

Tenure and Location Choices of 20–40 year old Households in the Auckland Region

Location – connecting familiar places and people – is the top priority for Auckland region’s younger households. Quality of life and familial responsibilities are critical in the very complex and intricate balancing act behind their housing choices.

Based on research by Beacon Pathway, Public Policy & Research (Bev James) and CRESA (Kay Saville-Smith). The research identifies the patterns and dynamics of housing demand (tenure and location choices) among younger households in the Auckland region. Environmental, social and economic implications on Auckland’s spatial planning and urban growth are examined. This research was jointly funded by the Centre for Housing Research Aotearoa New Zealand (CHRANZ), the Ministry for the Environment and the Ministry of Economic Development with funding from the Ministry of Research, Science and Technology’s Cross-Departmental Research Pool.

Key Points

- Location is critical. Once Auckland region’s younger householders have decided what locations best optimise their connections to places and people, their preferences are:
 - home ownership, especially for families
 - a detached dwelling
 - comfort and functionality (which involves dwelling size and warmth)
 - homes and neighbourhoods that are safe for children.
- Quality of life and closeness to familial and social connection rate higher than closeness to work.
- When younger households move within Auckland, they are more likely to move to another dwelling in the same suburb or neighbourhood. Lower-income households particularly limit the distance they move.
- The younger households age group in Auckland has experienced New Zealand’s biggest fall in home ownership rates (1986–2006).¹
- The number of younger households in Auckland’s intermediate housing market² has more than doubled in 5 years – from 24,908 in 2001 to 51,866 in 2006.
- Rental tenure among younger households is concentrated especially in lower-income households and among Asian, Māori and Pacific younger households.

1 Between 1986 and 2006, the largest falls in home ownership nationally have been among younger age groups:

- 17.9 percent among 25–29 year olds;
- 17.7 percent among 30–34 years olds; and,
- 15.5 percent among 35–39 year olds.

2 IHM is the number of private renter households who have a least one member in paid employment and cannot afford to purchase a dwelling at the lower quartile sale price, assuming standard bank lending conditions.

- Significant numbers of children in younger households live in rental dwellings.
- A burgeoning population and increased demand for rentals will place further strains on Auckland region's infrastructure – transport and amenities.
- Multi-pronged approaches are needed to support diverse housing choices of younger households, including recognition that housing is integral to city resilience and connectivity.

Research Process

This research is about the determinants of housing demand choices – the subtle trade-offs householders make between house location and tenure, type, quality, house size and amenity value, in terms of their willingness (and ability) to pay and the prevailing supply. Finally, it assesses the implications and costs (financial, social and societal) of those choices for the householders themselves and the city they inhabit.

It draws on quantitative data from Censuses, housing market data and surveys, as well as qualitative material from focus groups with 20–40 year olds, housing providers and those involved in housing policy and planning. A recent movers' survey of 500 households that moved between 2008 and 2009 allows in-depth assessment of the many determinants of housing demand that are revealed when people actually move.

Why Housing for 20–40 year olds is Important for Auckland

The Auckland region has a younger age structure than the rest of New Zealand – 30.2 percent of the region's total population (396,000 residents or 152,000 households) has a reference person aged 20–39 years.

Today's 20–40 year olds are critical to developing Auckland's productive capacity, resilience and competitive advantage. They are also the main child-rearers as well as the main carers of older generations.

Reliable, affordable, well connected housing in

well designed urban environments with effective infrastructure is vital for these households and Auckland to function.

Current (2006) Patterns of Consumption

The current profile (2006) of the Auckland region's younger households shows:

- declining home ownership
- increased rental tenure, especially for lower-income households and non-European ethnic groups – 44.5 percent of younger households in rental housing have incomes less than \$50,000
- increased take-up of multi-units – between 2001 and 2006, the number of multi-unit dwellings occupied by younger households increased by 20.7 percent
- growing numbers of working households that are unable to enter home ownership – this 'intermediate housing market' grew significantly from 24,908 in 2001 to 51,866 in 2006
- many of these younger households have child-rearing responsibilities – 70.8 percent of households (comprising immediate family members only) have children
- increasingly, these young families are in rental accommodation – the (previous) four Auckland cities had almost a third of the 318,330 children found to be living in rental accommodation (2006 Census).

Determinants of Household Demand

For both home owners and renters, housing choices are a delicate, complex and often implicit balancing act between multiple aspirations, not only about housing but also their own and their children's futures.

Empirical research shows these key determinants:

- Location is a top priority for younger households' dwelling choices. They rate 'place attachment' and connectivity highly, especially access to

schools and ready connection to family and social networks.

- Quality of life is important – having adequate space, privacy and warmth in areas that are well connected to services and safe.
- Home ownership is often a prompt for moving house, but significant numbers of tenanted households have very reduced choices – 17.6 percent of the renters among recent movers had to shift because their dwelling was no longer available, rather than by choice.
- Although householders hope to make incremental improvements in their housing when they move, for many, there is no clear beneficial housing outcomes. 15.2 percent of recent movers wanted to upgrade the quality of their dwellings, with 5.6 percent prompted by a desire for a warmer dwelling. However, over a quarter (28 percent) reported being colder in their new home than they were in their previous dwelling.
- Householders search for dwellings near to their current dwelling – low-resourced younger households tend to search even closer to their current home.
- Employment change is not strongly associated with housing change.
- Accommodation that is located for easy access to public transport is seen as desirable.
- Dwelling size is a strong demand factor – 28.9 percent moved because they wanted bigger homes, compared with 2.8 percent who wanted smaller homes.
- Desire to exit a multi-unit dwelling and acquire a detached dwelling is a strong demand factor.
- Reducing housing costs is a driver of housing demand among a small proportion of households.

Future Housing Consumption Patterns

Housing consumption patterns likely to continue in Auckland's future are:

- increasing reliance on the rental market – an additional 11,800 dwellings per annum are needed, and 56,000 new rentals are needed over the next decade
- increased consumption of semi-detached and multi-units
- churns within the rental market and owner occupation market respectively, and little movement from rental to home ownership
- growth in housing demand is most likely to be in Waitākere, North Shore and Manukau
- increasing numbers and proportions of Auckland's children living in rental housing
- demand for owner-occupation in the following housing market areas – Auckland CBD, Auckland South East, Manukau North West and Auckland South West
- on-going trade-off between dwelling performance and price in both the home ownership and rental sectors.

Assessing the Wider Implications

The future expected housing consumption patterns of Auckland's younger households have implications for both households and city form.

Auckland can expect the pressures from this younger households group to be:

- pressure on spatial form and the costs of infrastructure
- need for better provision of amenities and services in appropriate places
- pressure on those younger households that are least resilient and least resourced to manage their housing needs
- pressure on neighbourhoods that are close to major transport corridors and enhance households' ability to choose between alternative transport modes
- negative health and productivity impacts associated with inadequate house performance

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- costs (for households and for the Auckland region) associated with living in low-density, non-mixed use suburbs
- attenuated and costly city infrastructure.

Opportunities and Priorities

Auckland's new governance structure provides an opportunity for multi-pronged initiatives that:

- deal with housing from the micro-level of the dwelling to the neighbourhood scale to sub-city localities and the city as a whole
- address issues for owner-occupiers and tenants respectively
- recognise that housing is an integral part of city resilience and connectivity.

The authors' top priorities for the Auckland region include:

- a resilient urban structure, with far better

performing rental stock, particularly in areas that are well served by city transport systems

- urban designs that maximise connectivity with work, services and amenities and allow households to maintain the functionality of their dwellings in the context of changing needs
- greater variety in price and typology for developments across the city
- transforming the rental market to an effective service industry delivering adequately performing stock with diversity in rental prices, locations and dwelling types, as well as security of occupation
- retrofitting and upgrading existing housing stock for increased energy efficiency, water efficiency and thermal performance
- expanding housing stock in areas well served by city systems to meet the needs of low- and moderate-income younger households.

Further Information

This bulletin is based on the report *The Determinants of Tenure and Location Choices of 20–40 year old Households in the Auckland Region* by Beacon Pathway Ltd (November 2010). A copy of the report and this bulletin can be found on the CHRANZ website under "Our Publications".

Other useful reports include:

- *Auckland Region Housing Market Assessment* (November 2010) Darroch Ltd
- *Children's Housing Futures* (April 2010) Public Policy & Research and CRESA
- *The Intermediate Housing Market in New Zealand* (December 2008) DTZ New Zealand

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