

# Beyond Home Ownership

David Norman – Chief Economist, Auckland Council

Dr Jennifer Joynt – RIMU, Auckland Council

Penelope Tuatagaloa – RIMU, Auckland Council

Jacob Otter – RIMU, Auckland Council

With a response from Deb Edwards – Community and Social Policy, Auckland Council



Image: Fiona Goodall/Getty Images

# Auckland's housing shortfall and its implications

4 July 2017

Visit [www.aucklandcouncil.govt.nz](http://www.aucklandcouncil.govt.nz) – Chief Economist Unit

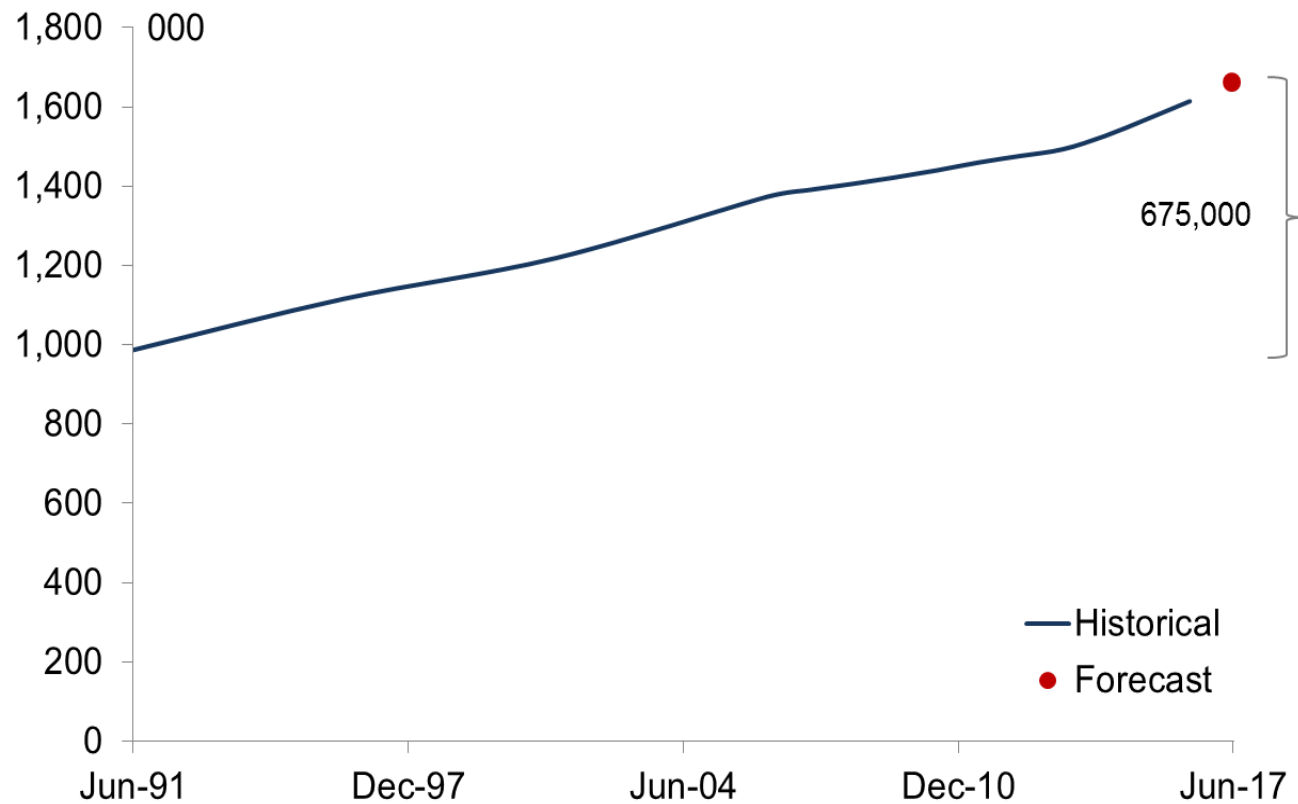
# What I'm covering

- How big is the gap?
- What are the socio-economic implications?

# How big is the housing gap?

# AKL growth is about people

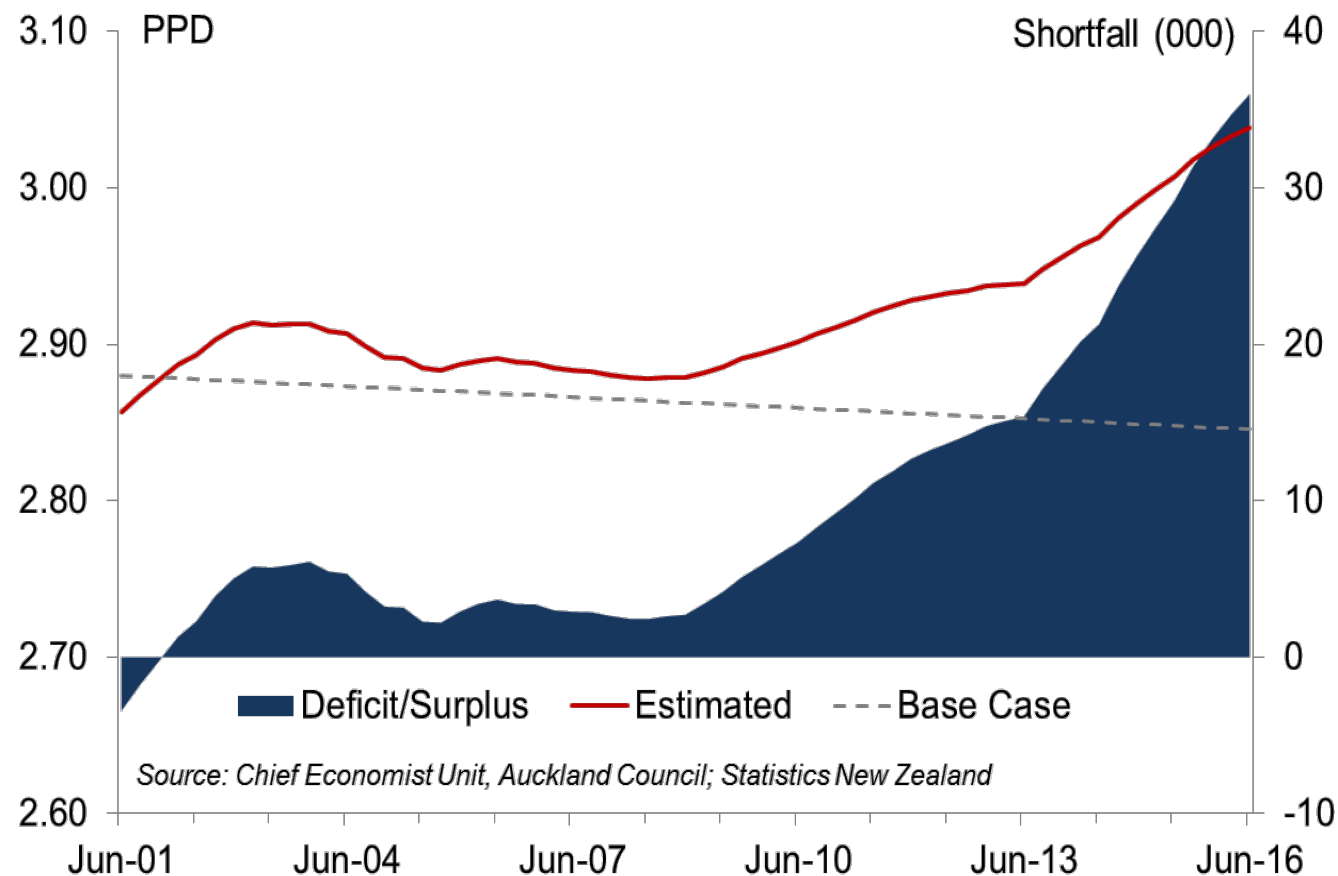
Population growth, Auckland, 1991 to 2017



Source: Chief Economist Unit, Auckland Council; Statistics New Zealand

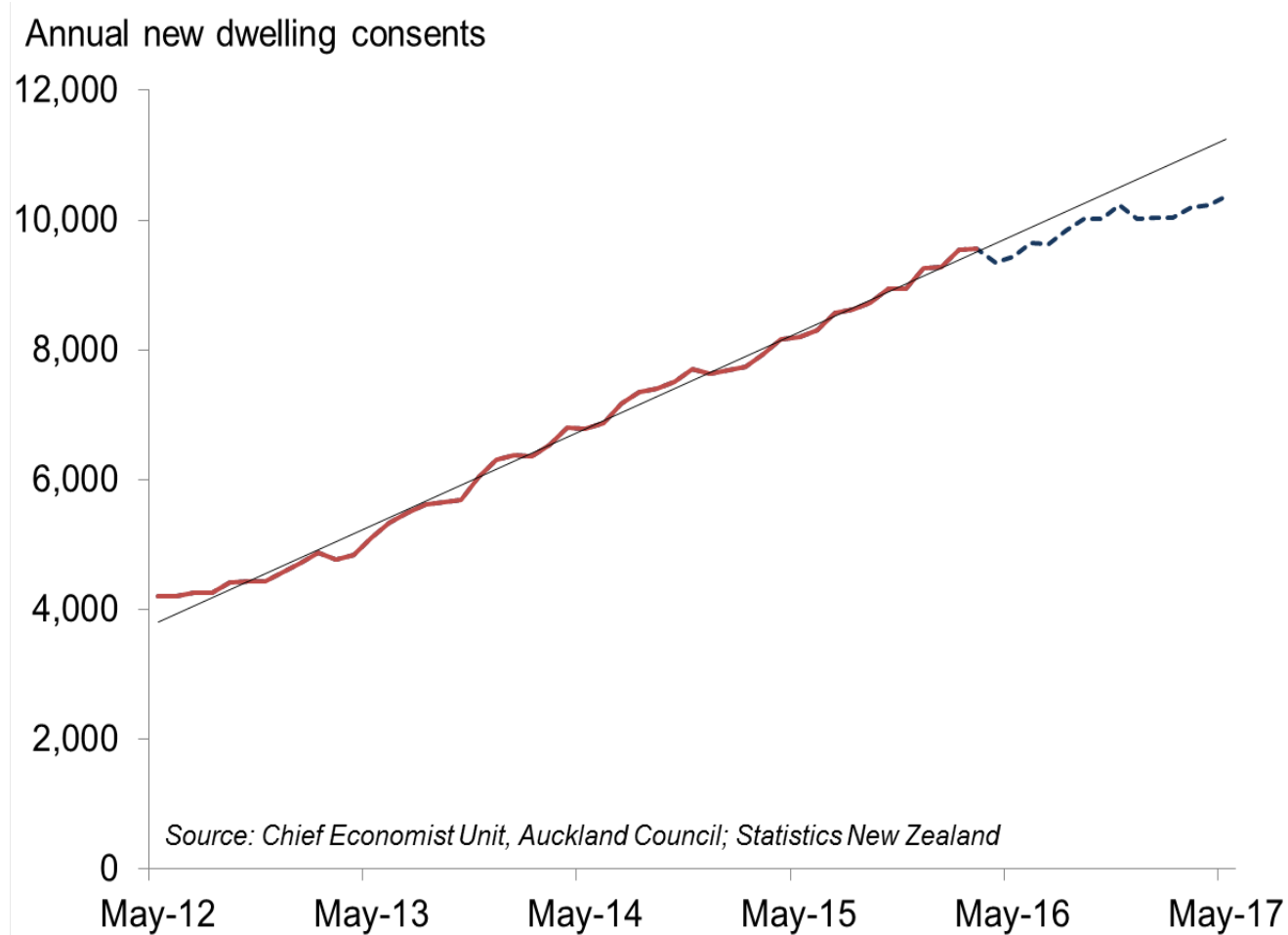
# Not enough housing

Estimated people per dwelling and shortfall, Auckland, 2001 to 2016



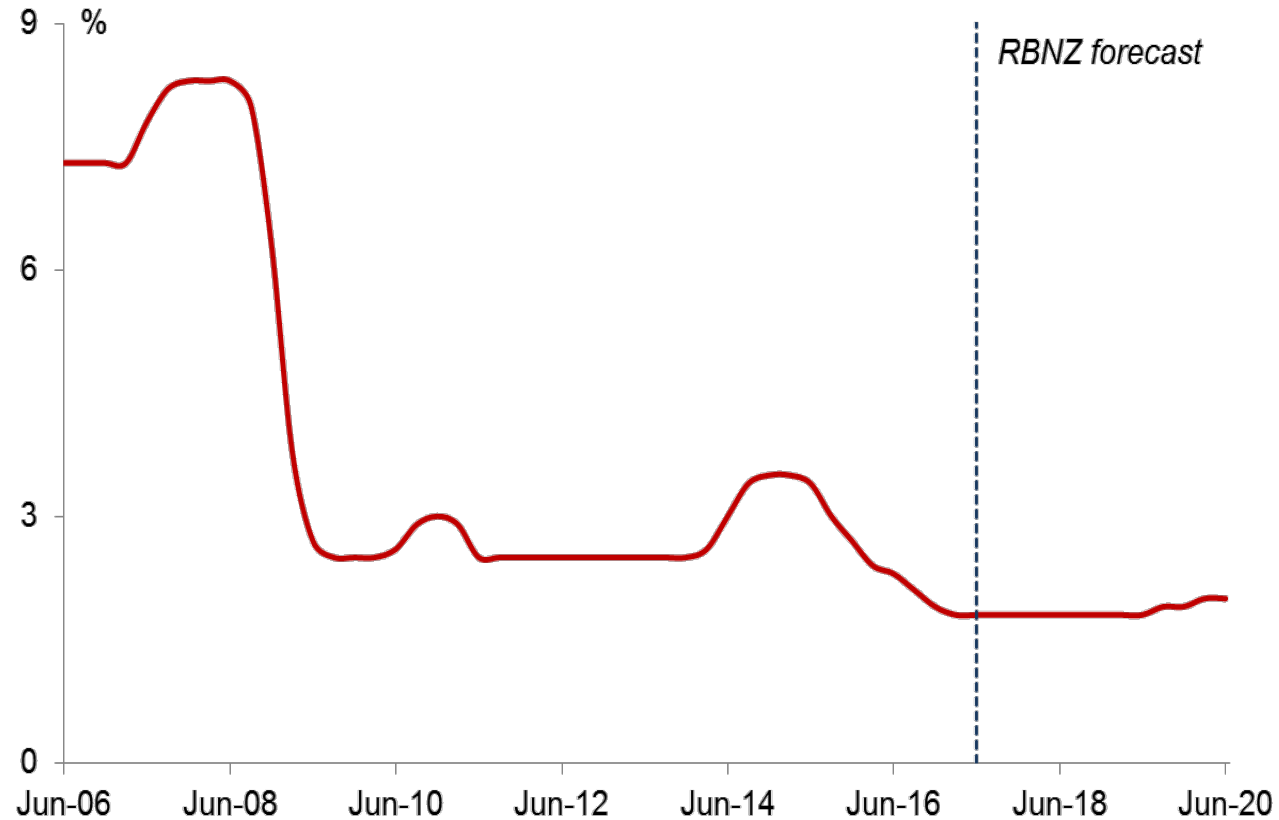
Auckland's housing shortfall and its implications

# And not building enough



# Interest rates

Official cash rate (OCR)

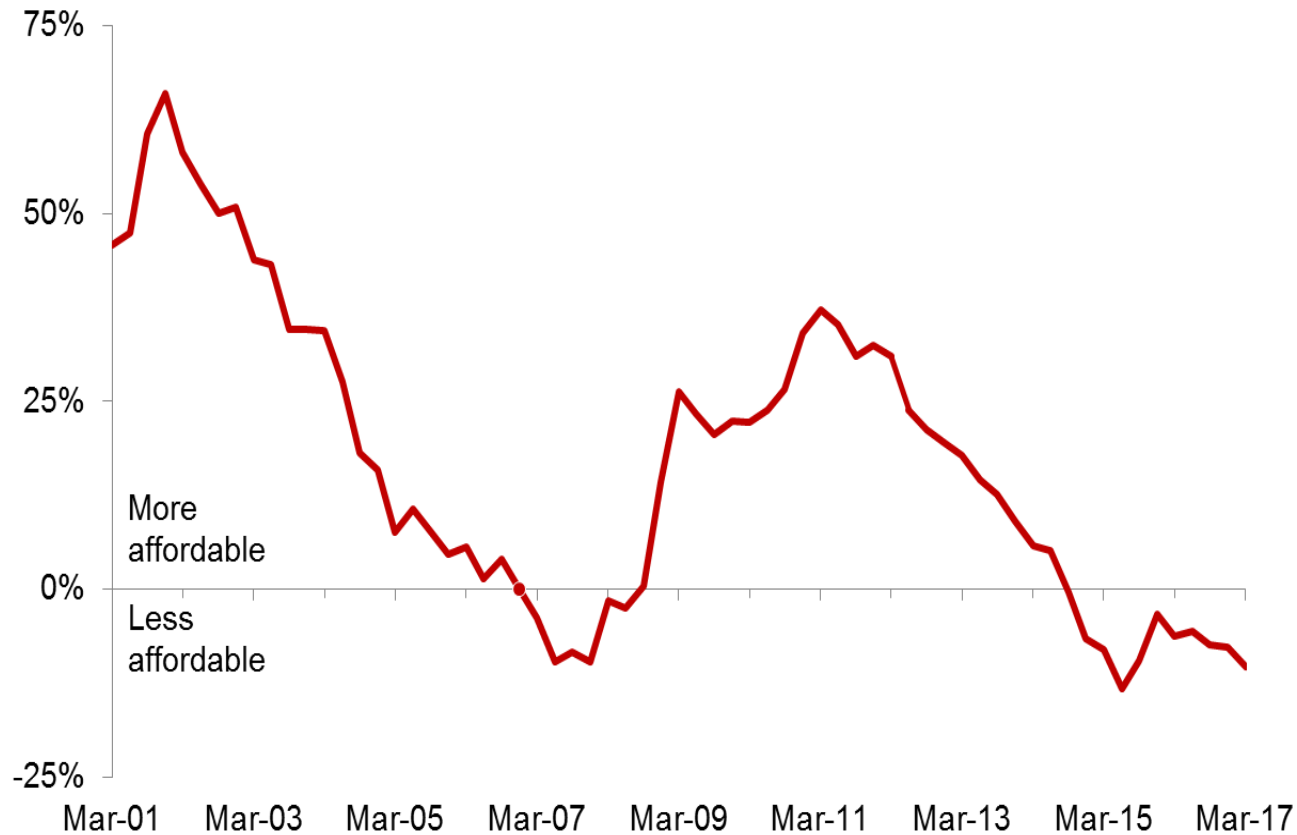


source: Chief Economist Unit, Auckland Council; Reserve Bank NZ



# It's supply and demand, silly

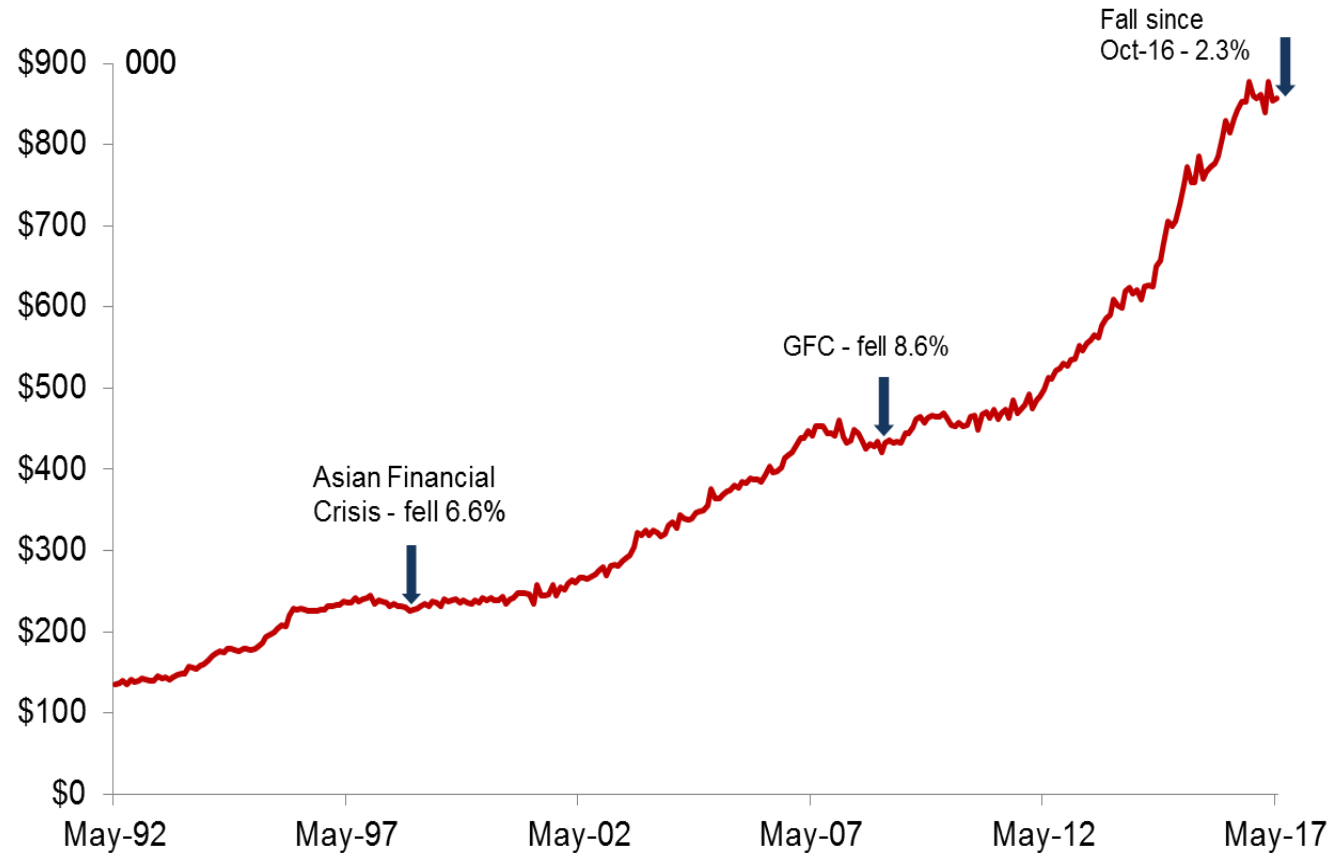
SAM median house price affordability relative to December 2006



source: Chief Economist Unit, Auckland Council; Real Estate Institute of New Zealand; Reserve Bank of New Zealand

# No housing “bust” soon

Seasonally-adjusted Auckland median house price

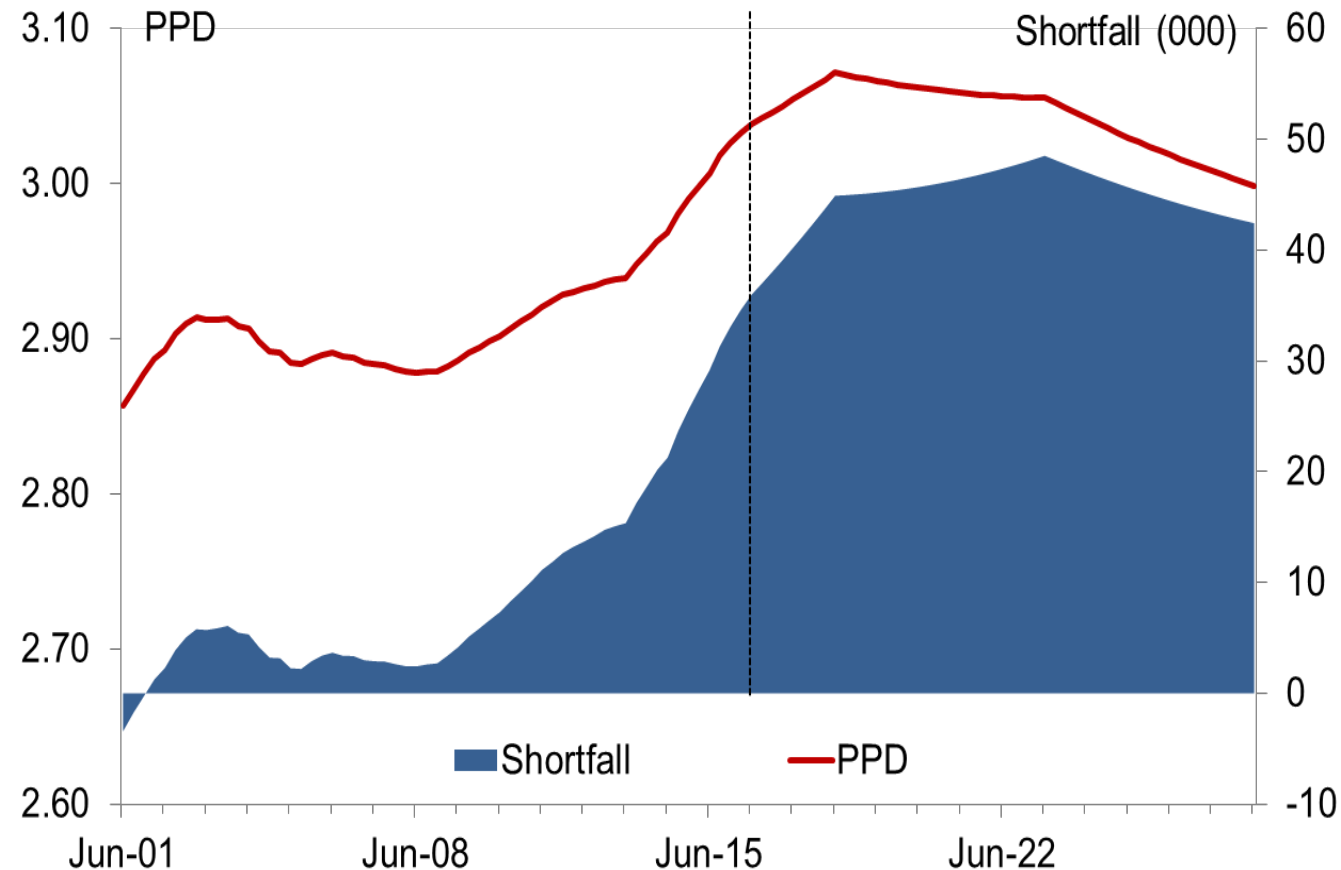


source: Chief Economist Unit, Auckland Council

Auckland's housing shortfall and its implications

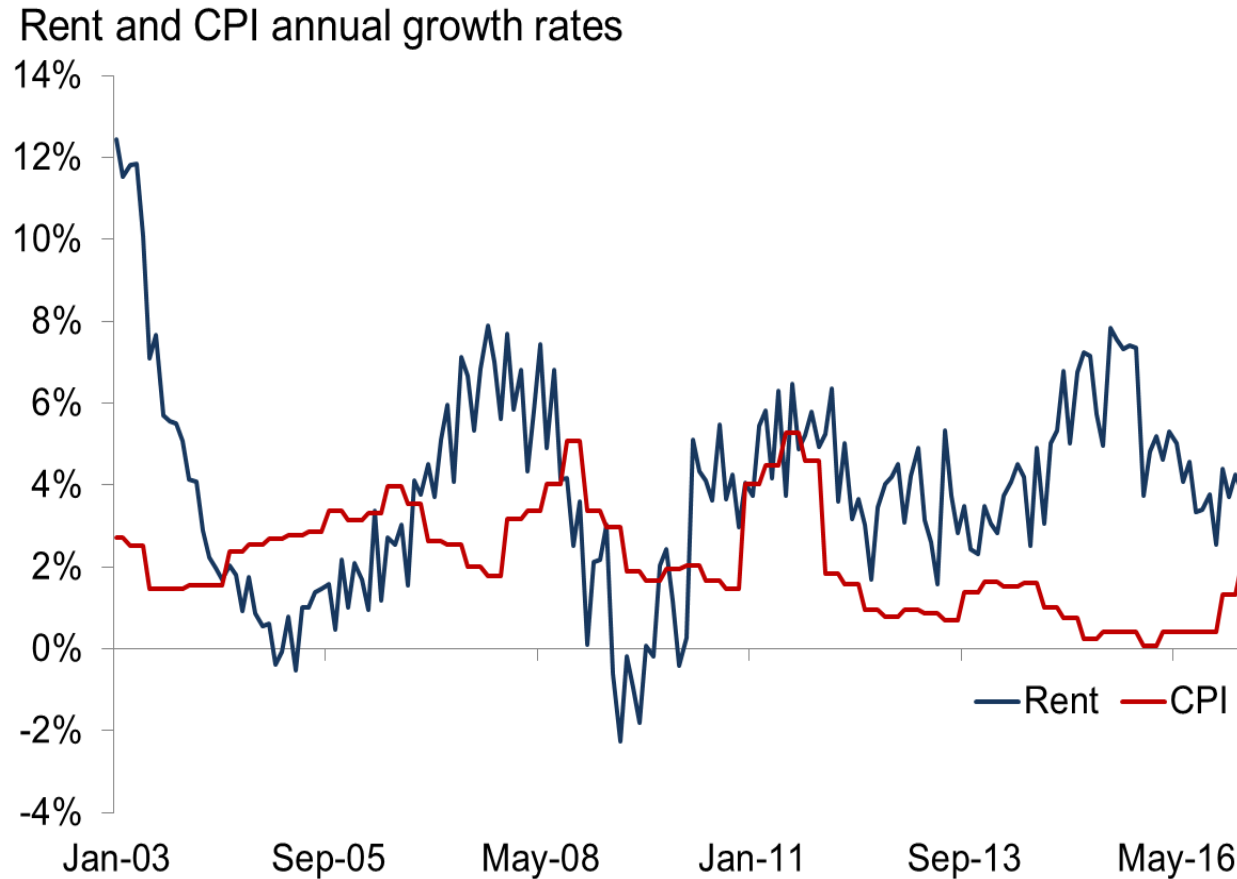
# Shortfall not going anywhere

Estimated people per dwelling and shortfall, Auckland, forecast



Source: Chief Economist Unit, Auckland Council; Statistics New Zealand

# Rents are rising sharply



Source: Chief Economist Unit, Auckland Council; Statistics New Zealand

# Socio-economic implications

- Rentals are damper, more poorly maintained (BRANZ study)
- The less wealthy live in these homes → poorer health outcomes, poorer education outcomes
- Rents rising + housing shortage → overcrowding (even worse health outcomes) and stress on households

# Resultant skills gap

We can't have house prices that continue to rise, and also expect that our kids will be able to buy their own homes, that we'll have the teachers to teach them and the nursing staff to look after us in our old age.

# Renting in Auckland: Who, What, Why?

Dr Jennifer Joynt

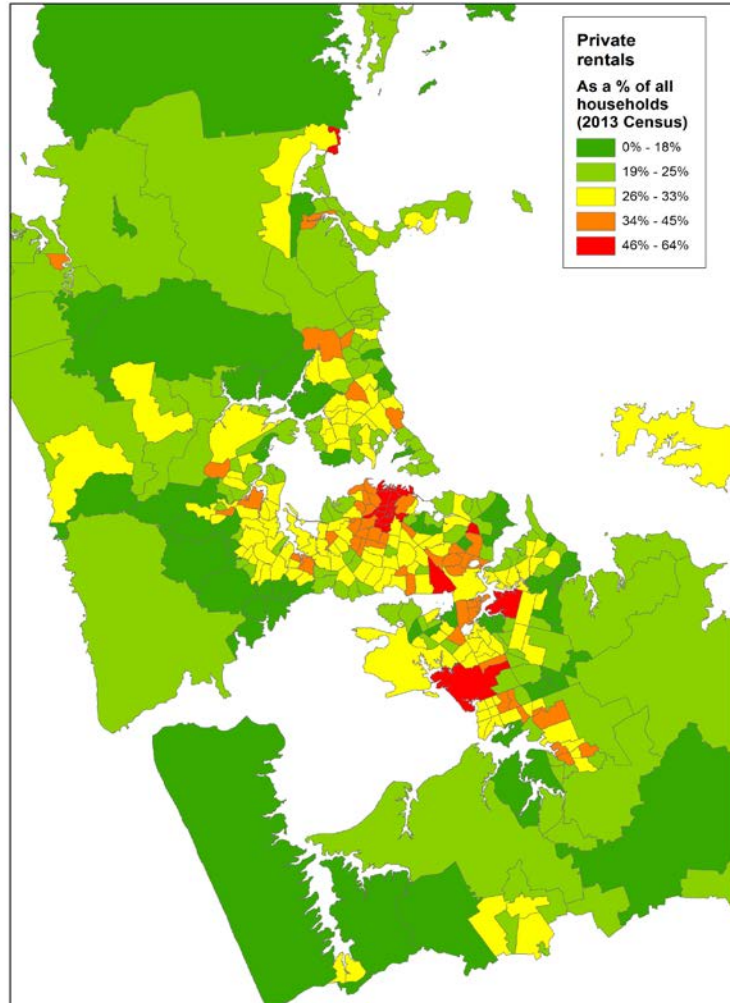
# Presentation Outline

- *Tenure revolution- beyond home ownership*
- *BRANZ funded research*
- *Renting in Auckland experiences, tenants, landlords & property managers*





# Tenure Revolution



- Home ownership declining: 11% in 20 years
- Decline in social housing: 2,015 on register in Auckland
- Rise in private rental: 38 % of all Aucklanders and 58 % of low-income households rent in Auckland (map indicates private rental)
- Blockage in the housing continuum
- Rental costs are rising & standards are falling
- Median weekly rent is reported as \$536 per week or 39% of the median income of \$1381/week
- NO EXIT: 86 % of prospective first time buyers are locked out of the Auckland market

# Renting in Auckland - Experiences, Tenants, Landlords & Property Managers

- BRANZ funded research with SHORE WHARIKI Research
- Random sample CATI Survey of 589 tenants 187 landlords
- Interviews with 43 tenants, 22 landlords and 15 property managers.

Launch RIMU  
Insights Seminar  
4 August 2017

# What did we find out?

- Tenants are struggling with a lack of affordable accommodation, rising rents & unsuitable accommodation
- Competition is fierce
- Rental churn is rife
- Stock quality is deteriorating
- Power imbalance due to lack of tenure security creating widespread anxiety
- Luck and communication is key to a good experience

# Rising Rents & Unsuitable Accommodation

## Rise in rental housing stress

- 23% household above \$70,000 per annum
- 73% households below \$70,000 per annum

## Effects

- *“Ah it’s ridiculous the rent prices. We are lucky that we pay \$180 a week. Like so that’s part of the problem is that we have an insanely cheap weekly rent to now go, on average to around \$400 to \$500 a week. My stubbornness is a home is not worth that amount unless it’s your own.”*

## Rising housing costs & low rental yields

### Greed

*“We moved because they put the rent up by two hundred dollars a week...From six hundred to eight hundred” (Tenant).*

## Accommodation supplement:

25% of private tenants (285,174) at a cost of \$20.4 million per week

# Competition & Discrimination

## Competition

- *“There was a lot of competition, I said to someone at the time I have given fewer references when I have been applying for jobs than I have had to give applying to rent a house....”*
- *“... Yeah, they almost want your first born”*
- Open home charges and bidding wars driven by property managers

## Discrimination

- 25% of tenants in the survey claimed they'd been turned down unfairly  
*“I didn't get accepted for some... because I'm a single Mum on a benefit”*

# Rental Churn is Rife

- Weak tenant rights
- 75% of the sample had moved in the last 5 years, with 30% of whom had moved 3 or more times.

## Churn impacts

- lower educational attainment,
- mental health impacts, anxiety & stress
- financial hardship
- damage to community cohesion
- Most vulnerable worst affected

*“I’ve got a special needs child ... if you go into another rental property, and need ramps put in and stuff like that cos she’s in a wheelchair ... I don’t think that you will get anything like that and I have rung Housing New Zealand but I got told from them that there are people out there who are more needy than what I am and they’re not building anymore houses for special needs” (Tenant).*

# Rental Stock Quality



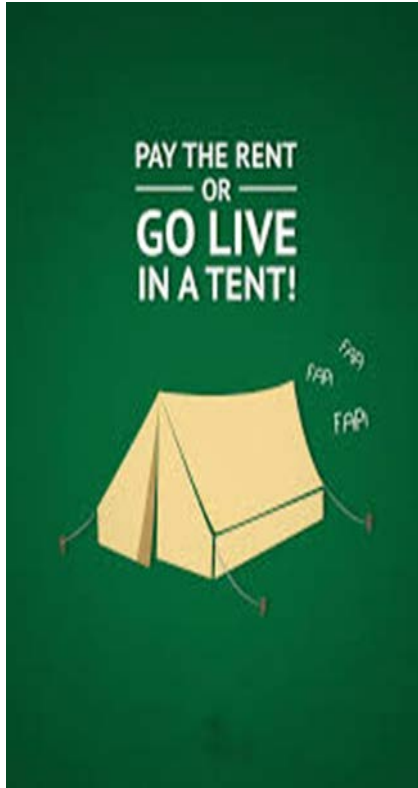
(Source: [stuff.co.nz](http://stuff.co.nz) 16-06-2017.)

- Participants in this study reported mould and mildew as the main stock quality problem
- Enforcement of standards relies on tenant complaints
- Some do nothing, some do DIY
- Tenants anxious about asserting rights

*“So I know it’s going to be a legal requirement thing and part of me worries it might put my rent up if has to get done” (Tenant).*

- Rental Stock quality is declining

# Power Imbalance



*“We start ranking the tenant from the first conversation:  
What were they like on the phone? Plus, minus.  
When they turn up at the property is their car clean?  
Did they park in the driveway or did they park on the road?  
Because the way we view it is, it is not their property so if they  
park on the driveway it is not favourable.  
Do they take hats off? Sun glasses off? Do they take shoes off? All  
without being asked?  
Do they shake hands?” (Property manager).*

- 7x more tribunal applications brought by landlords in 2014-2016



# The Role of Luck and Good Communication

- 70% of tenants interviewed reported satisfaction with the level of maintenance received, largely put down to luck

*"Considering what we looked at and, you know and what people were asking was just sort of absolute crap to be honest, in all honestly. When we saw this place we actually thought we were quite lucky" (Tenant Auckland).*

- Good experiences were down to good people and good communication not good rules

*Adequate housing should be the rule not the exception!*



# Further Research Areas

- Impacts of improving rental tenure security
- Understanding how to improve the supply chain of affordable housing and rentals-working with community housing providers (National Science Challenge 11)
- Explore the impact of Airbnb on rental availability, neighbourhood effects, potential for council control

# Renting affordability: Who will teach our children?

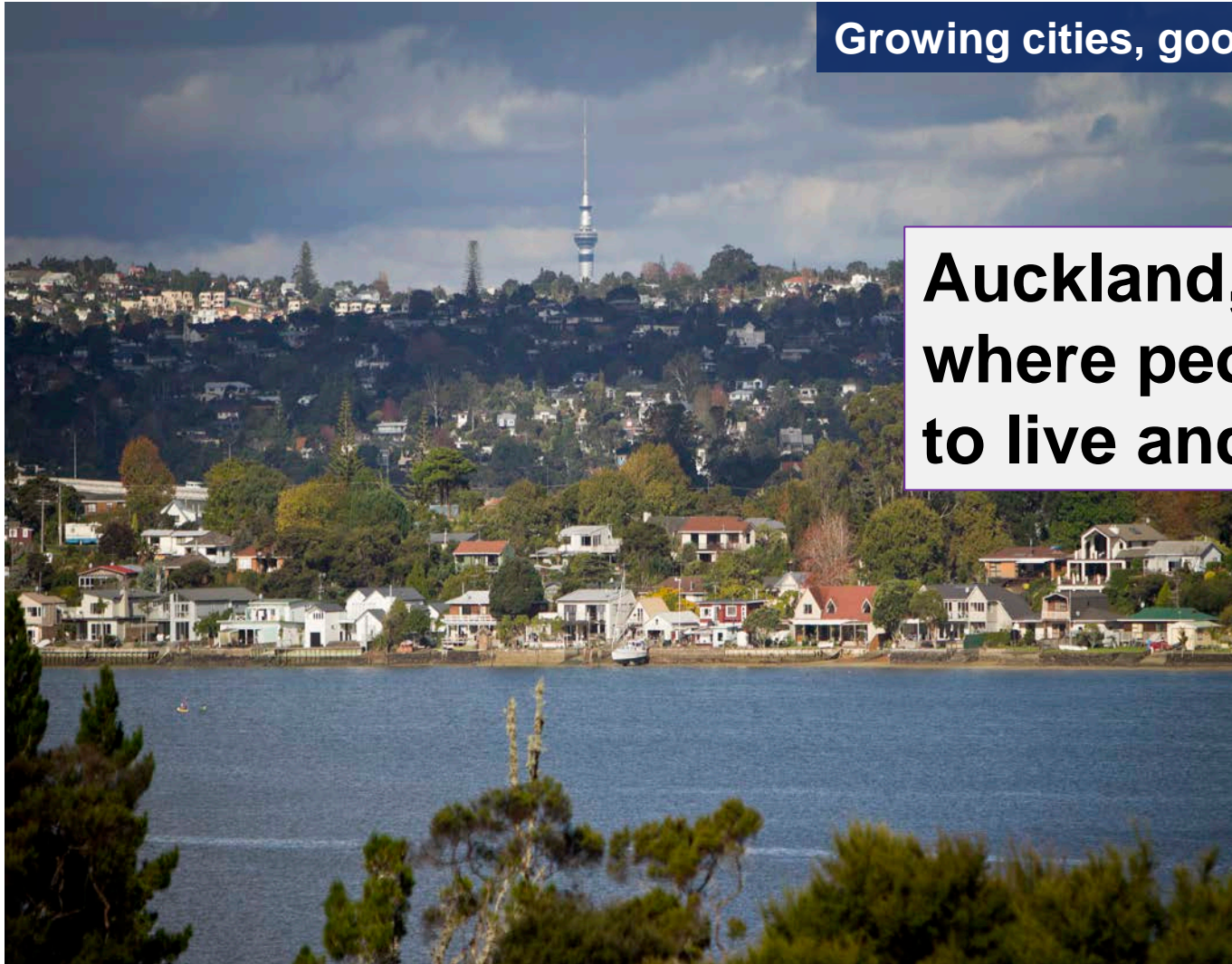
*'Today's evidence for tomorrow's Auckland'*

Penelope Tuatagaloa  
RIMU

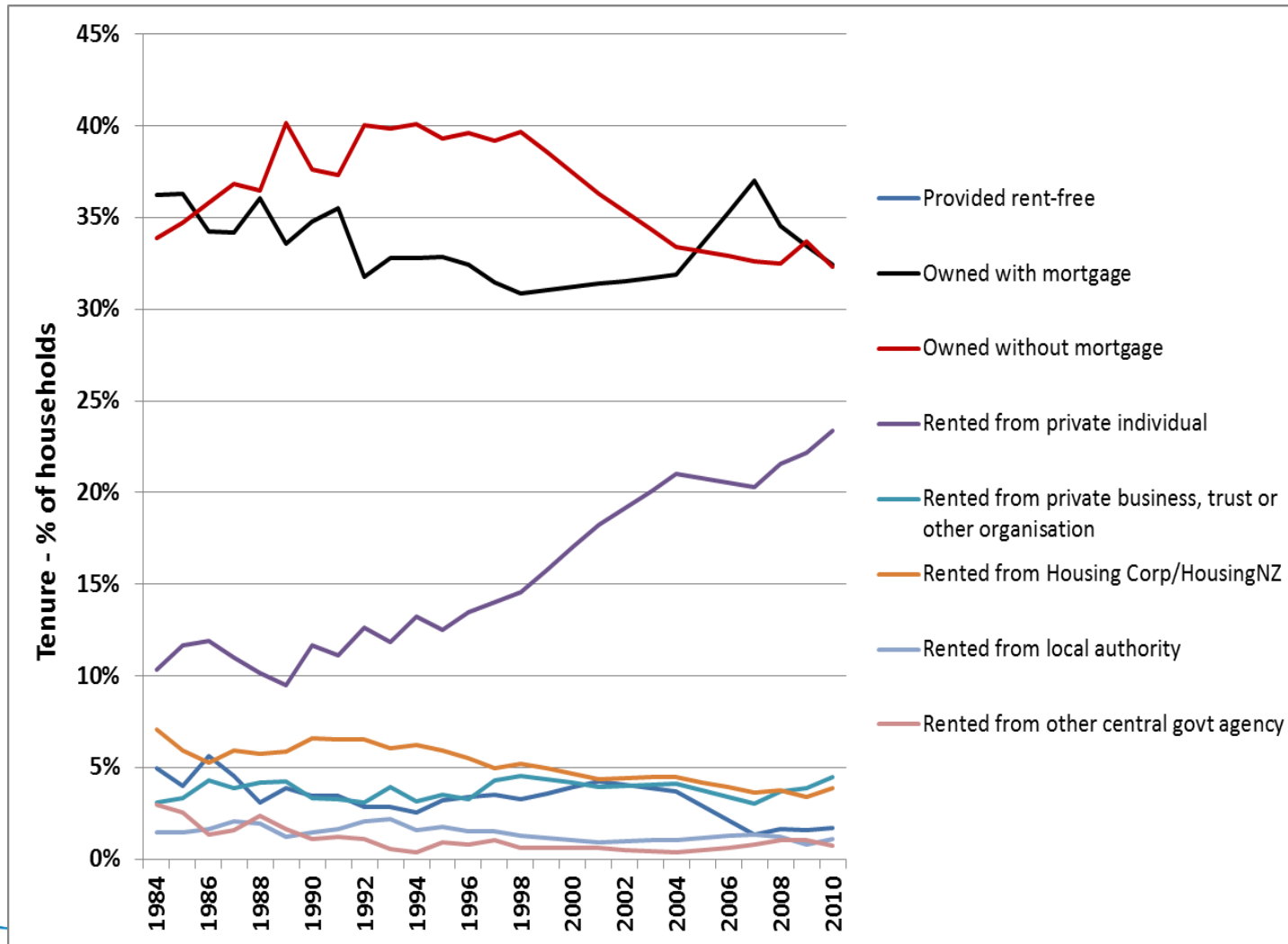
4 July 2017

**Growing cities, good or bad?**

**Auckland, a city  
where people want  
to live and invest in**



# Auckland's housing market has changed significantly in the last 3 decades



Home ownership



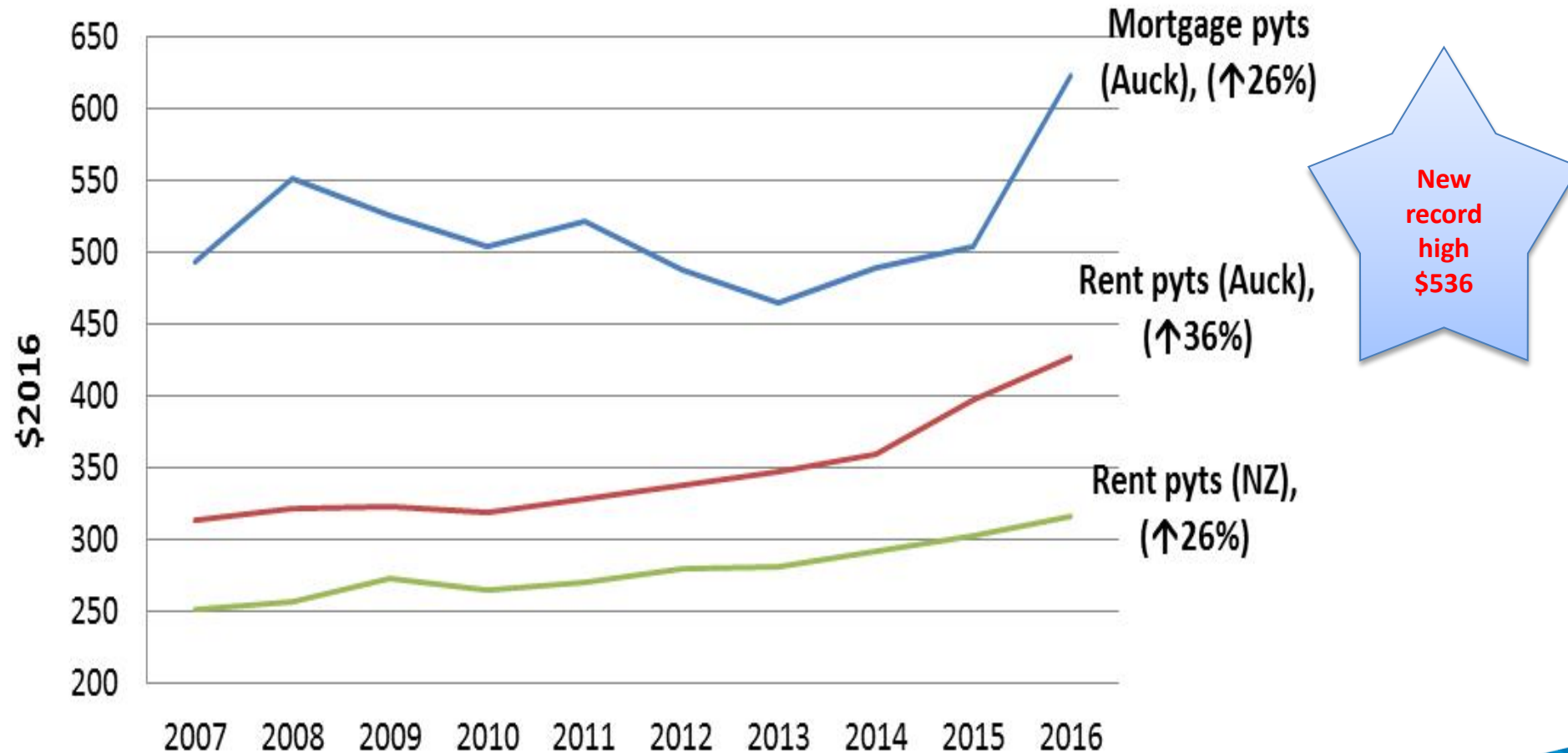
Renting



- Over a third of all households in Auckland now rent

Source: Law and Meehan, 2013 cited in Nunns et al (2015)

## Rent prices have also increased (but not as much as house prices!)

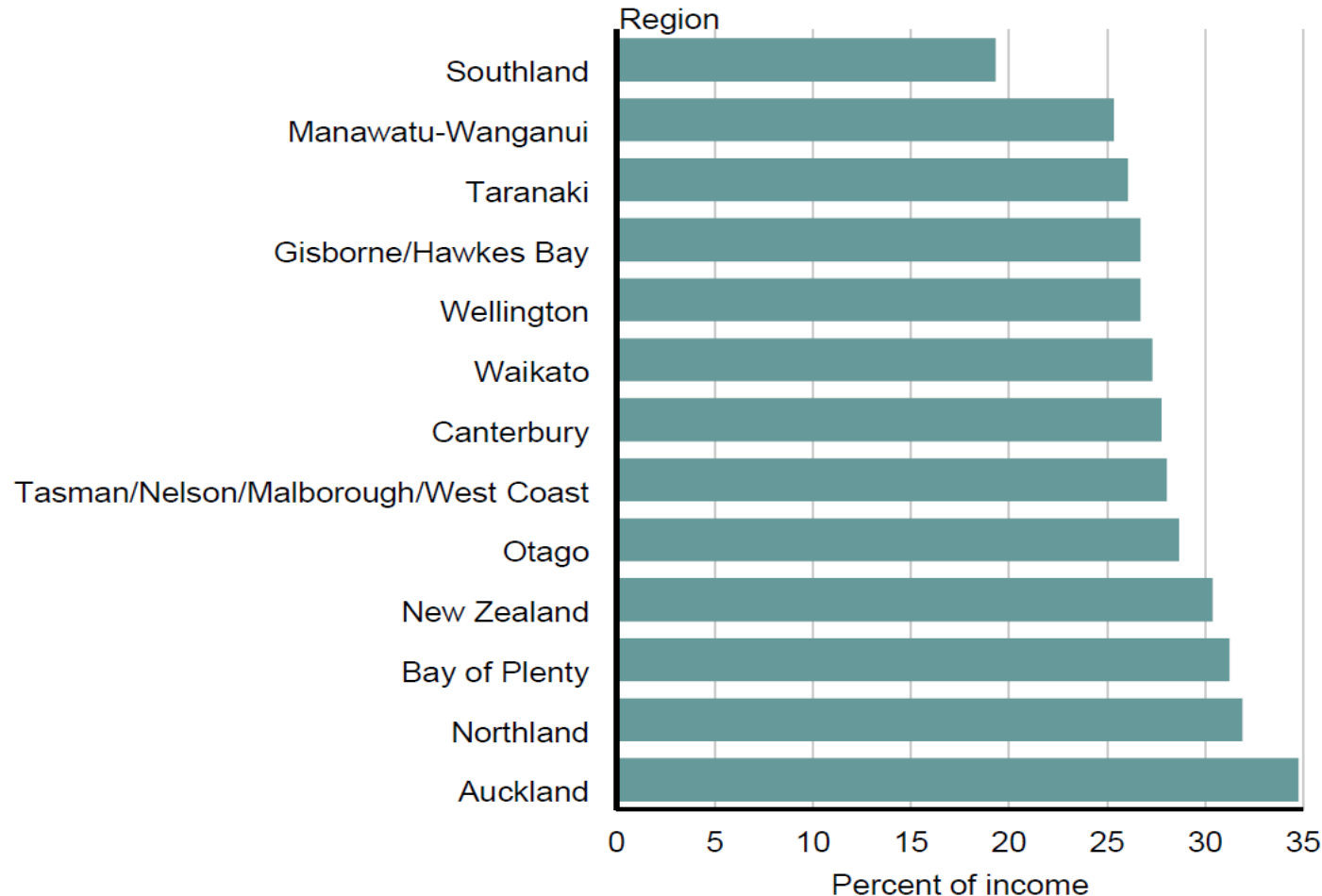


Source: Statistics NZ, Household Economic Survey

# In terms of rent affordability, Auckland most unaffordable region in NZ

## 15-year average of median rent as a proportion of median equivalised household incomes

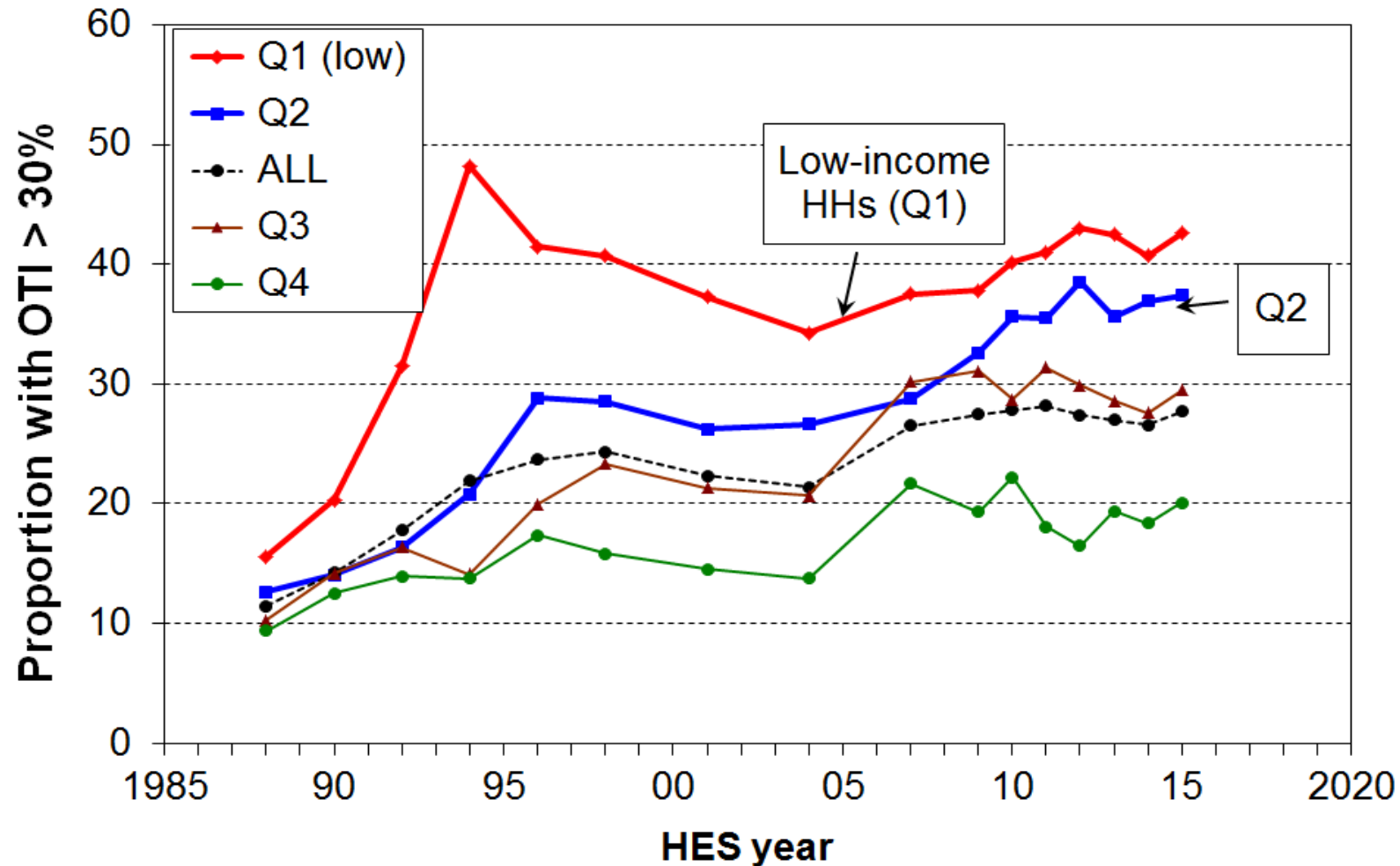
By Household Labour Force Survey region  
1998–2012



Source: Statistics New Zealand, Ministry of Business, Innovation and Employment



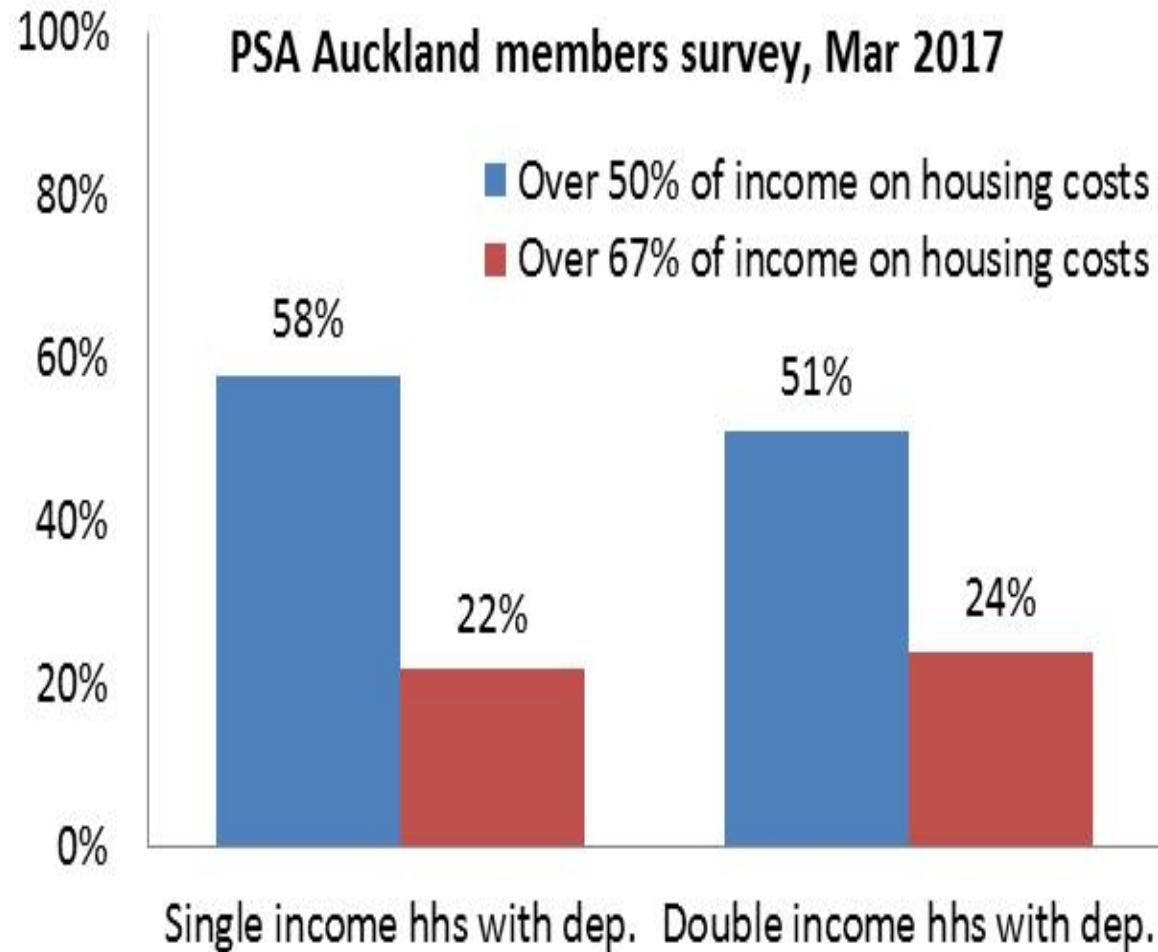
# Proportion of households experiencing housing stress is increasing!



Source: The material wellbeing of NZ households, prepared by B Perry for Ministry for Social Development (2016)



# Housing stress is not just affecting those at the lowest income levels



Over half (57%) of respondents had considered leaving Auckland because of cost of housing!  
**PSA (Auckland)  
Survey 2017**

## Auckland's housing squeeze is also hitting small and medium businesses



One third of firms say housing market has sent current and prospective employees packing from Auckland

**MYOB Business  
Monitor survey 2017**

# Reports of teachers leaving Auckland and difficulty in recruiting teachers because of housing costs...

**SCOOP Parliament**

**RNZ** Home News Radio Sport

EDUCATION / AUCKLAND REGION

## NZ faces major teacher shortage

From **Nine To Noon**, 9:09 am on 13 October 2016

Listen 17:54  
Add to playlist | Download

Auckland schools are struggling to replace teacher shortfall within 15 years, warns a survey.

Graham Jackson, carried out a survey of young teachers and the situation was particularly dire.

The survey found more than 12,500 primary teachers were aged 25-34.

Mr Jackson said that meant there were not enough teachers to replace those leaving.

He said the problem would be worst in Auckland where teachers are hardest to attract.

Mr Jackson told **Nine to Noon** that Auckland schools were finding it harder to fill vacancies.

"A principal that I spoke to said that he was getting more applications, whereas in the past he had 10 applications from beginning teachers. And of his staff - experienced, quality staff - he said house prices in the past 18 months."


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education

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## Schools nearing crisis due to Auckland teacher shortage

MEGHAN LAWRENCE  
Last updated 11:54 AM 12/10/16



Auckland Primary Principals' Association president Claire Mannion.

A growing teacher shortage in Auckland has been highlighted by a recent survey undertaken by the Auckland Primary Principals' Association (APPA).

The survey was sent out to just under 400 schools in Auckland, receiving feedback from 62 per cent of recipients.

APPA president Claire Mannion says it came in response to hearing stories of Auckland schools with disturbingly low numbers of applicants for teaching positions.

"After doing this survey 66 per cent of the schools who responded had a position advertised, had five or less applicants for the position."


**news now** NEW ZEALAND

## 'I haven't known it so bad' - principals say Auckland house prices contributing to teacher shortage

Nov 13 | Share | Facebook | Twitter | Google+ | Email

Source: **news**

The principal of a large Auckland secondary school says the teachers shortage is the worst he has seen in nearly two decades.



Auckland's severe teaching drought forcing schools to fill jobs...

School principals are scrambling to finalise rosters, some resorting to non-teaching staff or cancelling classes.  
Source: **TMCWG**

It's got so bad, some schools are resorting to putting non-teaching staff in classrooms.

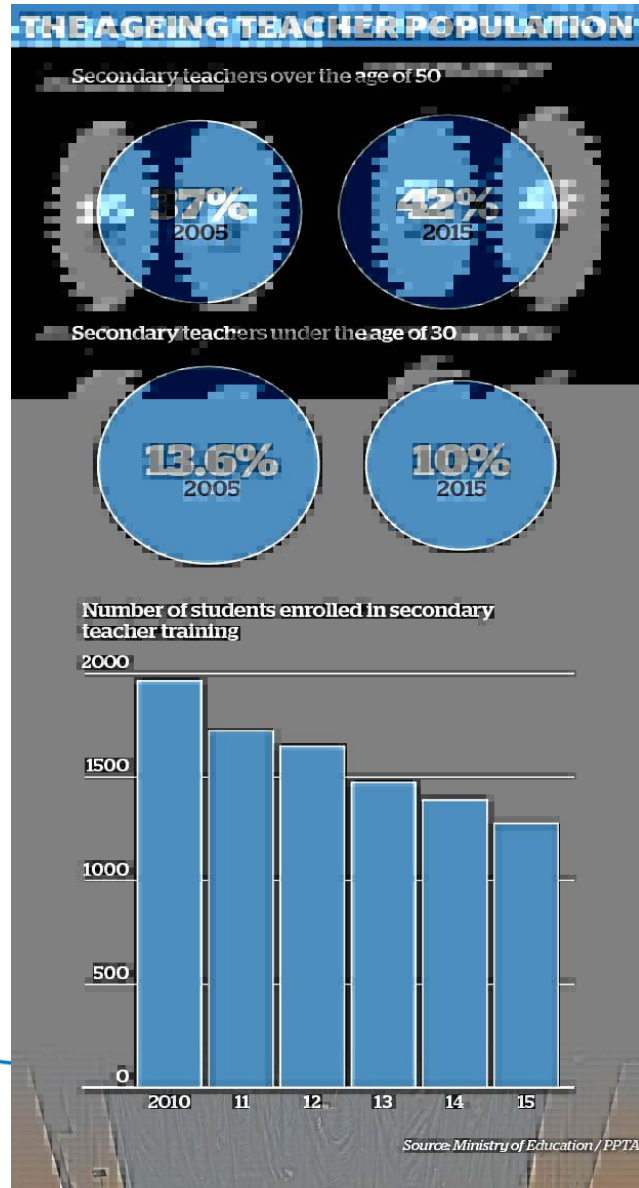
The association's president Frances Nelson says teachers' salaries are not keeping pace with the cost of living.

viewed | shared | commented

**land Council**  
Te Kaunihera o Tāmaki Makaurau



# It's not just housing costs that's affecting our teaching profession:



- ❖ Teacher trainee numbers plunging
- ❖ New teachers quitting
- ❖ Ageing teaching workforce

## So what?



- ❖ “If teachers can’t afford to rent a home in Auckland, let alone buy one, what is going to happen to Auckland’s schools and the city’s children?”
- ❖ “The quality of education would suffer if schools could not hire enough teachers.”
- ❖ “If Auckland couldn't attract a lower paid workforce as well as professionals, this could significantly impact services long-term.”



## Going forward ....

- ❖ An Auckland weighting or some other incentives?
- ❖ Fix Auckland's housing crisis

*'improving housing affordability and choice would make Auckland more attractive to the **workers** and **businesses** needed to make New Zealand's biggest city more productive, vibrant and wealthier in the long run'*

**Auckland Mayoral Housing Taskforce 2017**

# Exploitation of Vulnerable Households in Auckland

Jacob Otter

RIMU, Auckland Council

# Vulnerable Households



Bedroom advertised on Trade Me targeting international students

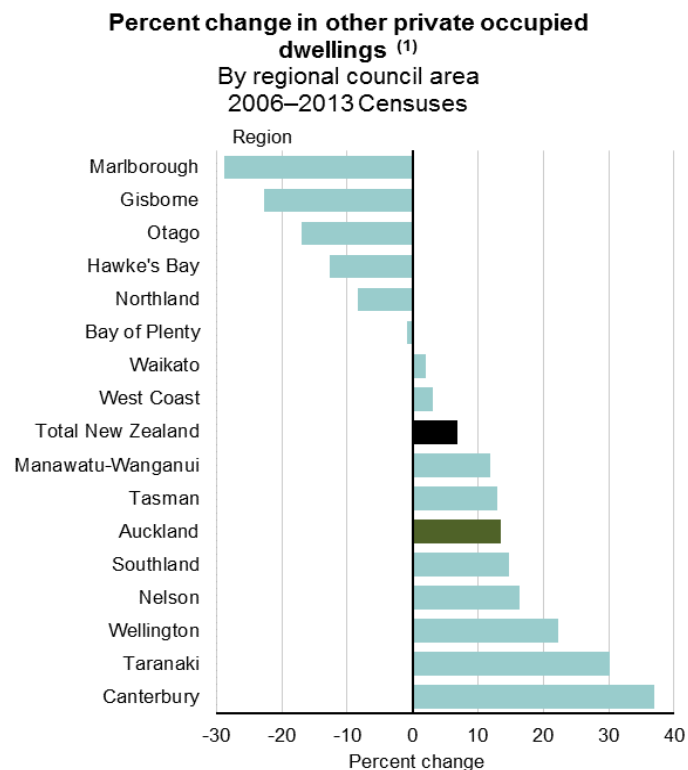
“Vulnerability is multifaceted and provides a broader catchment for those experiencing numerous hardships. Vulnerable groups include, amongst others, those with mental health problems, addictions or physical impairments, rough sleepers, refugee populations, victims of family violence and those leaving institutional accommodation such as prison. Vulnerability is often linked to economic and social marginalisation, and disproportionately affects Māori.” (Mills *et al.*, Meeting the Housing Needs of Vulnerable Populations in New Zealand, 2015, 4)

- Also international students and new immigrants



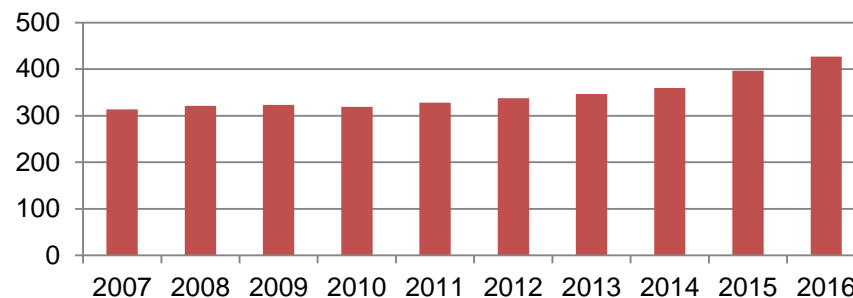
# Numbers of Vulnerable Households is Increasing

Average Total Weekly Expenditure (REAL dollars),  
Rent costs, Auckland  
(For those reporting rental payments)



1. Consists of private dwellings in motor camps, mobile dwellings not in a motor camp, improvised dwellings or shelters, and roofless or rough sleepers.

Source: Statistics New Zealand



Source: Statistics NZ, Household Economic Survey



Photo: RNZ / Claire Eastham-Farrelly

# The Over-Exposure of Vulnerable Households to Exploitation



## Unsafe dwellings

- Unsanitary
- Fire risk

## Intrusive landlords

Lack of legal basis to renting arrangement

# The Over-Exposure of Vulnerable Households to Exploitation

## Sex-for-rent

- Females students and back packers
- Not illegal but reflect imbalance of power and underlying inequality

### ★ Nice place to share (auckland city)

Hi Girls, I am offering a 5 star place for sharing. I won't charge any money. Instead, I would like to have some real fun. Interested girls can contact me over email.

# The Cost for Vulnerable Tenants



- Not just financial cost
- Not just a technical problem
- Potential for homelessness if evicted



# Conclusion



Illegal piggery conversion