



# **New Zealand Manual for Housing Market Assessments**

PREPARED BY

**DTZ New Zealand**

FOR THE

**Centre for Housing Research,  
Aotearoa New Zealand**

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## 1.0 Executive Summary

Housing markets form an important part of the economy and the outcomes in them can have a significant impact on the well being of local communities. It is important that policy makers, planners and regulators have a good understanding of housing market trends to assist them in making informed decisions and to enable the effective monitoring of those decisions.

The key objective of this report is to present a framework for undertaking housing market assessments in New Zealand. The objective of providing the framework is to assist housing professionals, whether they are located in central or local government or the private and community sectors, with the development of robust assessments of the housing market.

DTZ has developed the assessment approach based on our review of a number of overseas housing market assessment methodologies and also based upon our review of three New Zealand case studies. In addition, we have been guided by our own experience in completing housing need / market assessments for the Wellington City Council / Housing New Zealand in 2006 and for the Christchurch City Council in 2008.

The primary value of a housing market assessment is in providing a sound basis (i.e. accurate data and a robust evidence base) for:

- Developing strategic views of housing demand and need both now and in the future;
- Developing a sound approach to planning for the mix of housing required;
- Assisting local authorities to assess the level of affordable housing required in an area; and
- Assist with the assessment of future social housing requirements within a market.

A housing market assessment can also:

- Provide context information that can be included in a range of strategies and plans, for example the Long Term Council Community Plan, which local and regional authorities are required to prepare;
- Encourage greater integration between housing activity in an area and related strategies (e.g. urban growth strategies, urban design strategies and transport strategies), planning processes and interventions;
- Provide the opportunity to identify the needs of distinctive communities in ways that can influence the design and delivery of housing services provided by a range of organisations; and
- Provide a basis for ongoing monitoring of the local housing market and the impact of both general and housing specific policy interventions.

The primary value of a housing market assessment is in providing the basis for developing strategic views of housing demand and need both now and in the future; providing input into the locations strategic planning, and assisting local authorities to assess the level of affordable and social housing required in an area.

Methodologically, the housing market assessment framework proposed here owes most to the work undertaken in the UK over the last decade developing housing need and housing market assessment methodologies. In particular we have drawn on the most recent guidance on housing market assessment to be published in the UK, namely, *Strategic Housing Market Assessments Practice Guidance Version 2* published by the Department of Communities and Local Government in 2007. The New Zealand framework proposed here is also shaped by the Housing New South Wales 'Housing Kit' approach which was itself based on UK housing need and housing market methodologies.

The assessment approach provided:

- Outlines a sequential step by step approach to assessing housing demand and need and identifies the key outputs at each step;
- Identifies the methodological tools and techniques organisations can use to assess housing need and demand, including how qualitative information can be gathered and used;
- Promotes and focuses on the use of secondary data, allowing organisations to meet their assessment objectives in the most resource effective and timely way;
- Identifies the key data sources that can be used in an assessment; and
- Sets out an approach to assessing current and future housing need and implications for social housing demand.

The objective and goals of any housing market assessment need to be clearly identified at the start of the assessment. There are a number of key issues that need to be addressed in developing the objectives. Typically the major objectives of the assessment will include:

- Providing a robust assessment of past, current, and future housing supply and demand including analysis of the key factors influencing the market;
- Identifying the level of housing need within the community by location and demographic characteristic and how this is likely to vary in the future; and
- Discussing the implication of these trends in a property market context.

It is important when undertaking an assessment of a housing market that the boundaries are clearly defined and encapsulate the geographic spread of the market, otherwise key aspects of the market may be excluded from the study limiting its usefulness. Housing markets are often strongly correlated with labour markets. One test commonly used in Britain is the boundaries are defined by the area that the majority of people or households would consider relocating to if they were to shift from their current dwelling without changing their employment. A functioning housing market may overlap one or more local authority and / or regional authority boundaries. Limiting the study area to local authority boundaries may reduce the robustness of the analysis as it could exclude significant parts of the housing market.

Housing market outcomes are the result of the interaction of a wide range of factors / drivers. It is important that the impact that they have had on the market is understood and how future changes in these drivers may also influence the market moving forward.

The factors / drivers which typically should be considered include:

- Economic and labour market trends;
- Demographic trends and the outlook for future population growth;
- The infrastructural framework provided within the community and the impact that may have on the distribution of employment growth and the demand for housing;
- The regulatory / planning environment in which the housing market operates; and
- Land supply considerations.

The interaction of supply and demand over time along with the influence of the key drivers produces a number of outcomes for the communities within their boundaries. Analysis of these key housing market outcomes provides an important platform to understanding the dynamics of the market. The areas which need to be considered include:

- Housing stock - Establishing the dimensions and characteristics of the current stock and the changes in it over the recent past is necessary so that a broad measure of the 'goodness of fit' of current demand with current supply can be gauged;
- Development activity and outlook - The trend in development activity shows how supply is responding to demand and house price changes;
- Rental and value trends - The trend in house sale prices and rentals shows how demand for housing is responding to the totality of housing drivers through changes in relative prices;
- Supply / demand balance - The growth in the housing stock relative to the growth in the population and / or number of families can provide insight into the supply / demand balance. This may also provide insight into trends in the relative level of crowding and affordability;
- Housing affordability and stress - Affordability trends can be measured in a number of ways and there are a number of aspects to housing affordability / stress that need to be considered. The following groups should be focused on - renters, first home buyers and owner occupiers;
- Housing market outlook - The housing market outlook provides the basis for assessing how some of the key market variables (home ownership rates, growth in demand by tenure, sales price and rents) are likely to change in the future. In the context of a housing market assessment the assumptions underlying the outlook should be clearly stated and take into account the analysis already undertaken. The implications of the outlook on housing affordability should also be provided and this should, if possible, examine the need / demand for housing by dwelling size, type and location. Typically a number of scenarios should be included to demonstrate the sensitivity of the housing market and affordability measures to changes in key market drivers; and
- Special needs - Each region or territorial local authority (TLA) is likely to have groups with special housing needs. Understanding the needs of these groups, the type of housing they require and the ideal location for it is important in a housing market assessment for planning the type of future housing stock that should be provided.

A housing market assessment provides an insight into how a market has performed and how it is likely to perform in the future. The implications of the outcomes and their impact on the community should be discussed in the report.

Housing market assessments effectively provide a snap shot of the market and its outlook at a point in time. It is important that the underlying trends are monitored and parts of the assessment updated so that the housing market outcomes are tracked and, as a consequence, policy and regulatory settings can be refined.

Housing plays an important role within a community by meeting households' accommodation requirements as well as being a major investment for a significant proportion of families. Like all markets, housing markets develop and evolve over time and reflect the environment in which they operate. Housing market outcomes can have a significant impact on the well being of local communities.

Housing market assessments provide a structured approach to understanding key market drivers, and monitoring and projecting housing market outcomes. Housing market assessments should:

- Have clear and concise objectives;
- Boundaries which reflect the reality of the local market and provide useful delineations for users;
- Employ robust and transparent approaches / methodologies;
- Provide an understanding of the key factors influencing / driving the housing market;
- Provide a clear view of current and future housing demand and need; and
- Provide focused discussion on the implications of the analysis in a market, social and policy context.

Good housing policy cannot be set without an understanding of the housing market and its interaction with key market drivers. The results of a housing market assessment should provide policy makers with the information they require to understand:

- The nature of current and likely future housing demand and need;
- The type and spatial distribution of the demand and need; and
- The implications of these trends on housing outcomes, affordability and the provision of social housing.

Consequently, housing market assessments can play an important role in the policy and planning framework for councils and assist them with their decision making and resource allocation processes.

## 2.0 Introduction

Housing markets are a complex and dynamic part of our economy. The provision of appropriately priced housing within a community is an important social driver and can influence the long term health of different communities. Housing market outcomes are a result of a number of different factors including economic and demographic trends, the institutional framework provided by central and local government and a range of location specific factors. Monitoring these outcomes, along with understanding the key drivers influencing these trends, can provide valuable information to policy makers, planners and regulators to assist them in making more informed decisions.

Housing market assessments can provide valuable insight into the housing market and assist policy development, strategic planning, decision making and resource allocation processes by:

- Enabling local and regional government to develop long term strategic views of housing need and demand to inform spatial strategies and regional housing strategies;
- Enabling local authorities to think spatially about the nature and influence of housing markets in respect of their local area;
- Providing robust evidence to inform policies aimed at providing the right mix of housing across the whole market – both market and affordable housing;
- Providing evidence to inform policies about the level of affordable housing required, including the need for different sizes of affordable housing;
- Supporting authorities to develop a strategic approach to housing through the consideration of housing need and demand in all housing sectors – owner occupied, private rented and affordable, and assessment of the key drivers and relationships within the market;
- Drawing together the bulk of the evidence required for local authorities to appraise strategic housing options; and
- Ensuring the most appropriate and cost effective use of public funds.

*DCLG (2007)*

This report sets out how local authorities (both local and regional), other social housing providers (both central government and third sector) and consultants can develop a good understanding of how housing markets operate, particularly in terms of housing need and the demand for social housing, in their communities. As a minimum this assessment framework will enable figures to be derived for housing demand and need in different localities and determine what this means in the context of the housing market. It should also provide a good understanding of housing markets particularly in terms of their characteristics and drivers of change.

DTZ has developed the assessment framework outlined in this report based on our review of a number of overseas housing market assessment methodologies and also based upon three New Zealand case studies. In addition, we have been guided by our own experience in completing housing need / market assessments for the Wellington City Council / Housing New Zealand in 2006 and for the Christchurch City Council in 2008<sup>1</sup>.

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<sup>1</sup> See DTZ NZ (2009) Housing Market Assessments - A Scoping Study. A Report for the Centre For Housing Research Aotearoa New Zealand.

Methodologically, the housing market assessment framework proposed here owes most to the work undertaken in the UK over the last decade developing housing need and housing market assessment methodologies. In particular we have drawn on the most recent guidance on housing market assessment to be published in the UK, namely, *Strategic Housing Market Assessments Practice Guidance Version 2* published by the Department of Communities and Local Government in 2007. The New Zealand framework proposed here is also shaped by the Housing New South Wales 'Housing Kit' approach which itself was based on UK housing need and housing market methodologies.

The UK Guidance and the Housing New South Wales 'Housing Kit' approach are particularly relevant for three reasons. Firstly, both approaches are comprehensive or whole of market methodologies that consider the housing market and housing market drivers in their totality. Second, both are very well structured and set out and include all of the criteria that we consider necessary in a robust and credible assessment methodology. Finally, both the UK and Australian political, institutional and cultural contexts have many similarities to the New Zealand context.

It is important to appreciate that while the UK Guidance and the Housing New South Wales 'Housing Kit' approach, and other methodologies to a lesser extent, have proved helpful in shaping the New Zealand framework proposed, the specifics of the New Zealand economy and housing markets, as well as the institutional environment, means that a New Zealand specific approach is required which represents an adaptation rather than adoption of overseas best practice. A key factor necessitating a New Zealand specific assessment framework is the distinct difference in the tenure structure of the New Zealand housing market compared to many overseas jurisdictions. In addition many of the data sets available in overseas jurisdictions are not available in New Zealand. New Zealand therefore requires a distinct New Zealand approach to understanding housing markets, albeit one which draws on global best practice.

The assessment framework provided here:

- Outlines a sequential step by step approach to assessing housing demand and need and identifies the key outputs at each step;
- Identifies the methodological tools and techniques organisations can use to assess housing demand and need, including how qualitative information can be gathered and used;
- Promotes and focuses on the use of secondary data, allowing organisations to meet their assessment objectives in the most resource effective and timely way;
- Identifies the key data sources that can be used in an assessment; and
- Sets out an approach to assessing current and future housing need and implications for social housing demand.

Specifically the assessment framework will be presented under the following headings:

- Assessment objectives;
- Robust and credible assessments;
- Housing market boundaries;
- Housing market environment;
- Housing market trends and outlook;
- Special housing need;
- Other data;
- Potential implications;
- Monitoring the assessment in the future; and
- Summary.

## 3.0 Assessment Objectives

Housing regulation, planning, provision and housing assistance needs to be responsive to changes in the levels of housing demand and need, while at the same time having regard to the public resources available for housing and the wider political and policy context within which public resource allocation occurs. Housing market assessment can play an important role in assisting TLAs with their policy framework, and organisations responsible for social housing provision and housing assistance with their decision-making and resource-allocation processes.

The primary value of a housing market assessment is in providing a sound basis (i.e. accurate data and a robust evidence base) for:

- Developing strategic views of housing demand and need both now and in the future;
- Developing a sound approach to planning for the mix of housing required;
- Assisting local authorities to assess the level of affordable housing required in an area; and
- Assist with the assessment of future social housing requirements within a market.

A housing market assessment can also:

- Provide context information that can be included in a range of strategies and plans, for example the Long Term Council Community Plan, which local and regional authorities are required to prepare;
- Encourage greater integration between housing activity in an area and related strategies (e.g. urban growth strategies, urban transport strategies and urban design strategies), planning processes and interventions;
- Provide the opportunity to identify the needs of distinctive communities in ways that can influence the design and delivery of housing services provided by a range of organisations; and
- Provide a basis for ongoing monitoring of the local housing market and the impact of both general and housing specific policy interventions.

To have a clear view of the specific objectives and issues that they want the housing market assessment to address the organisation undertaking or commissioning the work needs to already have a good understanding of existing reports, existing planning and housing policies and strategies and practice in the area. The extent to which the core assumptions underlying various strategies are aligned should also be considered. The key findings of this work in terms of 'gaps' in the evidence base, common themes and strategic objectives, the policy context from a housing demand and need perspective, opportunities and constraints and spatial planning and housing policy priorities should be well understood and can be used to inform the broad parameters of the housing market assessment.

Out of the preceding review a number of broad topics that need to be considered when setting the scope of the housing market assessment should emerge. The issues that need to be considered when developing an assessment's objectives include:

- The geographic boundaries of the housing market under investigation?
- The nature of the housing market at regional, sub-regional and local market level?
- How is the housing market's relationship with adjoining areas likely to change over the next ten years?
- The local housing market's economic, demographic, institutional and strategic environment?
- The impact of past and likely future economic, demographic and social trends upon the housing market, particularly on housing demand and need?
- The factors that are likely to influence the popularity of different housing types in different parts of the housing market?

- Housing market price and rental trends?
- The balance between housing supply and demand?
- The demand for affordable and market housing and the extent to which affordability is an issue?
- How is the housing market likely to develop over the next ten years and what factors are likely to influence these trends?
- How are the market's characteristics and structure likely to change over the forecast / projection period?
- The relationship between supply and demand, potential imbalances and the implications of these trends on housing need?
- The factors likely to influence housing need and the likely quantum of future total demand and need for social housing?
- The depth of analysis required in terms of the level of community housing and special needs within the housing market? This sector of the market typically requires a significant amount of primary research and consequently resources. Thus it is important that the goals and objectives around this area are clearly defined to ensure optimal use of resources;
- The housing requirements of specific groups within the community by housing tenure, age, household type and size, ethnicity and household income?
- The depth of the analysis required in terms of quantifying the level of social and community housing provided? and
- Whether the study needs to comply with the requirements of the Affordable Housing Enabling Territorial Authorities Act (2008)?

## 4.0 Robust and Credible Assessments

DTZ considers the following criteria<sup>2</sup> important in determining whether a housing market assessment is robust and credible:

- It has a firm set of assessment goals and objectives in place at the outset, which the analysis has then sought to address;
- It presents a justification of the methodology that has been used;
- The assumptions, judgements and findings are presented in an open and transparent manner;
- Its findings are presented based on a defined housing market which is able to be disaggregated to smaller sub-areas if necessary;
- Key stakeholders have been involved in the assessment;
- It identifies and describes the key drivers underpinning the housing market;
- It provides estimates of current dwellings in terms of size, type, condition and tenure;
- It presents analysis of past and current housing market trends, including balance between supply and demand in different housing sectors and price / affordability;
- It provides an estimate of the total future number of households, broken down by age and type where possible;
- Its findings are presented in terms of the current and future housing demand and need, broken down by household type including a split between social and other households;
- Where appropriate, it addresses the needs of specific groups such as key workers, homeless, ethnic minorities, disabled people, migrants, the elderly, students, young people and rural communities;
- It provides key stakeholders, particularly local community groups, social housing providers and others with an appreciation of the housing market;
- It uses effective quality control; and
- Where appropriate, it shows how the assessment's findings have been updated and monitored since it was originally undertaken.

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<sup>2</sup> The criteria identified draw heavily on the core output and process criteria identified in Strategic Housing Market Assessments Guidance Version 2 (pgs. 9-10) published in April 2007 in the United Kingdom by the Department for Communities and Local Government.

## 5.0 Housing Market Boundaries

It's important that the boundaries for the study are clearly stated. There are a number of factors that are important when defining the studies boundaries. Considerations include:

- Overall boundary;
- Sub-market boundaries; and
- Relationship with institutional geographical areas.

### 5.1 Overall Housing Market Boundary

It's important when undertaking an assessment of a housing market that the boundaries are clearly defined and encapsulate the geographic spread of the market, otherwise key aspects of the market may be excluded from the study limiting its usefulness. Housing markets are often strongly correlated with labour markets. One test commonly used in Britain is the boundaries are defined by the area that the majority of people or households would consider relocating to if they were to shift from their current dwelling without changing their employment. A functioning housing market may overlap one or more local authority and / or regional authority boundaries. Limiting the study area to local authority boundaries may reduce the robustness of the analysis as it could exclude significant parts of the housing market. The factors that should be taken into account when defining the wider housing market should include:

- Labour market / housing market interaction;
- Input from local market experts;
- Discussion with local authorities; and
- Local market knowledge.

It is also useful to have a benchmark area against which the area under consideration can be compared and contrasted. This could be regional or national level statistics.

### 5.2 Sub Market Boundaries

In addition to defining the market boundaries, the broader market can also be divided into a number of sub markets. The following factors should be considered in the context of the study's goals and objectives:

- Sub labour and housing market boundaries;
- Local authority boundaries; and
- Socio economic characteristics of different suburbs.

For example, although housing markets and local authority boundaries may not coincide, it is likely to be useful on completion of the analysis for local authorities to be able to allocate the results for the whole housing market to each local authority. Issues such as this have implications for the way in which data is collated and coded so that it can be disaggregated where appropriate.

## 6.0 Housing Market Context

The objective of this part of the assessment is to provide a concise analysis of the context in which the housing market operates rather than an in depth report on each of these areas. The key areas which should be investigated include:

- Economic and labour market trends and outlook;
- Demographic trends including population growth;
- Infrastructural issues;
- Resource management considerations; and
- Land supply considerations.

These factors are the key drivers which shape the housing market and are likely to influence its performance in the future<sup>3</sup>. Consequently, a thorough understanding of these areas combined with an outlook of where they are likely to trend in the future is an important platform for undertaking a housing market assessment. A key question for this stage of the assessment should be: *“How has this driver changed over the last ten years, and how is it likely to change in the future and what is its likely impact on housing demand and need?”* This question should be applied to each of the five topics listed above.

### 6.1 Economic and Labour Market Trends and Outlook

National and regional economic trends (such as interest rates, inflation, and the level of economic growth) all have an impact on the level of construction activity and new investment in the housing market. It is important to consider these trends and how they have influenced the market and how they are likely to influence the market in the future.

Understanding the economic structure of the local economy is important and in particular understanding the sectors that are relatively more important to the local economy, i.e. the ones which account for a greater proportion of local GDP than the national average. Also important is whether those ‘dominant’ sectors are fast or slow growth industries. For example, an economy dependent upon a small number of slow growth industries is likely to generate different housing demand and housing needs to an economy dominated by fast growth industries.

An understanding of a region’s rate of economic growth over the immediate past, both absolute and measured against national averages, allows a fuller appreciation of the environment in which the current housing market operates. Almost as important is the volatility of a region’s growth.

The level and type of employment within a housing market has an influence on household incomes and hence households’ ability to afford different types of housing by tenure, dwelling size and type. In addition these factors may also influence where households can live relative to their place of work (work place geography). Consequently, it is important to provide analysis of past and expected future labour market / employment trends along with analysis of the impact that future trends may have on the housing market and the implications in terms of future demand by location and dwelling type. It is also useful to consider whether there is any evidence that labour market impacts on housing market outcomes are in turn influencing wages, the supply of labour and migration trends.

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<sup>3</sup> Note that land supply issues can be conceptualised as a constraint rather than driver of change in housing markets.

The interaction between future labour market growth and the implications for housing demand by location and type is a key driver which needs to be considered in the context of a housing market assessment.

The proportion of a region's working age population participating in the labour force plays a part in determining average household incomes and has implications for the tenure characteristics and size of housing demand and need. The numbers and types of employment by sector influence the level of wages that will be paid in a local economy and have implications for tenure, size and location of housing demand and need. Of most importance is the balance of employment in terms of the mix of higher and lower paid jobs. This mix can be assessed both by employment sector (e.g. manufacturing, finance and insurance etc) and occupational structure (e.g. clerks, professional etc).

Finally, some consideration at this stage of the assessment should also be given to the potential impact of housing wealth and non-labour market incomes on housing demand. This issue could be of importance particularly in those housing markets with or that attract higher than average proportions of elderly and retired households.

#### ***Date Sources***

Statistics New Zealand has a range of products that can assist with this analysis, these include:

- Business demography survey;
- Census;
- Survey of families income and expenditure; and
- Household labour force survey.

Additionally information can be sourced from:

- Economic consultancies;
- Banks; and
- Central government departments such as the Ministry of Economic Development, Treasury, and Reserve Bank.

## **6.2 Demographic Trends Including Population Growth**

Population and household trends impact on the type and nature of housing demand. It is important to consider the composition of the likely change in a housing market's demographic base on the type and nature of current and future demand. Typically this will include analysis which considers demographic trends by geographical distribution on the basis of:

- Tenure;
- Gender;
- Age;
- Household type;
- Income;
- Ethnicity;
- Employment;
- Migration;
- Household size;
- Dwelling type; and
- Projected / forecast growth in the population / households by demographic characteristic.

Population and household structures influence the profile or type of housing demand and need. It is important to broadly consider population growth, its composition and the age characteristics of the population. The key focus of the demographic analysis, however, should be at the level of the household because it is at this level that housing demand and need find expression. Changes in the demographic characteristics of housing markets over time are a key driver of housing market change.

Changes in population and household profiles provide important insight into understanding the issues influencing a housing market. It can also provide data on the nature and composition of demand / need and hence any likely changes to the composition of current and future demand / need.

It is important to understand in broad terms the pattern of population change over the recent past and the composition of that change in terms of natural increase and migration. An understanding of the age structure of the population is important as this influences migration trends, household formation and housing need. There are important age 'cohort' effects around tenure preference, housing need and general housing demand. For example, younger 'unattached' singles in the early years of their working careers have a preference for higher density rental tenure. As people age, establish long-term relationships and start families their housing needs change and they exhibit a preference for standalone dwellings and home ownership. The census provides the most comprehensive picture of the population in terms of recent growth, the composition of that growth and age structure. Statistics New Zealand's sub-national population estimates, which are produced annually, provide updated estimates of absolute population growth between censuses.

It is important to understand the composition of households by type (couple only, couple with children, one parent with children, one person household, and other), age (of the reference person), ethnicity and income, and how that has changed over the recent past. The key point is that different households, regardless of whether they are differentiated by type, age, ethnicity or income, have different housing demands (and propensities to consume) and needs. The census provides the most comprehensive picture of a population's household characteristics with the trend up to the current date ideally established over a ten-year period.

### ***Date Sources***

Statistics New Zealand has a range of products that can assist with this analysis and these include:

- Census;
- Survey of family income and employment;
- Household economic survey; and
- Population, family and household projections.

Other data sources include reports produced for regional and local authorities.

## 6.3 Infrastructural Issues

The provision of infrastructure in terms of public and private transport and water and waste water networks all impact on the housing market's ability to respond to changes in demand. Issues around the levels of the existing infrastructure network along with the timing of future network expansion, in the context of the property market, are an important consideration. In particular relevant regional and urban transport strategies should be reviewed. Issues such as landowner's ability to (re)develop sites can be influenced by the existing and proposed infrastructure relative to the site. Changes in the provision of existing infrastructure within developed areas (particularly public and private transport networks) influence demand within different locations over time. An understanding of these issues is important when developing a forward looking view of the housing market.

### ***Data Sources***

Data sources include:

- New Zealand Transport Authority;
- Regional councils and their various agencies; and
- Territorial local authorities.

## 6.4 Resource Management Considerations

The strategic policy and planning context underpinning the local housing market is important to understand because this establishes the parameters within which the housing market operates. For example, in areas where strategic policy and the regulatory environment restrict the supply of residential land (e.g. urban growth limits), the house price response to demand growth is likely to be greater than in areas where supply is relatively unconstrained, with potential implications for housing affordability. More specifically an understanding of available residential land is important for establishing whether there will be sufficient sites available, and of what type and in what locations, to meet the projected growth in household demand.

Regional vision and strategy reports provide insight into a region's economic and social goals and objectives. This provides a framework for understanding not only the current housing market but also for understanding how it might develop into the future. The key document that needs to be reviewed is a region's growth strategy or urban development strategy. Note, however, that not all regions produce such documents, indeed to date only a minority have, primarily the larger regions. In reviewing growth strategies particular attention should be paid to factors likely to influence the location, nature and type of residential development. Regional strategy documents and the supporting documentation and reports are usually freely available via regional council websites.

Local vision and strategy reports provide sources of information on various local (TLA level) strategies and policies and how they might impact on the local housing market. Similar to the regional level vision and strategies, but at smaller scale, TLA level strategies and policies establish the policy parameters within which the local housing market operates. Three broad types of strategies / policies need to be considered. They are urban development strategies, Long Term Council Community Plans (LTCCP) and housing policies. All of these documents and often supporting documentation and reports are usually freely available via council's websites. Note, however, that not all TLAs have urban development strategies and housing policies. LTCCP are, however, a statutory requirement.

Urban development strategies at the TLA level support the broader regional strategy and are also important in terms of LTCCP development. More specifically an urban development strategy will focus on how future growth in a TLA is to be managed. That is where growth is earmarked to occur and of what type. LTCCPs are plans that all councils must prepare every three years. The plans identify the things that a council proposes to do over the next ten years to meet the community's needs and wants and how much it will cost. Specifically, in terms of housing, LTCCP should broadly identify a council's goals in terms of its community's housing. In those TLAs where councils own and manage housing it is important to understand the policy parameters around that provision. Over recent years many councils have developed specific housing policies and these should be reviewed.

Note that this analysis should be in the context of the implications for the property market and its ability to respond to changes in demand in an orderly manner. One important consideration is the impact on potential supply through both greenfield and redevelopment opportunities.

There are a range of issues that should be considered in a concise overview of council regulations and plans in the context of their implications for the residential property market. These include the impact that the regulations within the district plan, building codes and other regulations have had on the operation of the market in the context of:

- How have they influenced past and current development activity in terms of the quantum, type, and distribution of development and redevelopment activity?
- How have these plans / documents evolved to cater for the changing nature of demand? This could include the impact that holiday home development has on the provision of housing for residents in coastal locations;
- Have they influenced or restricted the ability of the market to respond to changes in demand within different sub markets?
- What limitations do they create on the residential development potential within their boundaries by sub market? This should include comment on the nature of the dwellings allowed, for example; apartments, town houses, infill housing and standalone dwellings. In addition the availability of suitably zoned greenfield sites and their location relative to the likely growth in future demand should also be discussed;
- What restriction do they place on urban renewal and intensification by sub market? This should include comment around strategies used, including strategic growth corridors; and
- What, if any, affordable housing or low cost housing policies are included in their documents?

The key focus should be - what are the implications of these strategies on the market's ability to respond to changes in demand without adversely increasing cost / affordability?

#### ***Date Sources***

Data sources include:

- Regional councils and their various agencies, and
- Territorial local authorities including their district plans, growth strategy documents and long term planning documents.

## 6.5 Land Capacity and Supply Considerations

It is important to have an understanding of the supply of residential development land in different locations and how it relates to the projected growth in household numbers because this will have implications for likely land value growth and thus house value growth. It will also have implications for the type of residential development likely to occur. Some of this information can be found in TLAs urban development strategies and other reports, however, more often than not it will require contacting directly the appropriate TLA officers and building up a picture via primary research. Residential developers and real estate agents specialising in residential land sales can also be good sources of information.

An understanding of the residential development capacity within the housing market boundaries is an important consideration relative to the expected growth in demand. The goal is to provide an estimate of the future development capacity within the housing market by location. The key issues which need to be addressed include:

- The location and area of sites currently under development and available for future development along with existing development capacity under existing and / or proposed district plans;
- Any limitations which may hinder a site's future development;
- In addition to a site's maximum development capacity, an estimate of its likely potential, taking into account the site's limitations, is advantageous; and
- The ownership structure of key sites and any issues this may have on the timely release of development land onto the market.

### ***Data Sources***

Data sources include:

- Primary research / local market knowledge / developers;
- Regional councils and their various agencies; and
- Territorial local authorities.

## 7.0 Housing Market Trends and Outlook

Assessing housing market trends provides evidence of how housing demand may be leading to pressures in the local area housing market. The key issue to examine and interpret is how housing drivers are evolving (see previous section) and how demand for housing is responding (i.e. through changes in the relative prices of dwellings and their relative affordability). Also needing to be assessed is the extent to which supply is responding to demand and what type of supply is being brought to the market.

The interaction of supply and demand over time along with the influence of the key drivers discussed in the previous section produces a number of outcomes for the communities within their boundaries. Analysis of these key housing market outcomes provides an important platform to understanding the dynamics of the market. The areas which need to be considered include:

- Housing stock;
- Development activity and outlook;
- Value and Rental trends;
- Supply/demand balance
- Housing affordability and stress; and
- Housing market outlook.

Depending on how the study area has been defined it is important to consider the market dynamics within the boundaries taking into account the trends in areas outside the study area. For example, if the study area does not fully encapsulate the whole housing market then the market dynamics under consideration may be distorted because households have relocated to areas outside the study area due to inferior affordability.

### 7.1 Housing Stock

Establishing the dimensions and characteristics of the current housing stock and the changes in it over the recent past is necessary so that a broad measure of the 'goodness of fit' of current demand with current supply can be gauged. A more detailed understanding of the social housing stock, total stock and characteristics is, however, required so that the extent to which the existing social housing stock is meeting current social housing needs, both in absolute terms and qualitatively, can be gauged.

Analysis of the current housing stock provides important information to assist with the assessment of the market. Potential topics which should be included in the analysis include trends in the:

- Location and tenure of the existing housing stock;
- Tenure of the dwellings including owner occupier and rented dwellings by landlord (private sector, HNZC, council, community based organisations and other third sector providers);
- Relative size of each of the tenures should also be considered; and
- Age, distribution, type, size and value of the existing stock.

### *Total Housing Stock*

It is important to broadly understand trends as they relate to the total housing stock. Dwelling stock should be considered not only in its totality but also by dwelling type (standalone, apartment, multiunit etc), tenure and bedroom numbers (as a proxy for size). Census data from Statistics New Zealand provides the core dwelling data and can, if required, at least in terms of total stock and dwelling type, be augmented and made more current by using Statistics New Zealand building consent data. A further dataset, which can assist in building up a profile of the housing stock, is available from Quotable Value. This data includes age and dwelling size attributes.

Unfortunately in New Zealand there are no datasets available, comparable to those generated by House Condition Survey's in the UK, which would enable the housing stock condition to be assessed with any precision.

### *Social Housing Stock*

It is important to understand the absolute size of the social housing stock, its characteristics by type and stock changes over recent years. Data on Housing New Zealand's stock can be obtained directly from Housing New Zealand Corporation. Datasets available include stock by location, type (community housing, relocatable, complex, double unit, multi unit, single unit etc) and by bedroom numbers. Data is also available from Housing New Zealand around waiting lists, and dwelling additions and disposals. Care needs to be taken with the Housing New Zealand data as often their housing administration areas cross TLA boundaries. Also, in recent years there have been a number of changes to area boundaries, which makes trend analysis difficult. This is likely to be a greater issue for the main metropolitan areas.

Data on the local council stock is most appropriately obtained from the local council in the area under consideration. The quality of the datasets is likely to vary from council to council. However, as a minimum, data is required which allows the total stock and stock type to be quantified.

Data on third sector housing stock can be sourced directly from third sector providers. In New Zealand the third sector stock is very small and in most areas is unlikely to come to more than a handful of dwellings.

### ***Date Sources***

Data sources include:

- Census;
- HNZC;
- Council housing;
- Community and third sector housing providers;
- Suppliers of property market statistics including Quotable Value, Headway Systems, Propertyiq and Terraview;
- Territorial local authorities;
- Building Research Association of New Zealand; and
- Government agencies such as the Department of Building and Housing.

## 7.2 Development Activity and Outlook

The trend in development activity shows how supply is responding to demand and house price changes. Development activity can be looked at in a number of ways but is probably most usefully considered as the number of, or percentage change in the number of, consents on a per annum basis. Development trends for both standalone dwellings and multiunit dwellings and by various locations can be derived.

The pattern and nature of development activity can also provide an important insight into the market. Residential subdivision and building consents provide important information on the nature of the supply side response from the market to changes in demand. In addition the identification of the key developers in the market and the type and nature of the key developments can provide an insight into the short term supply response to current demand.

### **Data Sources**

Data sources include:

- Census;
- Building consent data;
- Developers;
- Territorial local authorities and Regional Council reports; and
- Population and household growth projections.

## 7.3 Value and Rental Trends

The trend in house sale prices shows how demand for housing is responding to the totality of housing drivers through changes in relative prices. House sale prices can be looked at in a number of ways but in all instances median values are preferred to average values. Current house prices can be presented as can the compound growth in house prices over say a ten-year period. It is also illustrative to look at the per annum compound change in prices over smaller discreet time periods. Price trends for both standalone dwellings and multiunit dwellings and by number of bedrooms can be derived. Price trends can also be derived for different value segments of the market, for example, lower quartile prices.

The trend in market rentals shows how demand for rental housing is responding to the totality of housing drivers through changes in relative prices. House rental prices can be looked at in a number of ways but in all instances median rentals are preferred to average rentals. Current market rentals can be presented as can the compound growth in rentals over say a ten year period. It is also illustrative to look at the per annum compound change in rentals over smaller discreet time periods. Rental trends for both standalone dwellings and multiunit dwellings and by number of bedrooms can be derived.

The trend in volume and the median and lower quartile dwelling sale price and rents by dwelling type and location provides useful information on the residential property market's performance. It provides important base data for the analysis of housing affordability for renters and potential first home buyers. Comparison with national and / or regional trends may provide a useful benchmark.

#### **Data Sources**

Data sources include:

- Department of Building and Housing;
- Real Estate Institute of New Zealand; and
- Suppliers of property market statistics including Quotable Value, Headway Systems, Propertyiq and Terraview.

## **7.4 Supply / Demand Balance**

The growth in the housing stock relative to the growth in the population and / or number of households can provide insight into the supply / demand balance. This may also provide insight into trends in the relative level of crowding and affordability. Particular attention should be paid to the balances in the private rental sector given that this is the sector where a large percentage of the growth in middle and lower income housing demand has occurred.

## **7.5 Housing Affordability and Stress**

Affordability trends can be measured in a number of ways and there are a number of aspects to housing affordability / stress that need to be considered. Affordability / stress and estimates of housing need should be derived for the following groups:

- Renter households;
- First home buyers; and
- Owner occupier households.

#### **Measures of affordability and housing stress**

There are a large number of different affordability and housing stress measures. The commonly used indicators include:

##### *Renter households*

- Number of hours worked at various ratios<sup>4</sup> of median household income (MHI) required to pay the median rental for a three bedroom dwelling;
- Median rental for a three bedroom dwelling as a proportion of various ratios of median household income;
- The proportion and number of households paying more than 30% of gross household income in rent. Households that are paying more than 30% of gross household income in rent are defined as "stressed". In addition, the number / proportion of households paying more than 25%, 35% and 40% are also calculated to examine the sensitivity of housing stress around 30%; and
- The size in dollars of the rental gap. The rental gap is what renter households can afford to pay, assuming they pay no more than 30% of gross household income in rent, and assuming the median rental for a three bedroom dwelling.

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<sup>4</sup> Typically the ratios used are 80%, 100% and 120% of median household income.

### *First Home Buyers*

- Intermediate housing market – both the number of households and as a proportion of the rental market. The intermediate housing market is defined as the number of renter households who have at least one person employed who can not afford to purchase a dwelling at the lower quartile house price;
- The deposit gap at various ratios of MHI. The deposit gap is defined as the dollar amount a household at various ratios of MHI would have had to have saved to purchase a dwelling at the lower quartile house price assuming normal bank lending criteria;
- The number of hours a week it takes to pay the mortgage for a dwelling purchased at the lower quartile house price, assuming normal bank lending criteria; and
- House prices as a ratio of median household income.

Consideration should also be given where possible to the impact of parental and family wealth transfers on first home buyers.

### *Existing Owner Occupier households*

- Housing stress, which is defined as the number of owner occupier households paying more than 30% of their gross household income in housing costs; and
- The ratio of household income to dwelling sale prices over time.

The affordability analysis should take into account the relative level of affordability by key demographic variables such as age, household type, ethnicity and household income. Consideration should also be given where possible to changes in the user cost of housing capital over time.

### *Estimates of housing need*

Total housing need is a combination of a number of groups of households who are in need for a variety of reasons. These household groups include:

- Households who are financially stressed (paying more than 30% of their gross household income in housing costs). These would include households receiving the Accommodation Supplement and those in council housing receiving the Accommodation Supplement;
- Households who are in Housing New Zealand dwellings. Housing New Zealand's allocation criteria suggests they are in need. Current Housing New Zealand policy relating to income related rent suggests these households are unlikely to be financially stressed. However, they are likely to have one or more other attributes that categorises them as in housing need;
- Council housing tenants who do not receive the Accommodation Supplement and thus are in housing need in another way; and
- Households in need but who are not included in any of the preceding categories whose accommodation requirements are being provided by third sector and emergency housing providers, those households on social and third sector housing providers waiting lists and the homeless.

$$\text{Housing Need} = \text{Financially Stressed} + \text{Housing New Zealand Tenants} + \text{Council Housing Tenants not getting AS} + \text{Other Social and Other}$$

### **Data Sources**

The data sources include:

- Statistics New Zealand – census, household economic survey and survey of families income and expenditure; and
- House price and rental statistics previously used in the analysis of the housing market.

## 7.6 Housing Market Outlook

The objective of this section of the assessment is to provide an overview of how to develop a future outlook for the housing market, which will assist in providing the basis for understanding likely future trends in the market and for the calculation of current and future housing need. The areas included are:

- Household projections by tenure;
- Outlook for the housing market; and
- Implications for housing affordability and housing need.

The housing market outlook provides the basis for assessing how some of the key market variables (home ownership rates, growth in demand by tenure, sales price and rents) are likely to change in the future. There are numerous ways of developing an outlook for the market. However, in the context of a housing market assessment the assumptions underlying the outlook should be clearly stated and take into account the analysis already undertaken. The implications of the outlook on housing affordability should also be provided and this should, if possible, examine the demand / need for housing by dwelling size, type and location. Typically a number of scenarios should be included to demonstrate the sensitivity of the housing market and affordability measures to changes in key market drivers.

This analysis will form the basis behind the assessment of the following issues:

- What factors are likely to affect the future demand for housing?
- Are the pressure points in the market likely to worsen or improve?
- How will these trends impact on affordability over the next ten years?

The approach outlined here is the basis for forming a minimum understanding of the future housing market. Opportunities exist for the development of more complex models to assess the potential future impact of economic and demographic trends on household formation, house prices and consequently affordability.

### ***Data Sources***

Various reports produced by central government agencies including the Reserve Bank, Treasury and economic reports produced by banks and economic consultancies.

### ***Process for Estimating Future Housing Need***

Table 7.1 summarises the three steps involved in developing the future outlook for the housing market.

**Table 7.1: Future Outlook for the Housing Market - Key Steps**

Step	Key Outputs
1. Household projections by tenure	Projected growth in the number of households by tenure and key demographic characteristics
2. Future outlook for the housing market	Estimated medium to long term outlook for house prices and rents under a number of scenarios
3. Implications for housing affordability	Discussion on the implications of these trends on housing affordability under a number of scenarios

*Step One: Household Projections by Tenure*

Household projections typically project past trends into the future making assumptions about the level of overseas and domestic migration in and out of the area and birth and death rates, to arrive at the likely change in both population and number of households. The most commonly available population projections are produced by Statistics New Zealand. Their projections are based on trends in inter-censal periods projected forward and are available down to area unit level.

Other organisations also produce population projections such as Regional Councils and TLAs. The relative value of the different sources of the data needs to be evaluated by the organisation undertaking the assessment.

The analysis of the likely growth in household numbers by tenure can be approached in a number of ways. These include:

- Modelling the likely change in home ownership rate using either econometric or an age cohort type approach; and
- Survey of households to quantify the home ownership intentions of households and how these have changed in order to assess the likely trend in home ownership rates over the study time frame.

The key outputs from this analysis will include:

- Projections of future household growth by household type; and
- Analysis of the growth by tenure (owned and rented).

*Step Two: Future Outlook for the Housing Market*

Here the primary concern is the future outlook for house prices and rents. There are a number of ways the house price question can be approached:

- Modelling;
- Trend extrapolation; and
- Scenario analysis.

As part of the analysis a view needs to be formed around future economic performance including employment structure. The analysis of the region's current economic context and characteristics provides a good foundation. Use can also be made of recent regional strategy documents and economic analysis.

Rentals can be modelled using a range of appropriate variables including the forecast change in household income etc. Alternatively, historic relativities (income / rental) can be extrapolated forward.

Any assumptions associated with these estimates should be explicitly stated.

### *Step Three: Implications for Housing Affordability*

Implications for housing affordability need to be considered in the context of:

- Future house price trends;
- Future income trends; and
- Future rental trends.

The previous section discussed approaches to deriving estimates of future house prices and rentals.

Future housing need may vary as the total number of households in an area changes and the affordability of both owned and rented accommodation changes over time. Table 7.2 summarises the steps in estimating the likely change in the number of financially stressed households.

**Table 7.2: Financially Stressed Households Data Sources**

<b>Step</b>		<b>Data Sources</b>	<b>Outputs</b>
1	Growth in households by demographic characteristics	Population and household projections from Statistics New Zealand and or TLAs / Regional Councils	Future number of households by demographic characteristic
2	Estimates of change in future home ownership rates	Modelled using census data and population and household projections	Estimates of the number of renter households by demographic characteristics
3	Financially stressed renter households	Modelled using Household Economic Survey (HES) data and future stress estimates	Estimates of the number of financially stressed renter households

### *Step One: Growth in Households*

The projected growth in population and the number of households can be sourced from either Statistics New Zealand and / or TLAs / Regional Councils. These provide the basis for estimating the future growth in the number of households within a location by demographic characteristics.

### *Step Two: Change in Home Ownership Rates*

The change in home ownership rates needs to be modelled to provide an estimate of the number of renter households in the future. Factors that need to be taken into account include:

- Change in the economic and labour market environment in the locality;
- Recent and expected changes in the affordability of housing;
- The projected changes in the proportion of the localities population by demographic characteristic; and
- Recent trends in home ownership rates by demographic characteristics.

### *Step Three: Financial Housing Stress - Renter Households*

Estimates of the future level of financial housing stress by household's demographic characteristics are required based on:

- Expected changes in the affordability of housing for both owners and renters; and
- Forecast changes in the economy for the locality.

The key output from these calculations is the number of households in need at a range of future dates.

The broad objective of this part of the assessment is to consider the implications of the growth in housing need for social housing demand. It is not the intent here to try and estimate the total demand for social housing, which is driven by various policy settings within government and is not amenable to forecast. The specific aim of this part of the housing market assessment is fourfold. Namely to:

- Estimate the number of additional housing units required to maintain the current relationship (ratio) between total housing need and the social housing stock;
- Consider the affect of maintaining the level of social housing at current / projected levels relative to total housing need;
- Is there a particular sector within the community that is being excluded from fully participating in the housing market? and
- Has there been a significant change in the relative level / proportion of lower priced housing (both rental and owner occupied dwellings)? What are the implications of these trends on the less advantaged groups in our society?

## 8.0 Special Housing Need

Each region or territorial local authority (TLA) is likely to have groups with special housing needs. Understanding the needs of these groups, the type of housing they require and the ideal location for it is important in a housing market assessment for planning the type of future housing stock that should be provided. Many of the groups with special housing need are either not easily quantified through the usual range of statistical sources, or their housing requirements may be specialised.

The “difficult to quantify” groups include those who do not contribute to surveys such as the census because they may:

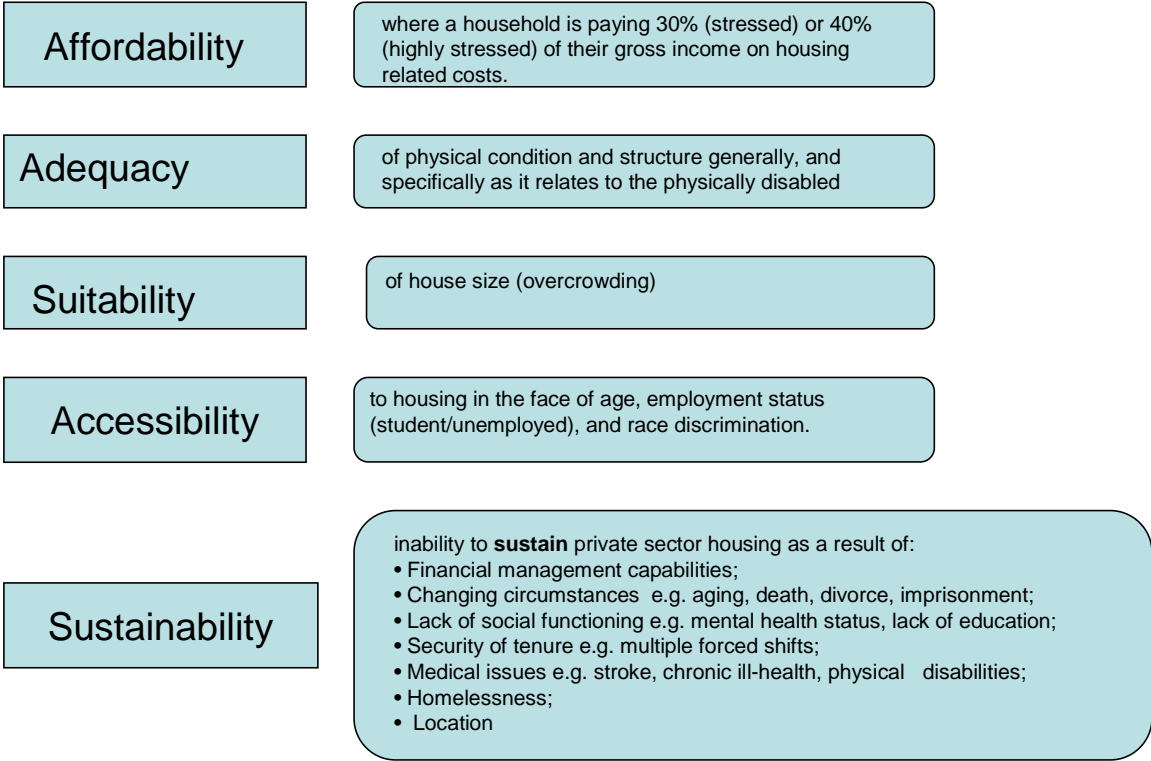
- Be homeless;
- Be living in large shared accommodation such as supported housing, boarding houses, student flats etc;
- Be living in transient accommodation e.g. camping grounds or caravan parks;
- Have a poor understanding of written English which prevents them from participating in these surveys; or
- Be a constituent group that may be too small to sample.

Those with physical or intellectual disabilities may also have housing need that is not easily identified through census or other general statistical data. Some housing markets may also have groups with special housing need specific to their area such as migrants and refugees, specific ethnic minorities, tangata whenua (particularly in rural areas) and seasonal workers. In these cases, a qualitative approach to assessing housing need is required.

# 8.1 Identifying Groups with Special Housing Need

The housing need of groups with special housing need is typically driven by affordability, but is likely to encompass some or all of the other dimensions of housing need. Figure 8.1 presents the dimensions of housing need.

**Figure 8.1: Dimensions of Housing Need**



Individuals with special housing need frequently present as applicants for, or tenants of, social and third sector housing, thus making these providers a key source of information on who these people are and how best to access information on them. Other agencies that may also be able to define the scope of the groups with special housing need are social support agencies (e.g. church-based agencies such as the Salvation Army), iwi-based agencies, District Health Boards, the Department of Corrections etc.

## 8.2 Qualitative Special Housing Need Estimates

There are a number of ways a qualitative assessment of groups with special housing need can be carried out:

- Specially designed housing market surveys that ask specific questions about housing need across a broad spectrum of housing types, including owner occupied, private rented and social rented;
- Interviews with social housing providers about the groups presenting for social housing and the needs they are seeing;
- Tenant updates undertaken by social providers to ensure that data on existing tenants is still current;
- Tenant focus groups;
- Interviews with non-government social support agencies;
- Data and information from government social services and health providers;
- Accessing recent social and health need studies; and
- Analysing waiting list information from social housing providers as a way of assessing unmet need.

These approaches are not mutually exclusive and it is likely that several will be used in the course of an assessment of special housing need.

The decision as to what sources of information are used will be based on a number of factors such as:

- The budget for the housing market assessment;
- Availability of data and surveys undertaken by social housing providers;
- Whether the data is collected in a form that can be readily analysed and compared; and
- The length of time available to complete the assessment.

Discussion of each of the approaches is set out below.

### ***Specially designed housing market surveys***

These surveys are specifically designed and carried out by qualified market survey companies. The benefit of these is that they can be designed to ensure that a broad spectrum of people occupying a range of housing types (including owner occupied, private rented and social rented) can be surveyed. The output is designed to be statistically valid and enables the user to query a range of information from it. A drawback of such surveys is their high cost.

### ***Interviewing social housing providers***

Interviewing social housing providers about the needs of groups presenting for, or already in social housing, can provide good general information about housing need. There may be difficulties in obtaining information on specific special needs groups depending on the criteria for allocating housing and the way the information about applicants and tenants is collected, stored and analysed by the provider. Generally, this information is insufficient on its own to give a complete picture of need.

### ***Information on existing tenants***

Tenant updates undertaken by social housing providers to ensure that data on existing tenants is still current can be another useful way of understanding need but its value depends on what data is collected and how it is analysed.

Where this kind of information has already been gathered, it is a cost-effective insight into the composition of social housing need that is unable to be met by the private sector. If it has been gathered for a number of years, it can also be useful in seeing changing trends in the demand for social housing.

If such information has not been collected, there will be a significant cost involved in collecting it, but it is unlikely to be as costly as a specially designed market survey. While this data tells us what types of need social housing is meeting, it does not necessarily tell us how well it is meeting the need. Further, on its own, it does not explain why a particular special needs group has housing need.

### ***Tenant focus groups***

Tenant focus groups may be used for understanding how and why tenants are in social housing. It is important that the facilitator for these groups is someone the tenants trust. If these focus groups target refugee and migrant or minority ethnic groups, it is important to involve a member of each specific ethnic group. Using such a person to set up and facilitate the group makes it more likely that these groups will agree to participate in the focus group. The facilitator may also be valuable in providing a cultural interpretation of the output of the focus group. Even then, some special needs groups may not be willing to participate in a focus group. Any information obtained through tenant focus groups should be used carefully and in conjunction with other corroborating information. The reason for caution is because tenants may withhold information on the extent of and reasons for their housing need if they are concerned that it may jeopardise their tenancy.

### ***Interviews with non-government social support agencies***

Interviews or workshops with social support agencies are a valuable source of information. These groups usually have a good understanding of the special needs groups, are interested in participating in a process that may result in better meeting the needs of their clients, and are able to provide information on the policies or issues that drive housing need for the groups that they support.

While some support agencies collect data on the numbers of people they help, in general, information on the numbers of people they support is provided on a “best estimate” basis.

This information also needs to be used in conjunction with other information such as that provided at a regional level by social services and health providers.

### ***Government social services and health providers***

Government agencies are an important source of information and data on the special needs groups that they support. They are often able to provide statistical data that has been collected as part of their planning and advisory roles. They are also able to identify policies that affect the special needs groups and are aware of the likely future direction these might take. They are also a good source of information on recent studies or research around particular areas of need.

One issue faced in obtaining statistical data on special needs groups is that it may not be collected according to the regional or local authority boundaries on which other statistical information is based. In addition, often these agencies provide a wider perspective on the needs of the special needs groups that should be considered along with specific local issues.

### ***Recent studies and research***

The needs of special needs groups are often the subject of research or studies undertaken by central and local government agencies, by universities and specialist research organisations such as the Population Studies Centre at Waikato University, Centre for Housing Research Aotearoa New Zealand and Wellington School of Medicine.

The benefit of using this source of information is that it is easily accessed and contains a wealth of valuable information. However, identifying which studies are most useful can be a time-consuming process and often yield only small amounts of information that may not necessarily be applicable. It is a tool that should be used in conjunction with other information.

### ***Social provider waiting lists***

Analysing social provider (HNZC, council housing and third sector providers) waiting lists can provide valuable information on the demographic characteristics of households with special needs. In addition, depending on the data available it may provide insight into the spatial distribution of need.

## **8.3 Summary**

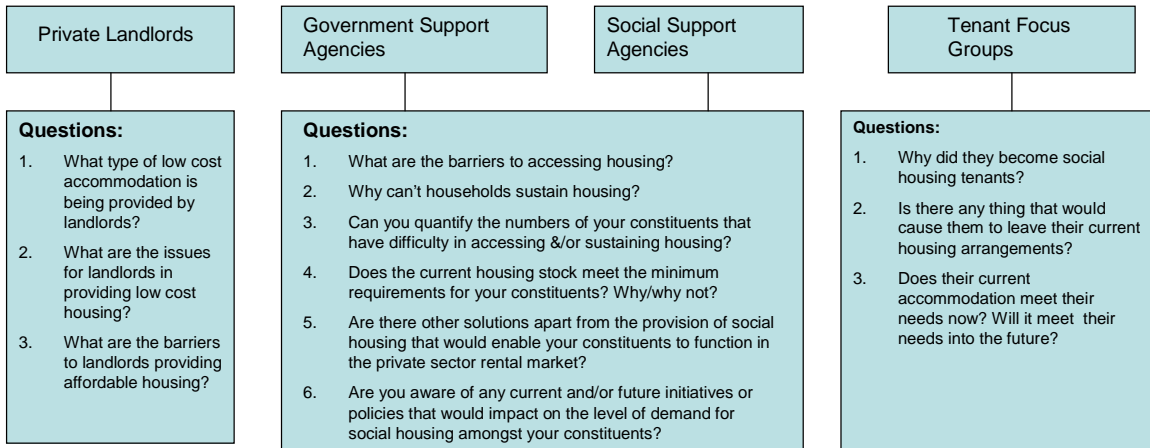
Figure 8.2 presents a summary of the process associated with the assessment of current and future special housing need.

**Figure 8.2: Current and Future Special Housing Need**

**Investigation of and Commentary on Existing & Future Tenant Issues**

**Aim:**

- To assess the current level of existing unmet housing need that cannot be quantified through existing secondary data sources
- To understand what the causes/drivers of that need are; and
- To assess the potential future level of unmet housing need.



## 9.0 Other Data

Analysis of secondary data as discussed provides insight into the dynamics of the housing market and the level of housing need. However, in the context of the New Zealand market some data gaps exist. Consequently, depending on the goals and objectives of the study it may be appropriate to undertake some primary data collection to provide a more in-depth understanding of key issues. These include and are not limited to:

- The quality of the housing stock. There is no robust secondary data on the quality of New Zealand's housing stock;
- The impact of housing affordability on households choice of location and tenure decisions;
- The interaction of housing affordability, tenure choice and job location; and
- Investor intentions in the private rental market and the implications for renters.

## 10.0 Potential Implications

Housing markets are complex and dynamic in their nature. A housing market assessment should provide insight into how and why the market has performed as it has and the outcomes produced. In addition the market outlook should provide insight into how the market may perform and the potential outcomes in the medium term. The housing market assessment should provide the information required to develop an overview of the housing market in terms of current and future housing need. This will include:

- A historic perspective of the housing market's performance based on past trends;
- An understanding of existing market characteristics in terms of structure and diversity;
- Consideration of how the market is likely to develop over time in the context of social, economic and demographic changes;
- A numerical estimate of current and future household housing demand / need and the implication of these trends on the demand for social housing; and
- An indication of the different types of households in need.

However, housing market assessments cannot provide definitive estimates of future housing demand and need, or housing market conditions, given the dynamic nature of housing markets. Instead the objective of a market assessment is to provide insight into how the housing market may operate in the future and the possible scale of future demand and need based on a set of assumptions.

In drawing together the key conclusions of the assessment there are a number of issues to consider. These include:

- Is there a reasonable balance between supply and demand?
- How affordable is housing in the different sectors of the market by demographic characteristics, tenure and location?
- Are the market dynamics likely to improve or deteriorate in the foreseeable future?
- Are council regulations or plans providing the desired housing outcomes?
- What strategies or partnerships could be developed to improve housing outcomes?
- What, if any, bottlenecks exist in the market and how might these be reduced?
- Are there appropriate levels of low cost / affordable housing available? and
- Are there appropriate levels of social and community housing provided in the right locations and configuration?

## **11.0 Monitoring the Assessment in the Future**

Housing market assessments are a snap shot of the market and its likely future performance at a point in time. It is important that the trends and activity in the market relative to the overall assessment can be monitored. This reflects the “plan, monitor and manage” approach suggested by DCLG (2007).

The assessment should provide the framework that allows the updating of key statistics as they become available. This will allow the market outcomes to be monitored which will assist in determining whether market outcomes are improving or deteriorating. For example, as actual market statistics become available, such as the uptake of land, level of development activity, median rental and lower quartile house prices, the key supply / demand and affordability statistics could be recalculated.

## 12.0 Summary

Housing plays an important role within a community by meeting households' accommodation requirements as well as being a major investment for a significant proportion of families. Like all markets, housing markets develop and evolve over time and reflect the environment in which they operate. Housing market outcomes can have a significant impact on the well being of local communities.

Housing market assessments provide a structured approach to understanding key market drivers, and monitoring and projecting housing market outcomes. Housing market assessments should:

- Have clear and concise objectives;
- Boundaries which reflect the reality of the local market and provide useful delineations for users;
- Employ robust and transparent approaches / methodologies;
- Provide an understanding of the key factors influencing / driving the housing market;
- Provide a clear view of current and future housing demand and need; and
- Provide focused discussion on the implications of the analysis in a market, social and policy context.

Good housing policy cannot be set without an understanding of the housing market and its interaction with key market drivers. The results of these studies should provide policy makers with the information they require to understand:

- The nature of current and likely future housing demand and need;
- The type and spatial distribution of the demand and need; and
- The implications of these trends on housing outcomes, affordability and the provision of social housing.

Consequently, housing market assessments can play an important role in the policy and planning framework for councils and assist them with their decision making and resource allocation processes.

## 13.0 Definitions

### ***Deposit Gap***

The deposit gap is the dollar difference between the mortgage debt a household can service assuming a median household income (or various ratios of MHI) and standard bank lending criteria when compared to the lower quartile house sale price. Typical ratios of the MHI used include 80%, 100% and 120%.

### ***Housing Need***

Total “housing need” encapsulates “financially stressed households and those households which occupy social, third sector and emergency housing and those households on social and third sector housing providers’ waiting lists and / or homeless”. Implicit in this definition of housing need is that housing need is wider than just financial housing stress and includes a range of housing need dimensions, in addition to affordability. These dimensions include adequacy, suitability, accessibility and sustainability.

### ***Housing Stress (financial)***

“Financial housing stress or financially stressed households” encapsulates those “households paying more than 30 percent of their gross household income in housing costs”.

### ***Intermediate Housing Market***

The number of renter households who have at least one person in paid employment and are unable to purchase a dwelling at the lower quartile house sale price assuming normal bank lending criteria.

### ***Housing Demand***

“Housing demand” is “the quantity of housing that households are willing and able to buy or rent”.

### ***Rental Gap***

The rental gap is the dollar difference between 30% of the median household income (MHI), or various ratios of MHI, compared to the median rent for a three bedroom dwelling. Typical ratios of the MHI used include 80%, 100% and 120%.

### ***Special Housing Need***

“Special housing need” encapsulates those “households who because of their circumstances have housing needs in addition to affordability”.

### ***Social Housing***

“Social housing” is “housing provided by not for profit organisations with social objectives including Housing New Zealand Corporation, territorial local authorities and third sector housing providers”.

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