

SUPPORTING INFORMATION

THE TAUPŌ DISTRICT CONTEXT

DEMOGRAPHICS

With 41,000 people, the Taupō District makes up 0.8 percent of the national population. Taupō's population was relatively static up until 2013, when the region grew by 18 percent in just eight years. This was largely a result of internal migration shifting away from metro centres towards provincial areas due to rising unaffordability in the country's larger centres and greater options for remote working.

Growth slowed both nationally and regionally from 2020 to 2022 due to Aotearoa's borders being closed to internationals during the Covid-19 pandemic.

Taupō has a slightly larger proportion of tamariki than the country as a whole, and it has more people over the age of 65 and fewer people in the 20 - 34 age bracket. This suggests Taupō is an attractive place to live for families and retirees and is less attractive for people in their early years of adulthood. Taupō has limited tertiary education opportunities, so students likely relocate from Taupō to study, with some returning after finishing their studies.

Taupō is a culturally diverse district, with almost double the proportion of Māori than New Zealand as a whole and fewer Asian and Pacific people.

Incomes in Taupō are lower compared to the rest of the country, which is reflective of more people working in lower-paying industries such as retail, forestry, farming, tourism and hospitality.

TAUPŌ'S POPULATION (2021)



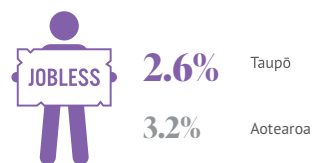
MEDIAN HOUSEHOLD INCOME (2021)



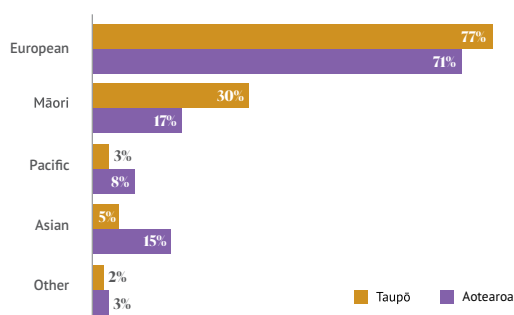
BY AGE



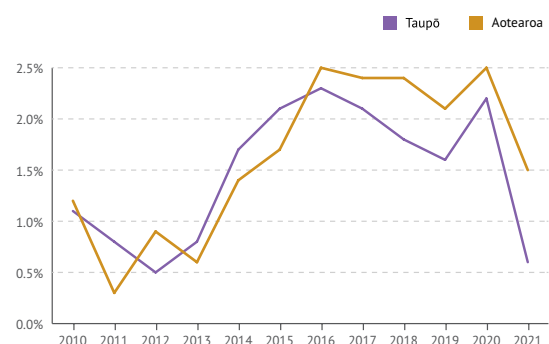
UNEMPLOYMENT (2021)



BY ETHNICITY¹



POPULATION GROWTH



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ECONOMY

Taupō's gross domestic product (GDP) makes up 0.8 percent of national GDP and its population also makes up 0.8 percent of the national population. GDP in Taupō has sat below the national growth rate over the last ten years, apart from a period around 2012 when it exceeded national growth. Since 2015 GDP growth in Taupō has been relatively static and has tracked closely with national growth, before declining in 2020 due to the Covid-19 pandemic.

REGIONAL GDP (2021)



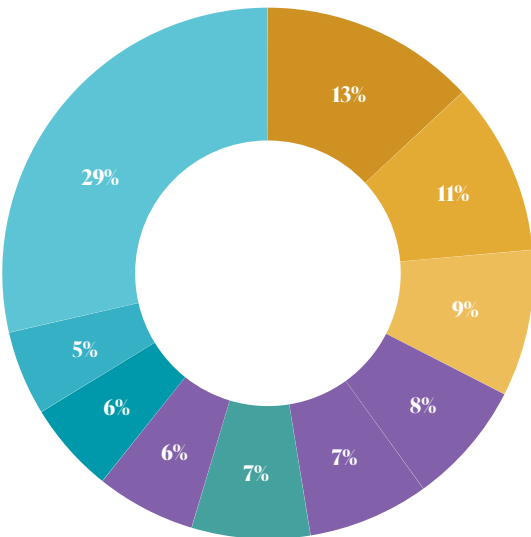
\$2,576m

GDP in 2021 prices



0.8%

of national total



INDUSTRY PROPORTION OF GDP (2021)

- Agriculture, Forestry and Fishing
- Electricity, Gas, Water and Waste Services
- Rental, Hiring and Real Estate Services
- Unallocated
- Owner-Occupied Property Operation
- Construction
- Retail Trade
- Manufacturing
- Professional, Scientific and Technical Services
- All others

Despite Taupō being heavily reliant on tourism, it hasn't been hit disproportionately by the Covid-19 pandemic relative to the rest of the country. This may partly be a result of productivity in Taupō's other major industries, which are agriculture, forestry and fishing; and electricity, gas, water and waste services, making up 13 percent and 11 percent of the district's GDP respectively.

Taupō's GDP per employee is 18 percent lower than the national figure, indicating lower productivity than the rest of the country.

The lower productivity is attributable to lower levels of skilled employees and underinvestment by companies in research and development, and in plant and equipment.

As a result, the region sits in the lower quartile of productivity in the country.

PRODUCTIVITY (2021)

GDP per employee



\$105,646

Taupō



\$124,890

Aotearoa

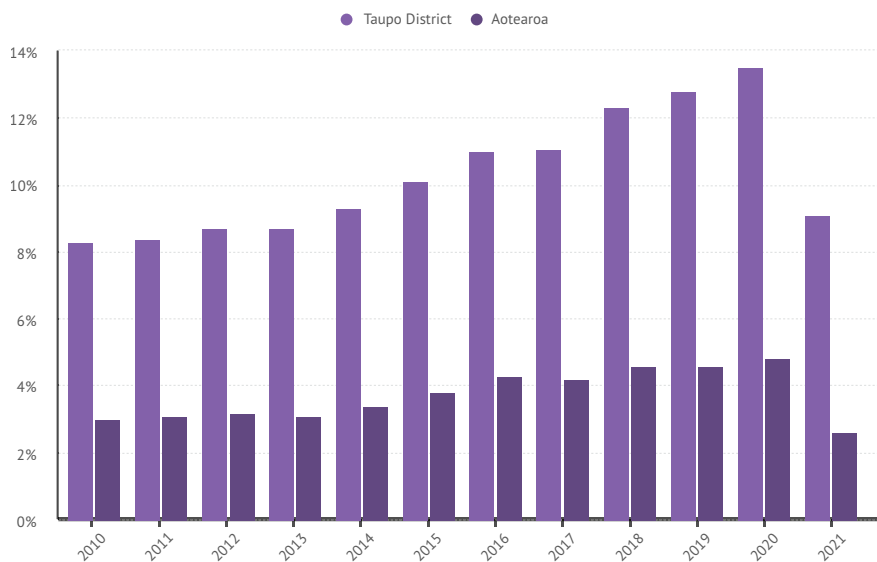


18%
lower

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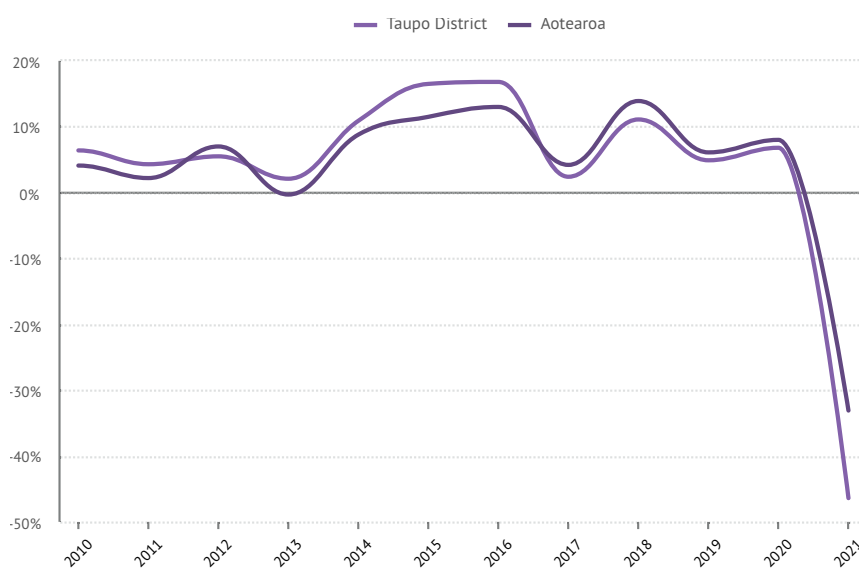
The graph below shows the tourism share of Taupō's GDP compared with Aotearoa as a whole. The tourism share of GDP in Taupō has been growing steadily over the last ten years, before dropping in 2020 due to the Covid-19 pandemic. At the peak in 2020, tourism made up close to 14 percent of Taupō's GDP.

TOURISM SHARE OF GDP



The next graph shows that Taupō's tourism industry didn't suffer as much as the rest of the country, declining by 32 percent compared to 47 percent nationally. This is likely due to an increase in the number of domestic tourists visiting Taupō while international travel isn't an option, owing to the district's outstanding tourism offerings.

TOURISM GDP GROWTH



Tourism spending is highly discretionary, so is extremely vulnerable to external disruptions, as the pandemic has shown. The result has been a boom and bust cycle for tourism, as shown in Graph 3.

The region's reliance on tourism makes it more vulnerable to these troughs than other parts of the country.

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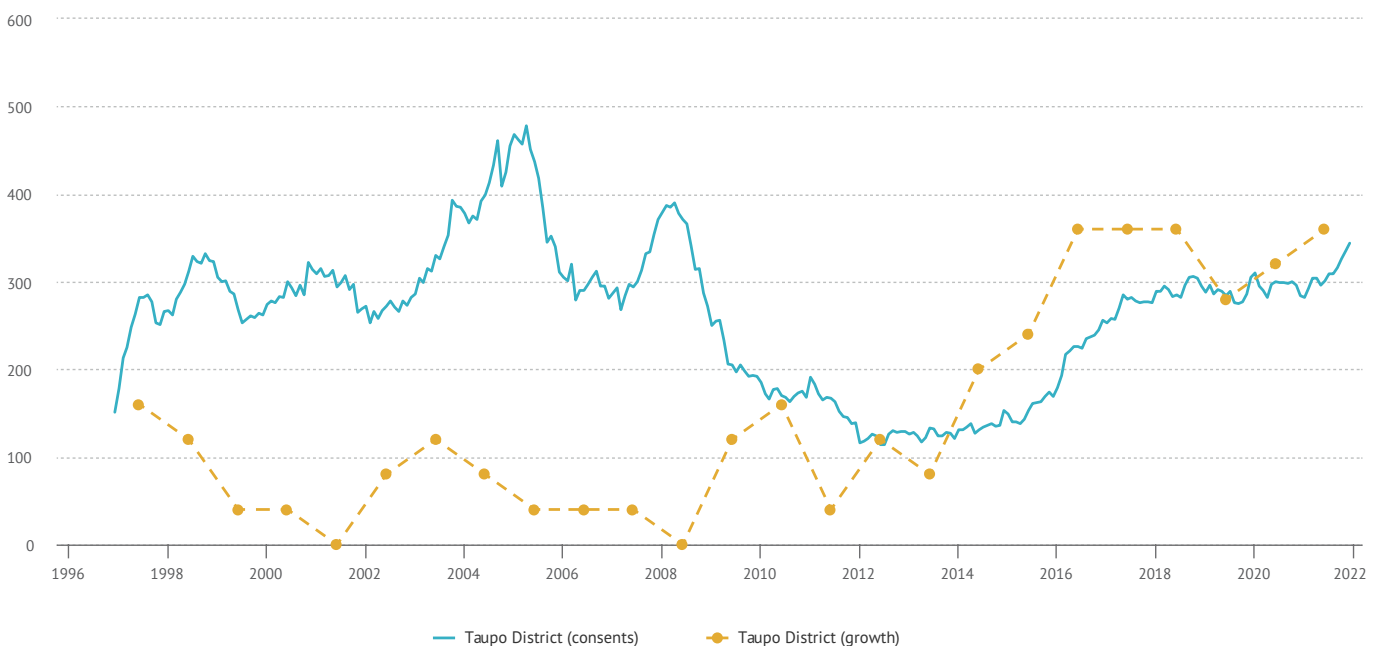
DEMAND AND SUPPLY

Housing trends in Taupō differ from New Zealand's larger centres. For many years Taupō was considered an ideal location to have a holiday home. From the early 90s through to 2008, New Zealand experienced a period of uninterrupted economic growth. During this time a growing cohort of wealthy people invested in second homes in Taupō. This is evident from the high number of building consents for new dwellings from the late 90s to mid-2000s, shown in the next graph.

After the 2008 Global Financial Crisis (GFC), people began to significantly reduce their spending. As a result, the number of second homes being purchased decreased and many people listed their second homes for sale in a bid to reduce their personal debt. This increased the number of homes on the market in tourist locations like Taupō. House prices began to drop, which depressed the market for new builds - the graph below shows a sharp drop in building consents from 2008.

Building consents began to pick up again around 2015 as New Zealand began to recover from the GFC. However, the reduction in housing construction over the last seven years meant the local construction market decreased in capacity and would take some time to build up again. Additionally, consenting became much harder and more expensive. These factors contributed to a lag in housing construction.

NEW DWELLING CONSENTS COMPARED TO HOUSEHOLD GROWTH



Sources:

Stats NZ GDP data, Stats NZ household income data, The Unassuming Economist. (2018, July 15). The Surge in Second Home Investments: Causes, Consequences, and Cures. Retrieved from The Unassuming Economist: www.unassumingeconomist.com/2018/07/the-surge-in-second-home-investments-causes-consequences-and-cures/, Graph source: Urban Development Dashboard.

As discussed in the previous section of this document, population growth in provincial areas such as Taupō increased around 2014 as domestic migration shifted from metro areas to provincial areas.

The combination of a lag in housing construction and a relatively rapid increase in population has meant that growth in the number of households has exceeded the number of new dwellings constructed in Taupō over the last seven years. Part of the household growth has been accommodated by the existing housing market, but more recently we have seen a shortage of rental properties at all ends of the market and housing affordability in the district has significantly decreased.

This is discussed in more detail in the next section of the document.

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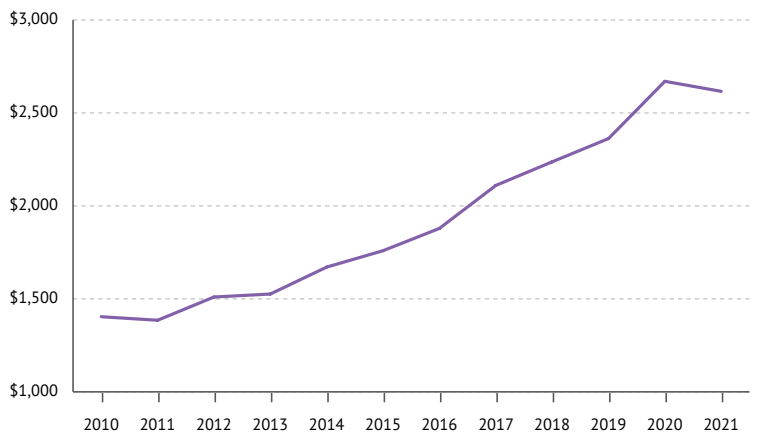
CONSTRUCTION CONSTRAINTS

The following graphs show the difference between the cost of building an average sized three-bedroom home (115.2m²) and the average house value for a three-bedroom home.

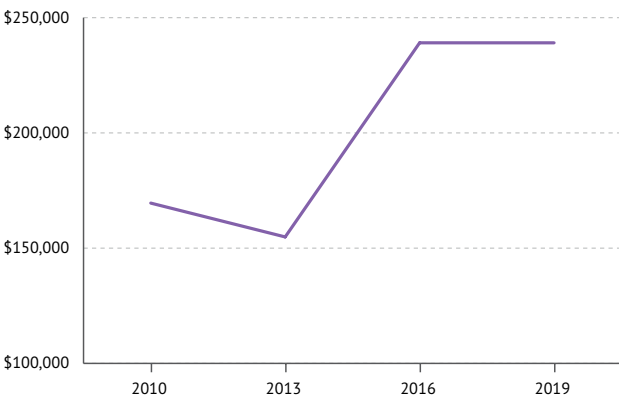
From 2010 to 2015 the difference is negligible, which demonstrates there was likely little incentive for buyers to construct a new home instead of purchasing an existing home unless they had a particular desire to build a new home. During this same period, it would have only been commercially viable for developers to build expensive homes at the top of the market as this is the one market segment where the value of the property was likely to exceed the cost of construction. As a result, there has been limited supply of lower-end homes in Taupō.

Although the difference between the cost of a new build and the cost of an existing home is widening, land values and construction costs are rising, which makes prices for new builds unaffordable for many buyers and the market is unable to meet the need for lower income earners. This is not helped by the fact that rising construction costs limit profits from new builds, especially for affordable housing options.

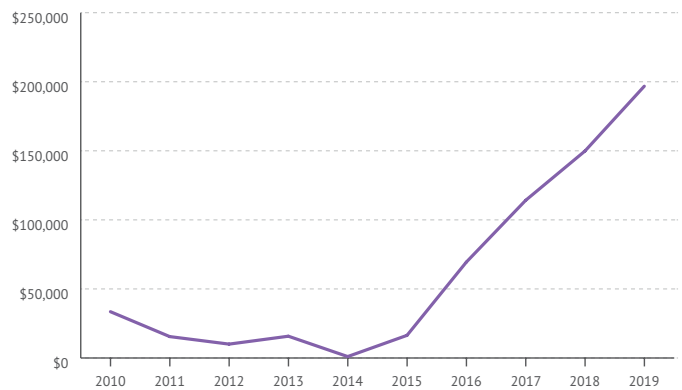
COST PER SQUARE METRE FOR HOUSES IN TAUPŌ



LAND VALUE OF DWELLINGS IN TAUPŌ (AVERAGE)



DIFFERENCE BETWEEN NEW BUILD COST AND AVERAGE HOUSE VALUE FOR A THREE BEDROOM HOME



Notes:

1. New build cost calculated using average land value (Urban Development Dashboard) plus cost per square metre (Stats NZ) for a 115.2m² house (standard three-bedroom prefab house)

Sources:

1. Urban Development Dashboard and Stats Infoshare, building consents by territorial authority (annual-Sep)
2. Stats Infoshare, building consents by territorial authority (annual-Sep)
3. Urban Development Dashboard

Price-cost ratios (PCR) show the extent to which house prices are driven by construction costs versus the cost of land (infrastructure-serviced sections). If there is enough land to meet housing demand, the price of a home is primarily made up of construction costs and the cost of land is not a key driver. MBIE and MfE carried out analysis on PCRs across the country. Over time, except during periods of rapid growth, most areas show PCRs below 1.5 (where the cost of sections comprises less than one third of the price of a house). These results suggest a threshold of 1.5, below which land markets are operating well, and above

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there are constraints on the supply of infrastructure-serviced sections relative to demand¹. The following graph shows the PCR in Taupō began to rise gradually from 2017, rapidly increasing in 2020 where it exceeded 1.5 by 2021. This demonstrates there is a shortage of infrastructure-serviced sections in Taupō.

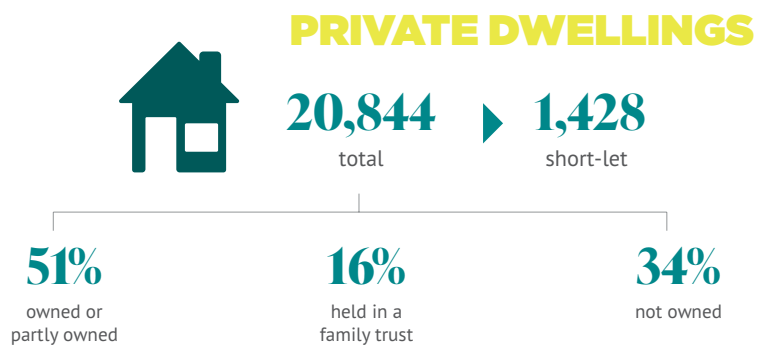
PRICE-COST RATIO



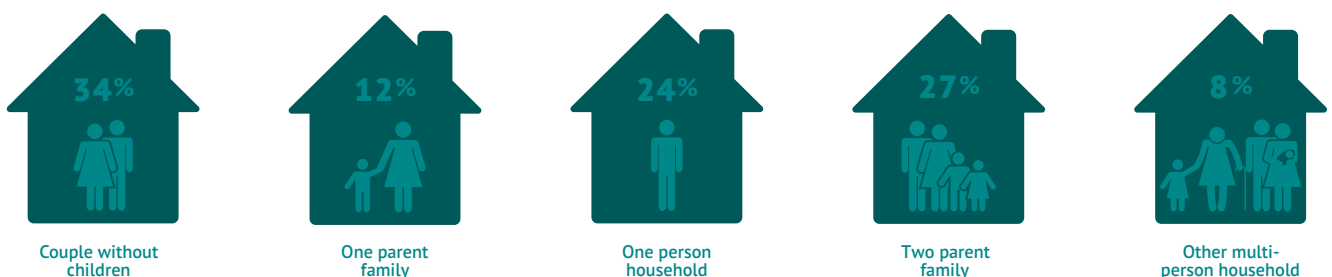
CURRENT STATE

Taupō has around 20,844 private dwellings. 67 percent of households live in a home they own or partly own or is held in a family trust and 34 percent of people rent their home or have some other living arrangement in a home they don't own.

Couples without children make up over one third of households in Taupō, followed by two parent families and one person households who make up 27 percent and 24 percent of households respectively. One parent families and other multi-person families make up a smaller proportion of households in Taupō at 12 percent and 8 percent respectively.



HOUSEHOLD COMPOSITION

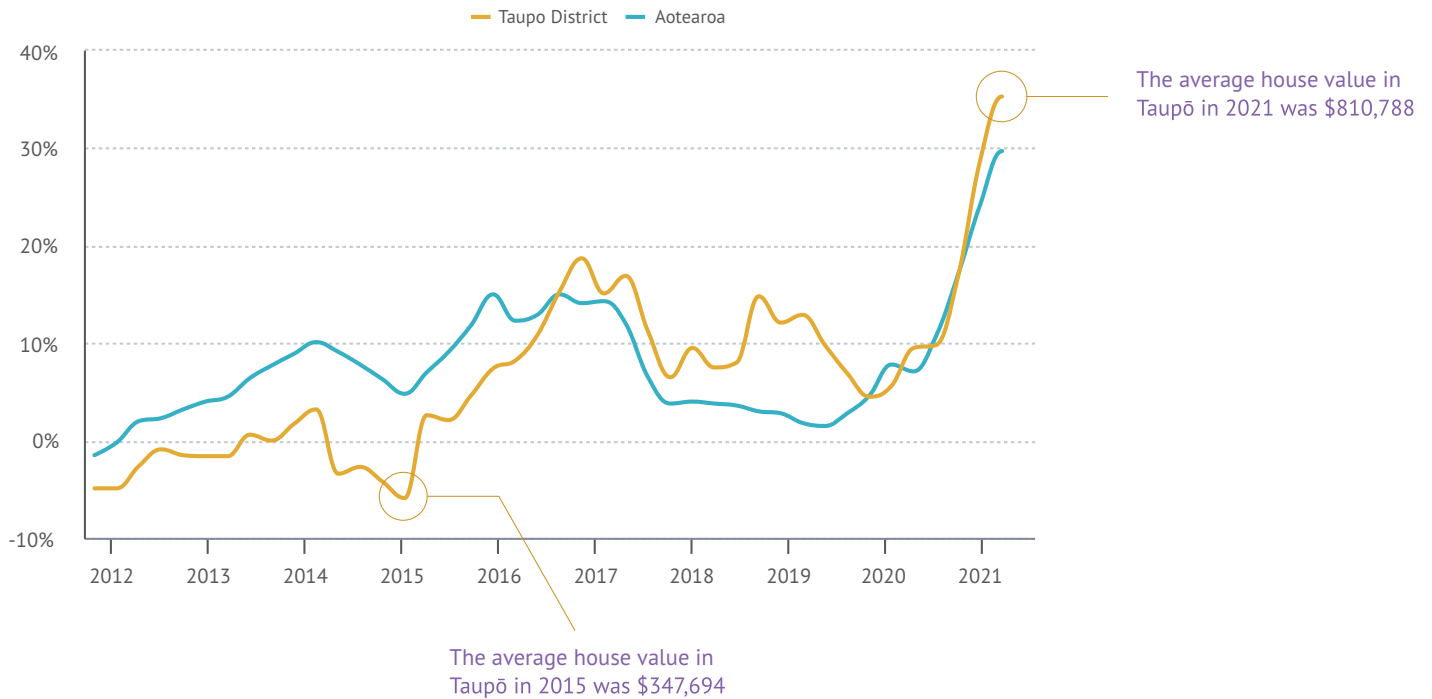


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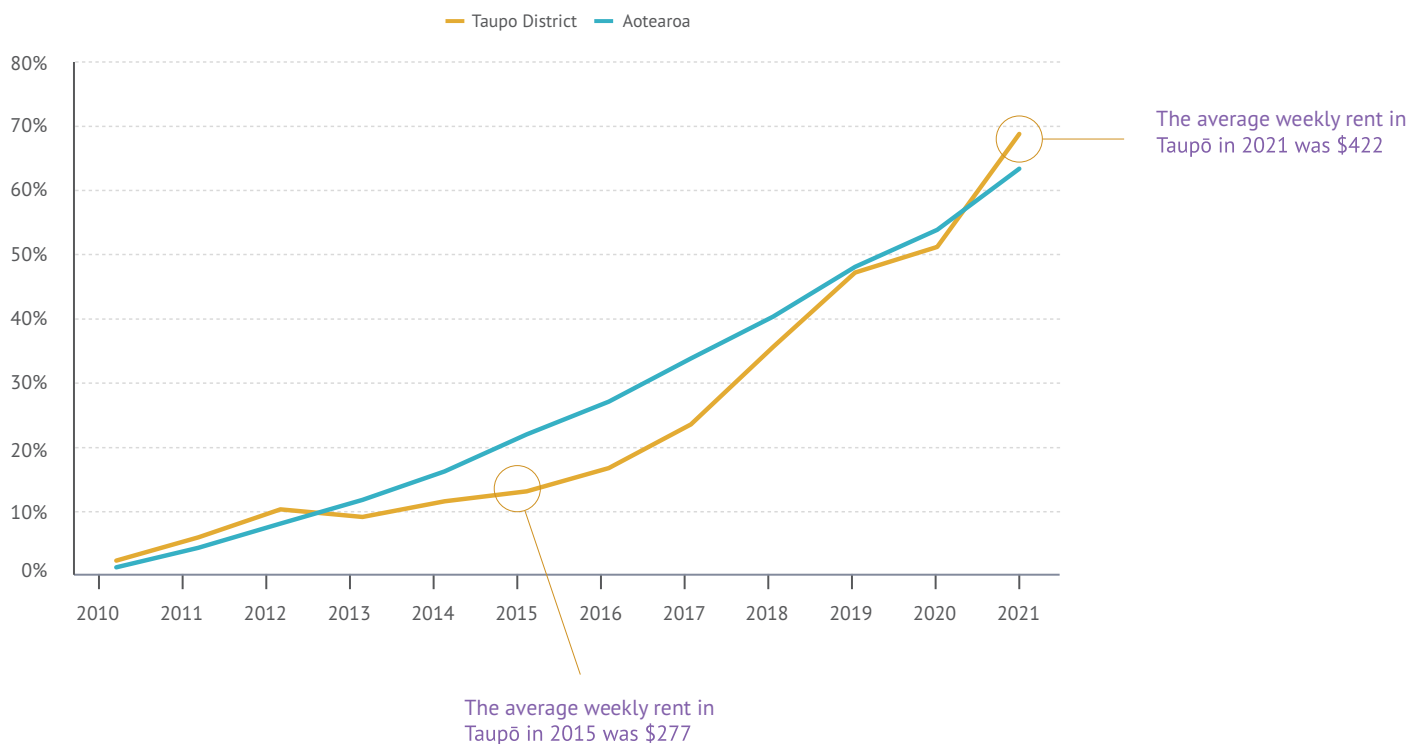
THE AFFORDABILITY GAP

The cost of housing in Taupō - to rent and to buy - began to increase steadily around 2015. In the last seven years the average house value in Taupō has increased by 140 percent and the average rent has increased by 52 percent. This is shown in the following graphs:

HOUSE VALUE GROWTH



GROWTH IN AVERAGE RENT

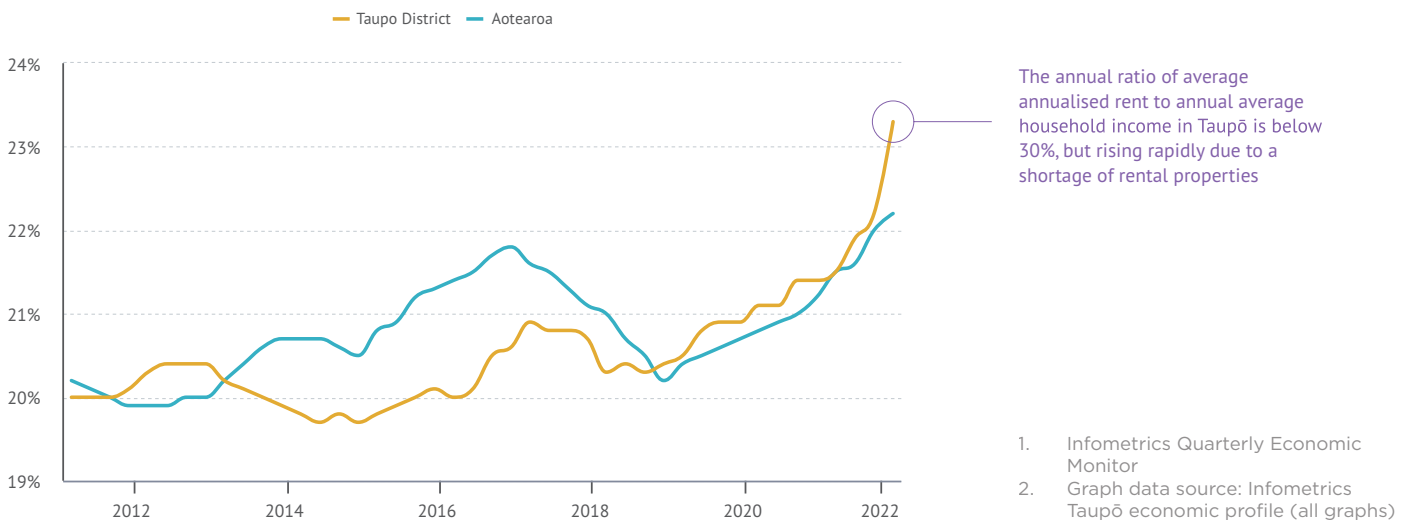


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The graph below shows the rental affordability index. This data is taken from Infometrics and shows the annual ratio of average rent to average household incomes.

Average rent in Taupō is still under 30 percent of average household income, so is deemed affordable under HUD's definition of affordable rent. However, with the recent sharp increase in the rental affordability index, it is likely this ratio will exceed 30 percent in the near future if the supply of housing doesn't increase. There are currently only 20 rental properties listed on Trademe for the whole of the Taupō District (as at 15 June 2023).

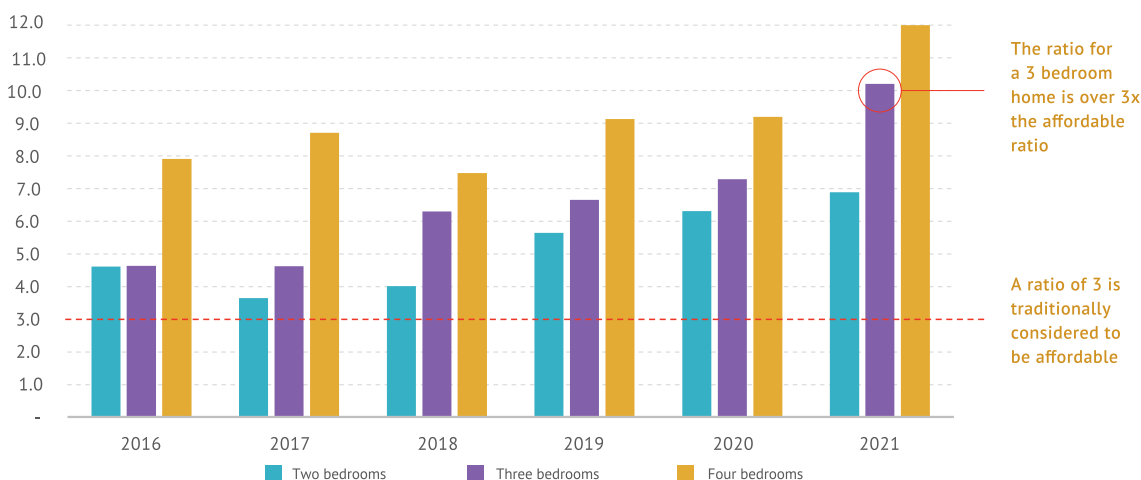
RENT AFFORDABILITY INDEX



The Median household income graph shows how median household income has tracked alongside a 20 percent deposit on a median value house over the last eight years. In 2014, a 20 percent deposit on a median value house in Taupō was around \$8,000 more than the median household income. House values began to significantly outpace growth in household incomes in 2015.

Since 2018 house median house values have increased 63 percent, while median household incomes have increased only 8 percent. This makes it extremely difficult for households to save for a deposit.

MEDIAN HOUSEHOLD INCOME VS 20 PERCENT DEPOSIT ON MEDIAN VALUE HOUSE IN TAUPŌ

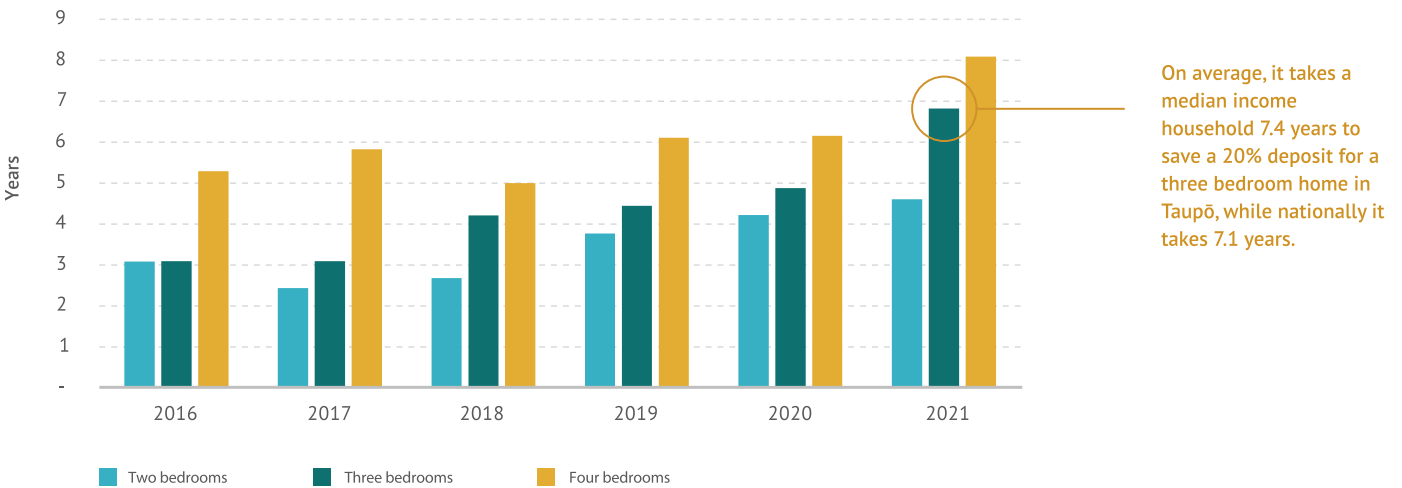


Graph sources:
1 & 3: Stats NZ household income and housing-cost statistics: year ended June 2020; and REINZ property prices
2. Stats NZ (incomes); Infometrics Taupō Economic Profile (house values)

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The graph below shows that on average, it takes a median income household 7.4 years to save a 20 percent deposit on an average three-bedroom home in Taupō. This doesn't take into account increases in house values over those 7 years. If house values continue to rise at a higher rate than household incomes, the goal posts will continue to shift out of reach for many households, essentially locking them out of the housing market.

YEARS TO SAVE A 20 PERCENT HOUSE DEPOSIT



Note: assumes a 30% savings rate, 30 year mortgage term and 4.25% interest rate

Increases in rent and other living costs only add fuel to the fire, making it even more difficult to save for a deposit.

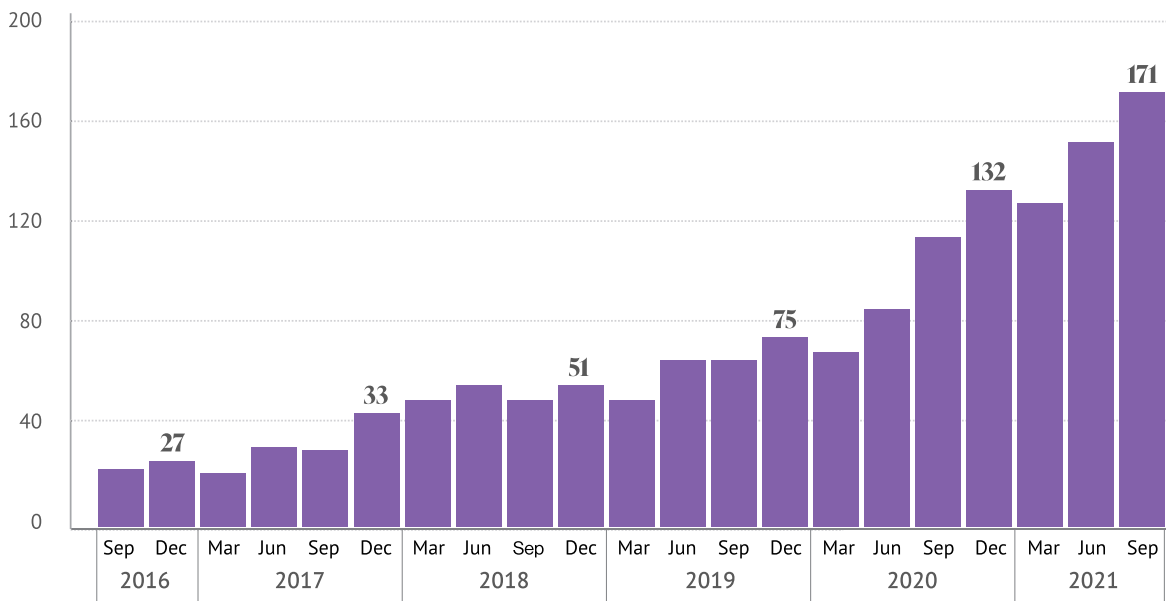
TAUPŌ HOUSING REGISTER

Many households who wish to purchase their own home have been locked out of the housing market due to unaffordability. As a result, these households are spending longer in rental properties than they otherwise would have. There is a shortage of rental properties in Taupō and rents are increasing to a point where they are becoming unaffordable for median income households. Many rental properties in the district are already unaffordable for low-income households.

Households who can't afford to rent a home are pushed into social housing. The number of applicants on the Housing Register in Taupō has increased by 850 percent in the last 5 years, compared to 452 percent nationally. Housing affordability is a national problem - anecdotal evidence suggests housing register applicants are being pushed into Taupō from other regions when they cannot be housed locally.

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TAUPŌ HOUSING REGISTER



FUTURE HOUSING DEMAND

We commissioned Infometrics to produce population projections for Taupō.

Infometrics followed a traditional cohort component projection approach, where the population is broken up into age and gender cohorts. Each cohort is analysed and projected separately - considering the probabilities of different life events for each cohort in each five-year period. The life events include:

- Fertility
- Mortality
- Migration
- Household formation
- Labour force participation

As a country, our population is aging as the baby boomer generation moves through to retirement. Natural increase, the margin between deaths and births, is projected to ease over the next 30 years in Taupō, with deaths outnumbering births after 2033.

This means net migration will become increasingly important for the population to grow or even hold steady. Net migration is expected to ease from its recent highs but remain at a high level from much of the 2020s and 2030s, driven by strong employment growth.

Employment is forecast to grow across a broad range of industries, led by tourism-related industries which will recover from Covid-19 disruption and grow further. Notable employment growth is also forecast for professional services, health, public administration, and manufacturing.

The number of households in Taupō is forecast to grow steadily, driven by a growing population, and decreasing average household size. Taupō's average household size is set to decrease due to an ageing population which will increase the proportion of one-person and couple-without-children household types. In addition, average household size is being driven down by nationwide trends of women having smaller families, deferring childbirth, and not having children at all.

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Stats NZ also projects how the population could change over time at both a national and regional level. Stats projections are based on assumptions about fertility, mortality, and migration.

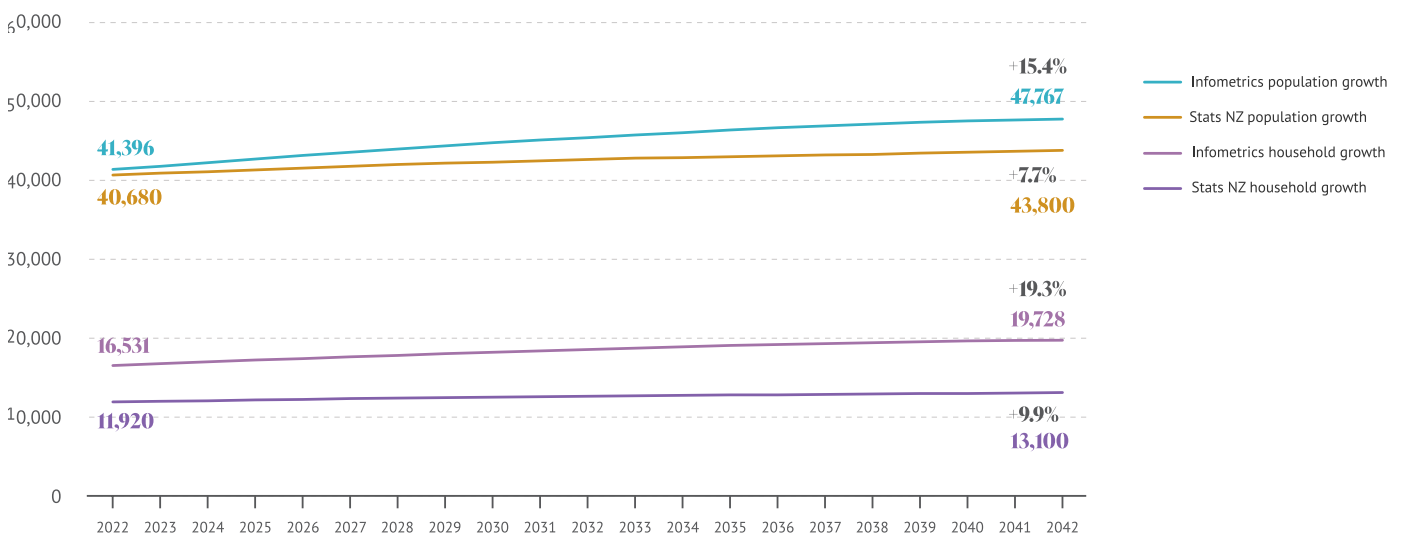
The Stats projections forecast more modest growth in both population and household number in Taupō. This is likely due to the fact that Stats hasn't taken account of the employment growth projected by Infometrics. Both projections are displayed on the graph below and form two different scenarios for growth in Taupō.

We used the Infometrics household projections to determine the required dwellings to accommodate growth over the next 20 years.

Required dwellings are based on the minimum bedrooms required to accommodate a household. This is calculated by the average household size for each household:

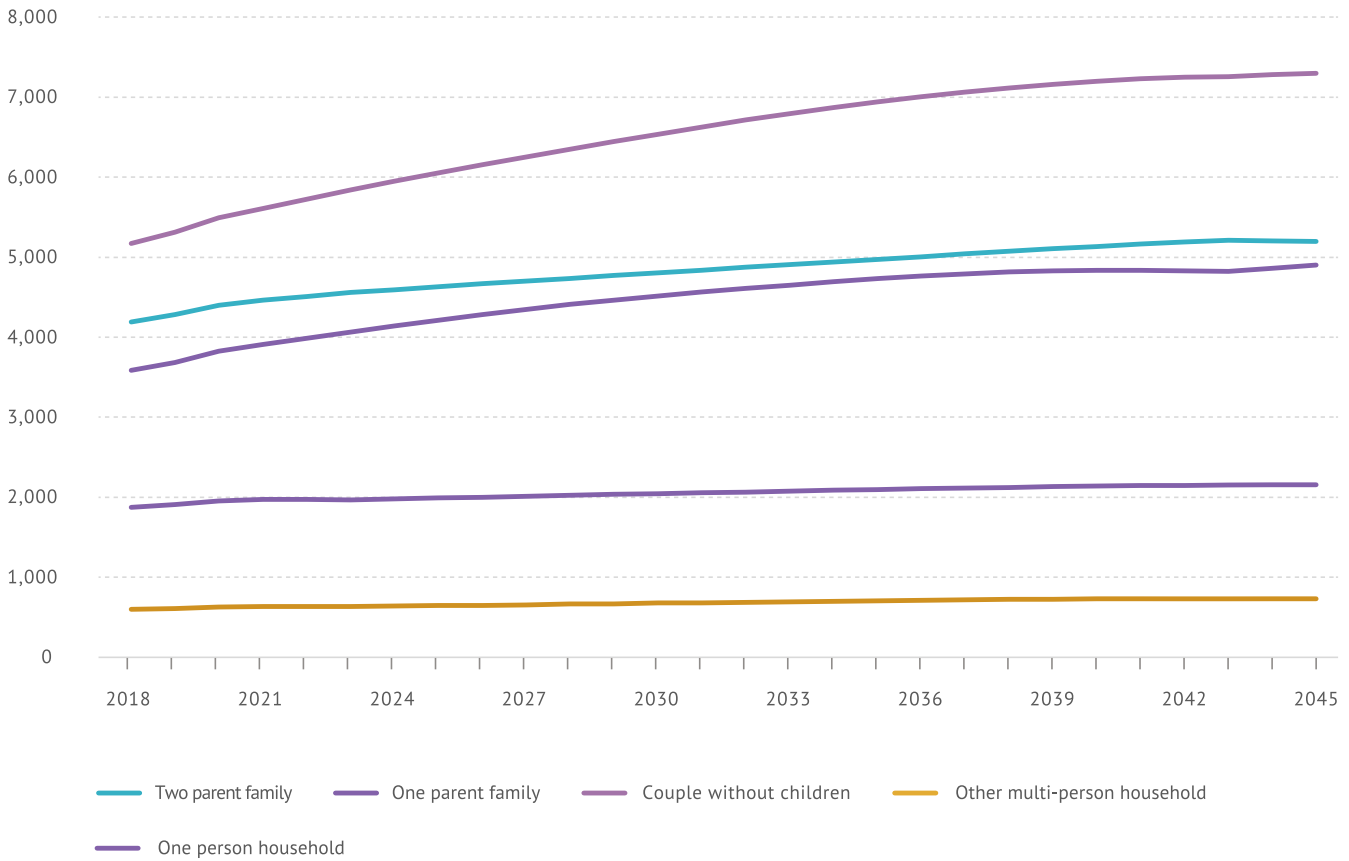
- Couple without children - 1 bedroom
- Two parent family - 3 bedrooms
- One parent family - 2 bedrooms
- Other multi-person household - 5 bedrooms
- One person household - 1 bedroom

TAUPŌ HOUSEHOLD AND POPULATION GROWTH PROJECTIONS



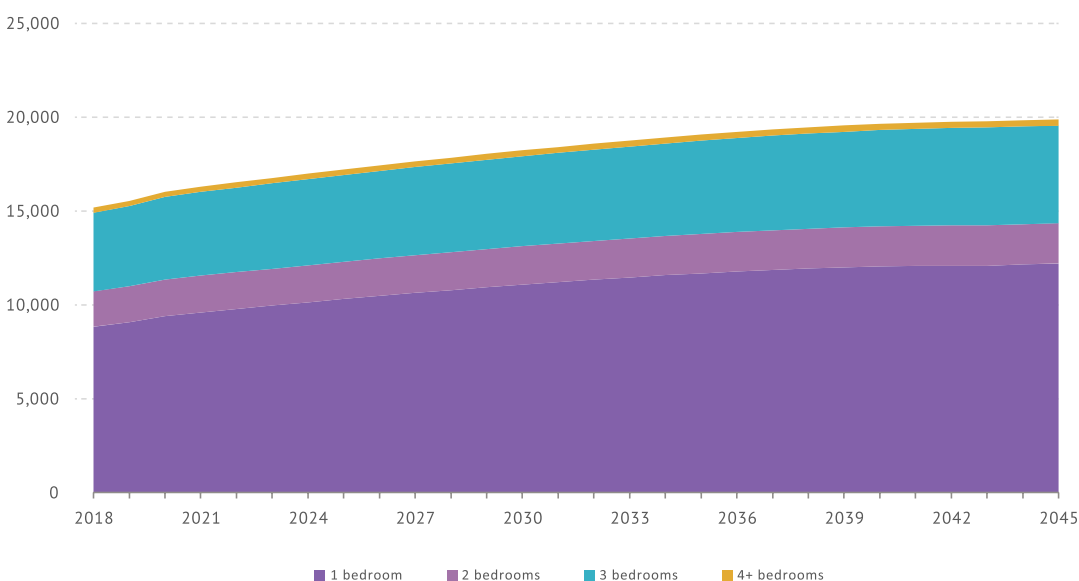
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GROWTH IN HOUSEHOLD TYPES



The graph below shows the majority of dwellings required are 1-bedroom dwellings. This is due to high growth in couples without children and one person households. The next largest category is 3-bedroom dwellings, resulting from growth in two parent families.

These projections don't take account of household preferences for dwelling size or configuration as we



currently don't have this type of data. Additionally, we aren't able to ascertain what households can afford to spend on housing due to data limitations, which are discussed on the following page. Because of this, it is difficult to determine the actual demand for housing products of different typologies and configurations.

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THE DATA CHALLENGE

Making projections about market housing is relatively straightforward, given there is a well- functioning market and a predictable level of demand. However, making projections about the likely mismatch between demand and supply for entry level and affordable housing is much more difficult, due to the absence of some key data and the impact of behavioural economics.

HOUSEHOLD INCOME

To be able to assess the affordability of a house to purchase or rent, it is necessary to understand the level of household income. This is the standard used by banks to assess mortgage affordability and by the Government to calculate support levels.

However, most income data is collected at the individual level, not the household level. And in many cases, households change over time – for instance, young adults may choose to go flatting together, and 3-4 people earning lower incomes can translate to a comfortable household income.

But given the level of data collection, it is not yet possible to ascertain whether a household is made up of a single person with a child earning \$60,000 per annum – resulting in high levels of rental stress – or two people with a child earning \$60,000 per annum each, resulting in the possibility of purchasing an entry-level home.

BEHAVIOURAL ECONOMICS

In addition, people make decisions for reasons other than money. People may choose to live in certain situations because they need to be close to family support, or simply because they have no other choices. And once circumstances change or better options become available, they will rapidly move.

In this context, existing housing circumstances are a poor indicator for the actual demand for new housing products. If there is negligible supply of entry-level housing, constructing it and making it available is likely to induce new demand at levels that can be difficult to predict ahead of time.

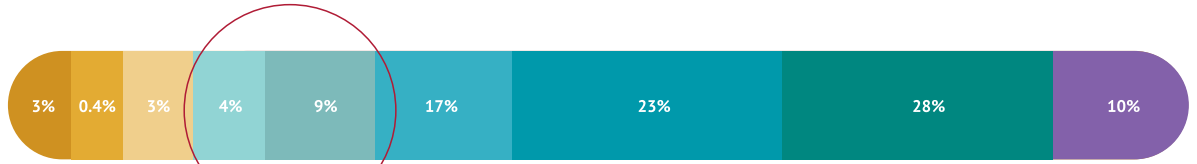
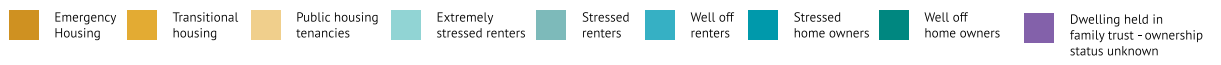
For this reason, the estimates for how much land is required to address the needs for entry level and affordable housing will be significantly more variable than those for market housing.

THE GAPS IN THE MARKET

Different households require different housing types, driven by life stages (single, couple, family, empty-nest, multi-generational, retirement, and others) and by financial resources. In a great many cases for a great many New Zealanders, the housing typology they require is not necessarily the typology they can afford.

The diagram below shows how the housing market is segmented, ranging from people in emergency housing through to market rental and ownership. The percentages are based on national analysis from 2018 – so prior to the pandemic and the subsequent housing boom – and are likely to vary significantly for Taupō. As can be seen – and as is evidenced from the Taupō data – there is a reasonable match between supply and demand for market homes, and for the upper areas of the rental market. However, there is widespread evidence of market failure in affordable rentals and affordable ownership, based on Taupō's income levels.

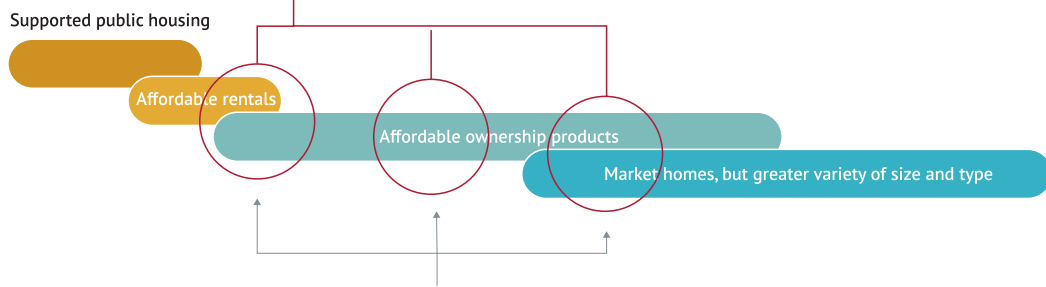
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Current state



Future state



Lifting the housing supply will require a focus on stressed renters and homeowners, who will benefit from an increased supply of affordable rentals and affordable ownership homes – as a stepping stone to full market housing.

Graph sources: Statistics NZ 2018 Census data, interpolation and summary by Habilis NZ Ltd and Polis Consulting Group. Note: data is representative only, actual Taupō percentages will vary.

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HOUSING FOR MĀORI / HAPŪ / IWI

IN TE AO MĀORI, 'HOME' TIES TO THE CONCEPTS OF WHĀNAU AND WHANAUNGATANGA, WHAKAPAPA, WHENUA, WAIRUA AND KĀINGA.

The data is clear that Māori are significantly worse off in finding healthy affordable housing for their whānau. Poor quality housing continues to impact long-term health and social and economic aspirations for Māori. Overcrowding, higher exposure to dampness and mould, and higher rates of homelessness are all issues that need to be addressed by Council and other housing agencies / organisations.

Engagement on the Housing Strategy has begun to touch on the elements that support appropriate development and highlight some of the housing issues for Māori. Further work is needed to better understand:

- Housing aspirations for iwi and hapū across the district
- Infrastructure needs to support the development of Māori land.
- Actions that council can take to help improve housing outcomes for Māori, including improving the quality of our housing stock across the district.

URBAN DEVELOPMENT

Hapū, iwi and Māori values and aspirations are often diverse. Underpinned with Te Ao Māori values such as manaakitanga, kaitiakitanga and orangatanga, hapū, iwi and Māori aspire to shape development that is people-oriented, equitable, vibrant, environmentally friendly, functional, and regenerative.

It is also important to recognise that Māori interpretation of an urban or built environment is fundamentally different from western conceptualisations. For instance, the concept of kāinga also applies to an urban space, not only whenua Māori. A kāinga in the wider city landscape is a reflection of the place, the people and Māori spatial narratives. Kāinga, or home, has a wider scope than simply building houses according to spatial placements. Urban design gives expression of cultural perspectives with a defined space and location.

The National Policy Statement on Urban Development emphasises the importance of the principles of the Treaty of Waitangi (te Tiriti o Waitangi or the Treaty) in urban development and ensure iwi/Māori are engaged in processes to prepare plans and strategies that shape urban environments.

PAPAKĀINGA

Papakāinga does not solely focus on providing housing. For whānau, papakāinga is vital for their marae, and provides other employment opportunities. The shared use of whenua for residential purposes is the key difference between papakāinga and general housing. This all contributes to the nature and function of the papakāinga. The whakapapa to the land is a driving reason whānau can and want to build and live in any given place.

Barriers to papakāinga development are complex, they may include:

1. Central and local government processes that are confusing, costly, time consuming and frightening for many whānau. Understanding of the end-to end process is necessary when working through processes that are unfamiliar for Māori. A 'one stop shop' to support whānau through the process has been a strong theme in kōrero shared.
2. Intergenerational trauma has been a major factor that impacts on housing for Māori. This is further compounded by poverty and the inability to afford to buy or rent a house.

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3. The costs associated with development contributions and rates can be a financial barrier that can impact on whānau's papakāinga aspirations.
4. Long-term economic wellbeing: Not all Māori see papakāinga as the solution to their housing needs. Papakāinga, in its present form, is restrictive because of issues such as, but not limited to, the legalities involved (Māori Land Court), the land ownership and management issues, and that it does not allow for wealth generation. There are also significant feasibility and infrastructure costs of developing housing on Māori land. There is a need to enable other forms of Māori housing such as mixed use housing development.

DEVELOPMENT OF MĀORI LAND

Many owners of Māori land have raised long standing issues about barriers to the use and retention of their land. Barriers to land development can include:

1. Lack of resources: whanau or hapū may lack the resources and financial capital needed to develop their land.
2. Complex land ownership: Māori land is often owned communally meaning there must be collective decision-making about the development and use of the land.
3. Regulations and restrictions: statutory processes and planning compliance can make it difficult to use the land for housing purposes. In some situations, there are paper roads and public works matters that also need to be resolved.
4. Historical trauma: The history of land confiscation and loss in Māori communities can also create a lack of trust in government and development processes, making it difficult to move forward with development initiatives.

Further work is continuing on how to provide practical support to Māori landowners to resolve some of these problems.

HOUSING IN THE TOWNSHIPS

Taupō has a number of dispersed townships within the district that have their own unique housing challenges. Because of these factors, it makes sense that the housing action plan will look different depending on which area of the Taupō District we are looking at.

The following provides Statistical Area 2 data for the three townships that are the focus of our Action Plan. Full statistical analysis for the Taupō District is included in the appendices.

TAUPO TOWNSHIP

Taupō township is home to 24,500 or 66 percent of the district's usual resident population, as of 2018. Census data on income, employment, and housing indicates that around 45 percent of the township population earn less than \$30,000 per year in personal income. Around 64 percent of people are employed, and 30 percent are not in the labour force (majority are retirees).

The median house price stood at \$745,000 in mid-2022 and around 43 percent of the resident population do not own the home they live in. Deprivation scores vary across areas with Tauhara, Taupō Central-East and Waitahanui scoring relatively high while Acacia Bay and Nukuhau score relatively low. The higher the deprivation score, the higher the level of hardship for people living in that area.

Our Council is in a unique position because we own the 197 hectare East Urban Lands block. The EUL provides significant opportunities for council to play a major role in shaping the future of housing and urban development in the Taupō township.

SUPPORTING INFORMATION

MAROTIRI STATISTICAL AREA (INCLUDING MANGAKINO)

Marotiri is home to 2391 people with around 58 percent of European ethnicity, 33 percent Māori and 9 percent of other ethnicity. Census data on income, employment and housing indicates that around 51 percent of the Marotiri's population earn less than \$30,000 per year in personal income. Around 67 percent of people are employed and 27 percent are out of the labour force (majority are retirees).

The median house price stood at \$495,800 in mid-2022 and around 55 percent of resident population do not own the home they live in. Marotiri scores an 8 out of 10 on the deprivation index.

TŪRANGI TOWNSHIP

The Tūrangi area is home to 3444 people and is one of the largest population centres outside of the Taupō town area. Around 51 percent of residents are Māori and 42 percent are of European ethnicity.

Census data on income, employment and housing indicates that around 63 percent of Tūrangi's population earn less than \$30,000 per year in personal income. Around 56 percent of residents are employed and 37 percent are not in the labour force (majority are retirees).

Median house price stood at \$500,000 in mid-2022 and around 48 percent of resident population do not own the home they live in. The deprivation score for Tūrangi is 10 indicating that residents face a high level of hardship.