Housing Demand, Supply and Affordability in the Auckland Region

A Review of Current Trends and Drivers

Background Report

Prepared by Dr Chez Leggatt-Cook on behalf of Social and Economic Research and Monitoring Auckland Regional Council
May 2007
Executive Summary

Housing affordability has recently become an issue of major concern. New Zealand as a whole has experienced rapid escalation in house prices over the last 20 years, but it has been suggested that Auckland is a ‘special case’ with regard to housing affordability. Recent figures show that Aucklanders spend a higher proportion of their income on housing than any other region in New Zealand. Rents are higher, and the proportion of households renting is growing.

The aim of this review is to broadly sketch the key trends in housing affordability in Auckland and, with reference to recent New Zealand and international research, consider what might be driving these trends.

Trends in Housing Affordability for the Auckland Region

Occupied dwellings:
Latest figures show an 11.2 percent (or 44,265 dwellings) increase in private occupied dwellings in the Auckland Region from 2001 to 2006. Building consents show that, as for New Zealand generally, house consents outstrip apartment consents, apart from Auckland City in which apartment consents are more numerous.

Household composition and occupancy rates:
The majority of households in the Auckland Region are one family, but Auckland City has the highest proportion of one person households and other multi-person households.

Housing needs and dwelling stock:
Disparities between housing stock and the demographics of the population are apparent across the cities within the Auckland Region. The lack of larger houses is especially a problem in Waitakere and Manukau: TA’s with a large proportion of Pacific Island and Maori households. In contrast, North Shore has an ageing population, so the need for smaller houses is most obvious in that area.

Price of housing:
House price affordability in Auckland has declined between 1996 and 2006 with the majority of the decline occurring since 2001. The median sale price of a house in

1 RGF Auckland Regional Affordable Housing Strategy, 2003
2 RGF Monitoring the Effects of Growth, 2006
3 Motu, 2007
4 ARC, 2007
5 Cullen, 2005
Auckland has risen from $245,000 in March 2001 to $443,000 in March 2007. Housing affordability is beginning to exhibit a spatial character.

Rent to income ratios have declined overall between 1996 and 2006, however, despite this decline, the rent to income ratio for lower quartile income groups ranges from 0.40 to 0.54. This means that even with the Accommodation Supplement, these households are paying between 40-54 percent of their gross income on housing costs.

**Housing tenure:**
The national home ownership rate has been declining since 1991, and was 67.8 percent in 2001. The home ownership rate for the Auckland Region is below that of the national rate, sitting at 64.6 percent in the 2001 census. There is evidence of a growing intermediate housing market (growth of 154 percent in 1996 to 2006) which includes working households that cannot afford to buy a home at the lower quartile price range.

**Housing stress:**
A household is considered to be experiencing housing related stress when housing costs consume 30 percent or more of gross income. The proportion of stressed owner occupier households in Auckland increased from 18.3 percent to 21.2 percent between 1996 and 2004. The proportion of stressed renter households declined (63 percent to 49 percent) for the lowest income quintile between 2001 and 2004 but rose for the middle income quintile (to 25 percent of stressed renter households in 2004).

Overall, irrespective of tenure, housing stress is disproportionately affecting couples with children, one person households, and younger people.

**Detailed Exploration of Drivers**

A wide range of interrelated factors are known to impact on the price of housing. In the past, research has focused more on the role of demand side factors, but recent studies are looking more to supply side issues.

**Supply Side Issues**

*Urban planning policies:*  
Like other regions overseas that are facing rapid growth, the Auckland Region has moved towards the implementation of growth management strategies that are broadly designed to accommodate projected demand while mitigating the negative effects of urban sprawl.

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6 Real Estate Institute of New Zealand (REINZ), information retrieved 30th April 2007 from [www.reinz.org.nz](http://www.reinz.org.nz)
7 DTZ, 2007
8 DTZ, 2007
9 Ibid
10 Ibid
Major strategies include the imposition of the Metropolitan Urban Limit (MUL), and the promotion of urban consolidation.

Land is one of the major factors in the production of housing, and the MUL has been criticised for restricting land supply and driving up prices. A 2005 study showed that across the Auckland Region real house price growth increased by 150 percent over the period 1981 to 2004, while residential land prices increased 697 percent in real terms. There is mixed evidence concerning the impact of greater urban density on housing affordability. There is some agreement that improving the supply and location of affordable housing and accommodating other development needs increases the desirability of the community which can raise the price of housing. However, in this instance, the rise in house prices can be offset with savings in other areas.

Overall, research evidence suggests that urban limits and consolidation policies do indeed play a role in determining housing supply, elasticity, and prices, but it is unclear exactly what the nature of this role is. Significant gaps in knowledge exist, particularly concerning supply side issues. However, a review of academic research on the link between growth management policies and housing affordability found that the elasticity of market demand is the primary determinant of housing prices, not land constraints.

Land banking:
There is some evidence that land banking could be occurring as land owners hold on to blocks in anticipation of further price increases.

Development costs:
There is no clear information on the impact of development costs, but there are some issues relating to prolonged consent approval processes.

Construction costs:
There is some evidence that construction costs have risen since 2003 in response to increased demand. Skills shortages in the construction industry were a problem in 2005, but less so now.

Central government policy:
Given the historically strong role of the New Zealand government in housing policy and mortgage market, it has been suggested that the withdrawal of the state in these areas and

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11 Motu, 2006
12 Downs, 2003; Beer, 2004
13 Sanderson, 2006
14 Rodda & Goodman, 2005
15 Nelson et al., 2002
16 Lindsay, 2007; Motu, 2007
17 Motu, 2007
18 Craig, 2007
19 Motu, 2007
the introduction of demand side subsidies has played a role in the current housing affordability problem.\(^{20}\)

**Demand Side Issues**

*Population growth:*  
A 1% percent rise in population (holding the housing stock constant) raises real house prices by around 1.2-1.3%\(^ {21}\). The Auckland Region is the fastest growing region in New Zealand and between 2001 and 2006 the population grew by nearly 14%\(^ {22}\).

*Changing household composition:*  
Changes in the number of households and in people’s living arrangements can have major implications for housing demand, for existing housing stock, the types of dwellings preferred, the amount of residential land used, housing location, and growth in associated social and physical infrastructure\(^ {23}\).

*Location and liveability:*  
Demand for housing is in large part an attribute of the desirability of particular locations. Concerns about housing affordability are reflected in other cities internationally that are experiencing a developing economy, high levels of immigration, and attractive employment and leisure opportunities\(^ {24}\).

*Wider economic factors, including the labour market:*  
There is a recognised link between the state of the economy and housing affordability. Low unemployment raises incomes which can encourage house purchases\(^ {25}\). At the same time, the growth in non-standard work means some people are less secure in their jobs and less likely to purchase houses\(^ {26}\).

*Housing Market Cycles:*  
Uncertainty about whether the recent increases in house prices are an indication of a housing ‘bubble’ has been identified as one of the main problems affecting the development and implementation of policies to mitigate price surges in the local market.

*Investment preferences:*  
New Zealanders regard housing as a key investment option and property assets represent a growing share of total household assets\(^ {27}\). Investors, who are motivated by capital

\(^{20}\) DTZ, 2007; Grimes, 2006  
\(^{21}\) Motu, 2006  
\(^{22}\) START, 2006, cited in RGF, 2007  
\(^{23}\) Scion & BRANZ, 2006  
\(^{24}\) Cullen, 2005  
\(^{25}\) Motu, 2006  
\(^{26}\) Kupke & Marano, 2003  
\(^{27}\) van Zijll de Jong & Scobie, 2006
gains, are in direct competition for the properties that would be affordable to first home buyers\textsuperscript{28}.

\textit{Liquidity of debt:}
It has been suggested that the availability of mortgage finance has helped to drive up the price of housing in Auckland because purchasers have more power to buy expensive houses\textsuperscript{29}. US research has shown a positive correlation between falling credit standards, household borrowing and the growth in real home prices\textsuperscript{30}.

\textsuperscript{28} DTZ, 2007
\textsuperscript{29} Cullen, 2005
\textsuperscript{30} Papadimitriou, Chilcote & Zezza, 2006
1.0 Introduction

1.1 Background

Housing affordability issues and access to affordable housing affects existing homeowners, would-be home owners, and renters\textsuperscript{31}. Although the term ‘affordable housing’ is most often applied to government subsidised or government owned social welfare housing, acquiring and maintaining affordable housing is a desired goal for residents across all socio-economic levels and all levels of government. As recognised in the Regional Growth Strategy (RGS) (1999), residents’ access to quality affordable housing is fundamentally important to successful economic growth and stability across the region, and for good social outcomes and healthy communities.

Like in many other fast growing regions, housing affordability is an issue affecting many communities within the Auckland Region. Auckland has long been regarded as a ‘special case’ with respect to housing affordability, with the longest waiting lists for state housing, higher rent and house prices, and lower home ownership levels. In addition, Aucklanders, especially those in the bottom four income deciles, spend more of their income on housing than elsewhere in the country\textsuperscript{32}.

As reported in the December 2006 RGS monitoring report and evidenced by widespread and growing public and media attention, housing affordability has rapidly become an issue of major concern. Recent figures show that house prices have risen faster than household incomes, and Aucklanders spend a higher proportion of their income on housing than any other region in New Zealand. Rents are higher in the Auckland region, especially in North Shore City and Auckland City, and the proportion of households renting is growing faster in Auckland than elsewhere in the country\textsuperscript{33}.

In March 2007 the Commerce Commission announced that an inquiry into housing affordability in New Zealand will take place in 2007. The inquiry will:

- Identify and quantify the costs of housing for first home buyers
- Identify which components of the cost of housing can and should be brought under control
- Identify intervention programs that may improve the ability of individuals and families to purchase a home

The aim of this review is to broadly sketch the key trends in housing affordability in Auckland and, with reference to recent New Zealand and international research, consider what might be driving these trends. It is expected that this material will provide some

\textsuperscript{31} DTZ, 2004
\textsuperscript{32} RGF \textit{Auckland Regional Affordable Housing Strategy}, 2003
\textsuperscript{33} RGF, 2006
background information to assist the ARC’s submission to the inquiry. The report is structured as follows:

**Section 2.0: Understanding Affordability**

This brief section aims to provide a little more depth and understanding of the nature of housing affordability issues. Section 2.1 briefly examines the potential impact of housing affordability problems on communities. Consideration is given to economic, social, spatial and environmental implications. Section 2.2 explores issues of definition and measurement.

**Section 3.0: Trends in Housing Affordability for the Auckland Region**

This section provides a broad overview of key trends in housing affordability for the Auckland Region. Where possible, the most recent information has been selected about the following indicators:

- Growth in occupied dwellings
- Household compositions and occupancy rates
- Housing needs and dwelling stock
- Price of housing
- Housing tenure
- Housing stress

**Section 4.0: Detailed Exploration of Drivers**

New Zealand research on housing has tended to focus more on demand side drivers, such as demographic trends. More recently, greater emphasis has been placed on supply side issues. The purpose of this section is to explore a wide range of demand and supply issues and consider their impact on the trend towards decreasing housing affordability in the Auckland Region. The following issues will be examined:

- Supply side issues
  - Urban planning policies
  - Land banking
  - Development costs
  - Construction costs
  - Central government policy

- Demand side issues
  - Population growth
  - Changing household composition
  - Location and liveability
- Wider economic factors, particularly the labour market
- Housing market cycles
- Investment preferences
- Liquidity of debt

This review was produced under tight time constraints. It did not involve an exhaustive review of available literature and as such should be taken as indicative rather than authoritative. It is particularly important to note the presence of a comprehensive body of international research on housing affordability that, at times, is more sophisticated in its analysis than some of the existing New Zealand research. While much of this material was not able to be included here, a selected list of additional relevant research for understanding the dynamics of housing affordability, and strategies for addressing it, are listed in *Appendix 1: Additional Resources*.

A further requirement of this review was to identify research on housing affordability that is currently being undertaken or planned by researchers in New Zealand and Australia. Again, although an exhaustive search was not possible, a number of reports planned or underway by the Centre for Housing Research Aotearoa New Zealand (CHRANZ) and the Australian Housing and Urban Research Institute (AHURI) were identified. This information is located in *Appendix 2: Current and Planned Research on Housing Affordability*. 
2.0 Understanding Affordability

2.1 The Impact of Housing Affordability Problems

Housing affordability issues do not only impact on an individual household’s ability to purchase a home, or to rent affordably, nor is it a problem that only impacts on low income households. Instead, decreasing housing affordability has broad economic, social, spatial and environmental implications for communities\(^\text{34}\).

In relation to the economy, high housing costs may require home buyers to take on excessive debt, creating economic instability by making these households sensitive to future interest rate rises. Consumer savings and household spending for other goods and services are also affected\(^\text{35}\), as is investment in other sectors that are essential to the long-term growth of the economy. High costs may result in wage pressures for firms locating in areas of high house prices, which may affect their competitive advantage. For example, a recent study of the housing market in Nelson, Tasman and Marlborough showed that problems with housing affordability posed a significant constraint on economic development and productivity throughout the regions\(^\text{36}\).

Successful metropolitan economies need a mix of low-paid service workers, medium-paid essential service workers and high-paid knowledge workers\(^\text{37}\). An Australian study found that high housing costs in the central city areas of Sydney, Melbourne and Brisbane impacted worst on households with low-income occupations, such as hospitality workers and sales assistants, who often needed to be located close to their inner city work places. Results suggested that good access to affordable housing could play a role in avoiding labour market skills shortages\(^\text{38}\).

Housing affordability problems also contribute to a range of significant social issues. High housing costs result in more unequal distribution of wealth as existing home owners experience capital gains while prospective home owners face increasing housing costs\(^\text{39}\). Some households will be denied home ownership and the associated positive economic outcomes and improvements in health, educational attainment and well-being. High home ownership and security of tenure is associated with higher productivity, the growth of social capital, and greater neighbourhood stability\(^\text{40}\). Home ownership is also a key way for New Zealand households to build wealth, but increasing numbers of people will

\(^\text{34}\) This framework for understanding the impact of housing affordability issues is sourced from Gabriel et al, 2005
\(^\text{35}\) Scion & BRANZ, 2006
\(^\text{36}\) Public Policy & Research & CRESA, 2006
\(^\text{37}\) Scion & BRANZ, 2006
\(^\text{38}\) Yates, Randolph & Holloway, 2006
\(^\text{39}\) Mitchell, 2006; HNZC 2005
\(^\text{40}\) White, 2006; HNZC 2005
not be able to draw on equity built up in their homes to take them through their retirement years.\footnote{NZIRA and BERL, 2004, cited in Scion & BRANZ, 2006; HNZC, 2005}

Financial hardship resulting from unaffordable housing is worst for low income households, placing some at risk of not being able to sustain their tenancies. The resulting stress has distinct implications for relationships, and the excessive mobility that can result as families search for affordable housing impacts on children’s education. The locational concentration of lower cost housing in areas of low employment can reduce job prospects for households.\footnote{Affordable Housing National Research Consortium, 2001, cited in DTZ, 2004 page 29} An Australian study recently documented the impact that housing affordability problems have on family well being. The results, summarised in Figure 1 below, clearly show that for low income people, hardship increases as housing costs consume a greater proportion of income:

*Figure 1: Effects of Housing Affordability on Wellbeing by Scale of Problem*\footnote{Figure sourced from Burke, 2007}

<table>
<thead>
<tr>
<th>Count</th>
<th>Rent as a percentage of income</th>
<th>Low income home purchasers (lowest quartile)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(affordable)</td>
<td>Up to 29%</td>
</tr>
<tr>
<td>My family has sometimes gone without meals</td>
<td>12.6%</td>
<td>20.5%</td>
</tr>
<tr>
<td>I am unable to sometimes heat or cool my home</td>
<td>37.6%</td>
<td>43.8%</td>
</tr>
<tr>
<td>My children have missed out on school activities such as excursions and sports</td>
<td>23.25%</td>
<td>40.2%</td>
</tr>
<tr>
<td>My children have had to go without adequate health and/or dental care</td>
<td>20.9%</td>
<td>35.1%</td>
</tr>
<tr>
<td>Likelihood of purchasing own home</td>
<td>62.6%</td>
<td>39.4%</td>
</tr>
<tr>
<td>I feel trapped in an area with poor job prospects</td>
<td>28.3%</td>
<td>36.8%</td>
</tr>
<tr>
<td>Approached a welfare/community/counselling agency for assistance</td>
<td>19.7%</td>
<td>27.9%</td>
</tr>
<tr>
<td>Sold or pawned personal possessions</td>
<td>17.3%</td>
<td>32.1%</td>
</tr>
</tbody>
</table>
Overcrowding may result as low income families ‘double-up’ to save on housing costs. However, this living arrangement is associated with a range of infectious diseases (such as respiratory diseases, meningococcal disease, rheumatic fever, and tuberculosis) and poor mental health.\(^{44}\)

Spatially, the high concentration of low-income households in areas of high affordability can undermine social cohesion and increase crime and anti-social behaviour. This creates spatial polarisation, which has been linked to ‘defensive’ behaviours, evidenced in the growth of gated communities. This in turn can lead to ‘NIMBYism’ (‘not-in-my-backyard’) which presents a real challenge to governments attempting to address issues of housing affordability and urban planning. For instance, the building of affordable housing often attracts resistance from homeowners who don’t want poor people living close by or higher density dwellings in their neighbourhood.\(^{45}\)

Finally, housing affordability problems may inhibit progress towards more environmentally sustainable dwellings, as the additional cost of technological innovations designed to reduce environmental impact can reduce their uptake.\(^{46}\) Well designed, energy efficient housing reduces environmental impact, but also has positive outcomes for health, school and work attendance.\(^{47}\) New Zealand already has poor home insulation\(^{48}\) and low rates of residential energy use per capita due to low levels of space heating. If energy costs rise in response to expected declines in world oil production and houses are not upgraded with better insulation and to use new forms of energy, poor health outcomes could result.\(^{49}\)

### 2.2 Concept and Measurement

The way social problems are defined impacts on our understanding of the nature, extent and seriousness of the issue. Current literature indicates that ‘housing affordability’ is difficult to define accurately, and debates continue, in both an academic and policy sense, about definitions and the best ways of measuring affordability.\(^{50}\) Nonetheless, most definitions usually focus on the relationship between household expenditure on housing costs and household income.\(^{51}\)

\(^{44}\) Baker & Howden-Chapman, 2003  
\(^{45}\) Downs, 2003  
\(^{46}\) Gabriel et al., 2005  
\(^{47}\) Howden-Chapman, 2006  
\(^{48}\) Amitrano, Page, & Kirk, 2006  
\(^{49}\) Scion & BRANZ, 2006  
\(^{50}\) CHRANZ, 2006; Robinson et al., 2006; Gabriel et al., 2005; DTZ, 2004  
\(^{51}\) See Robinson et al., 2006 and Gabriel et al., 2005 for critical discussions of various measurements, including housing cost to income ratio measures (such as the 30/40 ratio), residual income measures (which assess the relationship between housing costs and the ability of the household to sustain an adequate standard of living), house price to income ratios, and entry measures (which attempt to determine barriers to accessing housing).
One of the difficulties inherent in defining housing affordability is the need to establish benchmarks that determine when housing is affordable and when it is not:

…securing some given standard of housing (or different standards) at a price or rent which does not impose, in the eyes of some third party (usually government), an unreasonable burden on household incomes\textsuperscript{52}.

However, there is no objective way to measure housing affordability. Consequently, it is inevitable that definitions and measurement of housing affordability will have a normative basis\textsuperscript{53}. A common benchmark is the ‘30 percent of income rule’, which holds housing is affordable when it consumes a maximum of 30 percent of a household’s gross income. Households that are paying over this threshold are considered to be in a situation of ‘housing stress’. This rule is consistent with benchmarks used in some New Zealand research\textsuperscript{54}, although because high income households may comfortably pay 30 percent or more towards housing costs, the rule is often moderated to refer to households in the bottom 40 percent of income distribution\textsuperscript{55}. This is known as the 30/40 ratio.

Historically the benchmark for housing costs was more likely to be set lower, at 20 or 25 percent of gross income\textsuperscript{56}. In fact, some researchers argue that the 30/40 ratio is too tight and that many low income households who pay less than 30 percent of their income on housing are still in a situation of hardship\textsuperscript{57}. This was recently confirmed by an Auckland study that found many state housing tenants were still in a deficit situation after paying rent (set at 25 percent of their income) and other essential expenses\textsuperscript{58}.

It is important to note that the 30 percent benchmark is not employed consistently. Different studies include different components of housing costs, which can make comparison problematic. For example, the recent study of home ownership and the private rental market in the Auckland Region (DTZ, 2007) uses data on household expenditure pulled from the Household Economic Survey. The HES definition of housing costs includes mortgage-interest repayments, mortgage-principle repayments, interest on revolving credit mortgage/loans, payments to local authorities, and property maintenance in housing costs for home owners, and rent and bond for renters\textsuperscript{59}. However, a definition of housing costs used in some Australian studies includes these categories as well as house insurance, interest payments on loans for alterations and

\begin{footnotes}
\item[52] Maclennan and Williams, 1990, cited in Gabriel et al., 2005
\item[53] Robinson et al., 2006
\item[54] Such as DTZ, 2007
\item[55] Australian Affordable Housing National Research Consortium, 2001; CHRANZ, 2006; DTZ, 2004; Gabriel et al., 2005; ARC Affordable Housing Strategy, 2003;
\item[56] Gabriel et al., 2006
\item[57] Burke, 2007
\item[58] Housing for Mental Health in the Northern Region, 2006
\item[59] Data on housing costs for the DTZ, 2007 study was pulled from the Household Economic Survey, 2004
\end{footnotes}
additions, and levies on strata-titled dwellings\textsuperscript{60}. Some 25 or 30 percent measures used in the United States and Canada include utility costs for heating, cooling and lighting\textsuperscript{61}.

A distinct disadvantage of common affordability measures is that they focus solely on the financial dimension of housing accessibility and cannot tell us if the housing that is ‘affordable’ is also suitable and adequate for the needs of the household. For example, is the dwelling sufficient to accommodate the size of the household without overcrowding? Does it cater for cultural requirements, or any special access or mobility needs of household members? Common measures also reveal nothing about the adequacy of the house. Is it adequate in terms of its physical standards (safety, dampness, light, and energy efficiency)? Does it provide sufficient privacy and neighbourhood integration? Does the location of the dwelling assist access to passenger transport, work places, shops, schools, and community facilities?

Despite these concerns, which demonstrate the complex role housing plays in the well-being of the community, ratios like the 30/40 rule continue to be widely used by policy makers because they rely on few variables and appropriate data is usually easily accessed.

A wide range of interrelated factors are known to impact on housing affordability and these factors will be explored in Section 4.0. The following section provides an overview of trends in housing affordability for the Auckland region.

\textsuperscript{60} Milligan, 2003, cited in Gabriel et al., 2006

3.0 Trends in Housing Affordability for the Auckland Region

3.1 Introduction

The trend towards decreasing housing affordability in the Auckland Region must be placed into a national context. New Zealand as a whole has experienced rapid escalation in house prices over the last 20 years that has outstripped incomes. The rise in housing costs has been particularly marked over the last few years with the latest Household Economic Survey (for the year ended 30 June 2004) showing that national expenditure on housing had increased to 19.1 percent from 2000/01 to 2003/04. Households that paid a mortgage spent 16.7 percent more on mortgage payments, and households that rented were paying on average 10 percent more.\(^{62}\)

The purpose of this section is to provide a broad overview of key trends in housing affordability. While the focus is on housing affordability in the Auckland Region, where possible, New Zealand data will be used to compare and contrast local data. A number of indicators will be considered, including:

- Growth in occupied dwellings
- Household compositions and occupancy rates
- Housing needs and dwelling stock
- Price of housing
- Housing tenure
- Housing stress

3.2 Growth in Occupied Dwellings

As shown in Figure 2 below, the number of private occupied dwellings grew by 11.2 percent (or 44,265 dwellings) between 2001 and 2006. Rodney District had the highest rate of growth in private occupied dwellings, but Auckland City experienced the highest growth in real numbers:

\(^{62}\) Statistics New Zealand, 2004
Most New Zealanders live in permanent private dwellings and most of these dwellings (81.2 percent) are separate houses. The number of building consents issued over 2000-2005 (see Figure 3 below) shows that for all the TA’s other than Auckland City, house consents substantially outstrip consents for apartments. It seems clear that despite the increase in demand for apartment style accommodation, most Aucklanders prefer stand-alone houses.

Nonetheless, apartment style living has become more popular, which partly reflects the changing lifestyle preferences of some New Zealanders: inner city areas have better entertainment options and social facilities, more employment and education opportunities. Immigration from countries where apartment style living is more established has also fuelled demand.

The ratio of consents to existing housing stock (also see Figure 3 below) provides an indication of where new housing development is occurring. Rodney has the highest rate of consents (22.3 percent), followed by Franklin (16.9 percent). A recent Motu report argues this indicates that development is being pushed to the outskirts of the region. However, Manukau and Auckland also have relatively high rates of building consents (15.7 percent and 15.4 percent respectively), and apartment building is strong in Auckland, Waitakere and North Shore.

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63 Figure sourced from ARC, 2007 based on 2006 census data
64 Statistics New Zealand, 2007
65 Statistics New Zealand, 2005
66 Motu, 2007
Figure 3: Total Residential Building Consents (2000-2005)$^{67}$

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</thead>
<tbody>
<tr>
<td>Rodney</td>
<td>5,493</td>
<td>899</td>
<td>6,392</td>
<td>0.219</td>
<td>0.249</td>
<td>0.223</td>
</tr>
<tr>
<td>North Shore</td>
<td>5,115</td>
<td>2,557</td>
<td>7,672</td>
<td>0.099</td>
<td>0.171</td>
<td>0.115</td>
</tr>
<tr>
<td>Waitakere</td>
<td>5,293</td>
<td>2,056</td>
<td>7,349</td>
<td>0.110</td>
<td>0.253</td>
<td>0.131</td>
</tr>
<tr>
<td>Auckland</td>
<td>5,466</td>
<td>15,026</td>
<td>20,492</td>
<td>0.061</td>
<td>0.347</td>
<td>0.154</td>
</tr>
<tr>
<td>Manukau</td>
<td>10,824</td>
<td>2,313</td>
<td>13,137</td>
<td>0.156</td>
<td>0.159</td>
<td>0.157</td>
</tr>
<tr>
<td>Papakura</td>
<td>1,529</td>
<td>111</td>
<td>1,640</td>
<td>0.132</td>
<td>0.057</td>
<td>0.121</td>
</tr>
<tr>
<td>Franklin</td>
<td>2,838</td>
<td>159</td>
<td>2,997</td>
<td>0.176</td>
<td>0.097</td>
<td>0.169</td>
</tr>
</tbody>
</table>

3.3 Household Composition and Occupancy Rates

As shown in Figure 4, nationally there is a trend towards smaller households with occupancy rates falling from 2.8 people per household in 1991 to 2.7 people in 2001. Family households still dominate but their overall proportion has dropped from 73.9 percent in 1996 to 69.1 percent in 2006. One person households have increased from 20.7 percent in 1996 to 23.0 percent in 2006. Population aging is an important factor, and will continue to drive this trend since over half of the predicted total population growth to 2021 will be people in the 65+ age group. Other factors are likely to contribute to the growth of one person households, such as lower marriage rates$^{68}$.

The latest figures for Auckland (see Figure 4 below) show that the majority of households in the Auckland Region are one family, but there are important variations across the TA’s. Auckland City has the highest proportion of one person households and other multi-person households, which probably reflects the study, leisure and employment opportunities in the central city. Manukau has the highest number and proportion of two and three family households in the Auckland Region.

$^{67}$ Figure sourced from Motu, 2007

$^{68}$ Scion & BRANZ, 2006
Figure 4: Household Composition in Auckland region, by TA (2006) (%)

<table>
<thead>
<tr>
<th></th>
<th>One-Family Household (With or Without Other People)</th>
<th>Two-Family Household (With or Without Other People)</th>
<th>Three- or More Family Household (With or Without Other People)</th>
<th>Other Multi person Household</th>
<th>One-Person Household</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rodney District</td>
<td>74.7</td>
<td>1.9</td>
<td>0.0</td>
<td>2.7</td>
<td>20.6</td>
</tr>
<tr>
<td>North Shore City</td>
<td>73.1</td>
<td>2.9</td>
<td>0.2</td>
<td>4.8</td>
<td>19.0</td>
</tr>
<tr>
<td>Waitakere City</td>
<td>72.6</td>
<td>4.6</td>
<td>0.4</td>
<td>4.0</td>
<td>18.4</td>
</tr>
<tr>
<td>Auckland City</td>
<td>64.0</td>
<td>3.4</td>
<td>0.3</td>
<td>8.5</td>
<td>23.9</td>
</tr>
<tr>
<td>Manukau City</td>
<td>73.6</td>
<td>7.8</td>
<td>0.9</td>
<td>3.6</td>
<td>14.2</td>
</tr>
<tr>
<td>Papakura District</td>
<td>71.8</td>
<td>4.3</td>
<td>0.4</td>
<td>4.0</td>
<td>19.5</td>
</tr>
<tr>
<td>Franklin District</td>
<td>75.9</td>
<td>2.9</td>
<td>0.2</td>
<td>2.6</td>
<td>18.3</td>
</tr>
<tr>
<td><strong>Auckland Region</strong></td>
<td><strong>70.3</strong></td>
<td><strong>4.3</strong></td>
<td><strong>0.4</strong></td>
<td><strong>5.4</strong></td>
<td><strong>19.6</strong></td>
</tr>
<tr>
<td>Total New Zealand</td>
<td>69.1</td>
<td>2.6</td>
<td>0.2</td>
<td>5.1</td>
<td>23.0</td>
</tr>
</tbody>
</table>

Occupancy rates in Auckland decreased slightly over the period 1996 to 2001 with an associated increase in the numbers of new houses that provide 1-2 bedrooms. However, in contrast to the New Zealand trend towards smaller household size, occupancy rates in the Auckland Region increased slightly in 2001 to 2005 to just below 3.0 people per household. This indicates that while one person households are increasing, there are also increasing numbers of larger households. A high occupancy rate in Manukau, which has a rate well above any other area, indicates housing stress and crowding.

### 3.4 Housing Needs and Dwelling Stock

As for the national trend, there is a predominance of three bedroom private dwellings in the Auckland Region and a shortage of large houses (with four or more bedrooms), and of one and two bedroom dwellings to accommodate elderly people, young couples and single adults. This is shown in Figure 5 below:

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69 Figure sourced from ARC, 2007 using census 2006 data
70 RGF, 2007
71 Motu, 2006; Motu, 2007
72 Scion & BRANZ, 2006
73 Cullen, 2005
Figure 5: Number of bedrooms in private dwellings, by TA (%) (2001)

<table>
<thead>
<tr>
<th></th>
<th>Total Number of private dwellings</th>
<th>One Bedroom</th>
<th>Two Bedrooms</th>
<th>Three Bedrooms</th>
<th>Four Bedrooms</th>
<th>Five or More Bedrooms</th>
<th>Not Specified</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rodney District</td>
<td>28536</td>
<td>4.7</td>
<td>18.5</td>
<td>43.4</td>
<td>21.4</td>
<td>6.6</td>
<td>5.4</td>
<td>100</td>
</tr>
<tr>
<td>North Shore City</td>
<td>66465</td>
<td>4.5</td>
<td>17.7</td>
<td>45.0</td>
<td>23.0</td>
<td>6.6</td>
<td>3.2</td>
<td>100</td>
</tr>
<tr>
<td>Waitakere City</td>
<td>56034</td>
<td>3.8</td>
<td>15.7</td>
<td>50.9</td>
<td>17.9</td>
<td>5.9</td>
<td>5.8</td>
<td>100</td>
</tr>
<tr>
<td>Auckland City</td>
<td>132126</td>
<td>9.9</td>
<td>26.2</td>
<td>36.6</td>
<td>15.3</td>
<td>5.5</td>
<td>6.4</td>
<td>100</td>
</tr>
<tr>
<td>Manukau City</td>
<td>83592</td>
<td>2.8</td>
<td>15.1</td>
<td>47.7</td>
<td>21.1</td>
<td>7.1</td>
<td>6.1</td>
<td>100</td>
</tr>
<tr>
<td>Papakura District</td>
<td>13512</td>
<td>2.7</td>
<td>17.3</td>
<td>47.7</td>
<td>20.8</td>
<td>5.8</td>
<td>5.8</td>
<td>100</td>
</tr>
<tr>
<td>Franklin District</td>
<td>17670</td>
<td>3.4</td>
<td>13.4</td>
<td>47.4</td>
<td>22.5</td>
<td>6.7</td>
<td>6.6</td>
<td>100</td>
</tr>
<tr>
<td>Auckland Region</td>
<td>393,261</td>
<td>5.8</td>
<td>19.7</td>
<td>43.6</td>
<td>19.1</td>
<td>6.2</td>
<td>5.7</td>
<td>100</td>
</tr>
</tbody>
</table>

When housing stock does not match the diverse needs of the population, this can create problems around housing affordability. For example, larger households are common amongst some ethnic groups, with Maori and Pacific Island households often requiring larger houses with lots of bedrooms to accommodate an extended family. Other groups may require housing design that reflects the cultural needs of the family, such as an extra room for prayer, or larger than usual communal areas. Accessing housing that meets such needs is particularly difficult on a restricted income. It is notable that some ethnic groups are over-represented in the low to moderate income brackets.

Disparities between housing stock and the demographics of the population are apparent across the cities within the Auckland Region. For instance, the lack of larger houses is especially a problem in Waitakere and Manukau. These areas have (and attract) a large proportion of Pacific Island and Maori households. In contrast, North Shore has an ageing population, so the need for smaller houses is most obvious in that area.

3.5 Price of Housing

3.5.1 House Price

As shown in Figure 6, the median sale price of a house in Auckland has risen from $245,000 in March 2001 to $443,000 in March 2007:

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74 Figure sourced from RGF, 2006 using data from Statistics NZ Census of Population and Dwelling
75 Cullen, 2005
76 Cullen, 2005
House prices alone mean little in terms of housing affordability as it is the ratio of house prices to income that is the salient consideration. Rises in the median income have not kept pace with median house prices. The latest Massey University Home Affordability Report showed that for the quarter ending February 2007, home affordability is the most difficult it has been since the survey commenced in 1989. Nationally, home affordability declined by 9.8 percent during the last year, mainly due to house prices rising about twice as fast as average wages. The Auckland region has experienced a 7.8 percent decline in home affordability over the last 12 months.\(^{78}\)

Using data on house prices and household income (which also include the Accommodation Supplement), DTZ (2007) was able to provide more detailed modelling of changes in house price affordability across the TA’s in the Auckland Region. This is represented in Figure 7 below:

---

\(^{77}\) Real Estate Institute of New Zealand (REINZ), graph generated 30th April 2007 from [www.reinz.org.nz](http://www.reinz.org.nz)

\(^{78}\) Massey University, 2007
Overall, house price affordability has declined between 1996 and 2006 with the majority of the decline occurring since 2001. Affordability has decreased most for stand alone dwellings. The least affordable area is Auckland City and the least affordable suburbs are Eastern Bays, Western Bays, and Devonport. Households in the lower quartile income group have experienced the largest decrease in house price affordability. Housing affordability is beginning to exhibit a spatial character, with lower income households increasingly being priced out of Auckland City, North Shore and Rodney.

### 3.5.2 Rental Prices

As shown in Figure 8 below, rents in the Auckland Region have not risen at the same rate as house prices. In fact, rent to income ratios have declined overall between 1996 and 2006. According to DTZ (2007), this may reflect the reinstatement of income related rents for Housing New Zealand (HNZC) tenants.

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79 Figure sourced from DTZ, 2007, citing data on house prices from QV and data on income from Statistics New Zealand.
Despite this overall decline in the rent to income ratio, the rent to income ratio for lower quartile income groups ranges from 0.40 to 0.54. This means that even with the Accommodation Supplement, these households are paying between 40-54 percent of their gross income on housing costs. Median income households had a lower rent to income ratio but these were in excess of 0.30 (30 percent) in Auckland City and North Shore City. Overall, there is greater housing stress for renters than for home owners with similar incomes, especially for lower income households. 

### 3.7 Housing Tenure

#### 3.7.1 Home Ownership

Because New Zealander’s continue to demonstrate strong aspirations to home ownership, home ownership rates are a key indicator of changes in housing affordability. The home ownership rate in New Zealand, historically high in relation to

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80 Figure sourced from DTZ, 2007, citing data on rental prices from Department of Building and Housing and data on income from Statistics New Zealand.

81 DTZ, 2007

82 DTZ, 2005
other OECD countries, peaked at 73.8 percent at the 1991 census but has steadily declined since then to 67.8 percent at the 2001 census. This reinforces studies that show households have diminished ability to access affordable housing\textsuperscript{83}. A similar situation is reflected in the Australian context, with the deposit for a first home loan for a median-priced house rising from an amount equivalent to 25 percent of average household income to 60 percent since the mid 1980s\textsuperscript{84}. However, in contrast to the New Zealand trend, Australia’s home ownership rate has declined only slightly\textsuperscript{85}.

The home ownership rate for the Auckland Region is below that of the national rate, sitting at 64.6 percent in the 2001 census. Latest figures from the 2006 census (see Figure 9 below) show that Auckland City has particularly low levels of home ownership with 43.9 percent of households stating that they did not own their dwelling. Manukau City and Papakura District also had quite low levels of home ownership in comparison to the national rate.

\begin{table}[h]
\centering
\begin{tabular}{|l|c|ccc|}
\hline
 & Number of occupied dwellings & Dwelling Owned or Partly Owned by Usual Resident(s) & Dwelling Held in a Family Trust by Usual Resident(s) & Dwelling Not Owned by Usual Resident(s) \\
\hline
Rodney District & 32,910 & 57.8 & 15.8 & 26.4 \\
North Shore City & 72,114 & 54.8 & 15.5 & 29.7 \\
Waitakere City & 61,836 & 57.9 & 9.7 & 32.4 \\
Auckland City & 143,004 & 41.7 & 14.4 & 43.9 \\
Manukau City & 94,284 & 51.8 & 11.2 & 37.0 \\
Papakura District & 14,823 & 54.2 & 9.0 & 36.8 \\
Franklin District & 20,211 & 60.8 & 12.4 & 26.9 \\
\textbf{Auckland Region} & \textbf{433,647} & \textbf{50.7} & \textbf{13.1} & \textbf{36.2} \\
New Zealand & 1,454,175 & 54.5 & 12.3 & 33.1 \\
\hline
\end{tabular}
\caption{Tenure in Auckland Region, by TA (2006)}
\end{table}

It is projected that Auckland’s home ownership rate will decline to around 58.3 percent by 2016\textsuperscript{87}. The increase of house price to income ratios has pushed the cost of home ownership beyond the reach of an increasing number of Auckland households, especially those with limited income and significant outgoings. Young people at the beginning of their careers who struggle to get a foot hold in the housing market are more likely to move elsewhere. Housing affordability can also crowd out other consumption and

\textsuperscript{83} DTZ, 2007; DTZ, 2004
\textsuperscript{84} Shelter, 2007
\textsuperscript{85} DTZ, 2007
\textsuperscript{86} Figure sourced from ARC, 2007 using census 2006 data
\textsuperscript{87} DTZ, 2005, cited in DTZ, 2007
expenditure, especially young people with student debt. Delayed home ownership has implications for the level of debt carried through to later stages of the life cycle, while the exclusion of some households from this type of tenure has implications for their ability to generate wealth.

There is evidence of a growing intermediate housing market (growth of 154 percent in 1996 to 2006) which includes working households that cannot afford to buy a home at the lower quartile price range. Intermediate households are typically not poor enough for social rented housing, and not wealthy enough to rent or own affordably in the private market. A 2005 study by Housing New Zealand showed a widespread and significant increase in the proportion of working households that were unable to purchase a house. As shown in Figure 10 below, this was particularly significant in Queenstown Lakes District and in several of the TA’s in the Auckland Region, especially Auckland City, North Shore City, Rodney District and Waitakere City:

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**Figure 10: Local authorities with the highest households unable to afford a house at lower quartile house prices**

<table>
<thead>
<tr>
<th>Territorial Local Authority</th>
<th>Percent unable to purchase 2001</th>
<th>Rank 2001</th>
<th>Percent unable to purchase 1991</th>
<th>Rank 1991</th>
</tr>
</thead>
<tbody>
<tr>
<td>Queenstown Lakes District</td>
<td>71.4</td>
<td>1</td>
<td>31.2</td>
<td>11</td>
</tr>
<tr>
<td>Auckland City</td>
<td>69.4</td>
<td>2</td>
<td>38.3</td>
<td>3</td>
</tr>
<tr>
<td>North Shore City</td>
<td>65.3</td>
<td>3</td>
<td>52.7</td>
<td>1</td>
</tr>
<tr>
<td>Rodney District</td>
<td>63.8</td>
<td>4</td>
<td>32.0</td>
<td>9</td>
</tr>
<tr>
<td>Wellington City</td>
<td>60.4</td>
<td>5</td>
<td>47.8</td>
<td>2</td>
</tr>
<tr>
<td>Waitakere City</td>
<td>59.1</td>
<td>6</td>
<td>28.6</td>
<td>17</td>
</tr>
<tr>
<td>Tasman District</td>
<td>54.7</td>
<td>7</td>
<td>32.4</td>
<td>8</td>
</tr>
<tr>
<td>Banks Peninsula District</td>
<td>53.4</td>
<td>8</td>
<td>33.5</td>
<td>7</td>
</tr>
<tr>
<td>Manukau City</td>
<td>53.1</td>
<td>9</td>
<td>29.6</td>
<td>15</td>
</tr>
<tr>
<td>Christchurch City</td>
<td>51.0</td>
<td>10</td>
<td>30.1</td>
<td>13</td>
</tr>
<tr>
<td>Waimakariri District</td>
<td>49.7</td>
<td>11</td>
<td>34.4</td>
<td>5</td>
</tr>
<tr>
<td>Nelson City</td>
<td>49.0</td>
<td>12</td>
<td>31.6</td>
<td>10</td>
</tr>
<tr>
<td>Whangarei District</td>
<td>48.6</td>
<td>13</td>
<td>30.1</td>
<td>14</td>
</tr>
<tr>
<td>Papakura District</td>
<td>47.0</td>
<td>14</td>
<td>23.2</td>
<td>21</td>
</tr>
<tr>
<td>Upper Hutt City</td>
<td>45.6</td>
<td>15</td>
<td>32.9</td>
<td>6</td>
</tr>
</tbody>
</table>

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88 Scion & BRANZ, 2006 page 38
89 DTZ, 2007
90 Ibid
91 CHRANZ, 2006; Cullen, 2005
92 Figure sourced from HNZC, 2005
3.7.2 Rental Tenure

The private rental market has traditionally been regarded as a transitional tenure which households occupy until a sufficient deposit has been saved to allow the move into home ownership. However, current trends show that the transition from renter to owner occupier has become more difficult\textsuperscript{93}, and it is projected that the number of renter households will increase by 58 percent (or from 148,470 to 234,680 households) by 2016\textsuperscript{94}.

Renters have become a more diverse group, and in terms of household composition, there are more couples with children and older renters. As these renters remain in the market instead of moving onto home ownership, they will potentially out-compete other households that have traditionally relied on the rental housing market for accommodation. This could cause greater levels of overcrowding and demands for housing assistance\textsuperscript{95}.

Although research generally tends to regard renter households as worse off than owner-occupiers, there is a small but growing group of wealthy renters. These are the ‘workforce elite’ who prefer rental tenure over home ownership because it enables them to remain job-mobile\textsuperscript{96}.

3.8 Housing Stress

A household is considered to be experiencing housing related stress when housing costs consume 30 percent or more of gross income. DTZ (2007) provides a detailed exploration of households experiencing housing related stress in Auckland. Figure 11 below shows that Auckland City has the greatest proportion of stressed households relative to its share of the region’s households. This is most likely because of the higher dwelling values and rents in the territory. By suburb, the greatest number of stressed households is in the CBD, Mt Eden/Mt Albert, and Manurewa. The CBD has a high number of young, single people on moderate incomes, including many students.

\textsuperscript{93} DTZ, 2007
\textsuperscript{94} DTZ, 2005, cited in DTZ, 2007
\textsuperscript{95} DTZ, 2007
\textsuperscript{96} Ibid
3.8.1 Housing Stress for Owner Occupier Households

Owner occupier households in the Auckland regions are projected to account for 62 percent of all households in 2006 but only 52 percent of all stressed households. This reflects the younger age profile and lower incomes of renter households.

The proportion of stressed owner occupier households increased from 18.3 percent to 21.2 percent between 1996 and 2004, and the absolute number of stressed owner occupier households increased from 45,760 to 55,120, or 20.5 percent. The highest concentrations of owner occupier stressed households are in New Lynn and Massey (Waitakere City) and Maurewa (Manukau City). Significant numbers of stressed owner occupier households are also in:

- Mt Eden/Mt Albert and the CBD (Auckland City)
- East Coast Bays and Birkenhead-Northcote (North Shore City)
- Henderson (Waitakere City)

Figure 12 below illustrates the proportion of stressed owner occupier households by income quintile over the period 1996 to 2004:

---

97 Figure sourced from DTZ, 2007, modelled from Statistics New Zealand HES survey data, 2004
Overall, the proportion of households experiencing housing stress increased for the lower and middle income quintiles between 1996 and 2004 and decreased for the upper income quintile. In relation to other demographic variables, the following trends are notable:

- Couples with children and one person households have the highest levels of housing stress
- Once again, housing stress particularly impacted on younger people, who tend to have lower incomes overall. Young home owners (20 to 34) experience the greatest level of stress with 45.4 percent paying in excess of 30 percent of their income on housing costs
- 59 percent of all households earning in excess of $50,000 were paying more than 30 percent of income on housing costs
- In relation to employment status, the level of housing stress for retired households has steadily increased since 1996

### 3.8.2 Housing Stress for Renter Households

Overall, the proportion of stressed renter households has fallen from 35.4 percent to 32.7 percent between 1996 and 2004, however, the absolute numbers of stressed renter

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98 Figure sourced from DTZ, 2007, using data from Statistics New Zealand HES Survey, 2004
households has increased from 39,740 to 52,300 (or by 31.6 percent) over the same time period. The greatest concentrations of financially stressed renter households are in:

- Mt Eden/Mt Albert, Hobson (excluding the CBD), and Maungakiekie (One Tree Hill) (Auckland City)
- Tamaki and Manurewa (Manukau City)

Figure 13 below illustrates the trend in housing stress for renter households by household income quintile for the period 1996 to 2004:

**Figure 13: Housing Stress and Household Income – Renter Households**

Housing stress typically impacts most severely on the lowest income households. Households earning less than $30,000 per annum represent 12 percent of total households in the Auckland region, but are 23 percent of all stressed households\(^{100}\). A recent study into mental health service users receiving benefits in Auckland and Northland\(^{101}\) used a range of hypothetical housing scenarios (number and mix of occupants, benefit type, area locality) to explore housing affordability. The results showed that all private market scenarios produced a deficit result in which total living costs (housing and other living

\(^{99}\) Figure sourced from DTZ, 2007 using data from Statistics New Zealand HES Survey, 2004

\(^{100}\) DTZ, 2007

\(^{101}\) The project examined housing affordability for mental health service users across the four Northern District Health Boards, which include Counties-Manukau, Waitemata, Auckland and Northland. Even though the study focused on mental health service users, the results have wide applicability for all beneficiaries renting in the private market throughout Auckland and Northland.
costs are greater than income (main benefit and Accommodation Supplement). Many private market tenants in this situation will thus experience ongoing financial distress, most evident in the following areas:

- Cash flow problems: difficulty paying bills; needing to get financial help from others
- Hardship: having to go without certain basic essentials such as meals, heating and clothing
- Missing out: inability to participate in leisure activities, hobbies, or have the occasional night out

DTZ (2007) showed that while housing stress is higher in the lower income quintiles, the proportion (63 percent to 49 percent) of stressed renter households declined for the lowest income quintile between 2001 and 2004. In addition, the absolute number of stressed households in this quintile declined from 26,800 to 20,300 from 2001 to 2004. As suggested earlier, these figures may reflect the re-introduction of income related rents for state housing tenants by the Labour Government in 2001.

Housing stress declined proportionately for households in the second income quintile, but the absolute number increased significantly (from 14,700 in 1996 to 21,300 in 2004). In addition, the proportion of second income quintile households renting increased from 39.5 percent in 1996 to 52.5 percent in 2004, reflecting the decline in home ownership for this group. Housing stress rose proportionally for the middle income quintile (to 25 percent of stressed renter households in 2004), and in terms of absolute numbers (4,200 in 1996 to 7,700 in 2004).

Calculating housing stress according to other demographic variables showed that housing stress amongst renter households was worse for:

- Younger people (15-34 years) and middle aged people (45-64 years)
- Households with children, and one person households
- Households with five or more people living in the dwelling
- Households that were either not retired or not employed

3.9 Summary

The data reviewed in this section shows that housing affordability is indeed becoming a serious problem in the Auckland Region. The main points covered in this section were:

- There is steady growth in the number of occupied dwellings. House consents continue to outstrip consents for apartments

\[^{102} \text{Registered independent budgeting services were used to assess basic living costs for each housing scenario to produce reasonable estimates of basic items that people must be able to purchase. The figure did not include paying for additional items that may be considered necessary expenditure, including debt repayments.}\]
• The majority of households in the Auckland Region are one family, but Auckland City has the highest proportion of one person households and other multi-person households
• There are some clear disparities between housing stock in the region and the diverse housing needs of the population
• House price affordability in Auckland has declined between 1996 and 2006 with the majority of the decline occurring since 2001. Housing affordability is beginning to exhibit a spatial character
• Rent to income ratios have declined, but the rent to income ratio for lower quartile income groups is still seriously unaffordable, ranging from 0.40 to 0.54
• The home ownership rate for the Auckland Region is below that of the national rate. There is evidence of a growing intermediate housing market which includes working households that cannot afford to buy a home at the lower quartile price range
• The proportion of stressed owner occupier households in Auckland has increased
• The proportion of stressed renter households has declined for the lowest income quintile but has risen for the middle income quintile
• Housing stress disproportionately affects couples with children, one person households, and younger people
4.0 Detailed Exploration of Drivers

4.1 Introduction

The price of housing is determined by the dual mechanisms of supply and demand\textsuperscript{103} while housing affordability is determined by the ability to pay for housing. In the past, research and debates on housing affordability have tended to focus on the demand side of the equation. For example, in 1999 the Regional Growth Forum states that housing affordability is primarily an income adequacy issue\textsuperscript{104}, and in a subsequent publication – *The Demand and Supply of Housing in the Auckland Region 1991-2001* (2003) – the key focus is on demographic changes in the region that have impacted on housing need and demand. Demand side approaches, notably the Accommodation Supplement, have been the favoured methods of alleviating housing stress.

More recently there has been a shift to considering supply side issues, such as the availability of land and construction costs. The role of local planning regulations that control and manage the availability of land for residential development has been particularly targeted in some recent studies. However, the dynamics that determine the price of housing are complex and multifaceted and a range of factors need to be considered.

The purpose of this section is to identify the dynamics that could be driving the trend towards decreasing housing affordability in the Auckland Region. To this end, selected local and international research and commentary on the potential impact of a wide range of variables is considered. Drivers have been organised into two sub groups relating to demand and supply side mechanisms. Supply side issues that will be discussed in the following Subsection 4.2 include:

- Urban planning policies
- Land banking
- Development costs
- Construction costs
- Central government policy

Subsection 4.3 will consider the following demand side issues:

- Population growth
- Demographic change
- Location and liveability
- Wider economic factors, particularly the labour market
- Housing market cycles

\textsuperscript{103} Robinson et al., 2006
\textsuperscript{104} RGF, Affordable Housing in the Auckland Region, October 1999
• Investment preferences
• Liquidity of debt

4.2 Supply Side Issues

4.2.1 Urban Planning Policies

Like other regions overseas that are facing rapid growth, in recent years Auckland has moved towards the implementation of smart growth principles that are broadly designed to accommodate projected demand while mitigating the negative effects of urban sprawl. Urban sprawl has been a feature of cities in many countries overseas, including the US, the UK and Australia, and it is considered to promote poor quality living environments, and cause a range of urban problems such as traffic congestion, development of environmentally sensitive land, increased air pollution, high costs to tax payers and rate payers, and a loss of a sense of community\textsuperscript{105}. In New Zealand, urban sprawl has been linked to the development of low-cost residential properties on greenfield land, a poorly developed public transport system, and the state funded development of motorways\textsuperscript{106}.

Recent research identifies the significant agglomeration effects that can arise from compact urban forms that concentrate employment and business activity in particular locations rather than dispersing them across wide areas\textsuperscript{107}. Although the detailed mechanisms are not yet well understood, the available evidence clearly shows that an increase in city density will promote greater economic productivity and higher wages. It is essential, however, that high density business centres are accompanied with effective public transport systems. As for similar strategies developed overseas, the Auckland Regional Growth Strategy (RGS) promotes compact urban environments, limits outward expansion, encourages the development of public transport, and seeks to preserve open spaces and natural habitats.

Accessible and affordable housing is also an essential aspect of higher density cities. In 1999 when the RGS was developed, population growth to 2050 for Auckland predicted a need for an additional 200,000 dwellings over and above the existing housing stock and capacity under the (then) current policy. While not specifically including a goal to create or promote affordable housing, the RGS sought to:

...avoid capacity shortages and adverse impacts on the housing market in terms of affordability, whilst providing greater flexibility and opportunities for the market and greater housing choice for residents\textsuperscript{108}.

\textsuperscript{105} Downs, 2004, cited in Cullen, 2005
\textsuperscript{106} Dupuis & Dixon, 2002, cited in Cullen, 2005
\textsuperscript{107} Ascari, 2007; Ministry for the Environment, 2005
\textsuperscript{108} Auckland Regional Growth Strategy, 1999
Intensification is the key strategy for meeting projected demand, and will allow 70 percent of projected population growth to occur within existing metropolitan limits, minimising the strain on existing infrastructure (roads, amenities) and the environment. Intensification will occur primarily through:

- Concentrating growth in existing town centres and along transport corridors
- Higher density dwellings, including low and high rise apartments, town houses, terraces, semi-detached, cluster housing, and other multi-unit forms
- Mixed use working and living environments

The following subsections examine research evidence concerning the possible linkages between urban limits and land prices, and the impact of urban consolidation on housing affordability.

4.2.1.1 Urban Limits and Land Prices

Land is one of the major factors in the production of housing, and managing land supply is undoubtedly a critical aspect of effective urban planning. It is essential that the land that is made available for development reflects the diverse needs of the market and provides choice for developers. It must do this in a way that shapes development without squeezing it too tightly\(^\text{109}\). The Regional Growth Forum was concerned to ensure that the RGS would allow sufficient land capacity to prevent escalation of land and house prices\(^\text{110}\), but it has recently been criticised for restricting the supply of land available for residential development.

A 2005 study of regional housing markets showed that over the period 1981 to 2004, land prices inflated faster than house prices. Across the Auckland Region real (CPI adjusted) house price growth increased by 150 percent, while residential land prices increased 697 percent in real terms. The differential was especially marked in Auckland City where real house prices rose by 233 percent and land prices of vacant residential sections rose by almost 700 percent. In Manukau, North Shore and Rodney, the land price increase was around 460 percent\(^\text{111}\).

The study showed that a 1 percent increase in real residential land prices translates into an estimated 0.27 percent increase in real house prices. It estimated that in the absence of real land price increases (and assuming construction costs kept pace with consumer prices) real house prices would have increased by just 16.4 percent over the 23 year period (or roughly 0.7 percent per annum)\(^\text{112}\). This finding is consistent with a later study that found the correlation coefficient between ten year rates in median house prices and

\(^{109}\) Gow, 2000
\(^{110}\) RGF, *Affordable Housing in the Auckland Region*, October 1999
\(^{111}\) Motu, 2006 page 5, 19-21, 23
\(^{112}\) Motu, 2006
median section prices across the Auckland TA’s is 0.88, which indicates a strong link between house price inflation and land price inflation\textsuperscript{113}.

The often cited Demographia study\textsuperscript{114} of housing affordability across major urban markets in Australia, Canada, Ireland, New Zealand, United Kingdom and United States regards restrictions on land supply as the key factor in housing affordability problems. Demographia uses the median multiple formulation to assess housing affordability\textsuperscript{115}. This indicator uses existing house sales data and entails dividing the median house price by the median household income within the designated region. A median multiple of 3.0 or less occurs when supply and demand are balanced, and is considered affordable. Moderately unaffordable markets are within the range 3.1-4.0; seriously unaffordable markets are 4.1-5.0; and severely unaffordable markets are 5.1 and over.

As shown in Figure 14 below, Auckland, Christchurch and Wellington were ranked “severely unaffordable”, and Auckland was ranked 21\textsuperscript{st} equal in the 25 most unaffordable housing markets included in the study. According to Demographia, the cost of a median house in Auckland, including mortgage interest, now equates to around four years of additional gross income to purchase than it did in 1996. Seven out of eight markets in Australia have median multiples of 6.0 or above. In fact, of the six nations studied, Australia was ranked the least affordable market overall, with a national median multiple of 6.6 which is more than double the “affordable standard” of 3.0 (the New Zealand national median multiple is 6.0).

\textit{Figure 14: Housing Affordability for Australian and New Zealand Cities}\textsuperscript{116}

<table>
<thead>
<tr>
<th>City</th>
<th>Median House Price</th>
<th>Median Income</th>
<th>Median Multiple</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sydney</td>
<td>$520,300</td>
<td>$61,200</td>
<td>8.5</td>
</tr>
<tr>
<td>Perth</td>
<td>$430,000</td>
<td>$53,900</td>
<td>8.0</td>
</tr>
<tr>
<td>Hobart</td>
<td>$290,000</td>
<td>$41,500</td>
<td>7.0</td>
</tr>
<tr>
<td>Auckland</td>
<td>$395,000</td>
<td>$57,500</td>
<td>6.9</td>
</tr>
<tr>
<td>Melbourne</td>
<td>$377,000</td>
<td>$57,100</td>
<td>6.6</td>
</tr>
<tr>
<td>Adelaide</td>
<td>$285,000</td>
<td>$43,900</td>
<td>6.5</td>
</tr>
<tr>
<td>Brisbane</td>
<td>$330,000</td>
<td>$54,000</td>
<td>6.1</td>
</tr>
<tr>
<td>Christchurch</td>
<td>$291,000</td>
<td>$48,400</td>
<td>6.0</td>
</tr>
<tr>
<td>Darwin</td>
<td>$385,000</td>
<td>$68,200</td>
<td>5.6</td>
</tr>
<tr>
<td>Wellington</td>
<td>$331,000</td>
<td>$61,400</td>
<td>5.4</td>
</tr>
</tbody>
</table>

\textsuperscript{113} Motu, 2007  
\textsuperscript{114} Cox & Pavletich, 2007  
\textsuperscript{115} Robinson et al., 2006 provides a good discussion and critique of various measures of housing affordability. The median multiple is just one (simple) way to measure affordability that does not take into account all variables. For instance, the measure only considers house sales data not the prevailing rental prices, assuming there is a simple flow over effect of high house prices for the rental market. The DTZ, 2007 report shows that Auckland rents have lagged behind house prices, suggesting the picture is more complicated than that derived from the median multiple measure.  
\textsuperscript{116} Figure derived from data reported by Cox & Pavletich, 2007
The study states that historically, the development of inexpensive land on the periphery of urban centres promoted housing affordability and facilitated home ownership. This enabled the majority of households to build equity in their homes, a process characterised as the “democratisation of prosperity”\textsuperscript{117}. Citing a number of recent studies that are supportive of their claim, Demographia concludes that the common feature of the most unaffordable markets considered in the study is a high degree of land use planning policies, while the most affordable markets consistently display minimal regulation.

The crux of Demographia’s argument is that “basic economics holds that [land] rationing leads to higher prices”\textsuperscript{118}. Yet a review of academic research\textsuperscript{119} concluded that formulations based on such basic economic theory are too simplistic for explaining the cost of housing, which is determined by a range of interacting factors including the price of land, the supply and types of housing, the demand for housing and the amount of residential choice and mobility in the area.

The major finding of the review was that the elasticity of market demand is the primary determinant of housing prices. If buyers and occupiers of houses are relatively indifferent about the location of their home, then house prices throughout the region will remain fairly similar. If locations are not readily substitutable in the minds of buyers and occupiers, then house prices in desirable areas will be driven by the lack of substitution rather than the presence of growth management policies.

There have been calls to abolish the MUL and allow market forces to determine the take up of land\textsuperscript{120}. However, one researcher argues that abolishing the MUL would only allow access to land on the outskirts of Auckland, land which is not easily accessible to jobs, public transport and essential services. This would not help the households who are most in need of more affordable housing. Moreover, in the long term, sprawl is more likely to exacerbate affordable housing problems, rather than solve them\textsuperscript{121}.

\textbf{4.2.1.2 Urban Consolidation}

According to the Ministry for the Environment, there is clear international evidence about the savings offered by high urban density. For example, higher densities promote savings on key infrastructure, such as schools, roads and sewerage (although these costs can rise again in very high densities)\textsuperscript{122}. There is some evidence based on local data that land prices increase in response to higher productivity on that land. As land prices increase, urban density increases. This reduces the land price per resident because the density increase is greater than the land price increase\textsuperscript{123}.

\begin{footnotesize}
\bibitem{117} Cox & Pavletich, 2007
\bibitem{118} Ibid
\bibitem{119} Nelson et al., 2002
\bibitem{120} Cumming, \textit{Green Belt Under Siege}, Weekend Herald, April 28, 2007 page B4
\bibitem{121} Cullen, 2005
\bibitem{122} Ministry for the Environment, 2005
\bibitem{123} Sanderson, 2006
\end{footnotesize}
Nonetheless, some perspectives warn that the policy of intensification alone will not achieve increased housing affordability. This is because there can be significant costs associated with higher densities due to strong developer interest, and higher construction costs\textsuperscript{124}. In this regard, it is important to note New Zealand research that suggests apartments are cheaper to construct than stand-alone houses. Between 1990 and 2003 the average cost of constructing a stand-alone house increased by 99 percent, while the cost for apartments only rose by 72 percent\textsuperscript{125}.

There is more agreement amongst researchers that improving the supply and location of affordable housing and accommodating other development needs, such as public transport and access to services, increases the desirability of the community which can indeed raise the price of housing\textsuperscript{126}.

However, as indicated earlier, housing affordability is not determined purely by the level of house prices, but also includes the ability of people to pay for that housing and for other basic costs of living. Recent New Zealand research\textsuperscript{127} argues that at higher densities behaviours change which impacts on housing affordability. Household income opportunities are greater, firstly because higher densities encourage a broad range of business services producing higher incomes for employees (unlike the low density, lower income ‘bulky’ industries like manufacturing and warehousing). Second, with a greater range of employment opportunities, labour force participation is very high, allowing higher household incomes.

Moreover, some basic living costs, besides housing, are lower. The cost of providing networked infrastructure, for example, declines per person and the opportunity for using public transport and active transport modes (walking, cycling) increases. Under these conditions, rises in house prices can be offset, mitigating some of the adverse price effects on lower-income households.

The RGS has concentrated on intensive housing that was well located in terms of accessibility to transport, services and activities. Planning is now increasingly focusing on developing intensive housing that is well designed, with regard to both internal and external living spaces. However, issues of diversity and mix (in terms of tenure and demographics) within intensive housing areas have yet to be addressed, and it is important to note international research that has shown this may be the most important social issue to address\textsuperscript{128}.

There are suggestions that smart growth strategies are difficult to implement because they depend on changing consumer preferences\textsuperscript{129}. People tend to want larger houses as they

\textsuperscript{124}Beer, 2004
\textsuperscript{125}DTZ, 2004
\textsuperscript{126}Downs, 2003; Beer, 2004
\textsuperscript{127}Sanderson, 2006
\textsuperscript{128}Syme, McGregor & Mead, 2005
\textsuperscript{129}Gow, 2000
get wealthier, for example, in New Zealand a new house is on average 50 percent bigger than 15 years ago\textsuperscript{130}. Despite the emphasis on higher densities in the RGS, a new study on housing supply in the Auckland Region has shown that Aucklanders continue to prefer stand alone houses rather than apartments\textsuperscript{131}. Part of the reason for the continued low uptake of apartment living may be because of the presence of some poor examples of higher density urban design in Auckland\textsuperscript{132}. In addition, there is often a conflation of ‘higher’ density with ‘high’ density in the mind of the public, which can create community resistance to these policies\textsuperscript{133}.

Australian research into the implications of higher density housing raises a number of other issues that are pertinent to consider in this regard\textsuperscript{134}. As part of moves to find sustainable alternatives to urban sprawl, it is expected that in Sydney, 70 percent of new urban housing will be higher density on brownfield sites. With suburban housing options increasingly curtailed, many Australians will find themselves living in a form of housing that, as for New Zealand, has typically been a minority choice. Higher density housing in Australia is investment-led and will thus encompass an increasingly higher proportion of renters than the mainstream housing market. It is imperative that urban planning policies that promote compact cities understand and respond to specific issues associated with higher density housing, especially issues of governance, and the behaviours of renters and investors, which are known to be different than home owners.

4.2.1.3 Proactive Planning for Affordable Housing

In the face of current calls to abolish or extend the MUL, it is important to note evidence that suggests some form of land use regulation is inevitable due to concerns about sprawl, traffic congestion, infrastructure capacity and costs, and the protection of open spaces. US researchers suggest that the choice for authorities is increasingly between exclusionary (low-density) zoning and growth management rather than regulation or non-regulation\textsuperscript{135}. Low-density development policies make housing more expensive, creating a “chain of exclusion” for lower-income households in the area. In contrast, growth management strategies which are not aimed at controlling development, but at influencing how and where growth occurs, can break the chain of exclusion by actively increasing housing densities, mandating a mix of housing types, and promoting inclusionary housing\textsuperscript{136}.

Although considering responses to housing affordability problems is beyond the scope of this review, it is worth noting that some proponents of growth management policies argue that smart growth goals would be furthered by more widespread creation of affordable

\textsuperscript{130} Motu, 2006
\textsuperscript{131} Motu, 2007
\textsuperscript{132} Oram, \textit{No Quick Fix for Auckland Blues}, Sunday Star Times, January 28, 2007, page D2; Cullen, 2005; Motu, 2007
\textsuperscript{133} Cullen, 2005
\textsuperscript{134} Randolph, 2005
\textsuperscript{135} Pendall, Puentes & Martín, 2006; Nelson et al., 2002
\textsuperscript{136} Downs, 2003; Beer, 2004
Active promotion of affordable housing would lead to higher densities and the reduction of traffic congestion as well as ensuring that low income people are not pushed into overcrowded and substandard housing. Significant opportunities exist for creative partnerships between the non-profit sector, private investors and government to develop affordable housing. A range of such initiatives, as well as innovative planning and zoning ordinances, have been successfully pursued in cities overseas. 

4.2.1.4 Contradictory Evidence Concerning the Relationship between Growth Management Strategies and Housing Affordability

A great deal of international research, including some recent local studies, points to the negative impact of land use regulations on housing affordability. However, just as often, studies show the impact of urban consolidation on housing affordability is minimal, offset by savings in other essential areas, or actually increases the supply of affordable housing. Sometimes research findings are quite contradictory. For instance, a 2003 Australian study argued there was evidence that constraints on land supply did add to price pressures, but then concluded that such planning had not contributed in any significant way to the housing affordability problems in Australia’s cities.

Perhaps the most consistent message in the literature is that urban limits and consolidation policies do indeed play a role in determining housing supply, elasticity, and prices, but it is unclear exactly what the nature of this role is. Part of the problem is that the multidimensionality of land use regulations and the varying degrees to which they are implemented and enforced makes it difficult for researchers to make the meaningful comparisons that are needed to truly understand the nature and extent of their impact. Studies that isolate urban planning regulations from other factors such as demographic pressures and investment preferences on the whole fail to recognise the complex and multifaceted nature of housing affordability.

Moreover, a range of gaps in knowledge continue to constrict our understanding of housing affordability. In general, supply side issues have received less attention than demand side factors such as consumer decision making, and there is a lack of clear data available to adequately understand and calibrate the influence of supply issues on house prices. In particular, there is little empirical evidence regarding the behaviours of developers, builders and financiers, as well as issues of supply elasticity, for example,

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137 Downs, 2003
138 For example, see Howe, 2004 on the strategies used in Portland, Oregon; Gurran, 2004 for Australian research on the role local governments can play in shaping housing policy through planning and community service responsibility; and Gow, 2000 on the planning approaches used in Portland, Seattle, Florida and other US cities.
139 Productivity Commission, 2003, cited in Beer, 2004
140 Rodda & Goodman, 2005
141 Bourassa’s (1998) investigation of empirical studies of land use controls for the RGF found that questions of interpretation were often not dealt with, and that many of the economic impacts are complex and difficult to define and measure (see RGF, 1999, Metropolitan Urban Limits in the Auckland Region).
adjustments to the housing stock and prices through new construction and renovations, and the responsiveness of these sources of supply to house price changes\textsuperscript{142}.

With regard to the RGS, there are possibly some additional issues around implementation. For instance, there have been suggestions that there is a time lag between policy development, implementation and a change in the urban environment\textsuperscript{143}. Moreover, there have been recent criticisms that the RGS has not been fully integrated into infrastructure, transport and local council development plans, or enforced well\textsuperscript{144}. In light of these issues, and considering the range of other factors impacting on housing affordability discussed below, it is perhaps too soon to determine exactly what impact the RGS is having on housing affordability.

4.2.2 Land Banking

Currently, uptake of rural land in Auckland is only 650 lots per year, a rate that could be sustained for another 44 years without changing subdivision rules. Yet concerns have been raised about exorbitant prices for lifestyle blocks, citing high demand for scarce rural land as the key factor. The fact that 28,800 titles have been identified that could be subdivided for development suggests land banking is occurring as owners hold on to blocks in anticipation of further price increases\textsuperscript{145}.

Some research considers that land banking is partly an effect of the imposed urban limits; for example, the Demographia survey argues that collusion of peripheral land developers can only occur when a shortage of land allows a few companies to monopolise the market\textsuperscript{146}. A recent Motu report puts it another way, arguing that limited land supply available for greenfield development gives land owners strong bargaining power when selling to developers. The report also regards land banking to be an outcome of the way in which land is made available for development. Dribbling land onto the market in a pre-specified pattern allows existing landowners to compete against each other to retain monopoly rights\textsuperscript{147}.

Land banking by councils or publicly funded agencies can be used to increase the supply of affordable housing\textsuperscript{148}.

4.2.3 Development Costs

Internationally it is recognised that development and compliance costs associated with the subdivision of land and construction of dwellings can impact on housing costs and

\textsuperscript{142} Rodda & Goodman, 2005
\textsuperscript{143} Cullen, 2005 page 133
\textsuperscript{144} Oram, \textit{No Quick Fix for Auckland Blues}, Sunday Star Times, January 28, 2007, page D2
\textsuperscript{145} Cumming, \textit{Green Belt Under Siege}, Weekend Herald, April 28, 2007 page B4; Motu, 2007
\textsuperscript{146} Cox & Pavletich, 2007
\textsuperscript{147} Motu, 2007
\textsuperscript{148} CHRANZ, 2006
thus affordability. It is claimed, for example, that in Australia, infrastructure fees have been considerably higher than the actual cost of supplying infrastructure\textsuperscript{149}.

No clear information regarding the impact of these costs on housing affordability in the New Zealand context emerged in the process of this review; however, it is clear that development contributions represent a significant portion of total development costs\textsuperscript{150}, and consequently must play some role. Moreover, it is argued that development contributions in Auckland inhibit low cost housing developments because there is one rate that is applied irrespective of the type of market for which the dwellings are being built. Because there is more money in developments that target the higher end of the market, there is little incentive to develop low cost housing. In addition, there is currently a lack of tools to regulate the private market to provide affordable housing\textsuperscript{151}.

Perhaps a greater issue is the prolonged length of time required for building consents to be processed and approved, with a recent study showing that this was a major source of dissatisfaction for developers. Delays can result in increased uncertainty for developers who are attempting to respond to ever changing market tastes and demand, and thus require raised profit margins to proceed. In addition, delays can cost money directly. It is estimated that a one month delay on a $12 million project adds $100,000 to its cost\textsuperscript{152}.

\subsection*{4.2.4 Construction Costs}

Construction costs, including materials and labour, add to the cost of housing. In fact, it is estimated that if construction costs fall by 1 percent there is a 0.4 percent reduction in house prices\textsuperscript{153}. A comparison of New Zealand and Australian construction costs (materials and labour) showed that New Zealand construction costs are about 50 percent higher than Australian costs for a similar building. Construction costs in Auckland are the most expensive in the country\textsuperscript{154}. Some developers consider that the market structure of building material suppliers in New Zealand is dominated by a duopoly of companies, which contributes to the high cost of building materials\textsuperscript{155}.

The Department of Building and Housing (DBH) publishes a six monthly update of estimated building costs ($/m\textsuperscript{2}) for a series of building types. Although it is argued that construction costs in New Zealand have remained relatively stable since the early 1990s\textsuperscript{156}, as shown in Figure 15 below, building costs in the Auckland have increased steadily since July 1999 in all classes of building. The latest figures for July 2006 are $1601/m\textsuperscript{2} for a small house and $1388/m\textsuperscript{2} for a large house, which represents an increase in building costs of 65 per cent for small houses and 60 per cent for large houses from

\begin{thebibliography}{99}
\bibitem{149} Cox & Pavletich, 2007
\bibitem{150} Motu, 2007
\bibitem{151} Cullen, 2005
\bibitem{152} Motu, 2007
\bibitem{153} Motu, 2006
\bibitem{154} DTZ, 2004
\bibitem{155} Motu, 2007
\bibitem{156} DTZ, 2004
\end{thebibliography}
July 1999 to July 2006. The figure shows a steep increase in building costs from July 2003, which coincides with a period of sustained growth in the property market. It is reasonable to assume that greater demand on construction capacity has increased costs.\(^{157}\)

**Figure 15: Estimated Building Costs in the Auckland Region, July 1999 to July 2006\(^{158}\)**

Skills shortages in the construction industry have contributed to rises in labour costs, but in general this is not considered to be as much of a problem now as it was in 2005. Nonetheless, the shortage experienced in 2005 indicates the problems that can be caused in the absence of a consistent supply of skilled workers across the full range of occupations in the construction industry.\(^{159}\) It is expected that demand for employment within the industry will drop over the next decade in response to the growth in factory assembled housing, but the pending retirement of around 12 percent of current construction workers, means that the industry will have to attract new entrants.\(^{160}\)

The leaky buildings fiasco revealed inadequacies in skills based training within the industry. Concerns have been raised that the new Building Act will push up construction costs and adversely affect affordability.\(^{161}\) However, a further effect of leaky buildings has been an increase in factory based and pre-assembled housing, which tends to be

\(^{157}\) Craig, 2007

\(^{158}\) Figure sourced from Craig, 2007, using data from DBH

\(^{159}\) Motu, 2007

\(^{160}\) Scion & BRANZ, 2006

\(^{161}\) DTZ, 2007
cheaper to produce. Building efficiency is an important driver in the housing market as it impacts on non-construction costs, price certainties and labour skills development. Some commentators consider that a rise in quality standards means that a move to factory-produced housing is inevitable\textsuperscript{162}.

### 4.2.5 Central Government Policy

As noted in a recent Auckland study, in international studies, the factors behind the decline in home ownership are generally ascribed to either demographic factors that have contributed to the rising importance of renting, or a variety of economic factors, including financial deregulation, economic growth, and increasing levels of consumer and student debt. Research evidence concerning the relative weight of each factor is contradictory overall, with individual studies tending to reflect the perspective of the writer (that is, whether they are economists or demographers)\textsuperscript{163}.

Another factor that is sometimes considered in overseas studies is the impact of changes in government housing policy on housing affordability. In New Zealand, the withdrawal of the state from the mortgage market during the early 1990s, the introduction of demand side subsidy assistance, and the proliferation of mortgage debt, mortgage products and general consumer debt are argued to play a role in the decline of home ownership. In fact, some researchers consider that in the New Zealand context, changes in the structures of provision are at least as important as economic and demographic factors for explaining the home ownership rate decline\textsuperscript{164}.

It is increasingly recognised that demand side subsidies have failed to mediate housing costs, in fact, there is evidence that provision of the Accommodation Supplement has contributed to increasing demand and higher house prices\textsuperscript{165}. Furthermore, the Accommodation Supplement only assists those with the most urgent housing needs, and as shown in Section 3, there is a growing intermediate market of low to moderate income households that are experiencing housing related stress.

It is also argued that unlike some cities overseas that have long required inclusive zoning and incentives for developers, central government has played a minimal role in terms of regulating the supply of affordable housing. In addition, the wide swings in housing policy apparent over the past 20 years have resulted in poor direction from central government in relation to the role of local government in housing\textsuperscript{166}. On the other hand, recent Treasury research attempted to explore the possible impact of changing government regimes on housing affordability over the period 1984-2004 but found no

\textsuperscript{162} Scion & BRANZ, 2006
\textsuperscript{163} DTZ, 2007
\textsuperscript{164} Crane, 2005, cited in DTZ, 2007
\textsuperscript{165} Grimes, 2006
\textsuperscript{166} Cullen, 2005
significant relationship\textsuperscript{167}. It is likely that more detailed research is required to more accurately assess the impact of central government policy on housing affordability.

\section*{4.3 Demand Side Issues}

\subsection*{4.3.1 Population Growth}

Population growth is widely considered to be a key driver in the demand for housing. Statistical analysis of regional housing price, sales and supply has shown that a 1 percent rise in population (holding the housing stock constant) raises real house prices by around 1.2-1.3 percent\textsuperscript{168}.

The Auckland Region is the fastest growing region in New Zealand and between 2001 and 2006 the population grew by nearly 14 percent (or 120,000 people)\textsuperscript{169}. As shown previously in Figure 2, which indicates growth in private occupied dwellings, over one quarter of the total dwellings in New Zealand are in the Auckland Region. According to the latest figures from Statistics New Zealand, the Auckland Region is projected to account for two-thirds of New Zealand's population growth between 2001 and 2026, with an increase of 560,000 (or 46 percent), from 1.22 million to 1.77 million. The Auckland region would then be home to 37 percent of New Zealand's population in 2026, compared with 31 percent in 2001. The scale of Auckland’s projected population growth in relation to other regions is illustrated in Figure 16 below:

\footnotesize
\textsuperscript{167} Robinson, 2006
\textsuperscript{168} Motu, 2006
The largest numerical increase in population is projected to occur in New Zealand’s most populous territorial authority – Auckland City – which is projected to be home to 560,000 people in 2026, an increase of 171,000 (or 44 percent), from 389,000 in 2001. The next largest increase is projected for Manukau City, up 161,000 to 459,000 in 2026. Increases of more than 50,000 over the 25-year period are also projected for the cities of Waitakere (up 76,000) and North Shore (up 75,000).

Natural increase is an important driver in Auckland’s population growth, the only region which had an annual rate of natural increase that has not declined over the period 1986-2001 (and in fact it increased slightly). In 1996-2001, Auckland had just over 30 per cent of the total population, but produced 34 per cent of the births, as against only 26 per cent of the deaths. This is in part a function of the younger age structure in the region\textsuperscript{171}.

Auckland is the predominant region for net international migration. In 2001-2005, Auckland had 42 per cent of international migration inflows but only 35 per cent of the outflows\textsuperscript{172}. As such, it is argued that Auckland is the gateway to the country, having a system of population dynamics that is relatively independent of the rest of New Zealand.

\textsuperscript{170} Figure sourced from Statistics New Zealand, subnational demographic projections, retrieved 18\textsuperscript{th} April 2007 from http://www.stats.govt.nz
\textsuperscript{171} Pool, Baxendine, Cochrane & Lindop, 2005 page 36
\textsuperscript{172} Statistics New Zealand Arrival and Departure Data 2006
Zealand\textsuperscript{173}. International immigration is frequently linked with the upsurge in property prices in the media, but no clear information is available on how immigration affects housing costs, demand and supply\textsuperscript{174}. A research project funded by the Department of Labour into the economic impact of immigration has just commenced and should shed some light here.

Internal migration is likely to play a role also. It has been suggested that population drift north and east is the underlying factor in regional home affordability across New Zealand\textsuperscript{175}.

### 4.3.3 Changing Household Composition

Changes in the number of households and in people’s living arrangements can have major implications for housing demand, for existing housing stock, the types of dwellings preferred, the amount of residential land used, housing location, and growth in associated social and physical infrastructure\textsuperscript{176}.

Changing household composition reflects social trends, such as later marriage and lower fertility rates. ‘Couple with children’ is still the most common family type in New Zealand, but one parent households are also increasing. Child-free couples are increasingly common in developed countries, and in 2003, nearly one quarter of British women with a degree or professional qualification did not have children. In New Zealand, the average age of mothers is higher (29.5 years in 2001 census) and women now have fewer children than they did in the past. However, nobody understands exactly what determines birth rates in modern societies and it is important to question our assumptions about the causes of demographic trends. The US 2000 census revealed a reversal of the decline in fertility. It is unclear exactly why this has occurred, but one possibility is the growth of conservatism, especially amongst younger people\textsuperscript{177}.

Household composition is also influenced by economic pressures such as housing costs and tertiary education fees, and by cultural preferences, such as living in extended families and intergenerational living. Auckland’s population is ageing, but at a slower rate than most other regions in New Zealand, due to migration and natural increase. In fact, Auckland has one of the youngest median ages in the country. The population is showing increasing ethnic diversity as the Asian and Pacific Island communities grow\textsuperscript{178}.

\textsuperscript{173} Ibid
\textsuperscript{174} Hunter, T. *NZ pays high price for fame*, Sunday Star Times, April 8\textsuperscript{th} 2007, page D3
\textsuperscript{175} Massey University *Home Affordability Report* for the quarter ending February 2007
\textsuperscript{176} Scion & BRANZ, 2006
\textsuperscript{177} Scion & BRANZ, 2006 page 57
\textsuperscript{178} ibid
4.3.4 Location and Liveability

Demand for housing is in large part an attribute of the desirability of particular locations. For instance, urban areas have the best employment opportunities and sunny coastal areas are desirable for lifestyle reasons\textsuperscript{179}. Concerns about the growing disparity between house prices, rents and low to medium household incomes are not unique to Auckland, but are reflected in other cities internationally that are experiencing a developing economy, high levels of immigration, and attractive employment and leisure opportunities\textsuperscript{180}:

...the more successful an economy is, the more expensive its desirable urban housing becomes. That’s the typical pattern worldwide. Cities can have it all – success and liveability – but it comes at a price. If residents want both, they usually have to pay for them by devoting more of their incomes to housing\textsuperscript{181}.

As shown in Figure 17 below, Auckland was ranked fifth equal on the latest Mercer World City Quality of Life Survey (2007), but as explained earlier in Section 4.2.1.1, Auckland’s housing ranks 21\textsuperscript{st} least affordable in the latest Demographia survey. It is interesting to note that Demographia upholds Austin, Texas, as a good example of how housing affordability is improved in the relative absence of policies that restrict the supply of land. It takes only 3.1 years of the median income to purchase a median house in Austin, while in Perth, a city with a much greater degree of land use constraints, it takes 8 years to buy a house. However, Austin does not even rate on the Mercer liveability index, while Perth is 21\textsuperscript{st}. As noted by some commentators, this suggests that the relationship between a city’s cost of living, its economic success and its liveability are more complicated than Demographia suggests\textsuperscript{182}.

\textsuperscript{179} Robinson et al., 2006
\textsuperscript{180} Cullen, 2005
\textsuperscript{181} Oram, No Quick Fix for Auckland Blues, Sunday Star Times, January 28, 2007, page D2
\textsuperscript{182} Ibid
Figure 17: Mercer World Quality of Life Survey Results, 2007

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4.3.5 Wider Economic Factors, including the Labour Market

As indicated in the previous subsection, there is a recognised link between the state of the economy and housing affordability. For instance, recent statistical analysis of regional housing prices and supply across New Zealand has shown that:

- A 1 percent change in real economic activity translates into a 1.2 percent change in real house prices
- A 1 percent increase on per capita production raises real house prices by between 0.2 to 0.3 percent\(^\text{184}\)

Auckland has the biggest economy in New Zealand and generated $50 billion of New Zealand’s $154 billion GDP in the year ending March 2006. Auckland was also the third fastest growing region in 2006 in terms of real GDP. Unfortunately, clear data on how continued economic growth impacts on house prices in the Auckland Region was not forthcoming during the process of this review. There is some New Zealand research into non-metropolitan regional economies that has shown that growth cycles have often been driven by external factors like international commodity price shocks affecting export commodities. The effects of this on housing prices can be severe, particularly in rural areas that have economies that are heavily reliant on specific sectors. For example, median real house price in Kawerau fell by 50 percent between 1981 and 2002 due to a downturn in the forestry sector\(^\text{185}\).

A recent article argues that low unemployment is part of the reason that national property values have risen substantially in the past year. Low unemployment has a positive impact on wages and salaries, and therefore on household incomes. People are more willing to buy homes in a situation when general economic confidence is high\(^\text{186}\). It is estimated that if employment participation rises by 1 percent the effect is to raise real house prices by 0.5 to 0.6 percent\(^\text{187}\). Employment in Auckland has grown by 2.3 percent and unemployment has trended downwards from 7.1 percent in 1999 to 3.9 percent in 2006\(^\text{188}\).

At the same time, the growth in non-standard work makes home ownership more difficult\(^\text{189}\). An Australian study showed that job insecurity makes people more cautious in buying homes. Employment category (permanent, contract, casual or self-employed) proved to have a stronger association with home purchase price than household income. The more secure people felt in their employment, the more likely they were to purchase more expensive homes\(^\text{190}\).

\(^{184}\) Motu, 2006
\(^{186}\) ‘Plentiful jobs pump house values’, \textit{Herald}, April 16\(^\text{th}\) 2007
\(^{187}\) Motu, 2006
\(^{188}\) RGF, 2007
\(^{189}\) DTZ, 2007
\(^{190}\) Kupke & Marano, 2003
4.3.6 Housing Market Cycles

It is widely believed that the property market moves in cycles driven by the demand for housing. If housing cycles are indeed cyclical, they may be reversed with higher interest rates and a slowing economy. However, there are other structural factors that can increase prices, such as people being prepared to invest a greater proportion of their income into housing in order to obtain better housing. Research suggests that new Zealanders are increasingly willing to pay extra for higher quality homes with house-specific attributes such as more bedrooms, or neighbourhood-specific attributes like more amenities and nicer neighbourhoods.

Uncertainty about whether the recent increases in house prices are an indication of a housing ‘bubble’ has been identified as one of the main problems affecting the development and implementation of policies to mitigate price surges in the local market. A housing bubble is characterised by rapid speculative increases in the valuations of properties until they reach unsustainable levels relative to incomes and other economic indicators. Some studies draw attention to the role of financing, and the ability to leverage funds and reinvest capital gains. In the US, the current housing bubble is linked to the preference for home ownership, the popularity of home purchasing and real estate investment in the media, speculative purchases of housing, and the widespread belief that housing is a risk free, growth investment.

Other studies suggest housing bubbles are attributable to information lags in the housing market. In this regard, it has been noted in the New Zealand literature that because housing is both a consumption good and an investment good, the housing market has a number of peculiarities that affects its responsiveness to demand pressures. In particular, the supply response is often slow to respond to increases in demand, which means that rising prices and falling rental yields can be sustained for a long time. Historically, two bubbles of relative housing unaffordability in 1985-1988 and 1995-1998 were driven by high interest rates, but recent Treasury research suggests the current bubble is driven by high house price inflation.

Gaps exist in our knowledge around the unique features of extreme markets and the factors that, for example, trigger panic buying in rapidly inflating markets. International research is also increasingly turning to behavioural studies to explore the impact of “intangible determinants of consumer choices” on the housing market. Major questions remain around how consumers form their house price expectations and their assessment.

\[191\] DTZ, 2004
\[192\] Motu, 2006
\[193\] DTZ, 2007
\[194\] Rodda & Goodman, 2005
\[196\] DTZ, 2006
\[197\] Robinson et al., 2006 page 25
of the total costs of home ownership, and how consumers gather and process information about market conditions and determine the ‘right’ time to buy or sell\textsuperscript{198}.

4.3.7 Investment Preferences

In comparison to other developed nations, New Zealanders have few financial assets. This is because New Zealanders regard housing as a key investment option. A Treasury study has shown that one in six New Zealand households have some form of investment property, such as a holiday home, rental properties, other property, timeshares, and overseas property. Around 8 percent own rental property\textsuperscript{199}. Between 2001 and 2004 there was a rise in the share of property assets in the total investment assets of New Zealand households, and in 2004 housing as a share of total household assets reached 74 percent in contrast to the long-run average from 1978 to 2000 of 62 percent\textsuperscript{200}. This suggests that the buoyancy of the real estate market throughout this period has continued to drive investment, and that investors are optimistic of the long-term viability of investing in rental properties.

The increase in property values is reflected in the rising asset levels of many New Zealand households. In 1990s the typical household had assets of around $160,000, but now their assets are worth $452,000. At the same time, savings are at their lowest levels ever meaning that many couples will have to rely on equity in their homes to pay for their retirement years\textsuperscript{201}. However, the latest OECD Economic Survey of New Zealand argues that New Zealand’s ageing population must save more for retirement, but in the form of private pension schemes rather than the typical pattern of accumulating capital in housing\textsuperscript{202}.

Investment in private rental properties is high in the Auckland Region, as it is in New Zealand generally. Most investment comes from small investors, who are aged 45 years or older, already own their own dwelling, earn over $70,000 per annum, and whose primary objective is capital gain. A small scale study into investment property owners showed that most owned more than one property, with around 60 percent owning between two and eight properties\textsuperscript{203}.

Investment patterns undoubtedly have some impact on the housing market. Australian research into the motivations of property investors argues that:

\textsuperscript{198} Rodda & Goodman, 2005 page xi
\textsuperscript{199} Scobie, Le & Gibson, 2007
\textsuperscript{200} van Zijll de Jong & Scobie, 2006
\textsuperscript{201} Cook, \textit{Tipping Point for Debt}, Herald on Sunday, April 22nd 2007, page 10-1
\textsuperscript{203} The study was conducted by DTZ, 2007 as part of their wider investigation into home ownership and the rental market in the Auckland Region. The sample size was small (35 respondents), so results should be taken as indicative only.
...perceptions and realities about the desirability and profitability of rental housing investment significantly affects the levels and location of supply, and the overall propensity to invest and provide rental\textsuperscript{204}.

Investors are in direct competition for the properties that would be affordable for first time home buyers, and are consequently one factor driving home ownership out of reach of many households. If the growth in house prices slows down, this should deter investors. However, according to one New Zealand study, even if investment slows down, there is no evidence to suggest that investors will sell their properties in a way that will adversely affect prices and rents\textsuperscript{205}.

In contrast to the expectations of good capital gains from investors in New Zealand, falling gross yields from detached rental dwellings has deterred investors in New South Wales, and is part of the supply problem in that context. In 2003, the average gross yield sat at around 3-3.5 percent\textsuperscript{206}. Vacancy rates of rental dwellings are also low which creates greater competition amongst prospective renters. Overall, there is a shortage of rental dwellings for households with low-moderate incomes. There does not appear to be any comparable New Zealand data on vacancy rates and/or their impact on house prices in Auckland.

4.3.8 Liquidity of Debt

New Zealanders are increasingly blasé about debt and globally, New Zealand ranks in the top five countries (together with Malaysia, Phillipines, Australia and the UK) likely to be spending their spare cash on servicing debt\textsuperscript{207}. Since 1990 the average debt level of the typical New Zealand household has risen from $18,800 to $99,000, and this figure is set to exceed $100,000 in the March quarter. (It is important to note that because nearly 50 percent of households are mortgage free, so the amount owed by the average household is probably double that figure.) In 2003 total household financial liabilities were almost $106 billion. Loans for housing comprised 80 percent of this debt\textsuperscript{208}.

International research suggests that house prices are mainly driven by the elasticity of demand\textsuperscript{209} and that there is a positive correlation between falling credit standards, household borrowing and the growth in real home prices\textsuperscript{210}. In New Zealand, it is recognised that unprecedented levels of household borrowing is driven partly by increased access to consumer credit as a result of the deregulation of financial markets over the last 30 years\textsuperscript{211}. Financiers have developed a range of ways of assisting people

\textsuperscript{204} Seeling et al., 2006, page 10
\textsuperscript{205} DTZ, 2007
\textsuperscript{206} Shelter, 2007, citing Reserve Bank of Australia, 2003
\textsuperscript{207} ACNielson, 2004, cited in Scion & BRANZ, 2006
\textsuperscript{208} MSD, 2005
\textsuperscript{209} Nelson et al., 2002
\textsuperscript{210} Papadimitriou, Chilcote & Zezza, 2006
\textsuperscript{211} MSD, 2005; Cook, \textit{Tipping Point for Debt}, Herald on Sunday, April 22nd 2007, page 10-11, paraphrasing Grant Scobie
into home ownership, such as schemes with no interest for the first three years\textsuperscript{212}. The availability of mortgage finance has helped to drive up the price of housing in Auckland because purchasers have more power to buy expensive houses\textsuperscript{213}.

Although the willingness of financial institutions to assist people into home ownership is often viewed positively, there is a risk that easier access to credit can create poverty traps. When low to moderate income households purchase a property that they cannot really afford, they overextend themselves which leads to housing stress\textsuperscript{214}. According to Rozanna Wozniak, chief economist of Arcus Investment Management, an additional concern is that while house values have risen, this has not occurred at the same rate as the debt secured against them. Problems could arise if people have difficulty servicing debt in the future, for instance, if their circumstances change\textsuperscript{215}.

### 4.4 Summary

It is clear that a wide range of complex and interrelated demand and supply side factors impact on the price of housing. The following supply issues were identified as significant:

- Growth management strategies such as the Metropolitan Urban Limit (MUL), and the promotion of urban consolidation may play some role in determining housing supply, elasticity, and prices, but it is unclear exactly what the nature of this role is. There are significant gaps in our knowledge concerning the impact of some supply side issues on housing affordability.
- Land banking can push up the price of land.
- Development costs and costs relating to prolonged consent approval processes could play some role in the cost of housing.
- There is some evidence that construction costs have risen since 2003 in response to increased demand, and that skills shortages in the construction industry were a problem in 2005.
- The withdrawal of the state from the mortgage market and the introduction of demand side subsidies to alleviate housing affordability problems may have played a role in the current housing affordability problem.

The following demand side issues are known to impact on housing affordability:

- The Auckland Region is the fastest growing region in New Zealand, and population growth is a major aspect of housing demand.
- Changes in the number of households and in people’s living arrangements can have major implications for housing demand, for existing housing stock, the types

\textsuperscript{212} DTZ, 2004
\textsuperscript{213} Cullen, 2005
\textsuperscript{214} Cullen, 2005
\textsuperscript{215} Cook, \textit{Tipping Point for Debt}, Herald on Sunday, April 22nd 2007, page 10-11, paraphrasing and quoting Rozanna Wozniak.
of dwellings preferred, the amount of residential land used, housing location, and growth in associated social and physical infrastructure

- Demand for housing is in large part an attribute of the desirability of particular locations. Auckland’s strong economy and employment and leisure opportunities impact on demand

- Low unemployment has a positive effect on incomes and can encourage house purchases. At the same time, the growth in non-standard work means some people are less secure in their jobs and less likely to purchase houses

- Housing market cycles, and the speculative inflation of property values, could be having an impact on house prices in the Auckland Region

- New Zealanders regard housing as a key investment option and continued demand for housing can drive up prices

- The availability of mortgage finance can drive up the price of housing
Works Cited


Auckland Regional Council (2007) 2006 Census of Population and Dwellings: Report on Initial Results for Auckland Region


CHRANZ (2006) Fact Sheet: Affordable Housing in New Zealand, prepared for the National Summit – Affordable Housing, 30 October 2006, Wellington


White, P. (2006) presentation at National Summit – Affordable Housing, 30 October 2006, Wellington

Appendix 1: Additional Resources


Useful Websites

Ministry for the Environment – research reports on urban design:
http://www.mfe.govt.nz/publications/urban/

Australian website – international research reports – many are focused on the role of urban planning policies:

Australian Policy Online: Housing Reports:

National Centre for Social and Economic Modelling (Canberra):
http://www.canberra.edu.au/centres/natsem/home

US Centre for Economic and Policy Research:
http://www.cepr.net/

Australian website – Shelter NSW:
http://www.shelternsw.infoxchange.net.au/
Appendix 2: Current and Planned Research on Housing Affordability

1. New Zealand Studies

Department of Labour

A three year study has just commenced that will look at the Economic Impacts of Immigration. The study aims to develop an understanding of the wider impacts and benefits immigration has for New Zealand’s economy. The primary focus is on the overall economic impact of immigration, with specific focus on ramifications for areas such as the labour market, productivity and technological change, trade, and fiscal outcomes.

Other Departments/Agencies involved include: Statistics New Zealand, Ministry of Social Development, Ministry of Economic Development, Office of Ethnic Affairs, Reserve Bank of New Zealand.

CHRANZ Projects

Pacific Island Housing Experiences: Emerging Trends and Issues

Researcher: Koloto & Associates
Due date: April 2007

This research aims to investigate the housing experiences and aspirations of Pacific communities in New Zealand. Key research objectives include:

- To understand the particular housing experiences and aspirations of Pacific communities to inform policy in the housing area and to link to other studies relevant to the situation of Pacific peoples
- To identify and analyse emerging trends and issues for Pacific housing and identify opportunities and solutions to current and future housing problems

Census 2006 and Housing in New Zealand

Researcher: DTZ New Zealand Ltd
Due date: April 2007
The aim of this research is to provide an analysis of housing market trends based on the 2006 census, building on previous work undertaken by DTZ Research for CHRANZ in the following reports: *Changes in the Structure of the New Zealand Housing Market; and Housing Tenure Aspirations and Attainment in New Zealand*. In addition, the implications of the analysis in a policy context will also be discussed.

**Children and Young Peoples Housing Experiences - Issues and Scoping Paper**

Researcher: Public Policy and Research  
Due date: May 2007

The aim of this research is to identify relevant policy issues and the available research evidence base and data sources on the connections between children and young people’s social, cultural and economic outcomes and their housing circumstances.

**Affordable Housing in the Bay of Plenty Region: A Solutions Study**

Researcher: Capital Strategy Ltd  
Due date: May/June 2007

This research aims to investigate the links between affordable housing, infrastructure and regional development in the Western and Eastern Bay of Plenty sub-regions.

**The Economic Impact of Immigration on Housing in New Zealand 1991-2016**

Researcher: Business and Economic Research Limited  
Due date: June 2007

The research aims to explore the links between immigration and housing demand and supply; explore the economic impact of immigration flows to New Zealand between 1991 and 2006 on housing demand and supply; and use scenarios to look at the possible impact of immigration to New Zealand between 2006 and 2016 on housing demand and supply.

**Affordable Housing: The Community Housing Sector in New Zealand**

Researcher: Capital Strategy Ltd  
Due date: June 2007

The aim of this project is to undertake research into the contribution of the community housing sector towards addressing housing affordability in New Zealand.
Affordable Housing: Local Government in New Zealand

Researcher: Centre for Research Evaluation and Social Assessment
Due date: June 2007

The aim of this research is to optimise the provision of, and access to, affordable housing through local and regional government’s active community leadership and encouragement of a facilitative regulatory, planning, service provision and investment environment.

Northland and Canterbury Regions: Issues and Scoping Paper

Researcher: Scott Phillips Ltd
Due date: June 2007

The research will provide recommendations on how best to apply CHRANZ’s affordable housing, employment (labour market) and regional development research programme to the realities of the Northland and Canterbury Regions, to deliver solutions based research.

Changing Patterns of Homeownership in New Zealand, 1991 to 2006

Researcher: Scott Phillips Ltd
Due date: June 2007

The research will explore the way in which the fall in homeownership in New Zealand over successive censuses between 1991 and 2006 has been experienced by different household types, age (of respondent), household income and location.

2. Australian Studies

Australian Housing and Urban Research Institute

International Practice in Planning for Affordable Housing

Project Number: 60322
Project Leader: Gurran, Nicole
Funding Year: 2006

This project will undertake a detailed comparative review of international practice in planning for affordable housing and identifying specific opportunities to apply this practice to the Australian context. International experience in Western Europe and North
America demonstrates that the urban planning system can be a very important tool in retaining and increasing affordable housing supply. In many North American and European cities and regions, planning mechanisms are being used to protect low cost rental housing stock, reduce barriers associated with the provision of new affordable supply through the private housing market, and leverage funds to directly provide new subsidized housing stock for low to middle income groups.

International Housing Trends and Policy Responses

Project Number: 60323
Project Leader: Milligan, Vivienne
Funding Year: 2006

This project aims to contribute towards the development of future national housing policy settings related to these and other issues in Australia, by providing an evidence base and well-informed strategic insights that are derived from an assessment of the main housing policy developments in a mix of developed countries that have made progressive gains in their housing systems and policies. The project will build on the limited comparative research already funded by AHURI and will broaden the focus to a wider range of national policy settings and instruments. The countries proposed for investigation will be chosen for their potential to provide critical insights into policy relevant aspects of the Australian housing system: such as low income home ownership; investment in, and management and regulation of, the private rental market; the use of planning mechanisms to improve the supply of affordable housing in growth areas; stimulating regeneration of devalued residential areas; and the use of alternative financing instruments and delivery vehicles for social housing.

Risk-Assessment Practices in the Private Rental Sector

Project Number: 20346
Project Leader: Short, Patricia
Funding Year: 2006

In the context of changing programs of public housing assistance, and the gradual loss of low rent stock, low-income households compete with moderate to high-income households for affordable tenancies in the private rental market. In particular, there is growing concern that low-income households, some with 'additional housing needs' are being squeezed out in the competition for affordable housing. This project will investigate the role real estate agents play in allocating affordable tenancies to specific groups of renters. It will identify the factors that real estate agents take into account in assessing 'risks' involved in allocating affordable housing to low-income households; the routine practices and formalised procedures they employ, at the point of allocation, to evaluate the relative risks and potential trade-offs involved in the allocation of low-cost housing to different categories of tenants; the likely outcomes of their risk-assessment
practices, under different market conditions, and potential impacts upon low-income tenants seeking affordable housing.

**Government Impacts on Housing Affordability**

Project Number: 70393  
Project Leader: Randolph, Bill  
Funding Year: 2007

This project will draw on international research and an objective evaluation of existing Australian data to develop a consistent approach for determining the cost effect of planning regulations and charges on house prices and affordability in Australia. The project will quantify the cumulative cost impacts of State and local government regulations and charges in a selection of case study developments in new release and urban renewal areas across inner city, suburban, and non-metropolitan local government areas. It also aims to evaluate the cost impacts of existing and proposed regulation on housing production against the explicit objectives of the regulation, as a basis for avoiding unnecessary or unjustifiable regulation and for offsetting unavoidable affordability impacts.

**Housing Markets in Resource Boom Towns**

Project Number: 80370  
Project Leader: Haslem-McKenzie, Fiona M  
Funding Year: 2007

This project will examine housing market dynamics in resource boom towns in Western Australia and Queensland. In particular, the impact of boom resource conditions on housing affordability and its effects on a variety of other related social indicators in those towns.

**House Prices and Consumer Spending**

Project Number: 60360  
Project Leader: Yates, Judith  
Funding Year: 2007

This project will examine the contemporary empirical effects of house prices movements on general consumption spending, household savings and debt in Australia, focusing specifically on whether the nature of these relationships is different for different population groups. As a result, it will provide insights into the implications of demographic ageing for these relationships and the economic performance of Australia.
**Housing and Income Inequalities in the City**

Project Number: 50382  
Project Leader: Wulff, Maryann  
Funding Year: 2007

The aims of the project are to empirically document and map the process of socio-spatial polarisation as expressed in housing prices and rents, income and labour market change in Melbourne and to examine the way in which the mobility of different income and tenure groups are both influenced by and shape polarisation patterns.

**Housing Insecurity**

Project Number: 50361  
Project Leader: Hulse, Kath  
Funding Year: 2007

'Housing insecurity' refers to high levels of residential mobility, as well as other dimensions of insecurity such as lack of control over housing and uncertainty about future housing circumstances. The aim of this project is to investigate the extent, and dimensions, of 'housing insecurity' as a concept.