

## Auckland Region Housing Market Assessment: 2006–2026

Population growth – particularly from older, smaller, rental households – will drive the Auckland region’s housing demand between 2006 and 2026. This growth will require an additional 169,530 dwellings (or a 39.3 percent increase) over the 2 decades. By 2020, some parts of Auckland will have insufficient residential land development capacity. Demand for rentals will increase much faster than demand from owner-occupiers. Between 2006 and 2026, Auckland will need an additional 95,980 private rental dwellings. Housing affordability will be a concern for increased numbers of households. Many will be experiencing financial housing stress.<sup>1</sup> These patterns of demand will place additional strain on Auckland’s physical infrastructure and social fabric.

Based on research by Darroch Ltd (Ian Mitchell and Steve O’Malley) that assesses current and future housing demand and need (2006 to 2026) in the Auckland region, its distribution and composition and also its implications. This is the first such assessment using the *New Zealand Manual for Housing Market Assessments*.<sup>2</sup> This research was jointly funded by the Centre for Housing Research, Aotearoa New Zealand (CHRANZ), and the Auckland Regional Council.

### Key Findings

- Strong population growth in Auckland will place stress on Auckland’s dwelling capacity, infrastructure, transport and city form as it shapes the housing market until 2026.
- Dwelling demand for the 14 defined housing market areas (HMAs) will increase by 39.3 percent – from 431,890 dwellings in 2006 to 601,420 by 2026.
- The Auckland region already has (June 2009) significant renter housing affordability issues – 49.9 percent of all private renter households are experiencing financial housing stress.
- Demand for rental accommodation will continue to increase at a significantly faster rate (63.5 percent) than demand for owner-occupier dwellings (26.2 percent).
- Home ownership has significantly reduced from 70.7 percent to 66.9 percent between 1996 and 2006.
- The absolute size of the intermediate housing market<sup>3</sup> (IHM) increased from 39,700 to 77,110 households between 2001 and 2009.

1 Households spending more than 30 percent of that household’s total gross income on housing costs.

2 DTZ New Zealand, *New Zealand Manual for Housing Market Assessments*, 2009

3 IHM is the number of private renter households who have a least one member in paid employment and cannot afford to purchase a dwelling at the lower quartile sale price, assuming standard bank lending conditions.

- Housing demand will be particularly shaped by the growth in older, couple-only and single-person households and will increase demand for smaller one- and two-bedroom dwellings.
- Auckland's residential development capacity under the existing Regional Growth Strategy (RGS) will be nearing full capacity by 2026.
- There will be a mismatch between the location of dwelling capacity in the region and the location of projected employment growth (especially for higher-skilled and high-paid occupations in Auckland City) – 51 percent of the employment growth in the region is projected to be located in Auckland City but this area only has 32 percent of regional dwelling capacity.
- The implications for Auckland and its new governance will include pressures on land development capacity and significant increases in the number of renters and rental properties required; as well as pressures on transport infrastructure.

## What is a Housing Market Assessment?

A housing market assessment models and assesses patterns of current and future housing demand and need, its distribution and its composition by household type, age, tenure and income.

For this particular assessment, the Auckland region is divided into two geographical labour market areas (Central and North Auckland, Greater Manukau) and 14 housing market areas (HMAs) (Rural North, Rodney Southern Coastal, North Shore, Waitākere, Auckland CBD, Auckland North East, Auckland North West, Auckland South East, Auckland South West, Manukau North, Manukau North West, Manurewa and Papakura, Pukekohe, Rural South).

The assessment takes into account labour market trends; households' workplace geography; strategic issues such as transport, infrastructure and planning; and Auckland's dwelling capacity – especially the supply-side response to changes in the quantum, composition and distribution of housing demand and need.

## Special Terms: Financial Housing Stress, Housing Need, Intermediate Housing Market

### Financial housing stress

Renters or owner-occupier households that experience financial housing stress spend more than 30 percent of their household's total gross income on housing costs. Currently, 39.6 percent of all renter households and 49.4 percent of all private renter households are experiencing financial housing stress (June 2009).

### Housing need

Households that experience housing need have difficulty meeting their own housing requirements. Typically, they experience financial housing stress as well as having other needs that are met by various social and third sector and emergency housing providers. They may be on social housing providers' waiting lists or be homeless.

### Intermediate housing market (IHM)

The IHM comprises the growing number of working households that find it difficult to become home owners. At least one member of the household is in paid employment but they cannot afford to purchase a dwelling in the lower quartile dwelling sale price. Between 2001 and 2009, the absolute size of the intermediate housing market in the Auckland region increased from 39,700 to 77,110 households (from 43.2 to 62.9 percent of all private renter households).

## Future (2026) Housing Demand

Population growth is the major driver behind future housing demand – especially in older, couple-only and single-person households. Between 2006 and 2026, overall household numbers in the Auckland region are expected to increase by 39.3 percent (431,890 to 601,420, or by 169,530 in absolute terms).

Households aged 65 years plus are expected to increase by 78.8 percent or 55,400 households. They will account for 32.7 percent of the total growth in household numbers. Couple-only households and single-person households are expected to increase by 56,400 households and 49,500 households respectively. They will account for 33 percent and 29.2 percent of the total growth in household numbers.

## Future (2026): Total Housing Need and Financial Housing Stress

### Future total housing need

In June 2009, the proportion of all households in each HMA defined as experiencing housing need ranged from 8 percent (Rural South) to 47 percent (Auckland CBD). The average across all 14 HMAs was 22 percent.

Housing need is greater in lower socio-economic HMAs as well as in HMAs with higher rents relative to incomes. Three HMAs (Auckland CBD, Auckland South East and Manukau North West) each had between 37 percent and 47 percent of all households with housing need.

By 2026, this number is estimated to increase from 98,589 to 146,799 (or by 48,210 households or 48.9 percent). The largest growth is expected in the Auckland CBD, up by 115.2 percent.

### Future financial housing stress

Between 2006 and 2026, the number of financially stressed renter households is forecast to increase by 66.68 percent (59,810 to 99,690). Renter households, older households and single-person households are the most vulnerable.

Households aged 50 years plus account for almost half of the expected growth in financially stressed households, and households aged 40–49 years account for slightly more than a quarter of the increase. Single-person households account for 35.5 percent of the growth.

## Implications

### Housing and Auckland's future

An effective housing market is critical to Auckland's success as a vibrant, competitive, desirable economy that attracts and retains businesses and workers. This requires affordable, good quality housing with well integrated transport infrastructure for its growing ageing population. This will have significant implications not only for Auckland's physical infrastructure and urban form, but importantly for neighbourhood cohesion, social integration and the delivery of social services.

### Dwelling capacity: shortfall and location mismatches

Put simply, some areas in Auckland will have insufficient residential land development capacity from 2020 onwards to cope with expected population growth. Five HMAs will have less than 3 years' development capacity.<sup>4</sup>

Stronger growth projected for higher-skilled and high-paid occupations in Auckland City is likely to increase the demand for isthmus housing. The land development capacity gap is most critical in the southern part of the urban area.

### Transport infrastructure

The mismatch between areas of employment growth and workers' homes will significantly increase the number of commuters into Auckland City, especially for workers from three HMAs: North Shore, Waitākere and Manukau North.

### Changing household demographics: older and smaller

Increased numbers of older, couple-only and single-person households will increase demand for smaller homes with easier access, security and good access to amenities. Because housing stock changes relatively slowly, it will take some time to meet this rapidly growing demand segment.

### Housing need

Housing need will be heavily concentrated in key HMAs (Auckland South East, Auckland South West and Manukau North West).

Older, couple-only and single-person householders who rent will be most vulnerable in dealing with issues of tenure, security, stability and dwelling quality, as well as the inability of the private rental stock to cater for the changing physical needs of ageing tenants.

Increasingly, renter households, who previously would have been home owners, could be excluded permanently from the social and economic benefits of home ownership and forced to restrict their other household expenses.

<sup>4</sup> Manukau NW (nil); Auckland SW (nil); Auckland (NW) 0.2 years; Auckland NE 2.6 years; and Pukekohe 2.7 years.

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## Rental accommodation: dwelling numbers and cost

Demand for rental accommodation will continue to increase at a significantly faster rate than demand from owner-occupiers. Between 2006 and 2026, this would require 95,980 additional private sector rentals<sup>5</sup> (and 14,540 government/third sector units)<sup>6</sup> at a total cost of \$31.190 (\$ billion) (and \$4.100 (\$ billion)) respectively over that period.

5 Average private sector rental investment of \$1.560 (\$ billion) per annum

6 Numbers = 'total other need'

## Travel costs and financially stressed households

Most workers are employed in the HMA in which they reside or the HMA immediately adjacent, but a significant proportion of workers travel significant distances, especially those from North Shore, Waitākere and Manukau North HMAs.

Even small increases in transport costs will have a significant impact. If household transport costs increase by 25 percent, over and above the increase in household income between 2006 and 2026, the number of households experiencing financial housing stress would effectively increase by 27 percent, and stressed households as a proportion of all renters would rise from 40.1 percent in 2006 to 51.3 percent of all renters.

## Further Information

This bulletin is based on the report *Auckland Region Housing Market Assessment* by Darroch Ltd (November 2010). A copy of the report and this bulletin can be found on the CHRANZ website under "Our Publications".

Other useful reports include:

- *The Determinants of Tenure and Location Choices of 20–40 year old Households in the Auckland Region* (November 2010) Beacon Pathway Ltd
- *New Zealand Manual for Housing Market Assessments* (July 2009) DTZ New Zealand
- *The Intermediate Housing Market in New Zealand* (December 2008) DTZ New Zealand
- *On the Falling Rate of Home Ownership in New Zealand* (February 2008) Scott Phillips Ltd
- *Housing, Economic Change and the Governance of Metropolitan Areas* (April 2008) Duncan MacLennan
- *Housing Supply in the Auckland Region 2000–2005* (April 2007) Motu Economic and Public Policy Research

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