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Auckland's Future: Dealing with ageing and our housing system

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RIMU Insights

Auckland Council, 18 April 2017

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Auckland – The Same but Different

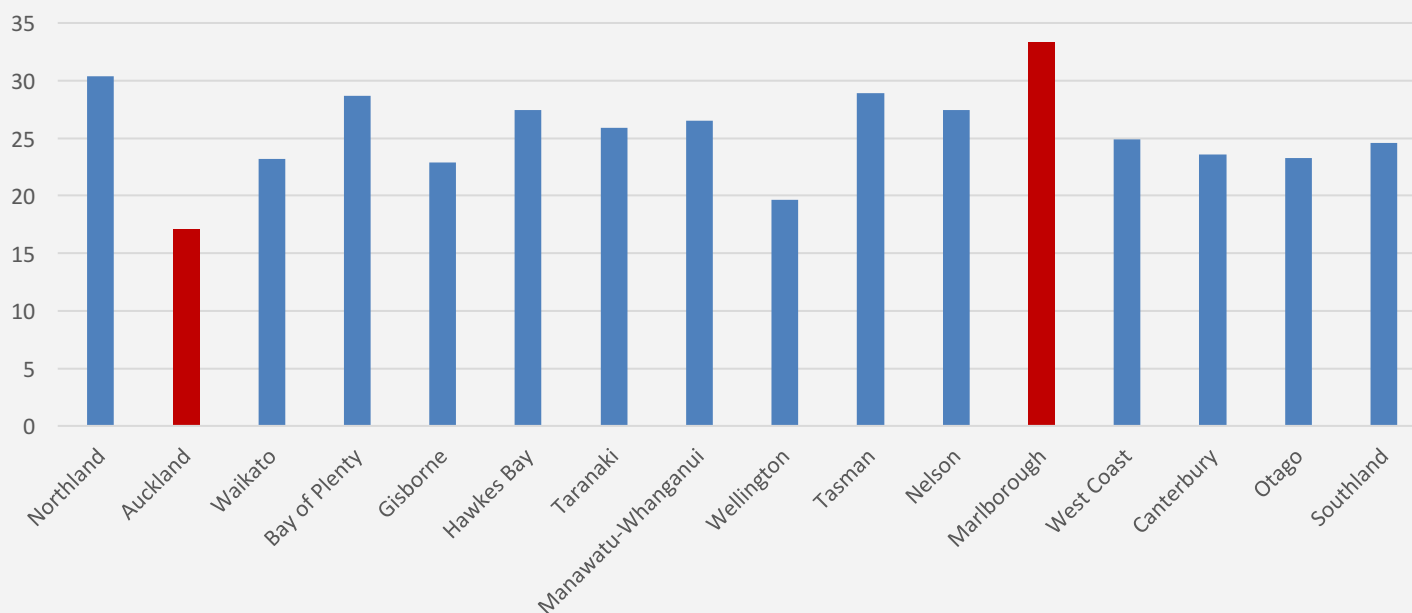
- New Zealand's big trends:
 - Structural ageing
 - A tenure revolution
 - High-value targeting in the residential building industry
- Auckland:
 - Younger age structure but still the biggest population of 65 yrs or more in the country
 - Shifting from owner occupation to rental
 - House prices and building investment
 - Jumped like everywhere but continue to rise
 - Building investment high-end and retirement villages

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Auckland's Low Older Age Dependency Ratio

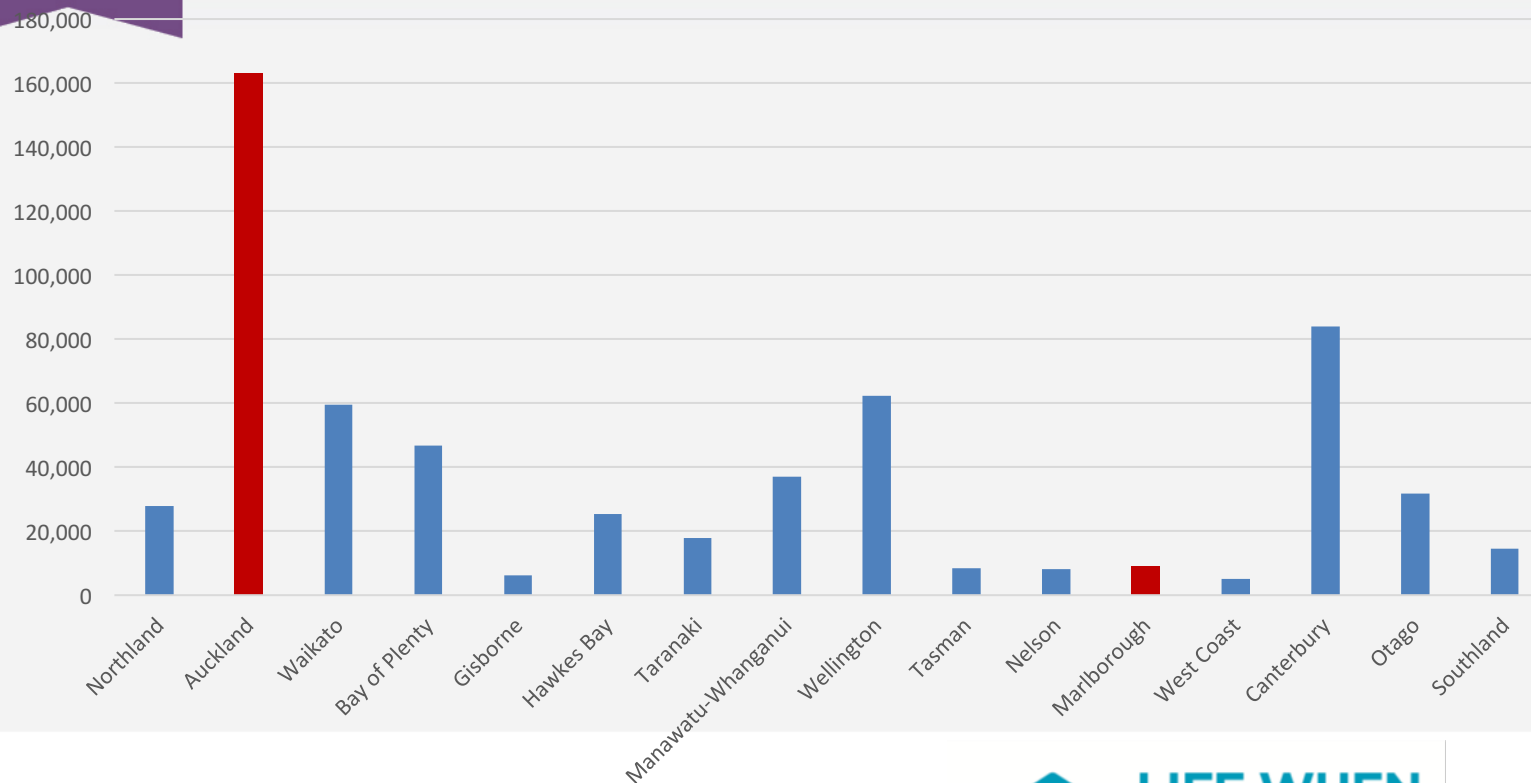
Old Age Dependency Ratio 2013 Census



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Populations Aged 65+ Years 2013 Census

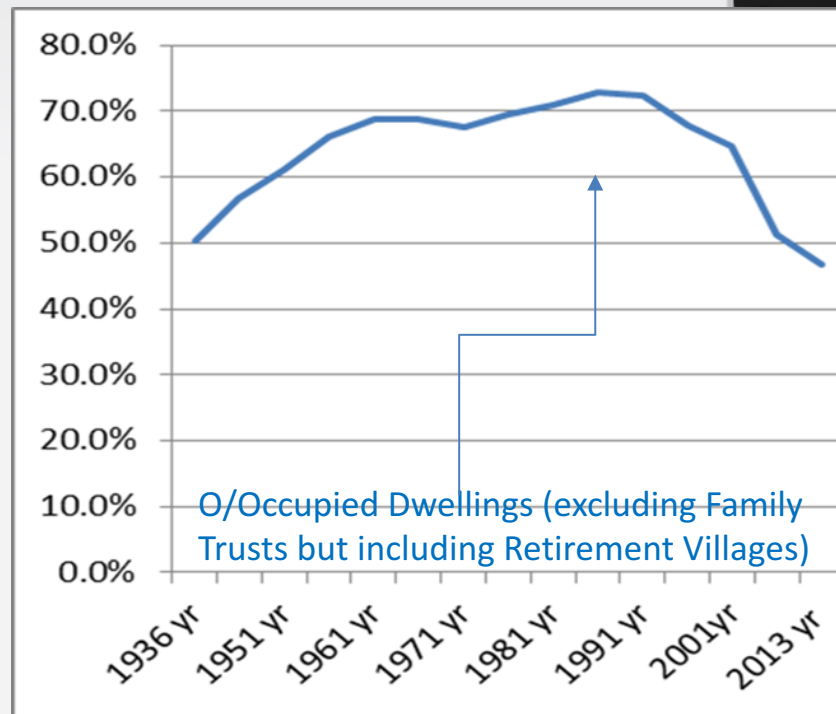
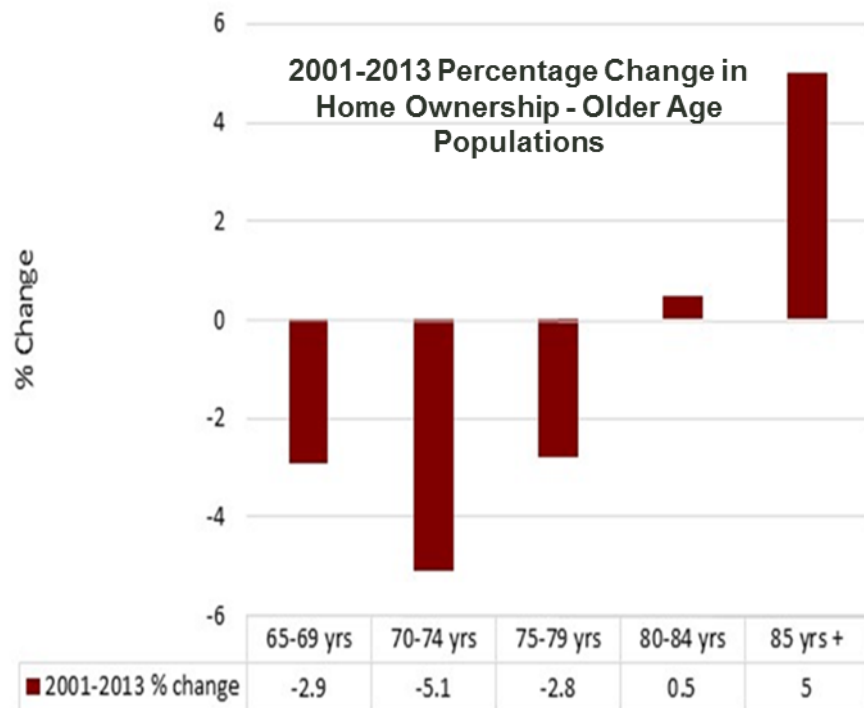


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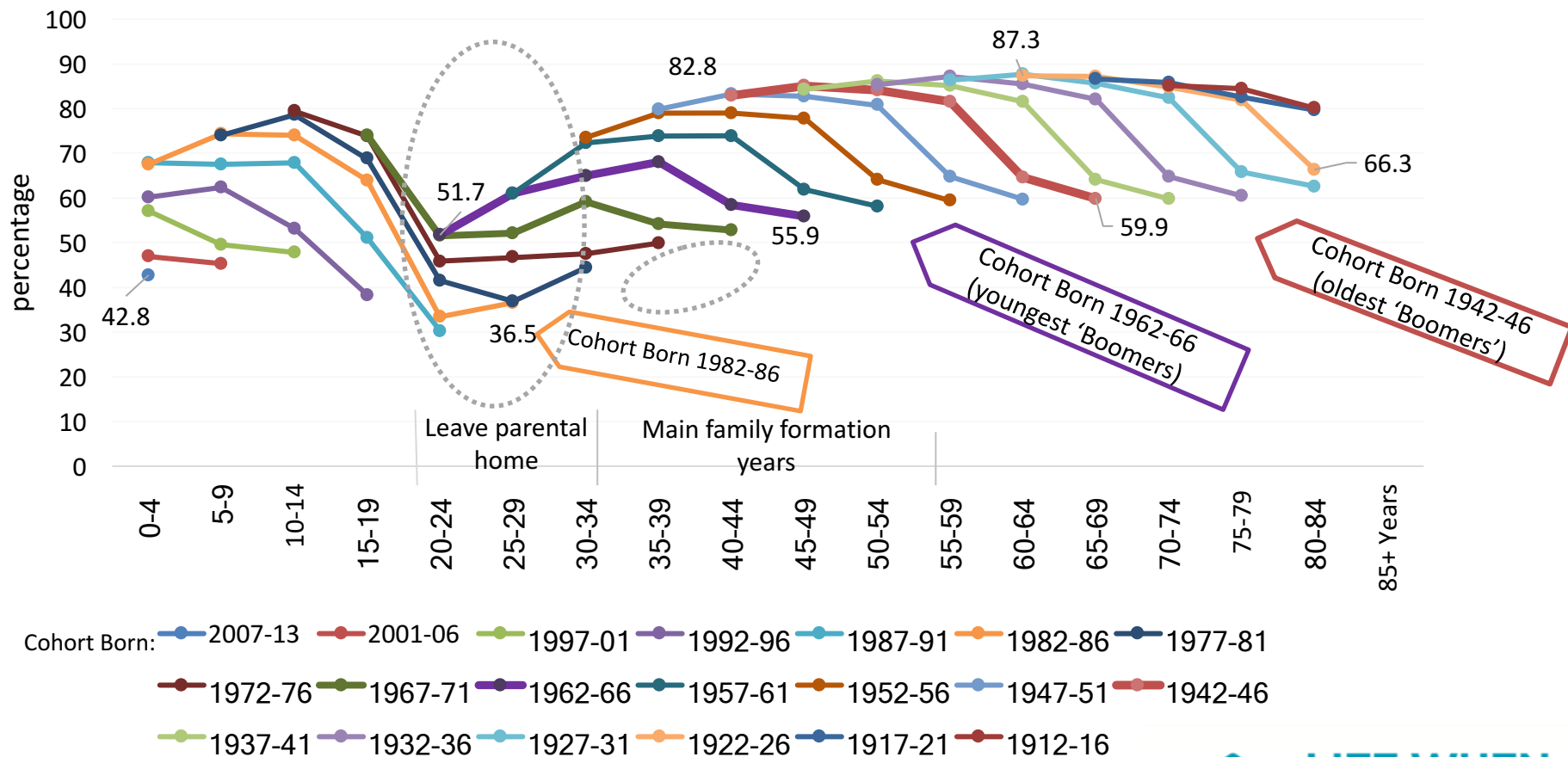
New Zealand's tenure revolution

- The older population is least affected, but



Home Ownership - Total New Zealand (source: Prof. Natalie Jackson)

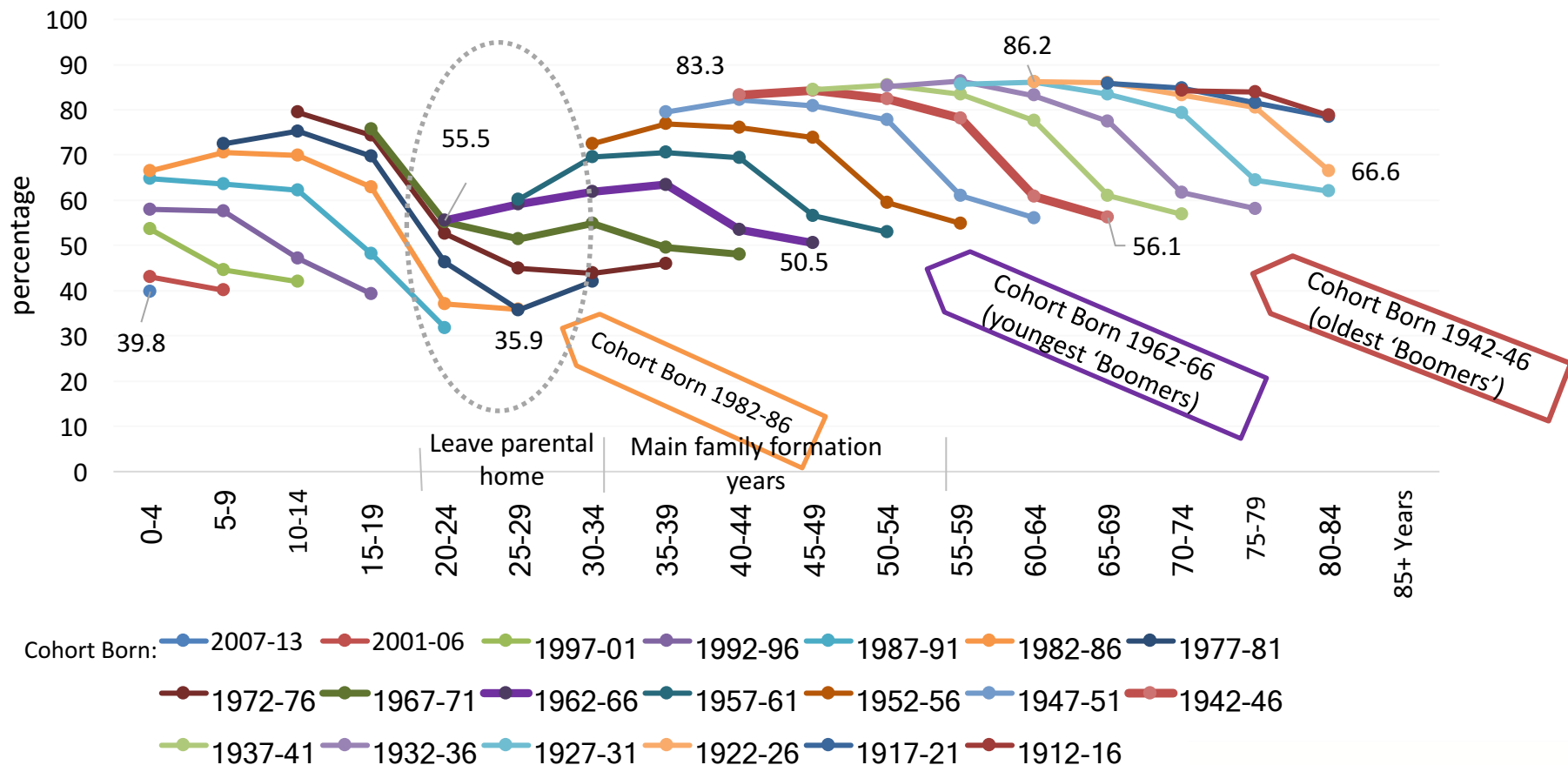
Home Ownership by Birth Cohort, **Total NZ**



Home Ownership – Auckland

(source: Prof. Natalie Jackson)

Home Ownership by Birth Cohort, **Auckland**

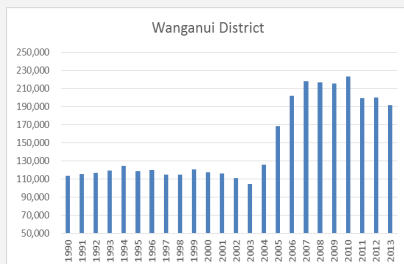
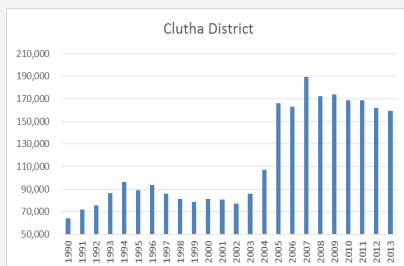
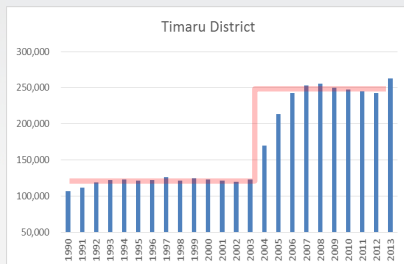


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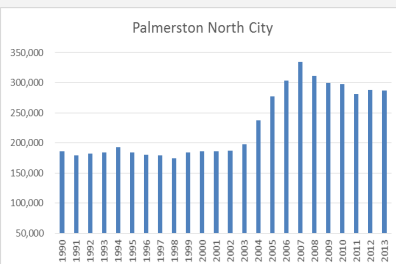
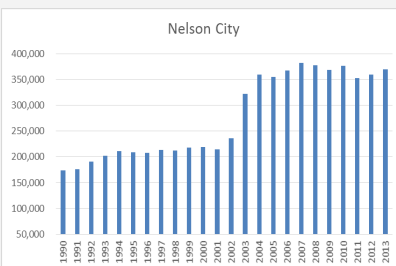
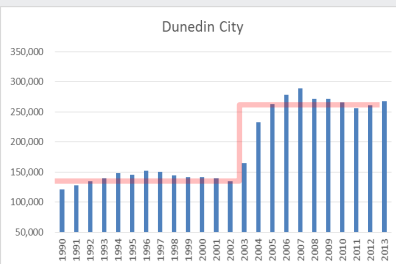
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House Prices – Auckland and Other Markets

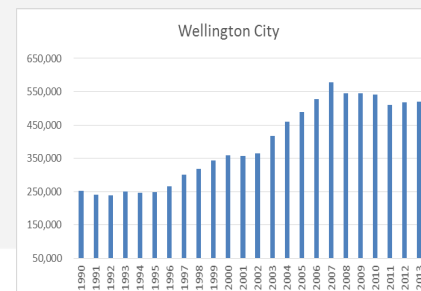
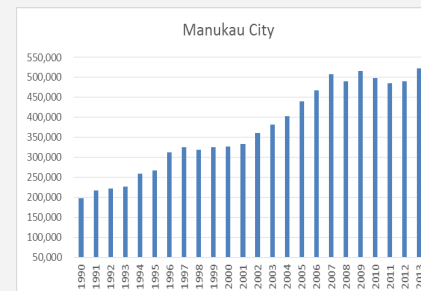
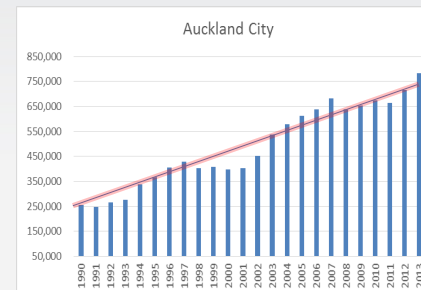
Rural Areas



Small Cities



Large Cities



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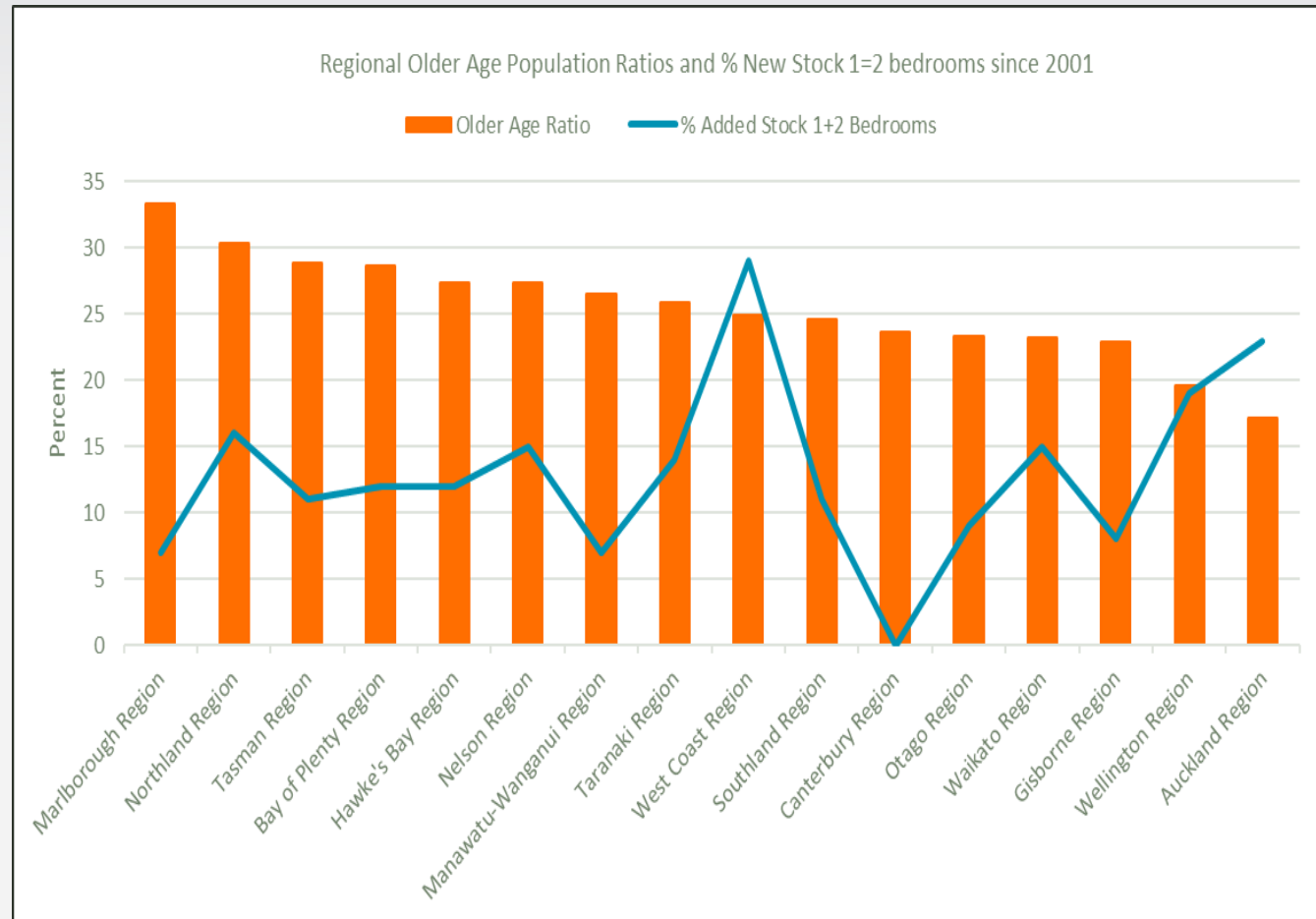
Auckland's Retirement Villages

- Auckland – 44% of NZ's RV development pipeline
- Around 7,000 units in the development pipeline
- Probable over-supply short/medium terms
 - Forecast demand for last year – 351 units
 - Industry reported supply year ending Nov 2016 – 545 units

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Auckland does
better than many
but in part effect of
retirement villages
and apartments



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Older People's Housing in Auckland

- Significant issues for older people whether owner occupiers, RV residents or renters
- Owner occupiers face
 - The pig's-back theory of older owner occupation
 - Shocks
 - Downsizing problems
 - Retirement village as the main solution



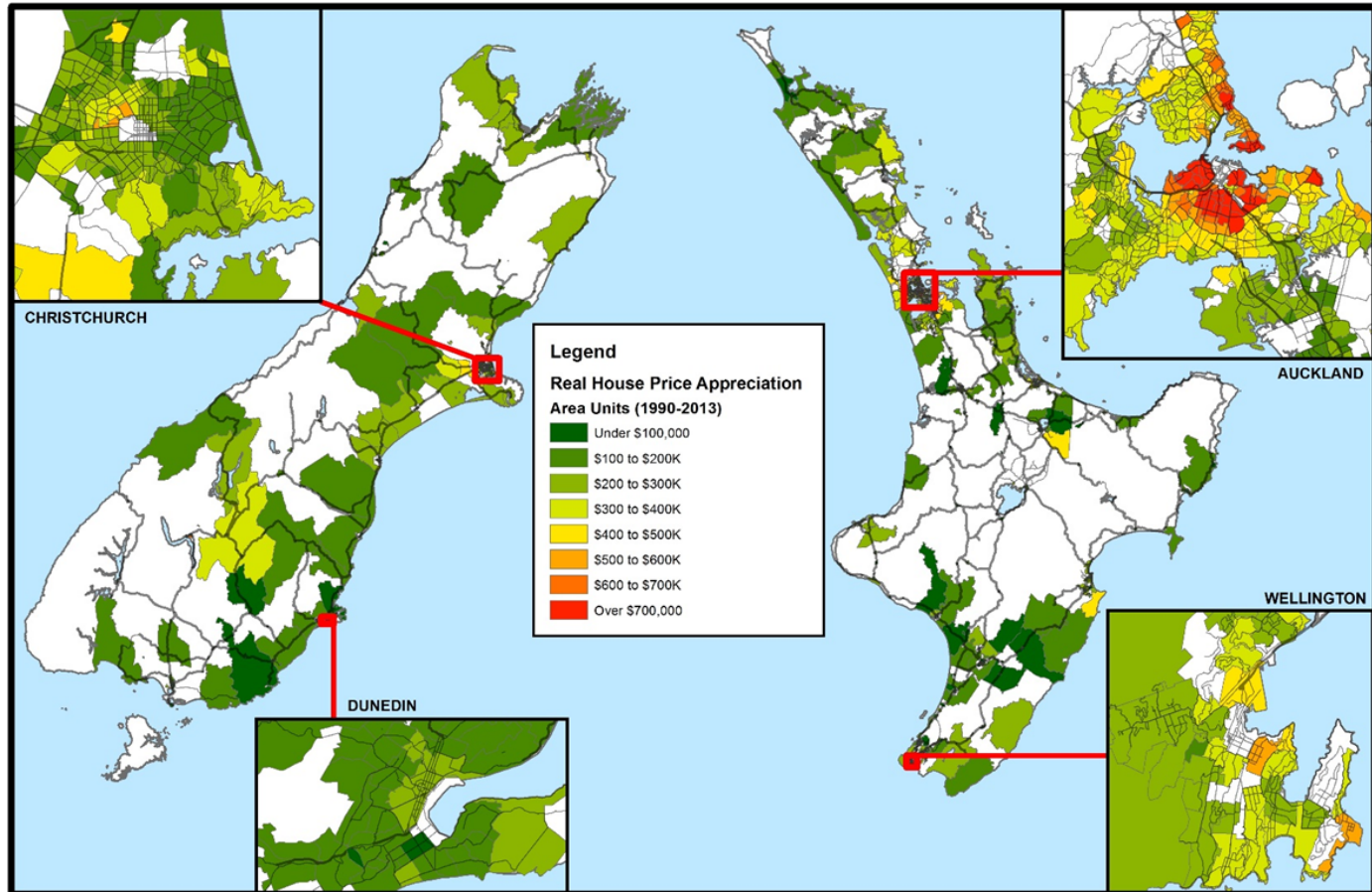
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Pig's Back?

Real House Price

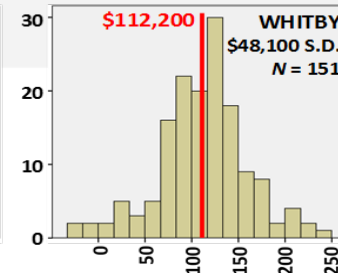
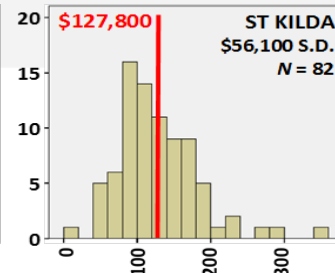
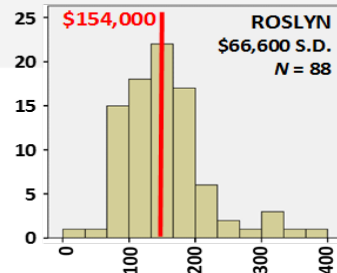
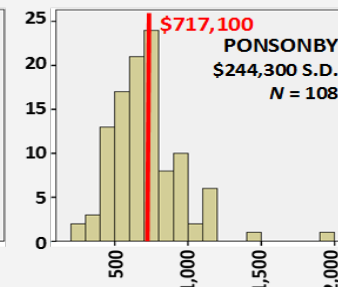
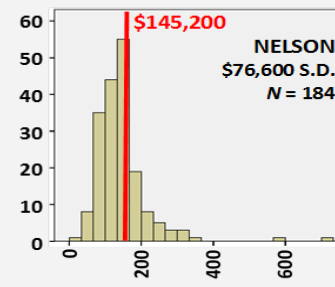
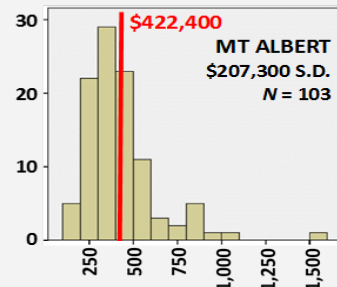
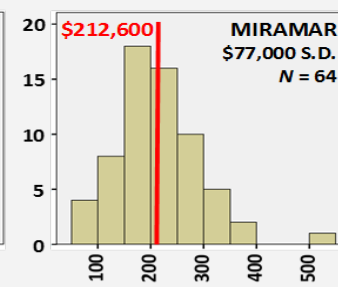
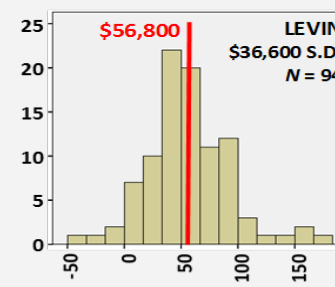
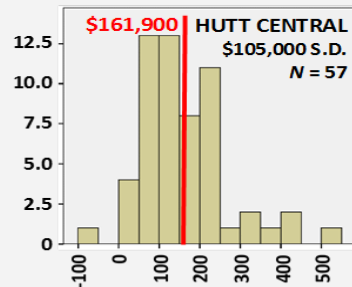
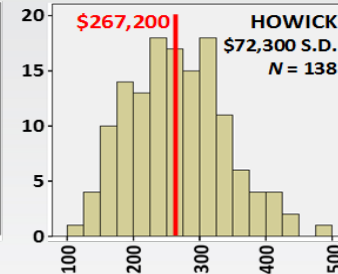
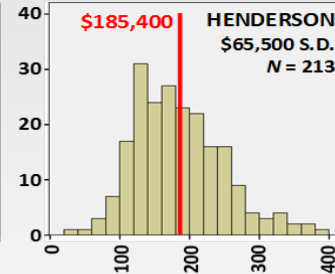
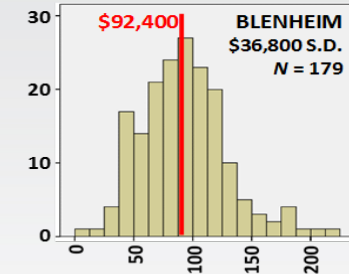
Appreciation 1990-2013



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Pig's back? Capital Gain in Repeat House Sales



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Shocks, Housing and Older Owner Occupiers

- Marital breakdown
- Illness
- Natural adverse events
- Building failure – Leaky homes
- Abuse
 - Economic
 - Personal

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		AUCKLAND		WELLINGTON	
		Dwellings	Median Real Capital Gain	Dwellings	Median Real Capital Gain
Standalones	Monolithic-clad	72	209,904	43	104,413
	Non-monolithic	1,481	235,279	769	134,602
	Gain Difference		-25,375		-30,189
	% Difference		-12%		-29%
Apartments & Units	Monolithic-clad	33	130,235	21	57,401
	Non-monolithic	883	145,202	343	72,065
	Gain Difference		-14,967		-14,664
	% Difference		-11%		-26%

When we sold, we did full disclosure on the repairs made. A lot didn't want to look at it because of the stereotyping that's emerged about this type of building, there's a blanket condemnation.

Shocks - Leaky homes can destroy hopes of capital equity release

This is not a story that is unique to us, we know people... they spent \$300,000 on recladding their five-year-old home so they were able to sell it and it didn't even have leaks.

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Downsizing for Owner Occupiers

- Stock problems
 - Alignment embedded in the rise of RVs in Auckland
 - Auckland district planning has recognized partitioning
 - Still a building industry targeting upper quartile value
 - Low cost house building resides in the community sector and HNZ
 - Neither target older people
 - Require tenure degradation
- Limited capital equity release
 - Sell high, buy high
 - Capital required for RV LTOs rising in Auckland – calibrated with house prices

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The Rental Alternative

- Older people liked but not targeted by landlords except councils
- Tenure security is an issue for older people
 - Stock churn
 - Price pressure
 - Age-related eviction
- Stock problems
 - Too large
 - Not accessible
 - Poor thermal performance – Auckland's under-heating problem
- Tenancy access inhibited by the online application
- Affordability

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- Affordable rents for superannuitants:
 - \$90/wk – older people living alone
 - \$134/wk – couples

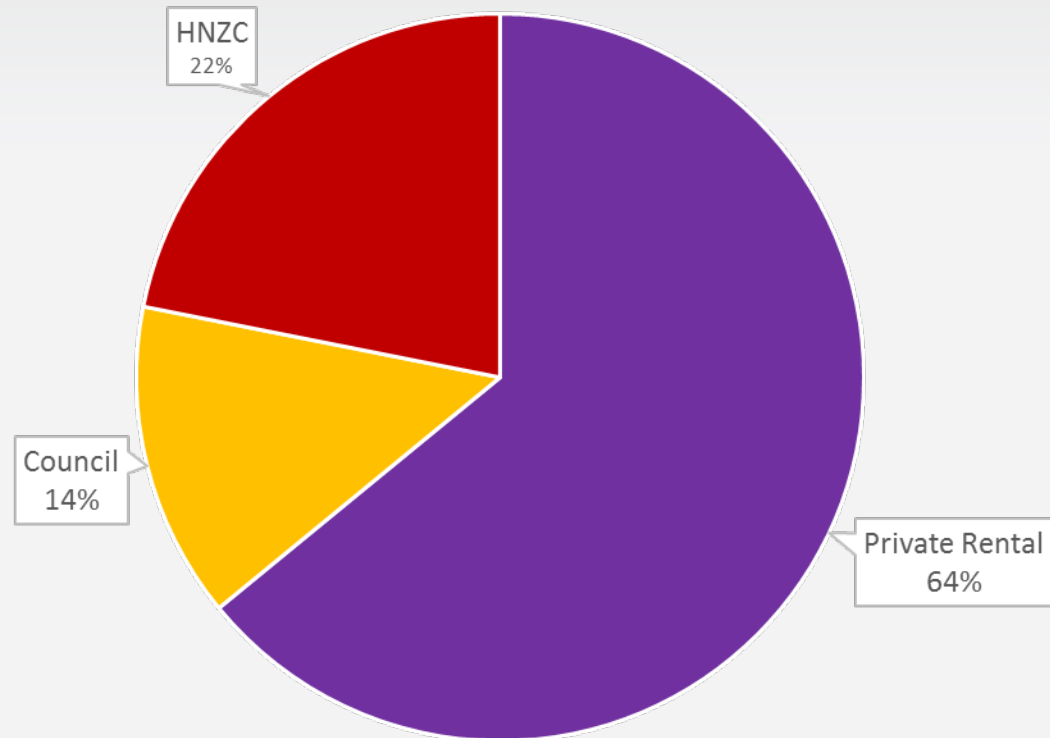
Auckland Market Rents	\$ Weekly 1 Sep 2016-28 Feb 2017			
Dwelling Type	1-Room	1-Bed Apt	1-Bed Flat	2-Bed House
Mangere				
Lower Quartile				\$325
Median				\$510
Glen Eden				
Lower Quartile				\$310
Median				\$377
St Lukes/Sandringham				
Lower Quartile	\$187	\$393	\$342	\$477
Median	\$215	\$422	\$360	\$550

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Landlords and Older Renters 2013 Census

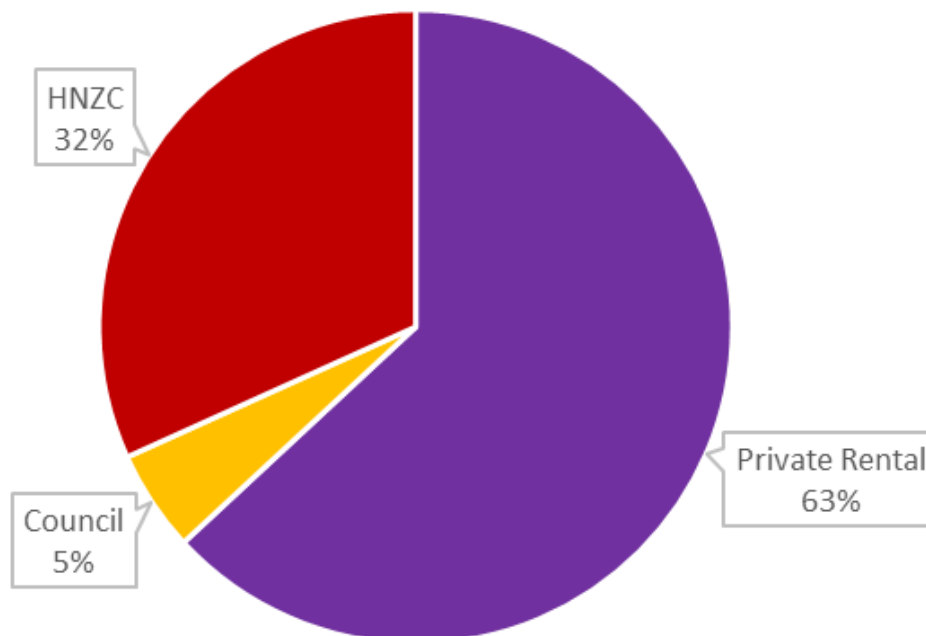
The Private Rental Market
is the Major Provider of
Rental Accommodation to
Older People



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Older People's Landlords in Auckland 2013



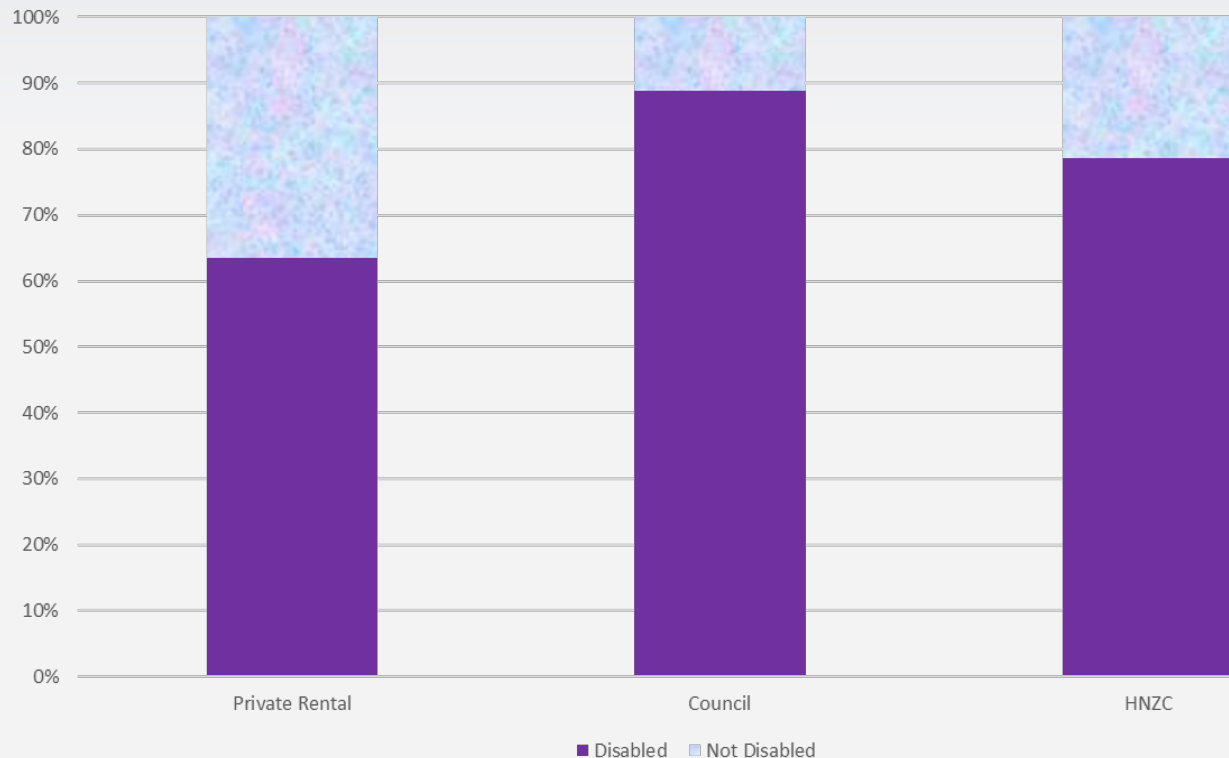
HNZ and private rental
market are critical –
What are the
implications of the HNZ
withdrawal from a
tenure security policy?

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Significant
proportions of
older tenants
report disability

Older Tenants by Disability Status 2013 Census and Health Survey



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Challenges/Opportunities for the Rental Market

- Auckland landlords including the community sector have yet to recognize older tenants as a market segment
- Market conditions are not that easy
 - Margins are tight with high house prices
 - Reliance on capital gain can not be sustained in many housing markets
 - Rent elasticities are limited – typically older tenants are and will continue to have lower incomes
- Strong reliance on the existing housing stock with associated issues of:
 - Connectivity
 - Accessibility
 - Size
 - Thermal performance

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Forwarding Auckland's Future Older Tenants

- Private sector landlords encouraged to see and deliver on opportunities
- Age-friendly landlord accreditation
- Accessible homes – LifeMark
- 'Right-size' stock
- Secure tenancies
 - Investing in social housing partnerships
 - Improved margins
 - Development opportunities
 - Integrated site management
 - Integrated tenant management

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Older People and Housing

- Housing access
 - Disadvantaged in the rental market – price, access, targeting
 - Price points and stock size mitigate against downsizing – Auckland leading in providing for partitioning – well done
- Vulnerable to tenure insecurity
 - Rental insecurity
 - Home ownership insecurity - Leaky homes, GFC, abuse, debt
- De-coupling from communities
 - Regional shifts
 - Rental to residential care
 - Retirement villages
- Stock Misalignments

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Finding Solutions

- **Encourage intergenerational flows**
 - Low cost housing is critical
 - Better land and stock use – enabling partitioning and subdivision
 - More flexible planning regime
 - SHAs
 - Care around inflexible land use mechanisms:
 - Covenants
 - Retirement villages – memorial on certificates of title
- **Age-friendly housing stock**
 - Stock diversification rather than command and control approaches associated with special housing
 - Triage and favour universal design
 - Better land and stock use – enabling partitioning and subdivision
- **Tenure diversification rather than tenure neutrality**
- **It's a Housing System:**
 - Not a Housing Segment
 - Intersecting with:
 - Building industry and the built environment
 - Health and welfare services
 - Older people's services both public and private ranging from banking to retail, transport to recreation.