



# Our children, our choice: priorities for policy

Child Poverty Action Group Policy Paper Series  
Part Four: Housing market changes and their  
impact on children

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# About Child Poverty Action Group

Child Poverty Action Group (CPAG) is an independent charity working to eliminate child poverty in New Zealand through research, education and advocacy. CPAG believes that New Zealand's high rate of child poverty is not the result of economic necessity, but is due to policy neglect and a flawed ideological emphasis on economic incentives. Through research, CPAG highlights the position of tens of thousands of New Zealand children, and promotes public policies that address the underlying causes of the poverty they live in.

If you would like to support CPAG's work, please visit our website: [www.cpag.org.nz](http://www.cpag.org.nz)

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Each topic-based part of the series is authored by experts in the field. The series would not be possible without their contributions and we thank them on behalf of Child Poverty Action Group.

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# Introduction to Part four: Housing market changes and their impact on children

Part Four of the Child Poverty Action Group series: *Our children, our choice*, focuses on housing. As with the preceding Parts in the series addressing health, early childhood care and education, and compulsory schooling, and the impact of these sectors on child poverty, this focus on housing shows that the issues are complex. It also shows that only long-term solutions will be effective in addressing these issues.

Lack of income is the principal barrier to access to quality housing. For increasing numbers of families, ever-climbing house prices mean they are unlikely to ever be in a position to own a house. For families who are renting, the problem is threefold: house rents are high and increasing, the quality of many rental properties is substandard and deteriorating, and the rental market provides few rights and protections for renters.

As this Part four shows, Christchurch and Auckland have been worst affected by rent increases. For the whole of New Zealand, rents have increased by around 11% since 2009, which is around the same as Consumer Price Index inflation. Christchurch rents have increased by 20% to 30% over the past five years, with almost all of this increase since the 2011 earthquakes.<sup>1</sup> In Auckland, rents are rising faster than incomes, and have increased by 17% in nominal terms between 2009 and 2013, with most of this increase occurring since 2010.<sup>2</sup>

A consequence of lack of income is household crowding which increases the risk of infectious diseases. Poor housing conditions in infancy and childhood have a cumulative detrimental effect on physical and mental health. Such enduring problems are not confined to children in Auckland and Christchurch. An article in the New Zealand Medical Journal in late 2013<sup>3</sup> concluded:

*Among children admitted to Wellington Hospital there is a high prevalence of exposure to cold, damp and overcrowded houses ... Maori and Pacific children and children living in socioeconomically deprived areas are more likely than others to be exposed to these potential risk factors for childhood hospitalisation.*

Families in their own home, with or without a mortgage, are likely to be in better health than those who rent their house, either from private or public landlords. Inadequate housing can adversely affect the health of the occupants, and children seem to be particularly vulnerable to prolonged exposure to poor housing.<sup>4</sup> Damp housing is related to respiratory conditions in both adults and children. Mould is more likely to grow in damp houses, and has been shown to have a small, but significant respiratory effect on children. A likely consequence of low income and poorly constructed housing is fuel poverty, the inability to heat the indoor environment to healthy levels.<sup>5 6</sup>

As the following discussion shows, 'housing affordability' involves multiple stories. So too does 'housing and child poverty'. When the worst of these stories of housing and child poverty is the lived experience for a child, the effects endure and the outcomes are often dire.

A worse truth to acknowledge is that we could choose not to inflict that bleak future on our children. We can choose to do better for them. We could, as a start for example, choose to reach a cross-party agreement on a child-focused policy framework for the future of housing.



Missing from the following discussion is a description of the quality of the existing public and private rental housing stock, and the privately owned housing stock. The price of housing reflects location, size, and demand and supply but is a poor indicator of quality. This is where myriad possibilities emerge in the concept of a 'Housing Warrant of Fitness' (HWOFF). Cross-party agreements could determine the child-centred standards underpinning this HWOFF, including, as well as weather-tightness, electrical integrity, security against theft or intrusion, security of tenure; access to public spaces and quality public schooling. In short, making housing 'fit for purpose'.

The recommendations included here are straightforward, simple and achievable. While the initial cost in money terms may seem large, in the long-run, for our children, they are economically efficient and socially just choices.

We do not discuss here related issues such as enforcing existing legislation and tax provision around the business of trading property. Nor do we discuss the option of introducing a capital gains tax that would apply to housing. This does not negate the fact that these and other issues are intimately connected to the functioning of what is broadly called the 'housing market'.

Our focus in this 'housing and child poverty' part of this series is establishing a baseline of the housing sector in New Zealand in 2014 from the perspective of the median, the mid-point family in the income distribution, and those below that family, rather than the average.

We point to the likely outcomes for the children in that less than average environment. We make six recommendations, choices for change to improve the possible futures for our children.



Our children, our choice: priorities for policy

## Part four: Housing market changes and their impact on children

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# Part four: Housing market changes and their impact on children

## Overview

Children's housing position is of course inseparable from that of their family. While it is possible to take a specific child focus on the housing conditions in which children live, that is not particularly useful from a policy perspective. While the circumstances of children who are poorly housed may be used as a justification for changes in housing policies, any policy responses are unlikely to be specific to the needs of children – as with health and education responses, but would be directed toward the housing and income needs of their families or households.

For this reason this paper considers the probable housing position of low-income households which are most likely to contain dependent children (aged 0 to 18 years). This paper focuses specifically on recent housing market and housing policy changes which are likely to affect such households. This includes changes in housing tenure, availability, conditions and affordability for low-income households. As well, this paper briefly considers the current state of housing policy, particularly around the provision of social and affordable housing.

## New Zealand's housing

There are around 1.7 million occupied dwellings in New Zealand of which 64% or just over 1.1 million are either owned by their occupants or by a related family trust. Of the 567,000 rented houses around 85% are owned by private investors with the remaining 15% or approximately 80,000 units being provided as social housing. Of this social housing stock, 68,000 units or around 15% are owned by Housing New Zealand Corporation (HNZC), central government's housing agency, while 10,000 units are owned by local government and approximately 2,000 are owned by non-government organisation (NGO) housing providers.

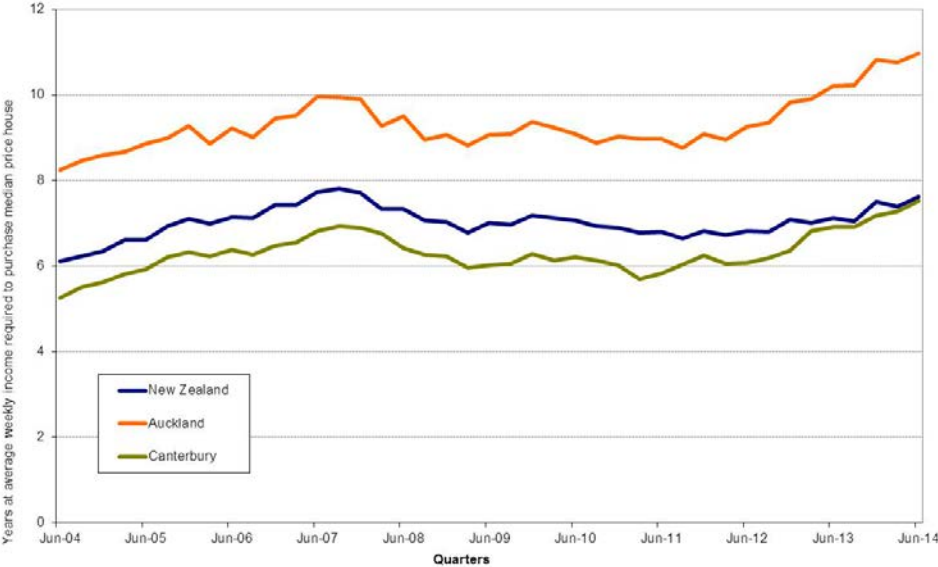
In June 2014 the median sale price of a New Zealand house was \$430,000 which is 76% higher in nominal terms than the same price ten years previously. In June 2004 it took 6.1 years of the average weekly wage or salary to purchase the median priced house. This ratio rose to 7.8 years just prior to the global financial crisis (GFC) in early 2008, and fell immediately afterwards to 6.8 years in March 2009, subsequently rising slowly to 7.6 years by June 2014. This progress is shown in Figure 1.

Figure 1 also traces the median sale price of housing in Auckland and Canterbury relative to average wages and salaries over the over the decade 2004-2014. This figure illustrates how housing prices in Auckland and Canterbury have trended along different pathways to that of other parts of New Zealand.

While houses prices in Auckland also dipped after the GFC, by March 2013 they had recovered the pre-GFC high of 9.9 years and by June 2014 had risen further to 11.0 years. The historical significance of Auckland house prices is well canvassed in the media and public policy discourse with suggestions that the current market settings are a consequence of restrictive urban planning policies<sup>7</sup> or the influence of foreign buyers.<sup>8</sup> Regardless of the impact of such causes, it seems likely that Auckland's rapid population growth is also an important influence on house prices.<sup>9 10</sup>

House price trends in the Canterbury housing market are a direct result of the earthquakes and especially of the most damaging earthquake of 21<sup>st</sup> February 2011.<sup>11</sup> Although Canterbury house prices (relative to wages and salaries) appear in Figure 1 to track below the median national house price, it has probably been the case that Canterbury’s house price history – prior to the 2010/2011 earthquakes – was close to median house price for New Zealand excluding Auckland.<sup>12</sup> At the time of the February 2012 earthquakes median sale prices of Canterbury houses were around 6.1 years of average weekly wage/salary. By June 2014 this ratio has risen to 7.5 years.

**Figure 1. Median house prices in terms of average wages and salaries 2004-2014**



This data suggests that New Zealand’s current housing story is really two housing stories – one involving shortages and rapid real increases in house prices in Auckland and Christchurch, and the other of stable prices and even stagnant conditions in most other regional housing markets. This framework of two housing stories is developed further in this paper.

**Table 1. Summary of changes in median sale prices of houses by region 2009-2014 (June years)<sup>13</sup>**

Region	Median price Jun-14 \$s	Change 2013-14	Change 2009-14
Northland	295,000	0.7%	-3.3%
Auckland	600,000	9.3%	36.4%
Waikato-Bay of Plenty	336,000	5.0%	6.7%
Hawkes Bay	271,500	0.0%	0.6%
Manawatu-Whanganui	231,000	4.5%	5.0%
Taranaki	306,250	8.1%	14.3%
Wellington	385,000	-3.8%	2.7%
Nelson-Marlborough	362,000	6.1%	11.4%
Canterbury-Westland	409,900	12.3%	40.4%
Central Otago-Lakes	463,000	12.9%	10.9%
Otago	235,000	-4.1%	6.8%
Southland	165,000	-17.9%	-13.2%
New Zealand	427,250	8.4%	25.7%



# Children and their households and housing

Children make up a falling share of New Zealand's population, in part because the population is getting older and in part because fertility rates are just above replacement levels.<sup>14</sup> At March 2014 children made up 23.7% of the population or around 1.07 million people which was the same number as a decade before in 2004 when children made up 26.3% of the population. This trend is projected to continue as average life expectancy increases.

A consequence of this aging population and declining proportion of children is the likely prospect that households will become smaller and the average number of people occupying each dwelling will decline. Statistics New Zealand is projecting that the proportion of childless families will increase from 40% in 2006 to 45% to 50% by 2031, and that single person households will rise from 23% of all households in 2006 to between 27% and 30% by 2031.<sup>15</sup>

Such changes in household composition are of course dependent on economic opportunity. There is emerging evidence that household formation choices have been squeezed by economic necessity – at least in Auckland and especially in South Auckland. Some of this evidence is presented in the following two tables.

Table 2 reports the numbers of occupied dwellings with children living in them for the three census years 2001, 2006 and 2013, as well as this number as a proportion of all occupied dwellings. These figures are reported for Auckland, Christchurch and New Zealand as a whole, and for South Auckland and Christchurch East which are two low-income areas where housing-related stress is likely to be high.

As expected from population projections, the proportion of households with children fell slightly between 2006 and 2013, with the exception of Auckland, which not only has a much higher proportion of households with children than the rest of New Zealand, but this proportion is increasing. In South Auckland this proportion is increasing at an even faster rate: more than two thirds of households have children, compared with around half of households in the rest of Auckland, and 40% of households in the rest of New Zealand.

**Table 2. Households with children 2001-2013** (Census data 2001, 2006, 2013)

Location	Number of households with children			Proportion of all households		
	2001	2006	2013	2001	2006	2013
South Auckland	40,707	47,010	51,000	62.3%	65.6%	67.7%
Rest of Auckland	150,720	174,033	192,057	45.7%	47.3%	48.2%
Auckland –Total	191,427	221,043	243,057	48.4%	50.3%	51.3%
Christchurch East	16,326	17,556	14,691	38.7%	39.0%	38.6%
Greater Christchurch	59,991	66,198	66,288	40.1%	40.7%	40.2%
New Zealand	590,712	641,529	671,091	43.2%	43.4%	42.7%
New Zealand (excl Auckland)	399,285	420,486	428,034	41.0%	40.5%	39.0%

A related story is the expansion in multi-family households particularly in South Auckland. This trend is shown in Table 3 which reports both the total number of multi-family households, and this number as a proportion of all households. More than one in eight South Auckland dwellings is occupied by an extended family, compared with one in twenty across the rest of New Zealand and one in forty

outside of Auckland. Within the data on the extent of multi-family housing are local rates of between 15% and 19% of all households in Otara and Mangere.

Also noticeable from the data in Tables 2 and 3 is how close Christchurch East and Greater Christchurch are to New Zealand's average position,<sup>16</sup> both in terms of the proportion of households with children and in terms of the relatively low number of multi-family households. This position applied both before and after the earthquakes.

**Table 3. Multi-family households 2001-2013** (Census data 2001, 2006, 2013)

Location	Number of multi-family households			Proportion of all households		
	2001	2006	2013	2001	2006	2013
South Auckland	5,250	6,924	8,970	8.5%	10.2%	12.6%
Rest of Auckland	9,024	13,053	18,072	2.9%	3.7%	4.7%
Auckland –Total	14,274	19,977	27,042	3.8%	4.7%	5.9%
Christchurch East	522	762	930	1.3%	1.8%	2.4%
Greater Christchurch	1,752	2,727	3,921	1.2%	1.7%	2.5%
New Zealand	28,440	39,612	51,018	2.2%	2.8%	3.4%
New Zealand (excl Auckland)	14,166	19,635	23,976	1.5%	2.0%	2.3%

Ministry of Social Development's (MSD) regular Household Income Reports provide some useful indication of where children in poverty are likely to be living. These results, provided in Table 4, show that while a larger proportion of children in HNZA housing (54%) are likely to be living in relative poverty, by virtue of the greater number of children living in private rental property (33% of all children versus 9% in HNZA) nearly half (49%) of all children in relative poverty live in private rental housing. These estimates, based on a sample of 3,000 households involved in the Household Economic Survey, are not entirely consistent in terms of total numbers. Table 4 gives an indication of the likely housing tenure of poor children's households. Applying the various percentages both to the total number of children and those judged to be living in relative poverty suggests that of New Zealand's poorest children, 45,000 to 50,000 (19%) are likely to be living in HNZA housing, 110,000 to 115,000 (49%) will be living in private rental housing, and roughly one third (31%) or 70,000 to 75,000 children are living in owner-occupied housing.

The highest concentration of poor children (54%) live in HNZA housing, so recent policy changes around the delivery of social housing are highly relevant to the wellbeing of these children.

Such a result is consistent with other results reported in the Household Economic Survey which show that tenants are more likely than owner occupiers to be living in financial stress. For example a far larger proportion of tenants pay more than 40% of their incomes in housing costs than do owner occupiers (23% private sector tenants versus 6% owner occupiers). A summary of these results is provided in Appendix 1.<sup>17</sup>

The Household Economic Survey also shows that Aucklanders on average pay a higher proportion of their incomes on housing costs at around 19% compared with other New Zealanders who pay around 16%. While such a result is probably not surprising it does ignore the wide variations in income and housing fortunes across the income range, between tenures, and across New Zealand.

**Table 4. Composition of child poverty by housing tenure 2011-2013<sup>18</sup>**

<b>Tenure</b>	<b>Proportion of children with this tenure below poverty line (21% of all children)</b>	<b>Proportion of children below poverty line with this tenure</b>	<b>Proportion of all children with this tenure</b>
Housing NZ	54%	19%	9%
Private rental	32%	49%	33%
Own home	12%	31%	59%
Children overall	21%	100%	100%

These results around the structure and housing tenure of households of poorer New Zealand children suggest three general points which form the basis of the analysis for the remainder of this paper.

1. Private tenant households are most likely to face the greatest financial stress and vulnerability.
2. Two local housing markets under particular stress are those of South Auckland and Christchurch East.
3. The highest concentration of poor children live in HNZN housing, so recent policy changes around the delivery of social housing are highly relevant to the wellbeing of these children.

## **RECOMMENDATION 1**

**That Government develops a national housing plan which provides forecasts of future housing needs, programmes for addressing these needs, and the budgets necessary to complete these programmes.**

# Social housing reforms

In the 2013 Budget the Government announced its social housing reform agenda.<sup>19</sup> This agenda was selectively based on prior work undertaken by the Shareholders' Advisory Group, established in 2011 to provide the shareholding ministers of HNZC with independent advice of how that organisation might be reconfigured to deliver better financial and housing outcomes. The Government's agenda was also influenced by a report on housing affordability by the Productivity Commission.<sup>20</sup>

The Government's social housing reform agenda appears to have four strands as follows:

1. A desire to undertake a radical reconfiguration of HNZC's rental housing stock through redevelopment, disposals and renewals in order to provide more modern housing of the right size and in the right locations to meet demand for social housing.
2. The transfer of housing needs assessment from HNZC to Work and Income, the Government's agency for delivery and administration of welfare benefits. This transfer has also been associated with the narrowing down of HNZC's operational purpose to a social housing provider.
3. A shift in focus for the provision of social housing away from the direct provision by a state agency (HNZC) to third party providers such as NGO's and perhaps for profit companies. This shift has been associated with the limited extension of income related rent subsidies to a small number of NGO social housing agencies.
4. A requirement for a more commercial focus by HNZC and with this requirement for higher dividends from the company to its owner – the Crown.<sup>21</sup>

Many aspects of these reforms can be justified and even viewed as being overdue. For example HNZC's housing stock was old with the majority of its housing built before 1980's and designed for families and households which were typical of the 1940's, 1950's and 1960's.<sup>22</sup> This housing was widely distributed across New Zealand and much of the stock was in areas of low housing demand while demand in Auckland went unmet. The potential reconfiguration may involve up \$6 billion of HNZC's stock or perhaps as much as 50% of all its housing, so should be seen as the most significant change in the 75 year history of social housing.<sup>23</sup>

The transfer of 'housing needs assessment' away from HNZC can also be seen as desirable move. The previous arrangements where HNZC was responsible for both assessing housing need and allocating housing, and where its performance measures included the length of waiting lists, created the incentives and perhaps the practice to use the needs assessment process as a rationing tool to ensure that the waiting list did not get too long. The assessment of need by an independent party avoids such compromise.

HNZC was also restructured by the Labour-led governments of 1999 to 2008 as a one-stop housing shop. It was not only responsible for the delivery of social housing but also all housing policy development, and the delivery of other housing programmes such as the Welcome Loan mortgage guarantee programme, and the Housing Innovation Fund. This later programme was intended to provide funding to NGO social housing providers – HNZC's competitors. The result of such a conflicting agenda was that policy ideas were seldom contestable and quite often self-serving, and scrutiny around delivery of programmes was seldom robust.<sup>24</sup>

While at a high level the present Government's reform agenda appears reasonable and even overdue, some concern must be raised over the way this agenda is being executed. These concerns

are around the lack of transparency over both method and intent and around some of the inevitable adjustment problems associated with change of this scale and extent.

HNZC is not particularly forthcoming with information on its plans and these seem to change from year to year on any account.<sup>25</sup> The redevelopment of Tamaki, a predominantly state housing community in eastern Auckland, is an example of such vagueness and ambiguity. The HNZC's most recent Statement of Intent 2013-16 refers to the first stage of the Tamaki redevelopment process.

*The project will see 156 state houses in two areas of northern Glen Innes redeveloped to create at least 260 new houses, including 78 state houses and at least 39 other social housing properties. The remaining new homes built by the project will provide a mix of affordable rentals and affordable home ownership opportunities.*<sup>26</sup>

Yet HNZC's website more recently has offered this view of the future ownership of the northern Glen Innes development:

*In northern Glen Innes, we have expensive state houses on big sections in an area close to the city and we need to use that land wisely to help address Auckland's growing housing problems. This is a priority area for both Auckland Council and Housing New Zealand.*

*To achieve our goals for the area, we plan to redevelop 156 properties to create at least 260 new houses, including: 78 owned by Housing New Zealand, at least 39 other market-based affordable houses and the remainder for private sale.*<sup>27</sup>

In other words the 39 'other social housing properties' have become 39 'other market-based affordable houses', whatever these are, and the remaining additional houses have gone from providing 'a mix of affordable rentals and affordable homeownership opportunities' to being for 'private sale'. Under this most recent scenario 156 state houses are turned into 78 new state houses making it difficult to believe that this first stage of the Tamaki redevelopment is not some form of state sponsored gentrification.

Further ambiguity exists around the respective roles of the Tamaki Redevelopment Company and HNZC in these development efforts. Tamaki Redevelopment Company is a joint entity established and owned by the Government and Auckland Council. This Company appears to have the task of engaging community in the redevelopment process and in planning and facilitating public works involved in the redevelopment.<sup>28</sup> An example of such activity is the Company's recently released Fenchurch Neighbourhood Plan which contains a great deal of information about the history of Tamaki and the context of the redevelopment as well as vague assurances of tenure protection for the existing residents but nothing about how many social housing units will be removed and how many will be included in the redeveloped neighbourhood.<sup>29</sup> Such decisions appear to be the domain of HNZC which to date has not released its plans publicly.

While the plans of HNZC remain obscure, and with this the true intent of Government around social housing, the recent performance of HNZC is fairly unambiguous as shown in Table 5. It is clear from the data on Table 5 that the number of social housing units owned or managed by HNZC has fallen slightly while the level of subsidy required to support the Corporation has risen much faster than inflation.<sup>30</sup> At the same time the number of new allocations to households requiring housing has fallen, the priority waiting list has grown, and the Crown is extracting dividends from HNZC at higher and higher rates.

**Table 5. Key indicators of Housing New Zealand's performance 2009-14<sup>31</sup>**

<b>Year ending June</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Housing stock <i>units</i>	69,173	69,489	69,717	69,407	68,710	
Income related rent subsidies <i>\$millions</i>	\$507	\$529	\$564	\$596	\$633	\$670
Average subsidy per tenancy <i>\$s</i>	\$7,329	\$7,613	\$8,090	\$8,587	\$9,213	
New allocations of housing households	9,400	7,273	8,127	7,028	6,960	
Capital contributions from Crown <i>\$millions</i>	\$69	\$105	\$20	\$4	\$3	
Dividends paid to Crown <i>\$millions</i>	\$2	\$132	\$71	\$68	\$77	
Priority waiting list <i>applicants</i>	4,197	4,637	3,754	2,285	3,950	5,840

The 2014 Budget signalled the continuation of the Government's desire to extend support to NGO social housing providers through operating subsidies and a very modest capital grants budget. The 2013 Budget announced the extension of income related rents subsidies, previously only paid to HNZC, to NGO social housing providers. The budget for this in the first year was \$2.9 million but was expected to grow to \$10 million per year within four years. These modest amounts need to be compared with the \$670 million allocated in income related rents to HNZC in 2013/14.

In 2014/15 the Government has budgeted \$718 million in income related rents subsidies, although the division of this between HNZC and NGO social housing providers is unknown. The details behind claims by Housing Minister Dr Smith<sup>32</sup> that the Government was allocating \$30 million in capital subsidies for new social housing showed that this sum is to be provided over three years from 2015/16. In addition, the Government budgeted \$1,140 million in 2014/15 in housing subsidies through the Accommodation Supplement. This compares with a slightly higher figure of \$1,149 million in 2013/14.<sup>33</sup>

In April 2014 Community Housing Aotearoa, the Government-funded umbrella organisation for NGO housing organisations, released a discussion paper on ways in which the Government could transfer state houses to the so-called 'community housing sector'.<sup>34</sup> This was followed by Dr Smith's announcement of the establishment of an inter-ministry entity to oversee the transfer of state houses to NGO housing providers.<sup>35</sup> The conditions and terms for such transfers are apparently still to be developed.

## **RECOMMENDATION 2**

**That, based on the national housing plan and on the current shortage of social housing, the Government commits to building an additional 1,000 social housing units per year either in the state or non-state sectors, and in areas of high need.**

# Housing occupancy and overcrowding

While children are more likely than adults to live in overcrowded housing, there is limited evidence that levels of overcrowding are increasing significantly. In 2006, while 7% of adults aged over 25 years were judged to be living in overcrowded accommodation, under the same measure:

*17 percent of children under 15 years (136,563 children) and 17 percent of young people aged 15–24 years (89,076) were living in crowded households. The proportion of children under 15 living in crowded households remained fairly steady at around 16 to 17 percent between 1986 and 2006.<sup>36</sup>*

The link between overcrowded housing and poor health outcomes is well documented although the value of such research and documentation in influencing meaningful housing policy change is difficult to identify at this stage. The New Zealand focused literature relating overcrowded housing with poor health outcomes, especially for children, is extensive.<sup>37 38 39 40</sup> This literature, including CPAG's *Our children, our choice, Part One: Child poverty and health*,<sup>41</sup> has identified overall that there are '*higher rates of infectious diseases in areas with higher proportions of crowded households*'.<sup>42</sup> These include acute rheumatic fever, meningococcal and pneumococcal meningitis, and meningococcal disease. Further, meta-analysis evidence showed that '*household crowding was associated with increased risk of gastroenteritis, pneumonia / lower respiratory tract infection (LRTI), Haemophilus influenzae (Hib) disease and respiratory syncytial virus (RSV) bronchiolitis*'.<sup>43</sup>

Of these diseases, rheumatic fever is the most topical at present. Rheumatic fever is a debilitating and preventable illness which is closely linked to poverty and overcrowded housing.<sup>44</sup> New Zealand has a high rate of rheumatic fever in comparison with other OECD countries, and Maori and Pacific people and particularly their children suffer disproportionately from the disease. In 2013 the incidence of rheumatic fever amongst Maori was 13.5 per 100,000 people and amongst Pacific people 32.4 per 100,000 population compared with a nation-wide rate of just 4.3 cases per 100,000 population.<sup>45</sup>

Amongst the Government's better public service targets is an ambition to reduce rates of rheumatic fever by two thirds to 1.4 cases per 100,000 by June 2017.<sup>46</sup> Although this ambition has become one of the Government's headline priorities its commitment to it is quite minimal, accounting for just 0.075% of total health spending or around \$11million per year.<sup>47</sup> The programme itself began in the 2012/13 financial year and although early results were not and cannot be expected the 2013 results showed an increase in infections rates from 3.7 cases per 100,000 population in 2012 to 4.3 cases per 100,000. This increase was mainly due to a rapid growth in Pacific infection rates from 19.3 in 2012 to 32.5 in 2013.<sup>48</sup>

The Government does not appear to have fully accepted that overcrowded housing is a significant cause of the spread and persistence of rheumatic fever. Some tacit recognition of this link was contained within the Minister of Housing's recent promise to give priority access to social housing to households with children in certain regions on the basis of their exposure to rheumatic fever. However the areas chosen for this priority excluded the Counties-Manukau District Health Board region which includes South Auckland and where rates of rheumatic fever are three times the national average (see Appendix 2).<sup>49</sup>



At the time of preparation of this report detailed data from the 2013 Census was not available. In order to gain some appreciation of what has happened to the rates and incidence of overcrowding a number of indicators have been used and are considered below. When more detailed data is available this report will be revised to include this new information.

Average dwelling occupancy rates grew slightly in Auckland and Christchurch between 2006 and 2013 as shown on Table 6 while occupancy rates elsewhere in New Zealand fell slightly as probably should be expected with an aging population and a slight but continuing decline in fertility rates. Occupancy rates in South Auckland remained at 1.3 times that of the rest of Auckland and the rest of New Zealand. While occupancy rates in Christchurch have also risen on account of the net loss of 4,000 dwellings in Christchurch East these rates remain close to the national average of 2.7 people per dwelling.

**Table 6. Change in dwelling occupancy 2006-13**

Locality	Population change 2006-13	Change in occupied dwellings 2006-13	Average H-hold size 2006	Average H-hold size 2012	People for each extra dwelling 2006-13
South Auckland	15,270	3,684	3.62	3.64	4.1
Rest of Auckland	95,322	30,066	2.84	2.87	3.2
Auckland	110,592	33,750	2.97	2.99	3.3
Christchurch East	-10,086	-4,062	2.62	2.66	2.5
Greater Christchurch	11,121	2,022	2.62	2.66	5.5
New Zealand	214,101	91,986	2.72	2.70	2.3
New Zealand excluding Auckland	103,509	58,236	2.62	2.58	1.8

A useful indicator of overcrowding is the number of large households. Table 7 reports changes in the number of households with seven or more occupants between 2006 and 2013. The proportion of such households changed very little between 2006 and 2013 perhaps with the exception of the suburbs of Auckland outside of South Auckland where the rate rose from 6.1% in 2006 to 6.8% in 2013. The rate of large seven-people plus households in South Auckland remains ten times that of the rest of New Zealand however.

**Table 7. Large households in New Zealand 2006-2013**

Locality	Households with 7 or more occupants 2006	Households with 7 or more occupants 2013	% of households 2006	% of households 2013
South Auckland	6,525	7,104	12.3%	12.2%
Rest of Auckland	7,635	8,523	6.1%	6.8%
Auckland	14,160	15,627	9.2%	9.5%
Christchurch East	243	213	2.1%	2.2%
Greater Christchurch	1,491	1,716	3.3%	3.3%
New Zealand	27,888	29,226	1.1%	1.2%
New Zealand excluding Auckland	13,728	13,599	0.9%	1.1%

Measurement of overcrowding is reliant on the approach or index used. A comparison of four crowding indices and the results which can be derived from the 2006 Census is reported in Appendix 3. This table shows estimates of overcrowding varying from 2.7% to 6.9% of households,



The most widely used measure is that of the Canadian National Occupancy Standard (CNOS) which estimates overcrowding by comparing the number of bedrooms in a dwelling with the number of permanent occupants, taking into account the gender, age and kinship relationships of the occupants. Analysts at Statistics New Zealand have direct access to the data which is able to examine the age, gender and relationships of people within households and so more accurately determine levels of overcrowding as defined by CNOS.

Making estimates from the basic numbers offered in census reports is difficult because the gender, age and kinship of the occupants cannot be determined. This means that the acceptability of such things as sleeping arrangements cannot be judged to determine if the level of occupancy is reasonable or unreasonable. To overcome this limitation a more basic use of 2013 Census data of household occupancy and bedroom numbers has been undertaken. This analysis identifies that much of the distribution of overcrowding would tend to be an under-estimate according to the CNOS.<sup>50</sup> The results, reported in Table 8, show rates of overcrowding in South Auckland are at least four times those elsewhere in Auckland and around seven times the rates elsewhere in New Zealand.

**Table 8. Estimates of overcrowded dwellings from 2013 Census<sup>51</sup>**

<b>Location</b>	<b>Overcrowded dwellings</b>	<b>Total dwellings</b>	<b>Overcrowding as % of total dwellings</b>
South Auckland	5,000	74,901	6.7%
Rest of Auckland	6,000	394,599	1.5%
Auckland total	11,000	469,500	2.3%
New Zealand	20,200	1,549,890	1.3%
New Zealand excluding Auckland	9,200	1,080,393	0.9%

Although to date there is limited data on overcrowding available from the 2013 Census, that data would suggest that, excluding South Auckland, overall rates of overcrowding have not deteriorated over the past decade. The size distribution of households has changed little although as expected there has been a small increase in the proportion of single person households (see Appendix 4). Also as expected, the proportion of households with children has fallen. As a whole, household size has changed little across New Zealand and the average remains at around 2.7 people per dwelling.

Further analysis is required, once the data is available from the 2013 Census, in order to establish the extent of children living in overcrowded housing. At this stage the evidence points to a persistent although perhaps not worsening problem in Auckland and in particular in South Auckland.

### **RECOMMENDATION 3**

**Prioritise access to social housing for households with children in certain regions, including the Counties-Manukau District Health Board region, on the basis of their exposure to rheumatic fever.**

# Housing tenure change

The 1991 Budget of Ruth Richardson not only signalled significant reductions in welfare benefits as a basis of incentivising work, but also introduced market rents for state houses. With this change came a reliance on demand subsidies as the only form of housing assistance provided. This demand subsidy is the Accommodation Supplement, and at the time of its introduction one of its claimed virtues was that it was tenure neutral and did not distort the tenure preferences of those receiving the subsidy.<sup>52</sup>

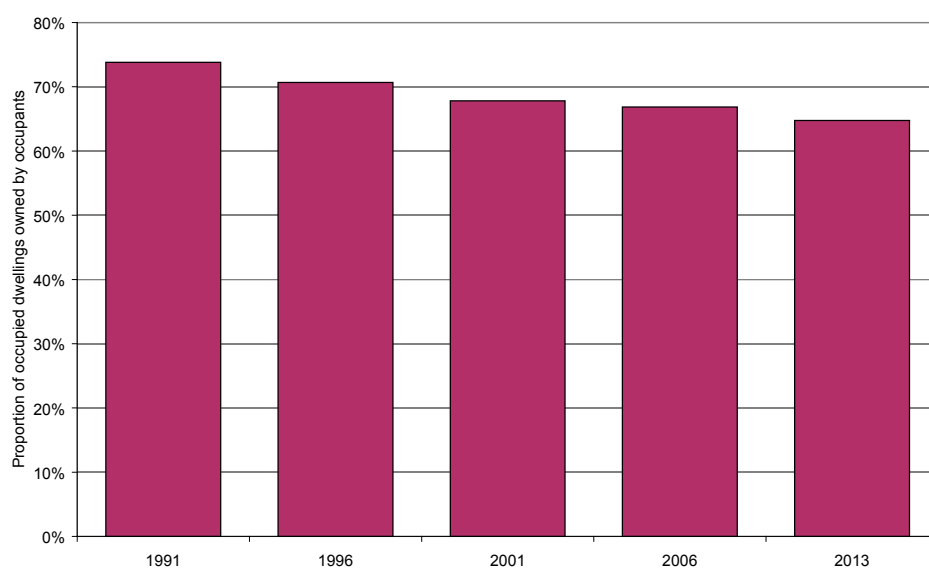
The Accommodation Supplement provides slightly more generous subsidies for tenants than for those repaying mortgages, and the imposition of maximum payments has more or less limited its use to those either renting or paying board. Only around 10% of payments of the Accommodation Supplement by number, and 12% by value, are provided to households repaying mortgages, and this proportion has fallen over time.<sup>53</sup>

At the same time the Accommodation Supplement was introduced, the Government's 'home ownership assistance programmes' were effectively dismantled, and its mortgage portfolio was sold off in what was at the time the second largest privatization of state assets after the sale of Telecom.<sup>54</sup>

The limited research undertaken on New Zealanders' tenure preferences and aspirations suggests that *'the desire for home ownership remains very strong and well ahead of the proportion of households actually currently owning'*.<sup>55</sup> Stated preferences such as these would suggest that the tenure patterns which have emerged since 1991 are not an outcome of choice but of necessity.

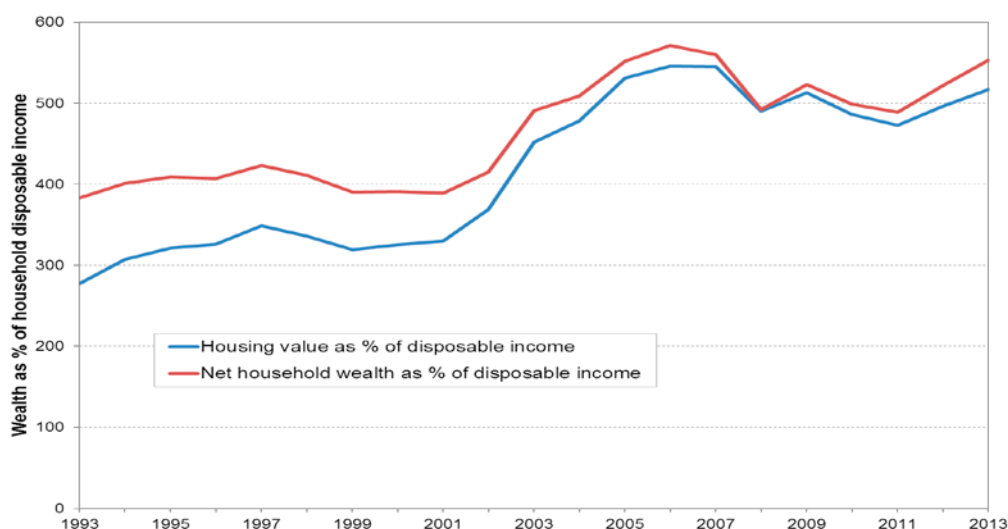
Figure 2 illustrates changes in levels of home ownership over the period 1991 to 2013 and shows the consistent shift from owner occupation to rented tenure. In 1991 nearly 75% of dwellings were owned by their occupants but by 2013 this proportion had fallen to just under 65%. This rate of home ownership is the lowest since the early 1950's when the home ownership assistance programmes of the first National Party government of Sidney Holland were just beginning.<sup>56 57</sup>

**Figure 2. Changes in housing tenure 1991-2013**



Falling levels of home ownership are probably an indication of rising inequalities of wealth because property ownership is easily the most preferred form of wealth holding for New Zealanders. The most recent survey of New Zealanders' wealth was undertaken in the Survey of Family Income and Expenditure (SOFIE) in 2002/03. This survey showed that 6% of adults in New Zealand held more than half of all personal wealth. Reserve Bank data on household wealth indicates that at the end of 2013, around 93% of New Zealand households' wealth is held in housing assets, while in 2002 this proportion was 89%.<sup>58</sup> The contribution which house ownership makes to New Zealanders' wealth is provided in Figure 3 for the two decades to 2013. This rising contribution provided by house ownership of course only applies to those New Zealanders who own a house or two, and statistics showing falling levels of home ownership suggest that this wealth base is being held by an ever-decreasing share of the population.

**Figure 3. Household wealth in New Zealand 1993-2013**



Home ownership rates vary across New Zealand although this variability does not appear to be related to either variation in median personal incomes or in the median age of the locality. Tenure changes between 2006 and 2013, reported in Table 9 for selected areas, show a general pattern that levels of home ownership are lower in Auckland and in particular in South Auckland. In both Christchurch East and South Auckland the home ownership rate fell by 3.6%, although in Christchurch this change was due to the disproportionate loss in owner-occupied dwellings. In South Auckland almost all new housing provided was rental housing.

Other communities with relatively high proportions of rental tenure include Maungakiekie-Tamaki (53%) Hagley-Ferrymead ward of Christchurch City (47%) Hamilton (43%), Wellington City (41%) and Gisborne (41%). Communities which show the sharpest fall in levels of home-ownership between 2006 and 2013 also included Ashburton (-5.3%) central Auckland (-5.1%) South Waikato (-4.9%) and Southland District (-4.7%).

**Table 9. Tenure changes for selected areas 2006-2013**

	<b>Rented dwellings 2006</b>	<b>Rented dwellings 2013</b>	<b>Proportion rented 2006</b>	<b>Proportion rented 2013</b>
South Auckland	37,3001	43,500	40.9%	44.5%
Rest of Auckland	120,000	137,600	35.0%	37.0%
Auckland	157,200	181,000	36.2%	38.5%
Christchurch East	5,700	5,400	26.2%	30.4%
Greater Christchurch	48,800	52,300	30.3%	32.1%
New Zealand	482,000	546,500	33.1%	35.2%
New Zealand – <i>excluding Auckland</i>	324,800	365,500	31.8%	33.8%

Data on the tenure of the households with children is not yet available from the 2013 Census although the pattern of this distribution is unlikely to have changed much since 2006, when 39.1% of children aged under 15 years lived in accommodation which was not owned by its occupants.<sup>60</sup> This compares with an overall ‘non-ownership’ rate of 33.1% of occupied dwellings. On the basis of the increase in this ‘non-ownership’ rate to 35.2% in 2013, it seems reasonable to expect that 40-41% of children are now living in rented accommodation.

The relatively high and probably rising proportion of children living in rented accommodation is problematic because this form of housing tenure is more likely to be overcrowded and less likely to be well maintained. In addition, tenant households shift more frequently than owner-occupier households and this mobility is likely to disrupt children’s schooling and socialisation, as identified in Part 3 of this series: *Compulsory education and child poverty*.<sup>61 62</sup>

Estimates of household overcrowding from the 2006 Census suggest that rented housing is three to four times more likely to be overcrowded than owner-occupied housing and that depending on the crowding definition used, the rate of overcrowding is between 5% and 12% of all rented dwellings.<sup>63</sup>

Results from Statistics New Zealand’s New Zealand General Social Survey for 2012 suggest that nearly half of tenants report problems with their housing compared to just over 25% of owner-occupiers.<sup>64</sup> Such perceptions are supported by a ‘housing condition’ survey undertaken by BRANZ in 2010, which showed that 44% of rented dwellings were assessed as being in a poor state of repair, compared to 25% of owner-occupied dwellings.<sup>65</sup>

Over the ten years to June 2014, the annual turnover of tenancies has averaged 51% while the turnover of the housing stock through sales has averaged just 14%. This means a tenant household shifts house on average every two years while an owner-occupier household shift house on average every six years.<sup>66</sup>

Increasingly then, children’s housing fortunes and especially poor children’s housing fortunes are tied to the changes in rental housing markets and to physical conditions offered by this housing. Rental housing is in general of lower quality than owner-occupied housing, the households in rental housing are more likely to have children and to be living in financial stress caused by high housing costs relative to income. Perhaps due to this stress, these households will move more frequently than owner-occupier households, and such shifting creates further stress on the households and their children.

On 19 February 2014, the Housing Minister announced the start of a trial Housing Warrant of Fitness scheme on HNZC homes.<sup>67</sup>

*This Government is committed to improving the quality of housing to help achieve our goals of better social, health and educational outcomes for New Zealanders. Our first step was to insulate every state house that could be insulated. This was completed last year. The next step is developing a practical minimum standard and applying this to our state houses.*

CPAG congratulates the Government on these housing warrant of fitness and housing insulation programmes, but suggests that, using a child-centred or humane approach, a house that cannot be insulated is not 'fit for purpose' and should not receive a Warrant of Fitness (HWOFF). At the very least, such houses are likely to induce fuel poverty.<sup>68</sup>

#### **RECOMMENDATION 4**

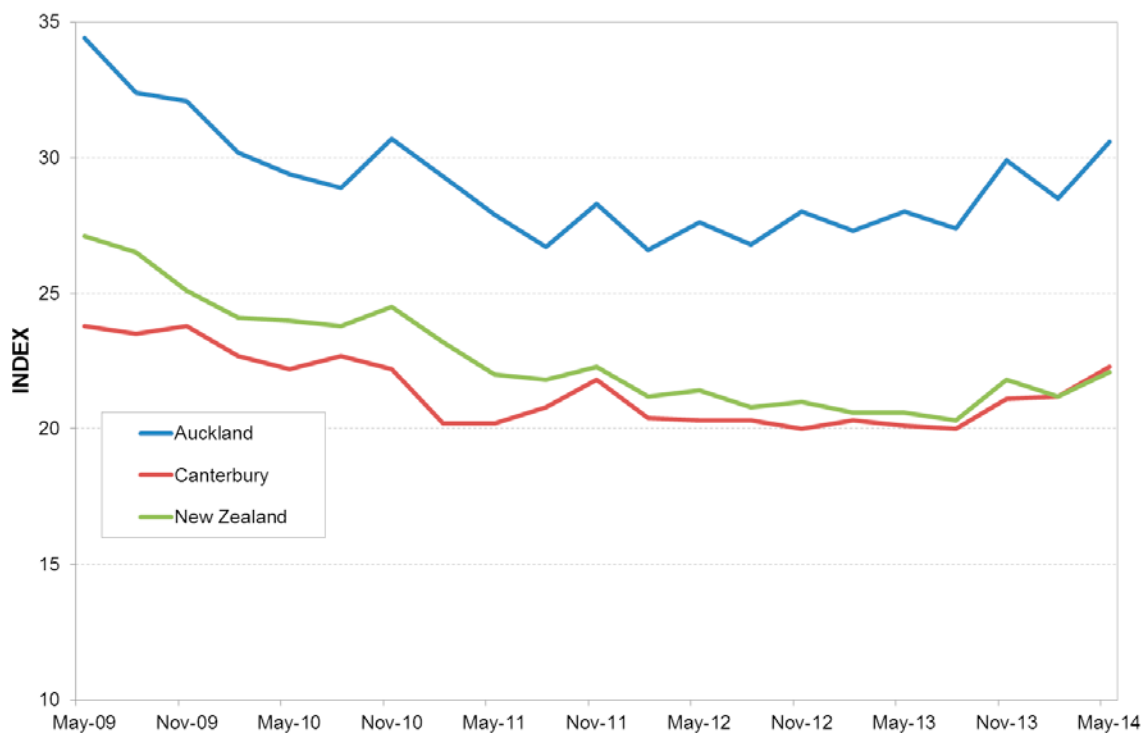
**That a housing warrant of fitness for all rental properties be put in place within five years to ensure that all rental properties meet acceptable health and living standards.**

# Housing affordability

Housing affordability in the New Zealand media and business research is framed as the 'affordability of purchasing a home', or more specifically as the 'affordability of paying off a mortgage', typically held by middle class and often younger persons. The leading affordability indices are the Roost Home Mortgage Affordability Report<sup>69</sup> and the Massey University Home Affordability Index.<sup>70</sup>

Figure 1 above provides a simple measure of housing affordability based on house prices but not taking account of debt servicing costs which change circumstances in money markets. As discussed above, since late 2011 there has been a consistent decline in housing affordability in Auckland while conditions outside of Auckland have remained relatively flat and may have even improved a little. Affordability measured by more sophisticated measures such as the Roost Home Mortgage Affordability measure or the Massey University index show a slightly different trend mainly because of historically low mortgage interest rates between late 2009 and late 2013.<sup>71</sup> This trend is illustrated in Figure 4 for the Massey University index which shows a slight deterioration in housing affordability across New Zealand but especially in Auckland since mortgage interest rates began to rise in late 2013.

**Figure 4. Massey University Home Affordability Index 2009-2014<sup>72</sup>**



As noted previously, the New Zealand index is likely to be biased by the impact Auckland house prices and the volume of house sales have on national averages given that Auckland accounts for around half of the total house sales market by value. This will mean 'the rest of New Zealand' (excluding Auckland) measure will be somewhat different from the New Zealand trends shown in Figures 1 and 4. Similarly, the relativity between Christchurch and New Zealand will be different if the 'New Zealand' in the comparison includes or excludes Auckland. Both Figures 1 and 4 present a picture that Christchurch's housing affordability has caught up to the average New Zealand affordability since the 2010/11 earthquakes. Perhaps a more accurate situation was that Christchurch affordability, at

least in terms of purchase and mortgage servicing, was close to the New Zealand average (excluding Auckland) prior to the earthquakes and that since the earthquakes the affordability has deteriorated at much the same rate as Auckland's. The rest of New Zealand (excluding both Auckland and Christchurch) has in general become relatively more affordable to those households that have managed to maintain their employment and incomes during the recession.

Perhaps one of the limitations with affordability measures based on purchasing a house on a mortgage is that it really only presents a relevant snapshot of housing affordability for a part of the community. Within these measures is the somewhat mythical set of circumstances where a household is configured as the average or typical, participating in the labour market as the typical or average household does, earning average incomes and working average hours, paying an average sized mortgage at an average interest rate and purchasing a median price house each quarter (or whatever the frequency of the measure is). Clearly to get some reference point it is necessary to make such assumptions but in doing so it is important that the circumstances of households and individuals who work and live a long way from these norms or averages or medians are also somehow considered.

It is certainly the case that New Zealand's poorest children don't live in households which are more or less fully participating in the labour market and receiving the average household income. If we use income based measures of relative poverty then by definition this is not the case. As we have seen in the discussion above, around half of New Zealand's poor children live in private rental accommodation while a further 19% live in HNZC accommodation (see Table 4). At the same time the proportion of New Zealand households which own or are purchasing their homes is declining, and purchasing a first home has become relatively more difficult. This difficulty is caused by house values in many parts of New Zealand rising faster than wages and salaries, and more recently by Reserve Bank directives to banks to reduce their lending to low-deposit/low equity house purchasers. An easy conclusion to draw from these trends is that most poor children do not live in housing owned by middle income households but most often in rental housing and sometimes in rental housing in high housing cost areas such as Auckland and Christchurch,

Such a background means of course that changes in affordability indicators such as the Roost and Massey University indices have little to do with the housing fortunes of the poorest 265,000 New Zealand children. Their fortunes are likely to be played out in lower quality rental housing in suburbs with lower than average property values. That scenario has directed this alternative analysis of housing affordability.

The tables in Appendix 5 summarise analysis of rents in 25 selected suburbs and cities over the past five years (June 2009 to June 2014). The main purpose of this analysis is to inform an understanding of recent changes in the likely housing markets of low income households. The aim is to establish whether housing has become more or less expensive for these family households.

The analysis considers only lower quartile rents in lower cost rental housing markets. We assume that low income households are compelled to economise on housing costs and therefore are likely to be the dominant participants in such markets.

In order to gain some understanding of the housing costs faced by households with children, this analysis has only considered changes in rents in two bedroom flats, and two and three bedroom houses. These three types of dwellings make up nearly 70% of the rental housing market and in many

local markets an even greater share.<sup>73</sup> Even with the dominance of these three types of dwellings, some local markets offer few two bedroom flats providing new tenancies.

The results of this analysis are provided in Appendix 5 as Tables 5A to 5H which report the average annual lower quartile weekly rents for each of the three dwelling types on a locality by locality basis. The rents are calculated on a four quarter average basis to overcome fluctuations caused by small numbers of new tenancies being reported in any one quarter. The periods reported are the last 12 months (Sept-13 to Jun-14), two years ago (Sept-12 to Jun-13) and five years ago (Sept-08 to Jun-09). Changes in rents are compared on an inflation adjusted basis using the Consumer Price Index All Groups index. These real changes in rents are reported over the past year and the past five years.

The general pattern of rent changes over the past five years is as follows:

1. Auckland rents have increased by around 5% to 15% in real terms although there are some changes outside of these bounds which are mainly caused by small numbers of new tenancies within the sample. (Table 10)
2. In Hamilton rental housing markets appear soft with rents remaining stable or having fallen by up to 10% (Table 11)
3. Wellington rents also appear to have remained stable with changes of between -5% to +5% (Table 12)
4. Rents in other North Island centres have been soft also with changes in this +5% to +5% range. The exceptions within this list of centres are Kaikohe which has seen rent falls of 6% to 20% and Tauranga which has seen consistent real rent increases of up to 7%. (Table 13)
5. Probably due to the disruption caused by the earthquakes, Canterbury rents have risen by between 5% and 25% over the past five years with most increases being around 15%. As seen in Table 14 around half this increase has taken place over the past year. (Table 14)
6. Rents in other parts of the South Island have remained relatively stable although they have risen by as much as 5% in real terms over the past five years. (Table 15)

With such variation there is little value in discussing averages across New Zealand. Table 16 provides these nationwide averages nonetheless because it allows for a comparison between the lower quartile rents by suburb or city against the national average. This comparison based on the 2013-14 lower quartile rents reported in Tables 10 to 15 is provided in Table 17.<sup>74</sup>

The general pattern to emerge from this comparison has four elements:

1. Most provincial towns or cities have rents which are around 70% to 90% of the national average with exception being notably prosperous provincial cities such as New Plymouth, Tauranga and Nelson which have rents around 10% higher than the national average.
2. Even in Auckland's lower income suburbs lower quartile rents tend to be 20% to 60% higher than the national lower quartile rents although this margin is smallest in South Auckland suburbs.
3. Rents in Wellington's lower income suburbs are close to the national averages.
4. Rents in Christchurch's lower income suburbs are around 20% to 30% higher than the national rents although this margin has increased since the earthquakes. Prior to the earthquakes rents were around the national averages.



## **RECOMMENDATION 5**

**The Government provides adequate subsidies to landlords to insulate their houses as a means of improving the living conditions of tenants.**

## **RECOMMENDATION 6**

**The Accommodation Supplement be urgently reviewed with the aim of better integration of housing assistance into overall family income support and with a view to reducing complexity and high abatement rates and to improving housing affordability.**

In summary housing affordability is not one story but several. There are very different stories of home buyers and tenants in Auckland, Christchurch, Wellington, and prosperous provincial cities, and of buyers and tenants in provincial towns and cities which have stable or even declining populations.

These several stories do not allow for broad generalisations or construction of a national narrative around housing affordability. In the same way it is not possible to tell a single story about New Zealand children's housing although a sharp distinction can be made about the fortunes of children in low income households in Auckland and Christchurch and those everywhere else in New Zealand. Low income households with children in Auckland and Christchurch not only pay appreciably more for their housing than other New Zealanders but have seen the cost of their housing rise by 10% to 20% in real terms over the past five years. Similar households elsewhere in New Zealand and especially in places with stable or even declining populations have paid less for their housing overall and have seen housing costs rise at around the same rate of wages and salaries.

# Conclusions

The 2013 Census has confirmed the continuing decline in rates of home ownership which can be seen as a sign of both growing wealth inequalities within New Zealand, and a source of these inequalities. The rising rate of rented tenure, especially for households with children, is of concern for children's wellbeing for at least two reasons: rental housing is more often in sub-standard condition, and it is likely that tenant households shift more frequently, disrupting children's education and socialisation.

The housing fortunes of New Zealanders, including New Zealand's children, depends very much on which suburb, town or city they live in. A majority of New Zealanders live in suburbs, towns or cities without a housing shortage although in some areas such as Northland, the eastern Bay of Plenty, and the East Coast, the housing stock is frequently in unacceptable condition. For these communities without a housing shortage, housing costs have tended to keep pace with general inflation and earnings, and increases in the housing stock have overall been more than adequate to meet population growth.

However, the affordable housing stock in such places is likely to be old and in poor repair. It seems unlikely that this will change much in the medium term given the financial settings around high replacement costs and inadequate rents to justify further private investment. The sell-off of state houses in such areas will increase the reliance on private investors to provide affordable housing and this is likely to further exacerbate the problems around an ageing and deteriorating housing stock.

Outside this broad swathe of New Zealand lies the housing experiences of Auckland and Christchurch. In these cities, the stock of affordable housing has disappeared, and low- and modest-income households are being squeezed by a rental housing market where rents have risen sharply over the past two years. The causes of the shortages for each of these cities are different and well known. The Christchurch earthquakes destroyed around 8,000 houses, and while the rebuild has begun to replace these there has been a net loss of affordable houses which is not easily recognised simply by counting new and existing houses. This loss of affordable housing occurred in part through the concentration of the destruction in Christchurch's eastern suburbs where much of the lower value housing was located. More recently it has played out in a rental housing market which may have shrunk but has certainly seen rents increase by 25% or more in real terms. How low- and modest-income households in Christchurch have coped is still being understood. The influx of construction workers for the rebuild has created a relatively short-term dynamic which has made the position of low-income households more difficult, although this may be a temporary phase. The Christchurch housing market post-rebuild will most likely be much different from what it was in 2014, and the buoyancy and robustness of this market will then depend on the longer-term economic fortunes of Christchurch.

The 2013 Census results suggest that Christchurch has relatively fewer households with children and a lower proportion of multi-family and large households than the New Zealand average, even in Christchurch East. Household size and housing tenure patterns across Christchurch have only changed as much as they have in New Zealand overall, so it does not appear that children have been disproportionately affected by the housing changes brought about by the earthquakes. This is not to suggest that few families and children are without secure adequate housing but that any problems are likely to be quite localised and quite specific around the loss of affordable and social housing. Given the high rents in Christchurch at present more attention and priority should be given to the adequacy of the supply of affordable housing.

Auckland's housing shortage is on account of population growth and as the exodus of New Zealanders to Australia turns to a trickle this population pressure is likely to get worse. While the number of new dwellings being built in Auckland is recovering to pre-GFC levels the type of housing being built will not be accessible to low and modest income families with children. The Minister of Housing's ambition of 33,500<sup>75</sup> additional dwellings emerging from his housing accord with Auckland Council may well prove fanciful given that such a figure will require \$9 to 18 billion of further investment from 'mom and pop' investors who dominate the private rental market.<sup>76</sup> The main reason such investment appears unlikely, at least as a solution to the shortage of affordable housing, is that modest income households simply cannot afford modest priced new dwellings without assistance<sup>77</sup>. Some realism is required to address Auckland's housing crisis and included in this realism is an understanding that more interventionist approaches are required by Government and Auckland Council to ensure that there is an adequate supply of affordable housing for low and modest income Auckland families and households.

CPAG recommends the following responses to address these challenges. By doing this, we could ensure all New Zealand children would grow up in a warm, dry, secure house.

## Full list of recommendations

1. That Government develops a national housing plan which provides forecasts of future housing needs, programmes for addressing these needs and the budgets necessary to complete these programmes.
2. That, based on the national housing plan and on the current shortage of social housing, the Government commits to building an additional 1,000 social housing units per year either in the state or non-state sectors, and in areas of high need.
3. Prioritise access to social housing for households with children in certain regions, including the Counties-Manukau District Health Board region, on the basis of their exposure to rheumatic fever.
4. A housing warrant of fitness for all rental properties be put in place within five years to ensure that all rental properties meet acceptable health and living standards.
5. The Government provides adequate subsidies to landlords to insulate their houses as a means of improving the living conditions of tenants.
6. The Accommodation Supplement be urgently reviewed with the aim of better integration of housing assistance into overall family income support and with a view to reducing complexity and high abatement rates and to improving housing affordability.

# Audio-visual resources

Catriona MacLennan (2014) *Child Poverty in Aotearoa Episode 3: Housing* Catriona MacLennan interviews Alan Johnson, Social Policy Analyst, Salvation Army Social Policy & Parliamentary Unit; and interviews Mangere College nurse Heather Laxon about wrap-around health and social services for students, at: <http://www.youtube.com/watch?v=JtEA1JwHkt4>.

Bryan Bruce (2013), *Inside Child Poverty – A Special Report, On Demand*, at <http://www.tv3.co.nz/Shows/InsideNZ/InsideChildPovertyASpecialReport.aspx>.

[Bryan Bruce \(2014\) \*Where is all started. The full Inside Child Poverty documentary, Parts 1 to 5\*, at http://bryanbruce.co.nz/feature/child-poverty/inside-child-poverty-full-documentary.](http://bryanbruce.co.nz/feature/child-poverty/inside-child-poverty-full-documentary)

Alan Johnson (2014) *Ballot Box: Housing affordability: Can Auckland, as one of the world's great cities, also be affordable?* 12 June 2014. Panellists: Professor Laurence Murphy, Department of Property, University of Auckland Business School; Dr Arthur Grimes, Department of Economics, University of Auckland Business School; Alan Johnson, Senior Policy Analyst, Salvation Army Social and Parliamentary Unit

- [View Arthur Grimes video footage \(12:54\)](#)
- [View Alan Johnson video footage \(11:22\)](#)
- [View Laurence Murphy video footage \(13:27\)](#)
- [View 22 July 2014 studio interview \(20:37\)](#)

# Appendices

## Appendix 1: Summary of housing costs relative to household incomes from Household Economic Survey

June years	2008	2009	2011	2012	2013
Percentage of households spending more than 25% of household income on housing					
Owner occupied households	20.9	18.9	18.4	19.1	18.4
Tenant households	49.3	43.9	51.2	48.8	48.3
Percentage of households spending more than 30% of household income on housing					
Owner occupied households	15.0	12.7	12.6	12.5	11.9
Tenant households	37.9	33.0	39.1	36.7	35.5
Percentage of households spending more than 40% of household income on housing					
Owner occupied households	8.6	6.3	6.9	6.7	5.6
Tenant households	22.0	19.3	22.9	22.6	23.1

## Appendix 2: Rheumatic fever rates and case numbers by DHB regions for 2013<sup>78</sup>

District Health Board	Numbers	Rate per 100,000
Northland	20	12.5
Waitemata	9	1.6
Auckland	20	4.3
Counties Manukau	77	15.0
Waikato	18	4.8
Lakes	6	5.8
Bay of Plenty	14	6.5
Tairāwhiti	5	10.7
Taranaki	<4	-
Hawkes Bay	<4	-
MidCentral	<4	-
Whanganui	<4	-
Capital & Coast	5	1.7
Hutt Valley	7	4.8
Wairarapa	<4	-
Nelson Marlborough	<4	-
West Coast	<4	-
Canterbury	5	1.0
South Canterbury	<4	-
Southern	<4	-

**Appendix 3: Measures of overcrowding form 2006 Census**

	Total Households	Overcrowding Measures			
		ACI*	BBS**	CNOS***	ECI****
Number of households	1,454,175	37,488	59,091	71,871	95,395
Percentage of households	100%	2.7%	4.2%	5.2%	6.9%
Average household size	6.1	5.5	5.4	5.4	5.4
% of multi-family households	2.8%	26.2%	23.3%	21.2%	17.4%
Received Govt support	23.5%	56.6%	62.5%	61.5%	57.0%
Tenure % not owned	33.1%	65.1%	66.5%	65.2%	60.6%
Tenure % owned	66.9%	34.9%	33.5%	34.8%	39.4%

\*ACI: American Crowding Index

\*\*BBS: British Bedroom Standard

\*\*\*CNOS: Canadian National Occupancy Standard

\*\*\*\*ECI: Equivalised Crowding Index

**Appendix 4: Distribution of household sizes by proportion of all occupied dwellings 2001-2013**

Locality	Number of occupants			
	One	2 or 3	4 or 5	6 +
	<b>2001 CENSUS</b>			
South Auckland	15.6%	41.8%	27.9%	14.7%
Rest of Auckland	20.7%	49.7%	24.8%	4.9%
Auckland	19.8%	48.4%	25.3%	6.5%
Christchurch East	23.4%	51.6%	21.7%	3.3%
Greater Christchurch	24.8%	51.5%	20.8%	2.8%
New Zealand	22.9%	50.2%	22.3%	4.6%
New Zealand excluding Auckland	24.2%	50.9%	21.1%	3.8%
	<b>2006 CENSUS</b>			
South Auckland	15.0%	40.3%	28.7%	16.1%
Rest of Auckland	19.9%	49.7%	25.4%	5.0%
Auckland	19.1%	48.2%	25.9%	6.8%
Christchurch East	23.3%	52.1%	21.4%	3.2%
Greater Christchurch	23.7%	51.7%	21.7%	2.9%
New Zealand	22.6%	50.5%	22.3%	4.6%
New Zealand excluding Auckland	24.1%	51.5%	20.8%	3.7%
	<b>2013 CENSUS</b>			
South Auckland	14.1%	40.0%	29.0%	16.9%
Rest of Auckland	19.3%	49.4%	26.1%	5.2%
Auckland	18.4%	47.9%	26.6%	7.1%
Christchurch East	23.4%	51.4%	22.0%	3.2%
Greater Christchurch	23.4%	51.6%	21.9%	3.1%
New Zealand	22.9%	50.5%	22.0%	4.5%

**Appendix 5: Trends in lower quartile weekly rents in selected towns/suburbs 2009 – 2014**

**Table 5A. Trends in lower quartile rents in selected Auckland suburbs 2009-2014<sup>79</sup>**

Locality		Rent 5 years ago	Rent 2 years ago	Rent Last 12 months	1 year change	5 year real change
Glenfield	2 bedroom flat	286	319	340	5.1%	7.6%
	2 bedroom house	284	350	356	0.1%	13.1%
	3 bedroom house	338	408	422	2.0%	13.0%
Ranui	2 bedroom flat	NA	NA	NA	NA	NA
	2 bedroom house	262	307	332	4.6%	12.5%
	3 bedroom house	305	348	360	2.0%	6.8%
Mt Roskill	2 bedroom flat	268	318	311	-12.8%	-5.0%
	2 bedroom house	329	405	423	7.6%	21.6%
	3 bedroom house	404	415	448	6.4%	0.1%
Avondale	2 bedroom flat	242	251	282	10.8%	5.7%
	2 bedroom house	288	335	334	-1.8%	5.1%
	3 bedroom house	324	396	402	-0.1%	12.3%
Panmure	2 bedroom flat	264	315	344	7.7%	17.7%
	2 bedroom house	282	344	371	5.6%	17.9%
	3 bedroom house	331	397	429	6.2%	16.9%
Otahuhu	2 bedroom flat	229	260	288	9.0%	13.4%
	2 bedroom house	259	273	314	13.3%	9.3%
	3 bedroom house	313	356	357	-1.1%	3.3%
Manurewa	2 bedroom flat	245	284	300	4.0%	10.5%
	2 bedroom house	255	299	317	4.4%	12.4%
	3 bedroom house	291	340	357	3.3%	10.7%
Papakura	2 bedroom flat	237	268	281	3.2%	7.3%
	2 bedroom house	249	297	299	-1.1%	8.3%
	3 bedroom house	283	338	352	2.6%	12.5%

**Table 5B. Trends in lower quartile rents in selected Hamilton suburbs 2009 – 2014**

Locality		Rent 5 years ago	Rent 2 years ago	Rent Last 12 months	1 year change	5 year real change
Huntly	2 bedroom flat	146	149	168	11.1%	4.4%
	2 bedroom house	163	184	177	-10.8%	-7.3%
	3 bedroom house	184	197	204	1.9%	0.3%
Claudelands	2 bedroom flat	182	190	195	1.2%	-3.1%
	2 bedroom house	242	244	239	-3.6%	-10.8%
	3 bedroom house	291	299	305	0.6%	-5.1%

**Table 5C. Trends in lower quartile weekly rents in selected Wellington suburbs 2009 – 2014**

Locality		Rent 5 years ago	Rent 2 years ago	Rent Last 12 months	1 year real change	5 year real change
Upper Hutt	2 bedroom flat	186	211	217	1.5%	5.6%
	2 bedroom house	243	247	258	3.3%	-3.4%
	3 bedroom house	301	324	335	1.9%	0.7%
Porirua East	2 bedroom flat	185	215	211	-3.2%	3.3%
	2 bedroom house	228	240	234	-3.9%	-7.2%
	3 bedroom house	239	278	280	-0.9%	6.0%
Wainuiomata	2 bedroom flat	214	210	224	4.9%	-5.5%
	2 bedroom house	218	232	233	1.1%	-1.0%
	3 bedroom house	266	276	280	-0.3%	-5.0%

**Table 5D. Trends in lower quartile weekly rents in selected North Island town/suburbs 2009 – 2014**

Locality		Rent 5 years ago	Rent 2 years ago	Rent Last 12 months	1 year real change	5 year real change
Kaikohe	2 bedroom flat	161	155	143	-9.0%	-19.5%
	2 bedroom house	187	184	191	2.1%	-7.9%
	3 bedroom house	198	209	205	-3.2%	-6.5%
Tauranga	2 bedroom flat	212	240	248	1.9%	5.6%
	2 bedroom house	234	259	276	5.0%	6.6%
	3 bedroom house	269	292	304	2.6%	2.4%
Rotorua	2 bedroom flat	161	177	182	1.2%	1.9%
	2 bedroom house	187	219	221	-0.7%	6.8%
	3 bedroom house	232	257	260	-0.4%	1.5%
Flaxmere	2 bedroom flat	176	185	192	2.1%	-1.3%
	2 bedroom house	194	204	202	-2.2%	-5.6%
	3 bedroom house	220	241	241	-1.5%	-0.9%
New Plymouth	2 bedroom flat	198	219	228	2.6%	4.0%
	2 bedroom house	241	268	270	-0.5%	1.2%
	3 bedroom house	287	313	322	1.4%	1.3%
Highbury – PN	2 bedroom flat	171	191	195	0.9%	3.4%
	2 bedroom house	215	228	231	-5.8%	-8.0%
	3 bedroom house	228	259	263	-0.3%	3.9%



**Table 5E. Trends in lower quartile weekly rents in selected Christchurch suburbs 2009 – 2014**

Locality		Rent 5 years ago	Rent 2 years ago	Rent Last 12 months	1 year real change	5 year real change
Aranui	2 bedroom flat	195	238	254	5.6%	18.2%
	2 bedroom house	227	255	314	21.5%	25.1%
	3 bedroom house	261	300	345	13.2%	19.3%
Woolston	2 bedroom flat	200	238	272	12.9%	23.2%
	2 bedroom house	238	259	276	4.9%	4.6%
	3 bedroom house	263	328	336	0.9%	15.5%
Hornby	2 bedroom flat	202	237	266	10.9%	18.9%
	2 bedroom house	241	276	313	11.8%	17.7%
	3 bedroom house	282	346	386	9.9%	23.6%

**Table 5F. Trends in lower quartile weekly rents in selected South Island town/suburbs 2009 – 2014**

Locality		Rent 5 years ago	Rent 2 years ago	Rent Last 12 months	1 year real change	5 year real change
Nelson	2 bedroom flat	206	238	240	-0.4%	5.4%
	2 bedroom house	246	286	287	-1.3%	5.5%
	3 bedroom house	270	327	320	-3.4%	7.1%
South Dunedin	2 bedroom flat	186	196	199	0.3%	-3.4%
	2 bedroom house	195	205	225	8.2%	4.4%
	3 bedroom house	219	235	244	4.3%	2.8%
Invercargill	2 bedroom flat	144	154	163	4.1%	2.3%
	2 bedroom house	159	181	183	0.0%	4.4%
	3 bedroom house	191	208	215	1.7%	1.7%

**Table 5G. Trends in lower quartile weekly rents in New Zealand 2009 – 2014**

Locality		Rent 5 years ago	Rent 2 years ago	Rent Last 12 months	1 year real change	5 year real change
New Zealand	2 bedroom flat	199	222	232	2.9%	5.5%
	2 bedroom house	212	235	243	1.8%	3.5%
	3 bedroom house	247	270	279	1.7%	2.0%

**Table 5H. Local lower quartile rents as a multiple of NZ wide lower quartile rents 2013-14**

Suburb/City	Local rent as a multiple of NZ wide rent
Kaikohe	0.7
Glenfield	1.5
Ranui	1.3
Mt Roskill	1.6
Avondale	1.3
Panmure	1.5
Otahuhu	1.3
Manurewa	1.3
Papakura	1.2
Huntly	0.7
Claudelands	1.0
Tauranga	1.1
Rotorua	0.9
Flaxmere	0.8
New Plymouth	1.1
Highbury – Palmerston North	0.9
Upper Hutt	1.1
Porirua East	1.0
Wainuiomata	1.0
Nelson	1.1
Aranui	1.2
Woolston	1.2
Hornby	1.3
South Dunedin	0.9
Invercargill	0.7

# Endnotes

- 1 Johnson, A. *Striking a better balance*, The Salvation Army Social Policy and Parliamentary Unit 2014, <http://www.salvationarmy.org.nz/sites/default/files/uploads/20140211SONStriking%20a%20Better%20Balance%20-%20Final%20Web.pdf>.
- 2 Johnson, A. *Striking a better balance*, The Salvation Army Social Policy and Parliamentary Unit 2014, <http://www.salvationarmy.org.nz/sites/default/files/uploads/20140211SONStriking%20a%20Better%20Balance%20-%20Final%20Web.pdf>.
- 3 Kelly, A., Denning-Kemp, G., Geiringer, K., Asim Abdulhamid, A., Albabtain, A., et al. (2013) Exposure to harmful housing conditions is common in children admitted to Wellington Hospital, New Zealand Medical Journal, Vol 126 No 1387, at <http://journal.nzma.org.nz/journal/126-1387/5950/content.pdf>.
- 4 Howden-Chapman, P., *Housing standards: a glossary of housing and health*, Journal of Epidemiology & Community Health 2004; Vol. 58:162–168. <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC1732704/pdf/v058p00162.pdf>.
- 5 McChesney, I. (2013) *Child Poverty the 'fuel poverty' dimension*, *Policy Quarterly*, V9, 2, May 2013, at: <http://igps.victoria.ac.nz/publications/files/f7937a94644.pdf>.
- 6 Philippa Howden-Chapman, P., Michael G. Baker, M.G. & Sarah Bierre, S. (2013) *"The Houses Children Live In. policies to improve housing quality"*, *Policy Quarterly*, Volume 9, Issue 2 – May 2013, at: <http://igps.victoria.ac.nz/publications/files/f79b9f69dfa.pdf>.
- 7 The conventional wisdom from Auckland-specific studies of the impact of urban limits is that these unnecessarily restrict land supply which subsequently raises house prices within the urban limits. See for example Department of Building & Housing (2008) *Adequacy of Auckland Region's residential land supply*, Department of Building & Housing and Grimes, A and Liang, Y. (2007) *Spatial determinants of land prices in Auckland: Does the metropolitan urban limit have an effect?* Motu Working Paper 07-09; Motu Economic & Public Policy Research. Evidence from outside of New Zealand suggests that the relationship between urban planning restrictions and house prices is more complex – see for example Buxton, M and Taylor E. (2011) *Urban land supply, governance and the supply of land*; Urban Policy & Research 29.1 pp. 5-22.
- 8 Mainstream media encouraged by opposition parties' proposals to curb foreign ownership of property have canvassed the link between foreign buyers and rising house prices in Auckland – see for example TV3 article of 'Chines buying up big time' of 20/11/13 at <http://www.3news.co.nz/Chinese-buying-up-big-time/tabid/423/articleID/322163/Default.aspx>. This link has been refuted by the Government – see TV3 article of 14/-/5/14 'Govt: Foreign buyers not part of the housing problem' at <http://www.3news.co.nz/Govt-Foreign-buyers-not-part-of-housing-problem/tabid/1607/articleID/344017/Default.aspx>. The Government has been reluctant to gather better information on the impact of foreign buyers on house prices conceding to political pressure but not agreeing to undertake any specific research. See *NZ Herald* article of 15/04/14 "PM agrees ownership data worth closer look as NZ First pursue bill to set up register", at [http://www.nzherald.co.nz/nz/news/article.cfm?c\\_id=1&objectid=11238208](http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=11238208).
- 9 There is little solid research linking the pattern of Auckland's house price increases to rates of population growth. The table below compares Auckland's population growth and median house price change over the past decade.

10 Stillman and Mare (2008) found a very slight relationship between population growth and house prices (a 1% increase in a local population is associated with 0.2% to 0.5% increase in local house prices), and that the largest driver of house price growth was returning expatriate New Zealanders rather than recently settled foreign born migrants (Stillman, S. and Mare, C. (2008) *Housing markets and migration: Evidence from New Zealand*; Department of Labour). Chanpiwat (2013) however found a much stronger relationship with a 1% increase in population due to external migration leading to a 7.5% increase in house prices (Chanpiwat, N. (2013) *Estimating the impact of immigration on housing prices and housing affordability in New Zealand*; – dissertation for Master of Business degree at Auckland University of Technology).

**Changes in Auckland house prices and population 2003-2014 (Statistics New Zealand and NZ Real Estate Institute)**

June years	Median house sale price	Annual change	Population	Annual change
2003	\$290,000		1,297,600	
2004	\$330,000	13.8%	1,326,000	2.2%
2005	\$369,000	11.8%	1,348,900	1.7%
2006	\$398,000	7.9%	1,373,000	1.8%
2007	\$450,000	13.1%	1,396,100	1.7%
2008	\$443,050	-1.5%	1,416,800	1.5%
2009	\$440,000	-0.7%	1,438,600	1.5%
2010	\$455,750	3.6%	1,461,900	1.6%
2011	\$469,000	2.9%	1,486,000	1.6%
2012	\$499,000	6.4%	1,507,600	1.5%
2013	\$562,250	12.7%	1,529,400	1.4%
2014	\$620,000	10.3%	1,560,000	2.0%

11 Statistics New Zealand reports that, as a result of the earthquakes, 7,857 houses had been red zoned and marked for demolition at the end of 2012. See: [http://www.stats.govt.nz/browse\\_for\\_stats/snapshots-of-nz/yearbook/people/region/cera.aspx](http://www.stats.govt.nz/browse_for_stats/snapshots-of-nz/yearbook/people/region/cera.aspx).

12 During the year to 30 June 2014 the Auckland housing market accounted for almost 55% of the New Zealand housing market by value of sales (\$20.8 billion against \$38.1 billion) so it can be expected that Auckland will have disproportionate influence on the value of New Zealand wide market indicators such as median and average sale prices (Real Estate of New Zealand's *Market Facts Graphs* [https://www.reinz.co.nz/reinz/public/reinz-statistics/reinz-statistics\\_home.cfm](https://www.reinz.co.nz/reinz/public/reinz-statistics/reinz-statistics_home.cfm)).

13 Source of data – Real Estate of New Zealand's Market Facts Graphs.

14 The fertility rate in 2013 was 1.95 and for the decade to December 2013 average 2.06. New Zealand's recorded fertility rate peaked in 1961 at 4.31 (Statistics New Zealand Info database).

15 See Statistics New Zealand's National Family and Household Projections at [http://www.stats.govt.nz/browse\\_for\\_stats/population/estimates\\_and\\_projections/NationalFamilyAndHouseholdProjections\\_HOTP2006-2031update.aspx](http://www.stats.govt.nz/browse_for_stats/population/estimates_and_projections/NationalFamilyAndHouseholdProjections_HOTP2006-2031update.aspx).

16 Christchurch East is taken as the Burwood-Pegasus while Greater Christchurch is taken as the entire Christchurch City as well as Waimakariri and Selwyn Districts.

17 Data is taken from Statistics New Zealand's Household Economic Survey. The extent of housing stress as expected varies across the regions as does the proportion of household income spent on housing costs. The average proportion of household income spent on housing across all of New Zealand for the last three years of the survey (2011-13) was 15.9% while it was 18.9% for Auckland, 14.9% for Wellington and 13.6% for Canterbury.

18 Perry, B. (2014) Household incomes in New Zealand: Trends in indicators of inequality and hardship 1982 to 2013; Ministry of Social Development Table H.5 p.159

- 19 English, B. & Smith, N. (2013) *Housing package improves affordability*, access, 16 May 2013, at: <http://www.beehive.govt.nz/release/housing-package-improves-affordability-access>.
- 20 New Zealand Productivity Commission (2012) *Housing affordability inquiry*; The New Zealand Productivity Commission.
- 21 See 2013 *Budget Speech*, p.10, at <http://www.treasury.govt.nz/budget/2013/speech/b13-speech.pdf>.
- 22 66% of Housing NZ's stock was built before 1980 and just 11% built since 2000 – see Housing New Zealand Corporation Annual Report 2012/13 p.19.
- 23 For an indication of HNZC's asset sales and reconfiguration plans, see p. 29 in its 2012-15 Statement of Intent.
- 24 For example Housing New Zealand undertook the only review of the Housing Innovation Fund (see Housing New Zealand (2007) *Research and Evaluation Summary Report: The Housing Innovation Fund Outcomes Evaluation*, Housing New Zealand Corporation Ltd) and a review of the Accommodation Supplement undertaken by the Corporation in 2006-7 simply petered out without any findings, conclusions or recommendations. See initial efforts in Housing New Zealand (2007) *Review of the Accommodation Supplement: summary of consultation workshops and stakeholder submissions*, Housing New Zealand, at: <http://www.hnzc.co.nz/our-publications/research/housing-research-and-evaluation/summaries-of-reports/accommodation-supplement-april-2007>.
- 25 For example in its 2012-15 Statement of Intent Housing New Zealand forecast capital expenditure of \$1.47 billion over the 2013/14 to 2105/16 years which was to be funded by \$716 billion in asset sales and \$255 million in impairments and loss on sales (p.29). A year later the 2013-16 Statement of Intent forecast capital spending of \$2.47 billion which was to be funded from \$910 million in asset sales and \$156 million in impairments and loss on sale (p.30).
- 26 HNZC (2013) Statement of intent 2013-2016, at: [http://www.hnzc.co.nz/our-publications/statement-of-intent/statement-of-intent-2013-2016/statement-of-intent\\_2013-16.pdf](http://www.hnzc.co.nz/our-publications/statement-of-intent/statement-of-intent-2013-2016/statement-of-intent_2013-16.pdf), at p.22.
- 27 See HNZC at: <http://www.hnzc.co.nz/housing-development/auckland/northern-glen-innes-redevelopment-1/faqs-about-Glen-Innes%20>.
- 28 Clause 3.2 of the Company's constitution states that the purpose of the company is as follows:  
The purpose of the Company is to pursue the Transformation Objects, in accordance with its Statements of Intent and (once formally approved by the Shareholders) the Strategic Framework, by:
- (a) leading and integrating a programme of activities (with involvement of public, private and non-government organisations) to transform Tamaki, including planning and preparatory activities;
  - (b) procuring and/or influencing physical and spatial development, including with regard to housing, infrastructure and amenities; and
  - (c) facilitating alignment, and the design and delivery of placed-based social and economic projects to lift prosperity and well-being in Tamaki.
- 29 [http://www.tamakitr.co.nz/files/5213/9440/1061/2014-02-05\\_TAMAKI\\_FIRST\\_HOUSING\\_-\\_FENCHURCH\\_Report\\_v1.2\\_-\\_150dpi.pdf](http://www.tamakitr.co.nz/files/5213/9440/1061/2014-02-05_TAMAKI_FIRST_HOUSING_-_FENCHURCH_Report_v1.2_-_150dpi.pdf) <http://www.hnzc.co.nz/housing-development/auckland/northern-glen-innes-redevelopment-1>
- 30 The per tenancy subsidy rose 26% from \$7,329 to \$9,213 while inflation over the same period was 9%.
- 31 This data is mainly taken from Housing New Zealand's Annual Report with the exception of the 2014 subsidy figure which is taken from the Government's 2013/14 Budget documents and the 2014 state housing waiting list which is from Ministry of Social Development at <http://housing.msd.govt.nz/information-for-housing-providers/waitlist/index.html>. The waiting list figure for 2013 is an estimate based on a graph on page 10 of HNZC's Annual Report 2012/13
- 32 See Dr Smith's press release \$30m Budget boost for Social Housing Fund – 15<sup>th</sup> May 2014 available at <http://www.beehive.govt.nz/release/30m-budget-boost-social-housing-fund>.

- 33 Figures on housing spend are taken from 2013 and 2014 Budget documents and in particular Vote Housing and Vote Social Development Estimates and Appropriations.
- 34 See Community Housing Aotearoa (2014) A Way Forward for Stock Transfers available at <http://communityhousing.org.nz/news/way-forward-stock-transfers/>.
- 35 See NZ Herald, "Govt sets up agency to transfer state houses", 28 May 2014, at [http://www.nzherald.co.nz/nz/news/article.cfm?c\\_id=1&objectid=11263269](http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=11263269).
- 36 Ministry of Social Development (2008) *Children and Young People: Indicators of Wellbeing in New Zealand 2008*; Ministry of Social Development p.191
- 37 See for example Baker, M. McDonald, A. Zhang, J. and Howden-Chapman, P. (2013) *Infectious Diseases Attributable to Household Crowding in New Zealand: A Systematic Review and Burden of Disease Estimate* He Kainga Oranga: Housing and Health Research Programme, University of Otago.
- 38 Neuwelt, P. and Simmonds, G. (2006) *A Public Health Portrait of Severe Paediatric Gastroenteritis in the Auckland Region: Report of the 2005 Auckland Paediatric Gastroenteritis Investigation*; Auckland Regional Public Health Service
- 39 *Auckland Regional Public Health Service (2005) Health and housing Auckland: A summary of selected research.*
- 40 Baker, M, Goodyear, R. and Howden-Chapman, P (2003) *Chapter 5 Household Crowding and Health* in Statistics New Zealand (2003) What is the extent of crowding in New Zealand? pp. 58-87 available at [http://www.stats.govt.nz/browse\\_for\\_stats/people\\_and\\_communities/housing/crowding-analytical-report.aspx#report](http://www.stats.govt.nz/browse_for_stats/people_and_communities/housing/crowding-analytical-report.aspx#report).
- 41 Part one: Child poverty and health, available at <http://www.cpag.org.nz/assets/Publications/140501%202-0%20CPAG%20Our%20Children%20Our%20Choice%20Part%201%20FINAL%20COPY.pdf>.
- 42 See Baker, M, Goodyear, R. and Howden-Chapman, P (2003) *Chapter 5 Household Crowding and Health* in Statistics New Zealand (2003) What is the extent of crowding in New Zealand? At: [http://www.stats.govt.nz/browse\\_for\\_stats/people\\_and\\_communities/housing/crowding-analytical-report.aspx#report](http://www.stats.govt.nz/browse_for_stats/people_and_communities/housing/crowding-analytical-report.aspx#report), p. 79.
- 43 Baker, M. McDonald, A. Zhang, J. and Howden-Chapman, P. (2013) *Infectious Diseases Attributable to Household Crowding in New Zealand: A Systematic Review and Burden of Disease Estimate* He Kainga Oranga: Housing and Health Research Programme, University of Otago, p.9.
- 44 Robin, A. Mills, C. Tuck. R and Lennon, D, (2013) The epidemiology of acute rheumatic fever in Northland 2002-2011, The New Zealand Medical Journal , 126/1373'
- 45 Robin, A. Mills, C. Tuck. R and Lennon, D, (2013) The epidemiology of acute rheumatic fever in Northland 2002-2011, The New Zealand Medical Journal , 126/1373.
- 46 For details on the Better Public Services Targets see the National Party website at <https://www.national.org.nz/news/features/public-services>. A discussion on the targets around reductions in rheumatic fever rates is at: <http://www.health.govt.nz/about-ministry/what-we-do/strategic-direction/better-public-services/progress-better-public-services-rheumatic-fever-target> .
- 47 See the Minister of Health's press release 'Budget 2014: Additional \$20m to help fight rheumatic fever' on 01/052014 which promised \$65.3 million over six years on the programme, at: <http://www.beehive.govt.nz/release/budget-2014-additional-20m-help-fight-rheumatic-feve>.
- 48 See Ministry of Health report and data at <http://www.health.govt.nz/about-ministry/what-we-do/strategic-direction/better-public-services/progress-better-public-services-rheumatic-fever-target>.

49 See Dr Smith's press release of 19/02/14 'Rheumatic fever housing prioritisation extended' (available at <http://www.beehive.govt.nz/release/rheumatic-fever-housing-prioritisation-extended>) where he promised priority access to social housing in 'Bay of Plenty, Capital and Coast, Hawkes Bay, Hutt Valley, Lakes, Northland, Tairāwhiti and Waikato district health board areas' The rheumatic fever infection rate in Capital and Coast DHB area has averaged one quarter of the Counties-Manukau rate over the past 10 years – see data at <http://www.health.govt.nz/about-ministry/what-we-do/strategic-direction/better-public-services/progress-better-public-services-rheumatic-fever-target> .

50 'In the Canadian model, households are considered over crowded where the following standard cannot be met:

there should be no more than two people per bedroom

children less than 5 years of age of different sexes may reasonably share a bedroom

children 5 years or older of the opposite sex should not share a bedroom

children less than 18 years of age and of the same sex may reasonably share a bedroom

household members 18 years of age or over should have a separate bedroom, as should parents or couples.'

See: Statistics New Zealand at <http://www.stats.govt.nz/methods/classifications-and-standards/classification-related-stats-standards/number-of-rooms-bedrooms/definition.aspx>. In the analysis offered by the results in Table 8 it is just the first of these criterion which have been applied so most likely the estimates of a shortage of bedrooms is an under-estimate.

51 This table is based on data from the 2013 Census which was provided preferentially to Auckland Council and supplied to the author. This data did not include local figures for New Zealand outside of Auckland.

52 See Luxton, J. (1991) *Housing and Accommodation Assistance. A Statement of Government Policy on Housing and Accommodation*, NZ Government Printer.

53 The proportion of Accommodation Supplement recipients who were homeowners fell from 17% in 2008 to 13% in 2013 and in 2013 the proportion of such payments by value was also 13%. See Johnson, A. (2013) *Give me shelter: An assessment of New Zealand's housing assistance policies*; The Salvation Army, at: <http://www.salvationarmy.org.nz/sites/default/files/uploads/GiveMeShelter2013FinalWeb.pdf>, pp. 45-47.

54 Murphy, L. (2000) *A Profitable Housing Policy? The Privatisation of New Zealand Governments Residential Mortgage Portfolio*, Urban Policy and Research 15.4, pp. 247-256.

55 DTZ (2005) *Housing Tenure Aspirations and Attainment in New Zealand*; Centre for Housing Research Aotearoa New Zealand, p.56. This report found that 'home ownership is an aspiration of almost all those renting and is driven primarily by a reluctance to pay 'dead money' to landlords. Only in exceptional circumstances are people opting to revert from home ownership to renting.' p.60.

56 In 1951 the rate of home ownership was 61%, rising to 66% by 1956. See Morrison, P. (2008) *On the falling rate of home ownership in New Zealand*; Centre for Housing Research Aotearoa New Zealand; Table 1 p.14.

57 Home ownership rates available at <http://www.chranz.co.nz/pdfs/falling-rate-home-ownership-in-nz.pdf>.

58 See Reserve Bank of New Zealand's statistical series Table c.18 Household financial assets and liabilities available at <http://www.rbnz.govt.nz/statistics/tables/c18/>.

59 These estimates are based on Census data and have been calculated using reported dwellings not owned by the occupants as a proportion of all dwellings where tenure was reported with this proportion applied to the number of all occupied private dwellings.

60 James, B. and Saville-Smith, K. (2010) *Children's housing future*, Centre for Housing Research Aotearoa New Zealand, p.31.

- 61 *Part three: Compulsory education and child poverty*, available at: <http://www.cpag.org.nz/assets/Publications/1-0-%20Our%20Children%20Our%20Choice%20Part%203.pdf>.
- 62 See Wynd, D. (2014) *The revolving door: Student mobility in Auckland schools*, Child Poverty Action Group, at <http://www.cpag.org.nz/assets/Backgrounders/140523%20CPAG%20Transience%20Report%20May2014%20FINAL.pdf>.
- 63 Goodyear, R. Fabian, A. and Hay, J. (2012) Finding the crowding index that works best for New Zealand; Statistics New Zealand, p.28.
- 64 Statistics New Zealand's interactive table for NZGSS, at: <http://nzdotstat.stats.govt.nz/wbos/Index.aspx?DataSetCode=TABLECODE7902at>.
- 65 Buckett, N. Jones, M. and Martson, n. (2012) *BRANZ 2010 Housing Condition Survey – Condition Comparison by Tenure*, Building Research Association of New Zealand; p.10.
- 66 Tenancy data is taken from Ministry of Building Employment and Innovation's tenancy bonds database at: <http://www.dbh.govt.nz/nz-housing-and-co-construction-quarterly-open-data>. This data shows that over the ten years to 30 June 2014 an average 176,000 new bonds were lodged each year against an average of 310,000 active bonds giving a turnover rate of 57%. House sales data from the Real Estate of New Zealand reports that over the same 10 years annual sales (through a licensed real estate agent) averaged 78,400. Statistics New Zealand's estimates for occupied dwellings suggest an average number of dwellings of 1.7 million over this period representing an annual turnover of 4.7%. Most likely the turnover would be higher than this on account of house sales being undertaken without a licensed agent.
- 67 See: <http://www.beehive.govt.nz/release/housing-wof-trial-gets-underway>.
- 68 Howden-Chapman, P., Baker, M.G. & and Bierre, S. (2013) "The Houses Children Live In, policies to improve housing quality", *Policy Quarterly*, Volume 9, Issue 2 – May 2013, at: <http://igps.victoria.ac.nz/publications/files/f79b9f69dfa.pdf>.
- 69 The Roost Home Mortgage Affordability Report is prepared by Interest.co.nz and is available at <http://interest.co.nz/property/home-loan-affordability>. The affordability measure is reported as a percentage which is an estimate of the proportion of a median income that it would take to take to pay the mortgage on a median priced house purchased at that time, assuming the median income of a typical buyer in the 30-34 age group. The measure is calculated across 24 housing markets, with Invercargill the most affordable, and Queenstown then Central Auckland as least affordable.
- 70 The Massey University Home Affordability Report is at: <http://www.massey.ac.nz/massey/fms/Colleges/College%20of%20Business/School%20of%20Economics%20&%20Finance/research-outputs/mureau/home-affordability/157939%20-%20Home%20Affordability%20FEB%202014%20V2.pdf?78026AD2AA81D84C8EEBA0F989297DC9>. This index is based on average weekly earnings, mortgage interest rates and median house sale prices and is reported across 12 regions. The most affordable region in this survey is Southland and least affordable is Auckland followed closely by Central Otago Lakes.
- 71 The Reserve Bank of New Zealand estimates that the effective floating mortgage rate fell from 10.21% in October 2008 to 5.97% in October 2009. The 'floating first mortgage new customer housing rate' which probably best represents a market rate sat at 5.86-5.87% from March 2011 to February 2014. This was the lowest level in this rate since June 1965. Source Reserve Bank of New Zealand Table B3 Retail interest rates on lending and deposits available at <http://www.rbnz.govt.nz/statistics/tables/b3/>.
- 72 Data available at Massey University Real Estate Analysis Unit's website at <http://www.massey.ac.nz/massey/learning/colleges/college-business/school-of-economics-and-finance/research/mureau.cfm>
- 73 The table below reports the average number of the active bonds for the four quarters to 30/06/14 by dwelling type and numbers of bedrooms, at Ministry of Business Innovation & Employment, <http://www.dbh.govt.nz/nz-housing-and-construction-quarterly-open-data>.



Number of Bedrooms						
	1	2	3	4	5+	Totals
Apartments	4,339	5,636	567	25	0	10,567
Flats	32,314	64,883	11,711	1,838	1,214	111,959
Houses	4,877	36,664	130,253	37,438	7,130	216,361
Totals	41,530	107,183	142,530	39,301	8,344	337,076
Apartments	1.3%	1.7%	0.2%	0.0%	0.0%	3.1%
Flats	9.6%	19.2%	3.5%	0.5%	0.4%	33.2%
Houses	1.4%	10.9%	38.6%	11.1%	2.1%	64.2%
Totals	12.3%	31.8%	42.3%	11.7%	2.5%	100.0%

74 The multiples reported in Table 17 are the averages across the three dwellings types – not the weighted average

75 This figure of 33,500 is frequently cited by Dr Smith. In his announcement on 7 May 2014 of the thirteenth tranche of ‘Special Housing Areas’ in Auckland he stated “The Auckland Housing Accord is continuing to gain momentum in enabling thousands more sections to be developed and thousands more homes to be built. The first tranche in October provided 11 Special Housing Areas and 6000 homes, and the second a further 11 and 9500 homes. This third tranche brings the total to 63 Special Housing Areas and 33,500 homes and is the scale we need to address the section and house shortage in Auckland.” At: <http://www.aucklandcouncil.govt.nz/EN/newseventsculture/OurAuckland/mediareleases/Pages/aucklandhousingaccordfacilitatesanother18000homes.aspx> .

76 Dr Smith’s claims of 33,500 additional dwellings either naively or disingenuously assume that rezoned land equates to more sections for residential development and that more land for residential development equates to more houses. Clearly in order to achieve such an outcome investors and buyers will need to be convinced that it is worthwhile. In June 2014 the average build cost of a new dwellings was \$323,000 or \$1,632/m<sup>2</sup> for a 198m<sup>2</sup> dwelling. Allowing \$200,000 for land and consent costs means that an average new dwelling in Auckland is around \$525,000. This would require further investment of \$17.5 billion which is just over 9% of the present mortgage market. Between the 2006 and 2013 Censuses 68% of the additional 35,000 dwellings added to Auckland’s housing stock were rented. If such a proportion is to apply to the 33,500 additional units speculated by Dr Smith a further investment of \$9 billion would be required. By comparison the total capitalisation of the New Zealand stock market was estimated at \$88 billion in July 2014.

77 If an affordable new house cost \$400,000 and rental property investors were prepared to accept gross yields of 5% weekly rents of \$400 would be required to make such an investment attractive to new investors. The affordability of such rents needs be seen against individual and household incomes current evidence of the affordability of rents. The 2013 Census reported median household incomes of \$66,100 in the Tamaki-Maungakiekie, ward \$60,400 in the Manukau ward and \$67,000 in the Manurewa-Papakura ward. Income tax data suggests that half of taxpayers earn less than \$30,000 gross per annum and nearly 70% earn less than \$50,000 (Key facts for taxpayers from Treasury’s Budget website). The Household Economic Survey 2013 reported that 23% of tenant households reported spending more than 40% of their household income on housing costs while the overall ratio of housing costs to household incomes was highest in Auckland at 18.4% against the national average of 15.4%.

78 See: <http://www.health.govt.nz/about-ministry/what-we-do/strategic-direction/better-public-services/progress-better-public-services-rheumatic-fever-target>.

79 Rent data is taken from the Ministry of Business Employment and Innovation website at <http://www.dbh.govt.nz/nz-housing-and-construction-quarterly-open-data>.