



Livingston and Associates



Marlborough and Affordable Housing: Need, Demand & Pathways to Making a Difference

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Final report prepared for the Rātā Foundation



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EXECUTIVE SUMMARY

Marlborough shows an increasing and significant misalignment between household incomes, rents and house prices for households with median incomes and below. This has resulted in a pressurised rental stock and some households burdened by crowding, 2,780 renting households in unmet housing need, 3,580 private renter households in 2021 were unable to affordably pay for the median market rent and 4,370 private renter households could not have affordably serviced a mortgage as entry level owner occupiers at the lower quartile house price in 2021. In 2021 it is estimated that 2,310 private renter households were burdened by unaffordable rents. In 2018, 21% of private renter households were in severe housing stress. They expended half or more of their income on housing costs, primarily rents.

Misalignment between household incomes, rents and house prices is driven by rents and house prices. Median household incomes in Marlborough increased 1996-2021 by 140% but median rents increased by 200% and the lowest quartile house price increased by 458%.

Movements in rents and lower quartile house prices have created a substantial number of working households unable to enter owner occupation. Rent burdens make savings difficult and there is an under-supply of affordable housing for owner occupation. This under-supply, in part, reflects the acquisition of lower cost housing by property investors. Notably, 1991-2018, occupied stock numbers increased by 50% in Marlborough, but:

- Owner-occupied stock numbers increased by only 42%; and
- Occupied stock numbers rented by property investors increased by 162%.

Declining access of low- and modest- income households to owner occupation has kept households in the rental market. Despite the enormous growth in rental stock, affordable rent is limited. The median weekly rent in Marlborough was \$149 in 1996, in 2018 it was \$363 and in 2021 reached \$448. Almost 63% of renter households cannot afford that median rent. Some 2,470 households can afford up to \$300 weekly, that is the affordable rent upper limit for a household with a \$65,000 annual income.

There is a well-documented under-supply of sub-market rentals for very vulnerable people and households with very low incomes. The stock targeting those households declined from 618 dwellings in 1991 to 489 in 2013. A flurry of state housing and community housing builds since then has seen an increase to 630 dwellings. However, the per capita rate of provision declined.

In Marlborough, renter households who have at least one member in paid employment and are unable to affordably buy a dwelling at the lower quartile house sale price made up 45% of Marlborough renter households and 13% of all Marlborough households in June 2018. By 2021, 60% of renter households and 17% of all Marlborough households were unable to affordably buy a dwelling at lower quartile house prices.

Between 2018 and 2021 it is estimated that in Marlborough the number of working renter households in the intermediate housing market increased from 2,450 to 3,460 households. That is an increase of 41% in Marlborough compared to 25% in Tasman District and 17% in Nelson City.

There are already 2,780 renting households in unmet housing need. Housing stress and precarity in Marlborough is likely to increase in the period up to 2038. There are expanding numbers and proportions of households with low and modest incomes, particularly with limited potential to increase household incomes including senior households and one parent, one person and couple only households.

The working households unable to enter owner occupation and trapped in high rent conditions is likely to either increase in number or these working households will leave Marlborough to take-up positions in other regions. A number of industry sectors have already cited housing as a barrier to workforce expansion, recruitment and retention.

There are substantial numbers of renter households with annual incomes less than \$100,000 that could enter into some intermediary or alternative tenure for right price pointed dwellings. These households have resources that could be utilised to provide for better housing solutions for themselves, but also take pressure off the rental market and relieve temporary housing supply and homelessness.

The sustained production of, and access to, affordable housing is dependent on:

1. Commitment to the production and delivery of decent, affordable dwellings.
2. Designs and production costs with right-priced land, labour and materials to produce dwellings at affordable price points.
3. Investment necessary to fund affordable builds which can deliver an adequate income stream.
4. Housing products and financial vehicles that allow households to access housing at an affordable cost.

For Rātā Foundation, like all of those interested in investing in or delivering affordable housing, partnering and innovation is required if it is to contribute to resolving Marlborough's deteriorating housing access for people inside and outside the workforce. There are headwinds which are nationally experienced due to Covid impacts on material and building pipelines. However, those provide a hiatus in which partnerships, investment vehicles, and housing products and vehicles for households can be developed. There are a wide range of potential partners around key worker housing as well as social housing which have yet to be tapped.

There are also challenges in relation to land acquisition and development. In particular, while there is considerable undeveloped land accepted as potentially residential under the district planning regime, it is unlikely that such land will come to market at prices consistent

with affordable housing builds. Much of it is already used for grape growing and transition to residential will likely be associated with development in the upper quartiles of house prices. There is price pushing associated with residential covenants. There are no clear pathways for intensification of non-residential zones in the inner parts of Blenheim and the Zone 1 boundary is narrow, with consequent issues of yield, which impose significant limitations on producing affordable housing whether in rental, owner occupation or intermediate tenures.

GLOSSARY

Affordable housing is where households spend no more than 30% of their gross household income paying rent or servicing the mortgage and non-discretionary costs associated with buying a property.

Housing affordability stress where a household's non-discretionary housing costs are in excess of 30% of their gross household income.

Severe housing affordability stress where a household's non-discretionary housing costs are 50% or more of their gross household income.

Stressed renter household is one paying more than 30% of their gross household income in rent.

Severely stressed renter household is one paying 50% or more of their gross household income in rent.

Housing need is the total number of renter households within a community which require housing assistance to meet their housing requirements. Also referred to as '*Total renter housing need*'.

Other housing need are households experiencing housing stress because of needs beyond housing affordability stress such as crowding.

Unmet housing need measures the total households or a proportion of the total households whose housing needs are not met through provision of Kāinga Ora (formerly Housing New Zealand Corporation), local authority, community housing providers or other non-market housing providers.

Intermediate housing market consists of private renter households who have at least one member in paid employment and are unable to affordably buy a dwelling at the lower quartile house sale price.

Proxy intermediate housing market measure is calculated in this report because data limitations make the calculation of the intermediate housing market difficult. The measure includes all private renters with household reference people aged less than 65 years and unable to buy at the lower quartile house sale price.

Social housing is provided by Kāinga Ora (formerly Housing New Zealand Corporation), some local authorities, and some community housing providers (CHPs).

Stock rents are rents paid by existing tenants to their landlords. Both stock and flow (see below) are market rents.

Flow rents are the rents paid when a tenant enters an agreement with a landlord for a dwelling in which they have not been residing or for which they have not paid rent previously. Usually measured by bond data. Both stock and flow rents (see above) are market rents.

Community housing sector consists of registered housing providers (CHPs) meeting regulated requirements around housing provision and products. The community housing sector provides a diversity of tenures including public housing rental places, social housing, long-term affordable rents, various forms of intermediate tenure housing such as shared ownership and progressive home ownership.

Lower quartile house sale price is the sale price of dwellings a quarter of the way through the ordered distribution of all dwelling sales from the lower end.

Price points indicate the purchase price, or less commonly rent, for a dwelling. For purchase, housing outgoings to service the price point will include the equivalent of a table mortgage and non-discretionary rates and insurance. For rental housing, the rent. For occupation right agreement, non-discretionary fees.

Affordable price points can be set in relation to household income or the income of the person servicing and responsible for the mortgage. See affordable housing above. Kiwibuild and other measures of price point relative to income are not necessarily affordable for around median and lower household incomes despite being at the lower end of available prices.

For purchased dwellings, the price point is affordable if the household is paying 30% or less of their gross household income in housing costs (rent or the cost of a mortgage required to buy a dwelling assuming a 10% deposit and the current mortgage interest rate (sourced from the RBNZ website)).

1. INTRODUCTION

The Rātā Foundation, along with the Wayne Francis Trust, recently commissioned an analysis of affordable housing demand and futures for Ōtautahi. That built on analysis of housing demand for Greater Christchurch, but focused on the data pertaining to the urban part of Christchurch City Council's territorial jurisdiction. Rātā Foundation has subsequently asked that we undertake a similar analysis for Tasman, Nelson and Marlborough respectively. Each of these areas are bounded by the jurisdictions of their councils: Marlborough District Council, Nelson City Council and Tasman District Council. Within each a number of areas have also been analysed. Those are as follows:

- Nelson City Council sub-areas:
 - Urban Nelson; and
 - Balance of Nelson District.
- Tasman District Council sub-areas:
 - Urban Tasman;
 - Ruby Bay / Motueka; and
 - Balance of Tasman District.
- Marlborough District Council sub-areas:
 - Urban Marlborough;
 - Tuamarina/Lower Wairau;
 - Picton/Waikawa; and
 - Balance of Marlborough.

This report focuses on Marlborough and its sub-areas and has four components:

- New statistical analysis to establish the extent of housing stress in owner occupation and rental sectors in Marlborough, demand by dwelling typology and tenure, and housing supply adequacy.
- A discussion of the findings from existing research and research in progress around affordability and the meaning of home for different population groups with a particular focus on young people, seniors, families with young children, and people marginal to the housing stock due to disability.
- An evidence-based comment on the housing typologies and designs that can meet diverse and changing needs.
- An evidence-based comment on the strengths and weaknesses of:
 - Different tenures (including alternative tenure vehicles such as co-operatives) for delivering secure, affordable housing.
 - Mixed developments using diverse dwelling types, tenures and price points.

It is hoped that this analysis will assist the Rātā Foundation in its pursuit of effective investments that strengthen community futures.

The data sources used in this project include:

- Population projections sourced from Statistics New Zealand;
- Customised census data from Statistics New Zealand;
- Property transaction data source from the Ministry of Housing and Urban Development and Headway Systems; and
- Interest rate data from the Reserve Bank of New Zealand.

Projections were drawn from the Statistics New Zealand series based on 2018 census and its subsequent imputations. The projections were selected by comparing estimated and projected growth since 2018 with the different projected growth scenarios. The projections for each region are as follows:

- Tasman – High growth scenario
- Nelson – Medium growth scenario
- Marlborough – High growth scenario

The findings are briefly summarised in the Executive Summary. A more detailed set of key data extracts has also been compiled as a separate paper. After this introduction, the report is structured as follows:

- Section 2 sets out the context and scope of the analysis and the report.
- Section 3 presents data around housing stress in Marlborough.
- Section 4 focuses on future housing patterns and demand.
- Section 5 presents data on housing need and unmet housing need in Marlborough.
- Section 6 focuses on pathways to meeting Marlborough's housing need with a commentary on affordable rental provision and the opportunities presented by offering affordable price points in some form of owner occupation and de-pressurising the rental market.
- Section 7 provides an overall comment on making a difference to Marlborough's increasing problems with the supply and delivery of affordable housing to the low and modest income households on whom the community and economy depends.

2. CONTEXT AND REPORT SCOPE

Marlborough is often included in what is commonly referred to as the ‘Top of the South’. The ‘Top of the South’ comprises three unitary authorities: Marlborough District Council, Nelson City Council, and Tasman District Council. Together they are home to 136,380 people or 67,600 households. Marlborough has a more dispersed settlement pattern than Nelson City Council. Projected growth in Tasman is higher than both Nelson and Marlborough although Marlborough and Tasman share the pattern of dispersed settlement.

Table 2.1: Population Projections for Top of the South – 2018 to 2038

Year	Marlborough District		Tasman District		Nelson City	
	Population	Change	Population	Change	Population	Change
2018	48,700		54,000		52,700	
2021	50,800	2,100	56,940	2,940	54,380	1,680
2023	52,200	1,400	58,900	1,960	55,500	1,120
2028	54,600	2,400	62,400	3,500	56,900	1,400
2033	56,600	2,000	65,600	3,200	57,800	900
2038	58,300	1,700	68,300	2,700	58,300	500

Source: Statistics New Zealand

Table 2.2 Projected Number of households in Top of the South TLAs – 2018 to 2038

Year	Marlborough		Tasman		Nelson	
	Households	Change	Households	Change	Households	Change
2018	19,800		21,200		21,310	
2021	20,820	1,020	22,760	1,560	22,260	950
2023	21,500	680	23,800	1,040	22,900	640
2028	22,600	1,100	25,700	1,900	23,600	700
2033	23,600	1,000	27,300	1,600	24,210	610
2038	24,300	700	28,600	1,300	24,490	280

Source: Statistics New Zealand

One of the problems with any population projections, and the reason why care should be taken in treating them as if they are forecasts, are the imponderables. Marlborough, like other regions in the ‘Top of the South’, has been heavily reliant on migration to sustain population growth. Marlborough has both net internal migration and net international migration. Notably, while it has a structurally ageing population, Marlborough is estimated to have gained more population (and from a lower base) than Nelson. This almost undoubtedly relates to the age profile of new settlers coming from other regions and internationally into expanding industry.

It should also be noted that the immigration component of population projections and forecasts are notoriously difficult to model. Population growth driven by strong migration gains makes it difficult to project the composition of growth going forward as it may have an influence on fertility rates through the age profile of new settlers and their household composition.

Statistics New Zealand’s population growth estimates for the ‘Top of the South’ between June 2018 and June 2021 and the drivers of population growth are set out in Table 2.3.

Table 2.3 Components of ‘Top of the South’ population growth June 2018 and June 2021

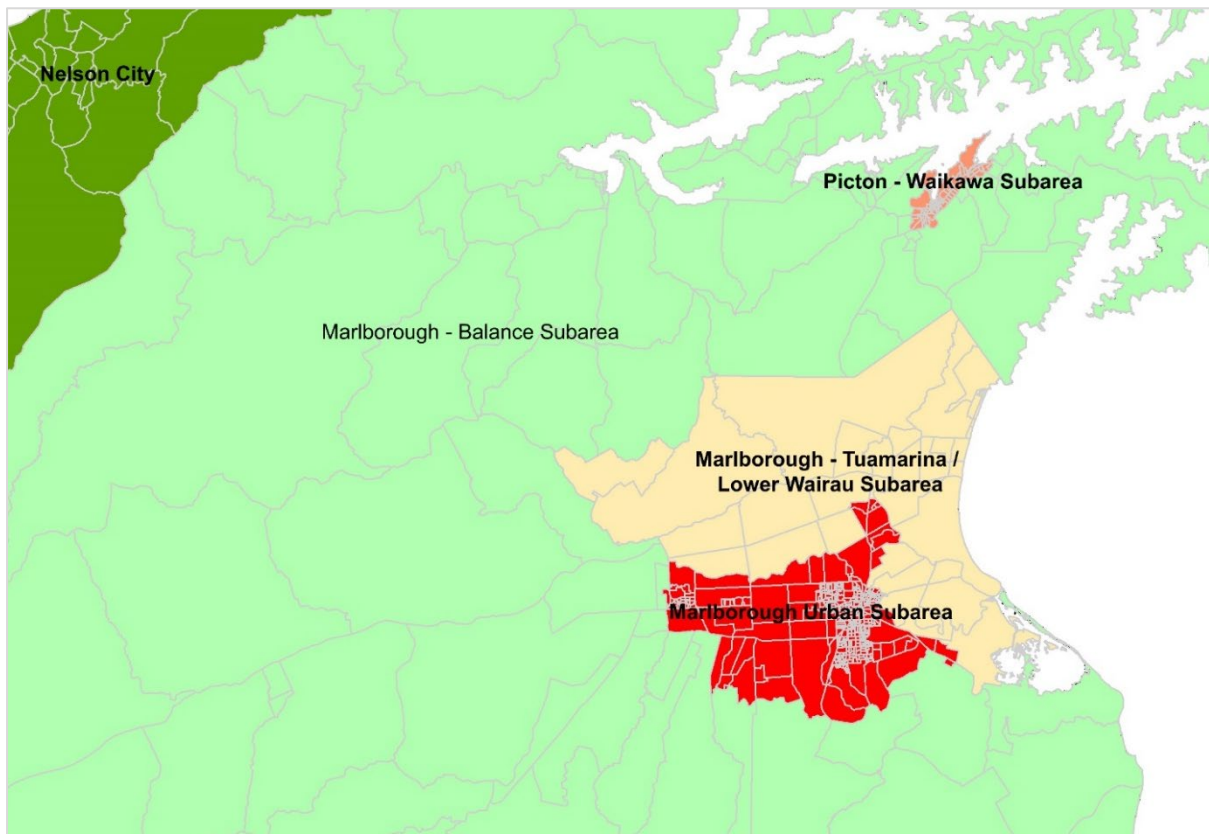
Population Growth Driver	Marlborough	Tasman	Nelson
Natural increase	230	230	210
Net internal migration	640	1,510	-350
Net international migration	1,930	2,060	2,150
<i>Total increase</i>	<i>2,800</i>	<i>3,800</i>	<i>2,010</i>

Source: Statistics New Zealand

Report Scope

The focus of this report is on Marlborough’s major agglomerations of population: Urban Marlborough; Tuamarina/Lower Wairau; Picton/Waikawa and what we refer to as the ‘Balance of Marlborough’. The boundaries of those sub-areas are graphically portrayed in Figure 2.1. Annex A provides the area unit specifications for these agglomerations.

Figure 2.1: Marlborough and Sub-area Boundaries



The statistical analysis in this report builds on and extends the methods developed by Ian Mitchell (Livingston and Associates) on housing trends and futures. The approach to the statistical data analysis has already been applied in other jurisdictions including Greater Christchurch region (that is, Selwyn District, Waimakariri District, and Christchurch City); and Urban Christchurch. Other components of the report draw on both domestic and overseas research and comments on the implications of that research for housing pathways and housing futures. The report comments on:

- Housing pressures arising from the ageing population in Marlborough;
- Housing precarity among seniors;
- The affordable housing brake on Marlborough's regional economy and potential of key industry and service sectors; and
- Potential for collaboration and leverage around housing in Marlborough.

3. HOUSING STRESS IN MARLBOROUGH

New Zealand has suffered more than a decade of housing stress that impacts most severely on very low-income households but is affecting modest income households as well. It has long been assumed that housing stress is a phenomenon primarily affecting large urban conglomerates: Auckland, Wellington and Christchurch. Housing in provincial areas such as Marlborough are typically much neglected both in policy and in the media. Yet Marlborough is severely affected by homelessness. In 2018, it showed the seventh highest prevalence of homelessness among sixteen regions.¹ It is also marked by a range housing stress symptoms from misaligned house prices and rising rents to inability to attract and retain key workers because of housing-related barriers.²

Marlborough's ageing population structure has exacerbated some of those problems. As a raft of research has shown, seniors, who have been assumed to be largely both affordably and securely housed, have emerged in New Zealand's homelessness statistics. Housing precarity among seniors has been associated with an increasing reliance on rental housing. Under current conditions, that is likely to increase into the future.

Rising house prices and shifts in the concentration of housing stock have meant owner occupation is beyond the reach of many modest income households. The expanding numbers of households and people in the intermediate housing market, combined with significant declines in community, limited state housing stock, and unaffordable council housing generate significant pressure on housing access and wellbeing.

This section addresses various dimensions of housing stress in Marlborough:

- Housing costs and household incomes.
- Housing affordability.
- Crowding.
- Homelessness and precarious housing.

Housing Costs and Household Incomes

Housing affordability comes under pressure when housing costs increase at a faster rate than household incomes. As Table 3.1 shows, both lower quartile house sale prices and median rents have increased in all but two 5-year periods relative to median household incomes since 1996 in Marlborough.³

¹ Amore, K., Viggers, H. and Howden-Chapman, P. (2021).

² *Marlborough regional workforce plan: Consultation (2022)*, <https://www.mbie.govt.nz/dmsdocument/18699-marlborough-regional-workforce-plan-consultation-document>

³ Household incomes are assumed to have increased at 3.5% per annum between 2018 and 2021.

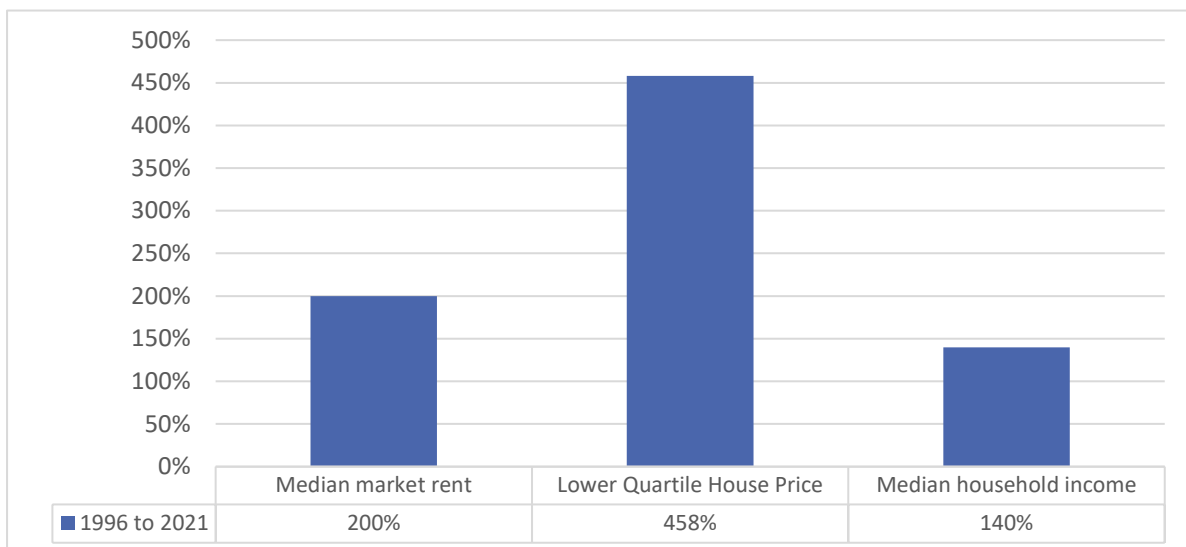
Table 3.1: Median Rents, Lower Quartile House Prices and Median Household Incomes in Marlborough

Years	Marlborough District		
	Median Market Rent (Flow Rent)	Lower Quartile House Price	Median Household Income
1996	\$149	\$95,000	\$30,100
2001	\$163	\$102,000	\$33,600
2006	\$247	\$230,000	\$45,500
2013	\$283	\$240,000	\$55,200
2018	\$363	\$335,000	\$65,100
2021	\$448	\$530,000	\$72,180
Change			
1996 to 2001	9%	7%	12%
2001 to 2006	51%	125%	35%
2006 to 2013	15%	4%	21%
2013 to 2018	29%	40%	18%
2018 to 2021	23%	58%	11%
<i>1996 to 2021</i>	<i>200%</i>	<i>458%</i>	<i>140%</i>

Source: MBIE, Headway Systems and Statistics New Zealand

Figure 3.1 shows the very significant increase in Marlborough’s median rents and lower quartile house prices compared to median household incomes 1996-2021. Notably, Marlborough’s median household incomes increase over the period (140%) was higher than Nelson City Council (124%) but a little lower than the increase in median household income found in Tasman District Council (144%).

Figure 3.1: Increase in Median Rents, Lower Quartile House Prices and Median Household Incomes in Marlborough 1996-2021



A similar pattern is evident in relation to median market rents with Marlborough’s increase being 200% from 1996-2021 compared to 202% in Tasman District and 173% increase over 1996-2021 in median rents of 173% in Nelson.

The pattern is somewhat different in relation to lower quartile house prices. Marlborough's increase in lower quartile house prices exceeds both Tasman District and Nelson City. While Marlborough's lower quartile house price increased by 458% from 1996-2021, Tasman District's lower quartile house prices increased 454% and Nelson's lower quartile house prices increased by 402%.

Housing Affordability

Housing affordability is considered compromised when housing costs (rents or the cost to service a mortgage plus other housing costs) exceed 30% of gross household income. When housing costs to household incomes exceed 30% these households are deemed to be in housing stress. Severe housing stress refers to 50% or more of household incomes being expended on housing costs.

It should be noted that:

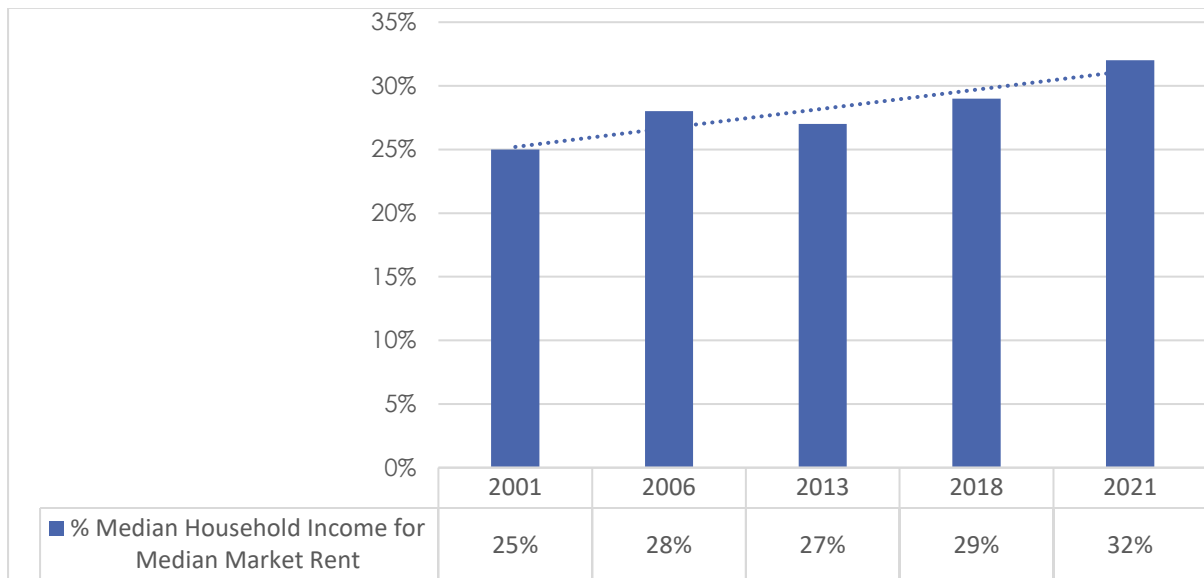
1. For low- and modest- income households, the impact of housing costs in excess of 30% is more critical than for high-income households. This is because the residual incomes of high-income households may still be adequate to meet the other needs of the household even after housing costs. For low- and modest- income households excess housing costs profoundly affect their ability to meet their other basic living needs.
2. It has been typically accepted that housing costs for owner occupier households with mortgages may be of marginally higher proportions than for renting households. That is because mortgage payment for an owner-occupied dwelling has been treated as including some pre-saving which offsets future housing costs when household incomes fall in later life and retirement. There is a vast array of research in New Zealand and overseas that shows that this 'pre-saving' vehicle sustains living standards for seniors when they move into retirement through the reduction housing costs and sustained tenure security.⁴

Rental Affordability Trends in Marlborough

Over the last 20 years the proportion of median household income required to pay the median market rent has increased in Marlborough. As Figure 3.2 shows the proportion of median household income required to rent at the median market rent was only 25% in 2001 and 32% in 2021.

⁴ See Saville-Smith (2019) for a brief review of research around impact of owner occupation on living standards for seniors in retirement.

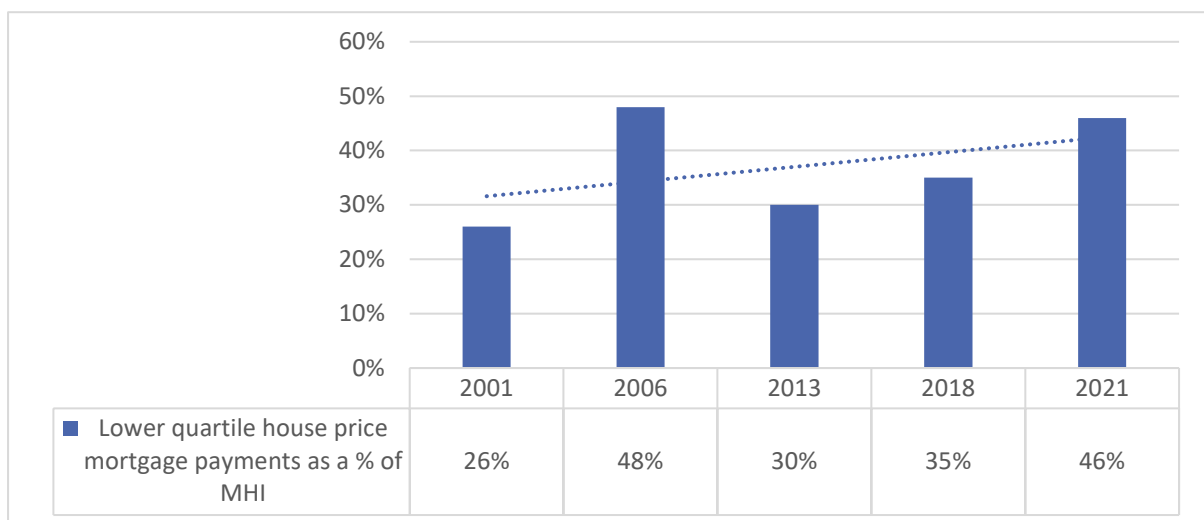
Figure 3.2: The Proportion of Median Household Income (MHI) Required to Rent at the Median Market Rent 2001-2021



Owner Occupation Affordability Trends in Marlborough

Entry into owner occupation is also difficult. The mortgage costs for purchase at the lower quartile value was around 26% of income for median household incomes in 2001 but has shifted to 46% of household income in 2021.

Figure 3.3: Proportion of Median Household Income (MHI) Required to Purchase a Dwelling at Lower Quartile Value



Two explanations are commonly, but typically erroneously, used to explain shifts in owner occupation housing affordability. The first is shifts in interest rates. The second is building costs. It is beyond the scope of this report to detail the dynamics of house prices including lower quartile house prices. Nevertheless, it does need to be noted that house prices rather

than interest rates are the primary driver of affordability for low- and modest- income households.

Table 3.2 sets out the affordability of servicing estimated low-cost new houses from 1966 to 2013 for households only at 80% of median household incomes and for households at median household incomes.

Table 3.2 National housing affordability for households earning 80% of median household income⁵

The proportion of income required for a household earning 80% of the median household income to service a 25-year mortgage using the estimated low-cost new house price			
Year	Mortgage Interest Rates	House price incorporating average section price	House price incorporating lower quartile section price
1966	5.70%	24%	21%
1971	7.20%	33%	29%
1976	10.00%	36%	31%
1981	14.90%	50%	45%
1986	19.20%	70%	55%
1991	13.70%	59%	50%
1996	10.40%	58%	48%
2001	8.20%	53%	40%
2006	9.60%	76%	58%
2013	5.80%	56%	43%
The proportion of income required for a household earning the median household income to service a 25-year mortgage using the estimated low-cost new house price			
Year	Mortgage Interest Rates	House price incorporating average section price	House price incorporating lower quartile section price
1966	5.7%	19%	17%
1971	7.2%	26%	23%
1976	10.0%	29%	25%
1981	14.9%	40%	36%
1986	19.2%	56%	44%
1991	13.7%	47%	40%
1996	10.4%	46%	38%
2001	8.2%	42%	32%
2006	9.6%	61%	46%
2013	5.8%	45%	34%

It is notable that interest rates in 1966 are comparable to interest rates in 2013, but the affordability of servicing a mortgage is significantly different. For households sitting at 80% of median household incomes in 1966, affordability ranges between 21% to 24%. Those proportions are well inside the measures used internationally to measure housing affordability. For an only marginally higher interest rate (5.8% compared to 5.7%) in 2013,

⁵ Saville-Smith (ed) (2019), p.31, data prepared by I. Mitchell, M. Rehm and K. Saville-Smith.

the affordability ranges between 43% and 56% for households sitting at 80% of median household incomes.

For households at median household incomes the impact of house prices, compared to interest rates, on affordability is also clear. In 1966 at an interest of 5.7%, households on median incomes could expect that the cost of owner occupation at the lower quartile value took between 17% to 19% of household income. At a very comparable interest rate of 5.8% in 2013, the proportion of a median household income needed to service the purchase of a lower quartile value house lay between 34% and 45%.

In short, whether on a median household income or a lower 80% of median household income and for comparable interest rates, affordability in 1966 was high and in 2013, affordability was low. In 2013, the cost of purchasing a low-cost house is significantly higher than the proportions of income for mortgage servicing accepted as affordable.

It is clear, then, that grasping the importance of house prices, rather than simply interest rates, is critical. It is particularly important when thinking about investment into housing that meets the housing affordability needs of low- and modest- incomes households. Problems of housing affordability do not disappear with falling interest rates.

Equally, it is important to recognise that build costs are not the primary driver of long-term declines in new build affordability. Like interest rates, build costs, particularly where there is acute uncertainty about the supply of materials, may exacerbate affordability problems. Nevertheless, in the long run, as Figure 3.4 shows, much of the increase in building costs is nominal rather than real for low-cost dwellings. Notably the apparent increase in real build costs in Figure 3.4 around the millennium, largely reflects a shift in the size of dwellings with movements from low-cost housing sizes from a little over 92 m² in the 20th century to 120 m² around 2002. That is, the increase is an artefact of shifts in dwelling size.

Three understated drivers of house prices in New Zealand are:

- The deregulation of banking and an associated flush of liquidity and money supply (Figure 3.5).
- The withdrawal of capital assistance for low-cost housing production in the 1990s.⁶
- The rise of property investors in the residential property market. This is discussed in Section 6 (Figures 6.1 and 6.2) for both New Zealand as a whole and in Marlborough.

⁶ Saville-Smith (ed) (2019), data prepared by K. Saville-Smith, pp.3-4.

Figure 3.4 Nominal and Real Construction Costs of Low-Cost Dwelling (Excluding Section Price) in New Zealand 1950-2020⁷

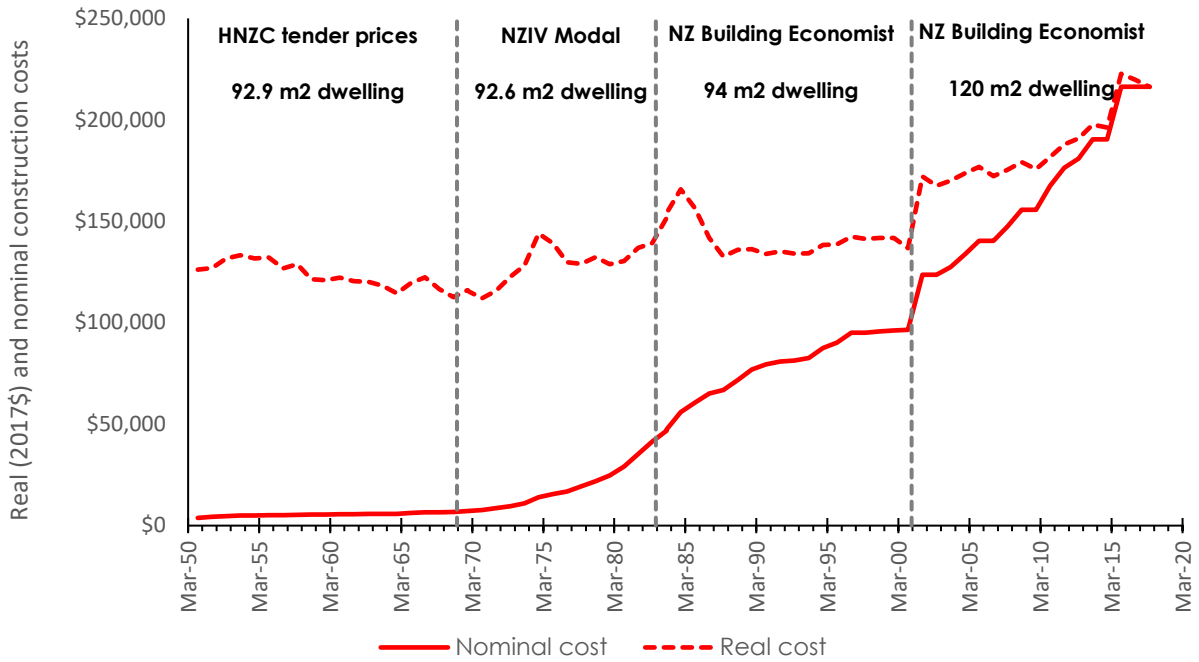
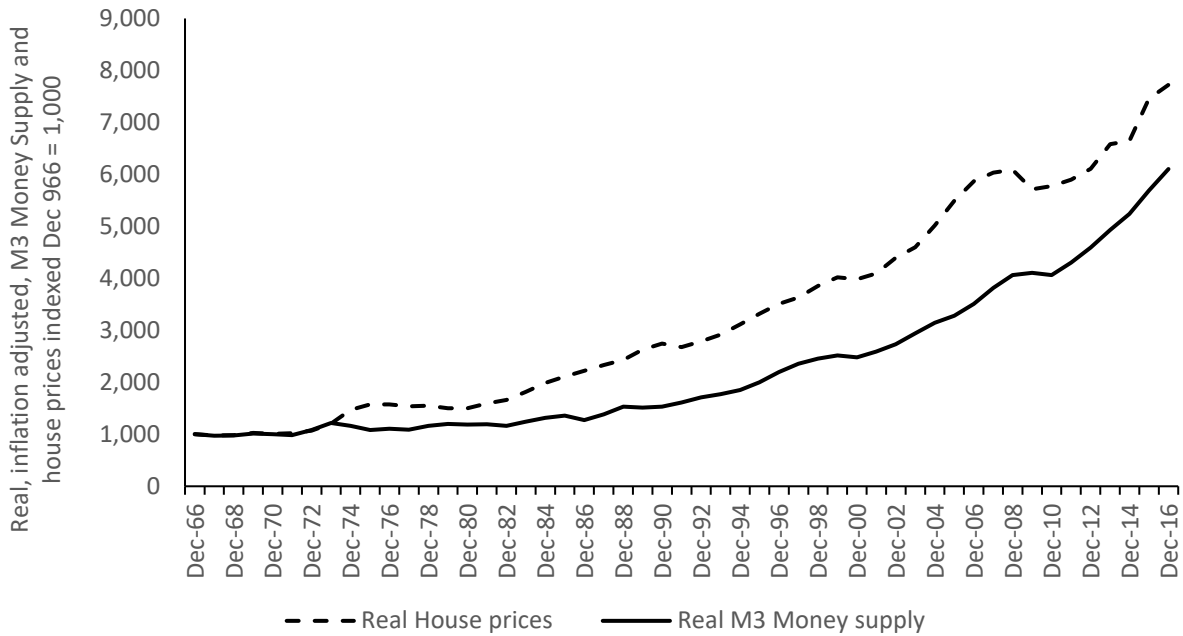


Figure 3.5 Real money supply and housing prices 1966-2016⁸



⁷ Saville-Smith (ed) (2019), pp.20ff data prepared by M. Rehm and Ian Mitchell.

⁸ Saville-Smith (ed) (2019), pp.20ff data prepared by M. Rehm and Ian Mitchell.

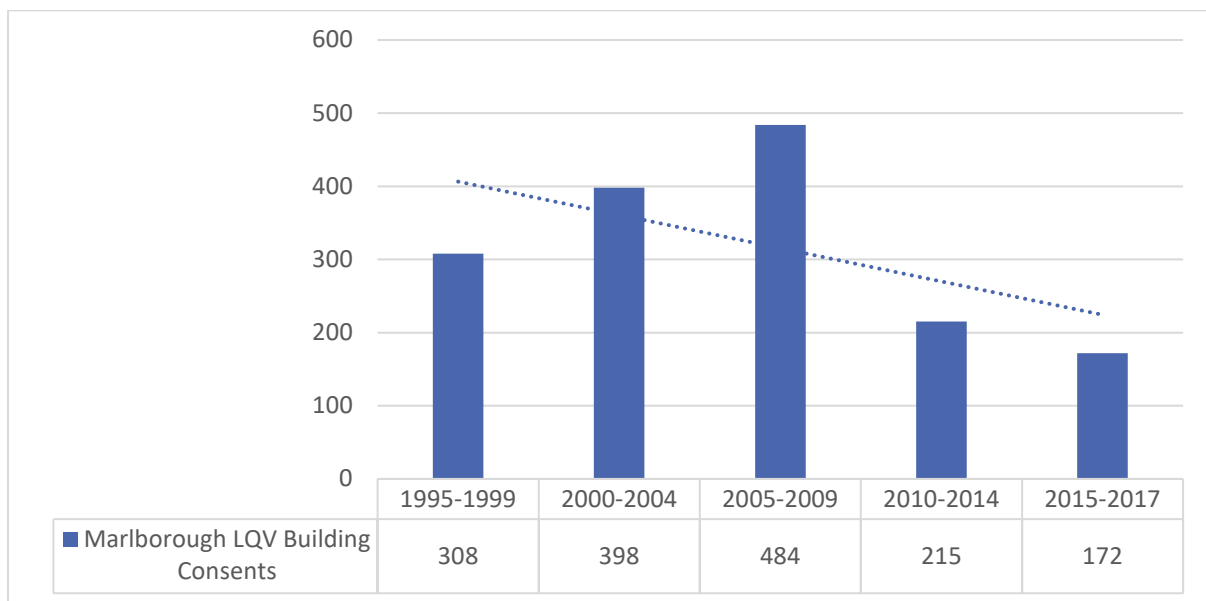
Nationally, those three factors contributed to a decline in the production of lower quartile new build homes from about 1990.⁹ In Marlborough, lower quartile residential new-builds fluctuated in the 1990s and thereafter.

Table 3.3 shows that those lower quartile new-builds were very concentrated spatially throughout 1995 and 2017. In addition, while Figure 3.6 shows fluctuations in the production of lower quartile value new-builds, the overall production of lower quartile value homes has been downwards.

Table 3.3 Areas in Marlborough with Highest Numbers of Lower Quartile Value (LQV) New-builds 1995-2017¹⁰

Marlborough	1995-1999	2000-2004	2005-2009	2010-2014	2015-2017
LQV residential new-builds	Redwoodtown (63) Springlands (38) Witherlea (28)	Redwoodtown (46) Whitney (34) Witherlea (33)	Redwoodtown (70) Blenheim Central (65) Whitney (52)	Mayfield (23) Springlands (23) Witherlea (21)	Whitney (18) Redwoodtown (15) Blenheim Central (14)

Figure 3.6 Marlborough Building Consents in Lower Quartile Value (LQV) 1995-2017¹¹



Stuck in the Housing Market

For some private renters, house prices and rents mean they are stuck. As Table 3.4 shows, some 3,580 households in 2021 could not afford median rents. Also in 2021, it is estimated around 4,370 private renter households were unable to enter owner occupation even at the lower quartile house price.

⁹ New Zealand Productivity Commission (2012).

¹⁰ Saville-Smith, K (ed) (2019), data prepared by M. Rehm p.12.

¹¹ Saville-Smith, K (ed) (2019), data prepared by M. Rehm p.12.

Table 3.4 Private Renter Households Unable to Affordably Rent or Buy in Marlborough 2018 and 2021

Unable to Affordably Rent at Median Market Rent				Unable to Affordably Purchase at Lower Quartile House Price			
Private Renters		% Private Renters		Private Renters		% Private Renters	
2018	2021	2018	2021	2018	2021	2018	2021
3,090	3,580	57%	62%	3,400	4,370	62%	76%

Housing Affordability Stress for Private Renters

Housing affordability stress is experienced by households that have insufficient income to affordably pay their housing costs. This can occur because either housing costs are high relative to incomes, or incomes in an area or region are low, or a combination of both. Renter housing stress is defined as those households that are paying more than 30% of their gross household income in rent. Severe housing stress is those households paying 50% or more of their gross household income in rent.

High housing costs inhibit spending in local businesses and can generate workforce recruitment and retention. In addition, falling housing affordability tends to trickle down to burden both lower incomes households and private renters compared to owner occupiers.¹² Some community housing providers also provide long term affordable housing. The Marlborough District Council discounts flow rents but this does not, even with the Government’s Accommodation Supplement ensure that rents are affordable in council housing. This is because flow rents are significantly higher than stock rents in Marlborough, as they tend to be elsewhere. Both are market rents.¹³

In Marlborough, the proportions of private renter households in housing affordability stress have risen significantly in the last two decades (Figure 3.7). In 2001, around a third (33.2%) of private renter households were in affordability stress. By 2018, 39.5% of private renter households faced unaffordable rent costs.

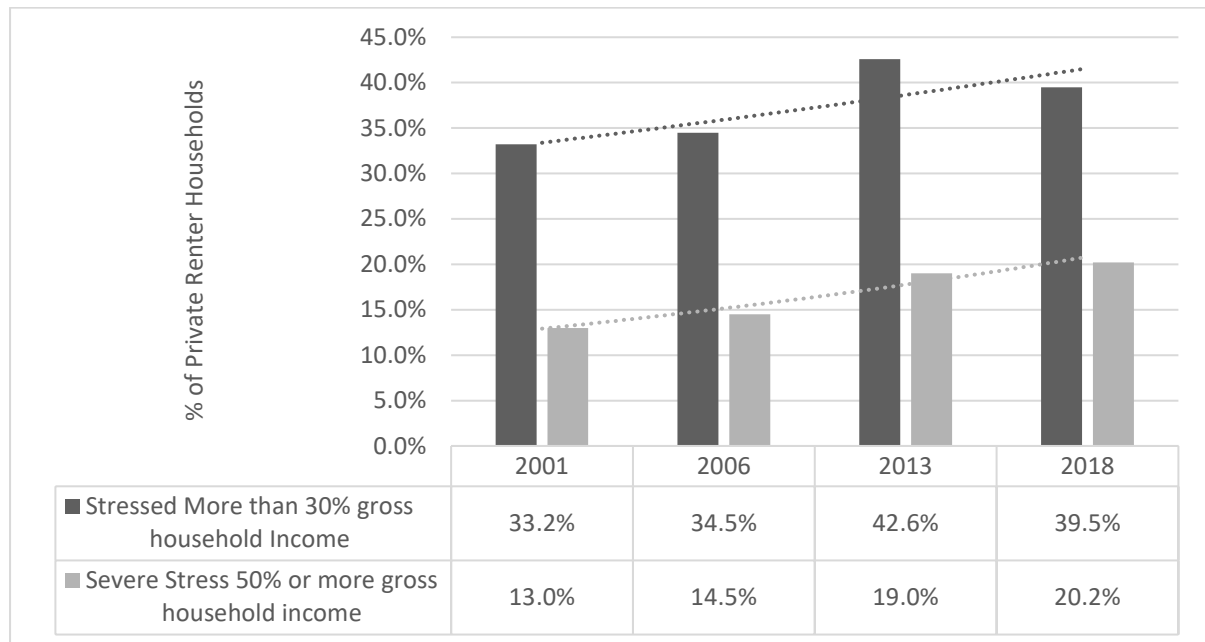
The proportion of private renter households in severe housing stress moved from 13% in 2001 to 20.2% in 2018. Almost three quarters (73.5%) of private renter households with incomes of \$30,000 or less were in **severe housing stress** in 2018. The vast majority (92.4%) of Marlborough’s renter households with incomes of \$30,000 or less were paying

¹² Renter stress is avoided where tenants receive income-related rents, which limits rents to 25% of income in recipient households. See the discussion of market limits to meeting housing need. Some community housing providers set rents as that affordable limit without receiving income-related rent subsidies from central government.

¹³ See Bentley (2021).

unaffordable rents in 2018. That compares to 62.7% of low-income private renter households in 2001 (Table 3.5).

Figure 3.7 Proportion of Private Renter Households in Affordable Housing Stress & Severe Stress 2001-2018



However, it would be incorrect to assume that the problems with housing affordability among private renters in Marlborough is entirely confined to households with very low household incomes. In 2021 the median household income in Marlborough was \$72,180. Modest income households at 80% of the median household incomes are around \$57,000 and fall within the \$50,001-\$70,000 band in Table 3.5.

Table 3.5 Proportion of Private Renter Affordability Stress 2001-2018 by Household Income

Gross household income	Stressed (More than 30%)				Severely stressed (50% or more)			
	2001	2006	2013	2018	2001	2006	2013	2018
\$30,000 or less	62.7%	74.2%	83.0%	92.4%	24.5%	37.1%	52.5%	73.5%
\$30,001 to \$50,000	1.3%	27.2%	57.0%	70.6%	0.0%	1.9%	5.4%	13.9%
\$50,001 to \$70,000	0.0%	3.2%	10.0%	23.0%	0.0%	1.6%	0.9%	1.4%
\$70,001 to \$100,000	0.0%	3.1%	3.1%	5.3%	0.0%	3.1%	1.5%	1.9%
\$100,001 to \$150,000	0.0%	4.3%	3.7%	1.2%	0.0%	4.3%	2.4%	0.0%
Over \$ 150,000	-	-	0.0%	0.0%	0.0%	-	-	0.0%
Total	33.2%	34.5%	42.6%	39.5%	13.0%	14.5%	19.0%	20.2%

Source Statistics New Zealand

In the \$50,001-\$70,000 band of modest income households, housing affordability stress was not affecting any private renter households in 2001 compared to a situation in 2018 when housing affordability stress burdened almost a quarter of these modest income households in private rent (23%).

For the low- (\$30,001-\$50,000), but not the lowest, income households in the region who are renting on the private rental market, the proportion in housing affordability stress has shifted from 1.3% in 2001 to 70.6% in 2018. Some 13.9% of private renter households in that income band are in severe housing stress expending 50% or more of their household income on their rent. In addition, 6.5% of private renter households with household incomes in excess of \$70,000 are in housing affordability stress.

We estimate that in 2021, Marlborough’s private renter households in housing stress because of affordability problems was in the region of 2,310 households. That is around 11% of all Marlborough households and 40% of all private renter households.

Affordability related stress has a number of impacts on households. As they spend a higher proportion of their income on housing costs they have less to spend on other items in and beyond the Marlborough economy. Unaffordable housing costs mean affected households face undesirable choices:

- Do they continue to invest in rent, especially where there are prospects of further rent increases, and dedicate excessive amounts of their income in housing costs?
- Do they relocate to poorer quality housing in an effort to reduce rent exposure?
- Do they shift out into other lower cost housing markets, including out of Marlborough altogether?
- Do they crowd with other families or individuals?

Crowding

Affordability problems can lead to crowding as people cluster together in households to reduce the per capita housing cost and to increase the number of incomes coming into a household. Crowding stress can also arise because the housing stock does not ‘fit’ the household size and composition. Table 3.6 sets out crowding in the Marlborough housing stock in 2018.

Table 3.6 Crowding and Housing Stock Utilisation in Marlborough 2018

Crowding Characteristics	Owner Occupied Dwellings	Private Rented Dwellings	Total Dwellings
1 bedroom needed (crowded)	42	90	132
2+ bedrooms needed (severely crowded)	198	219	417
Total crowded	240	309	549

Source: Statistics New Zealand – Census

Private renter households experienced higher levels of crowding than owner occupiers in 2018. This is consistent with the national pattern. In Marlborough, Blenheim and its immediately related settlements referred to as urban in this report are marked by crowding, particularly for renters (Table 3.7).

Table 3.7 Crowding in Marlborough for Owner Occupiers and Private Renters 2018

Marlborough	Owner Occupiers			Private renters		
	Crowded	Total Stated	% All	Crowded	Total Stated	% All
<i>Urban</i>	156	7,221	2.2%	189	2,493	7.6%
<i>Picton</i>	21	1,065	2.0%	18	402	4.5%
<i>Wairau</i>	6	513	1.2%	0	123	0.0%
<i>Marlborough Balance</i>	42	1,620	2.6%	21	435	4.8%

Source: Statistics New Zealand – Census

In 2018, Māori and Pasifika households experienced higher levels of crowding than the balance of households in Marlborough. This is consistent with national patterns and to some extent reflects the much younger population structure of the Māori and Pasifika populations. Although the proportion of Pasifika households experiencing crowding is higher than Māori households, the number of crowded Māori households is significantly higher than Pasifika households (Table 3.8).

Table 3.8 Marlborough Household Crowding and Ethnicity 2018

Crowding	Māori Households		Pasifika Households		Other Households	
	Crowded	%	Crowded	%	Crowded	%
1 bedroom needed (crowded)	57	2%	24	8%	51	0%
2+ bedrooms needed (severely crowded)	171	6%	18	6%	228	1%
Total crowded	228	8%	42	14%	279	2%

Source: Statistics New Zealand - Census

Precarious Housing and the Intermediate Housing Market

Unaffordable housing and crowded housing are associated with homelessness and precarious housing. There is substantial and persistent evidence that private rented housing tends to be precarious. In the past this has been associated with the very lightly regulated nature of the rental market.

The Residential Tenancies Amendment Act 2019 may see some changes in investor behaviour into the future, but these patterns have not yet become clear. What is clear is that owner occupation followed by rental in public housing and by CHPs tend to be longer term and less precarious. There is, however, also a significant number of people that are in temporary accommodation which is indicative of homelessness.¹⁴

Tenure and Precarity

Overall, it is estimated that in 2021, there were around 4,750 Marlborough households in precarious housing situations.

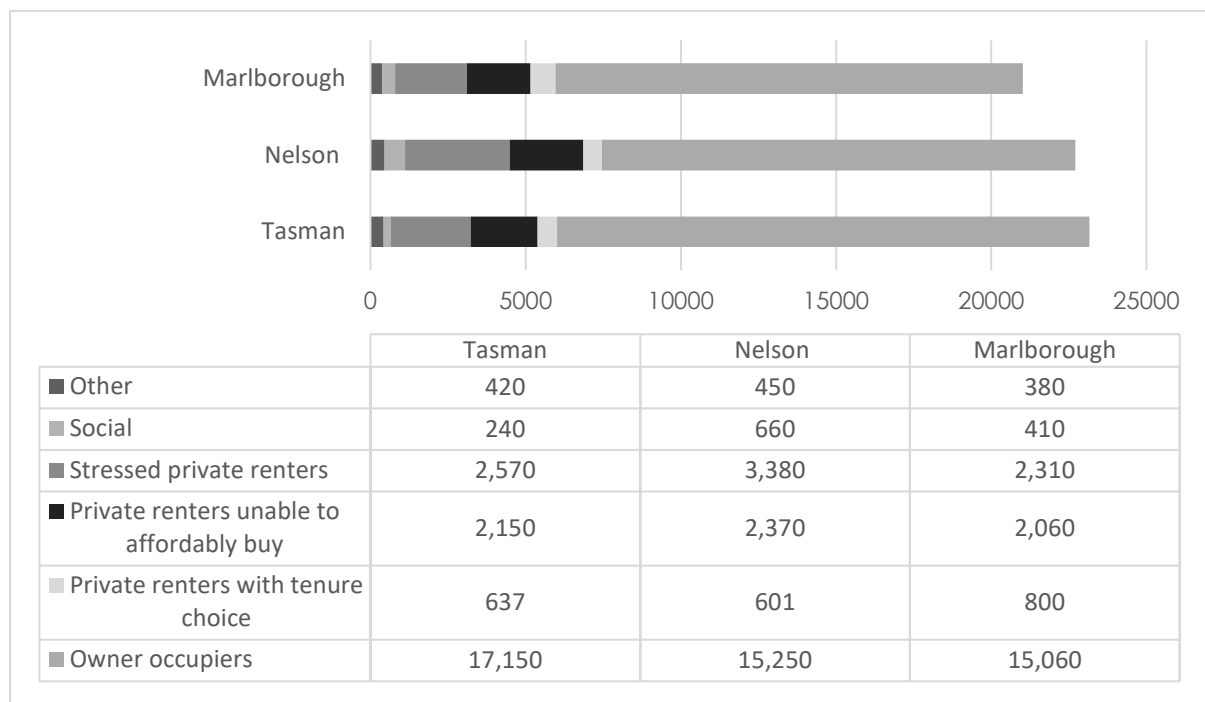
¹⁴ Amore (2019); Amore, Viggers and Howden-Chapman (2021).

The least precarious are owner occupiers. Private renter households with sufficient income to affordably buy a dwelling at the lower quartile house sale price also tend to be less precarious. They have more choices within the rental market but also the choice to exit rental and move to owner occupation or some alternative tenure such as 'occupation right' housing such as that found in retirement villages and some other settings.

The most precarious are those already homeless or in temporary housing. Stressed private renters paying more than 30% of their household income in rent and unable to affordably buy a dwelling, are also very precarious. Private renters paying 30% or less of their household income in rent, but unable to affordably buy a dwelling at the lower quartile house sale price (LQHP) are also precarious because of the lightly regulated nature of the rental market and preponderance of investors in residential property in this country.

Figure 3.8 provides an indication of the pattern of housing precarity in Marlborough and its regional neighbours in the 'Top of the South'.

Figure 3.8 Number of Households by Precarity 'Top of the South' Estimated 2021



The exception around renter precarity relates to those in community housing or in public housing places. CHPs are more highly regulated than any other housing provider, including Kāinga Ora. Both Kāinga Ora and CHPs have tenancy security as central platforms of their housing provision.

Tenants in Kāinga Ora and those CHPs delivering public housing places have affordable rental payments with Government subsidising those providers to fully fill the

unaffordable gap between affordable rents and so-called market rents. This contrasts to tenants who have affordability problems and receive the Accommodation Supplement (AS) which is designed to fill the unaffordable gap only partially. Some CHPs provide long-term affordable rents, often known as sub-market priced rents, to reduce housing stress for tenants.

Around 72% of households in Marlborough in 2021 were in owner occupation and consequently defined as not precarious. Around 3.8% are renters with choices around tenure and about 2% of renters in some form of social housing. But 1.8% of households are in very precarious temporary housing or other forms of homelessness. Around 11% are stressed renter households with another 9.8% might be termed precarious because they are 'stuck' in the rental market. They cannot afford owner occupation even at the lower quartile of house value.

Intermediate Housing Market

Notable is the expansion of the 'intermediate housing market' which shifted from about 45% of Marlborough renter households and 13% of all Marlborough households in June 2018, to 60% of renter households and 17% of all Marlborough households in June 2021.

Intermediate housing markets are defined as private renter households who have at least one member in paid employment, unlikely to be eligible for public housing, and are unable to affordably buy a dwelling at the lower quartile house sale price. Because of data limitations, the size of the intermediate market in Marlborough or elsewhere is difficult to calculate.

We provide a proxy estimate of the relative size of the intermediate market. That estimate includes all households with reference people aged less than 65 years of age who are unable to buy at the lower quartile house sale price. With low unemployment rates this provides a comparable estimate to the classically defined 'intermediate housing market'.

It is estimated that the number of households in the intermediate housing market in Marlborough increased from 2,450 to 3,460 households between 2018 and 2021. It is estimated that the size of the intermediate housing market increased between 2018 and 2021 by 41% in Marlborough District compared to 25% in Tasman District and 17% in Nelson City. Current under-supply of lower quartile house priced dwellings for sale, pressures on rents and rising mortgage interest rates are likely to expand the intermediate housing market over the short and medium terms.

4. MARLBOROUGH'S FUTURE HOUSING PATTERNS AND DEMAND

The housing patterns of the future depend on a combination of population shifts, shifts in the composition of households, and the supply and cost of dwellings. Some of these are more predictable than others. The structural ageing of populations and, indeed, the housing stock are relatively predictable unless there are significant shocks. Overseas, COVID has had significant impacts on life expectancies. It is unclear what the impact of COVID in New Zealand will be. The future, nevertheless, remains governed by the past.

In particular, the 1990s housing reforms saw a major shift in housing access, patterns of tenure (falling rates of owner occupation), and the concentration of stock in the hands of property investors. This was somewhat mediated in Marlborough by its ageing population and associated high rates of owner occupation. Marlborough has also seen a rapid expansion of wine, forestry and aquaculture. The impacts of that expansion on housing demand have been somewhat mediated by the expansion of purpose-built accommodation for casual and some seasonal labour. Under-supply of affordable housing may also moderate demand and industry expansion. This is a theme which has persistently emerged in the Marlborough Regional Skills Leadership Group's consultation regarding skill and workforce needs of the future.

Future Household Numbers by Tenure

Owner occupation is declining in New Zealand. This is a structural shift as younger cohorts are increasingly unable to enter owner occupation and it is evident throughout the country. However, in regions without significant urban conurbations, rates of owner occupation have proved more resilient than regions which are effectively main metropolitan centres.

There are two reasons for that. First, is that some regions have attracted owner occupying households from other regions, often from metropolitan centres with high price housing settings. Second, regions with older population age structures are more likely to have higher rates of owner occupation. Marlborough shows both those tendencies, particularly the latter.

Notwithstanding, Marlborough (as well as Tasman and Nelson) is likely to see a gradual decline of owner occupation associated in part with the death of owner occupying seniors. Projections show modest growth of household numbers to 2038 in Marlborough. Unless current market and policy settings change, the numbers of households dependent on renting and owner occupiers are expected to increase, but persistent decline in owner occupation and the concentration of housing stock in the hands of property investors nationally will be reflected in Marlborough (Table 4.1).

Table 4.1 The projected growth in the number of households in Marlborough by tenure – 2018 to 2038

Year	Total	Owner occupied	Renting	Rate of owner occupation
	Number	Number	Number	% Total Households
2018	19,800	14,330	5,470	72.4%
2023	21,500	15,540	5,960	72.3%
2028	22,600	16,230	6,370	71.8%
2033	23,600	16,870	6,730	71.5%
2038	24,300	17,300	7,000	71.2%
Change 18 to 38	4,500	2,970	1,530	-1.2% pts

Source: Modelled based on data from Statistics New Zealand

Household Age Profiles and Change

Table 4.2 presents the projected household growth by age of the household reference person between 2018 and 2038.

Table 4.2 Marlborough projected households by age of the household reference person 2018 to 2038

Reference Person Age	2018	2023	2028	2033	2038	18 to 38
Less than 30 yrs	3,000	2,890	2,850	2,900	2,900	-100
30 to 39 years	2,510	2,720	2,670	2,450	2,370	-140
40 to 49 years	3,470	3,540	3,590	3,800	3,750	280
50 to 64 yrs	5,940	6,130	6,040	6,000	6,050	110
65 yrs and over	6,760	8,070	9,220	10,080	10,740	3,980
Total	21,680	23,350	24,370	25,230	25,810	4,130

The number of owner occupiers are expected to increase faster than the number of renter households in Marlborough, but the percentage increase in renter households is higher. Renters are expected to account for a larger portion of all households in the future. The more rapid increase of owner occupier households is directly associated with structural population ageing combined with the higher owner occupation rates found among older cohorts.

The same process of structural ageing also means that there will be a growth in the number of renter households with a reference person aged 65 years and older. Marlborough is expected to experience growth in the number of renters aged between 40 and 64 years.

The impact of age on the resilience evident in owner occupation rates is clear in Figure 4.1. However, Figure 4.2 also shows the persistence of renting among younger age groups. Associated with that, of course, is the increased numbers of seniors who will also become dependent on renting in the future. That is a result of younger age groups being excluded from owner occupation. As those cohorts age through their life cycles in rent, so too they will remain in rent as they enter the retirement years of 65 years and more.

Figure 4.1 Marlborough projected owner-occupied households by age of the household reference person 2018 to 2038

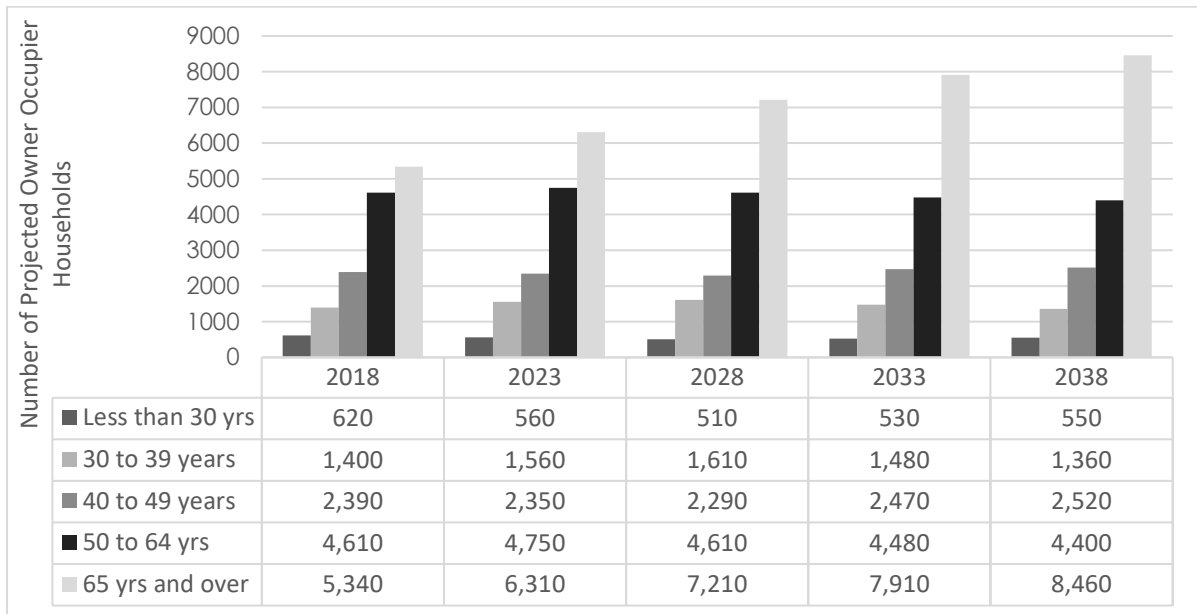
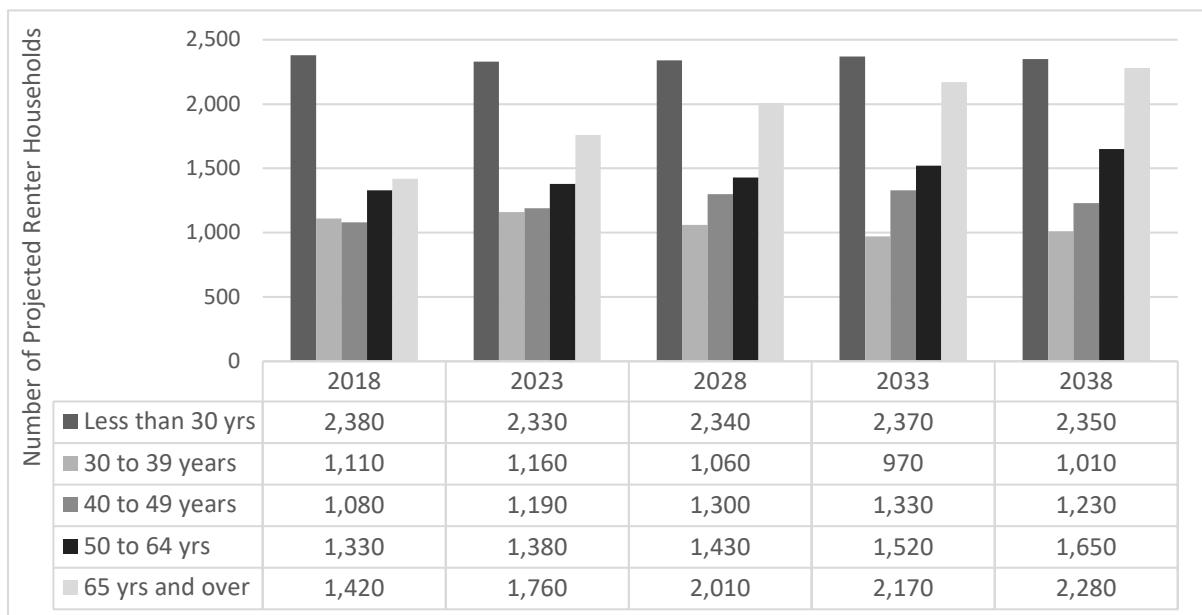


Figure 4.2 Marlborough projected renter households by age of the household reference person 2018 to 2038



Household Composition into the Future

The key factors that influence household composition are:

- The population structure. Ageing population structures tend to be marked by an increase in unpartnered individuals and, depending on other factors, smaller households including couple-households and people living alone.

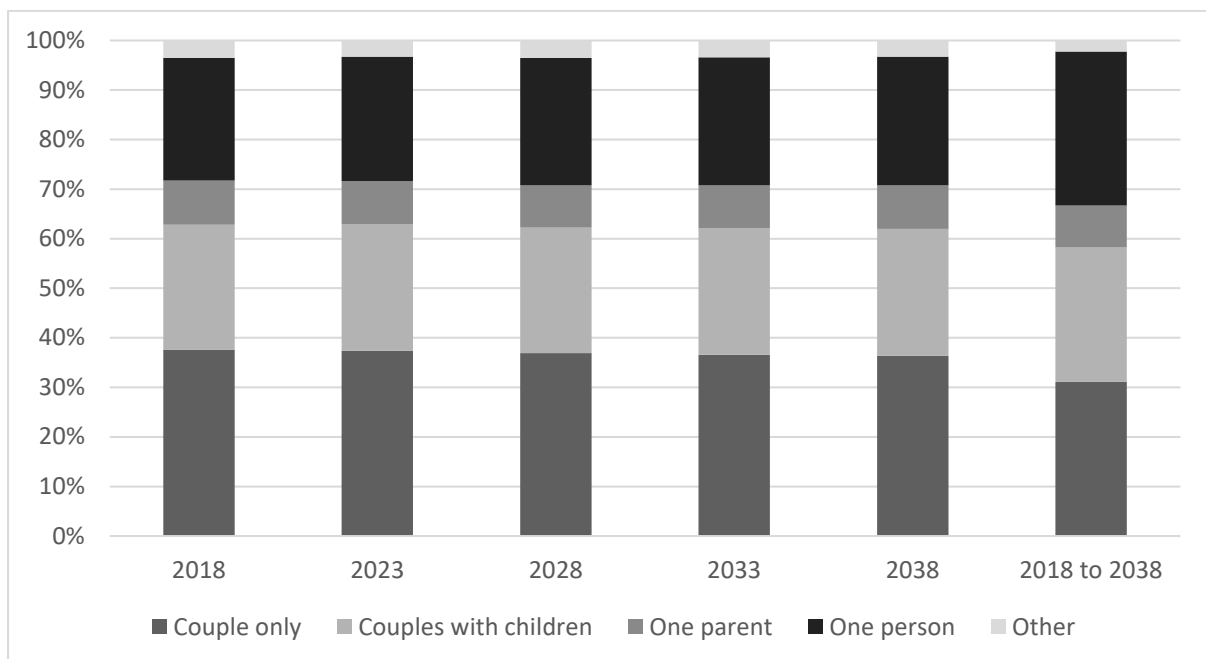
- Cultural experiences and expectations. Multi-generational households and households with related kin are less common among Pakeha and more common among Māori, Pasifika and some Asian households.
- Housing affordability and design. Housing that is unaffordable is a driver of over-crowding and also prompts household compositions designed primarily to distribute housing costs over greater numbers of people within the household. Surges in the numbers of households composed of multiple families, a family and unrelated others, extended kin, or unrelated others respectively may reflect cultural predispositions, but they may simply reflect adaptation to material constraints.

Table 4.3 presents the projected household growth by household composition between 2018 and 2038 in Marlborough. Figure 4.3, particularly the pattern of change over the period 2018-2038, shows the complexity of the inter-relationships between demographic dynamics and household composition.

Table 4.3 Marlborough projected households by composition 2018 to 2038

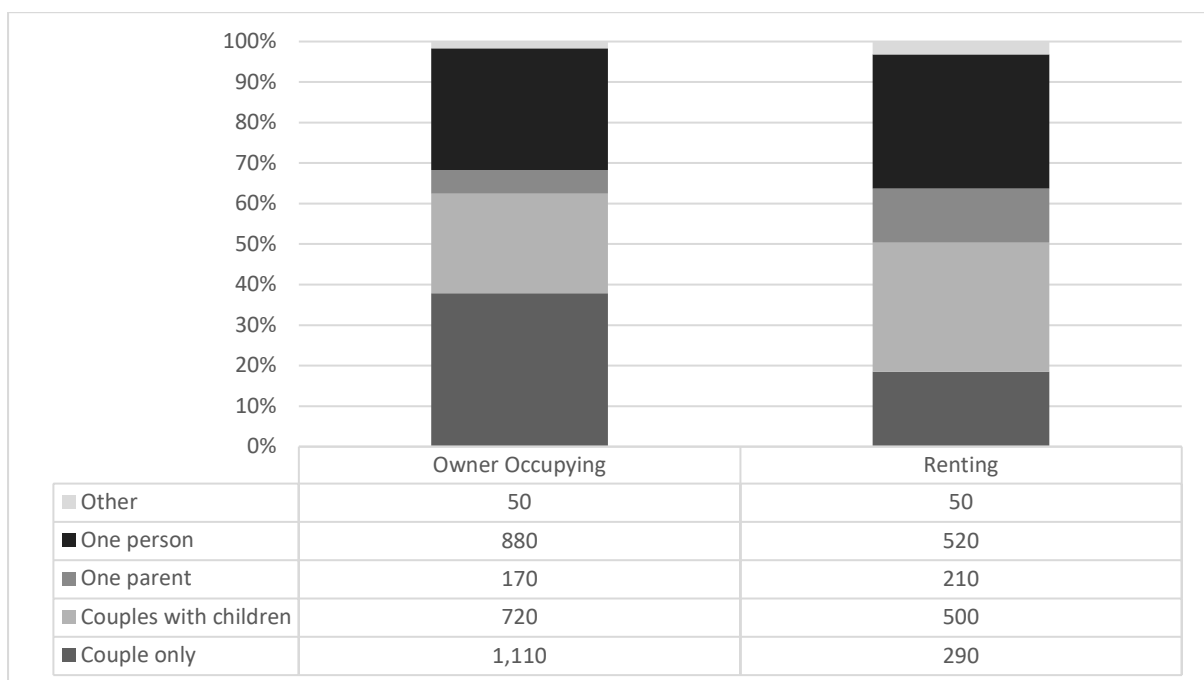
Household Composition	Total Number of Households					
	2018	2023	2028	2033	2038	2018 to 2038
Couple only	7,440	8,040	8,340	8,640	8,840	1,400
Couples with children	5,000	5,500	5,720	6,020	6,220	1,220
One parent	1,760	1,860	1,940	2,040	2,140	380
One person	4,900	5,400	5,800	6,100	6,300	1,400
Other	700	700	800	800	800	100
Total	19,810	21,500	22,600	23,600	24,290	4,480

Figure 4.3 Marlborough projected renter households by household composition 2018 to 2038



Couple only households can be expected to increase between 2018-2038, but their representation within the overall increased number of households declines as younger couples enter child-bearing and seniors experience the loss of partners. Figure 4.4 shows how those age and compositional dynamics vary according to tenure. Among the increased numbers of renting households, 45.2% will have households with children compared to 24.6% of the projected increased numbers of owner occupying households. Around 37.9% of the projected change for owner occupying households will be couples only compared to around 18.5% of renting households.

Figure 4.4 Marlborough pattern of projected household composition for increase in households by tenure 2018-2038



Dwelling Typologies

This section presents the results of the modelling of the implications of demographic and tenure trends on the demand for dwellings of particular typologies. The critical and most contestable assumption is that the propensity for households with different characteristics (age, household composition and tenure) for different dwelling typologies,¹⁵ remains the same between 2018 and 2038. This assumption is particularly problematic in Marlborough. Because of its planning rules which emphasise large sites in Marlborough settlements (even by New Zealand standards), combined with changing land use, and the use of privately imposed covenants, intensification and the typologies associated with it have been suppressed in Marlborough’s main settlements.

¹⁵ Standalone dwellings are defined as single unit dwellings not attached to any other buildings. Multi-unit dwellings include a wide range of dwelling typologies where two or more dwellings are physically attached to each other. Multi-units include duplexes, terraced houses and apartments.

A projection such as this assumes: continuation of current settings and takes account of none of the environmental, affordability and connectivity benefits of intensification within towns; and reflects the continued importance of farming and horticulture in the distribution of housing typologies servicing owners and managers.

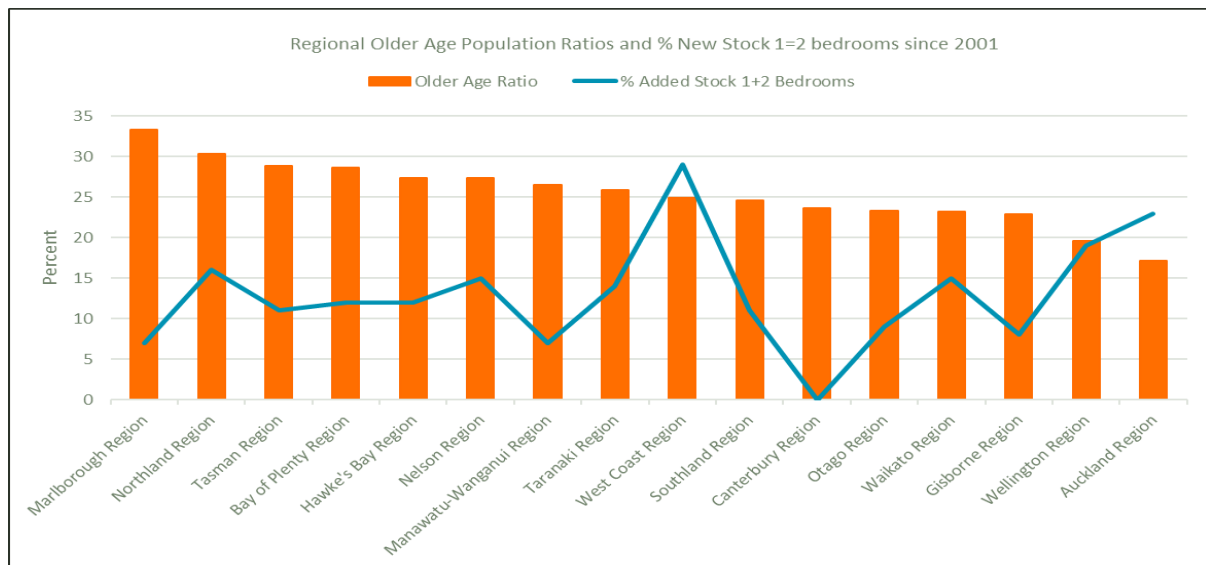
Table 4.4 summarises projected demand in dwelling typologies by tenure in between 2018 and 2038 with current settings driving standalone dwellings, despite a slightly higher propensity by renters to live in multi-unit dwellings. If this pattern is unmodified in Marlborough the misalignment between dwelling typologies, household size, affordability and diversity in Marlborough’s housing stock will continue. Those issues have been raised previously in relation to seniors and shown to be particularly pronounced in Marlborough compared to other regions (Figure 4.5).¹⁶

Table 4.4 Projected dwelling typologies and bedroom size in Marlborough by tenure 2018-2038

Years	Owner occupiers				Renters			
	Standalone		Multi-unit		Standalone		Multi-unit	
	2- bdrm	3+ bdrm	2- bdrm	3+ bdrm	2- bdrm	3+ bdrm	2- bdrm	3+ bdrm
2018	1,590	11,800	640	340	1,170	3,190	930	150
2028	1,820	13,250	770	390	1,340	3,730	1,130	170
2038	1,950	14,070	850	420	1,460	4,080	1,270	200
Change 2018-38	360	2,270	210	80	290	890	340	50

Source: Modelled based on data from Statistics New Zealand. Numbers are rounded to the nearest 10 in the modelling

Figure 4.5 Regional Age-Ratios 2013 and % Added Stock 2001-2013 One and Two Bedroom Dwellings



¹⁶ Saville-Smith (2019), p.31

5. HOUSING NEED AND UNMET NEED

This section focuses on the renter households within Marlborough that cannot meet their housing needs in the housing market with any Accommodation Supplement they may access. The discussion provides an analysis of housing need among renters ('renter housing need') and identifies the prevalence of renters whose needs are not only unmet by current market settings but who are also unable to access housing by providers who provide affordable housing providers.

That set of households fall into the 'unmet housing need' category.

Total '**renter housing need**' is constituted by the following sets of households:

- Financially stressed private renter households;
- Those households whose housing requirements are met by public housing, community housing providers, and council tenants. These are referred to as social housing tenants for the purpose of this analysis; and
- People who are homeless or living in crowded dwellings and includes interim or emergency housing.

It can be represented in the following formula: **Total renter housing need = stressed private renter households + social housing tenants + other need.**

Previously presented data on housing stress and the intermediate housing market is consistent with an increase in both:

- The total numbers of households for whom the housing market is not delivering affordable housing – rising from 2,820 households in 2018 to 3,100 households in 2021
- The number of those households in need who find those needs are not met by way of non-market housing provision – rising from 2,410 households in 2018 to 2,690 households in 2021.

Table 5.1 sets out the number of households who both: need additional support to be housed in the market; and have that need unmet. The data suggest that over half of all renters are in housing need and 15.7% of all households are in unmet need in 2021. Renter households in unmet need increased from 2,320 households to 2,700 households.

Table 5.1 Total Renter Need and Unmet Need in Marlborough 2018 and 2021

Year	Total need			Unmet need	
	Renter Households in Housing Need	As % of All Renters	As % of all Households	Renter Households in Unmet Housing Need	As % of all Households
2018	2,930	53.9%	14.8%	2,320	11.7%
2021	3,310	56.8%	15.7%	2,700	12.7%

Numbers are rounded to the nearest 10. Source: Modelling housing outcomes based on data from census, population projections (Statistics New Zealand), HUD, MBIE, and Kāinga Ora.

Unmet need is understated in Marlborough, as it is in any region, where local council rents are set as proportions of so-called market rents rather than set as affordable rents for individual households. Low levels of alternative housing outside the market means that over 81.6% of Marlborough households who are not adequately serviced by the housing market in 2021 are in unmet need. This is up from 79.2% in 2018.

6. PATHWAYS TO MEETING MARLBOROUGH'S HOUSING NEEDS

This analysis shows that Marlborough has a pronounced and worsening situation with housing affordability both in the rental sector and in owner occupation. Both median rents and lower quartile house prices have moved far in excess of the upward trend in median household incomes:

- It is estimated that in 2021 there are around 3,310 households whose housing needs cannot be met by the housing market. The vast majority (around 2,700) of those households are not having their housing needs met through non-market housing providers.
- There is a significant under-investment in non-market housing in Marlborough.
- The intermediate housing market (private renter households who have at least one member in paid employment, unlikely to be eligible for public housing, and are unable to affordably buy a dwelling at the lower quartile house sale price) is growing rapidly. In June 2018, 45% of Marlborough renter households and 13% of all Marlborough households were in the intermediate housing market. In 2021, 60% of renter households, some 3,460 households, were in the intermediate housing market. That 41% increase over 2018 to 2021, is higher than the increases in the intermediate housing market found in Tasman (25%) and Nelson (17%).

Pressures and Projections on Marlborough Housing

The growing misalignment between rents and incomes, as well as house prices and incomes, is likely to continue unless investment in affordable housing can be attracted to Marlborough. Aquaculture and nutraceuticals, skilled manufacturing, aviation, construction, education and health sectors are all struggling to attract and retain their workforces. In the consultations undertaken by Marlborough's Regional Skills Leadership Group, it has been noted that this is the case even where sectors are striking wage and salaries comparable or in advance of other regions.

Currently, the wine industry has indicated the need to fill at least 1,510 permanent positions by 2024/25 as well as a sharply expanded demand for seasonal workers.¹⁷ There is an estimated need in 2022-2023 to fill 700 positions in construction outside of civil engineering. The aquaculture and fishing industries are also facing significant change which will impact on employment requirements. The new Marine Extract Centre already has the potential for 48 positions ranging from process workers to scientists.¹⁸ The lack of affordable housing has been repeatedly identified as a barrier to employment, business

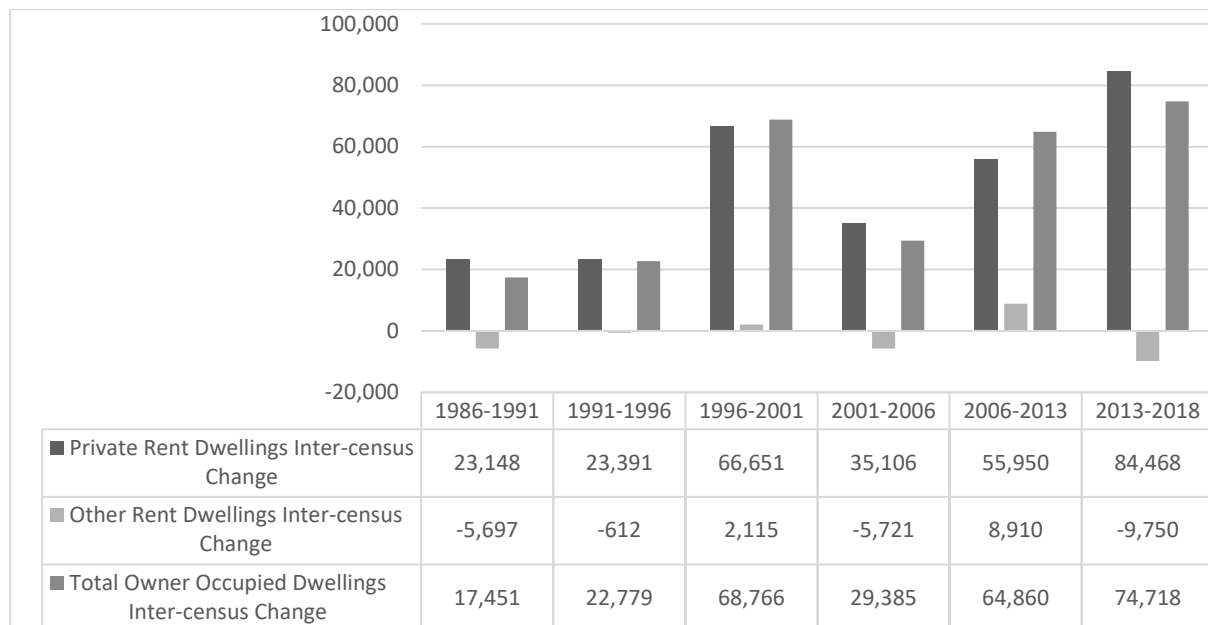
¹⁷ Wine Marlborough (2020).

¹⁸ *Marlborough regional workforce plan: Consultation (2022)*, <https://www.mbie.govt.nz/dmsdocument/18699-marlborough-regional-workforce-plan-consultation-document>

expansion and local well-being. Those anxieties are supported by the data and analysis in this report.

While the rental sector has expanded it has not generated affordable rents. This is partly due to the expansion of the private rent sector and the comparative stagnation or decline of the affordable rent sector associated with state, council and community housing. In New Zealand as a whole, the numbers of stock in the private rental sector have increased significantly compared to the number of owner-occupied stock and stock rented by community, council or state housing landlords (Figure 6.1).

Figure 6.1 Inter-census Change in Concentrations and Stock Numbers in Private Rent, Other Rent and Owner-Occupation New Zealand 1986-2018¹⁹



The expansion of property investment into residential stock was very pronounced in the aftermath of the stock market crash in 1987 and the associated collapse of the commercial property market. The pattern of an expanding stock of rentals owned by private investors has also been characteristic of Marlborough. From 1991 to 2018, the rental stock in Marlborough has shown:

- That property investor holdings in the residential stock in Marlborough has been even more pronounced than for New Zealand as a whole (Figure 6.2)
- A small net gain (twelve dwellings) of state, council, iwi and community rent stock added between 1991 and 2018 (Figure 6.3)
- A decline in the aggregate stock owned by the state, council, iwi or community for rent on a per capita basis (Figure 6.4)

¹⁹ Saville-Smith (2021).

Figure 6.2 Increase in Total Occupied Stock Numbers, Stock Numbers in Private Rent and Owner-Occupation in Marlborough and New Zealand 1991-2018

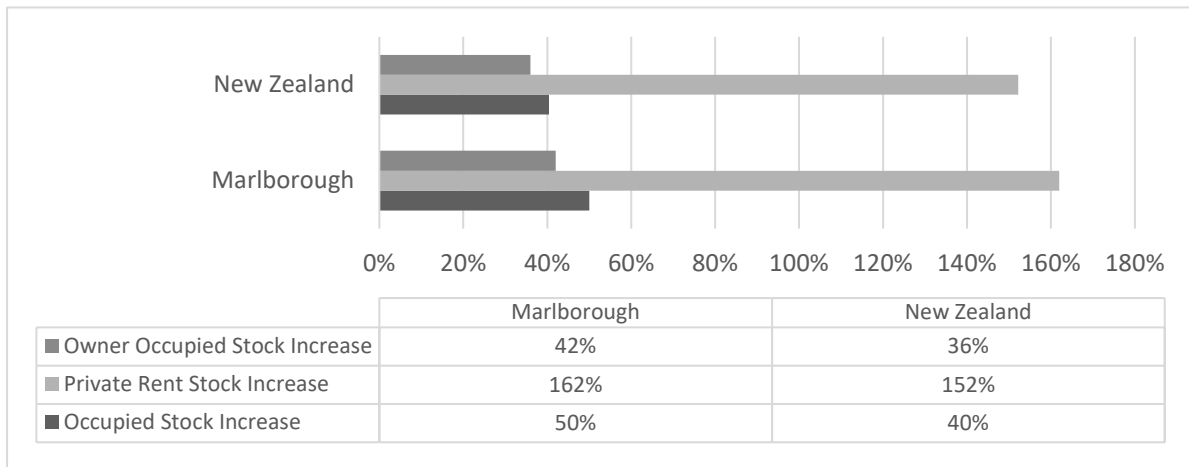


Figure 6.3 Aggregate Rent Stock in Marlborough in Council Housing, State Housing, Community Housing and Iwi Housing 1991-2018

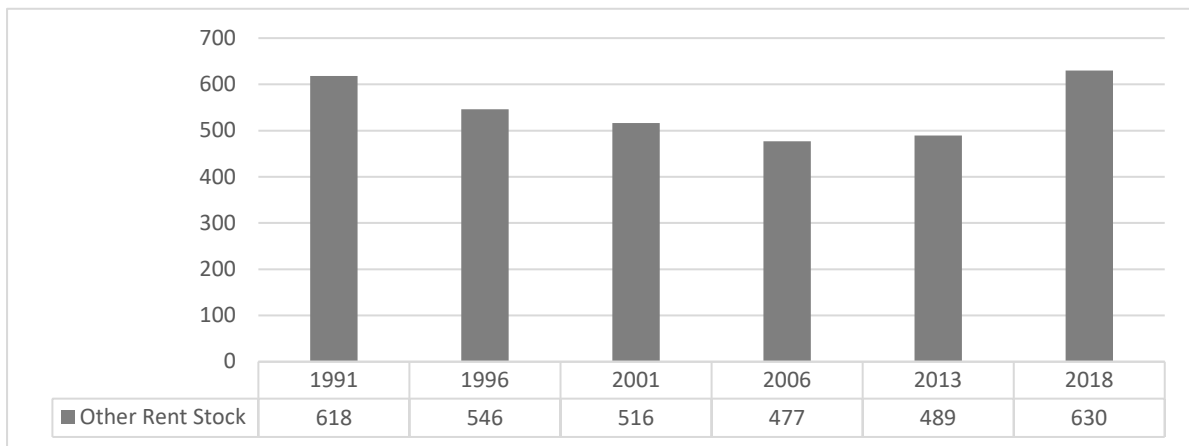
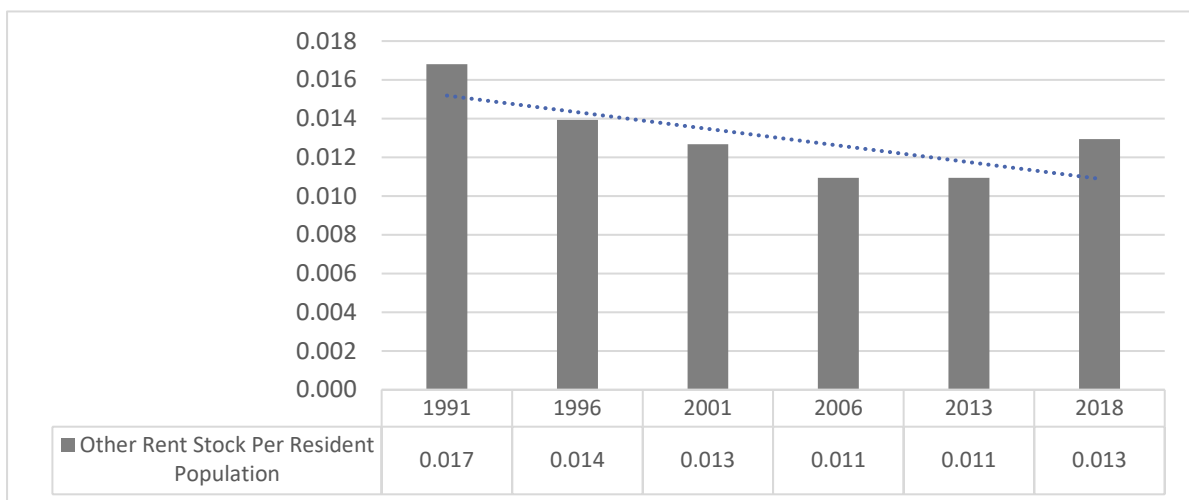
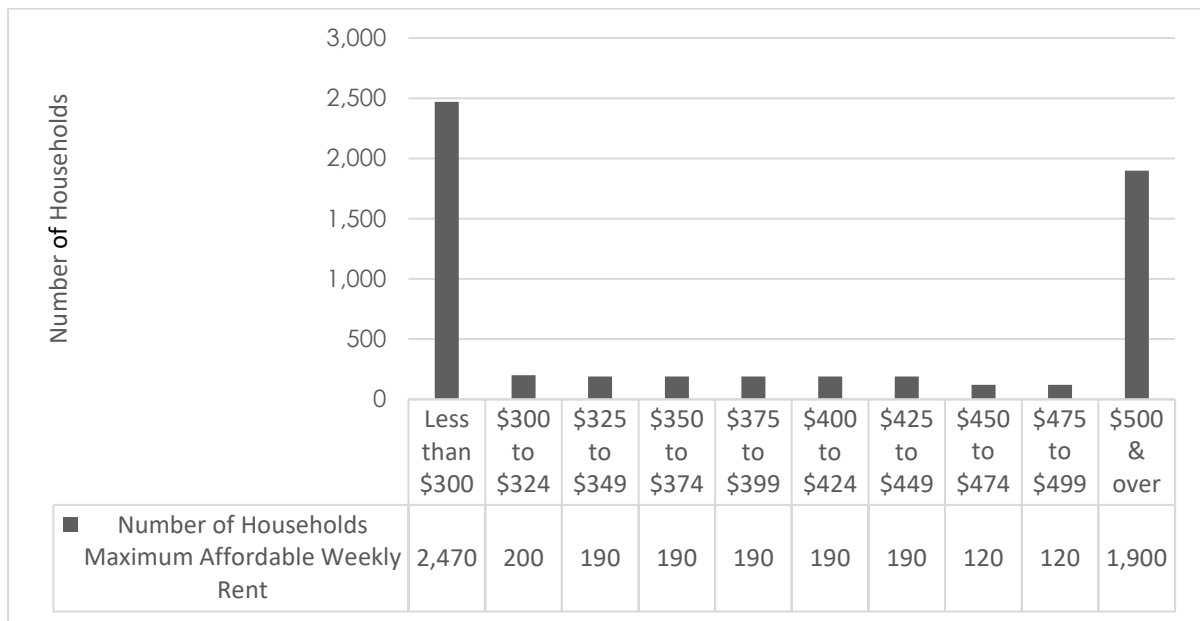


Figure 6.4 Rent Dwellings Per Marlborough Resident in Council Housing, State Housing, Community Housing and Iwi Stocks 1991-2018



Despite the considerable increase in private rental stock, Marlborough has not generated affordable rents. Figure 6.5 shows, the price points needed for affordable rent are for the most part significantly lower than median rents as measured by flow rents in Marlborough. In 2021 those sat at \$448 weekly.

Figure 6.5 Maximum Affordable Weekly Rent for Renting Households in Marlborough 2021



Better Housing Futures: Affordable Rent and Affordable Owner Occupation

These statistics suggest there is significant demand for affordable rental properties in Marlborough targeting households with incomes of less than \$65,000 per annum (the income required to be able to affordably rents at \$300 per week).

The large number of renter households who are unable to affordably pay \$300 or more per week in rent have limited options:

- They can pay a higher proportion of their income in rent. This reduces both their saving ability but also their expenditure in the local economy.
- These individuals can combine with other and crowd to increase household income.
- They can seek out properties with rents of less than \$300 per week which may see them moving around Marlborough or leaving Marlborough.

However, the affordable rent analysis in Figure 6.5 also shows around two thousand (2,020) renter households can afford more than \$475 in housing outgoings weekly. This suggests that some renters could enter owner occupation if:

- the supply of lower quartile priced housing was adequate and suitable; or
- alternative tenure products such as those typically offered by the community housing sector were available in Marlborough.

Both of these conditions require careful attention to, and ability to deliver, right-priced land and housing.

It should also be noted that these households could, if there were affordable alternatives to rental housing, de-pressure the rental sector both in relation to supply and to price. The importance of de-pressurising the rental stock has been recognised in a number of jurisdictions, but perhaps most notable is Germany, which has long epitomised high quality, secure, affordable rental provision.

Germany recently returned to assisting in the provision of owner occupation and intermediate tenures as a way of taking pressure of the rental market. De-pressuring rentals involves developing pathways out of rental and into owner occupation or intermediate tenures (including shared ownership, co-operatives, occupation right agreements, secure housing on leased land).

Table 6.1 and Table 6.2 provide estimates of the number of Marlborough’s renter households able to affordably become owner occupiers. These estimates assume:

- A mortgage interest rate of 4.5% on a 25-year term;
- The purchaser has a 10% deposit; and,
- The purchaser spends no more than 30% of their gross household income servicing their mortgage.

In both tables, the equity share percentage assumes the occupier purchases a percentage of the dwelling and an equity investor retains the other remaining percentage. Equity share by the resident ranges from 50% to full ownership (100%) assuming a mortgage. For example, 80% assumes the occupier purchases an 80% share of the agreed price for the dwelling and the provider (typically a CHP) retains the remaining 20% ownership.

Table 6.1 presents the total renter household numbers able to affordably buy a dwelling priced at \$750,000 and at the lower quartile house price of \$530,000 with a range of shared equity margins.

Table 6.1 Estimated Number of Renter Households Able to Affordably Buy a Dwelling priced at \$750,000 and the 2021 Lower Quarter House Price (\$530,000) by Equity Share

Purchase Price	Renter households able to affordably buy by Equity Share				
	100%	80%	70%	60%	50%
\$750,000	710	1,120	1,430	1,840	2,310
Lower Quartile Price	1,400	1,980	2,340	2,800	3,270

Table 6.2 presents the number of renter households with incomes of less than \$100,000 annually who could affordably buy under similar conditions and price point. Equity share figures range from 50% to full ownership with a mortgage. That is, 80% figure assumes the

occupier purchases 80% of the dwelling and an equity investor retains the other 20% including all renter households.

Table 6.2 Estimated Renter Households Earning Less than \$100,000 Annually Able to Affordably Buy a Dwelling priced at \$750,000 and the 2021 Lower Quarter House Price (\$530,000) by Equity Share

Purchase Price	Renter households earning less than \$100,000 annually able to affordably buy				
	100%	80%	70%	60%	50%
\$750,000	0	0	130	400	770
Lower Quartile Price	0	440	810	1,270	1,740

7. MAKING A DIFFERENCE

It is clear Marlborough has significant future housing pressures for low- and modest-income households inside and outside the workforce. It is also clear that unmet need is increasing and there needs to be a sustained production of, and access to, affordable housing for the wellbeing of Marlborough households facing affordability stress. The data suggest that Marlborough will require a diversity of tenure, dwelling typology and price points as pressure rises through an ageing population, an increasing population of seniors with limited disposable incomes, and a younger workforce over-burdened by rental costs and under-supplied with owner-occupation opportunities.

Any organisation seeking to improve the supply and access to affordable housing needs to:

- Ensure it avoids crowding out other actors and providers operating in the affordable housing space. This means ensuring that the focus of activity does not substitute or backfill what others already do or are responsible for.
- Recognise that the decline in the access of low- and modest- income households to owner occupation has driven them into the rental market. Those who previously relied on rentals find themselves in very precarious housing or homeless as others with more resources crowd into the rental stock.
- See housing investment and provision as long-term and having multiplier effects, especially when providing for the intermediate housing market and when collaborating with other providers and investors with an interest in long-term, secure affordable housing. That collaboration could be across tenures.
- Develop vehicles allowing affordable housing providers to either recycle invested capital across multiple households and tenures, or by retaining the housing stock as affordable.
- Promote tenures that provide opportunities for households to leverage their own resources and provide an opportunity to stay within the Marlborough community.
- Recognise that diversity in stock typology and diversity in tenures provide choice and adaptability.

Dwellings need to be affordable to operate as well as purchase or rent, they need to adapt to changing household needs and be suitable for all ages and stages. It is also important that housing investments and products provide for preferences and choice.

A Comment on Preference and Choice

Much has been written around the importance of housing preferences. Unfortunately, much of the commentary around preference (including some research):

- confuses the concept of preference and choice; and
- inadequately differentiates between preference when a choice will be executed, and preference when no choice is possible, required or expected to be executed.

A simple distinction between preference and choice is that preference refers to the relative desirability of housing and its amenities while choice refers to the decision of selection.

There is a raft of research showing that abstract preferences do not necessarily determine choices. Nor, indeed, where there is no likelihood of making a choice, are expressed preferences the same as expressed preferences when alternative choices can be made. Housing preference surveys tend to be particularly problematic in addressing issues of preference and choice. Such surveys often, have significant limitations in representativeness because of selection bias and data which does not allow analysts to distinguish between abstract preferences and likely or practical choices.²⁰

More discursive and mixed method research with diverse populations have indicated a series of continuities in aspirations and preferences across vulnerable populations and households often struggling to get viable choices in housing markets. These have been summarised in the Urban Christchurch/Ōtautahi report of housing need and futures as:

- *Tenure security*
- *Comfort and warmth*
- *Safety in the home, including a basic level of accessibility*
- *Safety in the neighbourhood*
- *A location that enables access to services and amenities*
- *Sense of control over their living environment*
- *Housing affordability, for both owner-occupiers and tenants*
- *An appropriately sized dwelling to accommodate the household's needs and activities.*²¹

These aspirations and preferences apply irrespective of region. A more detailed analysis of research about preferences and trade-offs is presented in the Urban Christchurch/Ōtautahi report.

It should be noted that the desire for some form of independence and ownership stake in dwellings remains a strong aspiration across age groups, life stages and ethnicities in New Zealand. The research also suggests that affordability problems is rooted in unaffordable supply. In addition, builder, developer and real estate conservatism and, sometimes planning regulations, act as barriers to people accessing the housing features that they prefer or need. The result is that in New Zealand housing choices are typically limited and often poorly suited to the functional needs of many households.

²⁰ Jansen, S., H. Coolen, and R. Goetgeluk (eds) (2011).

²¹ Mitchell, Saville-Smith and James (2021).

The sustained production of, and access to, affordable, functional housing is dependent on:

1. Commitment to the production and delivery of decent, affordable dwellings.
2. Designs and production costs with right-priced land, labour and materials to produce at affordable price points.
3. Investment necessary to fund affordable builds which can deliver an adequate income stream.
4. Housing products and financial vehicles that allow households to access housing at an affordable cost.

For those like Rātā Foundation, who interested in investing in, or delivering affordable housing, partnering and innovation is required if it is to contribute to resolving Marlborough's deteriorating housing access for people inside and outside the workforce. There are headwinds due to Covid impacts on material and building pipelines which are nationally experienced. However, those challenging conditions provide a hiatus in which partnerships, investment vehicles, and housing products and vehicles for households can be developed.

Those products and vehicles include different tenure vehicles used overseas and some here in New Zealand such as:

- Occupation right agreements are increasingly familiar within the retirement village sector.
- Intermediate tenure vehicles already established by community housing providers such as Queenstown Lakes Housing Trust, Marlborough Sustainable Housing Trust, Dwell, the Housing Foundation, Habitat and others as well as heralded in the Government's progressive home ownership programme.
- Rent for own, secure housing in which builds are on land owned by communities and the dwelling is owned by occupants. Again, Queenstown Lakes is a leading actor in this space.
- Abbeyfield arrangements in which shared rentals provide enough rental income for senior housing to be built.
- Papakāinga (usually shared ownership, occupation right agreements or rent).
- Unit title developments and buildings.
- Co-housing.
- Co-operatives such as the Peterborough Street Co-operative in Christchurch, are a vehicle with a long tradition of use in Europe and Scandinavia.

Unit titles, occupation right agreements and co-housing are not currently strongly 'pitched' at affordable housing for low- and modest- income households. Nevertheless, they can all potentially respond to the declining ability of renter households to affordably buy a dwelling as house prices have increased faster than household incomes.²²

There are very real opportunities around co-operatives both for worker housing and for seniors. Housing co-operatives are rare in New Zealand but are well established overseas. Mitchell's (2021) modelling suggests that for a region such as Marlborough with an increasing population of seniors, co-operatives may offer an opportunity to address the gathering storm around seniors housing. His analysis of returns on 'patient' or friendly capital where co-operatives involve a mix of senior retirees and households in the workforce with modest incomes, suggests co-operatives can provide a modest return on capital as well as have a long-term sustainable budget.

Further analysis of Marlborough suggests a co-operative structure for semi-detached dwellings would allow delivery to low- and modest- income households affordably at 30% of household income for households with \$50,000-\$70,000 annual income.

The viability and efficacy of these different vehicles needs to be assessed on a case-by-case basis according to the interests and relationships with potential partners. In Marlborough there are a range of potential partners outside the public housing space including:

- Marlborough Sustainable Housing Trust (MSHT) which has developed three shared ownership houses and an affordable rental as well as currently developing three sections close to the city for long-term income related rent subsidised public housing places.
- Christchurch Methodist Mission (CMM) which provides emergency and transitional housing and is partnering with MSHT as tenancy manager for the public housing places currently intended for development.
- Te Rūnanga a Rangitāne o Wairau which has a wide range of land and development interests.

There is also potential to develop key worker housing to meet the housing needs of a range of industries from the wine industry through manufacturing and the health and education sectors. However, some potential providers have failed to get off the ground. In particular, the local Abbeyfield has made little progress despite its long presence in Marlborough. Although the National Abbeyfield believes that an Abbeyfield is both needed and viable in Marlborough. The data in this report would suggest the same. The current local Abbeyfield is approaching MSHT in an effort to revitalise prospects of an Abbeyfield development in Marlborough.

²² Mitchell (2018) references and assesses many intermediary tenure vehicles and their application and potential in New Zealand.

There is also interest from organisations with national responsibilities and interests. Community Finance is an emerging non-profit with an interest in supporting affordable housing through impact finance. The Anglican church will be considering its housing strategy in the context of its commitments to its ordained and lay church people. Notably, the Nelson Diocese has housing interests in Marlborough but these are not pitched at affordable housing. They do have vacant land in residential Zone 1 – the only zone in Blenheim allowing for multi-unit developments as a permitted use.

There are challenges in relation to land acquisition and development. Marlborough District Council acknowledges pressure on housing affordability and the supply over the medium term of residential land.²³ They have also referred to constraints arising from delays in infrastructure expansion to land marked for future residential development. The immediate supply of residential land is deemed by the Council to be adequate. However, it is unlikely that such land will come to market at prices consistent with affordable housing builds.

Most land coming on stream is Zone 2 and the remainder is Zone 3. Zone 3 land identified for residential development is under other land uses, primarily for grape growing. Transition to residential will likely see development in the upper quartiles of house prices.

While a stream of residential land has been gradually released by owners, there is clear evidence of price pushing in the forms of land-banking and rationed release by developers, and the imposition by developers of residential covenants. Residential covenants are typically imposed by private developers, but the Council has imposed residential covenants on developments on its land, in addition to the public planning regime, in the past.

Much of the housing capacity cited by Marlborough District Council is on the periphery of Blenheim. Residential Zone 2 land cannot be developed for anything but single dwellings with large sections without considerable effort, expense and risk associated with consents for non-permitted use. Those same problems also affect under-utilised commercial land in Blenheim.

In short, currently there are not clear pathways for intensification of non-residential zones in the inner parts of Blenheim. The Zone 1 boundary is small. It generates significant problems for those wanting to achieve the yield and typologies consistent with affordable price points. While multi-unit dwellings do not necessarily generate affordable price points, it is equally true that low density and low site coverage are problematic for affordable

²³ Marlborough District Council (2022).

housing development. Intensification and its benefits can be achieved through a variety of building typologies and sizes within a neighbourhood or development.²⁴

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²⁴ Popal (2020); Diamond (1976); Taylor (2008).

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ANNEX A MARLBOROUGH AREA UNITS FOR SUB-AREAS

Urban Marlborough

307300	Woodbourne
307500	Springlands
307700	Mayfield
308200	Redwoodtown West
308600	Witherlea East
307800	Whitney West
307100	Renwick
307400	Spring Creek-Grovetown
307600	Yelverton
307900	Blenheim Central
308000	Riversdale-Islington
308100	Whitney East
308300	Witherlea West
308400	Redwoodtown East
308500	Riverlands

Tuamarine/Lower Wairau

306900	Tuamarina
307200	Lower Wairau

Picton/Waikawa

306700	Waikawa (Marlborough District)
306800	Waitohi (Marlborough District)

Balance of Marlborough

306300	Marlborough Sounds West
306500	Marlborough Sounds East
306600	Upper Wairau
307000	Awatere