



27 April 2021

DOIA20/21030544

K Hopkins  
[fyi-request-14956-0efa6bcd@requests.fyi.org.nz](mailto:fyi-request-14956-0efa6bcd@requests.fyi.org.nz)

Dear Mrs Hopkins

Thank you for your email dated 19 March 2021 to Kāinga Ora – Homes and Communities requesting information under the Official Information Act 1982 (the Act). As you were informed, the following part of your request was transferred to Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development's (the Ministry) to respond:

*any documents relating to discussions in the past 3 years around a potential cap increase for Auckland and the first home starter grant*

Four documents have been identified as being in scope of your request:

- *0196 18-19: Increasing the Queenstown Lakes District HomeStart house price caps*
- *BRF18/19110079: Aligning the house price caps for HomeStart and Welcome Home Loans with KiwiBuild*
- *BRF19/20060717: Financial support options for Eastern Porirua redevelopment, Residential Construction Response Fund, and First Home Grants*
- *AMI20/21070379: Advice on potential changes to the First Home Grant and Loan price caps*

All four documents are released to you with some information withheld under section 9(2)(a) of the Act, to protect the privacy of natural persons. This information is summarised in the attached document schedule.

It is important to note that the information contained in the documents may have been superseded by recent Government announcements related to housing policy.

You may be interested to learn that the Ministry provided advice on the First Home Grant price caps to Ministers as part of the recent Housing Acceleration Fund announcement, which included increases to the income and house price caps for the First Home Loan and First Home Grant. This advice will soon be publicly available on the Ministry's website at [www.hud.govt.nz/](http://www.hud.govt.nz/).

Some advice provided as part of the recent housing package announcement that is not being published is also provided to you, as excerpts in annex two of this response letter.

In terms of section 9(1) of the Act, I am satisfied that, in the circumstances, the decision to withhold information under section 9 of the Act is not outweighed by other considerations that render it desirable to make the information available in the public interest.

You have the right to seek an investigation and review of my response by the Ombudsman, in accordance with section 28(3) of the Act. The relevant details can be found on the Ombudsman's website [www.ombudsman.parliament.nz](http://www.ombudsman.parliament.nz).

As part of our ongoing commitment to openness and transparency, the Ministry proactively releases information and documents that may be of interest to the public. As such, this response, with your personal details removed, may be published on our website.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Naomi Stephen-Smith', with a stylized, cursive flourish at the end.

Naomi Stephen-Smith  
**Acting Manager**  
**Market and Supply Responses**

## Annex 1 – Document schedule

Date	Title	Section of the Act applied
<b>Documents for release</b>		
31 July 2018	0196 18-19: Increasing the Queenstown Lakes District HomeStart house price caps	9(2)(a)
30 November 2018	BRF18/19110079: Aligning the house price caps for HomeStart and Welcome Home Loans with KiwiBuild	9(2)(a)
30 June 2020	BRF19/20060717: Financial support options for Eastern Porirua redevelopment, Residential Construction Response Fund, and First Home Grants	9(2)(a)
31 July 2020	AMI20/21070379: Advice on potential changes to the First Home Grant and Loan price caps	9(2)(a)
<b>Excerpts for release</b>		
23 February 2021	Response to request for additional information on First Home Products	N/A
2 March 2021	Background information on the proposed housing supply and affordability package and other proposed interventions	N/A
9 March 2021	Responses to questions related to housing supply and affordability	N/A

## Annex 2 – Excerpts

### 4. How HUD determined the First Home Product price cap changes

- The increases to First Home Product house price caps for new properties were targeted to Territorial Authorities based on:
  - areas where the 2019 -2020 lower quartile house price has exceeded the current price caps, and there is a persistent increase in house price over time
  - whether the areas identified above are priority areas identified by HUD’s place-based investigations and so are particularly unaffordable

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- the relative purchase affordability of homes available on the market relative to the house price cap
- a “sense” check as to whether the area’s prices are unduly inflated by a high number of holiday homes or other factors.
  
- Based on this analysis, HUD increased price caps for **new properties** only to amounts closer to, or slightly above, the lower quartile house price.
  
- For **existing properties**, the approach HUD used was to increase the price caps by half the amount of the increase for new builds.

#### Appendix 1: Lower quartile and median house prices for new properties by Territorial Authority

- New property valuations in the table below are based on council capital valuation indexed to November 2020 using REINZ's HPI for that Territorial Authority. New properties are defined as any property with a council estimated build year of 2020 or later.
- For existing properties, the amount recorded only takes into account those properties sold, which may be a subset of the wider typologies available.
- The N/A values are reported when there was less than 30 observations.

Territorial Authorities	Lower Quartile Valuation for New Properties (as at 19 January 2021, in 000s)	Lower Quartile Price for Existing Properties (as at 9 March 2021, in 000s)
Thames Coromandel District	\$802	\$753
Queenstown Lakes District	\$783	\$828
Greater Wellington	\$747	\$621
Auckland	\$746	\$775
Gisborne District	\$438	\$363
Nelson City & Tasman District	\$707	\$512
Whakatane District	\$695	\$387
MacKenzie District	\$689	\$412
Taupō District	\$666	\$448
Masterton District	\$661	\$395
Tauranga City & Western Bay of Plenty District	\$635	\$621
Central Otago District	\$633	\$453
South Wairarapa District	\$612	\$518
Whangarei District	\$612	\$465

Kaipara District	\$601	\$396
Hamilton City & Waipa District	\$584	\$523
Stratford District	\$584	\$462
Waikato District	\$577	\$506
Hastings District & Napier City	\$575	\$473
Dunedin City	\$569	\$453
Matamata Piako District	\$563	\$459
Palmerston North City	\$539	\$441
Manawatu District	\$525	\$442
Marlborough District	\$424	\$424
Christchurch City, Selwyn District, Waimakariri District	\$517	\$400
New Plymouth District	\$514	\$407
Hauraki District	\$488	\$417
Carterton District	\$487	\$434
Horowhenua District	\$471	\$396
Central Hawkes Bay District	\$466	\$354
Ashburton District	\$464	\$305
Far North District	\$440	\$293
Invercargill City	\$425	\$293
Waitaki District	\$419	\$305
Rotorua District	\$409	\$381
Whanganui District	\$406	\$312
Southland District	\$378	\$266
Clutha District	\$375	\$222
South Taranaki District	\$373	\$233
Rangitikei District	\$350	\$293
Timaru District	\$342	\$313
Tararua District	\$319	\$248
Ruapehu District	\$277	\$219
Gore District	N/A	\$219
Buller District	N/A	\$168
Chatham Islands	N/A	\$217
Grey District	N/A	\$166
Hurunui District	N/A	\$342
Kaikoura District	N/A	\$379
Kawerau District	N/A	\$269
Opotiki District	N/A	\$277
Otorohanga District	N/A	\$375
South Waikato District	N/A	\$270
Waimate District	N/A	\$260
Wairoa District	N/A	\$162
Waitomo District	N/A	\$218
Westland District	N/A	\$223

## **First Home Products**

### *House Price Caps*

23. First Home Grant and First Home Loan (FHG and FHL) house price caps are designed to serve as a signal of affordability and ensure that support is well targeted at those first home buyers who need help purchasing modestly priced houses.
24. There are different caps for existing and new properties with higher cap for new properties to support demand for new supply and dampen pressure on the prices for existing homes.
25. In many parts of the country the house price caps have begun to limit the number of houses First Home Buyers (FHBs) can buy using First Home Grants and First Home Loans. This is because lower quartile house prices in some places have increased above the current house price caps.
26. HUD has previously advised that house price caps could be increased for new properties only, and in those locations where the house price cap is limiting households from accessing First Home Grants and Loans. Increasing the caps for new properties encourages demand for new properties rather than existing homes.
27. HUD has also been asked to consider the cost of increasing house price caps for existing properties. We have considered the option of increasing existing caps by the same quantity as for new properties.
28. The resulting changes are:

Region	New Property Price Cap		Existing Property Price Cap	
	<i>Current Cap</i>	<i>Possible New Cap</i>	<i>Current Cap</i>	<i>Possible New Cap</i>
<i>Auckland</i>	\$650,000	\$700,000	\$600,000	\$650,000
<i>Wellington City, Hutt City, Upper Hutt City, Porirua City, <u>Kāpiti Coast District</u></i>	\$550,000	\$650,000	\$500,000	\$600,000
<i>Nelson City, Tasman District, Tauranga City, Western Bay of Plenty District, Hamilton City, <u>Waipa District</u>, Hasting District, Napier City.</i>	\$550,000	\$600,000	\$500,000	\$550,000
<i>Waikato District, Dunedin City</i>	\$500,000	\$550,000	\$400,000	\$450,000
<i>Rest of New Zealand</i>	\$500,000	\$500,000 (No change)	\$400,000	\$400,000 (No change)

29. The numbers of homes purchased through First Home Grants and Loans, and the actual costs, are dependent on a number of variables. It is important to note that our figures are approximate and a guide to what may happen:

<b>Price cap change</b>	<b>Estimated number of additional homes bought using First Home Grants</b>	<b>Estimated number of additional First Home Loans</b>	<b>Approximate cost (per year)</b>
<i>New Properties only (NZ)</i>	520-540	75-85	\$7.4 million
<i>Existing properties only (NZ)</i>	1,300-1,400	190-210	\$9.8 million
<b><i>Both new and existing properties (NZ)</i></b>	<b>1,820 -1,940</b>	<b>265-295</b>	<b>\$17.2 million</b>
<i>Auckland – New properties only</i>	350-370	50-60	\$4.9 million
<i>Auckland - Existing properties only</i>	270-290	35-45	\$2.0 million
<b><i>Auckland – New and existing properties</i></b>	<b>620 -660</b>	<b>85-105</b>	<b>\$6.9 million</b>

- b. More information on the need to increase price caps, e.g. rationale etc.

The increases to price caps in the draft paper for new build properties are targeted to locations identified by HUD’s methodology. The key features of this methodology are:

- Identifying areas where the 2019 -2020 lower quartile house price has exceeded the current price caps.
  - Identifying areas where there is a persistent increase in house price over time.
  - Checking if the areas identified above are in priority areas found by the place-based investigations.
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- Finally, a check to ensure the area’s prices are not inflated due to holiday homes or other factors.

After HUD identified areas that meet the above criteria, price-caps were increased to amounts closer to or slightly above the lower quartile house price. If these caps were to increase it is important to note that these price caps will be significantly higher than the current KiwiBuild price caps.

HUD notes that this methodology was used for increasing the price caps for new builds but could also be used for the existing build price caps.