

Home Ownership

What this is about...

Home ownership is traditionally seen as the most secure form of tenure in New Zealand. Levels of home ownership are used as a guide to population stability, community participation, the relative wealth of the community and changes in lifestyles and household patterns. Home ownership has been assessed using the proportion of private dwellings that were owned, with and without mortgages, in the previous three Censuses.²³

What did we find ?

- Home ownership remains the dominant form of tenure in the six largest cities, as it does in the rest of New Zealand. In 1996, Manukau (67.5%), Christchurch (69.8%), Waitakere (71.9%) and North Shore (72.7%) Cities all had home ownership rates that were similar to the national rate of ownership (67.7%).
- The proportion of the population who own their own home (with or without a mortgage) has declined in all six cities and in the rest of New Zealand over the last three Censuses.
- However, home ownership is steadily declining in New Zealand as rising home mortgage interest rates are reducing affordability and consumer confidence in the housing market. The changing nature of household formation (especially trends toward later forming couple households and smaller families), the formation of private family trusts, unemployment, and lower incomes relative to house prices are also impacting on tenure patterns. There has also been a lack of specific government policies over the last decade aimed at assisting low income households into home ownership.
- In 1996, ownership was lower in Auckland (56.2%) and Wellington (62.5%) Cities, because home ownership is a less affordable option in cities where median dwelling prices are high. Both of these cities have large student populations in their inner cities that are more likely to rent their accommodation due to lower incomes and the short term nature of their accommodation requirements. Wellington's public service and diplomatic populations also contribute to patterns of lower home ownership.

PROPORTION OF POPULATION WHO OWN A PRIVATE DWELLING AND WHO RENTED, BY CITY (1986, 1991 AND 1996)

	1986		1991		1996	
	Own (%)	Rent (%)	Own (%)	Rent (%)	Own (%)	Rent (%)
Auckland	62.1	35.1	60.9	35.4	56.2	32.3
Manukau	77.5	20.4	74.1	22.5	67.5	22.4
North Shore	81.0	17.3	78.7	18.4	72.7	20.4
Waitakere	82.2	16.0	79.9	17.2	71.9	19.9
Wellington	66.1	30.6	65.4	30.8	62.5	29.8
Christchurch	75.5	22.5	74.0	22.7	69.8	23.9
Rest of NZ	72.8	22.1	73.4	20.8	68.9	21.2

Data Source: Statistics New Zealand

NB: Figures do not add up to 100 as other types of private dwelling are not included.

In all six cities and in the rest of New Zealand rates of home ownership tend to be lower among Maori and Pacific Islands populations than other ethnic groupings, particularly the latter. For example, in 1996, 32.9% of Maori and 27% of Pacific Islands people within Auckland City owned their home (with or without a mortgage) compared with 64.7% of the European population. These groups are more likely to have younger population age structures, have larger and younger families and are more likely to be on lower incomes.

PROPORTION OF PRIVATE DWELLINGS OWNED, BY ETHNICITY (1996)²⁴

	European (%)	Maori (%)	Pacific Islands (%)	Asian (%)	Other (%)
Auckland	64.7	32.9	27.0	50.7	27.0
Manukau	78.7	46.2	42.2	70.7	36.9
North Shore	75.7	49.0	44.3	67.3	32.8
Waitakere	77.9	51.5	50.5	69.8	48.1
Wellington	67.4	35.5	30.6	60.3	29.0
Christchurch	72.1	42.1	34.3	59.4	32.2
Rest of NZ	73.2	47.3	40.0	56.4	50.7
Total NZ	72.7	46.0	37.8	59.2	38.0

Data Source: Statistics New Zealand

People on lower incomes and/or on welfare benefits tend to live in rented accommodation rather than in owner-occupied dwellings. Employment (especially sustained full time employment) increases the likelihood of home ownership. High median dwelling sale prices and high home mortgage interest rates lower the affordability of housing and lower the rate of home ownership.

Trends toward the later formation of couple households and smaller families, separation and divorce, the ageing of the population (and older people living alone) are resulting in lower rates of home ownership.

Housing Costs and Affordability

What this is about...

Housing is the largest component of many households' expenditure and is central to the ability to meet basic needs. The costs of housing are particularly significant for those on lower incomes. When housing costs are too high relative to income, people have less residual income to spend on other essential household costs such as food and power. People facing substantial housing cost burdens may be forced to live in unsafe, unhealthy or inappropriate accommodation to mitigate those costs. Access to affordable housing of a reasonable quality is important because of the impact of housing on other areas - notably health, education, employment and community cohesion.

Housing cost and affordability indicators presented here outline the relative costs of obtaining housing and indicate how affordable accommodation is for people in New Zealand's six largest cities.

24 This analysis looks at the proportion of private dwellings that are owned by each ethnic group, as a proportion of the total number of private dwellings for that ethnic group. While ethnicity is an individual characteristic, this analysis assigns the ethnicity of the 'occupier' (who filled in the Dwelling form on Census night) to the household.

What did we find ?

MEDIAN RESIDENTIAL DWELLING SALES

This indicator looks at monthly median residential dwelling sales figures for each of the six cities and by region.²⁵

- Median residential dwelling sale prices in all cities in the Auckland Region are generally higher than in other regions.²⁶ Strong economic growth has resulted in migration into the Region and has created a greater demand for housing. In particular, it costs more to buy a house in Auckland City than anywhere else in New Zealand. In May 2000, Auckland City's median dwelling sale price was \$270,000 while the New Zealand median sale price was \$172,000.
- There are, however, large suburban variations in median dwelling sale prices within cities in the Auckland Region. For example, in Auckland City, Onehunga / Penrose had a median of \$195,000 whereas Mount Eden / Epsom's was \$355,000.
- Median house sale prices are also high in Central Wellington and approximate Auckland City sale prices. In May 2000, at \$266,000, the median was well above the national median sale price. Wellington's economy has been performing above the national average and consumer confidence in the housing market has remained higher than in other areas.²⁷
- In May 2000, Christchurch City's median dwelling sale price was below the national median at \$154,000.

MONTHLY MEDIAN RESIDENTIAL DWELLING SALE PRICE, BY REGION (YEAR TO MAY 2000)

	January (\$)	February (\$)	March (\$)	April (\$)	May (\$)
Auckland	262,000	274,000	271,000	280,000	270,000
Manukau	225,000	236,000	232,500	222,500	235,500
North Shore	240,000	260,000	257,500	262,000	262,000
Waitakere	190,000	205,000	199,000	210,000	190,000
Auckland Region	230,000	240,000	240,000	242,000	236,000
Central Wellington	275,000	245,000	272,500	290,000	266,000
Wellington Region	184,000	184,000	179,000	190,000	184,000
Christchurch	157,000	154,500	160,000	154,000	154,000
Canterbury/ Westland Region	147,000	141,250	150,000	140,000	146,000
Total NZ	169,250	171,000	175,000	177,000	172,000

Data Source: Real Estate Institute of New Zealand

(REINZ city and regional groupings approximate territorial local authority and regional boundaries)

HOME MORTGAGE AFFORDABILITY

The Home Mortgage Affordability Index assesses the relative affordability of home buying at a point in time. The Index incorporates national and regional average weekly earnings, regional median dwelling price and average mortgage interest rates for new borrowers. Regional sub-indices compare affordability by region and with the national average.²⁸ The higher the percentage, the less affordable is that region's housing compared to the national average - which is represented by 100%.

- In line with findings on median house sale prices, the Index indicates that home mortgage affordability is lower in the Auckland Region (at 131.8% of the national average in the June 2000 quarter) than in any other region. Auckland is the only region to have exceeded the 100% national average consistently over the last few years.²⁹
- There are significant variations in house prices within cities in the Auckland Region and it is likely that these will be reflected in variations in mortgage affordability in different locations. Similar patterns will be found in the Wellington and Canterbury/Westland Regions.

25 Compiled by the Real Estate Institute of New Zealand (REINZ).

26 One reason for the increase in house prices in the Auckland Region in the last decade has been high levels of Asian immigration. However, there has been a downturn in the number of Asian business migrants coming to New Zealand in the last couple of years, as well as departure by many Asian immigrants which has had the effect of reducing demand for higher priced housing and thus the prices of these properties.

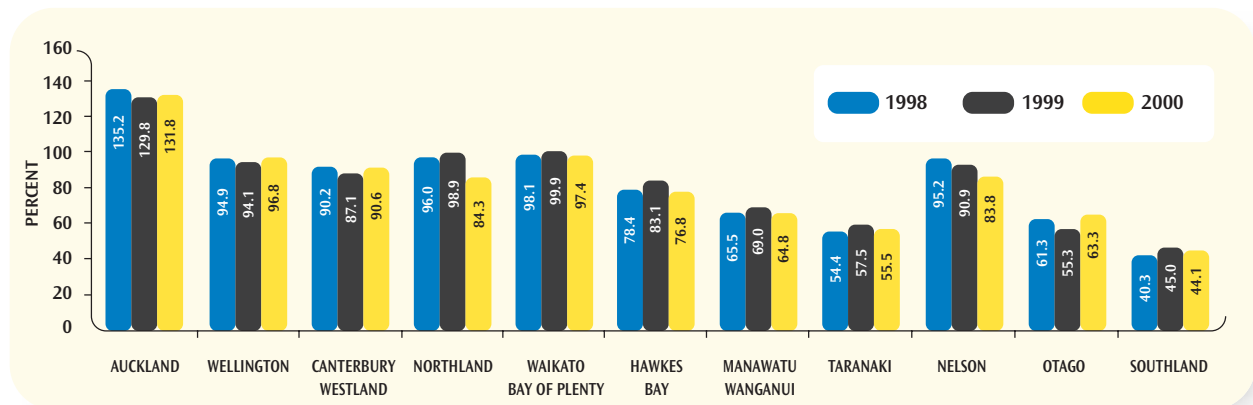
27 ASB Quarterly Housing Report May 2000.

28 The index is created by the Massey University Real Estate Analysis Unit. Data are not available to city level. Massey University Real Estate Analysis Unit's regional boundaries approximate regional council boundaries.

29 Statistics New Zealand. 1998. New Zealand Now: Housing.

- Home mortgages were more affordable in the Canterbury/Westland Region (at 90.6% of the national average in the June 2000 quarter) than in either the Wellington (96.8%) or Auckland Regions.³⁰ However, annual mortgage affordability declined in all regions in New Zealand in the June 2000 quarter.

HOME MORTGAGE AFFORDABILITY AS A PERCENTAGE OF THE NATIONAL AVERAGE, BY REGION (JUNE QUARTER 1998 TO 2000)



Data Source: Massey University Real Estate Analysis Unit

Housing affordability is influenced by home ownership trends and conditions, the rate of population growth in a city and its absolute size, and economic conditions (such as changes in median dwelling sale prices, housing market and business confidence, housing demand and supply, inflation, mortgage interest rates, currency fluctuations, government economic and housing policies and adjustments in the rate of economic growth). Home ownership trends and conditions are themselves affected by the affordability of housing.

AFFORDABILITY OF RENTING

Rental affordability is a significant issue in our larger cities, particularly for low income earners. This indicator shows the median weekly rent level for each city, for all landlord types, as produced by the Ministry of Housing through its Tenancy Bond Data Base.³¹

- Median rent prices vary between our larger cities, from \$257 per week in North Shore City for the year to June 2000 to \$173 per week in Christchurch City.
- As with house prices, there are large variations in median rents in different locations in the cities. Rents tend to be higher where the demand for housing is high. Median rent variations may also be due to physical differences in the housing stock between cities (for example, quality and age of house and number of bedrooms) or to housing demand caused by demographic and socio-demographic factors, such as migration. Research indicates that 80% to 95% of variations in median rents within a city can be explained by the number of bedrooms.³²
- Housing costs for renters have risen more sharply than for all households combined, fuelled by the move to market rents for state sector rentals. Housing costs for New Zealanders renting rose by 62% between 1988 and 1997 compared to 48% for all households. Census figures show that median weekly rents increased by 135% between 1986 and 1996. In areas such as southern Auckland, where over 40% of the rental stock is owned by the state sector, median rent increases of over 200% were recorded over this ten year period.³³

30 The Auckland and Wellington Regions are largely built up urban areas where house prices tend to be higher, whereas Canterbury/Westland includes a large rural base where house prices tend to be lower. This will affect the Mortgage Affordability Index ratings. Further, mortgage affordability in Wellington City will be lower than in the rest of the Wellington Region.

31 The Tenancy Bond Data Base covers only rental properties that have changed hands in that year and where a bond has been lodged with the Ministry of Housing. The same property may have changed hands a number of times and will therefore have been recorded more than once.

32 Massey University Real Estate Analysis Unit. 2000. NZ Residential Rental Market – March 2000 Quarterly Survey. 3(1).

33 Statistics New Zealand. 1998. New Zealand Now: Housing.

- Overall, median rents have not fluctuated greatly in New Zealand over the last three years, but have fallen slightly in most of our major cities between 1998 and 2000. Migration patterns have influenced this trend. In times of migration outflow and population loss, demand for housing is lower so median rents, house sale prices and building consent levels do not rise. It is predicted that weekly rents in the main urban areas are unlikely to increase in the short term due to the exodus of New Zealanders overseas.³⁴ Announcements of government intervention in state housing rents may put downward pressure on private sector rents at the bottom end of the market.

MEDIAN WEEKLY RENTS, BY CITY (YEARS ENDED JUNE 1998, 1999, 2000)

	1998 (\$)	1999 (\$)	2000 (\$)
Auckland	261	250	247
Manukau	251	240	228
North Shore	271	254	257
Waitakere	251	240	228
Wellington	230	240	242
Christchurch	180	175	173
Total NZ	185	185	178

Data Source: Ministry of Housing

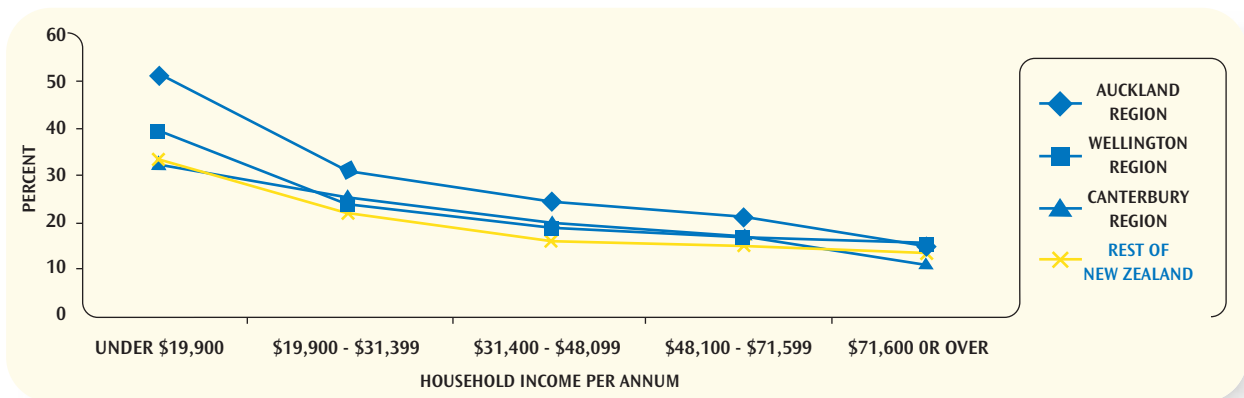
These figures have been adjusted using annual average Consumer Price Index figures

PROPORTION OF AVERAGE WEEKLY HOUSEHOLD INCOME SPENT ON HOUSING COSTS

Housing costs are one of the largest expenditure items in New Zealanders' budgets and are considered to be one of the greatest contributors to deprivation and hardship in this country for people on low incomes. This indicator looks at findings from the Household Economic Survey, which has been undertaken by Statistics New Zealand.³⁵ It shows the proportion of income that households spend on housing costs, once net capital expenditure is excluded.³⁶

There is a relationship between income and housing costs. In 1998 in all regions, the higher the household income, the lower the proportion of income spent on housing costs.

PROPORTION OF AVERAGE WEEKLY HOUSEHOLD INCOME SPENT ON HOUSING COSTS, BY INCOME BRACKET (YEAR ENDED MARCH 1998)



Data Source: Household Economic Survey

34 Massey University Real Estate Analysis Unit. 2000. NZ Residential Rental Market –June 2000 Quarterly Survey. 3(2).

35 The Household Economic Survey was last undertaken in 1998. It has a national sample of 3000 respondents. However, when data are broken down to a regional level and then into income quintiles, the actual numbers of respondents in each category can be relatively low. Historically, people on higher and lower incomes tend to have lower levels of participation in the survey. Therefore, figures presented in this section need to be read with caution as they may be subject to relatively high levels of sampling error.

36 Net capital expenditure is defined as the difference between receipts from housing sales and outlays for housing purchases.

Between 1996 and 1997 in the Auckland Region there was a large increase in the proportion of income spent on housing for those in the lowest income quintile from 39.2% in 1996 to 54.8% in 1997.³⁷ This reflects factors such as:

- Private landlord rental increases following rises in Accommodation Supplement levels and maximas in the Auckland Region and other high cost areas during 1996 and 1997.
- Reductions in the income levels of those on very low incomes. Any reductions will have a big impact on the proportion of that income spent on housing.
- The fallout from the last round of Housing New Zealand rent rises in 1996 that mainly affected low income earners.³⁸ The increase in proportion of income spent by low income households on housing costs is particularly noticeable in the Auckland Region because it contains cities such as Manukau where there is a high proportion of state houses to total rental stock.³⁹
- The high level of sampling error associated with the Household Economic Survey, which may be skewing this result.

In 1998, low income households in the rest of New Zealand spent a similar proportion of their income (32.6%) on housing as low income Canterbury households (32.2%).

PERCENTAGE OF AVERAGE WEEKLY HOUSEHOLD SPENDING ON HOUSING, BY INCOME (YEARS ENDED MARCH 1996, 1997, 1998)

	1996 (% under \$18,800 p.a.)	1997 (% under \$18,500 p.a.)	1998 (% under \$19,900 p.a.)
Auckland Region	39.2	54.8	51.3
Wellington Region	36.8	35.2	39.3
Canterbury Region	36.1	34.3	32.2
Rest of NZ	35.3	37.4	32.6
Total NZ	36.4	41.1	37.8

Data Source: Statistics New Zealand

The affordability of accommodation must be seen in the context of changes in household income levels. The real incomes of low income households have decreased in recent years while housing costs have increased, resulting in affordability problems. For example, between 1982 and 1996, the median household disposable income of the poorest 20% of households in New Zealand fell from \$15,600 to \$14,800 due to welfare benefit cuts, continuing high unemployment rates and a trend toward part time labour.⁴⁰

In line with this, ethnic groups with patterns of lower household income are more likely to be facing housing affordability difficulties. Affordability is particularly an issue in cities with high proportions of people of Maori and Pacific Islands ethnicity. One study found that in 1996, Maori formed 13% of New Zealand's population yet comprised 39.3% of those in poverty once housing costs are included. Similarly, Pacific Islands people formed 5% of the national population, but comprised 51.5% of those in poverty once housing costs were taken into account.⁴¹

37 For the purpose of analysis, household income has been distributed into five equally sized groups or 'quintiles'. The bottom quintile contains the 20% of the population with the lowest 20% of household incomes. The top or fifth quintile contains households with the highest 20% of household incomes. This indicator does not specify a point at which the proportion of income spent on housing costs becomes unaffordable as the households included in the analysis face different circumstances.

38 However, rent increases in the last round of rent rises were reasonably minimal for most Housing New Zealand tenants.

39 Census figures show that median weekly rents increased by almost 200% in south Auckland between 1986 and 1996 (Statistics New Zealand 1998 New Zealand Now: Housing). If state house rent rises had been the main contributor to the dramatic increase in the proportion of income spent on housing costs in the Auckland Region between 1996 and 1997, we would have expected to see a similar pattern in the Wellington Region where over 40% of the rental housing stock is owned by Housing New Zealand. However, while median weekly rents also increased by around 200% in Porirua City between 1986 and 1996, the income proportional to housing cost pattern for 1996 / 1997 was not repeated in the Wellington Region data.

40 Statistics New Zealand. 1999. New Zealand Now: Income.

41 Waldegrave C, Stephens R and Frater P. 1996. 'Most Recent Findings in the New Zealand Poverty Measurement Project'. Social Work Review 8 (3).