



Gisborne housing stocktake: Update 2024

Manaaki Tairāwhiti

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SENSE PARTNERS
DATA LOGIC ACTION

Context

In 2019, Manaaki Tairāwhiti invited Sense Partners to collaborate with stakeholders and write a housing strategy to address a developing housing crisis in Gisborne. The goal was to ensure a co-ordinated approach to catalyse more house building.

As a pre-cursor to delivering the strategy a stocktake was completed to assess needs, the general environment, and barriers to better housing outcomes. A stocktake was presented to a workshop held in Gisborne on October 1, 2019, where many stakeholders were brought round the table to discuss the issues, identify what needs to be done and agree an action plan or way forward to deliver better housing outcomes.

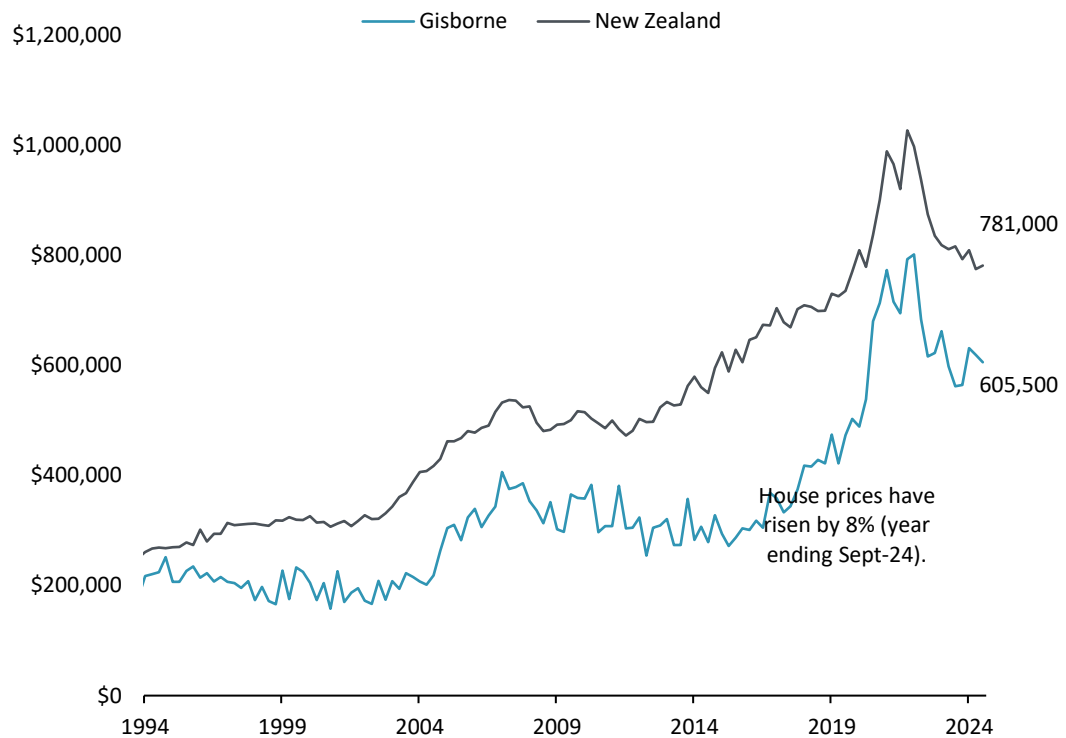
Subsequent updates of the 2019 stocktake were provided in October 2020, October 2021, December 2022 and November 2023. This 2024 report is the fifth update.

Key points

House prices continue to fall...in Gisborne, and across New Zealand

- The median house price in Gisborne has fallen about 30% - in real terms - since the start of 2022, falling to \$605,500 in September according to REINZ data (see Figure 1). Higher interest rates and higher living costs continue to reduce buyer appetite.

Figure 1: In real terms, Gisborne house prices are much lower than the 2022 peak REINZ median house price, real 2024 dollars, deflated with the Consumer Price Index



Source: Real Estate Institute of New Zealand

Price increases moderate after a sustained increase in living costs...

- But declines in housing prices do not equate to declines in housing costs. Higher interest rates have increased mortgage repayments
- While goods and services inflation moderated to 2.2 in the year to September 2024, prices are up 15.7 over the past three years.
- This marks the most sustained increase in the cost of living under the inflation targeting period that began in the early 1990s.

Building activity is up in Gisborne, lifting the stock of housing damaged by Cyclone Gabrielle

- Initial estimates suggested 171 properties were either red-stickered (12 homes) or yellow-stickered.
- As of August 1, the FOSAL (Future of Severely Affected Land) process had assessed 69 properties as the highest risk (category 3) not safe to live in and have been bought out. 178 properties as either 2P or 2C properties that require intervention and are eligible for funding to mitigate future risks. We understand an intervention could fix 69 of these houses.
- These properties are about 2 percent of the housing stock. So we should expect material impacts on prices and rents from the reduction in supply.

Poor housing outcomes continue to impact the most vulnerable

- Although the MSD housing waitlist has moderated a little, over 500 applicants remain on the waiting list.
- Rents are up 5.6 percent on a year earlier.
- But headline rent increases mask differences across the distribution of rents. Rents in the lowest quartile are up 14.5 percent while rents in the highest quartile are up about 3 percent, roughly in line with inflation.

Monetary policy will continue to drive the housing market cycle

- Interest rates – including mortgage rates – are declining, providing some limited offset to the increase in prices experienced over the past two years.
- For some homeowners, mortgage rates have already declined, providing immediate relief.
- At least for now, inflation is much lower than expected and close to the Reserve Bank of New Zealand's target. Expect mortgages rates to decline modestly in the future.

Some limited data from the census provides a new take on trends

- Census data reveals a decline in the home ownership rate in Gisborne. The share of individuals who own or partly own their home fell 1.7 percentage points 2018-2023.
- By comparison, the share of total New Zealanders, that own their own home, rose 1.3 percentage points.
- Some of this difference is likely due to differences in the age composition of the two populations, with Gisborne's Māori population continuing to be younger relative to the national population as a whole.



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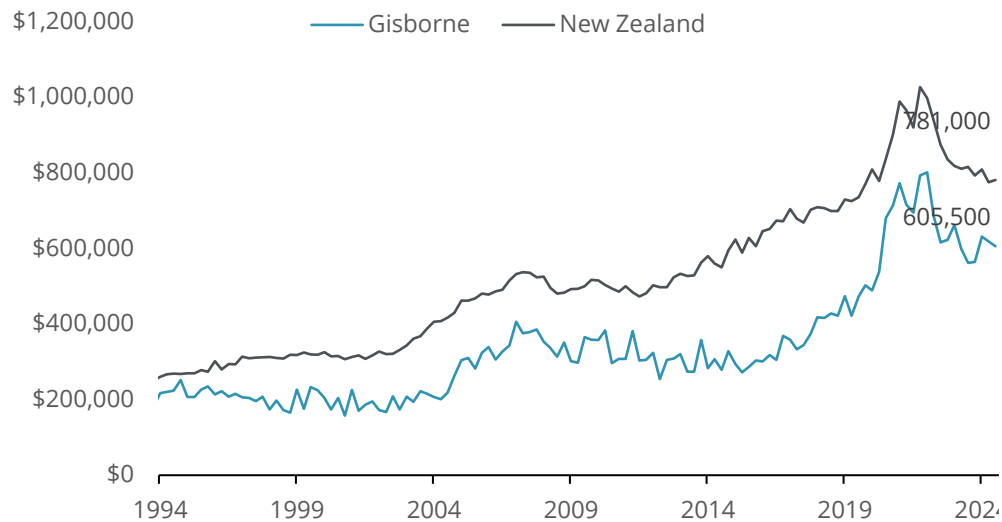
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1. House prices are a little lower...

House prices are now lower than two years ago in Gisborne District. The nominal price of housing is down about 8.7 percent since the beginning of the year. Adjusting for inflation, house prices are down 10 percent from the start of the year (see Figure 2).

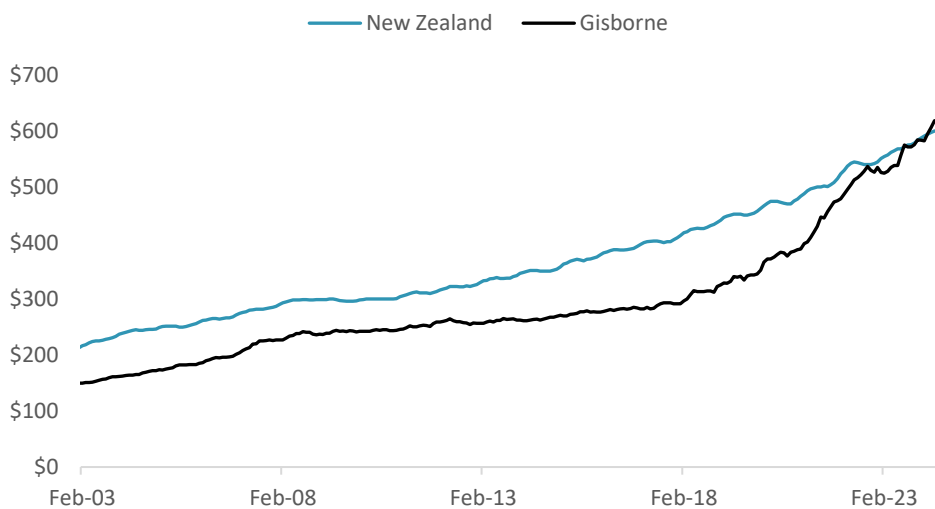
Figure 2: Gisborne house prices are lower than three years ago
REINZ median house price, real, 2024 dollars



Source: Real Estate Institute of New Zealand

Against that backdrop, rents are increasing. Gisborne is no longer a cheap place to live. Rents are up above \$600 a week in the latest data available (see Figure 3). Rent in Gisborne is now higher than the national average rent while disposable income is below the national average.

Figure 3: Gisborne rents increased from a year earlier and are higher than the NZ median
Gisborne median rent, nominal vs All of New Zealand, average of last six months



Source: Ministry of Housing and Urban Development

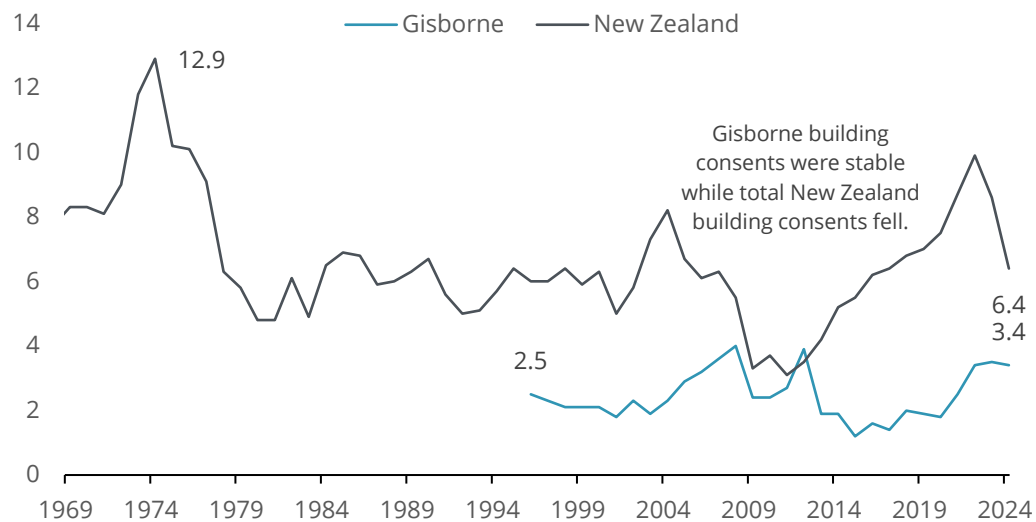
Rents in Gisborne are increasing at a greater rate than the rest of New Zealand. And rents are increasing at a greater rate for the lower end of the distribution than for the higher end of the distribution. The lower quartile increased 14.5 percent over the year to September. The high quartile for rents increased by 3 percent. For most renters, rent will be more than 30 percent of income.

2. More homes will get built

Gisborne homes are getting built, despite weak national activity

Consenting activity within Gisborne is flat despite a dramatic fall in consenting elsewhere in the country. Consents as a fraction of the New Zealand population dropped since the 50-year high last year. But within Gisborne, consenting is running at the highest rate in a decade (see Figure 4 and Figure 5). This is mostly social housing.

Figure 4: The rate of consenting in Gisborne is stable
Consents per 1,000 people



Source: Ministry of Housing and Urban Development

Nationally, most consenting activity are for apartments and townhouses rather than stand-alone houses (see Figure 6). These trends are yet to impact activity in the Gisborne region with stand-alone houses the predominant new dwelling type. Most new dwellings have been to the east and north of Gisborne with some new development in Tamarau (see Figure 9).

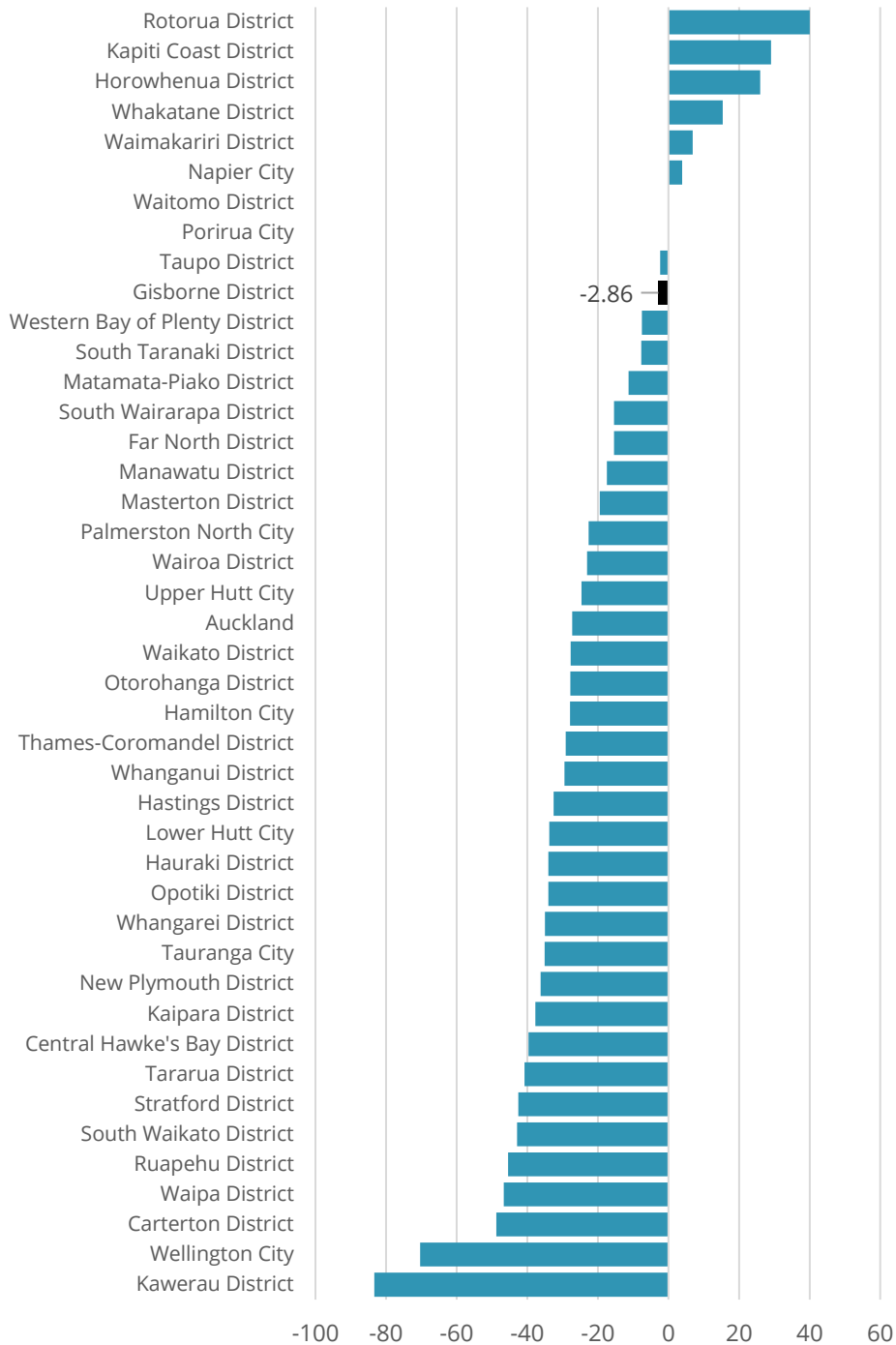
Despite growing building activity there remains an acute shortage of rental properties. The number of rentals increased over the past year but is down on the 2016 peak (see Figure 7). The share of individuals who own or partly their home fell 1.7 percentage points in Gisborne between 2018-2023.¹ By comparison, the share of total New Zealanders, that own their own

¹ We refer to usual residents aged 15 and older who own their home (fully or partly) and do not hold it in a family trust.



home, rose 1.3 percentage points (see Figure 8). Kāinga ora is creating social housing with 150 builds in the pipeline that tend to be townhouses or apartments. But this is not enough.

Figure 5: Many councils experienced falling consents per capita in 2024 vs 2023
Percent change in consents per 1,000 people, year to June

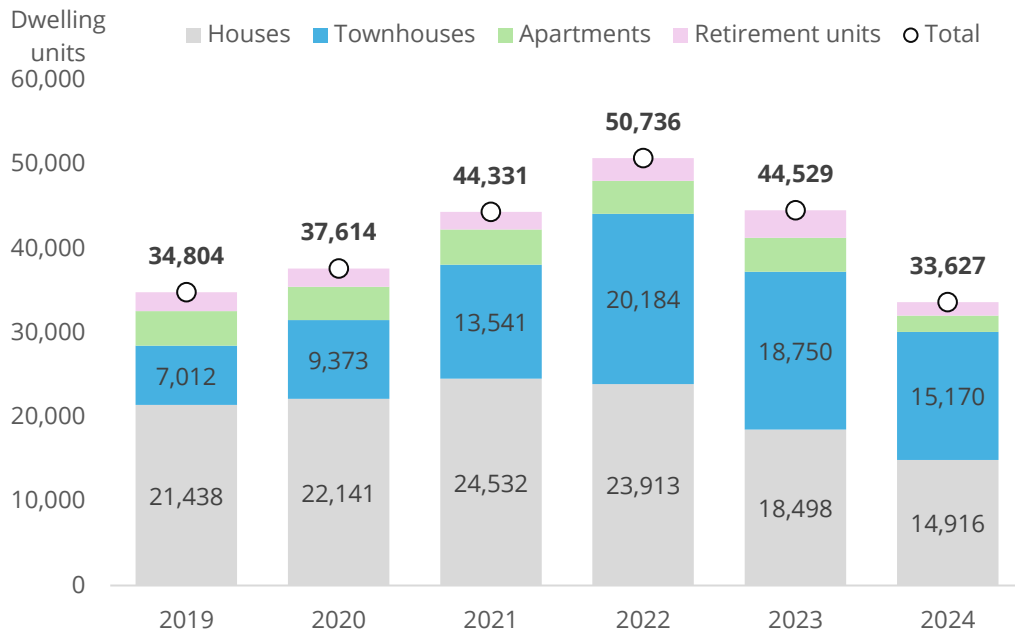


Source: Statistics New Zealand



Figure 6: Most new dwellings are now townhouses

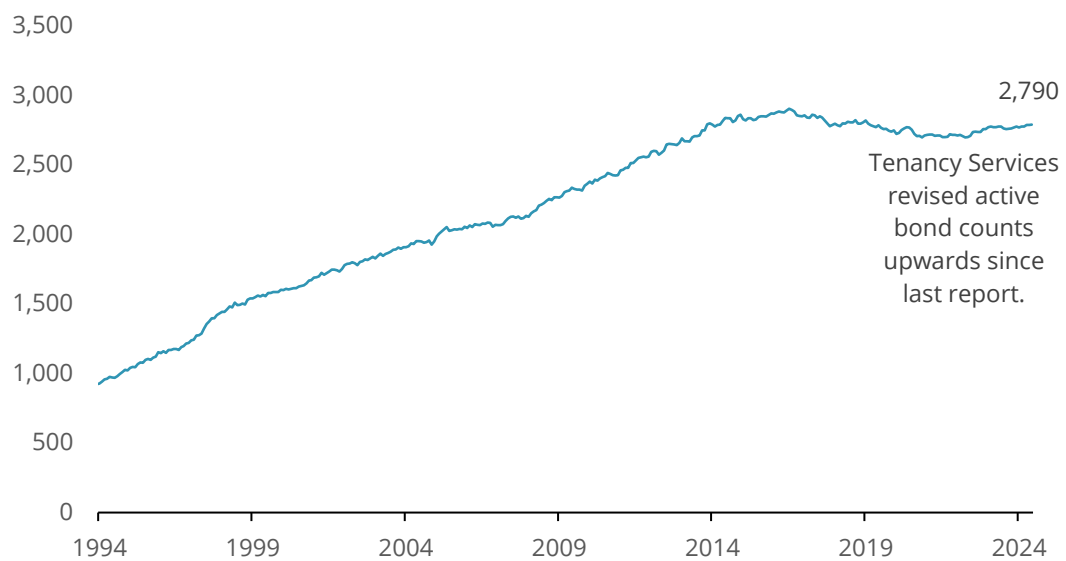
New dwellings by type,² year to June



Source: Statistics New Zealand

Figure 7: The number of rentals has increased a little after years of modest declines

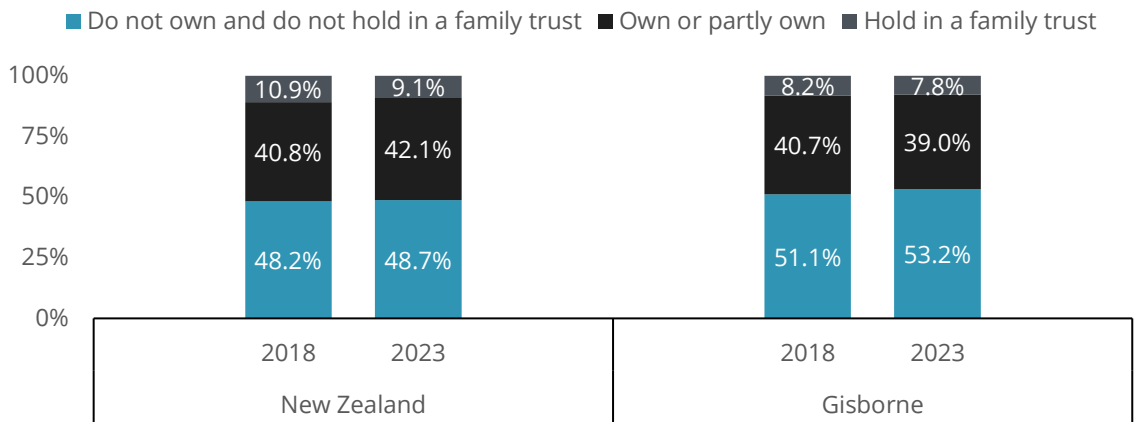
Number of active bonds each month



Source: Tenancy Services

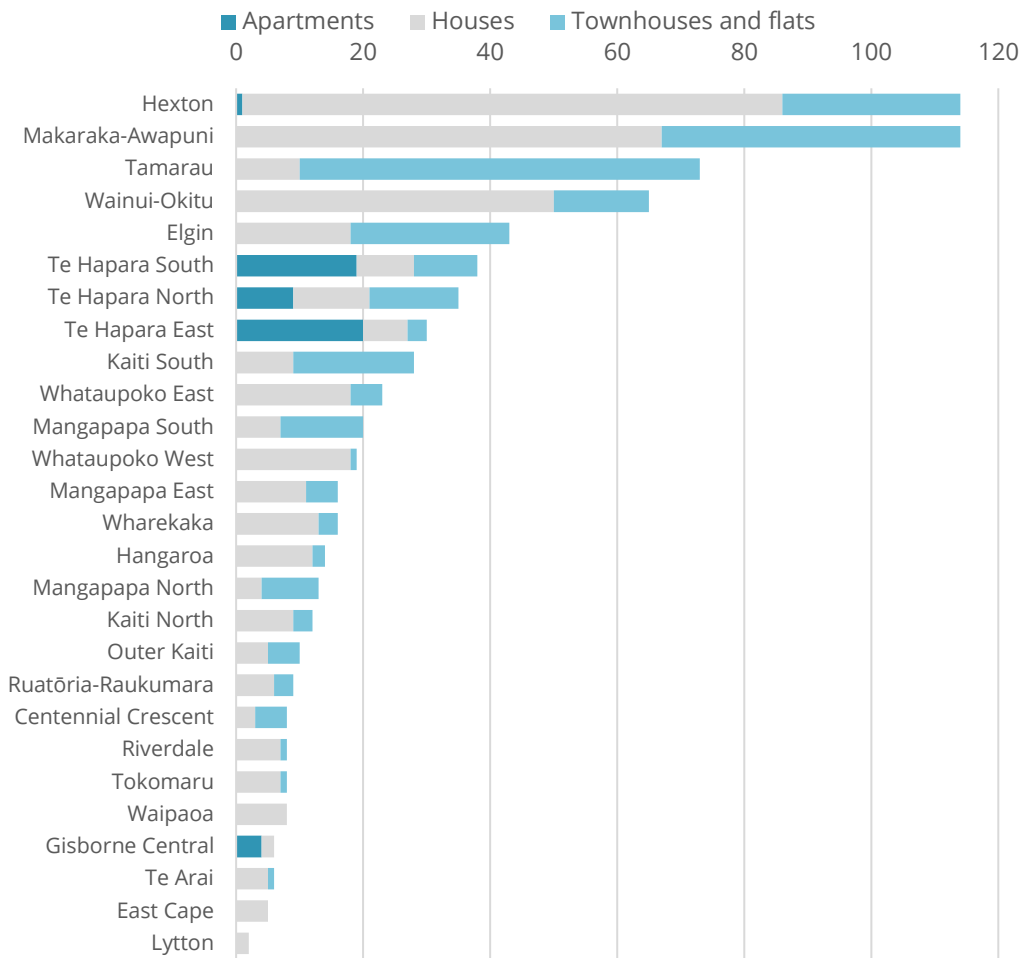
² Statistics New Zealand do not have formal definitions of apartments or townhouses, but local councils typically provide definitions. For example, Auckland City Council defines an apartment building as a building with at least two stories where every story is divided into apartments. A townhouse is defined as a dwelling that has multiple levels and is attached to other similar units by shared walls.

Figure 8: Share of homes owned or partly owned decreased in Gisborne since 2018



Source: Statistics New Zealand

Figure 9: Most new dwellings are now townhouses on the outskirts of town
Consents for new dwellings, past five years



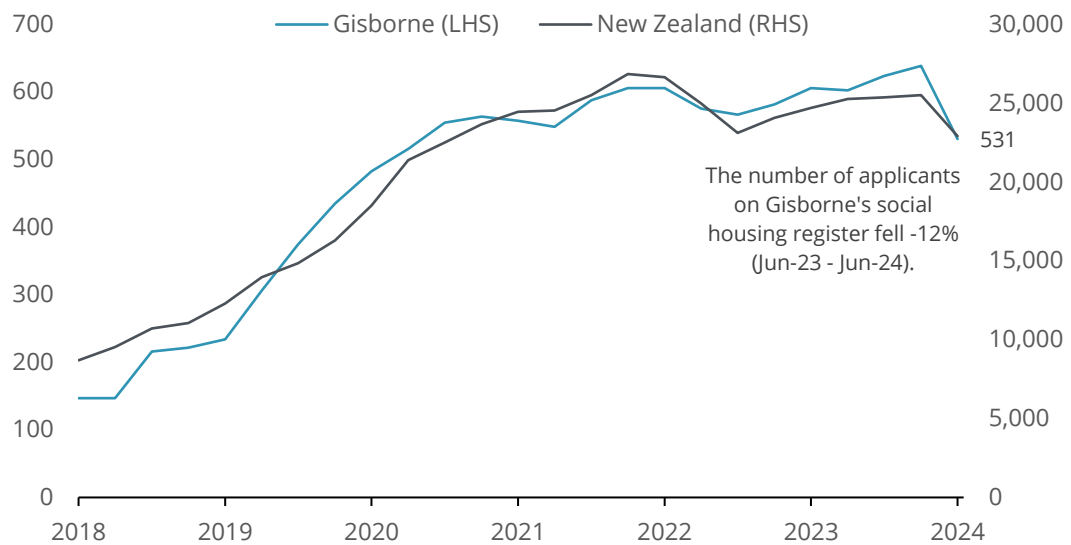
Source: Statistics New Zealand

3. Housing deprivation persists

Fewer rentals push people towards social housing

While the period June 2019 – June 2020 saw a doubling of the social housing register from 235 to 484, recent periods have seen the social housing waitlist stabilise a little. At the end of July 2023, 606 whānau were on the waitlist, equalling the peak in June 2022. Figure 10 shows that the movements in the waitlist are similar to elsewhere in New Zealand.

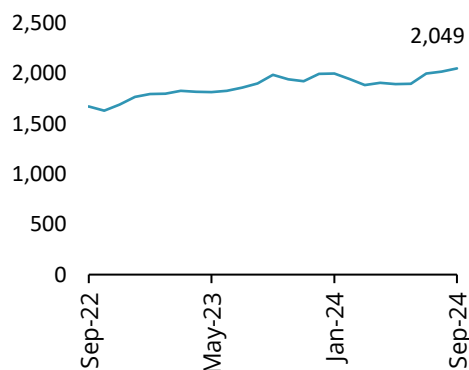
Figure 10: The social housing register fell in the year to June 2024



Source: Ministry of Social Development

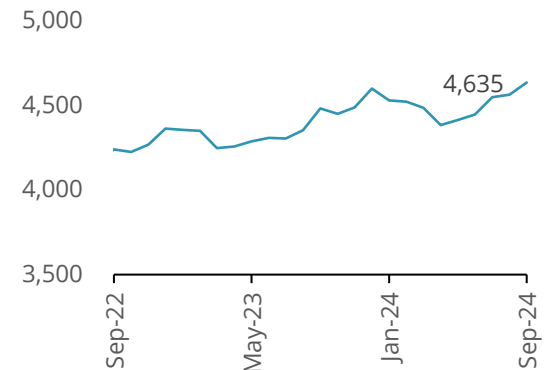
The waitlist is related to movements in other benefits. Figure 11 shows the number of people on the jobseeker is up a little – the labour market is particularly tight right across New Zealand. Figure 12 shows people accessing the accommodation benefit is fluctuating month to month.

Figure 11: Gisborne Job seeker reached new high



Source: Ministry for Social Development

Figure 12: Accommodation supplement reached new high



Source: Ministry for Social Development

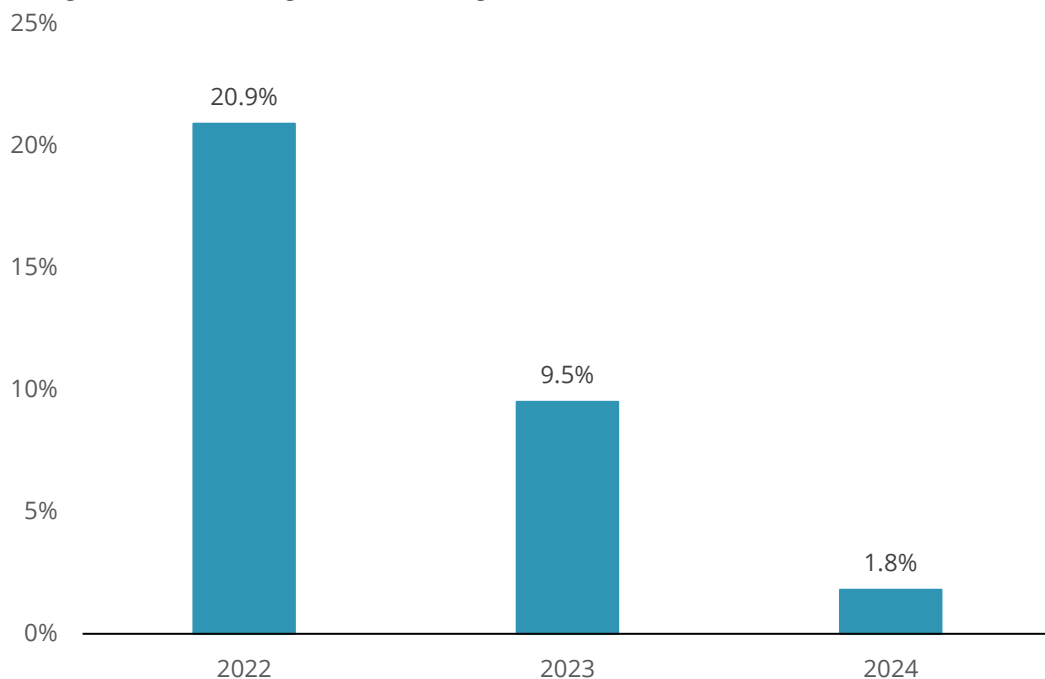
4. Construction cost inflation slowing

Construction costs are increasing more slowly than before

The latest data from QV's CostBuilder to June 2024 shows the pace of early increases in construction costs for residential housing is slowing from the high rates of growth in 2021 and 2022 (see Figure 13).

However, this decrease masks the fact construction costs are 33 percent higher than three years earlier, exacerbating the difficulty in constructing much needed housing.

Figure 13: Residential building costs are increasing more slowly over time
Change in national average cost of building standard three-bedroom



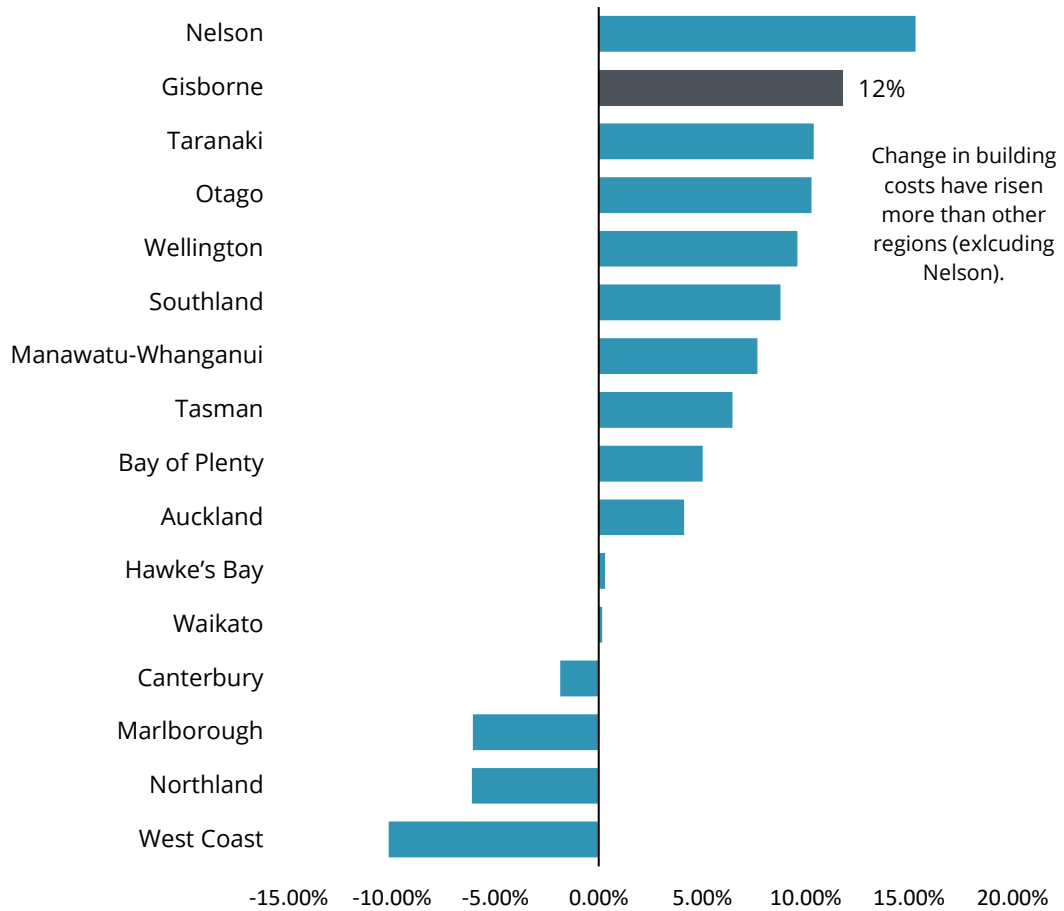
Source: Quotable Value

Slightly earlier data shows cost increases in Gisborne region were increasing at about 8 percent year in the year to March 2023 (see Figure 14). In general, per metre constructions in Gisborne are mid-pack compared to other regions.

Although more isolated and lacking scale for some specific construction methods, labour costs are a little lower than in some regions (see Figure 15).

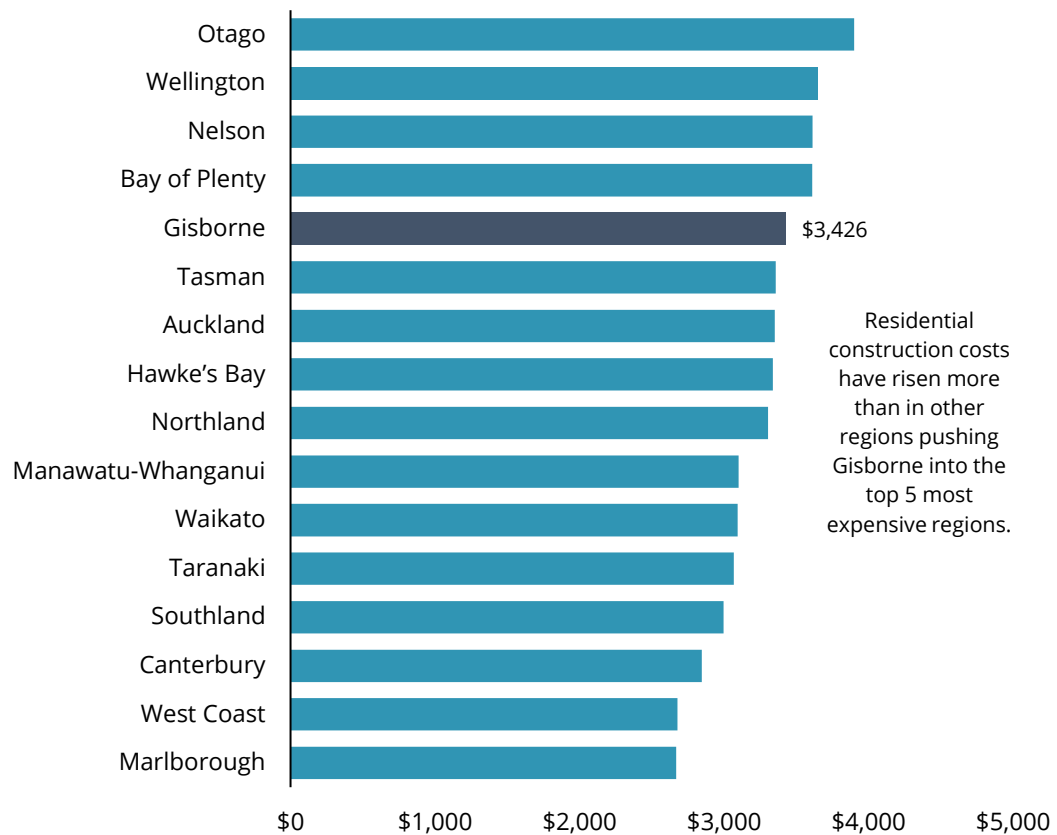
Build type will also be playing a role with some regions – like Wellington and Auckland – often involving more expensive building solutions.

Figure 14: Gisborne experienced strong construction cost inflation in year to June 2024
 Change in regional residential construction costs per square metre



Source: CoreLogic

Figure 15: Gisborne in the top 5 for the most expensive construction costs
Regional residential construction costs per square metre



Source: CoreLogic

Construction needs to catch up cyclone-damaged properties

Initially, estimates suggested 171 properties were either red-stickered (12 homes) or yellow-stickered and needed replacement or repair to be habitable with flood risks and risks to life mitigated.

As at August 1, the FOSAL (Future of Severely Affected Land) process had assessed 69 properties as the highest risk (category 3) not safe to live in and 178 properties as either 2P or 2C properties that require intervention and are eligible for funding to mitigate future risks.

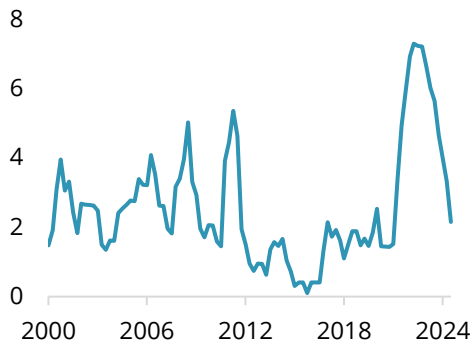
This represents about 2 percent of the housing stock. So we should expect material impacts on prices and rents from the reduction in supply.

5. Monetary policy also drives housing

The outlook for inflation drives interest rates that drive house prices

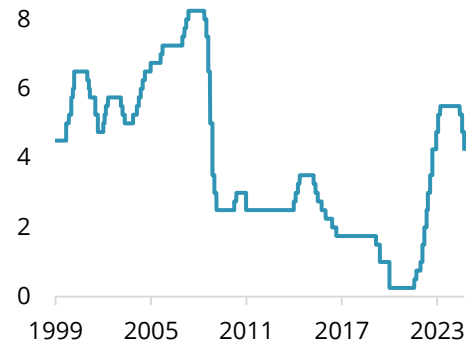
Inflation is moving lower (see Figure 16). The Reserve Bank has moved interest rates lower (see Figure 17) since inflation is expected to remain closer to the Reserve Bank’s 2% target.

Figure 16: Inflation trending down



Source: Reserve Bank of New Zealand

Figure 17: Expect interest rates to fall

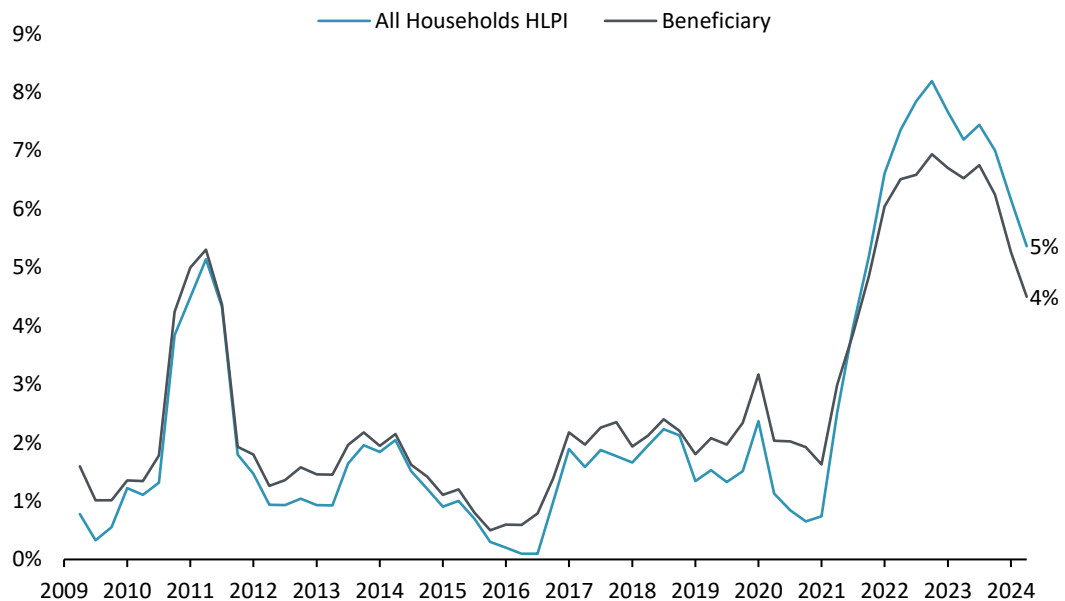


Source: Reserve Bank of New Zealand

Higher inflation has hit all groups across New Zealand. Similar rates in the basket of goods and services are observed across low-income households and high-income households. Even at reduced inflation levels, costs are much higher than five years ago.

Figure 18 shows beneficiaries experience a similar rate of inflation to all households. However, households with few resources to deal with the rapid increase in prices face a cost-of-living crisis. Even at reduced inflation levels, costs are much higher than five years ago.

Figure 18: People with fewer resources are finally seeing rate of inflation moderate Household living costs, June 2009 to June 2024



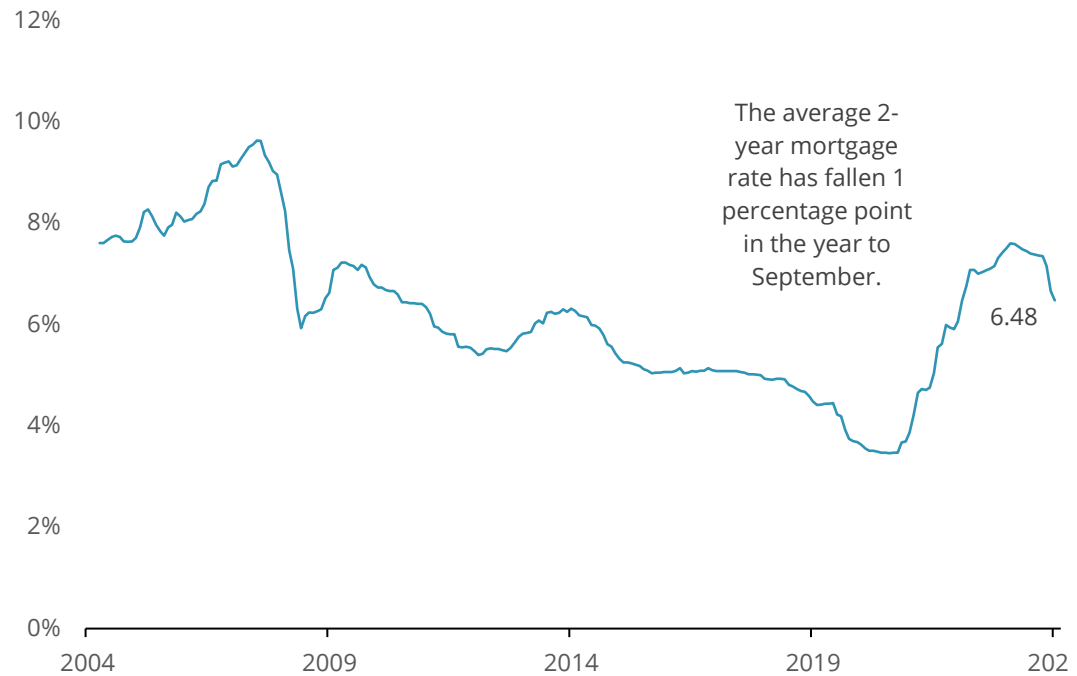
Source: Statistics New Zealand



For homeowners, falling mortgage rates are starting to provide some relief (see Figure 19) to the increases in the cost of living over previous years .

Figure 19: Mortgages rates are declining...

Mortgage interest rates, average 2-year mortgage



Source: Reserve Bank of New Zealand

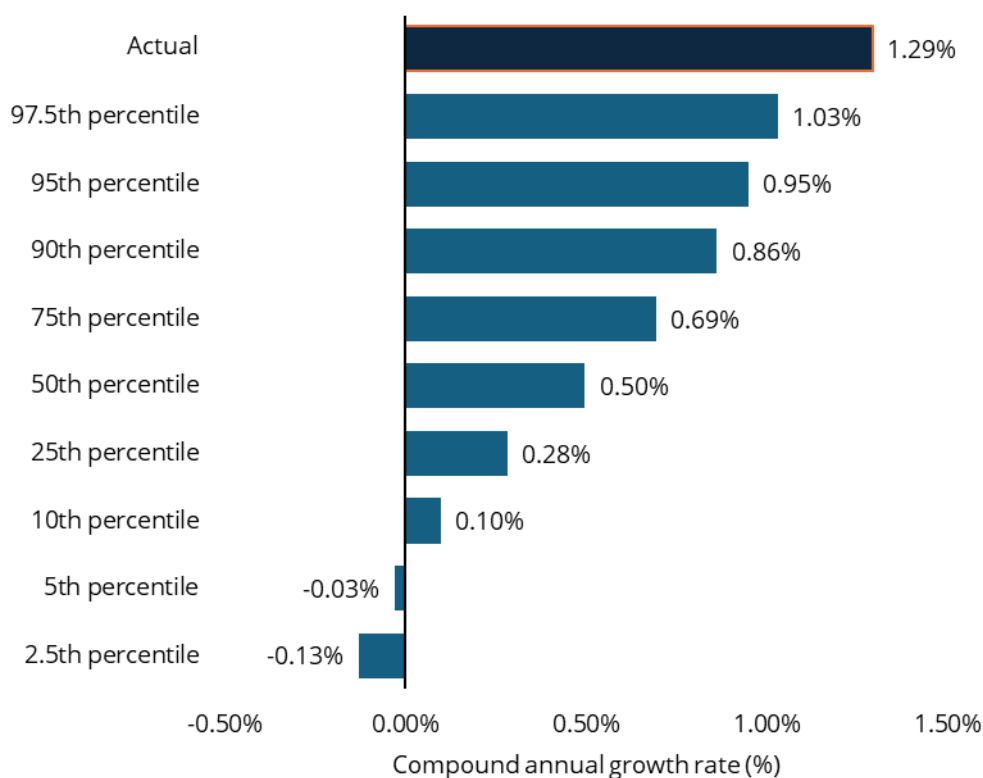
6. Plan for population growth

Statistics New Zealand's population forecasts are too conservative...

Our previous report highlighted that Statistics New Zealand's population forecasts have been too conservative. These issues persist. Figure 20 shows the range of growth possibilities Statistics New Zealand expects is much lower than what has eventuated historically. This risks population growth being higher than expected.

Figure 20: Statistics New Zealand's population projections are very low relative to actual history

SNZ's national population projections growth (2024-2073) vs historical growth (1991-2024)



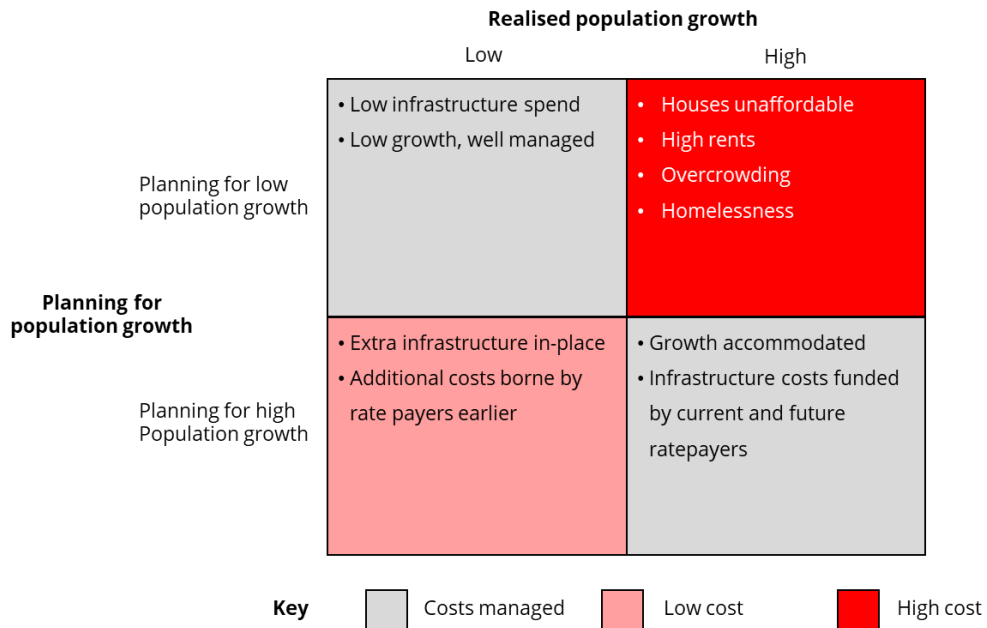
Source: Statistics New Zealand

...best to plan for high growth rather than be caught out by growth

But the costs of planning for high growth when low growth materialises are likely to be lower than planning for low growth when high growth outcomes materialise (see Figure 21). This suggests basing a housing strategy on how high growth forecasts rather than the low growth forecasts provided by Statistics New Zealand.

Planning for high growth when there is low growth is not costless. But future population growth ultimately can pay for infrastructure that is put in place. But if plans are made for low growth but high growth eventuates, expect much higher house prices and rents, overcrowding and homelessness.

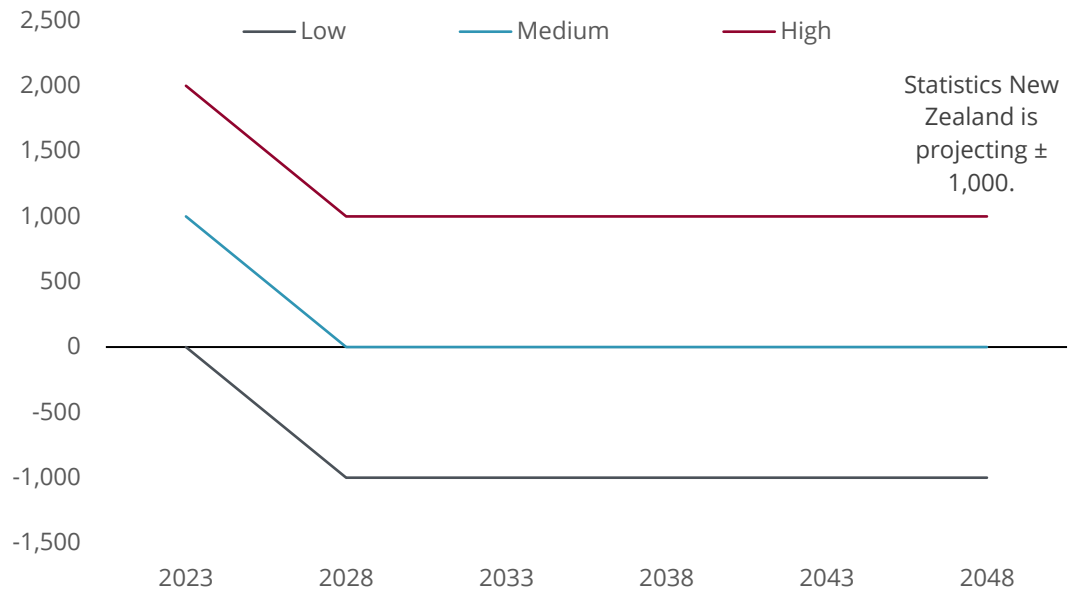
Figure 21: Planning to accommodate high growth is the best strategy



Source: Statistics New Zealand

Planning for high growth is the best strategy when there is uncertainty and upside risk to the projections provided by Statistics New Zealand. Figure 22 shows that the medium projection suggests no population growth in the twenty years between 2028 and 2048. This is unlikely to be a sound basis for planning.

Figure 22: Statistics New Zealand's migration for Gisborne are overly simplistic
SNZ net migration forecasts for Gisborne, five-year totals



Source: Statistics New Zealand

7. 2023 Census reveals new trends

Home ownership tends to become more likely as individuals age

As individuals age, in principle people experience increased income levels and accumulated savings,³ both of which make home ownership more achievable. But early in an individual's career, they may have lower wages and have limited savings. This makes buying a home more challenging. Over time, an individual may develop experiences that earn them a higher wage and they may have accumulated more savings. This makes buying a home more achievable.

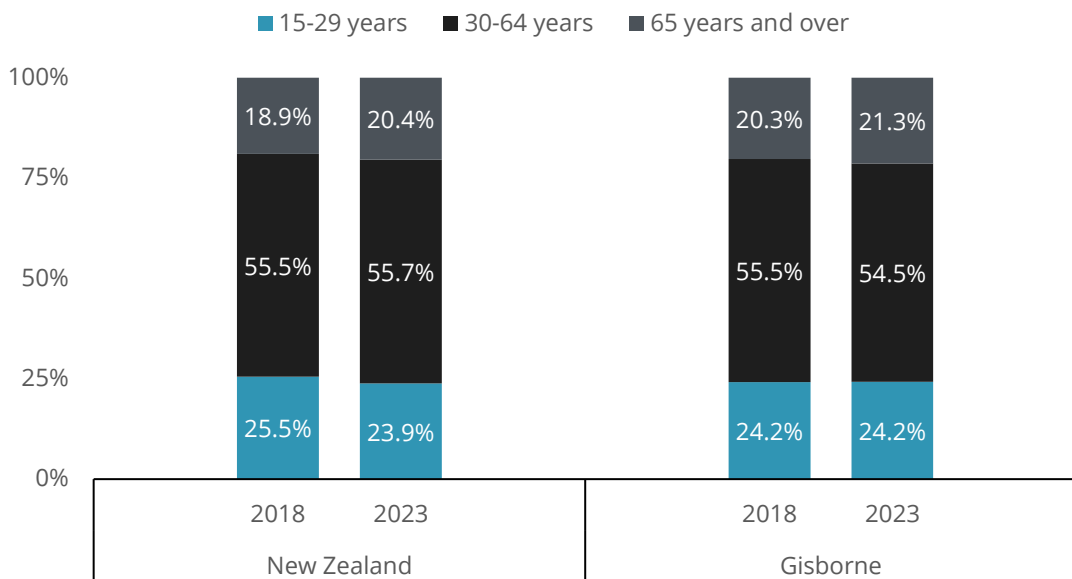
So it is important to understand how demographics have moved over time.

...changes in Gisborne's home ownership structure are consistent with changes in its population

The share of New Zealanders aged 15-29 fell 1.7 percentage points, while the share of this age group in Gisborne remained stable between 2018-2023.

A closer look reveals that the number of 15-29-year-olds in Gisborne actually increased 9.8% over this period, compared to a modest 0.5% increase across NZ as a whole (see Figure 23).⁴

Figure 23: The share of Gisborne's population aged 15-29 remained constant since 2018



Source: Statistics New Zealand

Young individuals find home ownership more challenging, it is expected that Gisborne's largely Māori population, that tends to be younger, puts downward pressure on home ownership.

³ At least until the individual leaves the workforce and retires.

⁴ The growth rate of individuals aged 30-64 in Gisborne was like that of New Zealand between 2018-2023, both approximately 8%.