



# Housing solutions for low to moderate income households

## Research Update 1: Housing Affordability Outcomes

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Livingston and Associates Ltd  
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## 1. Context

The number of low to moderate-income households with limited equity is on the rise, and are often in housing that is precarious or does not meet their changing needs. Their limited assets or equity means they are excluded from public and council housing because they do not meet the very low income or other eligibility criteria. Consequently they are trapped in a housing market that is increasingly unable to deliver secure, affordable housing. Young working households, Māori whanau, and seniors in retirement are particularly vulnerable to these conditions and their long-term secure housing outlook is poor. These households do not have sufficient capital to access sustainable affordable housing, whether through owner-occupation or renting. Finding secure housing solutions for these households by leveraging their limited but useful assets would relieve pressure on the current rental market as well as public housing. Previous research indicates there are a growing number of households that would benefit from low to limited equity housing models, including forms of ownership, secure rental, or other alternative tenure forms.

The focus of this research project “*Housing solutions for low to moderate income households with limited equity*” which is funded by BRANZ from the Building Research Levy) is to build our understanding of how other comparable countries provide housing for these households, including the housing tenure models and the policy and funding settings needed for the success of these models. In the New Zealand context, we will establish the size, characteristics and locations of these submarkets, test economic feasibility and the level of housing subsidy required, and adopt a systems-based approach to build on our understanding of the opportunities to grow these models in New Zealand. Our focus will be to use the systems analysis to develop potential housing solutions.

This is the first in a series of research updates providing an update on the project’s initial findings. This research update focuses on some of the key trends on the composition of low to moderate income households with limited equity. Future updates will provide information on international research findings, interviews with New Zealand organisations working with these households and potential solutions as the research progresses.

## 2. Key terms

Definitions include:

- A “**low income household**” has a gross annual income of less than \$50,000 per annum.
- A “**moderate income household**” has a gross annual income of between \$50,000 and less than \$100,000.
- A “**stressed household**” is paying more than 30% of their gross household income in housing costs. Housing costs include expenses for rent, mortgages (both principal and interest), property rates, and building-related insurance.
- A “**severely stressed household**” is paying more than 50% of their gross household income in housing costs.
- A household’s “**net worth**” is the sum of all their assets, less any outstanding liabilities.
- A “**Not owned**” household is where the occupiers do not own the dwelling they live in (also referred to as “**renters**”).
- An “**Owner occupied**” household is where the occupiers own the dwelling they live in.

### 3. Housing market outcomes

Households' ability to affordably<sup>1</sup> pay today's housing costs is directly influenced by the level of their income. We have utilised Statistics New Zealand data to identify the housing outcomes and sizes of various groups of low to moderate income households. These include both renters and owner occupiers across a range of age cohorts. The tables below present the results of our analysis on the affordability of their housing costs and net worth. One in four low income<sup>2</sup> and one in ten moderate income<sup>3</sup> renters are paying more than half their gross household income in rent. Clearly the market is not delivering outcomes which are sustainable for these households in the medium to long term. Table 1 presents the number and proportion of households, by tenure and household income, paying more than 30%, 40% and 50% of their gross household income in housing costs.

**Table 1: Households paying more than 30%, 40% and 50% of their gross household income in housing costs**

	More than 30%		More than 40%		More than 50%	
	No of households	% of total by income & tenure	No of households	% of total by income & tenure	No of households	% of total by income & tenure
<b>Not owned</b>						
Less than \$50,000	102,700	60%	83,400	49%	63,800	38%
\$50,000 to \$99,999	91,400	42%	39,900	18%	19,000	9%
\$100,000 and over	20,200	8%	2,300	1%	S	S
<b>Owner occupiers</b>						
Less than \$50,000	61,900	21%	47,100	16%	37,200	12%
\$50,000 to \$99,999	57,300	19%	27,200	9%	13,100	4%
\$100,000 and over	51,400	8%	15,100	2%	4,800	1%

Source: Statistics New Zealand – 2022 HES

An "S" result in the table indicates the number is small and therefore suppressed.

A total of 82,800 households that do not own the dwelling they live in are paying over half their income in rent, whereas 55,100 owner occupiers are paying over 50% of their household income in housing costs. Of these households paying over 50% of their income toward housing costs, 97% have gross incomes of less than \$100,000 per annum.

<sup>1</sup> Housing costs are defined as affordable when they are no greater than 30% of a household's gross income.

<sup>2</sup> Low income households are those earning up to \$50,000 per annum from all sources including all government benefits and the accommodation supplement.

<sup>3</sup> Moderate income households are those earning between \$50,000 and \$100,000 per annum from all sources including all government benefits and the accommodation supplement.

Table 2 presents the age profile of low to moderate income households by tenure paying more than 30%, 40% and 50% of their gross household income in housing costs.

**Table 2: Low to moderate income households by age of the household reference person paying more than 30%, 40% and 50% of their gross household income in housing costs**

	More than 30%		More than 40%		More than 50%	
	No of households	% of total by income & tenure	No of households	% of total by income & tenure	No of households	% of total by income & tenure
<b>Not owned</b>						
Less than 30 years	52,600	36%	34,500	24%	23,500	16%
30 to 39 years	51,600	29%	30,200	17%	19,500	11%
40 to 49 years	34,400	28%	19,900	16%	14,200	12%
50 to 64 years	46,100	35%	25,700	20%	16,600	13%
65 years and over	29,300	39%	16,500	22%	10,500	14%
<b>Owned (includes held in a family trust)</b>						
Less than 30 years	12,500	20%	5,300	9%	3,400	6%
30 to 39 years	39,200	22%	18,700	11%	11,300	6%
40 to 49 years	35,200	17%	18,700	9%	11,800	6%
50 to 64 years	57,600	14%	33,700	8%	22,500	6%
65 years and over	25,200	6%	12,400	3%	7,400	2%

Source: Statistics New Zealand – Household economic survey 2021

Younger not owned households had the highest proportion of stressed households. In addition over one in four not owned households with a reference person aged less than 30 years were paying more than half their gross household income in housing costs. Older not owned households also had a significant proportion of households paying more than half their gross household income in housing costs, with over one in seven being severely stressed.

Table 3 presents the net worth (total assets less total liabilities) of low to moderate income households by tenure and age of the household reference person.

**Table 3: Net worth of low to moderate income households by tenure and age of the household reference person**

Age group	Owner occupiers with a mortgage			Not owned		
	Lower quartile	Median	Upper quartile	Lower quartile	Median	Upper quartile
Less than 35 yrs	\$255,000	\$399,000	\$542,000	\$1,000	\$14,000	\$34,000
35 yrs to 49 yrs	\$216,000	\$412,000	\$863,000	\$4,000	\$20,000	\$68,000
50 yrs to 64 yrs	\$285,000	\$412,000	\$767,000	\$1,000	\$17,000	\$71,000
65 yrs and over	\$365,000	\$560,000	\$936,000	\$8,000	\$26,000	\$100,000

Source: Statistics New Zealand – Household economic survey 2021

Even though both groups have on-going housing expenses, not owned households have significantly lower net worth than owner occupied households with a mortgage of a similar age. It would appear not owned households have limited financial capacity to cope with a financial shock when compared to owner occupiers.

These initial research findings clearly indicate that low to moderate income households are facing affordability challenges. Over 100,000 households (both owner occupier and renters) are paying more than 50% of their gross income in housing costs. Nearly half of those households are under 30 or over 65 years old, showing significant housing stress for both younger and older households. In addition, not owned households have limited net worth available to draw upon should they face a financial shock. This demonstrates the importance of identifying solutions which can provide sustainable housing options matched to their incomes and net worth.

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