



Housing Tenure Aspirations and Attainment

Despite declining home ownership rates, New Zealanders continue to aspire to own their own homes. Household demand projections to 2016 are for strong growth in both owned and rented accommodation. A significant increase is also expected in the number of households headed by persons aged 65 years and over. In response, policy priorities are recommended in the areas of housing supply, the rental housing market and the housing requirements of older New Zealanders.

Based on research by DTZ New Zealand (Ian Mitchell, Steve O'Malley and Dan Secker), UMR Research, Dr Philip Morrison of Victoria University, and Davies Associates (Sandra Davies). The research includes a literature review on housing aspirations and attainment; qualitative research investigating housing tenure aspirations, limitations and choice; quantitative analysis investigating changes in the pattern of housing tenure in New Zealand since the early 1990s; and household demand projections across New Zealand and by region out until 2016.

Key Points

- New Zealanders' aspirations to own their own homes remain high. Whether these aspirations can be met for those experiencing financial difficulties and delays moving into home ownership remains to be seen.
- New Zealand's home ownership rates are projected by DTZ New Zealand to continue to fall from 68% of households in 2001 to 61.8% by 2016. While the actual number of households owning is increasing, the growth in the number of households renting is growing faster.
- The total number of households is estimated to increase to 1,748,020 (approximately 20,500 households per annum between 2006 and 2016).
- Older households, headed by persons aged 65 years and over, will increase from 319,650 (20.6% of all households) in 2006 to 423,840 (24.4% of all households) in 2016.
- Projected strong demand for housing, both rental and owner-occupier, centred on the Auckland region and upper half of the North Island, will require significant government and non-government capital. Private sector investment in the growing rental housing market will be critical.

- In considering housing policy responses in the context of the New Zealand Housing Strategy, it is recommended that priority should be given to:
 - addressing any identified housing supply issues that limit the market's ability to effectively respond to changes in demand;
 - encouraging an environment that allows for

continued private sector investment and improved management in the rental housing market, while enhancing the benefits of being a renter; and

- broadening the focus on the housing requirements of older New Zealanders to include the interactions between housing, health and social services, transport and other infrastructure services.

Findings

Housing Tenure Aspirations, Limitations and Choice

The overwhelming majority of focus group participants aspired to be owner-occupiers in ten years' time. These aspirations appear to exist irrespective of individuals' personal debt levels, or ability to save for a deposit or to service a mortgage.

In terms of general dwelling attributes, the majority of 18- to 40-year-old participants aspired to live in larger dwellings (villas rather than units) on large sections, often in the same suburbs.

The key advantages of rental tenure were no responsibility for rates, insurance and maintenance; flexibility; and the ability to live in locations where owner-occupation was unaffordable. The key disadvantage of rental tenure was a lack of security of tenure. Also, rental payments were viewed as 'dead money' and rental tenure restricting in terms of how a house could be used.

The trigger for the initial move into home ownership was closely linked to couple stability and the presence of two incomes in a household, which made house purchase affordable.

Reduced affordability in the face of rapidly appreciating house prices was seen as the key constraint on people's aspirations for home ownership. More

specifically, income, and in particular the inability to save a deposit from current income, was seen as the key barrier to moving into home ownership.

In terms of trade-offs, families rated locations close to schools highly. Singles and couples prioritised locations close to work, specifically in Auckland due to traffic congestion. The desire for no or low maintenance homes was shared by all age groups.

Changing Patterns of Home Ownership (1991–2001)

The probability that households in New Zealand will own their dwelling has been falling since 1991, even though the number of households actually owning has risen. The fall in ownership has disproportionately affected younger, low-income households.

There is an emerging geography to home ownership resulting from the constraints on securing owner-occupancy in the major cities. As ownership rates decline in the metropolitan centres, ownership rates have risen relatively in areas beyond the urban centres.

Increasingly, multi-units are acting as substitutes for those unable or unwilling to enter the single-unit dwelling owner-occupied market. As a result, the proportion of people owning has declined more slowly in multi-unit dwellings.

Successive cohorts of young households show lower levels of increase in ownership as they age over the decade. The time it has taken successive household cohorts to enter home ownership has lengthened.

Household Demand Projections

The total number of households is estimated to increase to 1,748,020 by 2016, or by approximately 20,500 households per annum between 2006 and 2016. Just under half of the total growth is projected to be in the Auckland region and 70% of the total growth in the upper half of the North Island.

The growth in the number of rented units between 2001 and 2016 is projected to be 206,490 units, whereas the growth in owned units is estimated to be 101,230 units.

The strongest growth is estimated to be in the households where the reference person is aged 65 years and over. In 2006, 319,650 households (20.6% of all households) will be headed by persons over the age of 65. By 2011, this figure is projected to increase to 359,040 (21.8% of all households) and, by 2016, to 423,840 (24.4% of all households).

New Zealand's home ownership rate is projected by DTZ New Zealand to continue to decrease, and to fall to 61.8% by 2016. Home ownership rates are estimated to decline across all regions; however, the rate of change is expected to vary. For example, Gisborne and Auckland are projected to have the lowest home ownership rates, at 57.5% and 58.3% respectively, and Southland and Tasman the highest, at 69.5% in 2016.

The projected growth in demand will require significant capital injection from a range of sources, including government, local government, community trusts, and private and institutional investors. The pressure on the building industry from projected growth (excluding second homes not rented out) is unlikely to be greater than the levels of total demand over the last five years.

The key issue is, will similar amounts of the required capital be available if the outlook for the residential rental investment market softens?

Policy Implications

Overseas experience in implementing modern housing policies shows that New Zealand's situation is not unique. There is no 'magic bullet', and the impact of policy choices on housing outcomes is difficult to predict and monitor.

Housing policy is further complicated because it is at the fulcrum of a plethora of other policies where housing is not the prime driver (for example tourism, immigration, employment, transport, health and education). Moreover, the impact of these issues varies from region to region and this complicates implementation of a single nationwide solution.

The research highlights four critical policy issues. All are anticipated in the New Zealand Housing Strategy. They are:

- strong home ownership aspirations;
- strong future demand for housing, both rental and owner-occupier, especially in Auckland;
- significant non-government resources being required to meet expected housing demand; and
- older households to increase in both number and as a proportion of total households.

Policy options for government in accommodating New Zealanders' home ownership aspirations generally fall into two approaches:

- Intervening in the market to try and change the direction of the underlying trend, for example, declining home ownership rates; or

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POLICY IMPLICATIONS CONTINUED

- Dealing with the consequences of these trends.

The challenge for government is how to create or maintain an environment in which the private sector (whether at an institutional or private individual level) continues to invest in the rental housing market. At the same time, government will need to improve the underlying benefits associated with being a renter.

The lack of institutional investment, and sometimes poor management and maintenance, are impediments to implementing policies to improve rental tenure. More professional management of private rental accommodation, through corporate, trust and other institutional investment structures, is required.

The authors argue that addressing housing supply issues should be at the forefront of housing policy initiatives. This work needs to consider whether there are supply side impediments that limit the market's ability to respond to changes in demand

in an orderly fashion, and whether significant regional variations exist. It is important that appropriate processes are in place so that supply side responses and regulations take into account a medium- to long-term land use strategy that optimises use of scarce land resources.

The actual number and proportion of dwellings where the key reference person is aged 65 years and over is estimated to increase significantly. Older people are one of many groups with particular housing needs requiring focused and specific responses. However, housing policy and interventions for older New Zealanders cannot be viewed in isolation. The complex interactions between housing for older people and other sectors – especially health and social services, but also transport and other infrastructure services – need to be addressed. The issue should have a much wider brief with further in-depth research and analysis.

Further Information

This bulletin is based on CHRANZ's report *Housing Tenure Aspirations and Attainment*.

A copy of the report and this bulletin can be found on the CHRANZ website under 'Our Publications'.

Other useful reports include:

- *Changes in the Structure of the New Zealand Housing Market* DTZ New Zealand (May 2004)
- *Accommodation Options for Older People in Aotearoa/New Zealand* NZiRA/Berl (June 2004)
- *Housing Costs and Affordability in New Zealand* DTZ New Zealand (June 2004)

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