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Population structures and housing Policy: The genesis of the housing crisis and the data needed to move forward

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Population futures in an uncertain world: The changing faces of Aotearoa New Zealand
Population Studies Conference 30 August 2023



The Joy and Tragedy of Demography and Population Studies

The Joy:

Population change is reasonably predictable

The Tragedy:

Population change and dynamics are often ignored, the predictable is treated as a shock, and demographic dividends missed



1990/91 Housing Reforms

- Accommodation Supplement Working Party
- Removed supply-side policies and investment
- Accommodation Supplements (AS) argued as a means to:
 - Create equity – Housing welfare vs IRR in state housing and state housing market rents
 - Create a supply response – Burgeoning of the private rental market but not a build response
- Residualisation of capital funding and the community housing sector
- Removal of ownership assistance
- Removal of building finance
- Removal of land development finance and activities



Detached from Demographic and Population Realities

The narrative underpinning the 1990s reforms was one of:

- Fiscal risk and waste – too much Government and not enough market
- Inequity (state housing subsidies versus welfare assistance) and middle-class capture (owner occupation support)
- Unmet housing is a demand side problem exacerbated by regulation and Government provision – referred to as market failure
- The solution – a housing system to be approached through the market with residual welfare in the form of an Accommodation Supplement

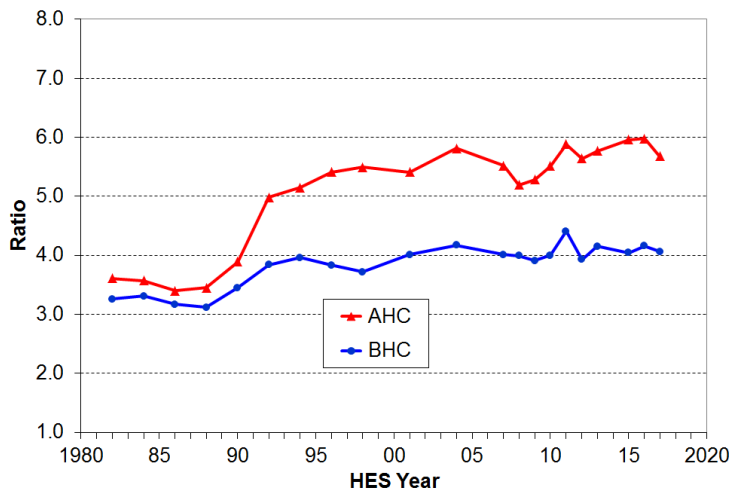
Preoccupied by Point in Time, Aggregate Population Statistics and the Urban

- High rates of owner occupation
- Limited inequity
- Low rates of homelessness
- Neglect of rural populations
- Growth and denial of population movement



Jabberwocky Unleashed

- Tenure revolution – rental market dependence
- Housing financialisation
 - Housing as commodity
 - Banking dependence on housing and house price increases
- Predatory construction sector fuelled by:
 - Development finance imperatives
 - Land inflation associated with residual land valuation techniques
 - Value-up-lift and strategies of exclusion - covenants
 - Voluntary liquidation and phoenix companies
 - Faith in economies of scale
- Vicious cycles of blame – pathologizing people, public planning, housing
- Inequality fuelled
- Fiscal exposure – abt \$2.1 billion AS annually



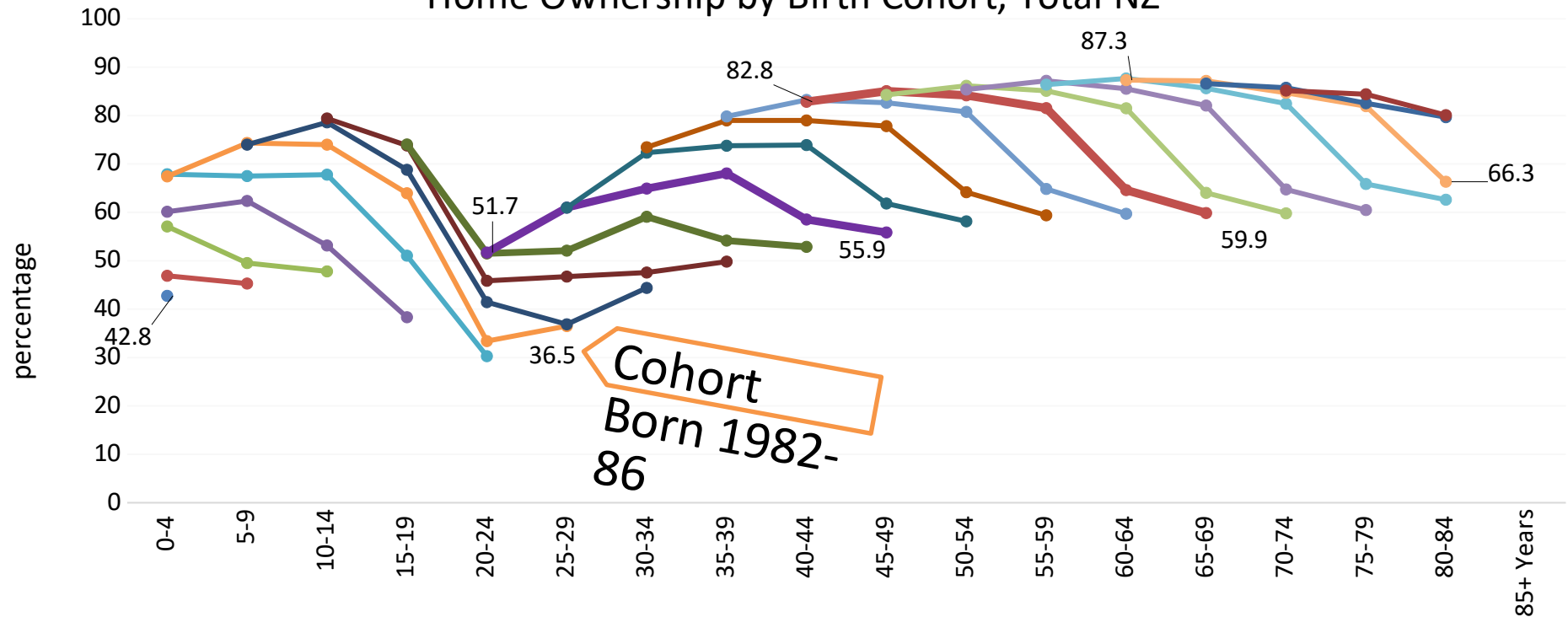
Inequality rises rapidly when taking account of housing costs (AHC=After Housing Costs) but less so when ignoring housing costs (BHC=Before Housing Costs)

Source: B. Perry, 2018, *Household Incomes in New Zealand: Trends in indicators of inequality and hardship 1982 to 2017*, Ministry of Social Development, Wellington

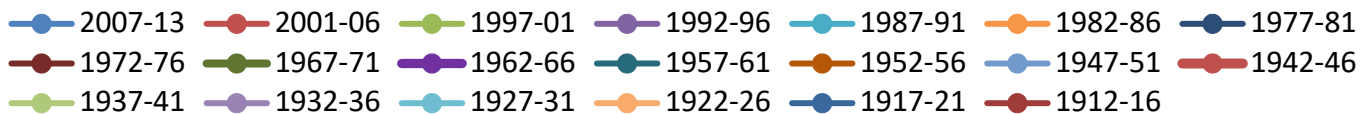


Failing Egalitarianism and the Myth of Middle-Class Capture: The story of Aotearoa/NZ's owner occupation (Natalie Jackson)

Home Ownership by Birth Cohort, Total NZ



Cohort Born:

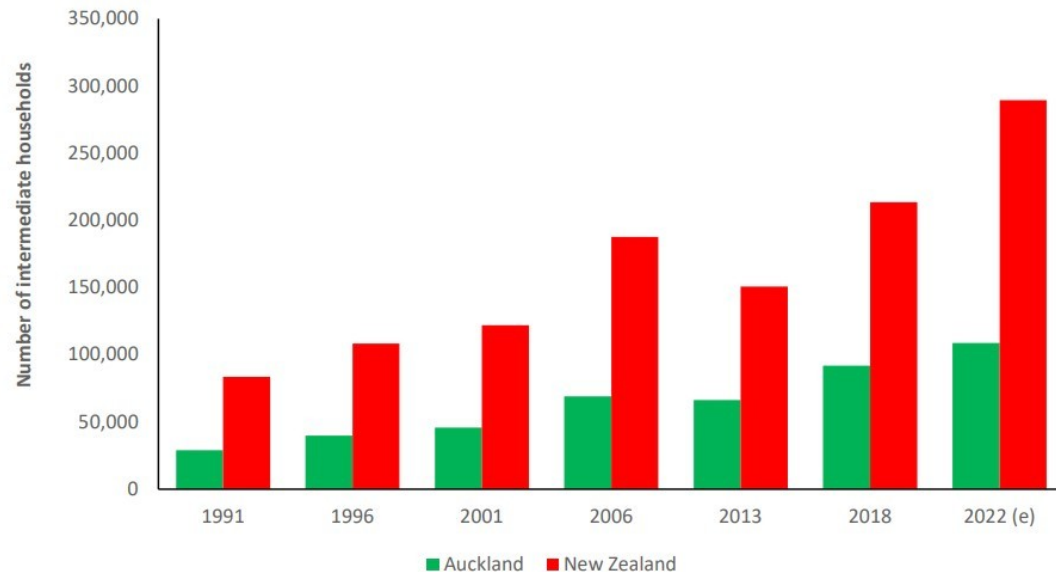


Burden of Change

- Young people – face the perfect storm of vastly increased house prices and reduced choice caught in the intermediate housing market (see Mitchell below).
- Structurally younger populations – Māori and Pacific – face a denuded housing investment chest as they bear and rear.
- Under-investment has long term impacts and set the conditions of housing experience across the life cycle.

1986-2018 Tenure Change

- Māori owner occupation declined from 54% to 40%
- Pacific owner occupation declined 51% to 31%
- European and others owner occupation declined 79% to 56%



Source: Modelled based on data sourced from Statistics New Zealand, RBNZ, and Headway Systems Ltd

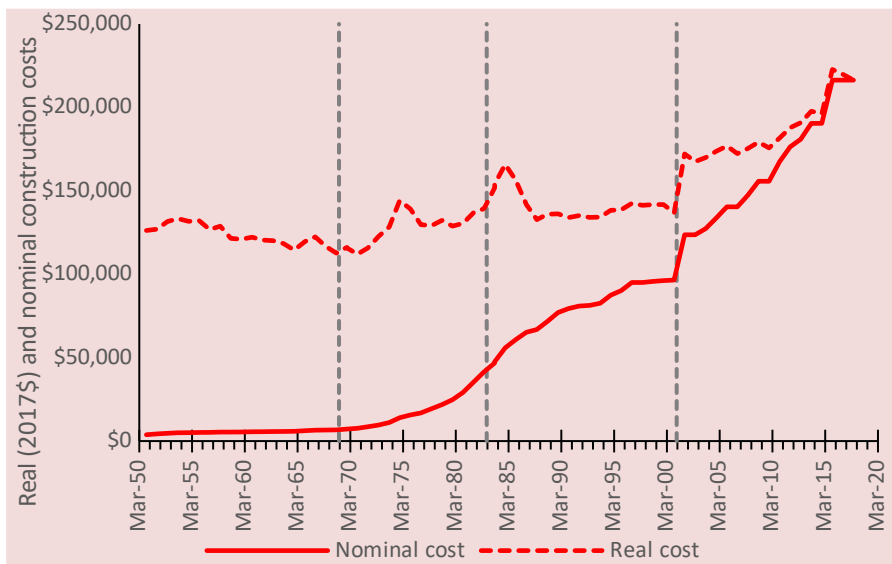


Pillars of the Housing System and the Data

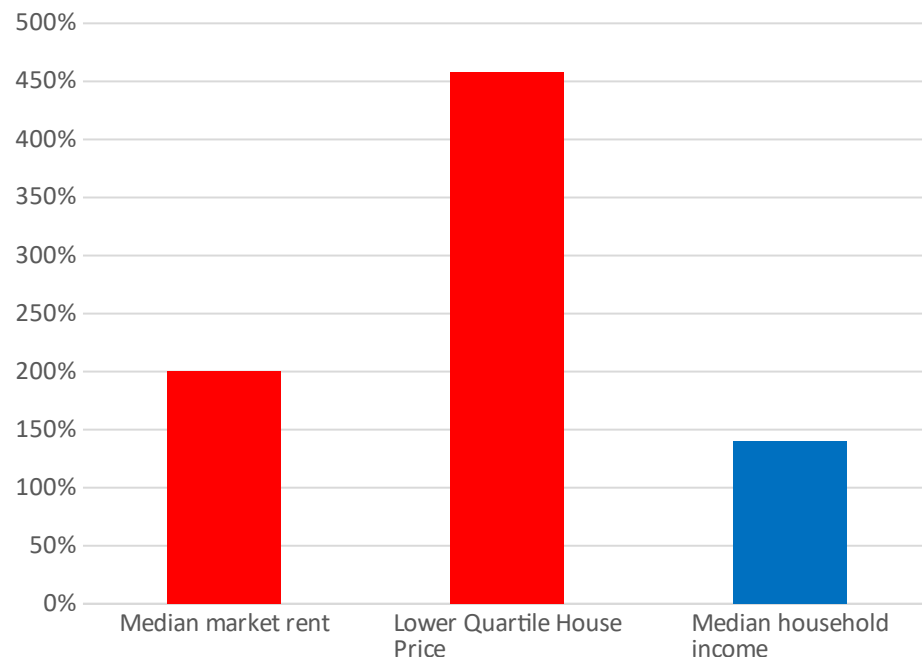
- People and populations
 - Households
 - Family
 - Population structures
 - Population movement and change
 - Rohe
 - Place
 - Stock and its ownership
 - Household
 - Sector
 - Place
 - Typology and dwelling condition
 - Build costs and dwelling prices
 - Price, Income and expenditure
 - Household
 - Family
 - Individual
 - Dwelling prices, stock and flow rents
- So-called Big Data is often inadequate data
 - Public data sets are under-invested but critical
 - Census – dwelling and people
 - HES
 - GSS
 - The struggle of dwelling condition and typology data continues
 - Price, build cost data is buried in the private sector
 - Data does not replace analysis

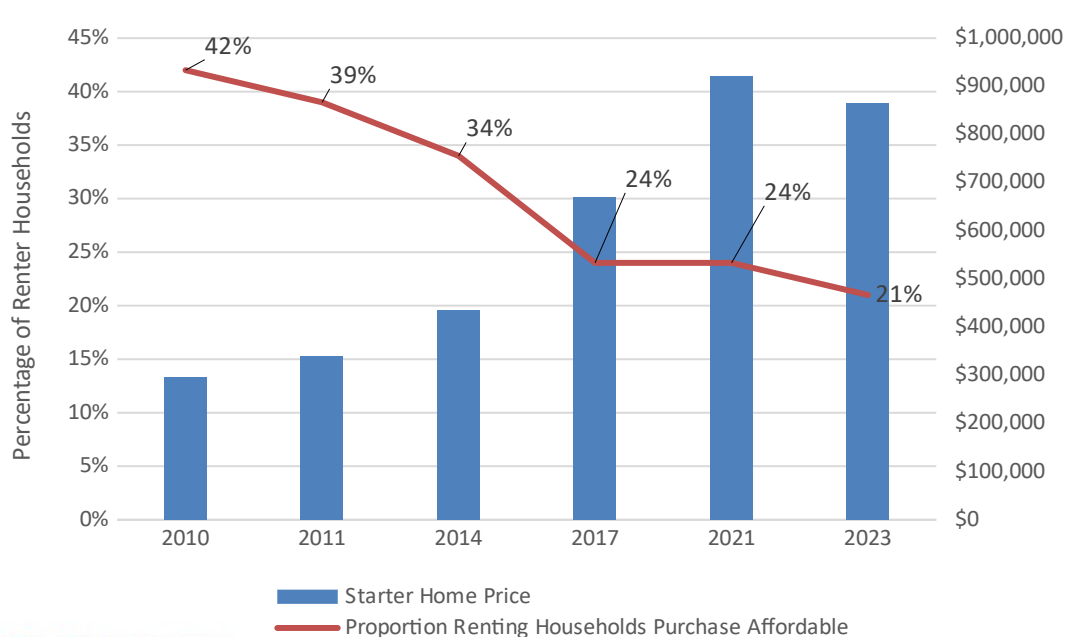
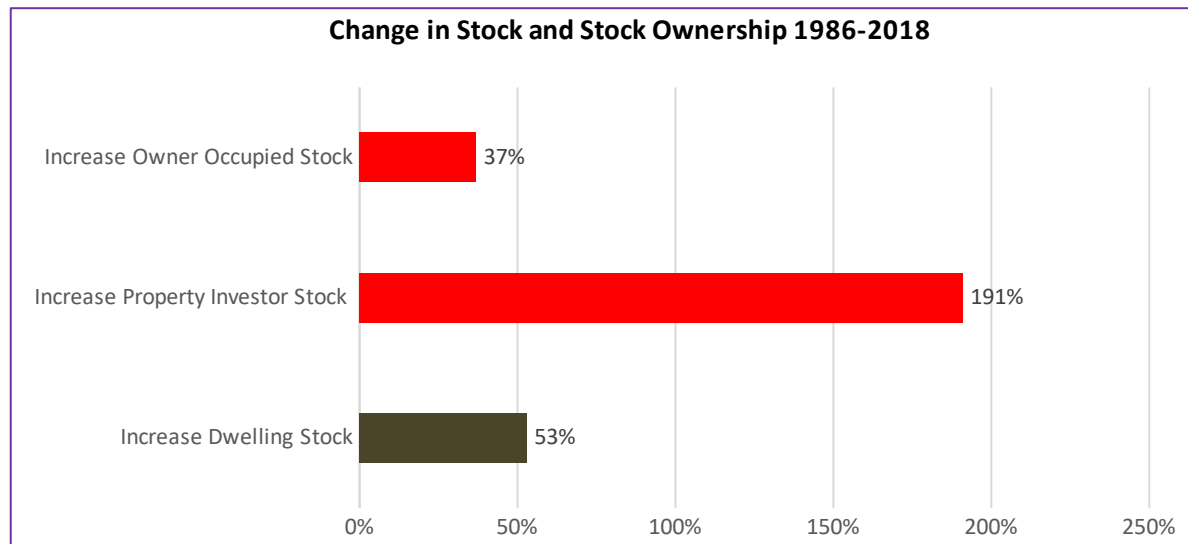


Nominal and Real Construction Costs of Low-Cost Dwelling (Excluding Section Price) in New Zealand 1950-2020



Increase in Median Rents, Lower Quartile House Prices and Median Household Incomes in Marlborough 1996-2021 (Mitchell and Saville-Smith)





Starter Home Price, Valuation and 2023 Market Estimate

Proportion of Renter Households in Otara-Papatoetoe Local Board Area Affordably Able to Purchase the Starter Home 2010-2023 (NZ Census, Reserve Bank, Prepared by Ian Mitchell, Livingston Associates Ltd)