) concluded there were probably no immediate ‘silver bullets’ to be found. For individuals, this is mainly because of inadequate income and/or savings. It can also be an outcome of market or indeed regulatory imperfections that mean the costs are higher than necessary. The problems around low incomes can only be addressed by increasing those incomes or reducing the price of suitable housing through government subsidy (house price falls associated with income falls do not help affordability).

Whitehouse and Williams (2020) concluded UK based government schemes put most of their emphasis on access to home ownership – with a general assumption that affordability will follow. Many government initiatives have been in response to short term pressures and have been ill-defined and poorly targeted. A clearer view of the scale of the affordable home ownership ‘gap’ is needed – taking account of house prices; incomes; the capacity to raise a deposit; and risk attitudes. From the market point of view there is a degree of necessity building in the market. While the value of loans has gone up, the number of new mortgage loans has been falling. Increasingly the market is built around existing owners. It seems inevitable that the industry must try to re-grow the market.

Whitehouse and Williams (2020) concluded the way forward to grow the stock of affordable housing in the UK should include:

- A long overdue reform of shared ownership going well beyond the existing proposals and including the provision of a comprehensive database;
- Mortgage guarantees are a cost-efficient way of expanding affordable home ownership opportunities. Here the UK could learn from abroad; and
- Government should set out its vision for home ownership in general and affordable home ownership in particular in some detail, looking at current provision, the risks and the potential scale of demand, funding and supply.

Homes Victoria (2021) adopted a different approach. The state of Victoria chose to focus on a partnership model where their agency (Homes Victoria) leases land it currently owns to a not-for-profit to redevelop the site using a private public partnership model. Effectively they create a ground lease to the not-for-profit to deliver a mix of social, affordable and private rental units on the site for a 40 year term. The level of ground rent payable is confidential but reflects the site’s use. At the end of the 40 year term the site and improvements revert to Homes Victoria. The agreement requires a proportion of the units developed are accessible for people with disabilities. To date they have three sites being redeveloped that will deliver 1,110 units on land which previously had 445 social housing dwellings. The redevelopment will deliver 619 new social housing dwellings, 126 new affordable and 365 private rental dwellings (52 of the private dwellings will be designed for people with disabilities). Planning is underway for the redevelopment of a further four sites using this model.

3.5 Summary

Housing markets and systems settings vary in the different countries they operate in. This creates challenges when looking at overseas examples of housing solution enablers and relating them to a New Zealand context. Consequently the following summary comments should be considered in the broader New Zealand context.

Common themes focus on the inability of low to moderate income households to affordably buy or rent dwellings at market prices. There are a wide range of solutions operating in different jurisdictions, however they all struggle to operate at scale unless they are backed by a sustainable source of equity and finance that is insulated from changes in government policy associated with election cycles. A good first step is for governments to set out their vision for affordable home ownership and affordable rental accommodation in some detail, looking at current provision, the risks and the potential scale of demand, target outcomes, funding and supply.

Analysis of affordable housing solutions suggest there are no easy solutions. The lack of affordability for individual households is mainly because of inadequate income and/or saving relative to market prices/rents/housing costs. The problems around low incomes relative to housing costs can only be addressed by increasing incomes or reducing housing costs in the short to medium term by some form of subsidy and in the longer term by structural change in the housing and related systems. Overseas literature suggests a range of principles and strategies that could enable the growth of affordable housing solutions, including:

- Affordable housing solutions should have a community focus and reflect the housing need at a local level and take into account housing market drivers within the location;
- Lack of knowledge around alternative housing solutions across the community, households and their advisors and the whole housing system hinders uptake;
- Distinct legal status for alternative tenures (for example, affordable rental and limited equity cooperatives) can enable uptake of these models. In addition, standardised documentation for different alternative housing solutions/tenures has improved access to finance and acceptability within housing markets;
- Stewardship of potential occupiers (for example, financial literacy/budgeting, practical home maintenance, obligations of owner occupation courses, etc.) of affordable housing programmes can improve outcomes with some models/subgroups;
- Planning rules and building regulations can limit supply side response to changes in demand and hinder innovation particularly for solutions focused on providing residents with their own private space along with communal amenities and space;
- Variation in government support in many countries for affordable housing initiatives has increased providers'/developers' operational risk and uncertainty and limited their ability to grow;
- Affordable housing developments which target low to moderate income households have poor financial feasibility without subsidised capital and/or grants; and
- A wide variety of funding models are used overseas to support affordable housing solutions. A range of approaches could provide a sustainable flow of capital in a New Zealand context and include inclusionary zoning; Government backed bonds and guarantees as a source affordable finance; and the use of private public partnerships linked to subsidised mixed tenure build to rent models.

4. Subgroup identification and sizing of potential markets

4.1 Introduction

The objective of this section is to identify and define the different characteristics of subgroups that would benefit from housing models/solutions targeted for low to moderate income households with limited equity and to provide insight into their size (number of households) and regional distribution. The key subgroups included in the analysis are:

- Younger low to moderate income renter households;
- Low to moderate income older renter households;
- Low to moderate income older owner occupiers with a mortgage;
- Households with a disabled person; and
- Households with a primary ethnicity of Māori or Pacific.

In addition, the impact of the Accommodation Supplement, New Zealand's main housing policy providing support for low to moderate income households on housing affordability is presented in Section 4.8.

4.2 Data sources and definitions

The analysis included in this section utilises customised Household Economic Survey (HES) data from Statistics New Zealand's 2021 and 2022 surveys. Household Economic Survey data includes households living in private dwellings and excludes non-private dwellings such as those living in residential care. Care needs to be taken when interpreting the results as the data is modelled from the survey's results and as households are divided into small demographic groups, sampling errors mean the results should be treated as indicative.

Key definitions include:

- ***Older households***: Older households include pre-retirement households aged 50 to 64 years old and retirement aged households aged 65 years and older;
- ***Low to moderate incomes:*** Low income households are those with gross incomes less than $50,000 per annum including all government benefits. Moderate income households are those with gross incomes between $50,000 and less than $100,000 per annum;
- ***Net worth:*** Household net worth is the difference between the assets owned by the household less all liabilities;
- ***Household age group:*** This relates to the age of the household reference person;
- ***Ethnicity:*** Ethnic group is **prioritised –** Māori, Pacific, Asian MELAA/Other, and New Zealand European; and
- ***Housing costs:*** The household's housing costs includes any rent paid by a not owned household[10]. Housing costs for owner occupiers includes any mortgage payments, dwelling insurance, local body rates and maintenance costs
- ***Household reference person -*** In the context of Household Economic Survey (HES) and other similar surveys in New Zealand, the "household reference person" is essentially the person who is considered the primary point of contact for the household within the survey. They are chosen based on being acknowledged as such by other household members, or as the recognized owner or responsible tenant of the dwelling.

[10] Not owned household refers to households living in a dwelling that they do not own.

4.3 Subgroups and potential market size

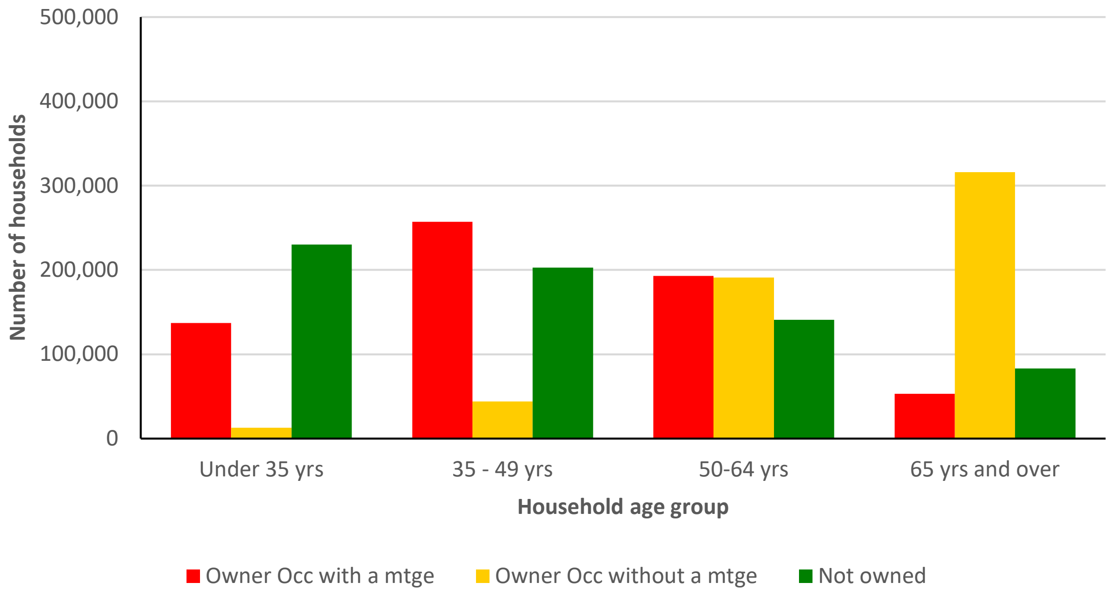
Our identified subgroups focus on low to moderate income households including:

- Younger renters (those less than 50 years of age);
- Older renters (those aged 50 years and older);
- Older owner occupiers (those aged 50 years and older) with a mortgage
- Households with disabled people; and
- Households with a primary ethnicity of Māori or Pacific.

As housing affordability has declined[11] since the economic reforms of the late 1980s and early 1990s, the number of households unable to affordably access housing has increased. Initially, most of the impact was on younger to middle aged households unable to attain owner occupation or has resulted in a delay over when they could afford to transition to owner occupation. Over the last three decades these trends have continued and resulted in increased numbers of pre-retirement (aged 50 to 64 years) or retirement (65 years and over) households that are renting or are owner occupiers with a mortgage.

Figure 4.1 provides a snapshot (as at 2021) of the estimated number of households in New Zealand by tenure (including owner occupiers with and without a mortgage) and household age group.

Figure 4.1: Number of households by tenure and household age group – total New Zealand



Source: Statistics New Zealand – Household Economic Survey 2021

[11] See Livingston and Associates (2019) "What is happening in the intermediate housing market since 2015?" Project LR1136 - Funded by the Building Research Levy. Livingston and Associates Ltd (2023) "Enablers and barriers impacting on the development of affordable alternative housing tenures in New Zealand" Project ER81 - Funded by the Building Research Levy.

In 2021, there were approximately 83,000 households aged 65 years and over that lived in not owned dwellings, 53,000 owner occupiers with a mortgage, and 316,000 owner occupiers without a mortgage. The number of not owned households aged between 50 and 64 years totalled 141,000 in 2021. Over the next 15 years the majority of these households will age and transition into the 65 years and older category. Not owned households with reference people aged 65 years and over had net median wealth of $46,000 compared to $882,000 for owner occupiers without a mortgage and $610,000 for owner occupiers with a mortgage. The trend was similar for households with reference people aged 50 to 64 years. Their median net wealth for not owned households was $64,000, owner occupiers without a mortgage was $1,092,000 and owner occupiers with a mortgage was $633,000. A proportion of the not owned household aged 50 to 64 years may achieve owner occupation, particularly if their financial position involves receiving a multi-generational transfer of wealth. However, given their typically low level of wealth, it is likely that many will enter the 65 years and over age group while still living in not owned dwellings.

Table 4.1 presents number and proportion of households by household age group and tenure living in New Zealand as at 2021.

Table 4.1: Number and proportion of households by household age group and tenure – total NZ

	Owner occupiers with a mortgage			**Owner occupiers without a mortgage**			**Not owned**			**Total**	
	No of hhlds	**% of tenure**	**% of total**	**No of hhlds**	**% of tenure**	**% of total**	**No of hhlds**	**% of tenure**	**% of total**	**No of hhlds**	**% of total**
Under 35 yrs	137,000	21%	7%	13,000	2%	1%	230,000	35%	12%	380,000	20%
35–49 yrs	257,000	40%	14%	44,000	8%	2%	203,000	31%	11%	504,000	27%
50–64 yrs	193,000	30%	10%	191,000	34%	10%	141,000	21%	8%	525,000	28%
65 yrs and over	53,000	8%	3%	316,000	56%	17%	83,000	13%	4%	452,000	24%
Total	640,000	100%	34%	564,000	100%	30%	657,000	100%	35%	1,861,000	100%

Source: Statistics New Zealand – Household Economic Survey 2021

The ability of households to access affordable housing is measured by the housing cost paid relative to their household income. Households on lower incomes are more likely to struggle to affordably access housing than those on higher incomes. Households that have attained owner occupation and paid off their mortgage are likely to have much lower housing costs than those still with mortgages or those living in not owned accommodation paying market rents. Consequently, the potential growth in the number of older renters with lower incomes, or older owner occupier households still paying a mortgage, is likely to result in growth in the number of households paying a large proportion of their income in housing costs.

Table 4.2 presents the number of households paying more than 30%, more than 40% and more than 50% of their gross annual household income on housing costs by tenure and household income in 2022.

Table 4.2: Households paying more than 30%, more than 40%, and more than 50% of their gross annual household income on housing costs by tenure and household income

	More than 30%		More than 40%		More than 50%		Sub-group total	
	No of hhlds	% by inc & tenure	No of hhlds	% by inc & tenure	No of hhlds	% by inc & tenure	No of hhlds	% by tenure
Not owned								
less than $50,000	102,700	60%	83,400	49%	63,800	38%	169,800	26%
$50,000 to $99,999	91,400	42%	39,900	18%	19,000	9%	216,900	33%
$100,000 to $149,999	17,200	12%	2,300	2%	0	0%	146,300	22%
Over $150,000	3,000	3%	0	0%	0	0%	118,400	18%
Total	214,300	33%	125,600	19%	82,800	13%	651,400	100%
Owner occupiers								
less than $50,000	61,900	21%	47,100	16%	37,200	12%	300,300	24%
$50,000 to $99,999	57,300	19%	27,200	9%	13,100	4%	295,900	24%
$100,000 to $149,999	35,700	14%	11,800	5%	4,800	2%	261,800	21%
Over $150,000	15,700	4%	3,300	1%	0	0%	395,800	32%
Total	170,600	14%	89,400	7%	55,100	4%	1,253,800	100%
Total all tenures								
less than $50,000	164,600	35%	130,500	28%	101,000	21%	470,100	25%
$50,000 to $99,999	148,700	29%	67,100	13%	32,100	6%	512,800	27%
$100,000 to $149,999	52,900	13%	14,100	3%	4,800	1%	408,100	21%
Over $150,000	18,700	4%	3,300	1%	0	0%	514,200	27%
Total	384,900	20%	215,000	11%	137,900	7%	1,905,200	100%

Source: Statistics New Zealand – Household Economic Survey 2022

Nationally, 38% (63,800) of not owned households earning less than $50,000 gross per annum are paying more than 50% of their gross household income in housing costs. This compares to 12% for owner occupiers earning less than $50,000 gross per annum. As household incomes increase, the proportion of households paying high proportions of their incomes in housing costs decreases. Older households are over represented in the low income categories, particularly not owned households. In total, 194,100[12] low to moderate income not owned households are paying more than 30% of their annual gross household income in housing costs and 82,800 of those are paying more than 50 in housing costs.

It is likely low to moderate income not owned households paying more than 50% of their gross household income in rent have no flexibility in their household budgets other than paying for essential living costs with limited, if any, ability to save towards a deposit to become owner occupiers in the future without a significant change in their circumstances.

[12] 194,100 is the sum of 102,700 not owned households with incomes less than $50,000 and 91,400 not owned households with incomes from $50,000 to $99,999 per annum.

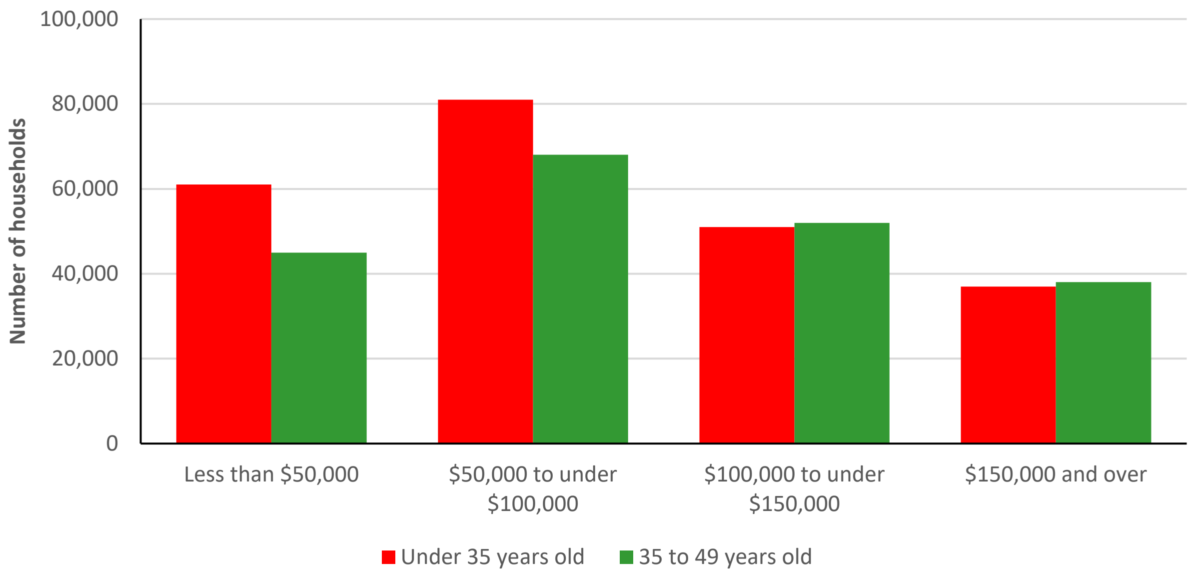
4.4 Younger (aged less than 50 years of age) low to moderate income renters

Younger low to moderate income not owned households[13] are a subgroup that has the potential to have significant housing needs. This section presents analysis of this subgroup by household income, household composition, ethnicity, size of the household and geographical distribution.

4.4.1 Household income

Figure 4.2 presents the number of younger not owned households by age group and household income.

Figure 4.2: The number of younger not owned households by age group and household income



Source: Statistics New Zealand – Household Economic Survey 2021

Approximately two thirds of not owned households aged less than 35 years earn less than $100,000 gross per annum while 55% of households aged between 35 and 49 years have income of less than $100,000 gross per annum.

[13] Younger households are those aged less than 50 years of age, whilst low to moderate incomes households are those earning less than $100,000 per annum.

Table 4.3 presents the number of younger not owned households by age group and household income.

Table 4.3: The number of younger not owned households by age group and household income.

Total gross household income	Under 35 years old		35 to 49 years old		Total younger households	
	No of hhlds	% of total	No of hhlds	% of total	No of hhlds	% of total
Less than $50,000	61,000	27%	45,000	22%	106,000	24%
$50,000 to $99,999	81,000	35%	68,000	33%	149,000	34%
$100,000 to $149,999	51,000	22%	52,000	26%	103,000	24%
$150,000 or more	37,000	16%	38,000	19%	75,000	17%
Total	230,000	100%	203,000	100%	433,000	100%

Source: Statistics New Zealand – Household Economic Survey 2021

A total of 62% of not owned households aged less than 35 years, have incomes of less than $100,000 gross per annum (27% with incomes less than $50,000 gross per annum). For households with people aged between 35 and 49 years, 55% of households had incomes of less than $100,000 gross per annum in 2021 (22% with incomes less than $50,000). Households on lower incomes, not owned tenures in particular, tend to have higher proportions of households paying more than 30% of their gross annual income in housing costs.

Table 4.4 presents the number of younger not owned households paying more than 30%, 40% and 50% of their gross annual income in housing costs by gross household income in 2022.

Table 4.4: The number and proportion of households paying more than 30%, 40% and 50% of their gross annual household income in housing costs.

	Paying more than 30%		Paying more than 40%		Paying more than 50%		Total
	No of hhlds	% of hhld by age & income	No of hhlds	% of hhld by age & income	No of hhlds	% of hhld by age & income	Number
Less than 30 years							
Less than $50,000	22,800	81%	20,900	75%	15,400	55%	28,000
$50,000 to $99,999	22,300	42%	12,300	23%	6,600	12%	53,400
$100,000 to $149,999	6,600	16%	0	0%	0	0%	41,000
$150,000 or more	0	0%	0	0%	0	0%	23,800
Total	51,700	35%	33,200	23%	22,000	15%	146,200
30 to 39 years							
Less than $50,000	19,300	63%	17,000	56%	13,900	45%	30,600
$50,000 to $99,999	27,200	42%	12,500	19%	4,800	7%	64,200
$100,000 to $149,999	4,700	10%	0	0%	0	0%	46,700
$150,000 or more	0	0%	0	0%	0	0%	35,100
Total	51,200	29%	29,500	17%	18,700	11%	176,600
40 to 49 years							
Less than $50,000	13,200	55%	11,800	49%	9,300	39%	24,000
$50,000 to $99,999	18,200	48%	7,200	19%	4,000	11%	37,800
$100,000 to $149,999	2,400	9%	0	0%	0	0%	27,100
$150,000 or more	0	0%	0	0%	0	0%	32,300
Total	33,800	28%	19,000	16%	13,300	11%	121,200

Source: Statistics New Zealand – Household Economic Survey 2022

Lower income households had a high number and proportion of households paying more than 50% of their gross annual income in housing costs. For example, 15,400 households (55% of total) aged less than 30 years old and with a gross income of less than $50,000 per annum were paying more than half their income in housing costs. For those aged 40 to 49 years old and with a gross household income of less than $50,000 per annum, 9,300 households (39% of total) were paying more than half their income in housing costs.

Table 4.5 presents the number of younger not owned households by income and their net worth.

Table 4.5: The number of younger not owned households by income and their net worth.

Household age group and gross income	Number of households	Lower quartile net worth	Median net worth	Upper quartile net worth
Under 35 years				
Less than $50,000	61,000	$1,000	$14,000	$34,000
$50,000 to $99,999	45,000	$4,000	$20,000	$68,000
35 to 49 years				
Less than $50,000	81,000	$8,000	$41,000	$77,000
$50,000 to $99,999	68,000	$28,000	$64,000	$130,000

Source: Statistics New Zealand – Household Economic Survey 2021

Younger not owned households with gross annual household incomes under $50,000 have low levels of net worth. Those aged less than 35 years old had median net worth of $14,000 and those aged between 35 and 49 years old $41,000. This suggests these households have limited capacity to cope with any significant changes to either their incomes or expenses. Younger not owned households with incomes between $50,000 and $99,999 had slightly higher levels of net worth.

4.4.2 Household composition

Table 4.6 presents the number of not owned households by household income and household composition.

Table 4.6: Not owned households by household income and household composition

Household age group and composition	Less than $50,000 per annum		$50,000 to $99,999	
	Number of households	Median net worth	Number of households	Median net worth
Less than 35 years				
Couple only	4,000	$18,000	17,000	$39,000
Couples with any child(ren)	11,000	$30,000	22,000	$45,000
One parent with any child(ren)	21,000	$8,000	10,000	$12,000
One person	15,000	$12,000	7,000	$53,000
Other	11,000	$17,000	25,000	$51,000
Total	61,000	$14,000	81,000	$41,000
35 to 49 years				
Couple only	2,000	$39,000	4,000	$266,000
Couples with any child(ren)	11,000	$45,000	27,000	$69,000
One parent with any child(ren)	14,000	$12,000	14,000	$43,000
One person	15,000	$53,000	12,000	$39,000
Other	s	$51,000	10,000	$46,000
Total	45,000	$41,000	68,000	$64,000

Source: Statistics New Zealand – Household Economic Survey 2021

NB: 's' indicates the data was suppressed due to confidential restrictions

Households with gross annual incomes less than $50,000 have high proportions of one person and one parent households. One person and one parent with children households also tended to have lower than average levels of net worth.

4.4.3 Household ethnicity

Table 4.7 presents the number and net worth of not owned households by gross annual household income, age group and ethnicity.

Table 4.7: The number and net worth of not owned households by gross annual household income, age group and ethnicity

Household age group and ethnicity	Less than $50,000		$50,000 to $99,999	
	No of households	Median net worth	No of households	Median net worth
Less than 35 years				
Māori	26,000	$11,000	33,000	$35,000
Pacific/MELAA/Other	4,000	$8,000	15,000	$30,000
Asian	10,000	$24,000	15,000	$45,000
European	20,000	$15,000	18,000	$53,000
Total	61,000	$14,000	81,000	$41,000
35 to 49 years				
Māori	17,000	$6,000	21,000	$39,000
Pacific/MELAA/Other	8,000	$39,000	8,000	$108,000
Asian	5,000	$60,000	16,000	$42,000
European	15,000	$20,000	23,000	$74,000
Total	45,000	$20,000	68,000	$64,000

Source: Statistics New Zealand – Household Economic Survey 2021

Māori and Pacific households were over represented in not owned low to moderate income households. In addition, they tended to have lower levels of net worth than their New Zealand European peers.

4.4.4 Household size

Table 4.8 presents the number of younger low to moderate income not owned households by household size.

Table 4.8: Younger low to moderate income not owned households by household size

Gross annual household income	Less than 35 years		35 to 49 years	
	Number of households	Median net worth	Number of households	Median net worth
Less than $50,000				
One person	15,000	$12,000	15,000	$11,000
Two person	17,000	$11,000	6,000	$4,000
Three person	15,000	$15,000	12,000	$43,000
Four or more person	15,000	$15,000	11,000	$58,000
Total	61,000	$14,000	45,000	$20,000
$50,000 to $99,999				
One person	15,000	$11,000	12,000	$39,000
Two person	6,000	$4,000	13,000	$80,000
Three person	12,000	$43,000	22,000	$46,000
Four or more person	11,000	$58,000	21,000	$69,000
Total	45,000	$20,000	68,000	$64,000

Source: Statistics New Zealand – Household Economic Survey 2021

One and two person not owned low to moderate income households aged less than 35 years have low levels of net worth. Moderate income one and two person households aged between 35 and 39 years old have higher levels of net worth than those aged less than 35 years.

4.4.5 Crowding and spare dwelling capacity

Table 4.9 presents younger low to moderate income not owned households' level of crowding.

Table 4.9: Younger low to moderate income not owned households' level of crowding

Gross annual household income	Less than 30 years		30 to 39 years		40 to 49 years	
Dwelling crowding status	**No of hhlds**	**% of total**	**No of hhlds**	**% of total**	**No of hhlds**	**% of total**
Less than $50,000						
Two or more bedrooms needed (severely crowded)	495	1%	450	2%	381	2%
One bedroom needed (crowded)	2,448	7%	2,643	9%	1,773	7%
No bedrooms needed and none spare	14,688	44%	11,793	42%	9,495	38%
One bedroom spare	9,888	30%	8,859	32%	8,514	34%
Two or more bedrooms spare	5,274	16%	3,690	13%	4,074	16%
Not stated	477	1%	489	2%	504	2%
Total	33,273	100%	27,921	100%	24,738	100%
$50,000 to $99,999						
Two or more bedrooms needed (severely crowded)	753	2%	714	2%	678	2%
One bedroom needed (crowded)	2,685	8%	3,441	9%	2,496	9%
No bedrooms needed and none spare	13,824	39%	15,030	40%	9,939	36%
One bedroom spare	12,048	34%	12,972	34%	9,384	34%
Two or more bedrooms spare	5,901	17%	5,229	14%	4,632	17%
Not stated	321	1%	357	1%	366	1%
Total	35,532	100%	37,740	100%	27,489	100%

Source: Statistics New Zealand – 2018 census

In total, there were 40,299 dwellings (47% of the total dwellings) with one or more spare bedrooms in dwellings currently occupied by households with gross incomes less than $50,000 per annum and aged less than 50 years old. In addition, there were a further 36,151 dwellings (36% of the total dwellings) with one or more spare bedrooms occupied by households aged less than 50 years old with gross incomes between $50,000 and $99,999 per annum.

4.4.6 Geographical distribution

Table 4.10 presents the geographical distribution of younger low to moderate income not owned households.

Table 4.10: The geographical distribution of younger low to moderate income not owned households

Gross annual household inc	Less than 35 years		35 to 49 years	
Area	No of hhlds	Median net worth	No of hhlds	Median net worth
Less than $50,000				
Auckland	17,000	$8,000	11,000	$9,000
Greater Wellington	5,000	$12,000	1,000	$11,000
Rest of North Island	20,000	$15,000	21,000	$26,000
Greater Christchurch	9,000	$11,000	4,000	$18,000
Rest of South Island	10,000	$23,000	7,000	$39,000
Total NZ	61,000	$14,000	45,000	$20,000
$50,000 to $99,999				
Auckland	25,000	$39,000	22,000	$46,000
Greater Wellington	4,000	$51,000	7,000	$42,000
Rest of North Island	34,000	$51,000	22,000	$75,000
Greater Christchurch	7,000	$56,000	8,000	$80,000
Rest of South Island	11,000	$38,000	9,000	$66,000
Total NZ	81,000	$41,000	68,000	$64,000

Source: Statistics New Zealand – Household Economic Survey 2021

The rest of the North Island (North Island excluding Auckland and Greater Wellington) has a high number of low income not owned households aged less than 35 years old. Auckland has the next highest concentration of low income not owned households. Auckland's low income not owned households had the lowest levels of net worth.

4.4.7 Summary

In summary, there a significant number of younger not owned low to moderate income households. Table 4.11 presents summary statistics for these households.

Table 4.11: Summary statistics – Younger not owned low to moderate income households

	Gross annual household incomes less than $50,000		Gross annual household incomes between $50,000 and $99,999	
	Less than 35 years	**35 to 49 years**	**Less than 35 years**	**35 to 49 years**
Number of households	61,000	45,000	81,000	68,000
Proportion paying more than 30% of income in housing costs[14]	81%	55%	42%	48%
Proportion paying more than 50% of income in housing costs[15]	55%	39%	12%	11%
Median net worth	$14,000	$20,000	$41,000	$64,000
One person households (as a % of subgroup)	25%	33%	9%	18%
One parent households (as a % of subgroup)	34%	31%	12%	21%
Māori households as a % of subgroup	43%	38%	41%	31%
Pasifika households as a % of the subgroup	7%	18%	19%	12%

Source: Statistics New Zealand – Household Economic Survey 2021

There are approximately 142,000 younger not owned households with gross annual incomes of less than $50,000. Over 67% of these households are paying more than 30% of their gross income in housing costs and 47% are paying more than half their gross income in housing costs. In addition, 55% of those aged less than 35 years old are paying more than half their income in rent. A large proportion of these households are living in the North Island outside Auckland and Greater Wellington.

[14] These statistics related to households aged less than 30 years of age.
[15] These statistics related to households aged between 40 and 49 years of age.

4.5 Older low to moderate income renters

Older low to moderate income not owned households[16] are a subgroup which has the potential to have significant housing needs. This section of the report presents analysis of this subgroup by gross annual household income, household composition, ethnicity, size of the household and geographical distribution.

4.5.1 Household income

Figure 4.3 presents the number of older not owned households by age group and gross annual household income.

Figure 4.3: The number of older not owned households by age group and gross annual household income.

Source: Statistics New Zealand – Household Economic Survey 2021

Over half of older not owned households earn less than $100,000 per annum.

[16] Older households refer to those age 50 years and older whilst low to moderate incomes households are those earning less than $100,000 per annum.

Table 4.12 presents the number of older not owned households by age group and gross annual household income.

Table 4.12: The number of older not owned households by age group and gross annual household income.

Total gross annual household income	50 to 64 years		65 years and over		Total older households	
	No of hhlds	% of total	No of hhlds	% of total	No of hhlds	% of total
Less than $50,000	47,000	33%	53,000	64%	100,000	45%
$50,000 to $99,999	43,000	30%	18,000	22%	61,000	27%
$100,000 to $149,999	27,000	19%	9,000	11%	36,000	16%
$150,000 or more	24,000	17%	3,000	4%	27,000	12%
Total	141,000	100%	83,000	100%	224,000	100%

Source: Statistics New Zealand – Household Economic Survey 2021

A total of 63% of not owned households, with people in the age group 50 to 64 years, have gross annual incomes of less than $100,000 per annum (33% with incomes less than $50,000 per annum). For households with people aged 65 years and older, 86% of households had gross annual incomes of less than $100,000 in 2021 (64% with incomes less than $50,000). Households on lower incomes, not owned tenures in particular, tend to have higher proportions of households paying more than 30% of their gross annual income in housing costs. Table 4.13 presents the number of older not owned households paying more than 30%, 40% and 50% of their gross annual income in housing costs by gross household income in 2022.

Table 4.13: The number and proportion of not owned households paying more than 30%, 40% and 50% of their gross annual household income in housing costs.

	Paying more than 30%		Paying more than 40%		Paying more than 50%		Total
	No of hhlds	% of hhld by age & income	No of hhlds	% of hhld by age & income	No of hhlds	% of hhld by age & income	Number
50 to 64 years							
Less than $50,000	25,800	57%	19,100	42%	15,200	34%	45,000
$50,000 to $99,999	16,800	43%	6,100	16%	1,000	3%	38,700
$100,000 to $149,999	2,800	12%	S	S	S	S	24,100
$150,000 or more	S	S	S	S	S	S	23,200
Total	45,400	35%	25,200	19%	16,200	12%	131,000
65 years and older							
Less than $50,000	21,600	51%	14,600	35%	10,000	24%	42,200
$50,000 to $99,999	6,700	30%	S	S	S	S	22,600
$100,000 to $149,999	S	S	S	S	S	S	7,300
$150,000 or more	S	S	S	S	S	S	4,000
Total	28,300	37%	14,600	19%	10,000	13%	76,100

Source: Statistics New Zealand – Household Economic Survey 2022
NB: 'S' indicates the data was suppressed due to confidentiality restrictions

Lower income older not owned households had a high number and proportion of households paying more than 50% of their gross annual income in housing costs. For example, 15,200 households (34% of total) aged between 50 and 64 years and with a gross income of less than $50,000 per annum were paying more than half their income in housing costs. For those aged 65 years and older and with a gross household income of less than $50,000 per annum, 10,000 households (44% of total) were paying more than half their income in housing costs.

Table 4.14 presents the number of older not owned households by gross annual income and their net worth.

Table 4.14: The number of older not owned households by gross annual income and their net worth.

Household age group and gross income	Number of households	Lower quartile net worth	Median net worth	Upper quartile net worth
50 to 64 years				
Less than $50,000	47,000	$1,000	$17,000	$71,000
$50,000 to $99,999	43,000	$22,000	$64,000	$162,000
65 years and over				
Less than $50,000	53,000	$8,000	$26,000	$100,000
$50,000 to $99,999	18,000	$35,000	$61,000	$17,0000

Source: Statistics New Zealand – Household Economic Survey 2021

Older not owned households with gross annual household incomes under $50,000 have low levels of net worth. Those aged between 50 and 64 years had median net worth of $17,000 and those aged 65 years and older $26,000. This suggests these households have limited capacity to cope with any significant changes to either their incomes or expenses. Older not owned households with gross annual incomes between $50,000 and $99,999 had higher levels of net worth.

4.5.2 Household composition

Table 4.15 presents the number of older not owned households by gross annual household income, household composition and median net worth.

Table 4.15: Older not owned households by gross annual household income, household composition and median net worth

Household age group and composition	Less than $50,000 per annum		$50,000 to $99,999	
	Number of households	Median net worth	Number of households	Median net worth
50 to 64 years				
Couple only	7,000	$32,000	8,000	$125,000
Couples with any child(ren)	3,000	$58,000	9,000	$43,000
One parent with any child(ren)	8,000	$12,000	7,000	$57,000
One person	29,000	$16,000	11,000	$78,000
Other	S	S	8,000	$53,000
Total	47,000	$17,000	43,000	$64,000
65 years and over				
Couple only	11,000	$103,000	6,000	$65,000
Couples with any child(ren)	S	S	S	S
One parent with any child(ren)	S	S	S	S
One person	39,000	$25,000	5,000	$82,000
Other	3,000	$113,000	4,000	$48,000
Total	53,000	$26,000	18,000	$61,000

Source: Statistics New Zealand – Household Economic Survey 2021

NB: 'S' indicates the data was suppressed due to confidential restrictions

Households with gross annual incomes less than $50,000 have high proportions of one person and couple only households. This is likely to reflect the stage in these households' life cycles with any dependents having shifted out and some with a deceased partner or separated. One person and one parent with children households also tended to have lower than average levels of net worth.

4.5.3 Household ethnicity

Table 4.16 presents the number and median net worth of older not owned households by gross annual household income, age group and ethnicity.

Table 4.16: The number and net worth of older not owned households by gross annual household income, age group and ethnicity

Household age group and ethnicity	Less than $50,000		$50,000 to $99,999	
	No of households	Median net worth	No of households	Median net worth
50 to 64 years				
Māori	15,000	$17,000	14,000	$41,000
Pacific/MELAA/Other	8,000	$7,000	9,000	$100,000
Asian	5,000	$7,000	3,000	$21,000
European	20,000	$30,000	18,000	$117,000
Total	47,000	$17,000	43,000	$64,000
65 years and over				
Māori	11,000	$22,000	5,000	$43,000
Pacific/MELAA/Other	6,000	$6,000	2,000	$32,000
Asian	2,000	$30,000	S	S
European	34,000	$35,000	10,000	$82,000
Total	53,000	$26,000	18,000	$61,000

Source: Statistics New Zealand – Household Economic Survey 2021
NB: 'S' indicates the data was suppressed due to confidential restrictions

Māori and Pacific households were over represented in not owned low to moderate income households. In addition, they tended to have lower levels of net worth than their New Zealand European counterparts.

4.5.4 Household size

Table 4.17 presents the number of older low to moderate income not owned households by household size and median net worth.

Table 4.17: Older low to moderate income not owned households by households' size and median net worth

Household size	50-64 years		65 years and over	
	Number of households	Median net worth	Number of households	Median net worth
One person	42,000	$7,000	45,000	$8,000
Two person	42,000	$25,000	27,000	$25,000
Three person	25,000	$33,000	8,000	$11,000
Four or more person	32,000	$40,000	3,000	$52,000
Total	141,000	$18,000	83,000	$13,000

Source: Statistics New Zealand – Household Economic Survey 2021

Not owned low to moderate income households aged 65 years and over have high numbers of one and two person households. This is consistent with having high numbers of one person and couple only household compositions. Typically as the number of people in the household increases so does their combined net worth.

4.5.5 Crowding and spare dwelling capacity

Table 4.18 presents the level of crowding in older low to moderate income not owned households.

Table 4.18: Older low to moderate income not owned households by crowding

Dwelling crowding status	Under $50,000				$50,000 to $99,999			
	50-64 years		65 years and over		50-64 years		65 years and over	
	No of hhlds	% of total	No of hhlds	% of total	No of hhlds	% of total	No of hhlds	% of total
Two+ bedrooms needed (severely crowded)	240	1%	48	0%	435	2%	105	1%
One bedroom needed (crowded)	960	3%	267	1%	1,275	5%	291	3%
No bedrooms needed and none spare	9309	31%	6,699	23%	6,576	27%	1,725	21%
One bedroom spare	11,397	38%	13,629	47%	8,772	36%	3,255	39%
Two or more bedrooms spare	7,104	24%	7,473	26%	6,861	28%	2,790	34%
Not stated	765	3%	798	3%	408	2%	156	2%
Total	29,775	100%	28,911	100%	24,324	100%	8,319	100%

Source: Statistics New Zealand – 2018 census

In total, there were 21,102 dwellings with one or more spare bedrooms in dwellings currently occupied by households with gross incomes of less than $50,000 per annum and in the age group 65 years and over. In addition, there were a further 6,045 dwellings with one or more spare bedrooms occupied by 65 years and over households with gross incomes between $50,000 and $99,999 per annum.

4.5.6 Geographical distribution

Table 4.19 presents the geographical distribution of older low to moderate income not owned households and their median net worth.

Table 4.19: The geographical distribution of older low to moderate income not owned households and their median net worth

Area	Household income less than $50,000 pa				Household income between $50,000 & $99,999 pa			
	Aged 50 to 64 years		65 years and over		Aged 50 to 64 years		65 years and over	
	No of hhlds	Median net worth	No of hhlds	Median net worth	No of hhlds	Median net worth	No of hhlds	Median net worth
Auckland	14,000	$9,000	16,000	$23,000	14,000	$38,000	6,000	$54,000
Greater Wellington	3,000	$7,000	4,000	$13,000	4,000	$33,000	S	S
Rest of North Island	22,000	$26,000	22,000	$26,000	16,000	$107,000	6,000	$48,000
Greater Christchurch	4,000	$12,000	3,000	$68,000	5,000	$72,000	S	S
Rest of South Island	3,000	$68,000	7,000	$31,000	S	S	4,000	$100,000
Total NZ	47,000	$17,000	53,000	$26,000	43,000	$64,000	18,000	$61,000

Source: Statistics New Zealand – Household Economic Survey 2021
NB: 'S' indicates the data was suppressed due to confidential restrictions

The rest of the North Island (North Island excluding Auckland and Greater Wellington) has a high number of low income not owned households aged 50 years and over. Auckland has the next highest concentration of those households.

4.5.7 Summary

In summary, there a significant number of older low to moderate not owned households. Table 4.20 presents summary statistics for these households.

Table 4.20: Summary statistics – older not owned low to moderate income households

	Household incomes less than $50,000		Household incomes between $50,000 and $99,999	
	50 to 64 years	**65 yrs and over**	**50 to 64 years**	**65 yrs and over**
Number of households	47,000	53,000	43,000	18,000
Proportion paying more than 30% of income in housing costs	57%	51%	43%	30%
Proportion paying more than 50% of income in housing costs	34%	24%	3%	S
Median net worth	$17,000	$26,000	$64,000	$61,000
One person households (as a % of subgroup)	29,000 (62%)	39,000 (74%)	11,000 (26%)	5,000 (28%)
Couple only households (as a % of subgroup)	7,000 (15%)	11,000 (21%)	8,000 (19%)	6,000 (33%)
Māori households as a % of subgroup	32%	21%	33%	21%
Pacific households as a % of the subgroup	17%	11%	28%	11%

Source: Statistics New Zealand – Household Economic Survey 2021
NB: 'S' indicates the data was suppressed due to confidential restrictions

There are approximately 100,000 older not owned households with gross annual incomes of less than $50,000. Over 50% of these households are paying more than 30% of their gross annual income in housing costs. In addition 34% of those aged between 50 and 64 years are paying more than half their gross annual income in Housing costs(predominately rent) and 24% of those aged 65 years and over are also paying over half their gross annual income in housing costs. A large proportion of these households are living in the North Island outside Auckland and Greater Wellington.

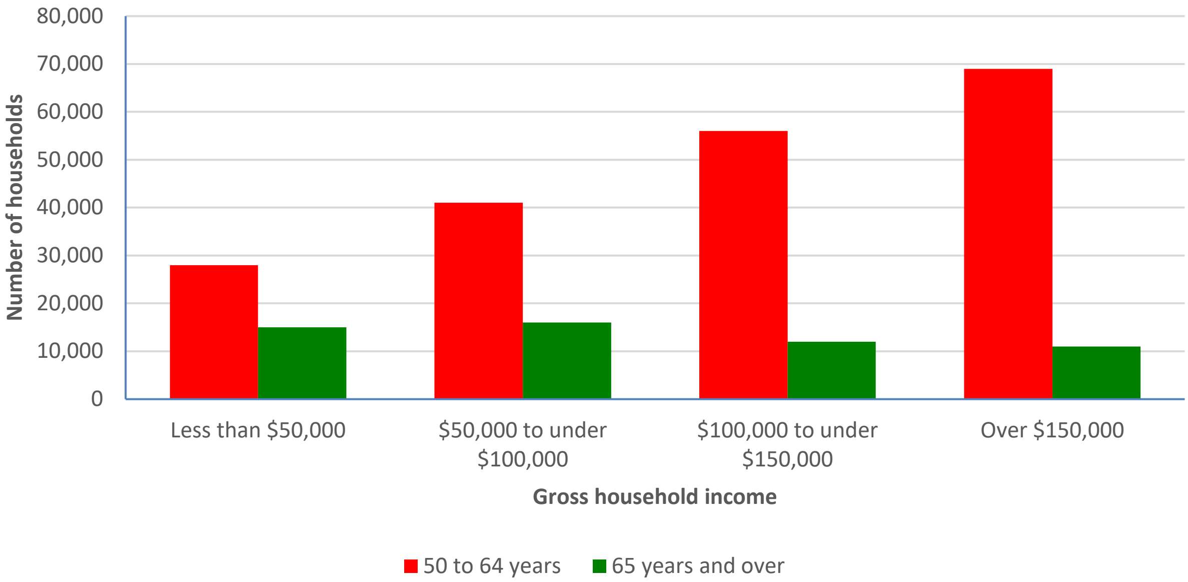
4.6 Older low to moderate income owner occupiers with a mortgage

Older low to moderate income owner occupier households[17] with a mortgage are a subgroup which has the potential to have significant housing needs. This section of the report presents analysis of this subgroup by gross annual household income, household composition, ethnicity, size of the household and geographical distribution.

4.6.1 Household income

Figure 4.4 presents the number of older owner occupier households with a mortgage and gross annual household income.

Figure 4.4: The number of older owner occupier households with a mortgage by gross annual household income.



Source: Statistics New Zealand – Household Economic Survey 2021

Approximately 40% of older owner occupier households with a mortgage earn less than $100,000 gross per annum.

[17] Older households refer to those age 50 years and older whilst low to moderate incomes households are those earning less than $100,000 gross per annum.

Table 4.21 presents the number of older owner occupier households with a mortgage by age group and gross annual household income.

Table 4.21: The number of older owner occupier households with a mortgage by age group and gross annual household income

Total gross household income	50 to 64 years		65 years and over		Total older households	
	No of hhlds	% of total	No of hhlds	% of total	No of hhlds	% of total
Less than $50,000	28,000	14%	15,000	28%	43,000	17%
$50,000 to $99,999	41,000	21%	16,000	30%	57,000	23%
$100,000 to $149,999	56,000	29%	12,000	22%	68,000	27%
$150,000 and over	69,000	36%	11,000	20%	80,000	32%
Total	194,000	100%	54,000	100%	248,000	100%

Source: Statistics New Zealand – Household Economic Survey 2021

A total of 35% of owner occupier households with a mortgage, with reference people in the age group 50 to 64 years, have gross incomes of less than $100,000 per annum (14% with incomes less than $50,000 per annum). For households with people aged 65 years and older, 58% of households had gross annual incomes of less than $100,000 in 2021 (28% with incomes less than $50,000). Older owner occupier households have a lower proportion with gross annual incomes less than $50,000 than older not owned households.

Households on lower incomes tend to have higher proportions of households paying more than 30% of their gross annual income in housing costs. Table 4.22 presents the number of older owner occupier households[18] paying more than 30%, 40% and 50% of their gross annual income in housing costs by gross household income in 2022.

Table 4.22: The number and proportion of owner occupier households paying more than 30%, 40% and 50% of their gross annual household income in housing costs.

	Paying more than 30%		Paying more than 40%		Paying more than 50%		Total
	No of hhlds	% of hhld by age & income	No of hhlds	% of hhld by age & income	No of hhlds	% of hhld by age & income	Number
50 to 64 years							
Less than $50,000	26,700	38%	21,800	31%	18,400	26%	70,000
$50,000 to $99,999	18,100	20%	8,600	9%	2,200	2%	92,300
$100,000 to $149,999	8,600	10%	2,800	3%	S	S	83,500
$150,000 or more	4,200	3%	S	S	S	S	155,900
Total	57,600	14%	33,700	8%	22,500	6%	401,500
65 years and older							
Less than $50,000	17,500	9%	9,900	5%	6,700	3%	201,200
$50,000 to $99,999	3,500	3%	S	S	S	S	111,200
$100,000 to $149,999	2,400	5%	S	S	S	S	45,000
$150,000 or more	S	S	S	S	S	S	42,300
Total	25,200	6%	12,400	3%	7,400	2%	399,600

Source: Statistics New Zealand – Household Economic Survey 2022
NB: 'S' indicates the data was suppressed due to confidential restrictions

Lower income households had a high number and proportion of households paying more than 50% of their gross annual income in housing costs. For example, 18,400 households (26% of total) aged between 50 and 64 years and with a gross annual income of less than $50,000 per annum, were paying more than half their income in housing costs. For those aged 65 years and older and with a gross household income of less than $50,000 per annum, 6,700 households (3% of total) were paying more than half their income in housing costs. The lower proportion of owner occupiers aged 65 years and older paying more than 50% of their gross annual income in housing costs is likely due to their having paid off the majority, or all, of their housing debt. However, nationwide there were still 7,400 households aged 65 years and over-paying more than 50% of their gross annual income in housing costs.

[18] These statistics include owner occupier households with and without a mortgage.

Table 4.23 presents the number of older owner occupier households with a mortgage by income, their net worth and total liabilities.

Table 4.23: The number of older owner occupier households with a mortgage by income, their net worth and total liabilities

Household age group and gross annual income	Number of households	Lower quartile	Median	Upper quartile
		Net worth		
50 to 64 years				
Less than $50,000	28,000	$285,000	$412,000	$767,000
$50,000 to under $99,999	41,000	$329,000	$473,000	$842,000
65 years and over				
Less than $50,000	15,000	$365,000	$560,000	$936,000
$50,000 to under $99,999	16,000	$317,000	$479,000	$781,000
		Total liabilities		
50 to 64 years				
Less than $50,000	28,000	$19,000	$100,000	$200,000
$50,000 to under $99,999	41,000	$55,000	$138,000	$254,000
65 years and over				
Less than $50,000	15,000	$2,000	$35,000	$138,000
$50,000 to under $99,999	16,000	$27,000	$80,000	$251,000

Source: Statistics New Zealand – Household Economic Survey 2021

Older owner occupier households with income less than $50,000 and a mortgage aged between 50 and 64 years had median net worth of $412,000 (compared to renter's net worth of the same age of $17,000) and those aged 65 years and older of $560,000 (compared to renter's net worth of the same age of $26,000). Owner occupiers with a mortgage aged 65 years and over also had lower median liabilities ($35,000 compared to $100,000 for those aged 50 to 64 years). Households with incomes between $50,000 and $99,999 typically had higher net liabilities than those with incomes less than $50,000 per annum.

4.6.2 Household composition

Table 4.24 presents the number of owner occupier households with a mortgage by household income, household age group and composition and median net worth.

Table 4.24: Owner occupier households with a mortgage by household income, household age group and composition and median net worth

Household age group and composition	Less than $50,000 per annum		$50,000 to $99,999	
	Number of households	Median net worth	Number of households	Median net worth
50 to 64 years				
Couple only	8,000	$583,000	9,000	$639,000
Couples with any child(ren)	6,000	$531,000	10,000	$471,000
One parent with any child(ren)	S	S	6,000	$425,000
One person	12,000	$353,000	11,000	$428,000
Other	S	S	5,000	$609,000
Total	28,000	$412,000	41,000	$473,000
65 years and over				
Couple only	7,000	$560,000	7,000	$435,000
Couples with any child(ren)	S	S	S	S
One parent with any child(ren)	S	S	S	S
One person	7,000	$622,000	5,000	$568,000
Other	S	S	S	S
Total	15,000	$560,000	16,000	$479,000

Source: Statistics New Zealand – Household Economic Survey 2021
NB: 'S' indicates the data was suppressed due to confidential restrictions

One person households tended to have lower than average levels of net worth. Households with incomes less than $50,000 have high proportions of one person and couple only households. This is likely to reflect the stage in these households' life cycles with any dependents having shifted out and some with a deceased partner or separated.

4.6.3 Household ethnicity

Table 4.25 presents the number and net worth of owner occupier households with a mortgage by household income, age group and ethnicity.

Table 4.25: The number and net worth of owner occupier households with a mortgage by household income, age group, and ethnicity

Household age group and ethnicity	Less than $50,000		$50,000 to $99,999	
	No of households	Median net worth	No of households	Median net worth
50 to 64 years				
Māori	3,000	$583,000	7,000	$364,000
Pacific/MELAA/Other	3,000	$597,000	3,000	$478,000
Asian	4,000	$412,000	4,000	$747,000
European	18,000	$397,000	27,000	$508,000
Total	28,000	$412,000	41,000	$473,000
65 years and over				
Māori	S	S	4,000	$388,000
Pacific/MELAA/Other	S	S	2,000	$566,000
Asian	S	S	S	S
European	11,000	$560,000	9,000	$479,000
Total	15,000	$560,000	16,000	$479,000

Source: Statistics New Zealand – Household Economic Survey 2021
NB: 'S' indicates the data was suppressed due to confidential restrictions

The analysis by ethnicity, age and household income does not present a clear pattern for older households with a mortgage. The nature and size of the different subgroups within the survey may be impacting on the results presented in the table.

4.6.4 Household size

Table 4.26 presents the number of older low to moderate income owner occupier households with a mortgage by households' size.

Table 4.26: Older low to moderate income owner occupier households with a mortgage by households' size

Household size	50-64 years		65 years and over	
	Number of households	Median net worth	Number of households	Median net worth
Less than $50,000				
One person	12,000	$353,000	7,000	$622,000
Two person	9,000	$583,000	8,000	$521,000
Three person	3,000	$536,000	S	S
Four or more person	5,000	$531,000	S	S
Total	28,000	$412,000	15,000	$560,000
$50,000 to $99,999				
One person	11,000	$428,000	5,000	$568,000
Two person	13,000	$654,000	9,000	$435,000
Three person	11,000	$432,000	S	S
Four or more person	5,000	$609,000	S	S
Total	41,000	$473,000	16,000	$479,000

Source: Statistics New Zealand – Household Economic Survey 2021
NB: 'S' indicates the data was suppressed due to confidential restrictions

Owner occupier low to moderate income households aged 65 years and over have high numbers of one and two person households. This is consistent with having high numbers of one person and couple only household compositions.

4.6.5 Crowding and spare capacity

Table 4.27 presents the level of crowding in older low to moderate income owner occupier households. Those households with one or more bedrooms needed are defined as crowded.

Table 4.27: Older low to moderate income owner occupier households by crowding

Dwelling crowding status	Under $50,000				$50,000 to $99,999			
	50-64 years		65 years and over		50-64 years		65 years and over	
	No of hhlds	% of total	No of hhlds	% of total	No of hhlds	% of total	No of hhlds	% of total
Two+ bedrooms needed (severely crowded)	159	0%	75	0%	360	0%	321	0%
One bedroom needed (crowded)	642	1%	384	0%	1,425	1%	1,104	1%
No bedrooms needed and none spare	6,468	10%	9,552	6%	9,729	8%	7,302	8%
One bedroom spare	18,354	29%	53,049	31%	30,813	25%	23,196	24%
Two or more bedrooms spare	36,717	58%	106,119	62%	79,398	65%	64,518	66%
Not stated	1,416	2%	1,725	1%	1,065	1%	651	1%
Total	63,756	100%	170,907	100%	122,790	100%	97,086	100%

Source: Statistics New Zealand – 2018 census

In total, there were 159,168 dwellings with one or more spare bedrooms in dwellings currently occupied by households with gross incomes less than $50,000 per annum and in the age group 65 years and over. In addition, there were a further 87,714 dwellings with one or more spare bedrooms occupied by 65 years and over households with gross incomes between $50,000 and $99,999 per annum.

4.6.6 Geographical distribution

Table 4.28 presents the geographical distribution of older low to moderate income owner occupier households with a mortgage.

Table 4.28: The geographical distribution of older low to moderate income owner occupier households with a mortgage

Area	Household income less than $50,000 pa				Household inc between $50,000 & $99,999 pa			
	Aged 50 to 64 years		65 years and over		Aged 50 to 64 years		65 years and over	
	No of hhlds	Median net worth	No of hhlds	Median net worth	No of hhlds	Median net worth	No of hhlds	Median net worth
Auckland	7,000	$412,000	3,000	$852,000	8,000	$842,000	3,000	$766,000
Greater Wellington	2,000	$58,000	S	S	3,000	$471,000	S	S
Rest of North Island	12,000	$465,000	7,000	$496,000	18,000	$417,000	7,000	$388,000
Greater Christchurch	S	S	S	S	6,000	$508,000	2,000	$680,000
Rest of South Island	5,000	$848,000	3,000	$521,000	6,000	$427,000	2,000	$435,000
Total NZ	28,000	$412,000	15,000	$560,000	41,000	$473,000	16,000	$479,000

Source: Statistics New Zealand – Household Economic Survey 2021
NB: ‘S’ indicates the data was suppressed due to confidential restrictions

The rest of the North Island (North Island excluding Auckland and Greater Wellington) has a high number of low income owner occupier households with a mortgage aged 50 years and over. Auckland has the next highest number of low income owner occupier households with a mortgage.

4.6.7 Summary

Table 4.29 presents summary statistics for these households.

Table 4.29: Summary statistics – older owner occupier low to moderate income households with a mortgage

	Household incomes less than $50,000		Household incomes between $50,000 and $99,000	
	50 to 64 years	65 yrs and over	50 to 64 years	65 yrs and over
Number of households	28,000	15,000	41,000	16,000
Proportion paying more than 30% of income in housing costs	38%	9%	20%	3%
Proportion paying more than 50% of income in housing costs	26%	3%	2%	S
Median net worth	$412,000	$560,000	$473,000	$479,000
One person households (as a % of subgroup)	43%	46%	27%	36%
Couple only households (as a % of subgroup)	29%	46%	22%	44%
Māori households as a % of subgroup	11%	S	17%	25%
Pacific households as a % of the subgroup	11%	S	17%	13%

Source: Statistics New Zealand – Household Economic Survey 2021
NB: 'S' indicates the data was suppressed due to confidential restrictions

There are approximately 43,000 older owner occupier households with a mortgage with gross annual incomes of less than $50,000. Over 38% of these households are paying more than 30% of their gross annual income in housing costs. In addition 26% of those aged between 50 and 64 years are paying more than half their gross annual income in housing costs and 3% of those aged 65 years and over are also paying over half their gross annual income in housing costs. A large proportion of these households are living in the North Island outside Auckland and Greater Wellington.

4.7 Households with disabled people

Another segment of our population facing increasing housing cost pressures are households with disabled[19] people, of which there is a significant number. This section of the report presents analysis of this subgroup by household income, household composition, ethnicity, size of the household and geographical distribution.

Table 4.30 presents a snapshot of the number of households with disabled people by tenure[20].

Table 4.30: Households containing disabled people by tenure

Disability status	Owner occupier with mortgage		Owner occupier without mortgage		Not owned		Total	
	hhlds	% of total	hhlds	% of total	hhlds	% of total	hhlds	% of total
No disability	500,000	78%	423,000	75%	453,000	69%	1,377,000	74%
With disability	140,000	22%	140,000	25%	203,000	31%	484,000	26%
Total	640,000	100%	564,000	100%	656,000	100%	1,860,000	100%

Source: Statistics New Zealand – Household Economic Survey 2021

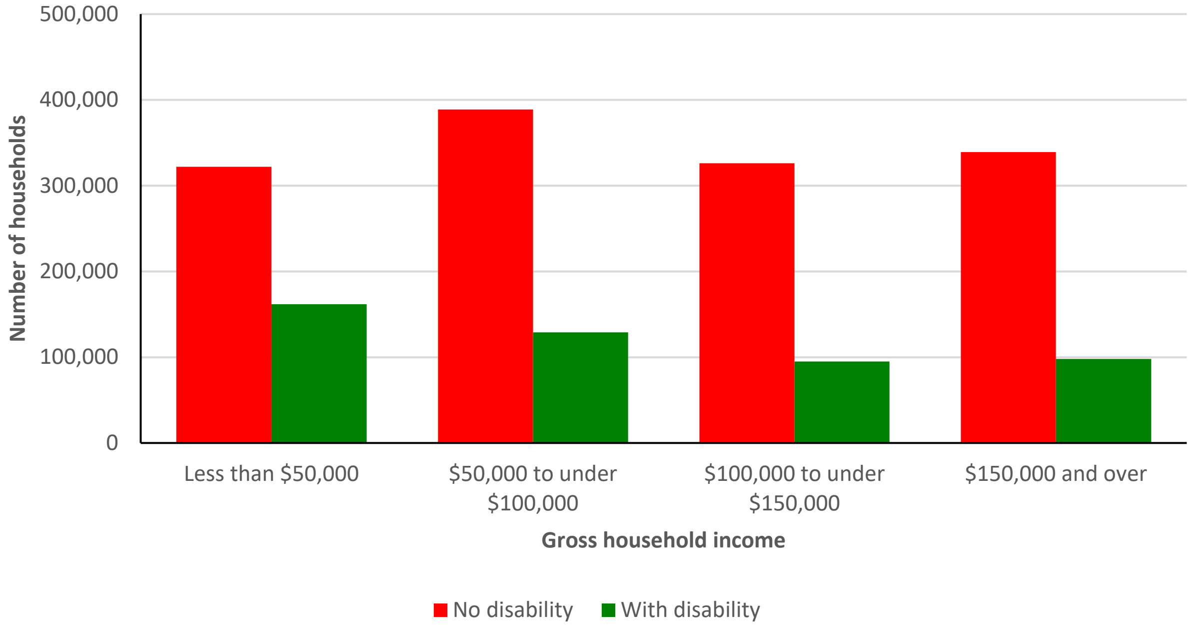
Over a quarter of households contain at least one person with a disability and just under a third of not owned households have at least one disabled person.

[19] Statistics New Zealand used Washington Group's Short Set (WGSS) of questions to identify disabled people. See Appendix four for discussion on this classification system.
[20] Note that a household may contain more than one disabled person.

4.7.1 Disability status by household income

Figure 4.5 shows the number of households by disability status, household income and tenure.

Figure 4.5: The number of households with a mortgage by household income and disability status.



Source: Statistics New Zealand – Household Economic Survey 2021

A total of 162,000 households with disabled people (33% of all households with disabled people) have gross incomes of less than $50,000 per annum. This compared with 26% of all households with gross incomes less than $50,000 shows a higher rate of lower incomes for these households.

Table 4.31 presents the number of households by tenure, household income and disability status.

Table 4.31: The number households by tenure, household income and disability status

Disability Status	Owner occupier with mortgage		Owner occupier without mortgage		Not owned		Total	
Household income	**hhlds**	**% of total**	**hhlds**	**% of total**	**hhlds**	**% of total**	**hhlds**	**% of total**
No disability								
Less than $50,000	50,000	10%	148,000	35%	124,000	27%	322,000	23%
$50,000 to $99,999	124,000	25%	115,000	27%	151,000	33%	389,000	28%
$100,000 to $149,999	147,000	29%	72,000	17%	106,000	23%	326,000	24%
$150,000 and over	179,000	36%	88,000	21%	73,000	16%	339,000	25%
Total	500,000	100%	423,000	100%	453,000	100%	1,377,000	100%
With disability								
Less than $50,000	18,000	13%	63,000	45%	82,000	40%	162,000	33%
$50,000 to $99,999	31,000	22%	37,000	26%	60,000	30%	129,000	27%
$100,000 to $149,999	42,000	30%	21,000	15%	32,000	16%	95,000	20%
$150,000 and over	49,000	35%	20,000	14%	28,000	14%	98,000	20%
Total	140,000	100%	140,000	100%	203,000	100%	484,000	100%
All households								
Less than $50,000	68,000	11%	211,000	37%	206,000	31%	484,000	26%
$50,000 to $99,999	155,000	24%	152,000	27%	211,000	32%	518,000	28%
$100,000 to $149,999	189,000	30%	93,000	16%	138,000	21%	421,000	23%
$150,000 and over	228,000	36%	108,000	19%	101,000	15%	437,000	23%
Total	640,000	100%	564,000	100%	656,000	100%	1,860,000	100%

Source: Statistics New Zealand – Household Economic Survey 2021

Not owned and owner occupier with a mortgage households that include a disabled person had a higher proportion of households with gross incomes less than $50,000 per annum than the overall average (45% of owner occupiers with a mortgage and 40% of not owned households). The owner occupier rate for all households is 65% but is 58% for households which include a disabled person.

Table 4.32 presents the median net worth of households by tenure, household income and disability status.

Table 4.32: Median net worth of households by tenure, household income and disability status.

Tenure Household income	Number of households			Median net worth		
	With a disability	No disability	All households	With a disability	No disability	All households
Owner occupier with a mortgage						
Less than $50,000	18,000	50,000	68,000	$356,000	$521,000	$465,000
$50,000 to $99,999	31,000	124,000	155,000	$420,000	$359,000	$365,000
$100,000 to $149,999	42,000	147,000	189,000	$472,000	$432,000	$444,000
$150,000 and over	49,000	179,000	228,000	$655,000	$674,000	$672,000
Total	140,000	500,000	640,000	$480,000	$483,000	$483,000
Owner occupier without a mortgage						
Less than $50,000	63,000	148,000	211,000	$585,000	$632,000	$614,000
$50,000 to $99,999	37,000	115,000	152,000	$950,000	$1,218,000	$1,148,000
$100,000 to $149,999	21,000	72,000	93,000	$1,066,000	$1,206,000	$1,182,000
$150,000 and over	20,000	88,000	108,000	$1,855,000	$2,208,000	$2,175,000
Total	140,000	423,000	564,000	$794,000	$1,056,000	$995,000
Not owned						
Less than $50,000	82,000	124,000	206,000	$11,000	$22,000	$18,000
$50,000 to $99,999	60,000	151,000	211,000	$43,000	$59,000	$53,000
$100,000 to $149,999	32,000	106,000	138,000	$86,000	$99,000	$93,000
$150,000 and over	28,000	73,000	101,000	$200,000	$155,000	$163,000
Total	203,000	453,000	656,000	$40,000	$65,000	$55,000

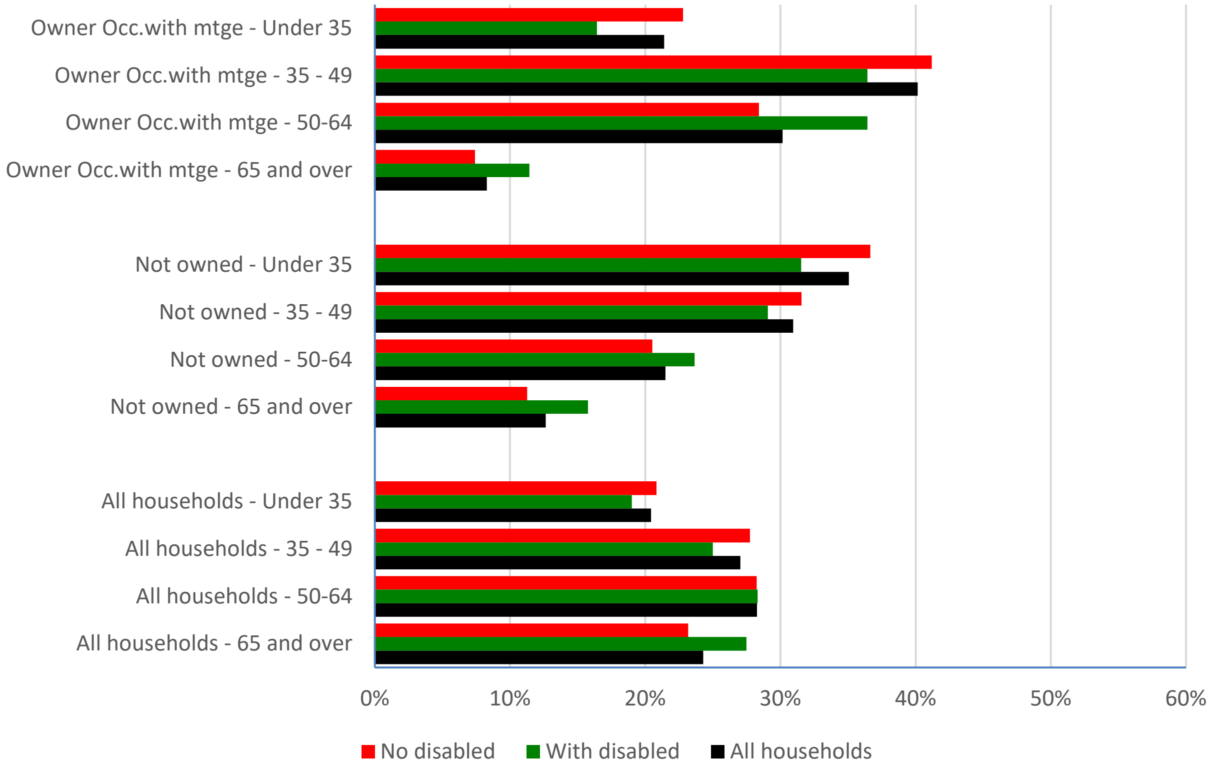
Source: Statistics New Zealand – Household Economic Survey 2021

Lower income households (incomes of less than $50,000 per annum) including a disabled person typically have lower median net worth than other low income households which do not have a disabled person.

4.7.2 Disability status by household age group

Figure 4.6 presents the proportion of households by age group, tenure and disability status.

Figure 4.6: The proportion of households by age group, tenure and disability status



Source: Statistics New Zealand – Household Economic Survey 2021

Households that include a disabled person tend to have a higher proportion of older households, particularly households in not owned and owned with a mortgage tenures, relative to the overall population.

Table 4.33 presents the number of households by tenure, age group, disability status and their net worth.

Table 4.33: The number of households by tenure, age group, disability status and their net worth

Tenure	Number of households			Median net worth		
Age group	No disability	With a disability	Total	No disability	With a disability	Total
Owned with a mortgage						
Under 35	114,000	23,000	137,000	$279,000	$286,000	$279,000
35 - 49	206,000	51,000	257,000	$511,000	$489,000	$498,000
50-64	142,000	51,000	193,000	$632,000	$648,000	$633,000
65 and over	37,000	16,000	53,000	$610,000	$680,000	$610,000
Total	500,000	140,000	640,000	$483,000	$480,000	$483,000
Not owned						
Under 35	166,000	64,000	230,000	$45,000	$27,000	$41,000
35 - 49	143,000	59,000	203,000	$88,000	$45,000	$74,000
50-64	93,000	48,000	141,000	$89,000	$50,000	$64,000
65 and over	51,000	32,000	83,000	$52,000	$38,000	$46,000
Total	453,000	203,000	656,000	$65,000	$40,000	$55,000
All households						
Under 35	287,000	92,000	380,000	$115,000	$61,000	$91,000
35 - 49	382,000	121,000	503,000	$330,000	$219,000	$302,000
50-64	389,000	137,000	526,000	$639,000	$456,000	$588,000
65 and over	319,000	133,000	452,000	$753,000	$567,000	$688,000
Total	1,377,000	484,000	1,860,000	$427,000	$315,000	$398,000

Source: Statistics New Zealand – Household Economic Survey 2021

Not owned households including a disabled person had lower median net worth than those households that did not have a disabled member across all age groups. Owner occupiers with a mortgage had similar levels of net worth across the different age groups and disability status. Not owned households with a disabled member had lower levels of net worth when compared to those without disabled people across all age groups.

4.7.3 Disability status by household composition

Table 4.34 presents the number and proportion of households by disability status, tenure and household composition.

Table 4.34: The number and proportion of households by disability status, tenure and household composition

Tenure	No disability		With disability		Total	
Household composition	**Hhlds**	**% of total**	**Hhlds**	**% of total**	**Hhlds**	**% of total**
Owned with mortgage						
Couple only	118,000	24%	25,000	18%	143,000	22%
Couples with any child(ren)	221,000	44%	61,000	44%	283,000	44%
One parent with any child(ren)	28,000	6%	12,000	9%	40,000	6%
One person	70,000	14%	12,000	9%	82,000	13%
Other	63,000	13%	29,000	21%	93,000	15%
Total	500,000	100%	140,000	100%	640,000	100%
Owned without mortgage						
Couple only	195,000	46%	50,000	36%	245,000	43%
Couples with any child(ren)	69,000	16%	28,000	20%	97,000	17%
One parent with any child(ren)	14,000	3%	7,000	5%	21,000	4%
One person	125,000	30%	39,000	28%	164,000	29%
Other	20,000	5%	16,000	11%	37,000	7%
Total	423,000	100%	140,000	100%	564,000	100%
Not owned						
Couple only	84,000	19%	26,000	13%	110,000	17%
Couples with any child(ren)	117,000	26%	46,000	23%	163,000	25%
One parent with any child(ren)	47,000	10%	40,000	20%	86,000	13%
One person	108,000	24%	36,000	18%	144,000	22%
Other	98,000	22%	55,000	27%	153,000	23%
Total	453,000	100%	203,000	100%	656,000	100%
All households						
Couple only	397,000	29%	101,000	21%	498,000	27%
Couples with any child(ren)	407,000	30%	135,000	28%	542,000	29%
One parent with any child(ren)	88,000	6%	59,000	12%	146,000	8%
One person	303,000	22%	88,000	18%	391,000	21%
Other	182,000	13%	101,000	21%	282,000	15%
Total	1,377,000	100%	484,000	100%	1,860,000	100%

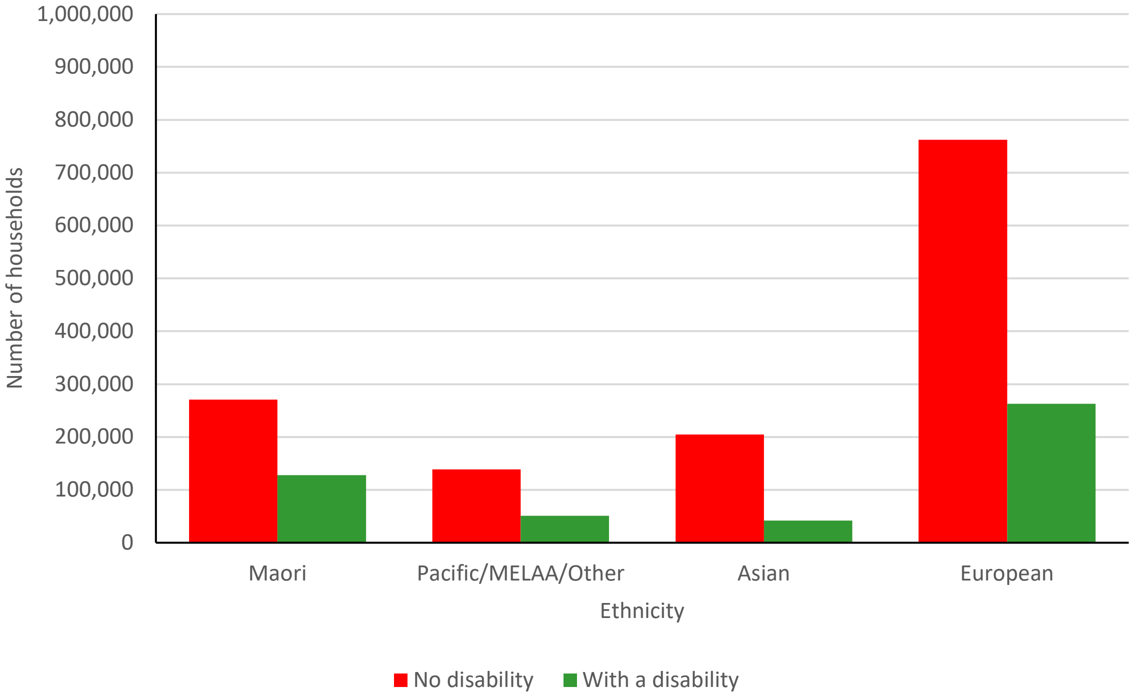
Source: Statistics New Zealand – Household Economic Survey 2021

Households which include a disabled person have a higher proportion of 'other' household compositions across all tenures and significantly lower proportion of couple-only households. Not owned households including a disabled person have a higher proportion of one parent with children households.

4.7.4 Disability status by ethnicity

Figure 4.7 presents the number of households by disability status and their ethnicity.

Figure 4.7: The number of households by disability status and their ethnicity



Source: Statistics New Zealand – Household Economic Survey 2021

In total there are 484,000 households with a person with a disability and the ethnicity classification of these households are 128,000 Māori, 51,000 Pasifika and other, 42,000 are Asian and 263,000 New Zealand/European.

Table 4.35 presents the number of households' net worth by tenure, ethnicity and disability status.

Table 4.35: Number of households' net worth by tenure, ethnicity and disability status

Disability status	No disability				With a disability				All households			
Tenure	Number of	Net worth			Number of	Net worth			Number of	Net worth		
Ethnicity	households	Lower Quartile	Median	Upper Quartile	households	Lower Quartile	Median	Upper Quartile	households	Lower Quartile	Median	Upper Quartile
Owner occupier households												
Māori	90,000	$202,000	$364,000	$746,000	30,000	$255,000	$464,000	$751,000	120,000	$218,000	$388,000	$749,000
Pacific/MELAA/Other	43,000	$276,000	$603,000	$889,000	14,000	$329,000	$550,000	$766,000	57,000	$292,000	$589,000	$858,000
Asian	82,000	$265,000	$531,000	$908,000	15,000	$200,000	$305,000	$973,000	97,000	$255,000	$520,000	$945,000
European	285,000	$263,000	$495,000	$936,000	81,000	$285,000	$558,000	$936,000	366,000	$274,000	$503,000	$936,000
Total	500,000	$254,000	$483,000	$886,000	140,000	$274,000	$480,000	$858,000	640,000	$260,000	$483,000	$880,000
Not owned households												
Māori	132,000	$11,000	$47,000	$130,000	79,000	$3,000	$28,000	$79,000	211,000	$8,000	$41,000	$109,000
Pacific/MELAA/Other	73,000	$18,000	$57,000	$180,000	27,000	$5,000	$20,000	$65,000	100,000	$9,000	$51,000	$144,000
Asian	86,000	$24,000	$60,000	$154,000	16,000	$3,000	$42,000	$211,000	102,000	$21,000	$56,000	$160,000
European	163,000	$27,000	$84,000	$230,000	81,000	$15,000	$51,000	$159,000	244,000	$23,000	$73,000	$208,000
Total	453,000	$19,000	$65,000	$170,000	203,000	$5,000	$40,000	$100,000	656,000	$14,000	$55,000	$153,000
All households												
Māori	271,000	$39,000	$196,000	$583,000	128,000	$14,000	$83,000	$456,000	398,000	$30,000	$153,000	$532,000
Pacific/MELAA/Other	139,000	$51,000	$242,000	$746,000	51,000	$15,000	$139,000	$629,000	190,000	$39,000	$217,000	$685,000
Asian	205,000	$63,000	$288,000	$916,000	42,000	$66,000	$305,000	$945,000	247,000	$63,000	$293,000	$920,000
European	762,000	$206,000	$585,000	$1,231,000	263,000	$107,000	$476,000	$872,000	1,025,000	$184,000	$554,000	$1,157,000
Total	1,377,000	$100,000	$427,000	$1,020,000	484,000	$50,000	$315,000	$772,000	1,860,000	$80,000	$398,000	$949,000

Source: Statistics New Zealand – Household Economic Survey 2021

Households that include a disabled person typically have lower net worth than those that do not. In addition, not owned tenured households have lower net worth than owner occupiers. Net worth across ethnicity varies by tenure. For owner occupiers households with a disabled person, New Zealand/Europeans had the highest median net worth at $558,000 followed by Pasifika and other with $550,000, Māori with $464,000 and Asian with $305,000. The net worth was considerably lower for not owned households with a disabled person. New Zealand/Europeans had the highest median net worth at $51,000 followed by Asian with $42,000, Māori with $28,000, and Pasifika and other with $20,000.

Table 4.36 presents the proportion of households by disability status, tenure and ethnicity.

Table 4.36: The proportion of households by disability status, tenure and ethnicity

Tenure Ethnicity	No disability	With a disability	All households
Owner occupier households			
Māori	18%	21%	19%
Pacific/MELAA/Other	9%	10%	9%
Asian	16%	11%	15%
European	57%	58%	57%
Total	100%	100%	100%
Not owned households			
Māori	29%	39%	32%
Pacific/MELAA/Other	16%	13%	15%
Asian	19%	8%	16%
European	36%	40%	37%
Total	100%	100%	100%
All households			
Māori	20%	26%	21%
Pacific/MELAA/Other	10%	11%	10%
Asian	15%	9%	13%
European	55%	54%	55%
Total	100%	100%	100%

Source: Statistics New Zealand – Household Economic Survey 2021

A higher proportion of not owned Māori households had a disabled household member relative to the proportion of Māori households in the total population.

4.7.5 Disability status by geographic distribution

Table 4.37 presents the geographical distribution of households by disability status and tenure.

Table 4.37: The geographical distribution of households by disability status and tenure

	Owner occupier with a mortgage		Owner occupier without a mortgage		Not owned		All households	
	hhlds	% of total	hhlds	% of total	hhlds	% of total	hhlds	% of total
No disability								
Auckland	151,000	30%	114,000	27%	166,000	37%	431,000	31%
Greater Wellington	50,000	10%	38,000	9%	44,000	10%	131,000	10%
Rest of North Island	160,000	32%	166,000	39%	151,000	33%	476,000	35%
Greater Christchurch	70,000	14%	38,000	9%	41,000	9%	150,000	11%
Rest of South Island	69,000	14%	68,000	16%	52,000	11%	189,000	14%
New Zealand	500,000	100%	423,000	100%	453,000	100%	1,377,000	100%
With disability								
Auckland	36,000	26%	31,000	22%	65,000	32%	133,000	27%
Greater Wellington	15,000	11%	16,000	11%	19,000	9%	50,000	10%
Rest of North Island	51,000	36%	47,000	34%	75,000	37%	173,000	36%
Greater Christchurch	21,000	15%	16,000	11%	18,000	9%	55,000	11%
Rest of South Island	17,000	12%	29,000	21%	26,000	13%	72,000	15%
New Zealand	140,000	100%	140,000	100%	203,000	100%	484,000	100%
Total								
Auckland	187,000	29%	145,000	26%	231,000	35%	563,000	30%
Greater Wellington	64,000	10%	54,000	10%	63,000	10%	181,000	10%
Rest of North Island	211,000	33%	213,000	38%	226,000	34%	650,000	35%
Greater Christchurch	91,000	14%	55,000	10%	59,000	9%	205,000	11%
Rest of South Island	87,000	14%	97,000	17%	77,000	12%	261,000	14%
New Zealand	640,000	100%	564,000	100%	656,000	100%	1,860,000	100%

Source: Statistics New Zealand – Household Economic Survey 2021

Overall the geographical distribution of households with disabled people is similar to the country's overall population distribution although with a slightly lower proportion in Auckland than the national average. For example, 27% households which have at least one disabled person are located in Auckland whereas 30% of all households live in Auckland. This is true for both not owned and owner occupiers with a mortgage but not for owner occupiers without a mortgage. Not owned and owner occupiers with a mortgage households with disabled people are over represented in the rest of the North Island relative to the overall average.

4.7.6 Summary

In summary, there are a significant number of households which include a disabled person. Table 4.38 presents summary statistics for these households.

Table 4.38: Summary statistics – Households with disabled people and all households

	Not owned		Owned with a mortgage		Owned without a mortgage	
	Hhld inc disabled	All hhlds	Hhld inc disabled	All hhlds	Hhld inc disabled	All hhlds
Number of households	203,000	656,000	140,000	640,000	140,000	564,000
Households with incomes less than $50,000 pa	82,000	206,000	18,000	68,000	63,000	211,000
Households with incomes between $50,000 & $99,999 pa	60,000	211,000	31,000	155,000	37,000	152,000
Median net worth ($)						
Household with incomes less than $50,000 pa	$11,000	$18,000	$356,000	$465,000	$585,000	$614,000
Household with incomes between $50,000 & $99,999 pa	$43,000	$53,000	$420,000	$365,000	$950,000	1,148,000

Source: Statistics New Zealand – Household Economic Survey 2021

There are approximately 203,000 not owned households including a disabled person with gross incomes of less than $100,000 per annum compared to 140,000 owner occupiers with a mortgage. Not owned households with a disabled person have lower levels of net worth compared to owner occupiers with a mortgage.

4.8 Housing support for low to moderate income households

The Accommodation Supplement is the core instrument of housing assistance since the 1990s housing reforms. The Accommodation Supplement is a non-taxable benefit paid to low to moderate income individuals and families with high housing costs relative to their income. The Accommodation Supplement is set to pay no more than 50% of the unaffordable gap, but in practice individuals frequently find that they are assisted with an even lower proportion of the burden of unaffordable housing costs. This is because entitlements are constrained by a complex array of maxima around what is deemed to be an acceptable rent level as well as heavy abatement provisions around additional income from paid work, (CRESA, 2020).

In the 12 months ending 31st January 2024, Accommodation Supplement payments totalled $2.34 billion dollars and was paid to 364,000 renters, lodgers and owner occupiers. Payment of the benefit is subject to a range of criteria including household's income, net assets, their level of housing costs relative to their income, and rental thresholds set by the government which vary depending on where the household lives. As a household's income increases the amount of the benefit paid decreases.

Table 4.39 presents the income thresholds at which Accommodation Supplement payments are cut off.

Table 4.39: Gross annual cut off points for the Accommodation Supplement effective 1 April 2024

Family/household circumstances	Range of gross annual income cut-off points[21]
Single, 16+ years (without children)	$49,410 to $68,900
Married, civil union or de facto couple (without children)	$69,680 to $101,920
Married, civil union or de facto couple with child(ren)	$80,496 to $118,976
Sole parent, 1 child	$61,724 to $93,964
Sole parent, 2+ children	$70,044 to $108,524

Source: MSD

Despite the annual cost of over two billion dollars, the effectiveness of the Accommodation Supplement to achieve its goal of making housing affordable to households is doubtful.

[21] The income cutoff points vary depending on where in New Zealand the person lives.

Table 4.40 presents the number of private renter households paying 30% or more, 40% or more and 50% or more of their gross annual household income (including and excluding the Accommodation Supplement as part of household income) in housing costs in 2023.

Table 4.40: The number of private renters paying 30% or more, 40% or more and 50% or more of their gross annual household income (including and excluding the Accommodation Supplement as part of household income) in housing costs

Household income as a	Including Accommodation Supplement payments			Excluding Accommodation Supplement payments			Difference		
% of median hhld income	30% or more	40% or more	50% or more	30% or more	40% or more	50% or more	30% or more	40% or more	50% or more
Under 80%	175,900	127,700	83,500	188,600	144,600	102,900	12,700	16,900	19,400
80%-<100%	25,700	7,100	1,300	21,100	4,300	1,400	-4,600	-2,800	100
100%-<120%	9,600	2,000	S	9,800	2,100	S	200	100	S
120% plus	8,900	2,500	S	9,900	2,800	S	1,000	300	S
Total	220,100	139,400	86,000	229,300	153,800	105,500	9,200	14,400	19,500

Source: Statistics New Zealand – 2023 Household Economic Survey
NB: "S" indicates the data was suppressed due to confidential restrictions

There is no doubt that the Accommodation Supplement makes housing somewhat 'more' affordable to households but there are still considerable numbers receiving the supplement that are in housing affordability stress. However, it would appear that despite a cost of over two billion dollars per annum there were over 86,000 private renters paying more than half their gross household income in rent in the year ending June 2023. Nearly all of these households had incomes of less than 80% of their region's median household income.

Accommodation Supplement payments did have a positive, impact reducing the number of private renters with extreme housing costs (paying more than 50% of their gross household income in housing costs) relative to their income from 105,500 to 86,000, a reduction of 19,500 households. However, it would take a significant increase in the Accommodation Supplement's annual allocation and changes to policy settings to achieve the goal of making housing affordable to households earning less than 80% of their region's median household income.

4.9 Summary

Low to moderate income households have a high proportion of households paying more than 30% (stressed) and 50% (severely stressed) of their gross annual household income in housing costs. In total, in the June 2022 year, there were 194,100 low to moderate income[22] renters paying more than 30% of their gross household income[23] in housing costs and of those 82,800 households are paying more than 50% of their gross income in housing costs. Low to moderate income households also had lower levels of net worth, which reduces their capacity to cope with unexpected changes in their financial circumstances.

Gross household incomes include any Accommodation Supplement payments. The Accommodation Supplement scheme is New Zealand's key support for low to moderate income households with high housing costs. The impact the Accommodation Supplement has on housing outcomes can be examined by modelling the number of stressed and extremely stressed households with any Accommodation Supplement payments both included and excluded from gross annual household income. In the 12 months ending June 2023, the Accommodation Supplement did have a positive impact reducing the number of private renters with extreme housing costs (paying more than 50% of their gross household income in housing costs) relative to their income. The Accommodation Supplement decreased the number of households paying more than 50% of their gross income in housing costs from 105,500 to 86,000, a reduction of 19,500 households. However, it would take a significant increase in the Accommodation Supplement's annual allocation and changes to policy settings to achieve the goal of making housing affordable to households earning less than 80% of their region's median household income.

[22] Moderate incomes in this context refers to those households with gross annual incomes less than $100,000 per annum.

[23] Note these numbers differ from the statistics presented in Table 4.40 that is based on the 2023 HES survey and uses a different basis for dividing households by income.

The failure of the Accommodation Supplement to deliver affordable housing outcomes provides the environment for the selection of the subgroups that potentially require alternative housing solutions. The subgroups identified included low to moderate income:

- Younger renter households – there were 45,100 households with reference people aged less than 30 years paying more than 30% of their gross annual income in rent and 22,000 of these households were also paying more than 50% of their gross annual income in rent. In addition, 46,500 households with reference people aged between 30 years and 39 years paying more than 30% of their gross annual income in rent and 18,700 of these households were also paying more than 50% of their gross annual income in rent;
- Older renter households – there were 28,500 households with reference people aged over 65 years paying more than 30% of their gross annual income in rent and 10,000 of these households were also paying more than 50% of their gross annual income in rent;
- Older owner occupiers with a mortgage – there were 21,000 households with reference people aged over 65 years paying more than 30% of their gross annual income in rent and 6,700 of these households were also paying more than 50% of their gross annual income in rent. Older owner occupiers had significantly higher levels of median net worth (approximately $500,000) than older renter households (median net worth of approximately $35,000);
- Households that include at least one disabled person totalled 484,000 in 2021 with 140,000 in owner occupier with mortgages, 140,000 in owner occupier without mortgages and 203,000 not owned households. A total of 40% of not owned households with a disabled person had a gross income of less than $50,000 per annum compared to 26% across all households with disabled people; and
- Households including at least one person identifying as Māori were over represented in all of the above subgroups with lower than average net worth and higher proportion of households paying more than 30% of their gross annual household income in housing costs.

5. Industry perspectives

5.1 Introduction

The objective of the industry and sector interviews[24] was to engage with housing system participants and build our understanding of the different housing solutions currently available in New Zealand targeting low to moderate income households, the subgroups targeted and how these have been funded. Our survey participants included a range of organisations across the housing system, including housing providers, industry organisations, public sector organisations and funders. A total of 27 interviews were completed.

The industry interview results are grouped by the type of interviewee and included providers focused on:
- Low to moderate income renters;
- Older households with limited equity;
- Households with disabled people;
- Iwi and hapū housing providers; and
- Funding innovations.

5.2 Housing sector interview methodology

A purposive selection process was used to identify organisations to interview. Organisations were selected to include:
- Different roles and structural positions within the housing system;
- A diversity of housing models and tenure; and
- A range of groups, locations and communities served, bearing in mind the overall focus on low to moderate income households.

Organisations were contacted through professional networks. Interview participants typically were Chief Executive Officers (CEOs) or senior managers in the selected organisations. While most interviews involved one person from each organisation, one interview included four people. Informed consent was obtained prior to the interview, in line with the requirements of the Aotearoa Research Ethics Committee's ethics approval. Two team members were present at most of the interviews, one interviewer and one note taker. Detailed notes were taken. Interviews lasted between 30 and 90 minutes.

[24] The research process associated with the industry interviews received approval from Aotearoa Research Ethics Committee as meeting the appropriate standards for social research in Aotearoa New Zealand – AREC Application 2024_35.

Interview topics covered:

- Current housing activities and rationale for those activities;
- Groups, locations and communities currently served;
- Other housing activities or models considered but not implemented and the reasons why;
- Housing outcomes achieved;
- Future intentions including developing different housing initiatives;
- Barriers, challenges and enablers for achieving housing outcomes; and
- Suggested solutions to challenges and barriers.

Within those common topics, questions were adapted for organisations to reflect their various roles in the housing sector and their distinct activities. In all, representatives of 27 organisations were interviewed. Table 5.1 presents the composition of organisations.

Table 5.1: Composition of interview participants

Type of Organisation	Number of Interviews
Housing providers and developers	15
Funders	7
Other	5
Total	27

Most of the 15 interviews with housing providers and developers were with not-for-profit housing providers and most are registered community housing providers. The entities interviewed operate in both the North and South Islands. They range from large organisations operating across more than one region to others with a small number of stock in one location. Stock units range from less than ten to over 3,000 units. The communities served by the organisations include key workers, low-moderate income families, older people, disabled people, Pacific and Māori communities. The interviews include three iwi housing providers developing a range of models including kaumātua and papakāinga housing and mixed tenure developments. This set of interviews also included two developers involved in the production of affordable housing, often in partnership with not-for-profit housing providers.

Diverse tenures are represented among the housing provider and developer organisations, although social housing (for IRRS eligible tenants sourced from the Social Housing Register) dominates. Other stock provides affordable/sub-market rentals, shared housing, forms of shared equity and shared ownership, license to occupy, rent-to-own and land-lease housing. Diverse housing typologies are also offered, ranging from standalone housing to multi-units, townhouses and apartments. Some organisations commission new stock, while others purchase or lease existing stock. Participants have experience in development in both greenfield sites and redevelopment of existing housing sites.

The seven funder interviews included commercial lenders, community trusts and philanthropic foundations involved in the production of social and affordable housing. Those organisations, with either national or regional reach, offer various financial products and capital funding for social and affordable housing development, including loans (market and low interest), grants and equity investment. Funding is provided for projects diverging in size from under 10 dwellings, to large master plan developments. Two funding organisations offered a shared ownership product direct to households.

Five other interviews were conducted with peak bodies, government agencies and advocacy organisations representing demographic sectors impacted by a lack of affordable, secure housing solutions. These were included to provide end-user and policy perspectives to broaden understanding of the impacts of current housing market, policy and institutional settings on low to moderate income households.

To increase the team's overall understanding of the content of interviews, notes from each interview were read by a team member not involved in the interview and recorded by them onto an excel spreadsheet to facilitate analysis. Thematic analysis of interview notes was undertaken. Analysis was informed by the key interview questions as outlined above, alongside insights from engagement with overseas experts and the rapid literature review. The analysis involved identification of common and contrasting experiences, perspectives and issues across the interviews, description of the approaches taken to develop housing solutions and identification of what has worked and has not worked.

5.3 Housing innovations for low to moderate income renters

Low to moderate income renter households have struggled to cope with the increase in housing costs while the prospect of owner occupation has continued to reduce. Six of our interviewees, both not-for-profit and for profit, offered affordable housing solutions targeting low to moderate income renter households.

A key challenge associated with an affordable housing solution is developing a financially sustainable model while keeping housing costs affordable for the household (housing costs making up no more than 30% of gross annual household income).

Table 5.2 presents the maximum affordable housing costs for households living in selected locations across New Zealand for low income (up to 50% of median household income), moderate income households (between 50% and 80% of median household income) and household on median household income for that location.

Table 5.2: Maximum affordable housing costs for low, moderate and median annual gross income households

Area	Median annual gross household income (MHI) 2023			Maximum affordable housing costs ($ cost per week)		
	50% of MHI	80% of MHI	100% of MHI	@ 50% of MHI	@ 80% of MHI	@ 100% of MHI
Whangārei District	$41,000	$65,500	$81,900	$240	$380	$470
Auckland Region	$58,400	$93,400	$116,800	$340	$540	$670
Hamilton City	$48,300	$77,200	$96,500	$280	$450	$560
Western Bay of Plenty	$44,300	$70,900	$88,600	$260	$410	$510
Gisborne District	$40,500	$64,800	$81,000	$230	$370	$470
Hastings District	$46,700	$74,700	$93,400	$270	$430	$540
New Plymouth	$43,200	$69,100	$86,400	$250	$400	$500
Palmerston North	$45,300	$72,500	$90,600	$260	$420	$520
Horowhenua	$31,900	$51,000	$63,700	$180	$290	$370
Porirua City	$62,000	$99,200	$124,000	$360	$570	$720
Wellington City	$67,300	$107,600	$134,500	$390	$620	$780
Marlborough District	$40,900	$65,400	$81,700	$240	$380	$470
Waimakariri District	$45,600	$73,000	$91,200	$260	$420	$530
Christchurch City	$45,300	$72,500	$90,600	$260	$420	$520
Selwyn District	$61,100	$97,700	$122,100	$350	$560	$700

Source: Statistics New Zealand

Providing homes at or below the maximum affordable housing costs places financial constraints on both not-for-profit and for profit organisations targeting low to moderate income renter households and is identified as an issue by all organisations targeting these households. Another constant theme from the interviews was organisations' willingness to share their intellectual knowledge with others to help grow the reach of affordable housing solutions and to share their legal documentation to assist with growing industry standards and best practice.

The housing solutions identified in the interviews as currently offered by different organisations encompass 'ownership minus' models (like shared equity and land lease models), 'rental plus' (like affordable rent and rent to buy), build to rent and combining housing solutions with other services such as debt consolidation. They acknowledged that each solution targeted submarkets and emphasised the importance of understanding the local community's needs when selecting which solution to adopt.

Interviewees suggested that all these options had potential to improve household outcomes and target different segments of the housing market. 'Ownership minus' solutions are similar to owner occupation with some caveats. Examples include shared equity and land lease models. 'Rent plus' solutions provide additional benefits over and above market rent tenancies. Examples of these include rent to buy and affordable rental models. The challenge for all these approaches is developing a financially sustainable model whilst targeting low to moderate income households.

5.3.1 Ownership minus solutions

Interviewees identified two main ownership minus solutions currently being provided by different organisations. These were shared equity and land lease solutions.

Shared equity for low to moderate income households

Shared equity models have developed a market niche over the last two decades they have been available in New Zealand. The majority of the organisations offering shared equity products are not-for-profit charities. In today's housing market, shared equity models tend to target households in the top end of the moderate income band to those well in excess of median household incomes. For example, non-charity not-for-profit shared equity providers are typically assisting working households (predominately families) earning incomes up to $150,000 per annum. The median household income in Auckland Region was $116,800 (in 2023 census) and $150,000 is 128% of the region's median income and in excess of the moderate income threshold.

Not-for-profit charities are constrained in their ability to assist higher income households and tend to target households with gross incomes not exceeding $115,000 to $120,000. This is the maximum gross household income they can assist without affecting their charitable status. These charities do assist households on lower incomes. The challenge is making the model work in an environment of high house prices relative to gross household incomes whilst ensuring they are working in the household's best interests. Key comments from shared equity providers interviewed include:

- Typically providers are unwilling to enter into a shared equity agreement where the household is purchasing less than 60% of the property's price;
- Another key component of the not-for-profit model is providing a range of services to build households' financial knowledge, capacity and their understanding of their obligations as an owner occupier. These 'stewardship services' are considered an essential part of developing a successful shared equity programme; and
- With some exceptions, the market is dominated by a range of small organisations with few operating at scale. A willingness to partner with each other and share knowledge and key documentation offsets some of the scale limitations.

The key themes flowing from these comments suggests that as the imbalance between low to moderate incomes earned by households and house prices increases, shared equity solutions may struggle to be able to affordably operate in high priced housing markets.

For profit shared equity solutions

The for-profit providers have tended to target households with higher incomes than not-for-profits. These households typically have a limited deposit with the shared equity component effectively assisting them to fill the deposit gap between their funds and what is required to get a mortgage valued up to 80% of the property's purchase price. Key comments from shared equity providers interviewed noted under this approach:

- Household incomes range up to 140% of median household income, rather than being less than the median;
- Providers typically have a capital charge on the equity they provide as part of the shared equity deal;
- A key benefit of this model is it allows the purchaser/occupier to qualify for the lowest bank mortgage interest rates (i.e. they are not classified as low deposit lending, which otherwise tends to increase the interest rate required of the household);
- Current providers allow the purchaser/occupier to buy both new and existing properties;
- Providers tend not to provide the same stewardship services as not-for-profit shared equity providers;
- Providers consider this type of shared equity model has a huge capacity to grow; and
- Capital required is provided by a social impact investor who achieves a return in excess of long term government interest rates.

The key themes flowing from these comments suggest that profit shared equity providers target households with incomes significantly higher than those on low to moderate incomes.

Barriers limiting the growth of shared equity

Interviewees stated the key barriers impacting of the growth of shared equity models for low to moderate income households are the imbalance between house prices and household incomes, and a lack of market awareness of shared equity models across the housing market on the part of potential purchasers, agents, their financial advisors and lending institutions. Interviewees noted that although debt funding is available to providers, the financial feasibility of shared equity developments limits organisations' ability to fund these housing solutions with debt. Access to longer term low cost equity is a key limitation for growing this sector of the market. Other barriers identified included:

- Inconsistent government policy and support for the sector is a significant barrier;
- Organisations will struggle to grow to scale if they rely on government support/grants;
- There is no consistency or sustainability in the level of funding support, which is seen as too unpredictable. The processes around access to support when it is available was described as fickle, lacking transparency and overly bureaucratic; and
- Charities Services' guidance on household income limits hinders organisations' ability to assist households in higher cost urban areas.

The key themes flowing from these comments suggests reliance on and changes in government support over time limit providers' ability to grow shared equity solutions.

Interviewees saw the key enabler of growth of shared equity models for low to moderate income households was developing a sustainable source of equity investment. Possible options identified included inclusionary zoning and value capture regulations. Other enablers identified included:

- Undertaking developments as part of the business model was seen as pivotal as the developer's profit/margin is an essential source of capital and assists in building the organisation's balance sheet;
- Partnering with other like-minded organisations to share expertise and knowledge;
- Standardised documentation enables occupier households to access mortgage finance;
- Access to well-located development sites at an affordable price. Interviewees saw working with councils as an opportunity to access publicly owned land which can be utilised for the public good of the overall community; and
- There is a need for long term planning from councils, particularly in terms of the provision of infrastructure to unlock the development potential of brownfield sites within existing urban areas.

Outcomes across all shared equity programmes

Ongoing monitoring by providers suggests improved household outcomes in terms of stability (length of time living in one place), overall financial wellbeing, wealth creation and household involvement in the local community.

In summary, shared equity offers an opportunity to work with households to improve both their financial and wider social outcomes. The challenge is making it work for moderate income households (earning 80% or less than RMHI). Shared equity programmes are reluctant to offer deals where the occupier is purchasing less than 60% of the purchase price. Consequently the price/income housing cost equation makes it unaffordable for moderate income households.

Land lease housing solutions for low to moderate income households

The land lease housing solution is another ‘ownership minus’ model. Effectively the occupier owns the improvements (including the dwelling) and has a lessee’s interest in the land. Affordable housing land lease solutions typically charge a small non-market land rent. This effectively reduces the purchase price for the occupier. A non-market formula is used for the entry and exit price for the occupier. Under this approach the dwelling is retained as affordable for the next household and the majority on any change in value is retained by the provider.

Interviewees saw the land lease approach as a suitable solution typically used in housing markets which are extremely unaffordable. Interviewees suggested New Zealand providers in very unaffordable areas have transitioned from shared equity to land lease solutions as affordability deteriorated and targeted households could no longer afford to buy 60% or more of a completed dwelling. In addition, the model allowed for the majority of the benefits associated with the use of the community’s social capital to stay with the provider rather than enriching the occupier. They also noted that like the shared equity solution, stewardship support[25] of the occupiers is an essential part of this approach. They also noted:

- One of the challenges associated with this approach is it is more complex and harder for households to understand when compared to shared equity on freehold land;
- There is a market stigma associated with residential properties on leased land where the land rent is set at market levels;
- Like all affordable housing solutions, a lack of low cost patient capital limits growth; and
- Evolving government policy, on again/off again grants and unpredictable support for the sector limits organisations’ ability to grow.

The key themes flowing from these comments suggests land lease model’s relative complexity, housing market stigma associated with land leases and inconsistent government support, have all hindered the land lease housing solutions options to grow.

Enablers that would support growth included working with councils to access well located land and the potential for inclusionary zoning. In addition, council support around obtaining consents, reductions in development contributions and organisational support (providing office space and equipment) were also identified as assisting in future growth.

[25] Stewardship support for the occupiers can include a range of services such as financial literacy programmes.

Interviewees who are or have considered this approach suggest it could be a good solution in circumstances where affordability is very poor for low to moderate income households. Their other comments about the approach included:

- It requires a higher level of subsidy per dwelling than shared equity;
- They could scale up with more patient equity. Debt is available but financing costs limit opportunities;
- Partnering with other organisations is important; and
- A key driver is continuing to educate the community, their advisors, financiers and councils about the model, who it helps and why it's important in the community they serve.

The key themes flowing from these comments suggests the higher levels of subsidy required per dwelling developed (due to low returns) and a lack of low-cost patient equity has limited the appeal and viability of land lease opportunities.

5.3.2 Rent plus solutions

Three rent plus models targeting low to moderate income renter households were identified in our interviews. These included:

- Affordable rentals;
- Rent to own/buy; and
- Build to rent.

Affordable rentals

Affordable rentals housing solutions either provide secure long term rentals to households where the rent is set as a percentage of gross household income (typically 30%) or as a percentage of market rents for that type of dwelling (typically 70% to 90%). The approach that sets rent as a discount to market is more affordable than market rent, however, may or may not be affordable to the renter depending on their level of household income. Both approaches were used by our interviewees. Interviewees providing, or who have considered providing affordable rental housing commented that the households targeted:

- Were low to moderate income essential and key workers. These households are typically earning sub median incomes;
- Had insecure incomes due to the nature of their work. However, these workers were seen as essential to the functioning of the local economy; and
- Were seen by providers as struggling to maintain a tenancy in the private rental market because of the variability in their income. However, they earn too much to qualify for social housing.

The key themes flowing from these comments suggests affordable rental housing solutions typically fill a gap in the rental market by assisting households that have low to moderate insecure incomes.

Barriers for the growth in affordable rental solutions

Affordable rental solutions require a high level of subsidy per household when compared to shared equity and land lease models. However, they typically target households with lower incomes which is why the subsidy/grant needs to be higher. Like other affordable housing solutions, the lack of a sustainable funding model providing access to equity investment is a key constraint. Interviewees providing affordable rental housing or who have considered providing it also commented:

- There is an ongoing need to educate the community (and adjoining property owners in particular) about the difference between affordable rental and social rentals to reduce community resistance to any development activity;
- Potential donors need to be informed about why these solutions are required, the types of households supported and the benefits they will generate for the whole community;
- Council rules and regulations around the density and style of developments can hinder innovation in affordable rentals, cause delays, and increase costs;
- Developers including covenants on the sections they provide preventing community housing providers buying them limits opportunities; and
- When Kāinga Ora was active in the market they bid up land values and consequently out compete community providers for sites.

The key themes flowing from these comments suggests the communities' knowledge around the opportunity for affordable rentals, along with the households which would be targeted, needs to be improved.

Benefits and enablers of affordable rentals solutions

Affordable rental dwellings reduce households' financial stress and can provide the opportunity for them to improve their financial sustainability and pay off debt. They can also be part of a wider package of support such as a rent to buy model. Access to ongoing affordable funding sources is key to growing the model. Mechanisms such as inclusionary zoning may provide ongoing support. Government support is uncertain and subject to changes with each election cycle and consequently cannot be relied upon. This uncertainty impacts on providers' ability to plan long-term. Building good relationships with financiers is important, as is building a reputation as a successful developer with them and track record of completed projects. In addition, building strong relationships with donors (private and local businesses) is important, generating affordable equity and contributions in kind (such as price discounts).

Rent to own

Interviewees saw a need for a product for households with no deposit and/or short term debt with income levels that would allow them to buy a dwelling, either with or without a shared equity component. Consequently, a rent to own solution was developed that has similar enablers and barriers as the affordable rentals solution listed above. Rent to own models were also typically provided with an affordable rent (30% of household income). This approach provides households with the opportunity to rent the dwelling while working with the provider's stewardship and budgeting services to improve their financial position over the term of the agreement. These agreements are typically five years or longer.

Interviewees (either offering rent to own dwellings or who have considered providing rent to own models) saw the key benefit of this approach is that it provides households the opportunity to change their financial circumstances, places them on the pathway to owner occupation and provides a stable modern living environment over the medium term. Interviewees' other comments included:

- In some models the occupier is allocated a share of any change in value over the term of the agreement, which could form part of their deposit if they subsequently decided to buy the dwelling;
- One of the key challenges from the provider perspective is the large amount of equity investment required per household helped;
- The stock is not retained by the provider as depending on the structure of the model, the occupier may buy the dwelling at the end of the agreement; and
- Low rental yield (based on an affordable rent) also makes it difficult to leverage the property.

The key themes flowing from these comments suggests rent to own housing solutions can provide an intermediate step between an affordable rental solution and owner occupation by providing the household with the opportunity to live in secure housing and providing time for them to reorganise their finances (such as paying off short term debt and/or accumulating savings) so at the end of their agreement they may be able to buy the dwelling.

Build to rent

Build to rent is a commercial market led solution with the potential to increase the supply of rental units. Build to rent provides the opportunity to source institutional investment at scale with returns approaching those required by institutional investors. Some providers offer a discount to market rent (approximately 90%) making them more affordable than a pure market rental model. However, they are still typically unaffordable for households earning 80% or less than the regional median household income. Interviewees' other comments included:

- The developer's profit (difference between the development cost and the value of a completed complex) is an important component of the project to achieve the required level of overall return (IRR);
- Maintaining a cost effective corporate structure is also key as high overheads will quickly erode annual net yields and overall returns;
- Finding the right sites, in the right location, and at an appropriate price point is a key part of any proposal;
- The provision of infrastructure and planning rules and regulations can also hinder where development can occur; and
- Government officials' views is short sighted and lacks market insight. They need to understand the market will only provide within its structural settings. There was a provider view that under the current market settings affordable units/outcomes will not be delivered in the volumes required.

In summary, build to rent housing models have the potential to increase the supply of affordable units and to generate overall returns required by institutional investors. However, it's likely to be at rents higher than low to moderate income households can afford. Affordability could extend to low to moderate income households if either the operator's return was subsidised, allowing them to charge a lower rent, or alternatively the rent was subsidised.

5.4 Housing innovations for older people

5.4.1 Context

Housing trends affecting older people in Aotearoa New Zealand echo trends noted in comparable countries. Key trends include rising housing unaffordability and lack of affordable supply, decline in home ownership, growing homelessness and limited housing options for low to moderate income older households. More people are reaching retirement with a mortgage, which puts pressure on their housing costs as income reduces and ability to service a mortgage declines (Tually *et al*., 2022). This has led to older people leaving home ownership, due to financial hardship (James *et al*., 2021). In the private rental sector, older tenants are exposed to unaffordable rents and insecure tenure (Baker *et al*., 2024). Homelessness is growing amongst older age groups and particularly among older single women. Many older people are experiencing homelessness for the first time in later life (Pawson *et al.,* 2018; Reynolds *et al.,* 2024; Tually *et al*., 2022).

The Social Well-being Agency (2023) found that 18% of older people (97,300 households) experience housing vulnerability, including living in poor quality or crowded housing. Overall, 38% of older Māori, 38% of older Asians and 60% of older Pacific people are affected by housing vulnerability, while only 15% of the older New Zealand/European population is affected. More older women are impacted than older men. Renters and those with a mortgage are more likely to experience housing vulnerability – 40% of older renters and 26% of older owner-occupiers with a mortgage, compared to 14% of those with no rent or mortgage. Considerable numbers of older people experience housing vulnerability along with another vulnerability. For example, 24,200 experience both a housing and health vulnerability, while 15,400 experience a housing and financial vulnerability.

Both internationally and in New Zealand, the two older groups especially at risk of housing precarity are tenants in private rentals and owner-occupiers with mortgages and modest assets. This section reports on the extent to which the 27 organisations interviewed are concerned with housing older people in those groups, their rationale for engaging with seniors' housing needs, the types of housing currently provided for seniors, whether other housing models have been considered or would be considered in future, and the challenges and enablers for housing provision for older people.

5.4.2 Current housing provision for older people

There was general agreement among the 27 interviewees that the housing market does not adequately address the needs of low to moderate income older people for affordable and secure housing. The group with very constrained housing options is considered to be older people who do not qualify for social housing through government funded income-related rent assistance (IRRS), and at the same time cannot afford market rents or to buy a home.

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Four interviewees were not directly concerned with delivering or funding housing. Nevertheless they identified housing stress among the older population as a growing and priority issue for their organisations, singling out housing unaffordability and poor condition housing as impediments to older people living comfortably and safely. They considered that New Zealand's housing stock is poorly designed for the needs of an ageing population. They pointed to a dearth of accessibly-designed homes, which affects safety, the provision of home-based care and reduces the ability of the older individuals to age in their home. They also noted the predominance of larger homes and fewer smaller homes, which makes downsizing difficult. They further observed that the location of new housing is often distant from services and community facilities, which reduces older peoples' social connections and access to support.

Twenty two of the 27 organisations are involved in either housing development and provision (15) or housing financing or funding (seven). Of those, 11 organisations are involved with direct provision of housing or funding housing for older people and most focus on the rental sector. Their reasons for involvement in housing older people range from meeting an identified need in their community, to providing for existing older clients, or as part of stock acquisition.

Only two of the 11 organisations involved in housing older people have an exclusive focus on that demographic. Both have identified significant housing needs among older people in their communities, which are not provided for by the market nor by other housing organisations. They build new stock to meet older peoples' needs for affordable and suitably designed rental housing with secure tenancy. One housing provider has observed a significant shift in its client group over the last 10 years. Established more than 30 years ago, the organisation's main client group has been older, single owner-occupiers no longer able to cope with the financial and management demands of home ownership. Most people they now house are tenants from the private rental sector unable to afford market rents. The core business of the other organisation is social services for older people. Nevertheless, it has moved into housing provision with one affordable rental development. Its motivation for building has been the increasingly severe housing needs among its clients, due to homelessness, unaffordable market rents and poor condition and inaccessible housing.

Nine of the 11 organisations do not solely focus on the older population; instead older people are one of several groups they provide housing for. For example, among some housing providers, older residents have been their tenants for decades and have therefore 'aged in place' in their homes. Residents' life stage changes have required those providers to consider the changing housing needs and diversity of their tenants. Other providers have acquired council pensioner housing stock, or Kāinga Ora stock and accordingly now house some older tenants in addition to other age groups. The iwi housing providers developing housing for their communities have included housing for kaumātua and pakeke in their portfolios, as part of considering whānau needs and papakāinga design. One regionally based housing provider specialising in affordable rentals observed that in recent years a growing proportion of its stock is rented to over 55s, including some formerly homeless individuals. Around two-thirds of its tenants are low-income families, while one-third are retired or older workers nearing retirement. Its new build stock is now designed to accommodate older tenants.

5.4.3 Types of housing provided for older people

The housing provided for older people is predominantly affordable rental. There is some social housing (for those eligible for IRRS). Older people are mostly housed in affordable rentals because few are eligible for the IRRS and therefore cannot access income-related social housing.

A few organisations provide forms of assisted home ownership or land lease housing. However, few older people are in a financial position to access assisted home ownership. One funder pointed out that the borrowing options for older renters with savings, or older owner occupiers with housing assets and low income are very limited. However, another funder providing a shared equity product noted that they had successfully arranged financing for some older tenants with savings, emphasising that shared ownership was the 'last chance' for them to achieve home ownership.

Most housing provided for older people is one- or two-bedrooms and of standard typologies. One exception is a housing provider that has built a small number of tiny homes (around $32m^2$) as affordable rentals for older people. Another housing provider has developed shared affordable rental housing that includes some low-level support services for independent older tenants. Several housing organisations include communal amenities in their housing developments, including the providers of housing exclusively for older people. Few providers routinely incorporate accessible design in their housing for older people.

5.4.4 What organisations would like to do

The two providers of housing exclusively for older people do not intend to change the group they serve; in fact they would like to provide more, as they see a growing need for suitable housing for older people. One provider will continue with its current housing model of affordable rental with low-level support, which has been successfully delivered for decades. The second provider would like to develop more housing to meet growing demand, if it could access funding. It encountered significant challenges in its first development including the price and availability of land, consenting issues and escalating build costs. Therefore, it is considering different models for any future development, including transportable homes or affordable purchase. Under this approach the provider would purchase a home from a developer/builder and on sell it to eligible older people.

A few other organisations not currently engaged with housing older people are interested in providing for that group as they have identified them as particularly poorly served in their local housing market. One housing provider has investigated affordable rental for older people, however did not go ahead as it was unable to construct a viable business case. Another housing provider is looking at options for housing older private sector tenants or older householders with a mortgage, but has not settled on a model. That organisation has in the past unsuccessfully sought to acquire council pensioner housing stock. One funding organisation is investigating a build-to-rent proposition to provide affordable rentals for older people.

No organisations currently involved in housing older people expressed an interest in emergency or transitional housing. The reasons given were that the organisations have expertise in other types of housing provision, or consider they can make a bigger impact through the provision of permanent, affordable housing with secure tenure. One provider described emergency and transitional accommodation: "In our point of view it's just trying to plug holes in really leaky pipes." Two organisations have shifted their focus away from shared ownership/shared equity, to affordable rental, finding that it has been increasingly difficult for households to service even a small mortgage.

5.4.5 Challenges, enablers and suggested solutions

Interviewees said that the main challenges in the provision of housing for older people are generally no different from the challenges encountered in providing housing for other age groups. Challenges cover five broad areas:

- Funding for development, including difficulty in accessing capital funding, the cost of servicing loans, and uncertainty over government policy direction and funding settings. Those working to develop housing on Māori-owned land identified specific issues with accessing finance;
- Accessing land, including high land prices, competition for limited supply, land banking, and restrictive covenants preventing the construction of some types of housing such as small homes and social housing. Two housing providers said they are increasingly seeking land outside of their usual area of operation to address issues of price and availability;
- The financial viability of certain housing models has affected the type of housing developed. Notably, some providers and funders have not moved forward with affordable housing proposals or forms of shared ownership for older households, due to concerns about costs and returns on investment;
- Planning and consenting challenges, including zoning and rules restrictions, different (and inconsistent) consenting requirements across councils, and rising development fees; and
- Increases in building and materials costs.

Alongside those general challenges, two challenges were identified in relation to housing provision for older people. The first is that many older tenants and owner-occupiers in housing stress fall outside of current policy settings for eligibility. Most older tenants in the private rental sector are not eligible for income-related (IRRS) social housing, nor for some affordable housing, because they have modest assets. Secondly, the outgoings required to service a shared ownership/shared equity home may not be able to be met by older low-income households, even if they have some equity or savings.

Organisations noted that, like the challenges, the enablers of housing production apply to housing provision for all ages, not specifically to older households. The key enablers are:

- Access to finance and funding, including the presence of multiple and sustainable funding sources, and capital funding;
- Strong and enduring relationships among lenders, funders and housing providers, and with other organisations such as councils and businesses. Moreover, two organisations noted the importance of developing good relationships with local communities and neighbours where affordable and social housing developments occur;
- Access to information, including best-practice techniques and designs;
- Planning rules supporting different housing models and typologies and allowing suitable intensification;
- Having the appropriate mix of skills on the organisation’s board and among staff so that effective teams can operate. One organisation commented that in-house expertise in project management and development, as well as designing to meet households’ needs have been significant enablers; and
- Three organisations involved in shared equity/shared ownership models emphasised the importance of standardisation of legal and financial documents, to ensure successful delivery.

Acknowledging their challenges and enablers, organisations suggested ways to encourage more and better production of affordable and social housing for all ages:

- Creation of sustainable funding for social and affordable housing;
- Planning rules that enable intensification to increase the viability of constructing small homes;
- Increased use of standardised designs to reduce costs, as well as planning and consenting issues;
- Reduce or remove development fees for not-for-profit organisations producing social and affordable housing; and
- Enable housing providers to access land for lease, e.g., public land, for social and affordable housing.

Three solutions for providing older people with suitable housing were identified:

- Increasing the construction of affordable rental housing with secure tenure for older people;
- Enabling universal-design standards for residential housing; and
- Designing a tailor-made shared ownership product for older households with savings or equity but unable to purchase outright in the market.

5.4.6 Summary

A key issue raised by interviewees is that the housing needs of low to moderate income older people are not addressed in policy or funding settings. There are significant gaps in housing provision for older tenants in the private sector, where most older tenants live, and older owner-occupiers with a mortgage.

Most of the organisations' current and proposed activity is focused on older private sector tenants who need affordable rentals with secure tenure. This is seen as a critical housing need that is not currently met. There is very little focus on assisting older owner-occupiers with mortgages to retain home ownership, or helping older people with some equity to enter home ownership. In the experience of those interviewed, existing shared ownership/shared equity options do not appear to be structured to work easily for the older age group. Current products focus on working households and likely include a goal of the occupier achieving 100% ownership at some stage in the future. This is impractical for lower income retired households unless they have a large deposit. No organisation commented on options to assist older owner-occupiers (with or without a mortgage) to downsize to a small property, although this may be a way of freeing up existing stock and enabling older households to move to more suitable and affordable housing.

The challenges to, and enablers for, creating suitable housing for an ageing population are similar to the challenges and enablers organisations encounter in housing provision for all ages. Organisations made few suggestions for improving the production of housing for older people, except to continue growing the stock of affordable secure rentals, the inclusion of accessible/universal design and tailoring a shared ownership product specifically for older households.

5.5 Housing innovations for households with disabilities

5.5.1 Context

Housing outcomes for renters living with disability are poorer than those without disabilities as shown in Section 4.6. To gain a better understanding of the drivers of these poorer outcomes we interviewed six organisations who focus on supporting these households, including five housing providers. Their feedback on the challenges for renter households living with disability were consistent and offered insights into the barriers and opportunities available to make improvement.

5.5.2 Current housing provision by community providers

Several of the organisations providing rental housing for households living with disabilities acquired or developed their housing stock in response to deinstitutionalisation, the move away from large scale state-run residential institutions in favour of community living in the 1980's. Others started later with a similar focus on providing community based residential options. These organisations differ in their histories of housing provision and serve a diverse range of groups including people with a learning or intellectual disability, neurodiversity, chronic health conditions, mental illness and physical disability. Much of the rental housing provided for persons with disabilities are group home settings, typically with four to six unrelated individuals living together. To provide housing, the organisations have a strong reliance on leased properties from private landlords and Kāinga Ora. Many other people with disabilities are living with and supported by parents due to lack of options to live independently.

The trend today is to move further away from group home settings to more individualised housing with support. The desire is to provide suitable modern units with good accessibility, and designed for privacy and connectivity rather than the old group home model. One provider described a focus on purpose-built units, typically one- to two-bedrooms clustered around a community hub. This is similar to co-living developments with some shared services. Ideally, these would be built in locations close to key services with current design/development concepts of three to four units clustered together on the same property and under one roof so they look like conventional stand-alone homes. The goal is for them to integrate into the neighbourhood so they do not look different from the surrounding properties.

In discussing their efforts to deliver new purpose-built units, a number of barriers, enablers and suggested solutions were described. Some of these are consistent with those for serving low to moderate income households generally. Common barriers include financial feasibility and access to capital, costs of land and building and local infrastructure and consenting issues. The common enablers include access to grants or low-cost capital and working in partnership with councils, developers and other providers. One provider noted the benefit of controlling the development in house with collaboration with a property management team about what works and what does not within development configuration and design. Enablers involved sustainable finance and funding streams such as impact investment, development contribution concessions and inclusionary housing policies. In addition to the common barriers, specific ones related to providing appropriate and affordable homes for households with disabilities were identified.

Barriers

- Costs related to the nature of the building's use and requirements for things like fire compliance, laundry and kitchen for each unit, etc. that is required for the supportive living arrangement for building consent approval as compared to traditional consents;
- Development sector not understanding what providers need; and
- Lack of priority for persons with disabilities living with parents or in group homes wishing for greater independence to get on the Social Housing Register.

5.5.3 Current housing provision by general market

There was agreement from the six interviewees that the housing market does not adequately address the needs of low to moderate income households with disabilities for accessible and affordable homes. It is estimated that only between 1-2% of New Zealand’s housing stock is accessible (Farha, 2021). Specific modifications are often required to meet needs for neurodiversity, mobility, service animals and the delivery of support services. Modifications required often include a level entry, wider corridors, larger spaces with more robust fitout, hoists in bedroom and bathroom and more storage space accessible to someone in a power chair. Affordability and discrimination are also barriers faced in the private rental market. Interviewees noted that private landlords are concerned about the cost of modifications, even if the tenant can access public funding, and frequently require the home to be returned to its original state at the end of the tenancy.

The difficulty of modifying existing homes is compounded by inequities between the funding available for disabilities through Ministry of Health funding and injury-related disability funding through the Accident Compensation Corporation (ACC). Funding available through the Ministry of Health is more constrained than funding through ACC. These differences impact on the types of modifications able to be made, the amount of funding available and the extent to which further modifications can be made over time.

Providers have found that purchasing and modifying existing homes is not cost-effective, compared to designing accessible features into new-builds. They described the challenges of utilising existing housing stock that is not easily converted to provide accessible housing to people with disabilities. It is also hard for staff to provide support for residents when the home is inaccessible. In leased homes, making required modifications was costly as they needed to fund them directly and return the home to its prior condition at the end of the lease. Sometimes leases are ended earlier than expected, resulting in a large expense for little benefit.

In discussing their experiences of persons with disabilities in the general housing market, interviewees described a number of barriers, enablers and suggested solutions. A fundamental concern expressed is the lack of good accessibility legislation. Only 1 to 2% of housing is accessible yet 24% of the population has a disability (Farha, 2021). The Building Act and the Building Code do not stipulate accessibility/universal design standards in private residential housing. With the trend of intensification and more multi-level dwellings there is a real need for accessibility in these dwellings, but the law only stipulates a lift is necessary if more than three levels. The lack of accessibility is also evident in social housing. Kāinga Ora has a target of 15% for their new housing built to universal design standards and that target is not being met[26]. Those interviewed expressed concerns that the building sector and policy settings focus on short-termism rather than seeing the value of accessibility modifications across the life of the dwelling. This results in everyone trying to get yield by cutting costs and forgetting about accessible design. Once built, the constraint on funding available for home modifications further limits options for households with a disability. This also is evident in urban planning not thinking about footpaths, parks, access to public buildings and public transport routes.

To improve accessibility, those interviewed wanted to see universal design standards enacted in legislation and in council plans ensuring accessibility is included across the design of all new buildings, including in multi-level apartments. This would include requiring urban planning strategies to ensure easy access to essential services and amenities for persons living with disabilities. To further support those households on low to moderate incomes, rental price controls and good assistance programmes to buy their own homes through low-interest loans, like the old State Advances loans was suggested. Shared ownership was also identified as a way of assisting people into home ownership.

5.5.4 Moving forward

The interviewees noted that the intention of providing community-based housing options and choices instead of institutions that began over 40 years ago is still to be achieved. The UN Convention on the Rights of Persons with Disabilities has put New Zealand on notice about housing for people with disabilities and stated that New Zealand must move away from group homes/institutionalised living and into more community-based housing[27]. However, the group home model that emerged as a solution to residential institutions continues to dominate. Moreover, the debates over appropriate housing models continue. There is a key tension as to the types of homes to build for disabled persons. It is a service driven model which is more efficient to deliver in a six-bedroom home rather than a one or two-bedroom home. This is driven by cost considerations – a group home model housing six people is more cost-effective compared to building one to two-bedroom units. There is no clear model on the design of the homes to align with the UN Convention.

[26] https://www.stuff.co.nz/pou-tiaki/131392512/appalled-kinga-ora-achieves-only-10-of-target-for-accessible-new-homes

[27] https://documents.un.org/doc/undoc/gen/g22/502/91/pdf/g2250291.pdf (see 40.b)

In discussing the future provision of housing models supporting low-income persons living with disabilities, the interviewees provided insights to their own activities and broader opportunities across the housing market. They noted that people with disabilities need to be included in the housing conversation and engaged in design decisions, but they often aren't. Often group home living or living with relatives are the only available options. Yet as one provider observed, people with learning and intellectual disabilities want to own their own homes, just like anyone else. There is a desire to explore the opportunity for mixed tenure homes including rent to own, shared equity, leasehold or license to occupy along with affordable rentals. Low incomes are a barrier resulting in a smaller contribution available for housing costs – many are not able to work but some can and do.

In addition to providing more tenure choices, there is a desire to deliver more homes meeting Universal Design standards to better respond to changing housing needs over the life course. Providers would like to be more innovative and do more with assistive technology. The Albyn Housing Association's 'Fit Homes' model was identified as an example (Morrison, 2023). These homes include assistive technology enabling monitoring of health and safety of residents. One provider is working on a tiny home design with smart home technology e.g., environmental monitoring, ability to adjust heating, cooling, ventilation, movement sensor similar to features of the 'Fit Homes'.

The barriers and enablers identified previously in this section apply equally to the ability to move forward. The interviewees provided helpful insights into some of the ways to make progress demonstrating a willingness to work in new ways.

Solutions

- The disability housing sector is under resourced and underfunded. There is lots of opportunity but without grants/subsidised capital it will be hard to meet demand. There is a need to improve the data available on housing and disability so there is a clearer case for better funding;
- Major changes to policy are needed – providers said people with learning and intellectual disabilities are never prioritised in social housing. They are not prioritised because they already have a roof over their head, e.g., living with family or in shared living/group home. If they want to live on their own in their own home, there are no options enabling them to do so;
- Councils could be more facilitative and consider inclusionary zoning;
- Going forward providers want to own the real estate or partner long-term with a private investor who owns the land and buildings and they provide the wrap around services for the same result. Addressing feasibility will be necessary to deliver the required return to the investor; and
- Councils and developers should factor in diverse needs of the community, including learning and intellectual disabilities.

Additional comments from interviewees

- We cannot get away from the fact that government support is required to support people who have needs in addition to affordability;
- There is ample evidence, now is the time to act. Three things are important – accessibility, affordability and good urban design for disabled persons;
- While there is a clear need for more housing, it has to be organised around people's social, environmental and cultural factors/needs; and
- A provider commented on the view of "housing as enabler to life". The home environment has a huge impact on self-esteem. The amenity value of a nice warm home is huge – people with disabilities often don't get this and it reduces their health and wellbeing. Providers see huge positive differences when people are in a good housing situation. Having that good living environment reduces the support requirements.

5.6 Housing innovations for Māori

5.6.1 Context

The rate of owner occupation in Aotearoa New Zealand has been declining, from a 1990s high of around 74 percent to around 66 percent now. Māori rates of owner occupation have consistently lagged behind New Zealand/European rates, with 27.5 percent currently owning or partly owning their own home in 2023 (Te Whata, 2024). Factors contributing to inequitable Māori rates of owner occupation include historical land dispossession, difficulties in developing housing on remaining Māori land, systemic discrimination leading to educational, health, and economic disparities and policies that fail to address the needs of a young Māori population (compared to the New Zealand/European population). The low Māori rates of owner occupation has implications for whānau health and wellbeing (Stats NZ, 2021), inter-generational wealth transfer and retirement planning (Te Ara Ahunga Ora, 2019).

One of the main barriers is the difficulty in securing mortgage finance. Many Māori lack inter-generational wealth to provide a deposit and high debt-to-income ratios make it difficult for them to meet banks' lending criteria (Waldegrave, 2023). This is compounded by the fact that Māori, on average, earn lower income than New Zealand/Europeans, making it harder to qualify for home loans. Māori also face challenges in accessing housing schemes designed to assist first-time buyers due to systemic economic disadvantages. The termination of government schemes such as the Progressive Home Ownership Programme has further reduced pathways to owner occupation for low to moderate income Māori.

Building on their own, collectively owned ancestral land is also fraught for whānau, with difficulties related to securing shareholder agreements and accessing mortgage finance. Other barriers include restrictive council zoning regulations, infrastructure deficits and the need for resource consents. Many Māori land blocks lack essential services such as roads, electricity and water connections, making development costly (Arbury & Cram, 2023). Government funding for infrastructure enabled some housing to be developed, but funding cuts mean those in the queue for infrastructure funding may miss out.

The impacts of increasing housing costs have disproportionately affected Māori. Low to moderate income Māori households, particularly renters, face severe financial strain due to rising rental prices, stagnant wage growth and increasing unemployment. In 2023, over a third of Māori lived in households paying over $500 a week in rent (Te Whata, 2024). The situation is even worse for older Māori renters, who often have limited savings to support their housing needs and may also be raising grandchildren (Cram & Munro, 2020). Māori households have also seen a rise in levels of overcrowding as whānau seek to spread the cost of shelter over more income earners and accommodate whānau members who may otherwise be homeless (Stats NZ, 2021). Currently, one in five Māori live in a crowded home (Te Whata, 2024).

Māori are over-represented in the rental market and experience discrimination when trying to secure rental housing – that is, Māori tenants are often passed over for rental properties in favour of New Zealand/European tenants, even when they meet financial and employment criteria (Rowe, 2023). This discrimination forces many Māori into lower-quality rental properties with higher maintenance issues, poor insulation and greater exposure to dampness – all of which can lead to negative health outcomes for occupants. Many low income Māori whānau rely on private rental housing, where they can now be displaced without explanation, leading to housing instability and potentially frequent moves that disrupt employment, education and community ties (Waldegrave & Reid, 2024). Māori are a third (36%) of public housing tenants and are five times more likely than New Zealand/Europeans to be homeless (Office of the Associate Minister of Housing, 2020).

Without significant intervention, housing inequities for Māori will continue to grow, further entrenching the burden of socio-economic disadvantage already shouldered by them. Of 26 organisations interviewed, three were iwi or hapū housing providers. In addition, 14 other organisations talked about Māori housing provision. The insights of these 17 organisational interviews are described below.

5.6.2 Current housing provision for Māori

The iwi and hapū organisations provided different housing solutions for whānau, including housing for first-home buyers, Māori households with existing debt burdens, whānau wanting to return to their whenua tūpuna, renters and social housing tenants. Between them, the organisations are building housing on general land, returned Treaty settlement land and Māori land. All were working in different ways with Kāinga Ora. The organisations were also committed to housing design that embraced warmth, beauty and cultural pride. Their housing solutions included:

- Social housing;
- Affordable rental housing;
- Rent to buy and rent to own schemes; and
- Shared equity programmes.

Home ownership schemes were accompanied with financial literacy and debt reduction programmes that supported whānau to get out of debt and save for home ownership.

The other organisations provided solutions that included:

- Partnering with iwi to integrate culturally responsive housing models, including leasehold arrangements on Whenua Māori (Māori land), shared equity and shared ownership models, building relocatable housing on Whenua Māori, collaborative development of accessible housing design guidelines and provision of lending for housing on Whenua Māori;
- Affordable rental housing projects that target or benefit Māori;
- Affordable home ownership projects, including provision of affordable housing options for whānau in high cost areas and purpose-built housing that may extend to Māori;
- Funding of house repair programmes; and
- Advocacy for structural change in the housing system that will benefit Māori.

5.6.3 Achievements

The achievements of the iwi and hapū organisations included supporting whānau to reduce household debt through financial literacy programmes. These programmes included the Sorted Kāinga Ora programme developed by Te Puni Kōkiri and Te Ara Ahunga Ora (formerly the Commission for Financial Capability). Debt reduction, in turn, enabled whānau to realistically explore their home ownership options. Financial literacy programmes also improved the wellbeing of whānau that were in rental housing. A recommendation from the mainstream organisations was that the successful financial literacy programme/s be expanded to more regions. Their suggestions were that financial literacy could be integrated into all iwi-led housing developments, tailored mortgage products for Māori could be developed that included financial literacy, and/or financial literacy could be made a requirement for government housing subsidies and first-home buyer grants.

Completed developments were housing whānau through rent to buy/own, shared equity home ownership and affordable rentals. These mixed developments provided housing solutions that responded to the needs of diverse whānau. For example, whānau that are not yet ready for home ownership can still have stable housing options and potentially transition to owner-occupation over time through the one of the home ownership options available. In addition, regardless of their housing solution, whānau are able to live in communities that foster cultural continuity and inter-generational support.

Six of the mainstream organisations described achievements for Māori. These included:

- Working with iwi and hapū to help deliver housing solutions, including management of marae-based housing, collaborative development of accessible housing design, supply of affordable rentals and implementation of home ownership options. Some organisations faced challenges in affordability and uptake among Māori of home ownership options. This was also commented on by the iwi and hapū organisations;
- Māori whānau being among the beneficiaries of mainstream housing solutions, including an organisation transitioning a proportion of its rental housing to Māori tenants. Other organisations developed affordable rentals that could benefit Māori but were not specifically targeted at Māori;
- Scaling an initiative that provides relocatable homes on Whenua Māori;
- Development of a culturally aligned leasehold model; and
- Housing repair programmes.

5.6.4 Challenges

The three Iwi/hapū organisations each faced a range of challenges delivering housing solutions that worked for Māori. These included the difficulties of navigating the legal, regulatory, environmental and cultural considerations of developing housing on tribal land, which impact timelines and can cumulatively result in significant delays in housing delivery. These issues included those related to land tenure and ownership. Māori housing solutions can therefore take longer to come to fruition than those led by mainstream developers. The iwi and hapū organisations recognise that government partnerships are essential but they often face challenges with slow funding approvals and policy barriers. To reduce delays and overcome barriers, iwi and hapū organisations advocate for streamlined resource consent processes, better access to funding, and increased collaboration with local and central government agencies to create more sustainable, culturally responsive housing solutions.

Tribal entities face the additional challenge of balancing their housing initiatives with their other commitments, including education, social services, employment, cultural revitalisation and economic development. If they view housing as part of a larger ecosystem that includes food security, digital access, and employment pathways, they also seek to integrate housing projects with other whānau well-being initiatives. They also strive to ensure that the housing solutions they proffer are well aligned with the diverse housing needs and aspirations of their tribal members. For example, developing a mix of affordable rentals, rent to buy schemes, and/or shared equity models to cater to both low-income whānau as well as those close to mortgage readiness.

Both these challenges, especially the second one about responsiveness to the people, require extensive consultation. An iwi participant is planning a housing survey of their members to understand the housing needs of tribal members, income levels, household size and future aspirations. The results will inform their future housing models, including the mix between social housing, affordable rentals, and home ownership opportunities. Other iwi has conducted similar housing needs assessments to tailor projects to whānau requirements. Commitments to housing whānau need to also be seen within the broader context of the issues whānau are facing, including food insecurity, digital inequity, health disparities, crime and unemployment. As alluded to above, the challenge is therefore to locate housing within holistic community development. These iwi and hapū organisations see housing as both a social need and an economic opportunity. This includes strengthening the capacity of their people, including their financial literacy (including debt reduction and savings plans), energy affordability opportunities, social support and cultural connection. They are also ensuring that their housing projects reinforce cultural identity and community cohesion. This includes ensuring that whānau can return to their ancestral land without financial stress (e.g., affordable rentals), prioritising papakāinga development (including leasehold and inter-generational housing) that incorporates whānau housing alongside marae and cultural facilities.

When operations are scaled to meet housing demands, the challenges are to strengthen organisational capacity in housing development and management, as well as accessing funding and navigating governmental processes. As described above, delays in getting housing built due to regulatory barriers and funding bottlenecks can be frustrating when an organisation is ready and able to scale up their operations. This includes the high development contributions demanded by some local councils, which increases the cost of building new homes. The plans for housing development of another iwi and hapū organisation have been slow due to the need to rehouse tenants before redevelopment, as well as infrastructure delays. Even without scaling, organisation capacity is essential if the challenge of managing and upgrading existing housing stock is to be met. This existing stock is often in poor condition and for one organisation the upgrading of this stock will involve locating other housing that whānau can move into while repairs and other housing development takes place.

The iwi and hapū housing organisations also described financial constraints as a challenge, including high building costs, escalating land costs and increasing local government development contributions. The limited availability of land and land banking by private entities were also mentioned as part of the escalating land costs, alongside restrictive planning regulations. The financial challenges also included securing sufficient funding to meet the growing demand for housing, even when their landholding makes housing development feasible. Ensuring that funding is available to repair and maintain existing rental housing stock was also challenging.

The other organisations also reported on the difficulties around the financing and development of housing on Whenua Māori. One organisation noted the time and engagement it took to build trust with Māori communities. For a banking informant, it was necessary to find ways of tackling this challenge without alienating the land. A recommendation was for policy advocacy to enable affordable, scalable housing developments on Whenua Māori.

The rising costs of land and housing development were also noted as challenging by the mainstream organisations. Organisations commented on the need to balance affordability with the financial viability and sustainability of their housing models, while also ensuring cultural responsiveness and durability. These challenges also meant that smaller scale housing providers often lacked the capacity to deliver the housing needed in their area, let alone deliver large-scale housing solutions. In addition, these constraints were not helped by interactions with government agencies such as HUD and Kāinga Ora (e.g., delays in getting Income-Related Rent Subsidies approval, or a perceived lack of clarity about eligibility criteria) that slow down project timelines and reduce efficiency. There was also limited philanthropic and government funding for innovative Māori housing solutions.

Financial constraints were also a challenge for these organisations, with large investors deterred by the small scale of many Māori housing projects (i.e., projects not meeting their minimal investment threshold) and there being insufficient government funding for iwi and Māori-led housing solutions. A recommendation was for iwi to pool their resources to facilitate larger developments and attract investors. This could involve scaling up projects through iwi partnerships to reach a size that attracts institutional investors and/or working with multiple community housing providers in a single development. Apart from dedicated iwi and Māori-led housing projects, there was the challenge of mainstream housing developments often having only limited integration of Māori values and therefore lacking in cultural responsiveness.

5.6.5 Future directions

The three iwi and hapū organisations were all committed to scaling their efforts in alignment with the needs and aspirations of whānau. At least one organisation planned to be informed about this from a survey of their members. This alignment also included streamlining services for whānau and the development of data systems so they could track whānau readiness for home ownership.

The iwi and hapū organisations were also interested in expanding and diversifying their pathways to whānau home ownership. This included expanding their housing stock, introducing more shared equity home ownership models and undertaking their own housing developments on their land holdings. They also wanted to more generally reduce whānau costs through use of solar and energy-saving technologies on whānau housing. Finally, these organisations saw benefits in developing mixed-tenure communities/housing developments so they could respond to the diversity of whānau in their care.

The iwi and hapū organisations were wanting to strengthen their partnerships with NGOs and national and local government to optimise their resources and expand their services. They were also looking to advocate more for policy changes to support mixed-income housing developments and incentivise affordable housing.

The mainstream organisations saw value in strengthening their partnerships with Māori so they could implement shared home ownership and social housing models. This was seen as requiring them to prioritise authentic, trust relationships with iwi and flexibility to allow for tailored housing solutions. This reflected an overall commitment by many organisations to community-driven and culturally responsive housing solutions for whānau.

Some organisations were committed to scaling housing projects so they would benefit Māori, including facilitating the transition of small-scale projects into larger, collaborative housing solutions that could potentially benefit hundreds of whānau. There was also a commitment to refining and expanding shared home ownership models, potentially in the regions and/or across the country. Organisations described expanding their affordable rentals alongside their home ownership options, and one organisation also described the expansion of their build-to-rent model, that could indirectly benefit Māori.

At least two organisations described their intention to develop innovative financial models, including social impact investing and equity investing, and exploring peppercorn leases and equity funding to reduce affordability barriers to home ownership for whānau. Organisations also described mixed-tenure Whenua Māori (Māori land) home ownership and affordable rental options, including options for multiply owned Māori land.

5.7 Funding innovations

A total of six philanthropists, community trusts and financiers were included in our sample of interviewees. These included a mix of mainstream financiers, impact investors and financiers and philanthropists.

5.7.1 Mainstream financiers

Mainstream financiers commented their focus has been on funding occupiers into affordable housing solutions as well as providing development finance to operators on a commercial basis. Occupiers of shared equity and land lease models qualify for mortgages which are set at commercial rates. Some financiers have also opened up lending to Whenua Māori without alienating the land, effectively using just the improvements as security for the loan. They also commented that their experience indicated the financial feasibility of affordable rental models (including rent to buy) limits the ability of banks to lend at commercial rates.

Key comments by mainstream financiers included:

- Their preference is for industry standard documentation for the different housing solutions. This can be at odds with providers' legal advisors that tend to prefer their own bespoke legal documentation rather than using industry accepted standards. This causes delays and increases costs;
- They saw some providers' lack of financial acumen, poor governance, limited project management expertise and knowledge around how to put together a funding application as an impediment to growth of the sector;
- Changing housing policy does not help the sector. What's required is long term bipartisan policy changes that support the growth of affordable housing solutions. How else can providers plan and develop sustainable funding models?; and
- There is also a need to improve households' financial literacy as there is a lack of understanding at a basic level in terms of what interest rates are and why banks charge them, how mortgages work and basic skills around what it takes to be an owner occupier. Some providers include skill-based programmes to address these issues.

The key themes flowing from these comments suggests the affordable housing market lacks the maturity of other segments of the housing market with a lack of standardised documentation, some providers' limited skill sets and over reliance on fickle government support.

5.7.2 Specialist and impact financiers and investors

Specialist and impact financiers and investors have been involved in funding a range of solutions including shared equity, market build to rent and discounted build to rent with affordable rentals. Providers have included iwi and hapū organisations with or without government support. They think New Zealand is decades behind the rest of the world in terms of funding affordable housing. Limited on again/off again support and a lack of understanding of affordability pressures reflects poorly on the government sector. Government and officials tend to lack understanding of the differences between affordable and social housing in a New Zealand context. The Government's unwillingness to underwrite social impact investment into the affordable sector, because of the potential moral hazard this creates, limits its ability to attract capital and grow. A key to unlocking local investment is developing a model which provides an underwrite, whether it's from government (local or central) or from third party partners (philanthropists, etc.).

Key comments by specialist and impact financiers included:

- There is growing demand in the affordable rental space for capital. However, projects struggle to achieve the required levels of return to attract social impact capital;
- To attract capital social impact returns need to be over CPI plus 4% which can include developer's profit in the calculation of the total return (IRR) over the life of the investment;
- Stable investments which include provider/government contracts (IRRS) linked to funding (equity and finance up to a combined 90% of total cost) creates an attractive investment opportunity. An affordable rental product that provides a stapled provider contract/funding solution can be used to issue bonds providing investors with risk adjusted returns, liquidity, scale and replicability. An underwrite against any capital loss would reduce the bond risk profile and interest rates required. Underwrite could either be government (unlikely at this stage) or from a third party (maybe philanthropic);
- Organisations partnering together to pool their investment capital to achieve the scale required to make a fund available has potential whether it be iwi and hapū groups, philanthropists or trusts. They can still retain control over which segments of the community are supported;
- Affordable rental models should employ a stewardship element to managing the property to improve community outcomes. This is seen as an important part of the overall package;
- There is a growing need for an affordable rental model for older households. Market build to rent models require rents in excess of what people living on Superannuation can pay. Potentially future models may consider part ownership by the occupier who then pays rent/charge against the capital on the balance; and
- Standardisation of legal documents around both the stapled product and bonds is important to market acceptance.

The key themes flowing from these comments suggests affordable housing developments/investments' returns do not meet impact investors required rates of return, potential may exist for funders/providers to pool their equity together to provide greater scale, and affordable housing solutions are not just about the physical building and should include stewardship services to assist the occupiers as required/appropriate.

5.7.3 Philanthropists and other community organisations

Philanthropists and other community organisations see the opportunity to fund providers to deliver and pilot innovative housing solutions that the market is not providing. It's difficult to attract institutional capital investment even after proof of concept pilots (level of returns, etc.) as residential investment lacks a longer-term track record. Investors are also concerned over a lack of liquidity with funds locked up over a long period of time. The goal is to demonstrate a proof of concept so others can step in and adopt the successful solutions. They consider it important that any solution is community needs driven and that providers work with communities to deliver solutions that meet local need.

For the sector to grow it needs a sustainable source of investment capital which is outside the whims of each successive government's policy evolution. Something like inclusionary zoning could provide some equity investment. Interviewees (philanthropists and other community organisations) have insufficient equity to be a long-term equity funding provider at scale. Scale is an issue as most pilot programmes demonstrate the opportunity going forward but lack the scale to make a significant difference across a local market. Philanthropists don't have enough capital to do it all, however they can fund/partner with organisations to demonstrate solutions do work and deliver benefits. A lack of government support to grow solutions once they have been successfully piloted has limited the sector's growth. Interviewees are of the view that the Government's focus is that the market will ultimately deliver and provide affordable housing, however, past experience suggests the results it delivers are both inadequate in numbers and do not deliver positive social outcomes.

Other key comments by philanthropists and other community investor organisations included:

- Overall, it's difficult to lend to community housing providers due to their weak balance sheets;
- Social impact equity investors are looking for an impact return of CPI plus three to five percentage points;
- There appears to be an increased willingness for a partnership style approach (pooling resources) growing out of the need to provide equity investment capital to community housing providers in the absence of government grants;
- Housing solutions are not just about building new homes. There are significant wellbeing benefits that can be obtained from the social investment in a housing repair/upgrade programme, however the government does not appear willing to consider these benefits when developing funding models;
- Government support is too fickle to build a sustainable business model; and
- Without government support private sector capital is needed. The only way to achieve this is to develop solutions that deliver acceptable risk adjusted returns.

The key themes flowing from these comments suggests affordable housing developers/providers lack sufficient equity and the current suite of affordable solutions offered for low to medium income households provide returns which do not meet investors' required rates of return.

5.8 Summary of interview insights into housing innovations

The industry interviews provided insight into innovations in New Zealand's affordable housing sector. Providers are experiencing unsatisfiable demand for their services. Housing affordability appears to have deteriorated such that significant numbers of low to moderate income working households cannot affordably pay market housing costs (even after receiving government support including the Accommodation Supplement and Working for Family payments). Owner occupation has slipped well beyond their reach even with support programmes such as shared equity and subsidised land lease developments. These households face a limited number of choices: they can remain in place paying ever higher proportions of their incomes in housing costs; relocate to cheaper housing somewhere else within their housing market (if they can find it); they can crowd, grouping more income earners into the same dwelling to share the housings costs; or relocate and try and reestablish themselves in another lower cost housing market/region.

The affordable housing sector is dominated by a large number of small to medium sized organisations struggling to attract sufficient low cost/subsidised equity to be able to cope with the demand for their services. The sector has demonstrated significant innovation in terms of design and solutions offered. The majority have adopted a place based strategy focusing on the needs of their individual communities/housing markets with an emphasis on their targeted subgroups (such as older residents, people/households with disabilities, and specialised Māori focused providers.

These providers have all experienced a range of similar issues including:

- It is difficult to attract capital to sustainably fund developments/affordable housing in part because of the low returns affordable housing projects generate relative to market/social investors' required rates of return;
- Government grants are welcomed when they are available but ebb and flow with the political cycle and cannot be relied on as a source on ongoing investment. Government procurement and funding processes are perceived to be overly bureaucratic and slow to make decisions and release funding;
- Council planning rules and regulations can hinder innovative design impacting on density and ability to provide communal space. This is particularly true for projects focused on providing affordable rent for older adults and people with disabilities; and
- Government support for Iwi and hapū organisations have assisted in providing infrastructure funding enabling development on multiple owned land, facilitated the repair to existing buildings, and provided grants for affordable rental and shared equity. Unfortunately these programmes are no longer available.

A number of organisations have played a significant role in funding the affordable housing sector. These have included philanthropists (key in providing funding to demonstrate how different solutions operate within a housing market), Community Trusts (provided equity and debt funding to providers but have limited funds available to allocate to the housing sector), social investors and financiers (have raised significant funding however are limited due to the low returns generated by affordable housing projects) and government grants, loans and subsidises (which provide opportunities for investment when they are available but have lacked the scale required to have a significant impact on market outcomes).

Financiers also noted that the standardisation of housing solution documentation would assist in reducing costs and time frames associated with funding approval. Their view was the large number of small providers has hindered the sector's growth and there was also a lack of financial and development expertise within the sector.

In summary, the sector has a large range of providers providing housing to households which are increasingly unable to cope with the prices the current market system settings have delivered. The services they have provided have been life changing for those that can access them. Their ability to expand their services has been limited by access to affordable capital required to fund projects due in part to the low yields generated by affordable housing developments and a lack of sustainable government funding.

6. Potential housing solutions

6.1 Introduction

The objective of this section is to investigate the feasibility of different housing solutions as an option to provide low to moderate income households with affordable housing. In the context of this report, low income households are those earning less than 50% of the regional median income while moderate income households earn between 50% and up to 80% of the regional median household income. The goal of the analysis is to test the affordability of the different options for low to moderate income households and provide an indicative estimate of the level of passing net yield (before tax) they would deliver.

A number of potential housing solutions are examined with our targeted subgroups across different development typologies. First, the potential for shared equity as a housing solution for low to moderate income households is examined comparing households' ability to affordably buy a dwelling using a shared equity solution relative to their ability to pay. Affordable rental solutions are examined across a number of different development typologies, including a main centre one to three bedroom 300 unit apartment complex, a main centre 125 unit one and two bedroom apartment complex targeting superannuitants, and a provincial centre one, two and three bedroom duplex/standalone development.

6.2 Shared equity for moderate income households

Shared equity models currently operating in New Zealand usually require the occupying household to purchase a 60% or greater share of the dwelling. Typically, the provider is also the developer and the occupying household buys a new dwelling in the development. Low to moderate income households have struggled to be able to afford to buy new dwellings even with using shared equity models as house prices, residential land values, development and building costs and the price of new dwellings have increased.

Table 6.1 summaries the opportunity for shared equity as a solution for moderate income households in selected locations. The table presents the median household income, the maximum affordable price a household earning the median household income can pay (see assumptions below), the lower quartile and median house sale prices for all dwellings built since 2020 in the area, the affordable house price as a percentage of the lower quartile and median new sale prices, and the affordable house price as a percentage of the lower quartile and median new sale prices assuming 80% of median household income.

Table 6.1: The potential for shared equity for moderate income households[28]

	Median household income (MHI) 2023	Maximum affordable purchase price with 100% of MHI	House sale prices – dwellings built since 2020		Maximum affordable purchase price (100% of MHI) as a % of new house prices		Maximum affordable purchase price (80% of MHI) as a % of new house prices	
			Lower quartile	Median	Lower quartile	Median	Lower quartile	Median
Whangārei District	$81,900	$379,000	$756,000	$898,000	50%	42%	40%	34%
Auckland Region	$116,800	$541,000	$945,000	$1,230,000	57%	44%	46%	35%
Hamilton City	$96,500	$447,000	$700,000	$843,000	64%	53%	51%	42%
Western Bay of Plenty	$88,600	$410,000	$810,000	$850,000	51%	48%	40%	39%
Gisborne District	$81,000	$375,000	$725,000	$870,000	52%	43%	41%	34%
Hastings District	$93,400	$432,000	$783,000	$1,111,000	55%	39%	44%	31%
New Plymouth	$86,400	$400,000	$745,000	$940,000	54%	43%	43%	34%
Palmerston North	$90,600	$419,000	$801,000	$935,000	52%	45%	42%	36%
Horowhenua	$63,700	$295,000	$738,000	$820,000	40%	36%	32%	29%
Porirua City	$124,000	$574,000	$901,000	$958,000	64%	60%	51%	48%
Wellington City[29]	$134,500	$622,000	$670,000	$839,000	93%	74%	74%	59%
Marlborough District	$81,700	$378,000	$826,000	$917,000	46%	41%	37%	33%
Waimakariri District	$91,200	$422,000	$690,000	$750,000	61%	56%	49%	45%
Christchurch City	$90,600	$419,000	$752,000	$870,000	56%	48%	45%	39%
Selwyn District	$122,100	$565,000	$766,000	$835,000	74%	68%	59%	54%

Source: Modelled using data from Census 2023, Headway Systems

The results suggest the shared equity model is potentially unaffordable for moderate income households (earning between 50% and 80% of the regional median household income). Only in Wellington City for households on the median income does a lower quartile new house price nearly match the maximum affordable purchase price at 93%. In nearly all other areas, the calculation results show nearly a 50% or greater deficit of purchasing ability.

[28] These calculations assume a 10% deposit, a maximum of 30% of household income used to service a 25 year mortgage at an interest rate of 6.5% per annum

[29] Wellington City's new house sale prices were skewed by a large number of moderately priced apartments

6.3 Affordable rental for low to moderate income renter households

The objective of this section of the report is to demonstrate the affordability of new developments for low to moderate income households along with the passing yield these would provide if let under an affordable rental model (households paying no more than 30% of their gross household income in rent). The development profiles include a main centre 300 unit one to three bedroom apartment building, a main centre 125 one and two bedroom apartment building targeting retired renter households (65 years and over), and a provincial centre one to three bedroom duplex/standalone development.

6.3.1 Main centre 300 unit apartment complex

The analysis used in this option is based on a 300 unit apartment complex located in a main metropolitan area. The building is a mixture of one, two and three bedroom apartments, with carparking and storage available for rent. The total development cost (excluding developer's margin) is estimated at $170 million including land value of $23 million. The estimated value on completion is $213 million. The annual operating costs including rates are estimated at $1.65 million. Current market rents for the units range from $590 per week for one bedroom units to $825 per week for three bedroom units. The regional median household income is $117,000 per annum. In addition, a land lease option is also presented with a ground rent of 1% per annum paid by the operator.

Table 6.2 presents the affordability outcomes for low to moderate income renters under this option.

Table 6.2: Main centre 300 unit apartment complex affordability outcomes for low to moderate income renters

	Freehold value option	**Land lease option with nominal ground rent (1% pa)**
Estimated value	$213 million	$190 million
Passing yield before tax		
Market rents	4.4%	4.9%
Affordable rents (30% of gross income) for:		
Regional median household income (RMHI)	4.0%	4.4%
Moderate household income (80% RMHI)	3.0%	3.4%
Low household income (50% of RMHI)	1.6%	1.8%

NB: The analysis assumes households pay 30% of their gross household income in rent.

Passing yields generated when the building is occupied by moderate income households paying 30% of their gross annual household income in rent is 4.0% of the freehold value option and 4.4% under the land lease proposal. These yields are lower than those required by impact investors. It is noted that these yields are, however, in-line with New Zealand rental yields for other investors who appear to rely on capital gains rather than just rental yields when making their investment decisions.

If the developer's profit was included in the calculation of the total return from the investment spread over a 12 year time horizon, the total return would increase by approximately four percentage points. Under the moderate income scenario this would provide a total return of approximately 7.0%.

Table 6.3 presents the analysis for a one and two bedroom 125 unit apartment complex (70 one bedroom and 55 two bedroom apartments) built in a main metropolitan area targeting super annuitants. The total value of the complex is estimated at $90 million with an estimated underlying land value of $13.5 million.

Table 6.3: Main centre 125 unit apartment complex affordability outcomes for low to moderate income super annuitant renters

	Freehold value option	**Land lease option with nominal ground rent (1% pa)**
Estimated value	$90 million	$76.5 million
Proportion of household income required to pay market rent		
Super annuitants - single person in one bedroom and couple in two bedroom units paying 30% of their income in rent	83%	83%
Passing yield based on		
Market rents	4.2%	4.7%
Super annuitants – single person in one bedroom, and couple in two bedroom units paying 30% of their income in rent	1.2%	1.4%

If the units were leased at market rents the development would have a passing yield of 4.2% under the freehold scenario and 4.7% under the land lease scenario. However, older (aged 65 years and older) renter households reliant on Superannuation as their sole or main source of income, have insufficient income to affordably pay market rents under this development scenario. On average they would need to spend 83% of their gross annual household income to pay the market rent. If they paid an affordable rent (30% their household income in housing costs) the passing yield generated by the development would fall to between 1.2%, under the freehold option, and 1.4% under the land lease option. These results suggest without significant subsidy (approximately 76% of the value of the completed complex) this option would not be a viable affordable rental solution for retired renter households aged 65 years and over.

6.3.2 Provincial centre one to three bedroom standalone/duplex development.

The dwelling prices used in this option reflect actual sale prices in a small provincial centre on the fringe of a larger urban area. They include $565,000 for a one bedroom duplex, $625,000 for a two bedroom duplex and $795,000 for a three bedroom standalone dwelling. The land value component is estimated at 44% of the completed dwelling sale price. The regional median household income used is $88,600. Annual operating costs for an affordable housing provider are estimated to range from $9,100 for the one bedroom duplex to $10,850 for the three bedroom standalone dwelling. Operating costs include insurance, council rates, maintenance allowance, property management costs and an annual stewardship fee.

Table 6.4 presents the estimated passing yields from these dwellings typologies.

Table 6.4: Estimated returns based on market rents

	One bedroom duplex	Two bedroom duplex	Three bedroom standalone
Dwelling cost	$565,000	$625,000	$795,000
Market rent ($ per week)	$480	$550	$650
Estimated Opex	$9,100	$10,200	$10,850
Annual net passing return – market rents	$15,860	$18,400	$22,950
Net passing yield based on			
Market rents	2.8%	2.9%	2.9%
Affordable rents (30% of gross income) for:			
Regional median household income (RMHI)	3.1%	2.6%	2.0%
Moderate household income (80% RMHI)	2.2%	1.8%	1.3%
Low household income (50% of RMHI)	0.7%	0.5%	0.3%
Couples' Superannuation	0.9%	0.7%	0.4%
Single person's Superannuation	0.1%	-0.1%	-0.2%

To achieve a five percentage point net passing yield the operator would need to charge 145% of the current market rent on the two-bedroom duplex. For this to be affordable the household would require a gross income of $138,000 per annum or 156% above the regional median household income. If a household was earning the regional median household income a capital subsidy of 48% would be required to achieve a five percentage point yield. For households earning 80% of the regional median household income, the subsidy would increase to 65% and to a 90% subsidy for households with incomes of 50% of the regional median household income. Clearly, without a significant subsidy housing providers will struggle to develop financially feasible affordable rental housing solutions.

6.4 Summary

A key barrier to operationalising these housing solutions at scale is their poor financial feasibility. Low to moderate income households have insufficient income to be able to affordably pay the housing costs (rents) required to provide the yields required to attract private sector capital. However, we note, as demonstrated in our industry interviews, some innovative developers/investors have developed models which can provide returns which satisfy their investment criteria (includes the developer's profit as part of the long-term return) although the household incomes required are higher than the moderate household income threshold and considerably higher than the low household income threshold.

Consequently understanding and developing sustainable sources of funding/equity for any proposed affordable housing solution will be a key enabler going forward.

7. Housing systems analysis and potential implications in a housing policy and market context

7.1 Introduction

This section applies a systems-level analysis to examine structural and systemic factors that contribute to poor housing outcomes experienced by the subgroups most impacted. A systems-level approach recognises that housing outcomes are shaped by interconnected policies, economic conditions, social structures, cultural and historical contexts, rather than by isolated factors. It seeks to understand the dynamic relationships between these elements, identifying leverage points for change that can create more sustainable and equitable housing solutions.

A systems analysis is inherently complex and requires choices about the breadth of topics to include, so this section does not attempt to map the whole housing system with all its feedback loops. The topics selected are based on the issues and insights that emerged in the interviews and literature review. The objective is to understand how different housing solutions and models interact with various parts of the housing system. This includes identifying the settings that enable these models, as well as the challenges and barriers that limit their success and/or ability to grow and be sustained. Policy responses and suggested changes to current system settings to enable different housing models are presented.

Improving outcomes for low to moderate income New Zealanders requires both new approaches and support of existing successful initiatives. Prior sections of this report provide insights from international experience and current practice locally. Shared equity and affordable rental developments were modelled to understand the financial feasibility of them as potential solutions.

Analysis of Statistics New Zealand and other data sources has documented poor outcomes for low to moderate income renters. These outcomes are especially pronounced among Māori, older people, younger households and households with disability. This report focusses on these subgroups because of the large number of households impacted, noting there is overlap between the subgroups. By centring the document outcomes of the subgroups, the analysis highlights key insights into how housing policies and market settings can be reoriented to foster better outcomes for them.

7.2 Sociohistorical factors

All societies and governments are shaped by sociohistorical factors. These directly influence the values, norms and institutions of a society. The present-day impact of sociohistorical experiences and decisions clearly emerged for each of the subgroups identified. Although there are common themes for all low to moderate income renter households concerning housing affordability and security, there are distinct differences for older people, households with disabled people and for Māori.

7.2.1 Low to moderate income renters

New Zealand, like Britain and many other countries with a British colonial legacy, has a cultural bias towards home ownership. Recently New Zealand has also developed a narrative of economic success around rising house values. Rental housing is typically viewed as a residual tenure and the basis of economic security for 'mom and pop' investors rather than renters. As a result, there is a lack of effective policies and programmes to support renter households. The quality of rental housing is poorer than owner-occupied housing, rental rights are weak compared to other OECD countries and the main source of income support provided by the Accommodation Supplement is increasingly ineffective in addressing housing unaffordability.

Although many low to moderate income renter households[30] have at least one member in employment, nearly one-third of approximately 386,000 low to moderate income renter households (194,300) are spending more than 30 percent of their gross annual household income on rent (Table 4.2). Moreover, over one-third of these households (84,800) are paying over half of their gross household income on rent. This unaffordability appears to contribute to lower net worth for these renter households compared to owner occupiers.

Interviewees were mindful of growing unaffordability. The subsidy amount needed to ensure affordability for low income households in an environment of high land and building prices, along with rates of return for capital, were frequently cited as supply barriers across tenure offerings. The dominant cultural narrative favours owner occupation, contributing to a lack of policies supporting affordable rental housing. Moreover, alternative approaches to owner occupation including rent to buy, shared equity and leasehold structures are not well known in New Zealand and can be perceived as inferior to freehold tenure or too complicated by households. This lack of familiarity can be a brake on development of affordable housing with alternative tenures.

7.2.2 Older renters and owner occupiers with a mortgage

For older New Zealanders, a fundamental social assumption and practice has been that near-universal owner occupation enables people to reach retirement mortgage free, ensuring lower and more discretionary housing costs in later life, as well as tenure security. This expectation is embedded in policy design, underpinning a range of policies across retirement income policy, housing, social welfare and health, all of which are shaped by the presumption that people will not face significant housing costs in their later years.

[30] Low to moderate income households refers to those with annual gross incomes of less than $100,0000

Declining rates of owner occupation over the past several decades resulting in an increasing number of older households renting has overturned these assumptions. Most renters in older age groups live in private rentals and are therefore exposed to not only rising rents but also tenure insecurity. A total of 83,000 households aged 65+ and 141,000 aged 50-64 were renting in 2021 (Table 4.1). Of those aged 50-64, a total of 90,000 are low to moderate income households and most of them are paying more than 30% of their income for housing. There are also high numbers of owner occupiers reaching retirement age with a mortgage and low net worth, with 71,000 low to moderate income households aged 65+ paying a mortgage (Table 4.3). The median net worth of those on low incomes is only $35,000 and those on moderate incomes is $80,000 (Table 4.5).

When discussing current housing provision, interviewees identified housing stress among the older population as a growing and priority issue. They noted the poor condition of housing stock, dearth of accessibly-designed homes, and lack of smaller homes as barriers to older people accessing affordable and suitable housing. IRRS settings do not enable access to affordable and securer housing for older households as most do not meet eligibility criteria for public housing. Being old doesn't confer eligibility nor priority on the Social Housing Register. Council housing, which traditionally supported older renters, is decreasing and much of the existing stock is old and not designed to meet their needs.

7.2.3 Households with disabled people

Over a quarter of households contain at least one disabled person and just under a third of not owned households have at least one disabled person. The Statistics New Zealand definition of disability encompasses a broad range of disabilities, which have differing impacts on housing needs. There are 162,000 households with disabled people and gross household income of less than $50,000 per annum. Over half of these households do not own their home. Overall, households with at least one disabled person have a 7 percentage point lower rate of owner occupation, at 58%, compared to all other households. Among households with a disabled person, only those who are owner occupiers with a mortgage have a median net worth that is comparable to households without a disability. Renter households, regardless of disability status, have lower net worth than owner occupiers. Renters with a disabled person have even lower net worth than those without. Additionally, Māori households that do not own their home have a significantly higher proportion of disabled people than the total population.

Sector interviews provided insights into the challenges facing households with disabilities, especially for low to moderate income non owners. Providers are focussed on a diverse range of groups with barriers to living independently including people with a learning or intellectual disability, neurodiversity, chronic health conditions, mental illness and physical disability. There are some overlaps in the barriers faced by disabled people and by older people, including the lack of accessibly-designed homes and lack of smaller homes. As disabled persons age, their barriers can be compounded further. However, there are additional barriers specific to disabled people.

The interviews identified the fundamental failure in New Zealand to develop policy and funding settings to comply with the UN Convention on the Rights of Persons with Disabilities. Forty years after the movement to close institutional facilities in favour of community based settings, persons with disabilities still have very limited options for independent living and the housing stock available is often poorly suited to accommodate their needs. Policy settings limit access to mainstream housing supports, such as the IRRS, as they are not considered as having a serious housing need whilst living in a group home, or with parents, even though they may wish to live in a more independent setting.

7.2.4 Māori

The impacts of colonialism continue to negatively impact the well-being of Māori overall, with these impacts being particularly stark in housing. Māori are facing critical housing affordability and tenure issues that jeopardise the ability of whānau to secure stable, affordable homes. Māori home ownership has been in steady decline, exacerbated by increasing housing costs and systemic barriers to mortgage finance. In 1991, approximately half of Māori owned homes; by 2024, this figure had dropped to below 30%. This decline is linked to rising property prices, wage stagnation and a lack of inter-generational wealth transfer that disadvantages Māori compared to Pākehā households.

For renters, the situation is equally dire. Māori whānau are over-represented in low to moderate income households living in dwellings they do not own. Well over a third (38%) of Māori renters earning less than $50,000 per year spend more than half their income on housing costs, leaving little for essentials like food, healthcare, and education. This financial strain forces many Māori whānau into overcrowded or substandard rental properties, further exacerbating socio-economic disparities. These impacts are intensified for households with one or more tangata whaikaha Māori (disabled person) and/or for households led by older Māori (see below).

Māori make up nearly a third of the households in the 50-64 years age group earning less than $50,000, or between $50,000 and $99,000 and living in not owned housing (Table 4.11). This contrasts with Māori being 21 percent of the 65 years and over age group in both household income categories. This disparity reflects a generational shift in Māori home ownership rates and financial security, with the 50-64 years age group facing increasing barriers to home ownership and housing stability compared to older generations. The 65 years and over age group had greater access to home ownership due to historically lower house prices, more accessible mortgage finance, and relatively stable employment conditions. In contrast, home ownership rates for Māori in the 50 to 64 years age group have declined steadily due to rising housing costs, stagnant wages, and systemic barriers to mortgage accessibility. Compared to Pākehā households, Māori are also less likely to benefit from inter-generational wealth transfers, which could help with home deposits or mortgage security. As a result, many Māori in the 50 to 64 age bracket have not had a ‘bank of mum and dad’ to help them enter the housing market. The higher proportion of Māori aged 50 to 64 years in not owned housing raises concerns about housing security as they approach retirement. Without secure affordable housing, this cohort is at risk of housing stress, financial insecurity and potential homelessness in later life.

Building housing on Māori multiply-owned land often involves legal, structural, and financial challenges. Apart from obtaining whānau/shareholder approval for development, whānau may also have to navigate legal systems. This may include engagement with the Māori Land Court to secure occupation orders or long-term leases and meeting Resource Management Act requirements. The lack of infrastructure such as roads, water, and power on many Māori land blocks adds to development costs. Increased funding for infrastructure in the Ministry of Housing and Urban Development's (HUD) Housing Acceleration Fund may support more housing development. Kāinga Whenua loans and increased bank openness to providing mortgage funding may support more housing construction. The Regional Infrastructure Fund may also support more business ventures on Māori land.

Our focus on low to moderate income households means that we do not address Māori homelessness and whānau who are stuck in endless cycles of transitional and emergency housing (or being lost to government systems when they are forced out of this housing). The Waitangi Tribunal WAI 2750 Housing Policy and Services Inquiry claim focusses on alleged Crown failures in Māori housing policy generally and homelessness as a priority in the first stage. The Inquiry website has detailed reports as well as the statements made in support of the claim.

7.3 Institutional Factors

The influence of the sociohistorical factors are evident in the institutional settings and policies driving housing outcomes. The settings and policies most directly contributing to poor outcomes for low to moderate income households are the approach to housing funding, planning and building laws and regulations, and affordable housing provision.

7.3.1 Housing Funding

At the household level, low incomes combine with other factors to make accessing affordable homes with secure tenures difficult. Providers of affordable rental housing noted low wages and the often insecure nature of employment related to variable work hours and seasonal work. However, their wages are too high to qualify for income-related rents in social housing, which would ensure they pay no more than 25% of their income toward rent. Accommodation Supplement settings are designed to only partially address affordability rather than ensure it. Addressing labour market settings is beyond the scope of this report, but the fact that rents and house prices have risen much faster than incomes directly impacts on affordability outcomes for households.

Over the last two decades funding support to enable providers to deliver new affordable supply has been sporadic, with government programmes such as the Social Housing Fund, Progressive Home Ownership Fund, Affordable Housing Fund and Whai Kāinga Whai Oranga (supporting Māori housing development) typically lasting only 2-3 years. The scale of investment required has not matched the growing need for affordable homes. Attracting private capital is an option to help, but New Zealand faces challenges consistent with those identified by Benedict *et al*.(2022) including the lack of policy and funding certainty, depth of subsidy required from government, and low returns on offer.

A pattern of wide swings in priorities upon changes of government are evident. Several organisations interviewed identified inconsistent and short-term central government policy and funding support as a barrier to developing new housing solutions and to continue with existing successful solutions. As demonstrated in Section 6.3, a subsidy is required to deliver affordable homes. Most affordable housing providers lack sufficient capital which limits their ability to plan and build with certainty in an environment of uncertain central government support. Often government support, while only part-funding a development, is essential to ensure other funders are engaged. Philanthropic sources have sometimes filled the gap, but their priorities extend beyond housing and also change over time. Commercial lenders such as banks support affordable housing construction but only within their prudential lending practices.

Given these funding dynamics, providers are responding creatively and working with local philanthropy, councils, building trades and suppliers to lower their costs. However, these are not usually scalable actions capable of addressing the quantum of need for the identified subgroups. While there is also growing interest from socially motivated investors, the interviews indicated even these required rates of return higher than the yields available based on affordable rents. Yields modelled in this report are lower than investor requirements and lower than term deposit rates which carry very low risk.

The uncertain funding environment and lack of capital also impedes innovation. Providers noted that trying something new – different housing typologies, materials or features meeting needs of the subgroups – was difficult. Trying new approaches can be met with industry inertia and concerns by funders, who prefer going with tried and true traditional homes. This is reinforced by the local council consenting rules and regulations, which may not be accommodating of different approaches, described below. Providers developing for persons with disabilities particularly noted the latter as a barrier.

7.3.2 Planning and Building

Although successive governments have acknowledged the need to reform consenting and building processes, only limited, short-term actions have been taken to date. For example, the Housing Accords and Special Housing Areas Act 2013 enabled a streamlined process through negotiated agreements with local authorities for only a fixed period of time. The Medium Density Residential Standards 2022 required all larger local authorities to permit greater intensification by right. Whilst this started with multi-party support, the new Government in 2024 announced these requirements would become optional if other conditions were satisfied. Resource Management Act legislation introduced by the prior Government was also quickly repealed. Until new legislation is introduced and adopted, it remains unclear as to whether the barriers identified by the development and building sectors generally, and affordable housing providers interviewed, will be addressed.

At the local government level council planning policies and rules exert an impact on the density and style of developments, thus affecting the financial viability of some developments. Brownfields re-developments for intensification, for example on traditionally larger sections with established detached homes, can be challenging. Private covenants placed by developers on land for new housing reinforce preferences for larger detached housing and sometimes prohibit community housing providers from offering affordable and smaller homes for low income households. The use of covenants is enabled in legislation and they are difficult to remove once imposed. Previous research indicates an increase in the use of restrictive covenants in high growth areas (Frederickson and Saville-Smith, 2018).

Borrowing limits constrain high growth area councils from delivery of required infrastructure and concerns about rates increases have resulted in maintenance and capacity issues of existing infrastructure. Tools for local authorities to deliver necessary infrastructure for new housing development have also been slow to be introduced. In 2021 the Labour Government released details of proposed reforms for the delivery of stormwater, drinking water and wastewater (Three Waters). They proposed to consolidate management of these services provided by local councils into larger regional entities. Legislation was later introduced but then repealed by the incoming government after the 2023 election. New tools have been discussed but the details of how they would function and enabling legislation has not been introduced.

7.3.3 Affordable Housing Provision

For decades housing need has been viewed as limited to only those on the lowest incomes supported by direct State provision. The Housing Register maintained by the Ministry of Social Development is used as the proxy for need. This narrow focus has resulted in significant gaps in housing policy relating to the intermediate housing market – those low to moderate income households that are not eligible for social housing nor can they afford market rents or to purchase a home. The Accommodation Supplement was created to support these households, but it was designed to only cover a portion of the affordability gap. Over time the gap has grown ever wider and the supplement is no longer adequately meeting needs as shown by housing outcomes in Section 4.8.

With some exceptions, housing providers are mainly small organisations with few operating at scale, although they operate at appropriate scale for their communities and organisational sustainability. They lack equity to acquire and hold land for extended periods to align with government funding cycles, exposing them to risk when programmes are abruptly ended or priority areas change. This means they cannot take advantage of real estate cycles and acquire properties during a market downturn. Their size also makes them less attractive to mainstream lenders who fear reputational risk in event of default. Limited equity limits the types of tenures offered, such as shared equity and rent to buy schemes.

Providers and others interviewed noted the difficulty of delivering a multi-tenure development with HUD funding. To meet community needs and better integrate into neighbourhoods, many providers want to deliver social housing (receiving the Income Related Rent subsidy) along with affordable rental and ownership tenures. Current processes require separate applications to separate teams. This is difficult to navigate and providers indicated the result was normally a single tenure project of social housing funded through the IRRS, sometimes creating community concerns and ‘not in my backyard’ reactions.

Recent changes in Crown funding support for owner occupation are a barrier to assisting low to moderate income households. First Home Grants commonly used for a deposit were eliminated abruptly in 2024. The net worth data for lower income renters clearly shows the importance for such a programme to enable the transition from renting into ownership. KiwiSaver withdrawals are potentially available, but lower income households opt out of KiwiSaver at much higher rates than households earning over $100,000 per year, accounting for 86.7% of all opt outs[31]. The Progressive Home Ownership programme providing repayable 0% finance for 15 years to providers offering shared equity and rent to buy schemes was also ended in 2024. The efficacy of First Home Loans which enable borrowing up to 95% of a home's value is muted for lower income households as their ability to service that much debt is constrained. Kāinga Whenua loans to support whānau Māori into owner occupation on multiply-owned land are also an option. However, their effectiveness has also been limited and uptake low. Without supports such as the First Home Grants and Progressive Home Ownership favourable finance, there are fewer pathways into owner occupation available.

Providers working to deliver owner occupation are constrained by Charities settings resulting from the High Court's interpretation in *Queenstown Lakes Community Housing Trust* [2011] 3 NZLR 502 (HC). The decision found that the Trust's purpose was to "provide housing to selected householders", ignoring the wider public benefit the Trust was established to achieve. This provision of private benefit was found to not be charitable and the Trust was deregistered. Charities Services has subsequently provided guidance on income levels served. As many providers receive philanthropic funds to support their programmes and do not wish to lose their charitable status, they are constrained by the Court ruling. The consultation document on taxation of Charities released by IRD in February 2025 raises further concerns about delivering mixed-income communities or selling properties at market rates to cross-subsidise affordable homes for low income households.

A general lack of knowledge about alternative tenures such as shared equity and rent to buy programmes across the housing system limits their uptake. Financiers are clear that standardisation of documents and programmes is needed. They cite the low volumes along with the high costs of reviewing these models (for legal, financial and reputational risks) as drivers for standardisation. Providers support standardisation for similar reasons and also to increase trust and awareness of the models. They noted that households and their advisors are often unfamiliar with the models and therefore hesitant to participate. Combined with the lack of standardised documents at the industry and provider level, there are limited opportunities to access independent advice and providers need to offer education programmes in addition to housing.

31 https://www.ird.govt.nz/about-us/tax-statistics/kiwisaver/joining/member-demographics/number-of-kiwisaver-members-by-income

Another key challenge has been the decline of council 'pensioner' housing stock. Historically local government has provided housing specifically for primarily older low income households with no or very low assets who are unable to afford market rents. This was a partnership between previous governments and councils established in the 1960s, in which governments provided low interest loans for council housing until 1991 (McKinlay Douglas, 2004). Since the 1990s that stock has declined significantly as councils have sought to sell it off to the state housing provider or to registered CHPs. In a few cases, councils have disposed of the stock to private developers. Often there is no expectation that, once sold, that stock or land will be provided for older people's affordable housing in the future. Few councils are investing in new housing for older people, while many consider the maintenance or redevelopment of their existing stock a drain on ratepayers, and thus a questionable asset to retain in council ownership.

A successful housing solution overseas is housing cooperatives, however New Zealand does not have legislation codifying housing cooperatives. There are only a handful of local examples which have overlaid cooperative principles onto a traditional Unit Title development to meet legal and financial requirements. Cooperatives are successful in many European countries at providing a greater degree of resident control and security of tenure, in some cases achieving ownership like outcomes. In recent decades, some of these countries have loosened regulations resulting in price increases and fewer new affordable homes available for low to moderate income households. New Zealand would need to enact legislation to enable housing cooperatives and ensure they retain affordability.

8. Housing Solutions for low to moderate income households

8.1 Introduction

The analysis of the housing outcomes, international research and interviews underscore the critical need for immediate action to improve housing outcomes for low to moderate income households, and in particular the subgroups focused on in this research. The system barriers and constraints identified above reflect multiple issues and challenges; there is no one quick fix for increasing affordable, secure housing stock that meets household needs. If New Zealand wishes to remain a home ownership based democratic society, and establish an affordable and responsive rental market, hard choices must be made to prioritise actions that will provide the greatest impact for the largest number of households, whilst not marginalising groups with specific needs.

Across the diverse groups representing 194,100 low to moderate income households paying over 30 percent of their gross annual income in rent, there is a common need for affordable, secure tenure and appropriate housing. Current settings do not address these common needs. Affordable long term rental housing is required (e.g., affordable rentals, co-housing etc.) From this starting point there are specific housing needs that are better met by tailored housing solutions (e.g. for persons with disabilities who require supports in addition to housing). Therefore, a mix of providers and flexibility to utilise what is the best fit for each subgroup are required.

As poor outcomes are evident across all regions, the solutions need to work across both urban and non-urban centres. Over half of older low to moderate income households are residing in the Rest of the North Island and Rest of the South Island outside of the main urban centres (Table 4.19). This means that whilst some areas may accommodate larger developments, small developments will be required in others. This will present both challenges and opportunities to traditional ways of funding and delivering housing to low to moderate income households, as described below.

8.2 Key Enablers

The research, along with the organisations interviewed, all point to the same model to deliver better outcomes – building new affordable long term secure rentals with rents based on household incomes rather than as discounts to market. Three key requirements to achieve this solution, informed by international evidence, are capital investment, an enabling planning system and supportive policies.

8.2.1 Capital Investment

The evidence internationally and in New Zealand is clear that consistent, long-term funding and finance settings are required to provide affordable rental homes. The demand side Accommodation Supplement to households is ineffective due to its policy settings and decades of rent and price increases outstripping incomes. Providers are successfully delivering affordable models including long term rental homes and owner occupation tenures. However, there is no consistent supply side funding to support providers with the debt and equity they need. The yield gap must be filled and subsidy is required. A set of tools for sustained investment needs to be committed to for at least a decade. Based on the evidence, these tools should include government backed bonds and/or loan guarantees along with equity/grants and funding for affordable homes. These should be directed into long term, retained rental homes with rents set at income-based affordability levels, as shown in Table 5.2. Without funding and finance to provide new supply, additional responses will only provide marginal benefits, slowing down the rate of decline rather than reversing course.

The research of Benedict *et al*.(2022) provides evidence of effective approaches to attract private investment. Figure 3.2 shows the most effective approaches include government backed bonds and loan guarantees. Purpose built private developments, partnerships, tax concessions and inclusionary housing are also successful overseas. All these approaches are most effective when channelled through regulated housing providers that are required to meet performance standards, rather than into private equity or corporate landlords. The use of government bonds and guarantees, partnerships and inclusionary housing approaches were identified in the interviews and are suggested as priorities to pursue.

The evidence from the UK and also the recent example of the Housing Australia Futures Fund shows the benefits of government bonds and loan guarantees. Supporting local efforts like the Community Housing Funding Agency, which recently announced a philanthropic sponsor is providing a private guarantee for social housing bonds, would further reduce costs to government. It could also expand the ability to support affordable homes not financed with a long-term government rent subsidy contract, reaching the low to moderate income households identified in this report. As there are existing affordable rental and home ownership models already active in New Zealand, implementation could be achieved quickly.

There is a related need to support innovation that identifies and can successfully scale up solutions. Philanthropic investment was identified in the interviews and literature review as a key contributor to innovation. As society and housing markets evolve and change over time, it is important to adjust to trends. Philanthropists are willing to take on the risk of developing these models, but once proven feel government needs to step in to support them to scale up.

Build to rent (BTR) is increasingly looked to as a response to increase the supply of good quality rental homes in New Zealand. build to rent is a model common in the US, UK and recently in Australia. It is typically characterised by large scale, purpose built, professionally managed apartment buildings with a long-term yield based return to investors. The prior and current Government have supported changes to legislation to remove barriers to its adoption, mainly regarding Overseas Investment Act language that made it difficult to attract the scale of investment required. There are recent New Zealand examples and more are proposed.

Community housing providers have traditionally delivered a build to rent model, but not at the scale and with the financial drivers associated with build to rent. They share the long-term perspective of building a purpose built, durable asset that will provide quality housing for decades. With a common focus on professional tenancy and property management there are opportunities to work together if policy and financial settings can be established to deliver a portion of build to rent homes affordable to low to moderate income households. The Homes Victoria (2021) approach of providing a 40 year ground lease to a not-for-profit to redevelop old public housing to deliver a mix of social, affordable and private rental units is an example of how this can work. In addition to affordability, accessible units are also provided.

The ability for build to rent to deliver for low to moderate income households can be limited by the financial returns required. Benedict *et al*.(2022) notes that in the US the Low Income Housing Tax Credit programme provides the subsidy to incorporate affordable rentals. Tax concessions have been effective in the United States, but are not likely to be workable in the New Zealand context which is based on a simple and broad base taxation approach. Implementing a tax concession would involve significant changes and a lengthy period to adopt.

In the interviews and review of the build to rent model internationally, it is clear that additional supports are required to provide rents at the levels identified in Table 5.2. In the UK and parts of the US, mandatory inclusionary housing planning requirements deliver affordable and appropriate homes. If inclusionary housing is enabled, it would ensure a proportion of any new build to rent development would be affordable. Given their scale, these build to rent developments would be able to more easily integrate designs suited to older adults and disabled persons than traditional rental properties as features such as lifts facilitating access are common.

Additional revenue sources are needed to address the scale of subsidy required. Items which could have a short term impact include long term local and central government land leases for providing income based rents. Incentives for complying developments such as direct investment grants could effectively ‘buy down’ rents to a set target as a percentage of the Regional Median Household Income. Various other incentives not commonly used in New Zealand could also include favourable tax treatment (e.g. accelerated depreciation) or rates incentives.

Tax related revenue sources used overseas include capital gains taxes, land taxes and a stamp duty paid by sellers. Recently some councils have discussed targeted rates and land taxes. Stamp duties are used by Australian States and Territories. Some OECD countries including Australia, Canada and the US all have a form of capital gains. These typically exclude the household’s primary residence to enable life transitions for older households and inheritance of the asset. It may also dampen one of the drivers for housing investment as compared to other asset classes in New Zealand.

While the introduction of new taxes is never popular they can be effective at ensuring an on-going funding stream for affordable housing which is essential to providing certainty to housing providers and investors. All the subgroups will benefit from a shift from mainly demand-side to supply-side levers to increase affordable housing stock. Data from interviews and reports highlight that the dominant demand-side subsidy, the Accommodation Supplement, is insufficient to cover rising housing costs. Increasing the low yields resulting from affordable rents requires new revenue streams to establish sustainable funding streams, such as low-interest loans and suspensory loans, linked to the production of affordable housing. Providers struggle to secure land, so developing loans for acquisition and construction funding is needed alongside longer term debt.

8.2.2 Resource Management System

To maximise the impact of new capital investment, the Resource Management and infrastructure funding and finance settings must be reformed. An enabling planning framework based on housing market areas needs to be adopted. It should deliver consistency across the country, improve the certainty and pace of consenting, enable redevelopment and intensification, incentivise affordability and prohibit private covenants which impose conditions restricting typologies and tenures delivering affordable homes. Current requirements at the national and local government levels to enable redevelopment and intensification within existing communities should be continued.

To ensure land is ready for development, new infrastructure funding and financing tools are required to support greenfield and brownfield development. Value capture mechanisms, including inclusionary housing programmes, should be enabled to deliver both infrastructure and affordable homes. These programmes can deliver targeted tenures and typologies to meet the specific needs of the subgroups. Value capture mechanisms could follow the *Affordable Housing: Enabling Territorial Authorities Act 2008* process. There should be a consistent national framework, with local data and needs driving the types of homes and tenures delivered.

To ensure planning reforms result in higher levels of supply, it will be important to address other constraints. Land banking behaviours can be mitigated by enabling local authorities to apply targeted rates on build-ready land. Applying these to consented land with infrastructure in place can incentivise building rather than holding in hopes of higher future prices. A similar result can be achieved by adopting infrastructure bonds to directly link sections to costs. Another approach to incentivise development is to charge rates on land value only, rather than to the home or improvements value. These options can ensure that the public investment in infrastructure provision is quickly utilised. It is also important to constrain the ability of developers to utilise private covenants which unduly restrict tenures and typologies. Resolving these constraints should result in lower overall financial support required to deliver affordable homes as greater certainty drives down risk and timeframes from consents to construction.

For both older people and households with disabilities, there is a common need for universal designs that are generally not delivered by the market. Over a quarter of all households contain at least one disabled person, yet a very limited number of homes are designed for accessibility over the life course. To date voluntary approaches have not delivered the necessary quantum of accessible homes and related neighbourhood infrastructure. New requirements could be enacted requiring a proportion of all new homes to be meet accessibility and adaptability standards. These requirements should apply to all homes which receive direct governmental investment or other incentives, such as preferential tax treatment. This will reduce the need for and cost of future modifications and ensure more homes meet the needs of residents and guests.

8.2.3 Policy Settings

Whilst increasing supply may ease the rate of price rises, additional measures are needed to ensure affordability for low to moderate income households. Scaling up solutions will require enabling legislative frameworks that facilitate innovative housing solutions to address the needs of the intermediate housing market, such as shared equity, co-housing, cooperatives and affordable rental models. Interviewees noted legal and financial barriers make it difficult to implement alternative housing models. Tenancy Services currently provides agreements and forms for renters and landlords which are widely accepted and used. Extending this practice to additional models would promote acceptance and ensure appropriate safeguards for all parties and that legal requirements are met.

Central government oversight is required to ensure council consenting processes, rules and regulations deliver new housing, including affordable and accessible homes. local government performance should be monitored and supported with data to improve forecasting and tools to restrict land banking.

To ensure that not-for-profit housing providers maximise the impact of new funding streams, the Reserve Bank should review their categorisation as investors for risk weighting when banks provide loans. Interviewees noted that this often leads to lending rates that do not reflect actual risk and are higher than standard commercial rates. Updating these settings will better enable providers to deliver more homes affordable to low to moderate income households.

Central government funding for new developments should encourage and enable various types of delivery partnerships, mitigating the often small organisational size and financial resources of individual housing providers. To date, only limited examples of alternative structures such as limited partnerships and special purpose vehicles have been utilised. Combining development expertise from larger providers with local knowledge and existing connections to households that local organisations have can deliver better outcomes if the institutional and industry settings are favourable. A streamlined application process for the delivery of multi-tenure projects is also needed. This would address the barriers identified by providers to meeting a range of identified housing needs rather than a single slice of households.

Standardising operating models and related documents is required to attract debt and equity partners and also increase industry and household understanding of models such as shared equity and leasehold owner occupation. This standardisation should be extended into the efficient design of accessible homes to drive down build costs and make it easier for general adoption. Consistent universal design standards already exist and could be widely used. Interviews identified examples of standardisation as providers delivering owner occupation tenures shared documents accepted by lenders for leasehold and shared equity programmes. This reduces a financial and technical barrier to setting up these models for providers and contributes toward the standardisation of documents.

Alongside planning and infrastructure actions, a population strategy which can smooth the flow of immigration to better match infrastructure and housing to demand is suggested. Organisations interviewed noted the impact of population growth on housing affordability. The wide swings in net immigration flow through quickly to the housing market, with Auckland experiencing the largest impact of these changes.

Housing cooperatives are another model of purpose built housing that can support low to moderate income households. New Zealand would need to enact new legislation to encourage this tenure. Additional supports to promote cooperatives include development of standardised agreements and education for potential residents and the broader housing industry are also needed. As a relatively new tenure, it would take time to scale up delivery and similar constraints on equity facing other providers must be addressed. This would likely take longer than the models discussed above to address the immediate needs of low to moderate income households. The benefits it could provide are greater levels of resident control and on-going affordability if that is structured into the legislation and funding tools.

8.3 Improving Household Agency

Although the major gaps are supply side ones, interview responses indicate that many low to moderate income households lack the financial knowledge needed to navigate the housing market. Expanding existing budgeting and first-time homebuyer education programmes to assist households in navigating the housing market would help them to access affordable housing opportunities they may not be familiar with. The net worth data of not owned households shows limited resilience to a financial shock. Beyond budgeting and financial education, there are opportunities to scale up debt consolidation programmes which can reduce financial stress and stabilise household budgets.

Combining education programmes with standardised financial and legal documentation can facilitate models such as shared ownership and leasehold structures. Providing education and support to increase understanding of cooperatives, leasehold and other models can empower these households to make informed decisions. Providers who undertook this type of approach in their local communities found that over time awareness was built and household interest increased (White *et al*., 2017).

To meet the unique needs of the subgroups, providers could involve these end-users in the design and planning of housing developments to ensure they are fit for purpose. Engaging with the communities that will live in the housing developments can ensure that their specific needs and preferences are met, leading to more successful and sustainable projects.

Improved institutional settings will take time to be developed, implemented and then deliver better results. In the interim, it is important to continue targeted financial support for low to moderate income households, including a review of Accommodation Supplement settings to ensure they are more effective in delivering affordability. Despite the limitations of the current Accommodation Supplement, which only covers a portion of the affordability gap, enhancing its settings can provide immediate relief to struggling households while new solutions are implemented.

Consideration should also be given to developing ownership pathways. As described above, some groups have modest savings available, but there are few financial supports available to assist in transitioning from renting to owner occupation, and in the case of older mortgagees in financial stress, helping them to retain owner-occupation. Interviews with providers of these pathways described the need for household stewardship to prepare households for ownership. The education supports described above will provide a solid foundation to build upon.

8.3.1 Tailored responses for older people

The major constraints identified in adequately housing older people are affordability and accessibility. From a long-term perspective, the need is growing as populations age. As discussed above, affordability and accessibility could be incentivised or required in new build to rent developments and managed by specialised community housing organisations.

Older households with a mortgage can be assisted to remain in their homes by establishing shared equity programmes tailored to their circumstances. These could reduce or eliminate their mortgage payments and potentially free up funds to maintain and upgrade their homes as necessary for basic habitability and accessibility. The investment in these homes could be repayable only upon sale or the death of the owner occupants with full repayment of the cost required. This would also require patient capital, but could be self-sustaining over time. It would promote aging in place and maintaining existing social connections for households able to live independently in a home meeting their needs.

A case study describing an innovative model utilised in South Korea is included in Appendix 5. The model addresses social isolation amongst older women in rural areas. In New Zealand, Abbeyfield is a model which addresses affordability and social isolation among older people.

8.3.2 Tailored responses for Māori

Fundamentally, the framework for responding to the housing needs of Māori already exist: Te Tiriti o Waitangi; MAIHI Ka Ora – the National Māori Housing Strategy; and the Māori and Iwi Housing Innovation (MAIHI) framework. What is now required is follow through on the Crown's commitments, strategy and framework.

The poor housing outcomes and barriers identified in this report did not surface anything new. The need to support housing development on Māori multiply-owned land by addressing legal, structural, and financial challenges, and providing infrastructure funding is well known. Interviewees and numerous prior studies and reports noted the complexities of developing housing on Māori land. In addition, programmes to support pre-settlement and urban Māori are required.

The Whai Kāinga Whai Oranga programme is a successful example of providing a tailored response integrating funding across housing tenures and infrastructure. Unlike other funding, a single application to a single funder (Te Tūāpapa Kura Kāinga/Ministry of Housing and Urban Development) provides streamlined and flexible funding. This programme should be extended and funding increased. Additional changes to the settings and approach need to be developed in partnership with Māori.

Other participants in the housing industry need to also engage with Māori to understand and support their local responses. There is no single formula to follow. Rather an approach based on respect and relationships will lead to the proper outcome for a given need and place. At times this will require others to step back or provide support instead of leading themselves. It will require a sharing of knowledge and resources for the greater outcomes rather than organisational goals.

The international literature review and interviews provide examples which can inform new ways of working. An example from the United States demonstrates how working together a programme meeting the needs of Tribal lenders and Native American families can be designed. This is included in Appendix 6.

8.3.3 Tailored responses for households with disabilities

In addition to the overarching need to increase the supply of affordable homes, households with disabilities require more accessible housing. With only between 1-2% of New Zealand's housing stock accessible (Farha, 2021) the choices available are extremely limited, no matter the income level of the household. Housing providers called for mandatory accessibility requirements to ensure homes are accessible to persons of all abilities. All housing receiving Government subsidy support should incorporate Universal Design to ensure the inhabitants and guests are able to access and enjoy the home. In addition, incentives should be offered to encourage private homes to be accessible. Thames-Coromandel District Council, Hauraki District Council and Hamilton City Council already offer some limited incentives and others should be encouraged to follow their lead. Councils should also ensure that their urban planning decisions also enable full participation in public spaces.

The funding settings for modifications from the Ministry of Health and the Accident Compensation Corporation should be aligned. Equitable outcomes should be available for all households with disabilities, no matter the cause. For rental housing, the requirements in the Residential Tenancies Act to return any modifications to prior state should be removed for accessibility changes. This would ensure that funding spent in rental homes results in permanent accessibility for future occupants, slowly increasing the amount of accessible homes over time. It would also reduce the amount of money spent by government agencies, housing providers and tenants receiving in home support services, and mitigate against premature admission to aged residential care.

For persons with disabilities requiring on-going support, housing providers called for major policy changes. They noted there is a limited ability for people to live in a setting of their choice in the community whilst still receiving supports. Providers serving people with learning and intellectual disabilities noted the lack of options for independent living. For many, living with parents (many of whom are ageing and will be unable to care for their adult children in future), or in group home settings with other unrelated people they did not choose to live with, is not their preference. More options need to be developed to enable a range of choice, rather than a service driven group home model based on lowest cost, or reliance on parental provision. Working with persons with disabilities to design and implement such as model is urgently required to meet New Zealand's obligations under the UN Convention on the Rights of Persons with Disabilities.

8.4 Summary

This section of the report has provided a housing systems analysis of the factors identified to be contributing to the housing outcomes of low to moderate income households. The data analysis identified the overall outcomes for these households along with the subgroups experiencing the poorest outcomes: renter households generally; older renters and owner occupiers with mortgages; Māori; and households with disabilities. Altogether, 194,000 low to moderate income not owned households are paying over 30% of their income towards housing costs, with 84,000 of these paying over 50%.

The growing number of low to moderate income households unable to affordably pay their housing costs reflects a structural imbalance in the housing system. The amount these households can afford to pay is significantly lower than the returns required to build affordable housing developments. The shortfall in returns limits the flow of impact investor and private sector capital to affordable housing providers. Over time this has resulted in the poor housing outcomes for low to moderate income households which include large numbers of our essential workers. They face limited choices: pay large proportions of their incomes in housing costs; crowd multiple income earners into the same dwelling reducing the ratio of housing costs to income; shift to lower cost housing in the same market if available; or shift to a lower cost housing market and hopefully find employment within the associated labour market.

The key area of government support for these households has been the Accommodation Supplement. However this support, although costing over $2 billion dollars per annum, has proved ineffective at reducing the poor outcomes experienced by low to moderate income households. The cost of the programme would need to more than double if the desire was to improve affordability outcomes for low to moderate income renter households (Saville-Smith and Mitchell, 2020).

Any policy responses attempting to improve affordability outcomes for low to moderate income households require a commitment to affordability outcomes for households based on the proportion of income paid in housing costs (their ability to pay) rather than on a proportion of market rent. In this approach, housing costs would not exceed 30% of gross annual household income rather than rents set at 80% of the market median.

The relative movements in low to moderate household incomes, housing costs and prices over the last two decades has resulted in affordable owner occupation increasingly out of reach, even with models such as shared equity and a pepper corn land lease. Without sustainable low-cost capital and funding tools any potential solutions will remain niche rather than at-scale solutions required to meet the clearly documented needs.

Responses to provide homes affordable to low to moderate income households should address:

- Access to affordable capital and finance;
- Resource Management reform focused on enabling development capacity within housing markets;
- Local government processes, planning rules and regulations;
- Government Legal settings; and
- Broader Government settings.

Improving access to affordable capital and finance

To address the low yields from affordable housing, attract private investment and grow sources of capital the following actions are recommended:

- Enable mandatory inclusionary housing requirements and other value capture mechanisms to create a capital fund which can be used to subsidise affordable housing developments within the same housing market;
- Subsidise/use incentives to encourage build to rent developers to include a portion of the units dedicated for affordable rents. For example, revenue from inclusionary housing contributions could be used to subsidise units within a build to rent development providing affordable rental units;
- Establish an affordable housing debt/bond facility backed by a government guarantee to provide affordable housing developers lower cost finance;
- Provide additional funding tools including capital grants to support affordable housing solutions like shared equity and affordable rental programmes. These could be funded by new revenue sources to complement new funding tools including new tax revenues such as a stamp duty, land tax and/or capital gains tax;
- Provide additional funding for the Whai Kāinga Whai Oranga programme providing a tailored response integrating funding across housing tenures and infrastructure for Māori; and
- Adjust the Reserve Bank's categorisation of community housing providers as investors and associated risk weighting requirements to lower their cost of bank lending.

Resource Management reform

To increase the efficiency and effectiveness of the Resource Management system to deliver affordable and accessible homes the following actions are recommended:

- Build on existing policy initiatives seeking to reform planning rules and regulations limiting development capacity, particularly within our key growth centres, and ensure development capacity is enabled by investing in infrastructure to support growth;
- Implement an enabling planning framework which incentives affordable housing, provides consistency across the country, improves the certainty and pace of consenting and enables redevelopment and intensification;
- Address land banking behaviours by utilising a combination of targeted rates on build-ready land, using infrastructure bonds directly linked to the serviced sections, and charging rates on land value only;
- Constrain the use of private covenants which unduly restrict tenures and typologies; and
- Improve the availability and timeliness of data to identify growing diversity and changing housing demand and needs; for example, tenure change, changes in family and household composition, ageing population, prevalence of housing stress in different geographic locations, demographics and segments.

Local government processes, planning rules and regulation

To ensure local authorities contribute to the delivery of affordable homes for low to moderate income households the following actions are recommended:

- Continue to build on existing initiatives/reforms and develop new funding and financing tools to ensure timely delivery of infrastructure required to enable both greenfield and brownfield development capacity;
- Ensure local council planning rules and regulations do not restrict innovation in design and the development of affordable or accessible dwellings;
- Engage with Māori to understand and support their local responses; and
- Incentivise universal design for private homes.

Government legal settings

- Ensure private covenants do not impact on the supply of affordable housing and they do not breach the Human Rights Act, Residential Tenancies Act, Property Law Act or Commerce Act; and
- Enable alternative tenures by ensuring appropriate legal structures exist for affordable housing solutions. For example, enact legislation to enable affordable rental and limited equity housing cooperatives and develop standardised agreements and education programmes to encourage their use; and
- Encourage innovative housing solutions such as shared equity, co-housing, and affordable rentals by developing and sharing standardised documents through Tenancy Services.

Broader Government policy settings

To ensure national policy settings support the delivery of affordable homes for low to moderate income households the following actions are recommended:

- Continue targeted financial support for low to moderate income households and review the Accommodation Supplement settings to ensure they are targeted on the neediest households. For example should the current tenure neutral settings continue with payments made to owner occupiers?
- Develop a population strategy to smooth the flow of immigration to better match infrastructure development, enabled development capacity, housing demand and the sectors ability to build dwellings taking into account time lags to complete developments. From a housing market's perspective, it's not necessarily the level of net migration, rather it is the rapid swings in net gain/loss which make it difficult for the development/construction sector to respond to changes in the level of growth in demand;
- Establish programmes for older households to enable "aging in place" by reviewing and improving funds to upgrade their homes for accessibility needs. In addition, policy settings around renters' housing costs, Accommodation Supplement settings and Superannuation payment levels need to be reviewed and adjusted to improve their housing outcomes;
- Follow through on the Crown's commitments, strategy and framework under Te Tiriti o Waitangi; MAIHI Ka Ora – the National Māori Housing Strategy; and the Māori and Iwi Housing Innovation (MAIHI) framework;
- Support housing development on Māori multiply-owned land by addressing legal, structural, and financial challenges, and providing infrastructure funding;
- Develop strategies to encourage partnering or amalgamation amongst providers to overcome scale and expertise constraints which could be enabled by central government funding settings; and
- Continue Government support to increase industry knowledge and capability to deliver models supporting low to moderate income households by standardising documentation and offering training programmes to increase understanding of existing and new models. In addition, continued support for existing budgeting and first-time homebuyer education programmes along with debt consolidation programmes would be advantageous.

Appendix 1

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Appendix 2

Data limitations and cautions on the Household Economic Survey analysis

Appendix 2: Data limitations and cautions on the Household Economic Survey analysis of the impact of Accommodation Supplement payments on private renter housing outcomes.

This analysis is based on customised datasets modelled by Statistics New Zealand from the 2023 Household Economic Survey (Household Economic Survey). The Household Economic Survey is a sample survey and sample surveying inevitably means that increasing granulation is accompanied by increasing uncertainty in the data and therefore wider ranges of data within confidence limits. That tendency inhibits place-based analysis as well as other forms of multi-variable analysis including ethnicity and household composition. The Household Economic Survey extract on which this analysis is based is consequently confined to tenure, location, gross household income (with and without Accommodation Supplement payments) and the proportion of gross household income paid in housing costs.

Despite the inevitable care needed when undertaking a granulated analysis of Household Economic Survey data, there are three developments which mean that the 2023 Household Economic Survey has significantly higher levels of robustness than previous Household Economic Survey surveys. Those are:

- Expansion of the Household Economic Survey sample. The 2023 Household Economic Survey sample size was expanded from around 5,500 dwellings to 28,500 and there was some additional targeted sampling to generate better regional and Māori estimates respectively.
- Refinement and improvement in weightings to better capture the expenditure patterns of low-income households.
- Linking with administrative data through the integrated data infrastructure (IDI) for income from wages and salaries, payments from the government including benefits, and tax.

Some caution needs to be taken with interpretation of the Accommodation Supplement as a component of household incomes, particularly in relation to higher income households. It should be noted that Accommodation Supplement related income may be associated with a single individual. For instance, a boarder may receive the Accommodation Supplement. Equally the Accommodation Supplement may not be received as a continuous stream of assistance over a whole year. The impacts of these dynamic situations should not in the context of this analysis be overstated. This analysis measures income and housing costs at the household level. That is, the percentage of household income that is directed to housing costs includes the income for the whole household, not simply the income of an Accommodation Supplement recipient. Similarly the housing costs are calculated for the whole household.

At a national level, there is a small undercount of households which relate to Statistics New Zealand's suppression rules when modelling housing affordability outcomes in some of the smaller centres. This is estimated at approximately 2 percent of total households paying more than 30% of their income towards housing costs. We considered it better to leave the estimates as calculated rather than scale up the known households in these regions to match the overall total household numbers.

Appendix 3

Copy of the industry engagement questionnaire

Questionnaire

Section 1: Organisational information

Names ______________________________

Role / position ______________________________

Organisation ______________________________

1: Tell us about the history of your organisation and how it evolved into the operation as it stands today?

Prompts

- Organisational goal / strategy
- Organisational structure – size, number of employees, locations in which they operate
- Household types targeted
- Profile within the community

____

Section 2: About the people you serve or deliver to

2: What housing submarkets (types of households) does your organisation target and what are their demographic characteristics?

____

3: How / why did your organisation choose these groups as your target market? What informed this decision?

____

4: Are there other services you provide? apart from housing, (for example training, social support, financial literacy skills), how long are these services provided – (entry or ongoing)?

Section 3: The models / solutions you provide and world like to deliver

5: What housing solutions / models have you developed to assist these households?

Prompts – number of units in each sector. Areas which are growing or contracting and why?

____

6: Can you please provide an overview of how business model and how your organisation operates?

7: How ready accepted are your housing solutions / models in the market (by customers / legal advisors / financiers / agents)?

____

8: What other housing solutions / models did you consider and why did you decide not to offer them?

9: What additional housing solutions / models would you like to offer but currently don't?

10: Why has your organisation not developed these products and offered them?

11: What, if any, are the key constraints limiting what you can deliver (both current offerings and future)?
Prompts

Section 4: Outcomes Achieved

12: What have you achieved to date (over the last 5 years)?
Prompts

- Number of households helped
- Location of projects

13: Have you undertaken any research about or had an evaluation done examining the outcomes
Prompts (length of tenure, ability to maintain tenure, affordability outcomes, health, social and finance outcomes, cultural connectiveness)

14: What, if any, are the key things that have enabled you to achieve what you have currently delivered?
Prompts

15: Does your organisation work with or partner any other groups to achieve your project goals/outcomes?
Prompts

16: Is there anything you avoid doing (or include)?
Need to ensure we do not cost costs to the extent that it compromises units design eg accessibility.

17: What if anything could the councils do to enable you to meet any unsatisfied need?

Section 5: Growing Delivery

18: Where do you see your organisation in 5 years 10 years from now?

19: Is your target market or mix of housing solutions going to change?

20: What key challenges did you need to overcome or still exist to grow your operation?

21: How are you going to get there?

22: What needs to change to enable your projected growth?

Section 6: Taking a wider view of the housing market

23: What if anything has surprised you about how the housing need within the market has evolved over the last 3 to 5 years?

24: Looking across the housing market, who are the leaders offering innovative housing solutions (other than yourself)?

25: What else do you think needs to be offered, and by whom, to deliver housing solutions?

26: Do you have any final comments or summary points you would like to make?

Appendix 4

Washington Groups short set of questions to identify disabled people

This extract on the Washington Groups Short Set questions on disability sourced from Statistics New Zealand's Stats NZ (2017). Improving New Zealand disability data[32]. Statistics New Zealand uses this methodology in its New Zealand General Social Survey (NZGSS); and Household Labour Force survey (HLF) and Household Economic Survey (Household Economic Survey).

The Washington Group on Disability Statistics

The Washington Group on Disability Statistics is a United Nations city group, established to create robust measures of disability status and promote international comparability in disability data. The Washington Group question sets for identifying disabled people are gaining acceptance and seeing increased use around the world. Considerable work has been carried out on the design and testing of the question sets, and extensive documentation of the processes used can be found on the Washington Group website.

The Washington Group question sets have been developed to enable member states to fulfil the monitoring obligations established by ratification of the United Nations (UN) Convention on the Rights of Persons with Disabilities (CRPD). They are also recommended by the UN Economic and Social Commission for Asia and the Pacific (ESCAP) for use in monitoring progress against the Incheon Strategy. In a joint statement in November 2016, the inter-agency expert group on SDG indicators (IAEG-SDG) endorsed the use of Washington Group question sets by national statistical offices for the disaggregation of data on adults and children. The Washington Group provides information on international monitoring recommendations on its website.

The Washington Group question sets are based on the International Classification of Functioning, Disability and Health (ICF).

The Washington Group Short Set

The Washington Group Short Set (WGSS) is a set of six questions on functioning difficulties and activity limitations. It was developed for inclusion in population censuses and in surveys where only a small number of questions can be used. It is based on the ICF and was designed with a specific purpose in mind.

Read the statement of rationale for the Washington Group general measure on disability. Two important paragraphs from that document are:

"Equalization of opportunities was agreed upon and selected as the purpose for the development of an internationally comparable general disability measure. This purpose was chosen because:

- It was relevant (of high importance across countries with respect to policy), and;
- It was feasible (it is possible to collect the proposed information using a comparable general disability measure that includes a small set of 6 census-like questions). "

[32] https://www.stats.govt.nz/assets/Reports/Improving-New-Zealand-disability-data/improving-new-zealand-disability-data.pdf

"The [WGSS] questions identify the population with functional limitations that have the potential to limit independent participation in society. The intended use of this data would compare levels of participation in employment, education, or family life for those with disability versus those without disability to see if persons with disability have achieved social inclusion. In addition the data could be used to monitor prevalence trends for persons with limitations in the particular basic activity domains. It would not represent the total population with limitations nor would it necessarily represent the Improving New Zealand disability data with disability which would require measuring limitation in all domains and which would require a much more extensive set of questions."

The rationale makes it very clear that the WGSS is not designed for estimating prevalence of disability, nor for use in understanding need for services or interventions that can improve the lives of disabled people. These information needs must be met using a disability-specific survey that allows for the use of more extended question sets.

Statistics New Zealand made slight wording adjustments to the questions to accommodate differences in the delivery mode of our household surveys and to be consistent with the rest of the survey. The NZGSS uses face-to-face interviews, while the HLFS is carried out largely by telephone. We have also dropped the optional words shown in brackets.

Washington Group Short Set of questions on disability

- Do you have difficulty seeing, even if wearing glasses?
- Do you have difficulty hearing, even if using a hearing aid?
- Do you have difficulty walking or climbing steps?
- Do you have difficulty remembering or concentrating?
- Do you have difficulty (with self-care such as) washing all over or dressing?
- Using your usual (customary) language, do you have difficulty communicating, for example understanding or being understood?

Response options

- No no difficulty
- Yes some difficulty
- Yes a lot of difficulty
- Cannot do at all

Different thresholds can be set for deriving disability status from these questions. The Washington Group recommends a threshold that requires people to have at least "a lot of difficulty" with one of the activities to be counted at disabled.

Appendix 5

Case Study 1 - South Korea rural cohousing for older women

Case Study 1: South Korea rural cohousing for older women

While South Korea's history, social characteristics and housing markets are very different to New Zealand's, both countries share the trend of an ageing population and a growing awareness of the need for housing to meet their needs. South Korea is considered the OECD's fastest ageing country. Its population aged 65 and older makes up 17.5% of the total population. Ageing in rural areas is already far advanced. (Rural areas are defined as towns and districts with a population of less than 50,000). New Zealand has a similar ageing profile, with 16.6% of the population aged 65 or more, although it is ageing less rapidly due to the younger age profiles of its Māori, Pacific and Asian communities. Nevertheless, New Zealand too is seeing rural depopulation and rapid ageing of rural areas.

Like New Zealand, Korea's policy emphasises independent living and ageing in place for older people. Also in common with New Zealand, Korea has had scant focus on heterogeneity within the older population, especially with regard to income, health and disability differentials. Furthermore, like New Zealand, Korea has paid insufficient attention to the needs for viable supply-side housing options, especially for low-income older people. In both countries there is a lack of non-institutional, community-based, age-friendly housing options.

Korea is now considering various housing models for seniors linked to health and social services delivered in the community. One such model is the Village Cohousing Home (VCH) programme launched by the government in 2006. This model is implemented nationwide, with 1,032 cohousing properties and 7,748 residents participating in 2017.

This programme is offered to older women living alone in rural areas. Rural depopulation is a critical issue, due to young people leaving those areas for jobs and lifestyle reasons. The rural older population is growing rapidly and more than one-quarter of older people in rural areas live alone. There are three times as many older women as men living alone, and research shows they are very vulnerable to isolation. A national survey found that older women who live alone in rural areas are more likely to experience depressive symptoms than those in urban areas, males, or those living with others.

The VCH programme is a cohousing initiative that provides housing for five to ten women in each property. It aims to address wellbeing issues experienced by older rural women, meet the challenges rural dwellers have in accessing health and social services and counter negative impacts of rural depopulation by bringing disused buildings back into community service.

The rural areas where VCH cohousing initiatives are located are characterised by advanced ageing, poor public transport, and a lack of health and welfare infrastructure. Local authorities deliver the VCH cohousing, using senior centres, which exist in every village. Those centres have been used to provide local services for older people, but are now under-used. Consequently, many centres have been converted by the local authority into accommodation that is retrofitted for seniors' needs.

The local authority recruits residents and provides financial support for their living and/or repairs and maintenance to the centre. The older women still retain their own homes for use in the day, however they stay in the cohousing during the evenings and at night. In addition, the centres act as a community hub for gathering, sharing, and support among the residents and others in the community through programmes, recreational amenities and community activities. Some community services are based in the cohousing.

Studies with these rural cohousing residents have shown positive outcomes, including protection against loneliness and savings on living costs. Residents identify sharing meals as a major benefit. Mutual care and support is common, including care of other residents when sick or dying. There are also important positive impacts of the design of shared indoor spaces, including facilitating social engagement.

This case study has useful lessons for New Zealand, since it provides an option for both improving housing options for senior living in rural areas, and connecting seniors to services and supports. This Korean rural cohousing initiative is enabled by local authorities that provide the building, support funding and on-going property management. While perhaps not a model that can be directly transferred to New Zealand, many of its elements could be applied in considering innovative housing models for kaumātua, older people living alone, and seniors who do not want to move out of their rural communities. This cohousing model has positive individual and community outcomes, showing how:

- Housing enhances seniors wellbeing;
- Under-used/disused community buildings can be re-purposed to meet a housing need; and
- Local services can be connected and coordinated with senior housing, thus enhancing the social infrastructure for all residents.

Further reading

Park, S., Ryu, B., Baek, S., and Ko, A. (2023). Senior Housing as an Aging-in-place Enabler: Current Korean Programs and Future Projects from Environmental and Gerontological Perspectives, in Issue Focus: Older Persons and the Right to Adequate Housing. 4(1), Spring/Summer 2023, ASEM Global Ageing Center, Seoul, Korea. 아셈노인인권정책센터 (asemgac.org)

Park, S., Kwak, M., & Lee, H. (2024). COVID-19 Imposed Closure of Rural Co-Housing and Loneliness in Older Adults Living Alone: Longitudinal Evidence From South Korea. Research on Aging. https://doi.org/10.1177/01640275241248773

Appendix 6

Case Study 2 - Supporting Native American home ownership

Case Study 2 - Supporting Native American home ownership

Similar to New Zealand, indigenous home ownership rates in the United States are much lower than the general population. There is less lending available on Tribal land and mortgage costs are typically higher. Remote rural locations and concerns about security on Native Trust Lands make access to mortgage finance difficult. Loans without government backing do not adequately serve the needs of Native Americans.

To address these constraints, Freddie Mac introduced the Heritage One loan product for Native people in mid-2023. Heritage One loans are structured as a conventional mortgage loan product. Any lender can become registered to originate these loans which Freddie Mac then acquires. In turn, Freddie Mac pools and securitises the mortgages which are sold on the secondary market. This enables an expansion of the availability of mortgage credit by lenders who would otherwise hold these in their own portfolios.

Freddie Mac engaged with Native Tribes and specialist lending organisations to develop this new loan product. This has resulted in first identifying and then developing a product addressing multiple barriers. Multiple property types including manufactured homes and properties with an accessory dwelling unit are eligible. Leasehold properties are allowed with a minimum 25 year lease with an automatic 25 year renewal. A standard form lease agreement is available but not required. The loans are conventional mortgages with a term up to 30 years at a fixed rate. The Loan to Value on the loans can be up to 97% for a single home and 95% for 2-4 homes. To further address deposit barriers, the source of the deposit is flexible and can come from gifts and grants instead of the borrower’s own funds.

Traditional mortgage loans require appraisals using a comparable sales approach which are problematic on Tribal land due to low sales volume in remote locations. The Heritage One loan can use a cost based approach when there are not sufficient comparable sales. Recognising the additional cost of these appraisals in rural areas, a cost offset is available from Freddie Mac to pass through to the borrower, further increasing affordability for them.

In addition to these innovations supporting the borrowers, the Heritage One loans also have features that support the lenders. Any lender can become registered to originate these loans which Freddie Mac then acquires. Once qualified with Freddie Mac, lenders can utilise automated underwriting tools to process loans more efficiently. An automated income verification process further reduces costs for lenders.

Specific requirements for servicing the mortgage are in place including protocols for respecting cultural sites. Once the loan is made, servicing can be retained or transferred from the lender to an approved specialist loan servicer. In case of foreclosure, the Tribe has a first right of refusal to acquire the home.

The Heritage One loans demonstrate how to increase the availability of lending and the number of potential lenders for tribal areas in the United States. It is designed to be affordable and to remove the specific barriers identified for both borrowers and lenders wishing to support home ownership on Tribal land