



Alternative housing tenures – the opportunity for New Zealand

Research Update 2: Private renter stress and the Accommodation Supplement

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1. Context

“Housing is fundamental to our economic and social wellbeing and plays a central role in individual and community health outcomes, family stability, and social cohesion. A responsive housing market facilitates labour market mobility, allowing people to move to take up job opportunities and enhancing the productivity of the economy.”¹ Unfortunately, housing markets around the world, including in New Zealand, have struggled to provide adequate, good quality affordable housing with long term security of tenure to meet their populations’ needs. Some housing markets have responded to pressures within their housing systems to provide a range of alternative tenure structures and these responses have varied between countries. New Zealand is also a signatory to a number of United Nations conventions that state households’ ability to access good quality housing at an affordable price is considered a human right.

This research update is the second in a series which presents the results of our research project “Alternative housing tenures – the opportunity for New Zealand” and focuses on recent housing market outcomes and demonstrates the potential need for alternative tenure solutions in New Zealand. The research updates will summarise the results from our analysis of:

- Housing market outcomes (intermediate housing market, renter housing stress, and renter housing need and unmet need);
- Rapid review of overseas literature on alternative affordable housing tenure system base;
- Industry interviews investigating enablers and barriers to alternative tenure housing in New Zealand; and
- System based analysis of the enablers and barriers to the growth of the alternative tenure housing market.

2. Housing market outcomes

Affordable housing is an important factor for economic inclusion of households in the wider economy. Housing generally is a household’s largest single spending item, encompassing mortgage payments for owner occupiers and rents for renter households. Rising housing costs have contributed to growing social and economic disparities with lower income households (those earning less than 80% of their region’s median household income) experiencing the most adverse outcomes. OECD (2018)² analysis demonstrates increased income inequality (measured by the Gini index) based on disposable income after deducting for housing costs. Renters, in particular, have needed to spend an increasing proportion of their income on housing leaving less residual income to cover other expenditure.

New Zealand has not been immune from the decline in housing affordability. This is the second of three research updates providing an overview of recent housing market outcomes. These updates will discuss trends in the intermediate housing market, renter housing stress, and renter housing need and unmet need. This update focuses on the private renter stress and the impact of the Accommodation Supplement.

¹ New Zealand Productivity Commission (2015) Using land for housing. Page 1.

² OECD (2018), “Opportunities for all: framework for policy action on inclusive growth”. OECD publishing..



3. Private renter housing stress and the Accommodation Supplement

This section of the report presents analysis of customised output from the 2020 Household Economic Survey focused on the housing affordability outcomes for private renter households. Table 1 presents the number and proportion of households paying 30% or more, 35% or more, 40% or more and 50% or more of their gross household income in rent. In addition, the households are split by their income relative to the regional median household income (RMHI) and includes the impact of including or excluding the Accommodation Supplement (AS) received by any of these households.

Table 1: National³ housing affordability outcomes - 2020

Gross household Income	30% or more		At least 35%		40% or more		50% or more	
	hhlds	% of total ⁴	hhlds	% of total	hhlds	% of total	hhlds	% of total
Income including AS								
Less than 80% RMHI	177,500	73%	152,300	63%	126,300	52%	86,200	36%
80% to <100% of RMHI	22,300	35%	13,700	22%	7,900	12%	2,200	3%
100% to 120% of RMHI	14,800	25%	8,200	14%	4,000	7%	1,000	2%
Over 120% of RMHI	12,600	7%	5,000	3%	2,100	1%	700	0%
Total	227,200	42%	179,200	33%	140,300	26%	90,100	17%
Income excluding AS								
Less than 80% RMHI	180,900	76%	160,200	68%	139,800	59%	104,800	44%
80% to <100% of RMHI	25,000	44%	16,300	29%	9,700	17%	2,200	4%
100% to 120% of RMHI	13,600	24%	8,500	15%	4,100	7%	900	2%
Over 120% of RMHI	17,400	9%	8,000	4%	3,400	2%	1,000	1%
Total	236,900	44%	193,000	36%	157,000	29%	108,900	20%

Source: Customised Statistics New Zealand data sets

Not surprisingly, housing stress (households paying 30% or more of their household income in rent) is higher in lower income households. A total of 78% of all stressed private renters earned less than 80% of the regional median household income. A further 10% had gross household incomes between 80% and 100% of regional median household income. Consequently 88% of stressed private renters earned less than their regional median household income. As rent as a proportion of gross household income increases, low to moderate income households increase as a proportion. For example, private renter households with gross household incomes of less than 80% of the regional median incomes accounted for 78% of all private renters paying more than 30% of their income in rent, 85% of private renters paying more than 35% or more of their income in rent, 90% of private renters paying more than 40% or more of their income in rent, and 96% of households paying 50% or more of their income in rent.

³ National affordability outcomes are the summed regional totals

⁴ In this case, the “% of total” is calculated by dividing the number of renter households paying more than 30% of their gross household income in rent by all renter households. For example, 227,200 renters paid more than 30% of their income in rent out of a total of 540,950 renters.



If gross household incomes are adjusted to exclude any Accommodation Supplement payments, the total number of stressed renters increases to 236,900 or 44% of all private renters, an increase of 9,700 households or 2 percentage points. At more extreme levels of housing unaffordability 140,300 households (26% of all private renters) were paying more than 40% of their gross income in rent and when their incomes were adjusted to remove any Accommodation Supplement payments this increased to 157,000 households or 29% of all private renters. Although the Accommodation Supplement payments no doubt provide some respite to private renter households, it is insufficient to have a large impact on the affordability outcomes for predominately low to moderate income private renters.

Table 2 presents housing affordability outcomes for private renter households and also includes the impact of including or excluding the Accommodation Supplement by main urban area.

Table 2: Housing affordability outcomes by main urban areas (proportion of households paying more than 30% ,35% ,40% and 50% of their gross household income in rent) - 2020

Region	Gross household income including Accommodation Supplement				Gross household income excluding the Accommodation Supplement			
	30% or more	35% or more	40% or more	50% or more	30% or more	35% or more	40% or more	50% or more
Auckland	46%	36%	29%	19%	47%	39%	31%	22%
Hamilton	47%	39%	32%	22%	49%	41%	35%	27%
Tauranga/WBOP	39%	29%	21%	13%	42%	30%	23%	17%
Napier/Hastings	39%	30%	22%	14%	41%	33%	26%	18%
Palmerston North	42%	33%	26%	13%	43%	35%	28%	18%
Wellington	36%	27%	20%	13%	38%	29%	23%	16%
Nelson/Tasman/Marl	40%	33%	24%	13%	42%	35%	28%	18%
Greater Christchurch	39%	33%	26%	18%	41%	34%	28%	21%
Dunedin	51%	41%	33%	26%	52%	44%	38%	30%
Remainder of NZ	39%	30%	23%	13%	41%	34%	27%	17%
New Zealand	42%	33%	26%	17%	44%	36%	29%	20%

Source: Customised Statistics New Zealand data sets

Excluding Dunedin (which has a significantly higher proportion of students as private renters), Hamilton has the highest proportion of private renters paying 30% or more and 50% or more of their gross household income in housing costs followed by Auckland. Approximately one in five private renters are paying 50% or more of their income in rent in Auckland (19% of renters), Hamilton (22% of renters) and greater Christchurch (18% of renters).



Table 3 presents the proportion and number of households paying 30% or more and 50% or more of gross household income (including the Accommodation Supplement) in rent by main urban areas and by varying proportions of regional median household income.

Table 3: Housing affordability outcomes by main urban area and varying levels of regional median household income (proportion of households paying more than 30% or 50% of their gross household income in rent)

Region	Households pay 30% or more of gross household income in rent				Households pay 50% or more of gross household income in rent			
	Less than 80%	80% to less than 100%	100% to less than 120%	120% or more	Less than 80%	80% to less than 100%	100% to less than 120%	120% or more
Proportion of hhlds								
Auckland	81%	46%	23%	7%	45%	0%	0%	0%
Hamilton	87%	44%	0%	0%	50%	0%	0%	0%
Tauranga/WBOP	72%	48%	0%	0%	32%	0%	0%	0%
Napier/Hastings	68%	28%	0%	0%	30%	0%	0%	0%
Palmerston North	73%	21%	0%	12%	31%	0%	0%	0%
Wellington	67%	27%	18%	0%	28%	0%	0%	0%
Nelson/Tasman/Marl	72%	0%	0%	0%	26%	0%	0%	0%
Greater Christchurch	78%	17%	0%	0%	38%	0%	0%	0%
Dunedin	83%	45%	43%	15%	50%	0%	0%	0%
Remainder of NZ	69%	30%	17%	3%	27%	0%	0%	0%
Number of hhlds								
Auckland	64,600	12,700	5,000	4,400	35,800	0	0	0
Hamilton	10,400	1,700	0	0	5,900	0	0	0
Tauranga/WBOP	6,300	1,500	0	0	2,800	0	0	0
Napier/Hastings	5,000	500	0	0	2,200	0	0	0
Palmerston North	3,500	400	0	400	1,500	0	0	0
Wellington	14,200	1,800	1,000	0	5,900	0	0	0
Nelson/Tasman/Marl	5,500	0	0	0	2,000	0	0	0
Greater Christchurch	20,900	1,400	0	0	10,200	0	0	0
Dunedin	5,800	1,400	600	800	3,500	0	0	0
Remainder of NZ	45,200	4,700	2,100	1,500	17,700	0	0	0

Source: Customised Statistics New Zealand data sets

Approximately half the private renters earning 80% of the regional median household income in Auckland, Hamilton and Dunedin are paying 50% or more of their household income in rent. Affordability outcomes for households earning less than 80% of the regional median household income outside the main urban areas (remainder of New Zealand), although not good, are better than the balance of the country.



Table 4 presents the regional median household incomes and housing costs for private renters, owner occupiers with a mortgage and all households by main urban area.

Table 4: Regional median household incomes and housing costs

	Private renters			Owner occupiers with a mortgage			All households		
	Median hhld income	Median housing costs	Median costs / income	Median hhld income	Median housing costs	Median costs / income	Median hhld income	Median housing costs	Median costs / income
Auckland	\$98,900	\$29,200	29.5%	\$147,800	\$30,900	20.9%	\$107,200	\$22,900	21.4%
Hamilton	\$72,500	\$22,000	30.3%	\$121,400	\$26,100	21.5%	\$83,400	\$20,000	24.0%
Tauranga/WBOP	\$80,700	\$23,800	29.5%	\$122,900	\$26,700	21.7%	\$86,800	\$13,400	15.4%
Napier/Hastings	\$75,000	\$19,000	25.3%	\$111,700	\$22,200	19.9%	\$87,500	\$14,700	16.8%
Palmerston North	\$73,100	\$19,000	26.0%	\$107,100	\$21,900	20.4%	\$82,100	\$15,600	19.0%
Wellington	\$101,300	\$26,100	25.8%	\$156,400	\$29,700	19.0%	\$115,000	\$19,800	17.2%
Nelson/Tasman/Marl	\$64,700	\$18,200	28.1%	\$112,700	\$22,700	20.1%	\$78,600	\$10,400	13.2%
Greater Christchurch	\$80,300	\$20,900	26.0%	\$114,700	\$24,300	21.2%	\$93,400	\$18,300	19.6%
Dunedin	\$65,400	\$20,900	32.0%	\$109,200	\$20,900	19.1%	\$76,100	\$15,300	20.1%
Remainder of NZ	\$61,300	\$15,600	25.4%	\$106,600	\$19,900	18.7%	\$72,900	\$10,400	14.3%
New Zealand	\$81,000	\$22,500	27.8%	\$123,100	\$24,400	19.8%	\$90,600	\$15,600	17.2%

Source: Customised Statistics New Zealand data sets

Owner occupiers with a mortgage had higher gross household incomes than private renter households along with higher housing costs. Higher household incomes for private renters in Wellington have potentially off set their higher housing costs. Overall housing costs are highest in Auckland for both private renters and owner occupiers with a mortgage.

4. Summary

In summary, the analysis presented in this section of the report has identified a number of trends which include:

- Increasing number of renters cannot affordably rent particularly those earning less than 80% of the RMHI; and
- Renter affordability is poorest in the larger centres with the exception of Wellington where higher incomes offset their higher rents.

These trends set the framework for why we need to consider how different alternative tenure models can improve affordability outcomes. There is a growing need for alternative tenure models that provide affordable rental products for households earning less than 80% of RMHI (unlikely to be able to buy a house in the short to medium term).

5. Contact details

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