

Sub-regional Housing Demand in the Northland Region

Housing markets cannot be divorced from a region's overall economic performance. The three sub-regions studied in the Far North have two marked labour mismatches: a disparity between employment opportunities and available labour and also a capability gap between skills required and available employment options. These mismatches are exacerbated by a dual housing market of secondary and retirement homes and a residualised low-value rental and owner-occupier market.

Based on research by Darroch Limited (Ian Mitchell and Steve O'Malley) to investigate the dynamics and the key factors of housing demand in three sub-regions in the Far North District of the Northland region. This research was jointly funded by the Centre for Housing Research, Aotearoa New Zealand (CHRANZ), Te Puni Kōkiri and the Department of Labour.

Key Points

- Sub-regions in the Far North show a significant disconnect between the labour market, household incomes and house prices.
- The long-term lack of a viable employment base in the sub-regions and associated low household incomes have created persistent sub-standard housing and high levels of housing need.
- Māori housing needs may be better served by expanding and developing existing programmes. This would also require a coordinated whole-of-government approach, engagement with local Māori communities involved in housing, sufficient financial support to housing providers, creating opportunities for economies of scale and improving the quality of the housing stock.
- The key constraints for development of multiple-owned Māori land are well documented. Less well known is that the rating system is a major impediment to the development of multiple-owned Māori land.
- House price escalation of high amenity land, especially coastal sub-division, has meant displacement of locals as house prices became unaffordable and unused housing resources in an area of high housing need.
- Rural housing issues need to be placed within the discussion of regional development policies in New Zealand.

Sub-regional Setting: Three Far North Sub-regions

Housing demand in three sub-regions in the Far North were studied: Kawakawa/Moerewa/Kaikohe; the Hokianga; and Taipā/Mangōnui.

The focus was on:

- the relationship between local labour markets and local housing markets;
- rural Māori housing and housing on multiple-owned Māori land;
- the social and economic costs of pressure on high amenity land; and
- policy actions that could impact on demand.

Local labour and housing markets

The paucity and quality of employment opportunities limits households' ability to meet their own housing needs. Particular constraints include:

- Spatial mismatch:** Employment is located primarily on the east coast, and available labour is primarily inland and/or on the west coast. This mismatch has been exacerbated by the spatial distribution of employment growth over the last decade.
- Capability mismatch:** Many people living in the sub-regions do not have the skills and knowledge required for the work that is available.
- Employment opportunities:** Available employment options are limited. Low-paid jobs are often only part-time or seasonal (for example, tourism, farming, forestry and horticulture). Many seeking such employment that do not live on or near the east coast employment nodes face high transport costs. Commuting any distance for very low-paid work makes little economic sense for many workers.

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Rural Māori Housing

Different dynamics: The dynamics of rural housing markets are quite different from those of national housing markets, which are driven by the operation of large urban markets.

The Far North District, particularly its most northern parts, is one of the most isolated in the country. It is overwhelmingly rural in character with numerous small settlements and towns. The only town of any size in the three sub-regions is Kaikohe (population 4,113, 2006 Census).

The rural nature of the region has a profound impact on the nature and character of housing problems. Poor housing condition and unmet housing need are often found in rural areas. Compounding these problems is a lack of infrastructure outside the main towns, including sewage disposal and water and electricity supply.

Regional policy issues and rural housing:

Policies that encourage countrywide regional growth and innovation are likely to view peripheral rural areas such as Northland as being economically marginal. Regional policy needs to explicitly address the issue of regional disparities. Marginal regional areas prosper when regional development policy ensures that similar standards of living prevail across regions. Northland's rural housing issues are clearly associated with the region's poor economic performance. Rural housing issues need to be placed within the discussion of regional development policies in New Zealand.

Māori Housing

The long-term issues for Māori housing in Northland include sub-standard housing, problems of building on Māori-owned land, problems of securing finance as well as problems of housing affordability. Three case studies looked in depth at three different Māori

communities (Te Rūnanga o Te Rarawa, Te Whānau a Kingi Waiaua Trust and Te Rūnanga ā iwi o Ngāpuhi and Ngāti Rēhia). Detailed insights and experience of three quite different histories are proffered.

Continuation of existing programmes: The three case studies and a review of various programmes implemented in Northland¹ suggest that existing programmes should be continued and the benefits extended to a greater proportion of the Māori population.

This would require greater funding commitment and a more coordinated whole-of-government approach to housing in Northland. Interagency interaction should include local authorities.

Supporting Māori providers: The case studies confirm the importance of local Māori community involvement in housing – especially given the growing number of Māori households for whom renting is the only option. Māori community involvement in house building and maintenance also provides opportunities to develop trade skills and employment (as in the Te Rarawa case study), but the success of such schemes rests on their economic viability. Clustered housing development and renovation would help generate greater economies of scale. A greater focus on the building of new dwellings to meet growing demand and increase the overall quality of the housing stock is also recommended. There is also potential to develop Māori housing providers as third sector housing providers.

Multiple-owned Māori land: The key constraints for development of multiple-owned Māori land are well documented. They include lack of ownership clarity due to poor title and ownership records, unsurveyed blocks making effective and legal use difficult, multiple owners making it difficult to get agreement, unwillingness of mainstream lenders to lend against

multiple-owned land because of security requirements and, because land cannot be sold, planning and compliance issues and costs. Also, Māori land is often landlocked or lies on a flood plain and is not suitable for housing.

Less well known, and a major impediment constraining Māori developing their land for housing, is the rating system. Specifically, multiple-owned Māori land, which is not available for sale on the open market or for commercial use, has rating values struck based on highest and best use, as is the situation with general freehold land. This has no financial implications while the land remains undeveloped, but once the owners wish to develop the land, they may become liable for full rates. The financial implications, especially given the significant increases in rural and coastal land values in the sub-regions, mean that housing development on multiple-owned Māori land in many cases is uneconomic. Lack of development of Māori land, especially coastal land, can thus increase the amenity value of adjacent 'general' land.

High-amenity Land – Social/Economic Pressures and a Dual Housing Market

Second home and retiree housing in coastal areas (such as the Taipā/Mangōnui sub-region) can have both positive and negative effects. It boosts the property development sector and employment, has multiplier effects and provides a seasonal boost to service industries, an increased rating base, possible community rejuvenation and reversal of population decline. However, high-income households from outside the sub-region, retirees and holiday home purchasers, with superior economic resources, have bid up house prices in the sub-region beyond local incomes. House price escalation over the last decade of this high-amenity land, especially coastal sub-division, has meant displacement of locals as house prices become unaffordable and unused housing resources in an area of high housing need. Locals priced out of the market have increasingly looked to cheaper, often sub-standard housing.

¹ These programmes include the Rural Housing Programme (addressing sub-standard housing) the Low Deposit Rural Lending scheme and Papakāinga Housing.

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The resulting dual housing market phenomenon has two quite distinctive demand profiles: higher priced second homes and retirement homes and the 'residualised' low-value rentals and owner-occupied segment where the majority of the stock has a low average value.

Policy Actions

A variety of local and national economic, demographic, social and cultural factors are at play in the housing demand characteristics of the three sub-regions in Northland region. Three specific features stand out: rural housing issues, Māori housing and high-amenity land. The authors suggest that:

- (i) Rural housing issues need to be placed within the discussion of regional development policies in New Zealand, which, in turn, may need to explicitly address the issue of regional disparities.
- (ii) Māori housing needs may be better served by expanding and developing existing programmes. In addition, attention could be given to reformulating the ways in which local Māori communities involved in housing are engaged by central and local government agencies. Opportunities also exist to generate greater economies of scale through clustered housing development and a focus on new buildings to meet demand and increase the overall quality of the housing stock.
- (iii) High-amenity land issues (second homes and retiree housing in coastal areas) include both positive and negative economic and social impacts. Regional policies could embrace or restrict second home development or a mix of the two approaches dependent on local circumstances or needs.

Further Information

This bulletin is based on the report *Sub-regional Housing Demand in the Northland Region* by Darroch Ltd (August 2010). A copy of the report and this bulletin can be found on the CHRANZ website under "Our Publications".

Other useful reports include:

- *Housing, Employment and Regional Development. An Issues and Scoping Paper Applied to the Northland and Canterbury Regions* (August 2007) Scott Phillips Ltd.
- *Affordable Housing in the Bay of Plenty Region – A Solutions Study* (August 2007) Capital Strategy and SGS Economics and Planning.
- *Māori Housing Experiences: Emerging Trends and Issues* (October 2006) The Family Centre Social Policy Research Unit/Research Centre for Māori Health and Development – Massey University.

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