

WHAT'S CHANGING IN HOUSING NEEDS

Immigration and the decline of home ownership and the traditional family unit are bringing changes to our housing needs and preferences.

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Housing demand is primarily driven by population growth. The population's age structure is also important because it determines the family types and therefore the sort of housing required to accommodate changing family structures.

Small households up, traditional down

Looking at future family types we chose a Statistics New Zealand 'middle scenario'. This scenario assumes, among other assumptions on fertility and mortality, that net migration averages 10,000 a year over the next 20 years (see Figure 1). Most growth will occur in couple-only and single-person households. Single-parent families also have some growth. It is notable that the traditional family of two parents and child(ren) is now in decline. Even if the more optimistic scenario of 15,000 net migration is assumed, the traditional family shows only minimal growth.

Rentals up, ownership down

Housing ownership is in decline with 67% of all households being owner-occupiers (including family trusts) at the last census in 2006 (see Figure 2). The forecasts are for this decline to continue to 62% by 2016.

Currently there are about 500,000 rentals and at most 100,000 are in the Government sector (central and local government ownership) and community trusts. This leaves 400,000 rentals that are mainly owned by small-scale private investors.

The private rental sector will grow as the ownership rate drops. Government and others are investigating how well this sector is

managed and whether there are opportunities for improvement through economies of scale such as housing real estate investment trusts (REITs). It is possible that within a few years a significant proportion of the rental stock will be owned by REITs and that the clients for designers and builders will increasingly be these housing trusts.

Replacements and refurbishments rising

The housing stock is ageing and an increasing proportion of the building industry's workload is in demolition replacements and major refurbishments of the existing stock to extend its life. BRANZ has calculated that currently the rate of demolition replacement is about 2,000 houses a year, and major refurbishments are about 3,000 a year. Over the next 10 years these numbers are expected to grow to about 3,000 and 5,000 a year, respectively.

Examination of alteration and additions consent data reveals that the 3,000 major renovations a year (defined as consents over \$99,000) have an average value of about \$199,000 each. Some of this will be for additions, but it is likely a significant amount is spent on upgrading the existing structure (e.g. claddings, foundations, windows, insulation) so that the existing part blends in well and has a similar life to the additions.

Holiday homes and buffer stock

The third source of new housing demand is holiday homes and 'buffer stock'. At any one time, holiday homes and other unoccupied dwelling units account for about 9% of the total housing stock. It is estimated about half is holiday homes whereas the other half comprises spec dwellings for sale or rent, and units that indirectly add to the buffer stock. →

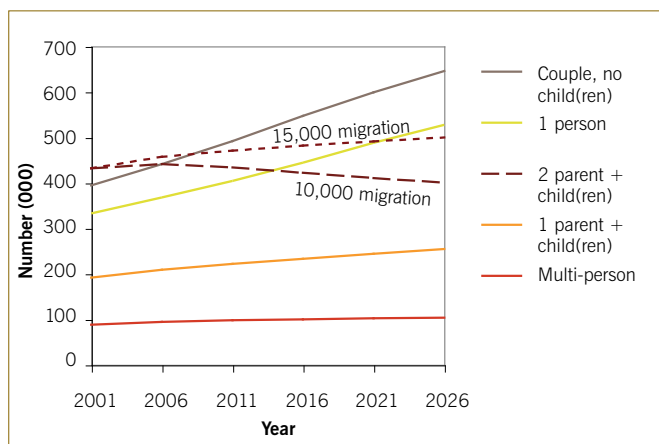


Figure 1: Family/household type projection to 2026. (Source: Statistics NZ, Series 5B.)

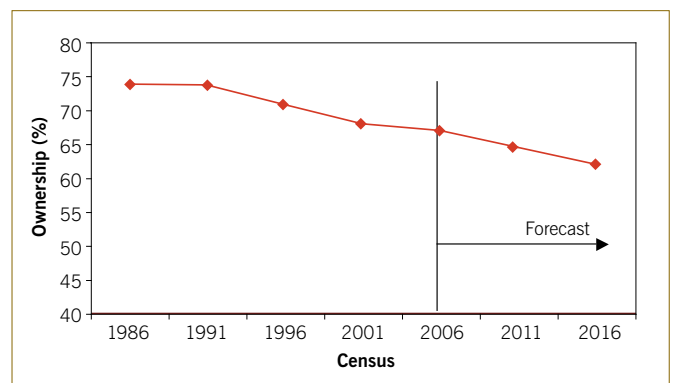


Figure 2: Home ownership rate projection to 2016. (Source: DTZ.)

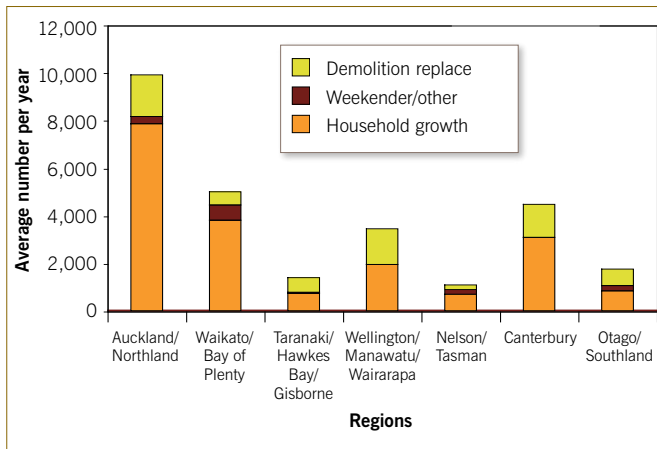


Figure 3: Regional distribution of new dwellings. (Source: BRANZ.)

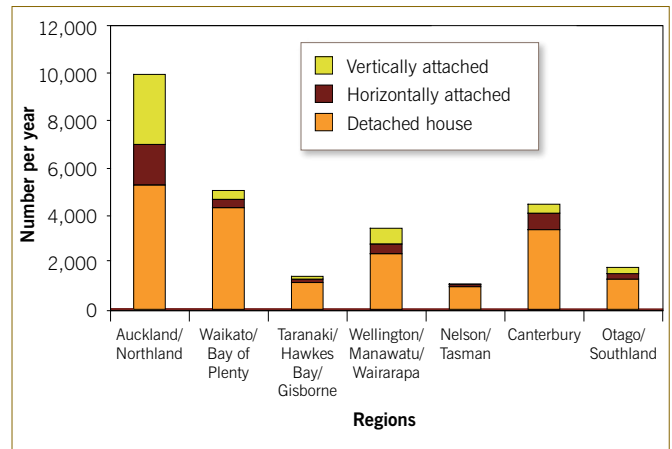


Figure 4: New dwelling types per region. (Source: BRANZ.)

About 4% of the total stock needs to be unoccupied (the buffer stock) for the housing market to operate efficiently. This is because one sales transaction will involve a chain of household sales and relocations, usually over several weeks. If there are not enough buffer stock houses for the chain to operate, new houses need to be built which indirectly free up existing houses as buffer stock when the new owners move in.

27,000 new dwellings a year

Adding all the demand sources together, i.e. new household formation, demolition replacements and major refurbishments, and holiday homes, gives a total demand of about 27,000 new dwellings a year on average over the next 10 years. Consent numbers for new dwellings will be lower at about 23,000 a year because there will be about 4,000 major renovations a year.

The regional distribution (see Figure 3) indicates that a significant proportion of the workloads in Wellington and Otago will be in demolition replacements and large refurbishment projects. In the ‘younger’ Bay of Plenty region, demolition/refurbishment numbers are lower, but second home numbers are higher than for Wellington.

Multi-units on the rise

Figure 4 shows the regional information by type of new dwelling. Vertically attached units are medium and high-rise apartment buildings, mainly in Auckland. Horizontally attached units are terraced houses, and other housing where separate occupancies have a wall in common.

Forecasts are for half of new dwelling units in the Auckland region, through to 2016, to be multi-unit. For New Zealand as a whole, 30% of all new dwelling units will be multi-unit. These projections are based on planning documents developed in the major cities, where transport and sustainability considerations dictate higher density housing.

The 30% level is unlikely to be reached unless good quality medium and high-density housing achieves a track record of providing safe and attractive environments close to facilities, transport and work opportunities. The key would seem to be an approach integrating these environments with quality housing designed for privacy, security and noise abatement. ‘Green’ features are also increasingly important.

Currently, multi-units comprise about 15% of all new housing. Surveys indicate that prospective owners would prefer stand-alone

housing with some garden space. However, affordability constraints and transport and lifestyle considerations will encourage a greater uptake of multi-units, since they tend to be cheaper than most new stand-alones.

Double garaging in demand

The results of a general population survey by BRANZ on housing preferences and lifestyle aspirations revealed affordability is the major factor in selecting the location of a new house, with views and suburban status close behind. The same factors were important for buyers of existing homes, but being close to public transport rated higher for them than for those buying a new house.

One of the highest preferences for house design features was double garaging; this rated highest in new housing and third highest in existing houses. Total house size, quality fittings in the kitchen and bathroom, a garden, and low maintenance walls and roof also rated highly in the selection choice for both new and existing houses.

For those renting, the total house size, and quality bathroom and kitchen fittings rated highly, and a double garage was also important.

New homes disappoint

A significant proportion of owners were dissatisfied with the comfort levels in their new homes, with poor layout and heating/energy efficiency performance being the most common complaints. This included rooms being too small and/or the wrong shape, house orientation wrong, more storage space needed, entrance way and transition to garage and outdoors poorly done.

For existing house occupiers the defect areas were no garden or the need for landscaping, the bathroom and kitchen, need for a garage (or double garage), inadequate/nil insulation, and poor house layout. Inadequate heating and the need for double glazing and insulation also featured.

Some of these survey results suggest that there is still work to do to convince some people that well-designed or serviced medium-high density multi-units can provide a good lifestyle.

The Changing Housing Needs project was funded by the Building Research levy. More information is available in Study Report 183, available from the BRANZ website www.branz.co.nz.