



The changing faces of Auckland's housing market

PRESENTATION TO ARC REFRESH SERIES

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The Salvation Army

OVERVEIW

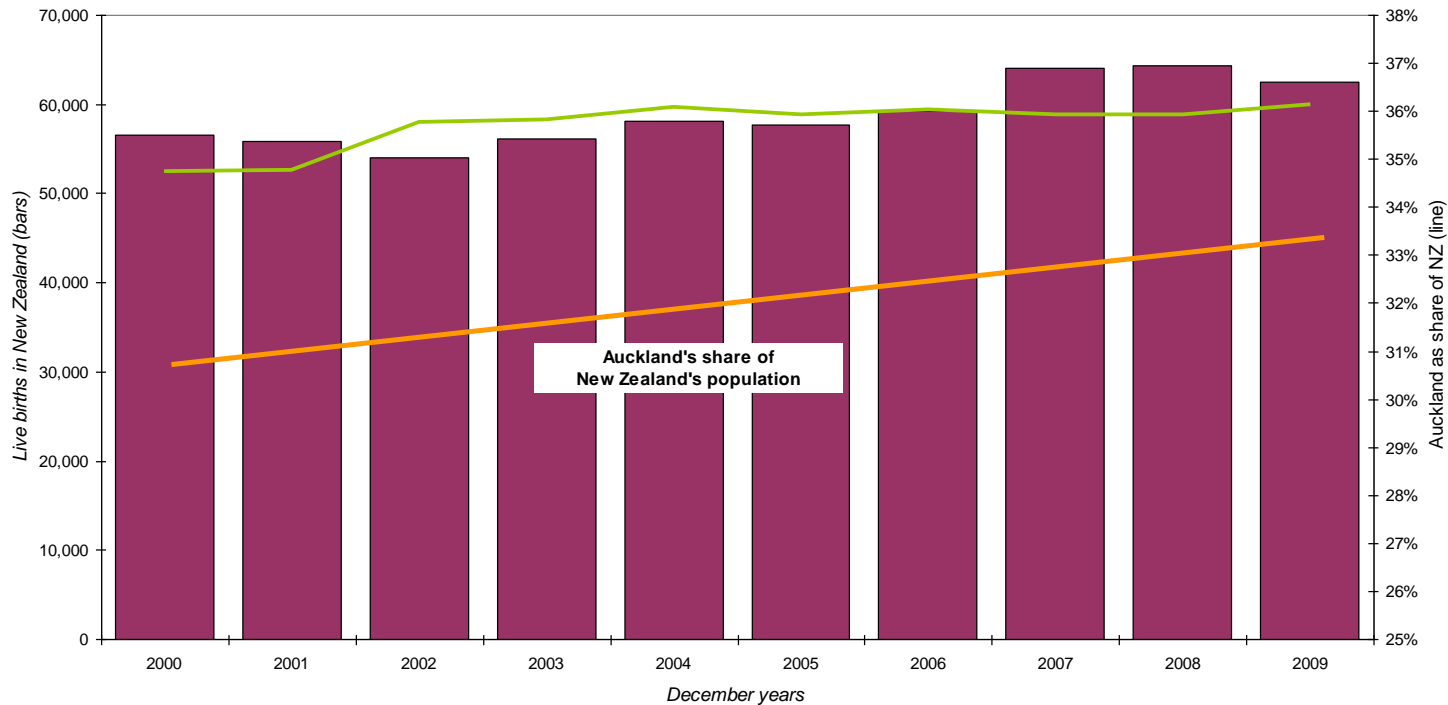
- 1** Recent demographic changes and their impact on Auckland's housing
- 2** Future housing demand in the face of current population projections
- 3** Policy challenges

1

DEMOGRAPHIC CHANGES

Aucklanders are over zealous in the baby business

Live births in New Zealand & Auckland share 2000 - 2009

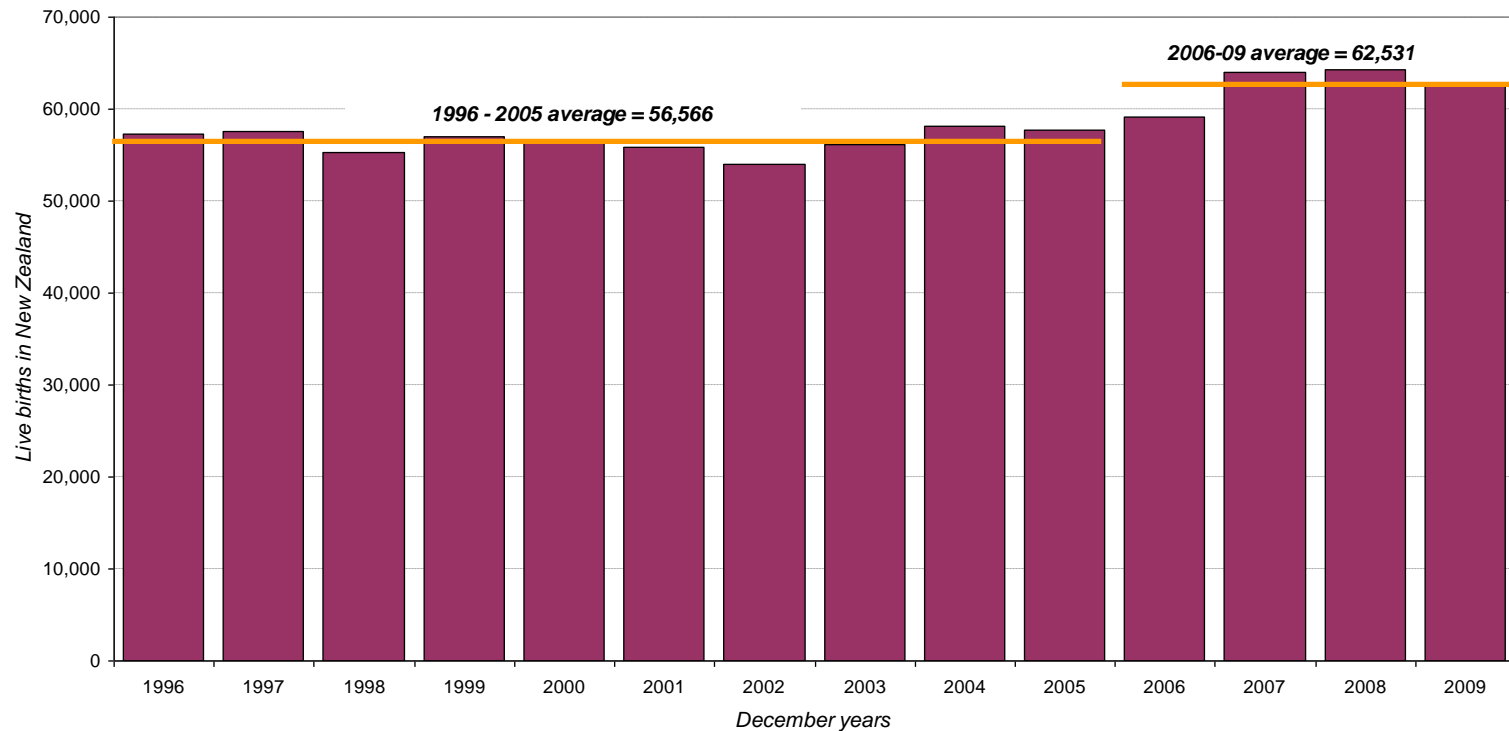


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2 DEMOGRAPHIC CHANGES

But New Zealanders overall are giving it a good go

Trends in live births in New Zealand 1996 - 2009

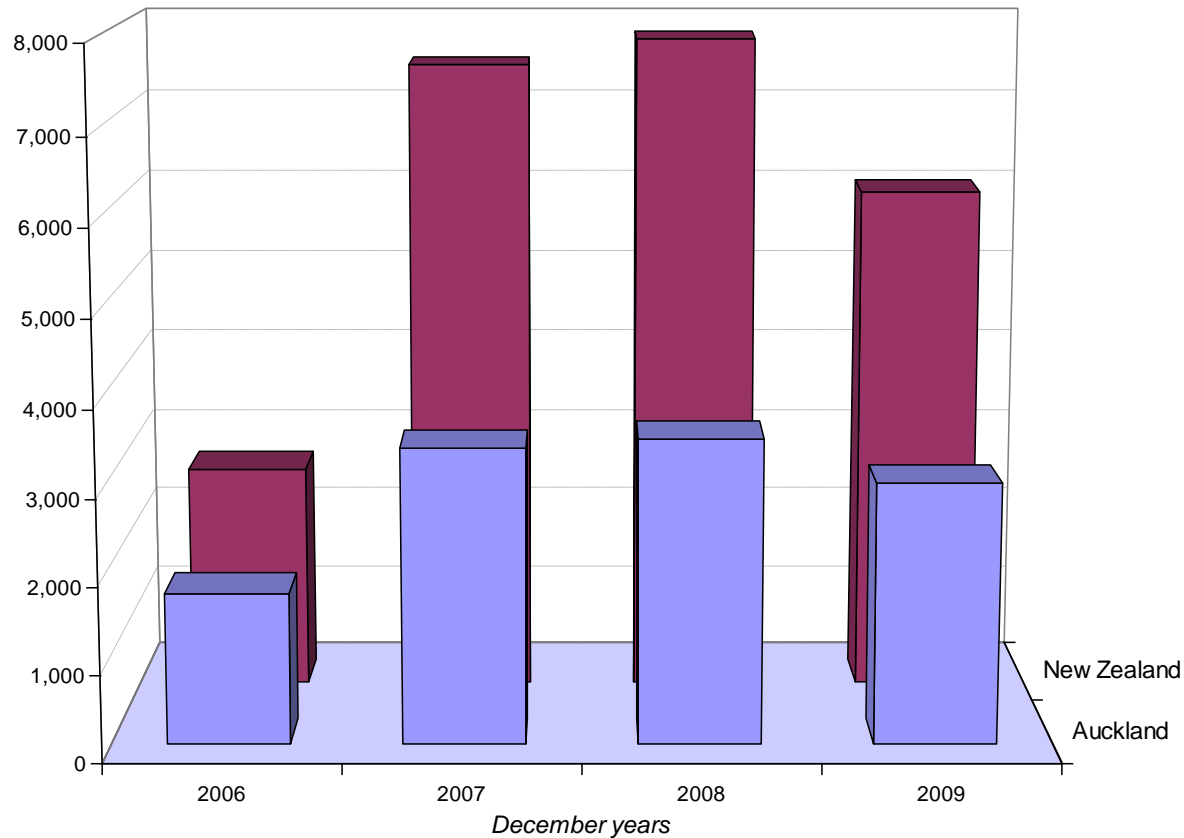


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3 DEMOGRAPHIC CHANGES

Nearly half the baby boom is due to Auckland however

Auckland's share of New Zealand's baby boom 2006-2009

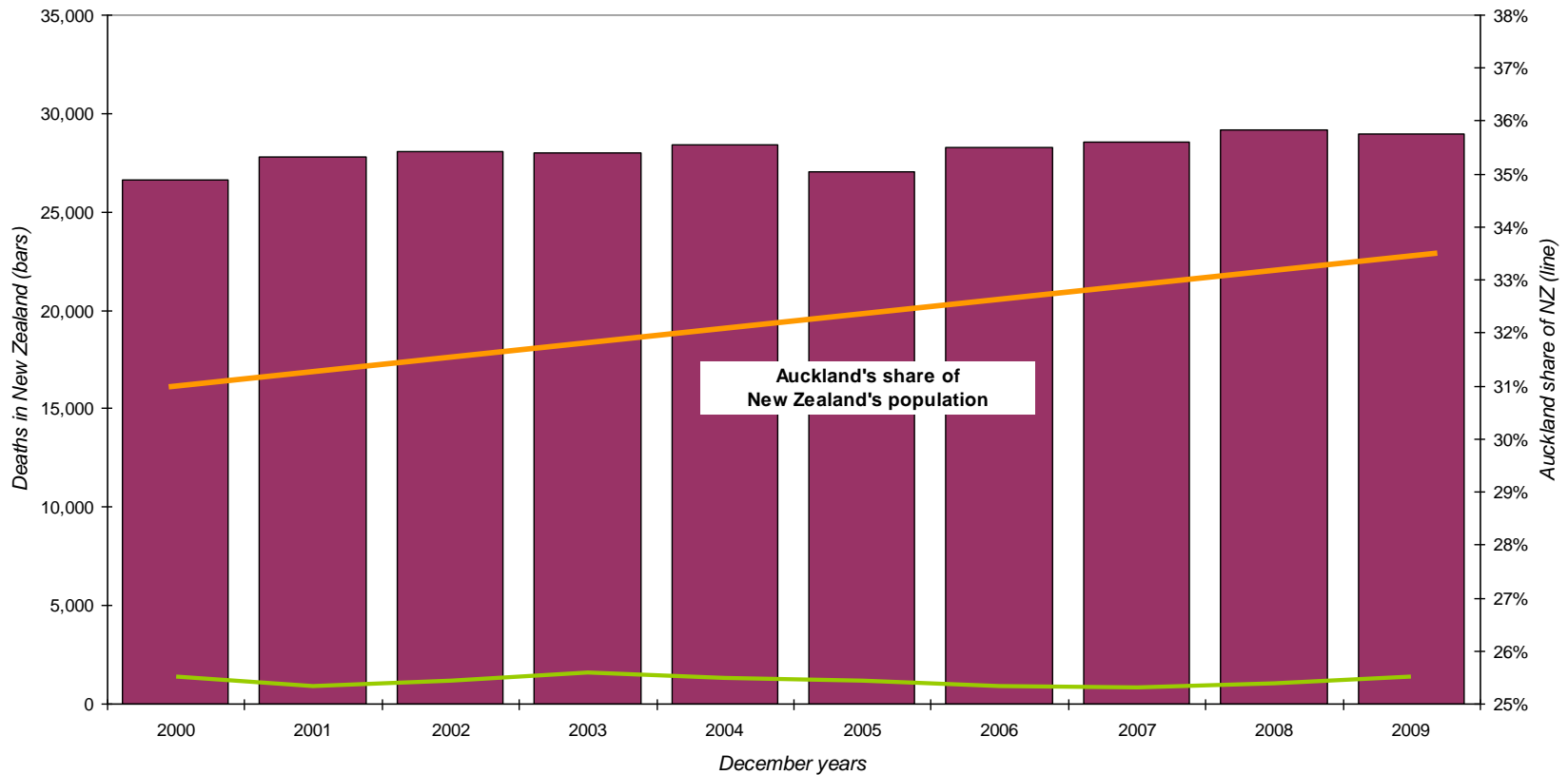


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4 DEMOGRAPHIC CHANGES

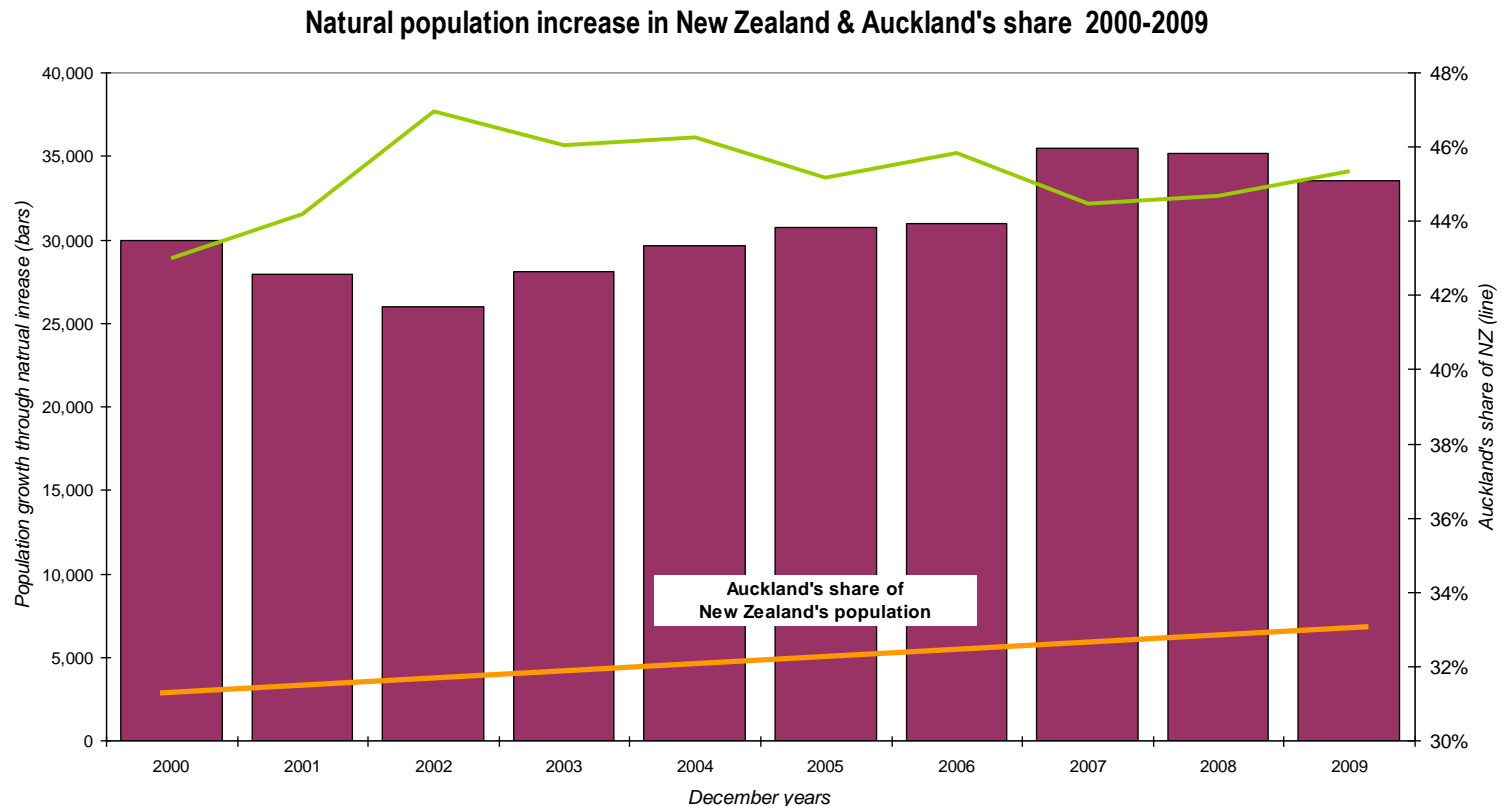
Aucklanders go away to die

Deaths in New Zealand & Auckland share 2000-2009



5 DEMOGRAPHIC CHANGES

The net effect is that nearly half of the New Zealand's natural population increase is in Auckland

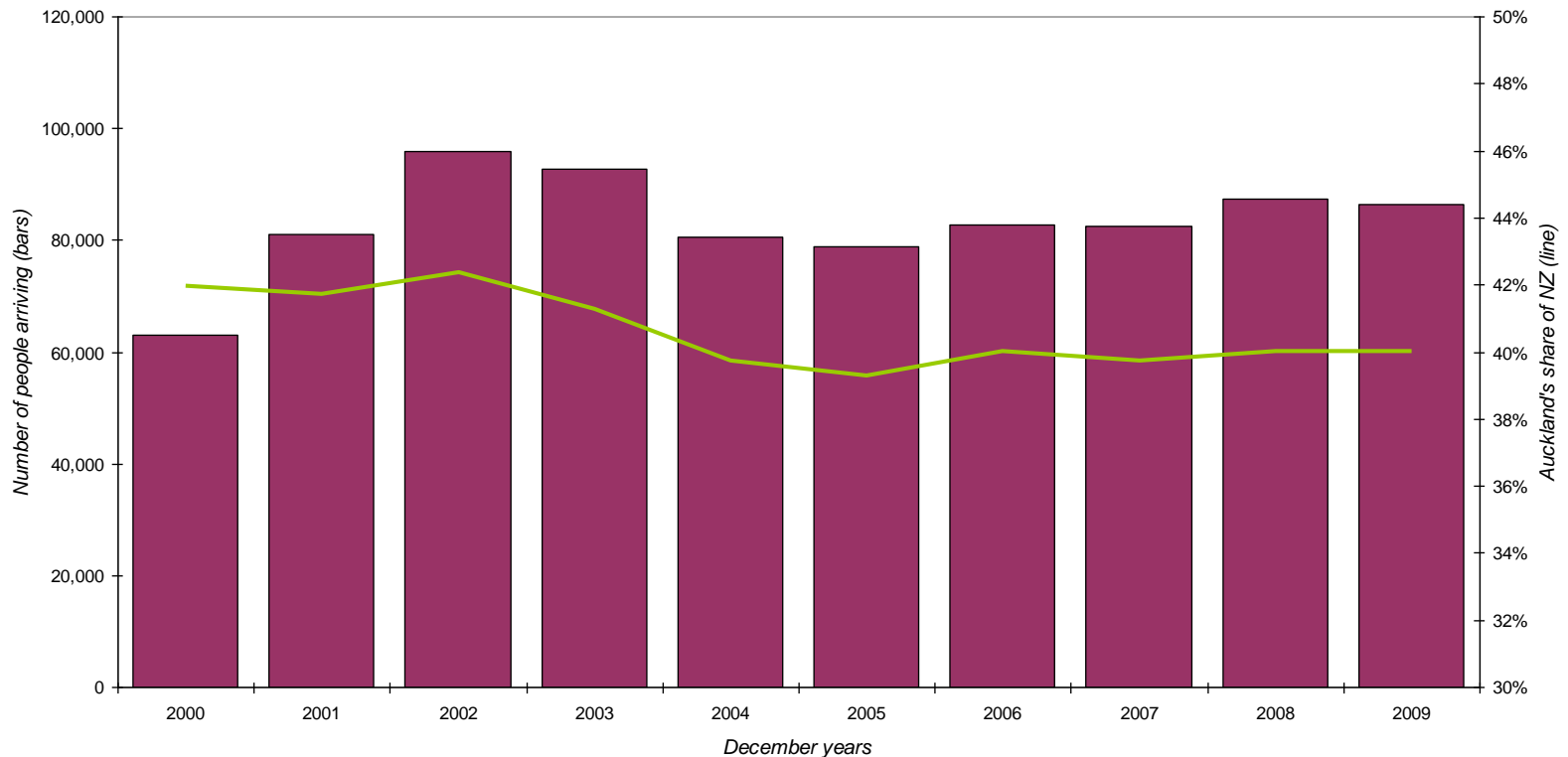


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6 DEMOGRAPHIC CHANGES

Inward migration is a consistent presence which Auckland dominates

Permanent and long-term arrivals 2000-2009

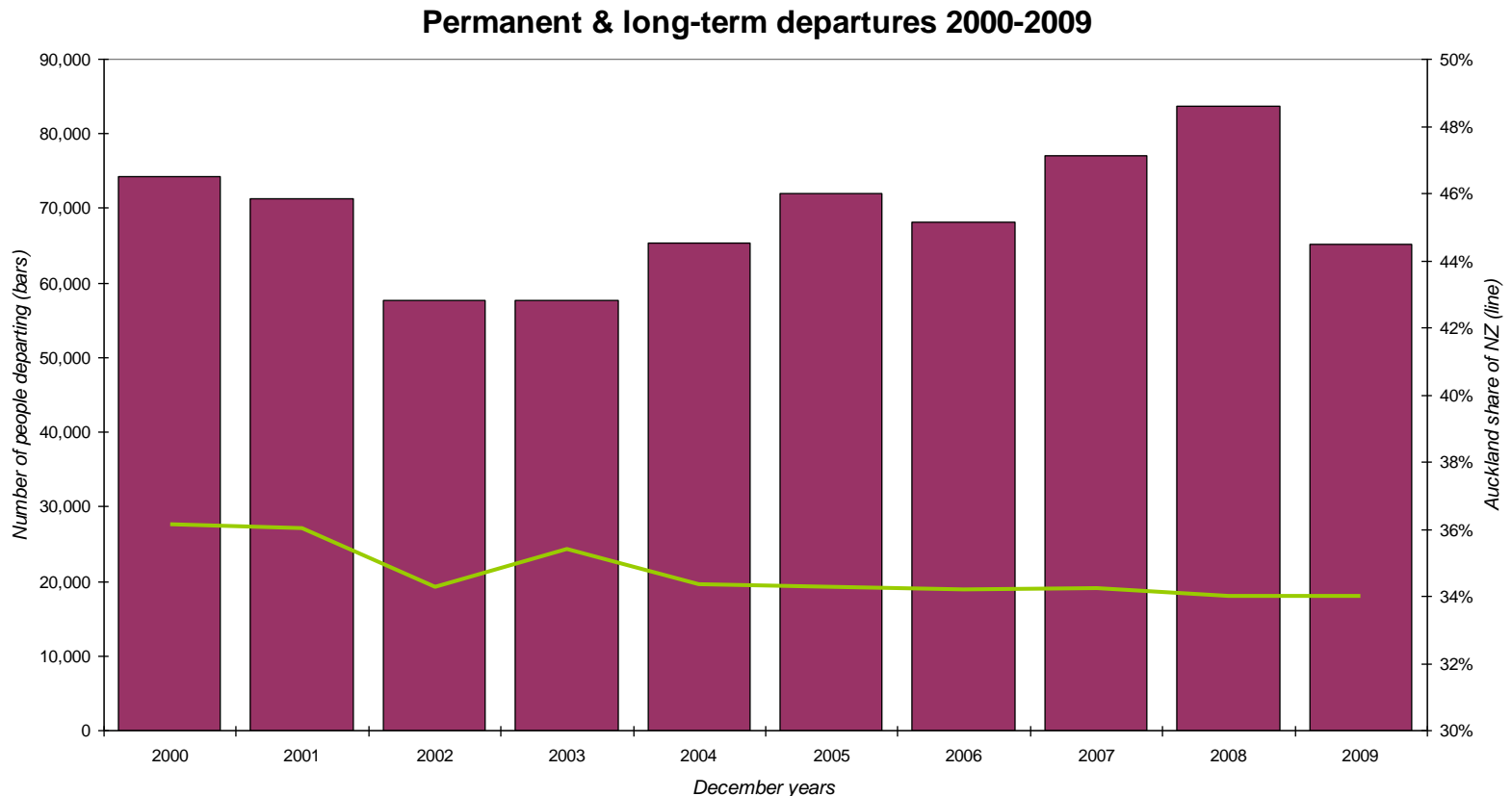


NOTE: 2008 & 2009 figures for Auckland's share are estimates

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7 DEMOGRAPHIC CHANGES

But outward migration is more volatile although Aucklanders are not more prone to leaving



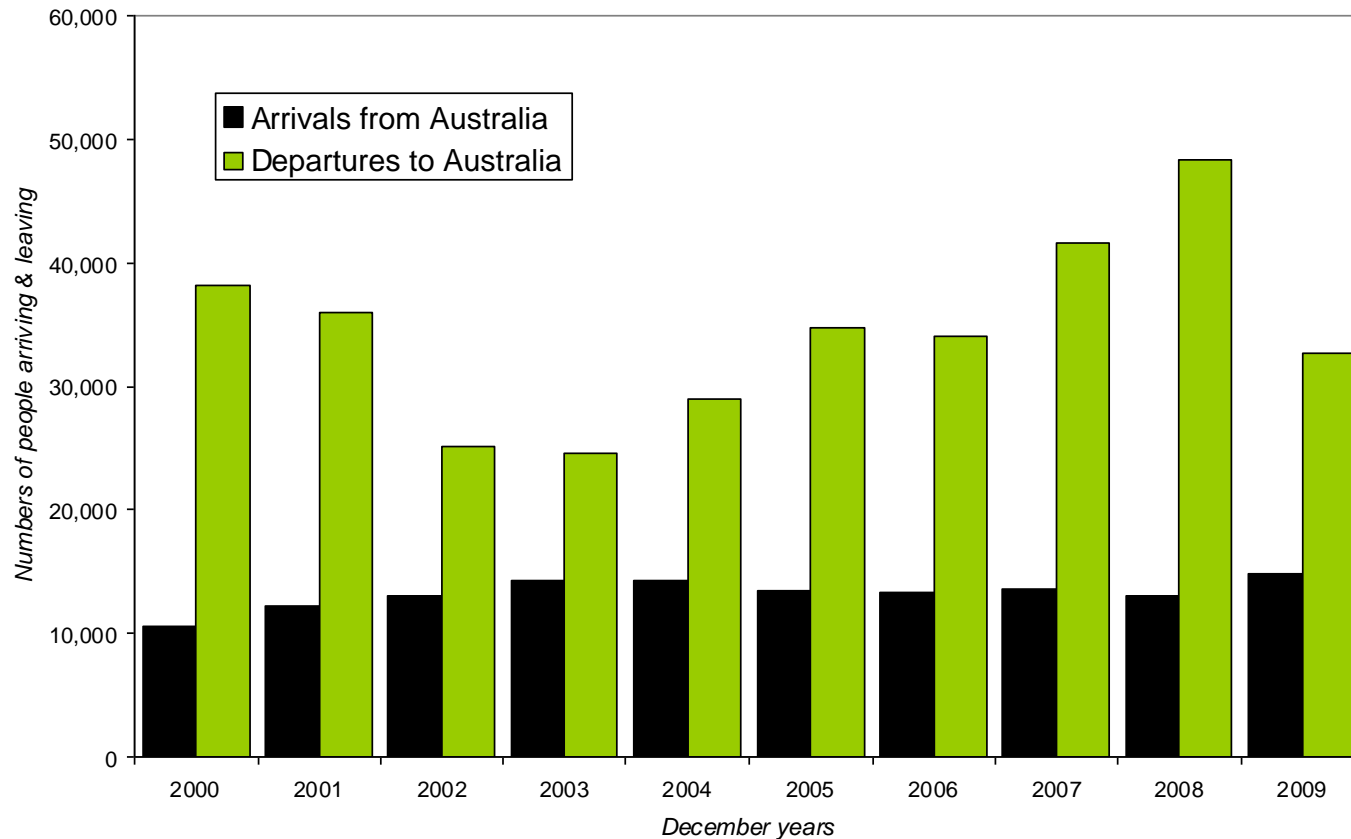
NOTE: 2008 & 2009 figures for Auckland's share are estimates

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8 DEMOGRAPHIC CHANGES

Unsurprisingly outward migration to Australia contributes most to this volatility

Permanent & long-term migration to Australia 2000-2009

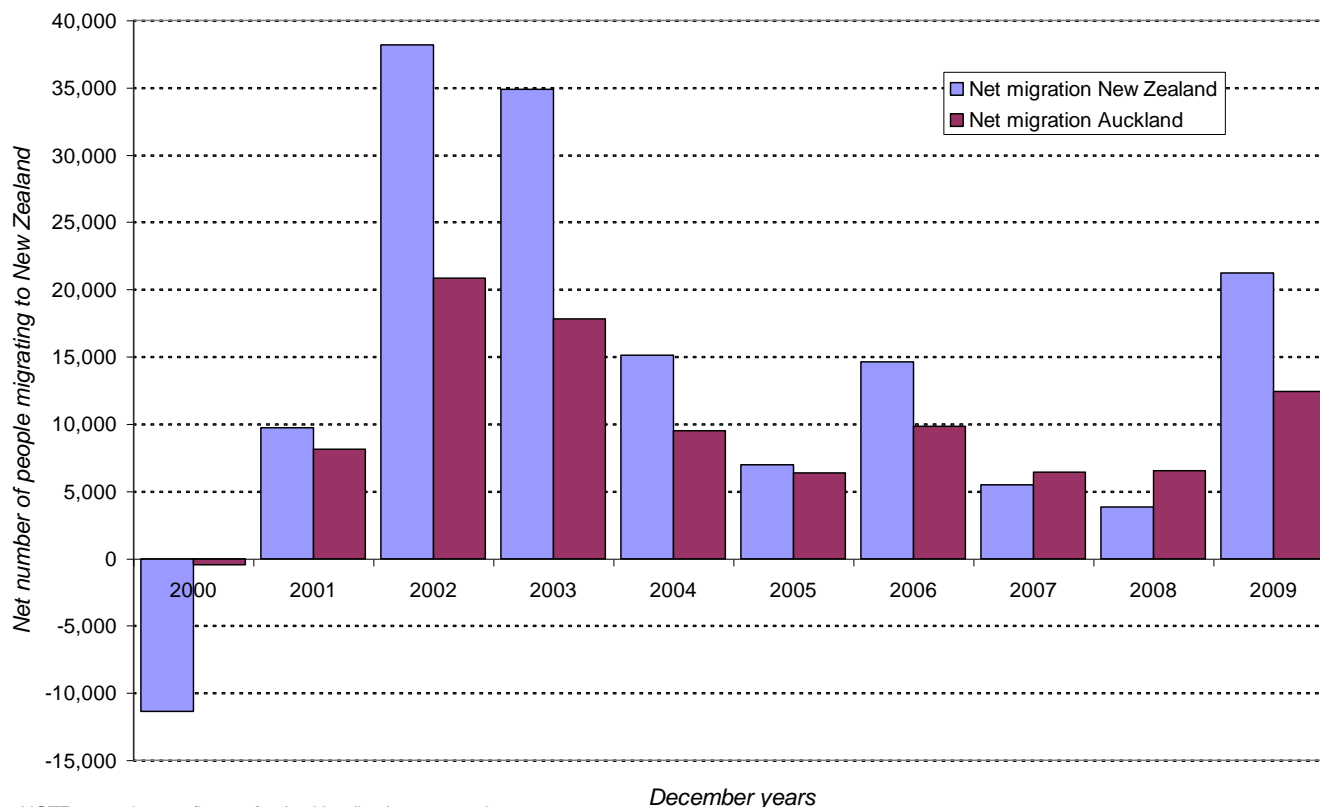


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9 DEMOGRAPHIC CHANGES

This volatility translates into overall net migration patterns but effects Auckland more

Net migration New Zealand & Auckland 2000-2009

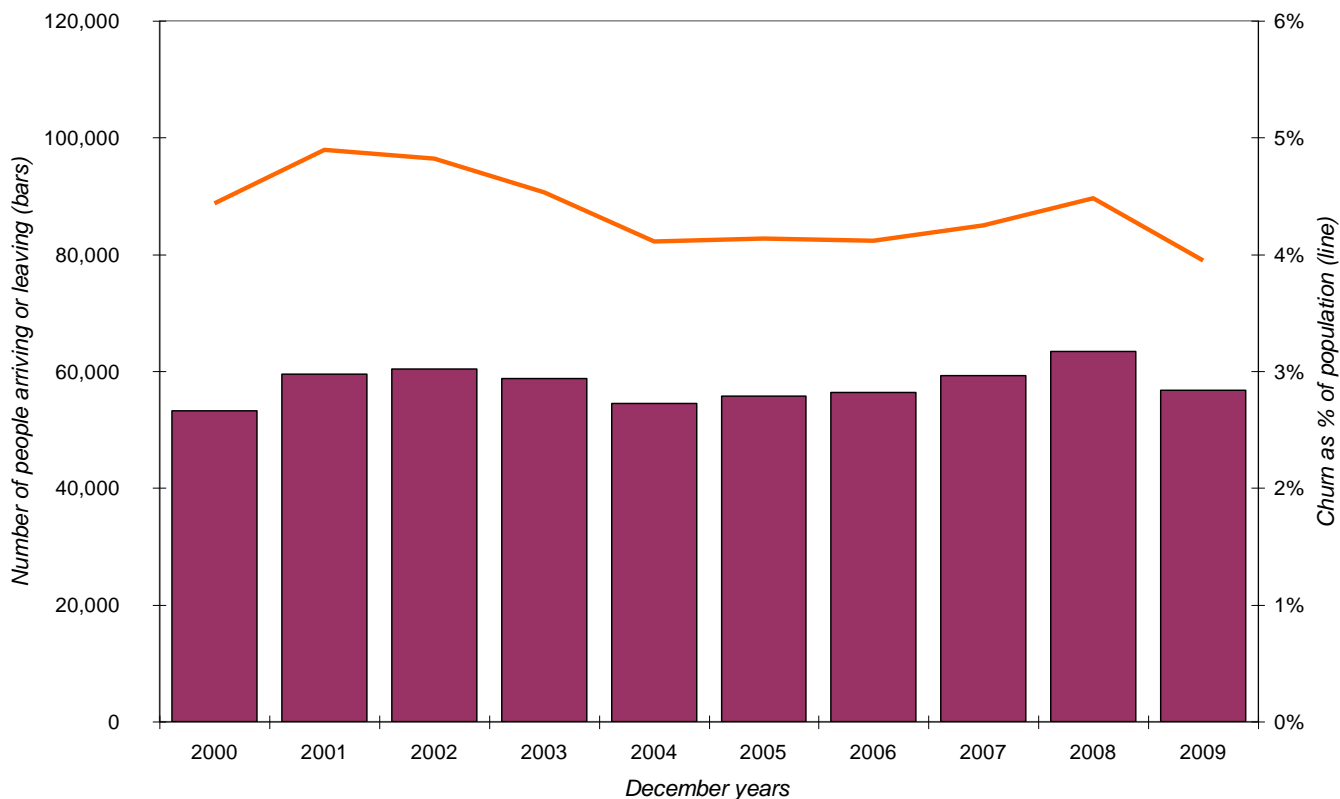


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10 DEMOGRAPHIC CHANGES

This volatility translates into a churn of 4 to 5% of Auckland's population annually

Population churn through migration in Auckland 2000-2009



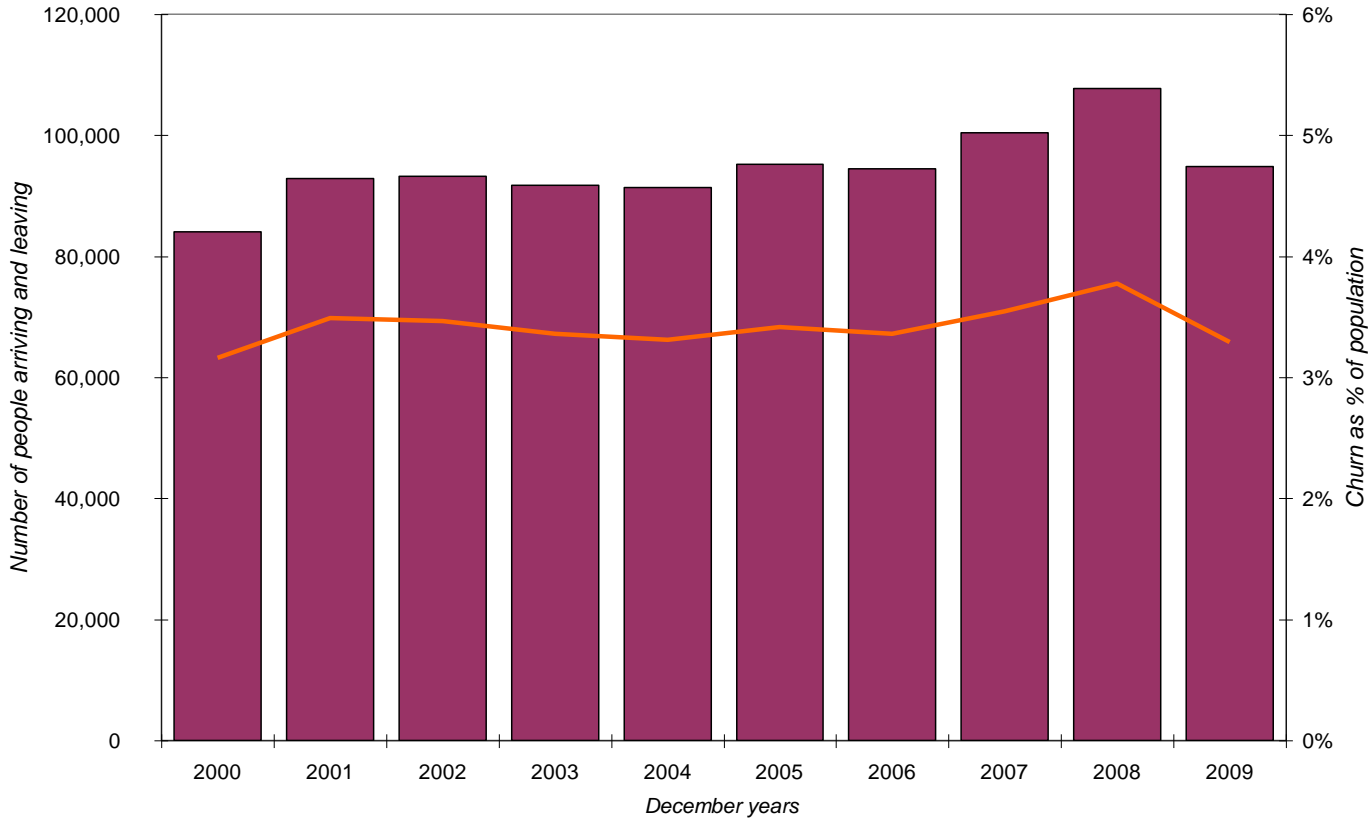
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11

DEMOGRAPHIC CHANGES

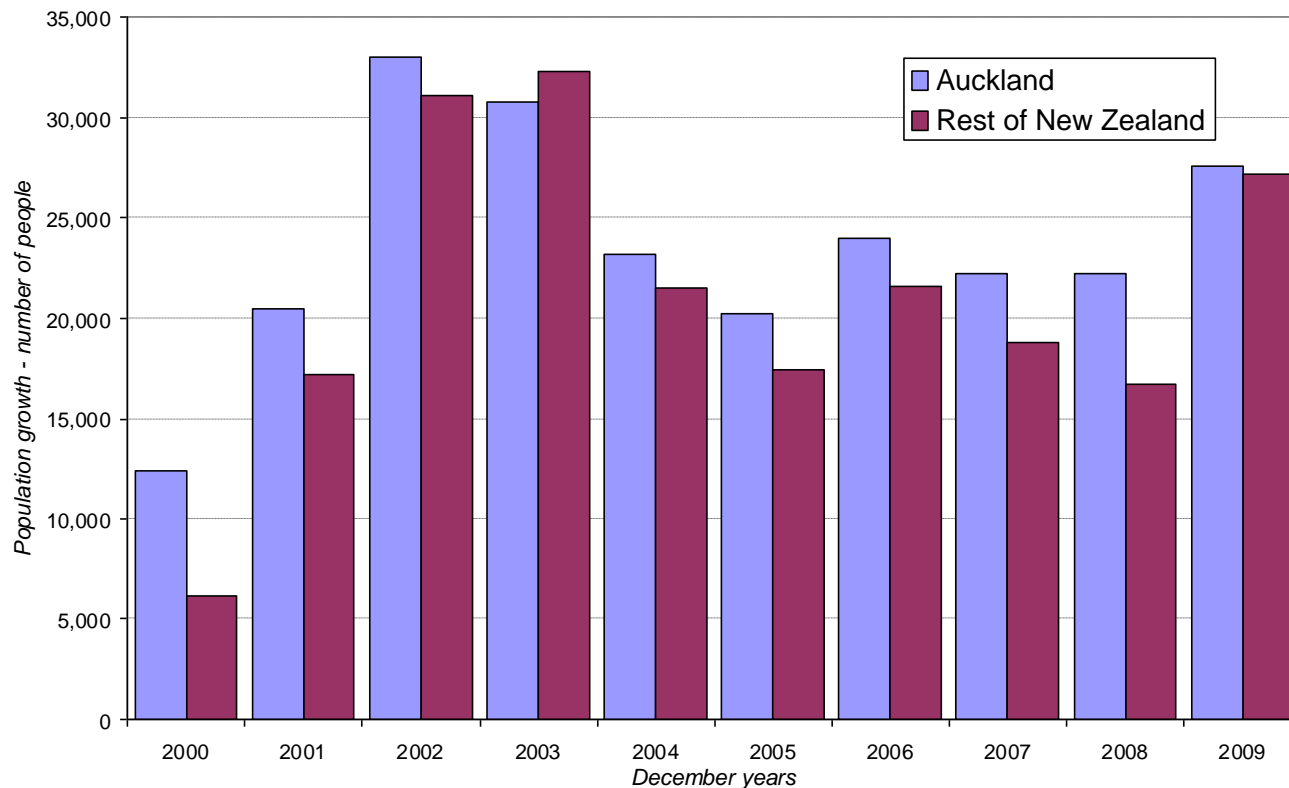
The churn across the rest of New Zealand is about 70 to 80% of what it is in Auckland

Population churn through migration - rest of New Zealand 2000-2009



The net effect of migration & natural increase shows that Auckland accounts for 50% of NZ's growth

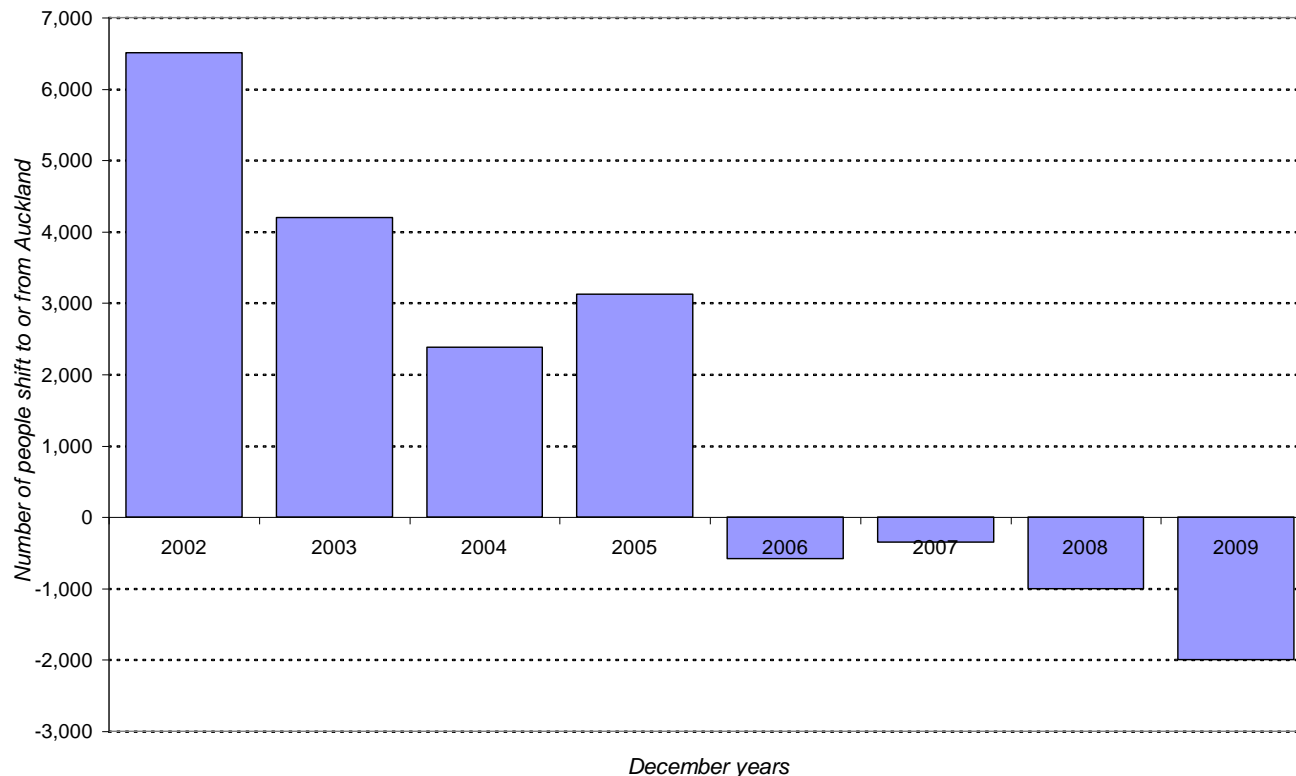
Net effect on migration and natural increase 2000-2009



13 DEMOGRAPHIC CHANGES

Net internal migration is minimal & variable perhaps with some population loss for Auckland

Net internal migration to Auckland 2002-2009

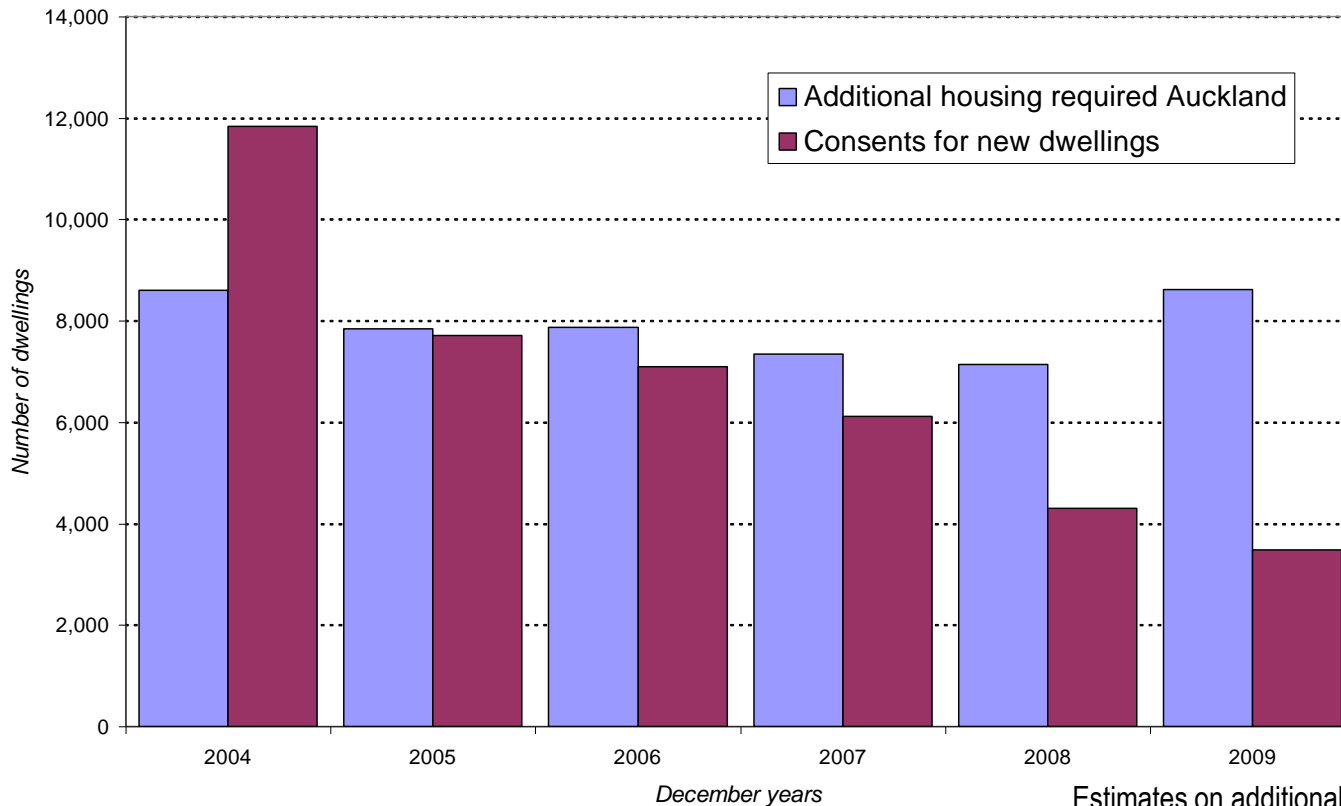


NOTE: 2009 figure is an

14 DEMOGRAPHIC CHANGES

Current levels of population growth in Auckland are not being catered for by supply increases

Housing demand & additional dwellings Auckland 2004-2009

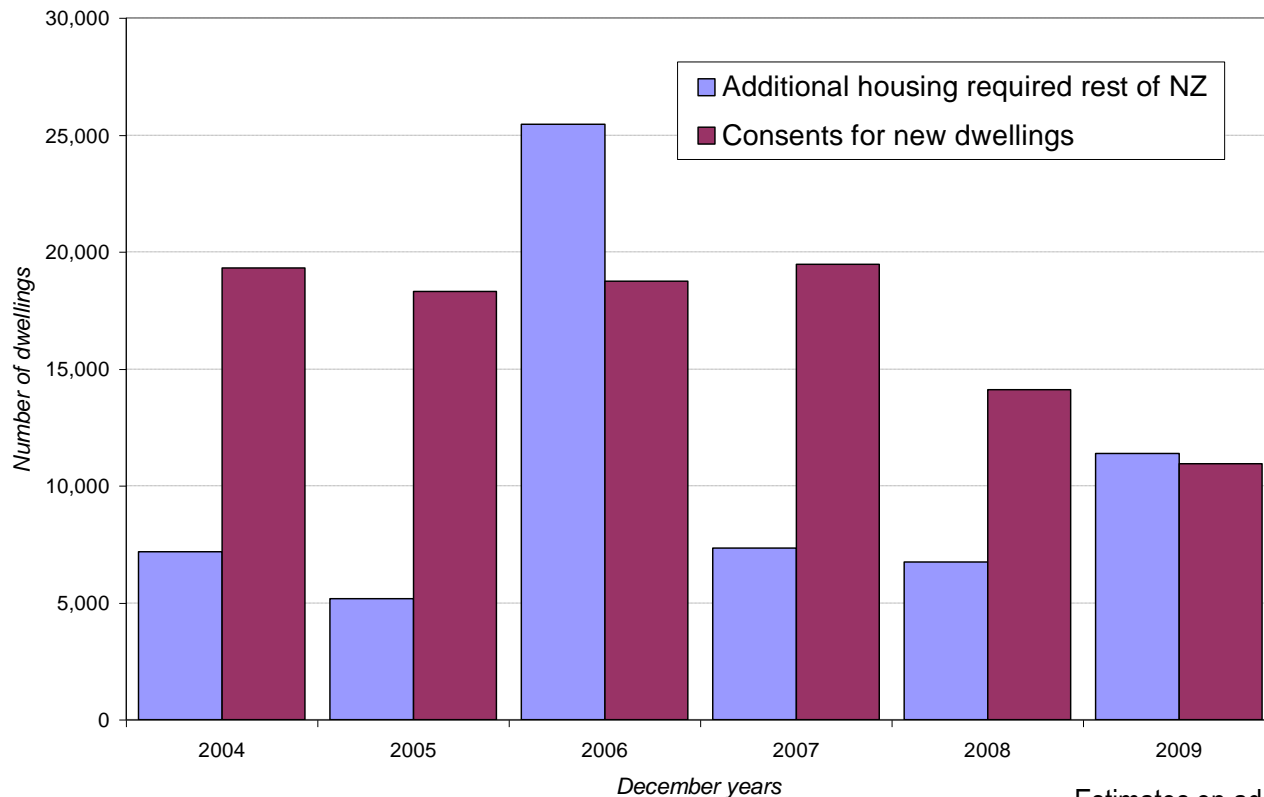


Estimates on additional housing required are based on applying the 2006 household occupancy rate to estimates of population increases

15 DEMOGRAPHIC CHANGES

The same supply pressure is not evident across the rest of New Zealand as a whole

Housing demand & additional dwellings rest of NZ 2004-2009



Estimates on additional housing required are based on applying the 2006 household occupancy rate to estimates of population increases

16 DEMOGRAPHIC CHANGES

Some concluding points & qualifying comments

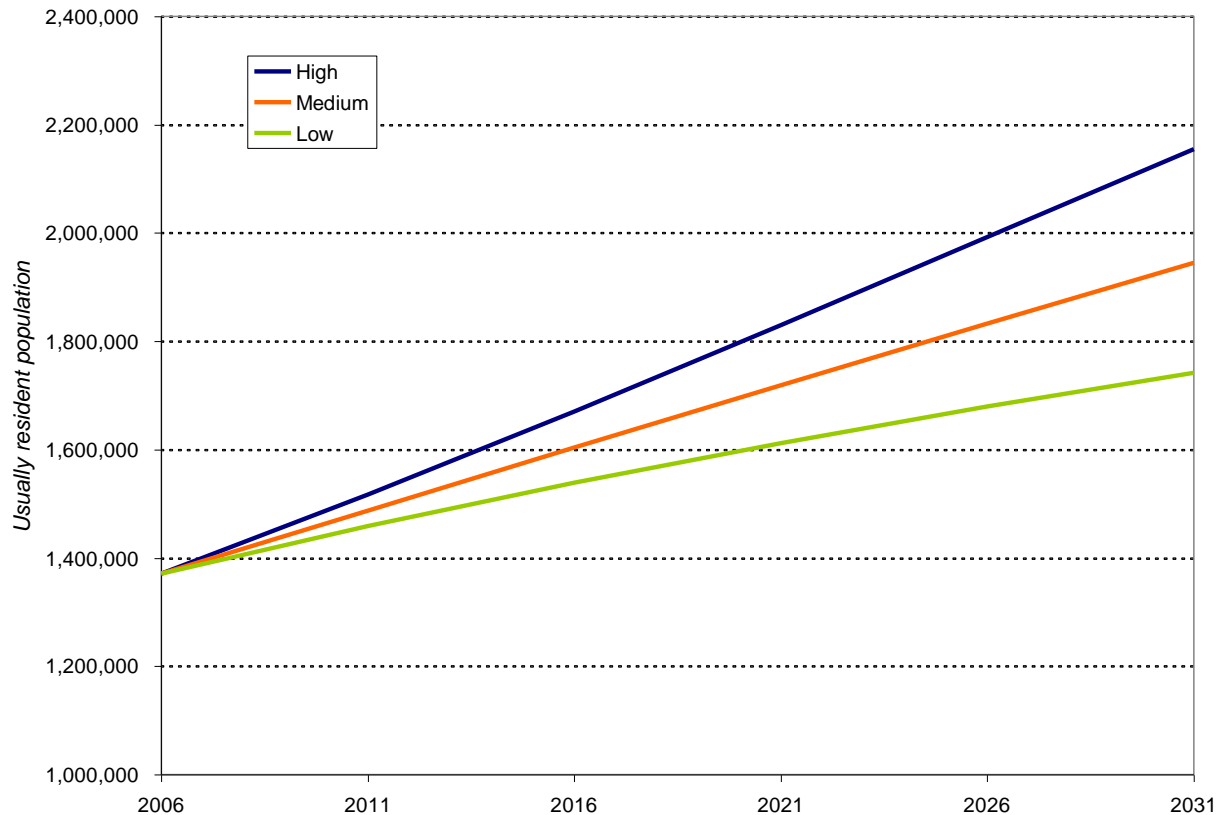
- Housing demand in Auckland is volatile and quite dependant on migration patterns especially outward migration to Australia
- Where are the babies going? - the current baby boom suggests that there may a particular problem for housing young families
- Across the rest of New Zealand there is likely to be a series of mismatches between supply and demand on account of population loss and abandonment on one hand and the building of secondary homes and some localised growth on the other

1

THE FUTURE

Recently revised population forecasts suggest that Auckland's population may grow by 30,000 annually

Population projections for Auckland Region 2006-2031



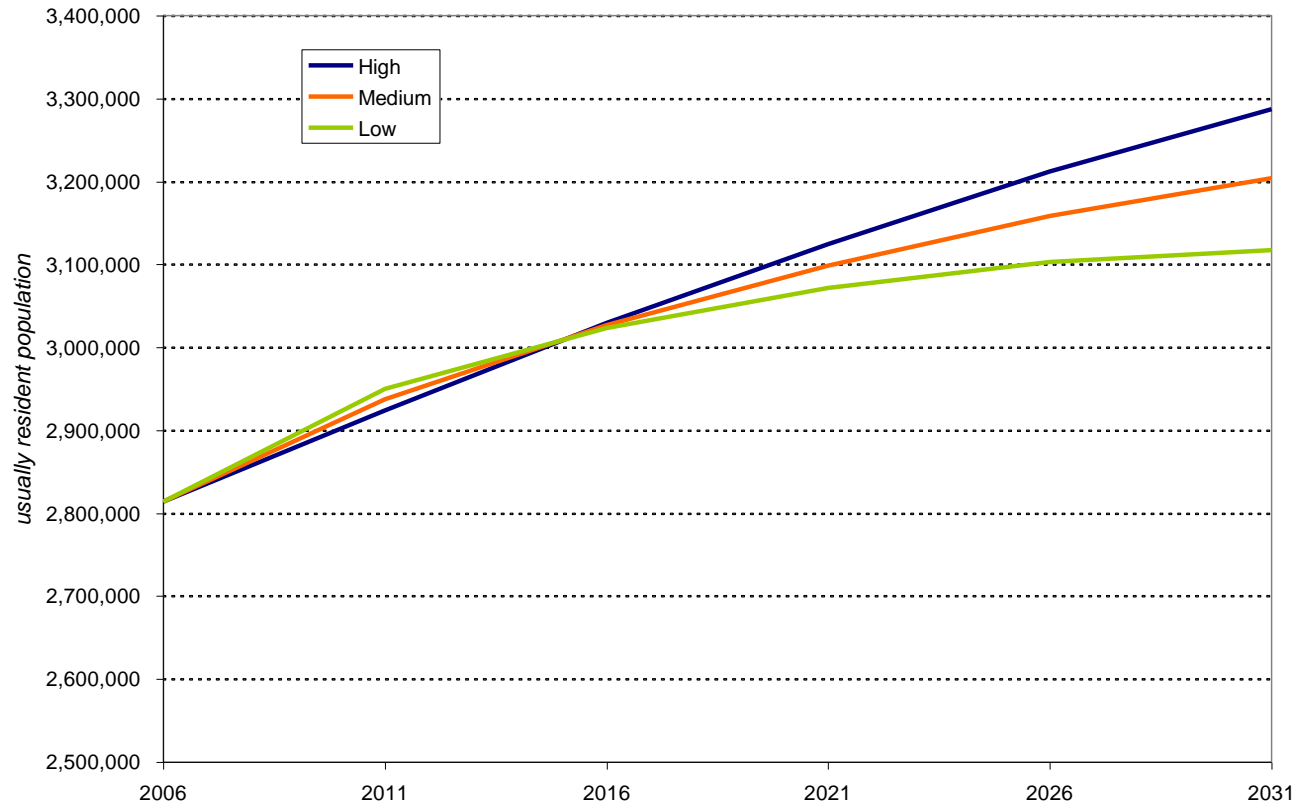
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2

THE FUTURE

By comparison these forecasts suggest the rest of New Zealand may grow by only 20,000 annually

Population forecasts for rest of New Zealand 2006-2031



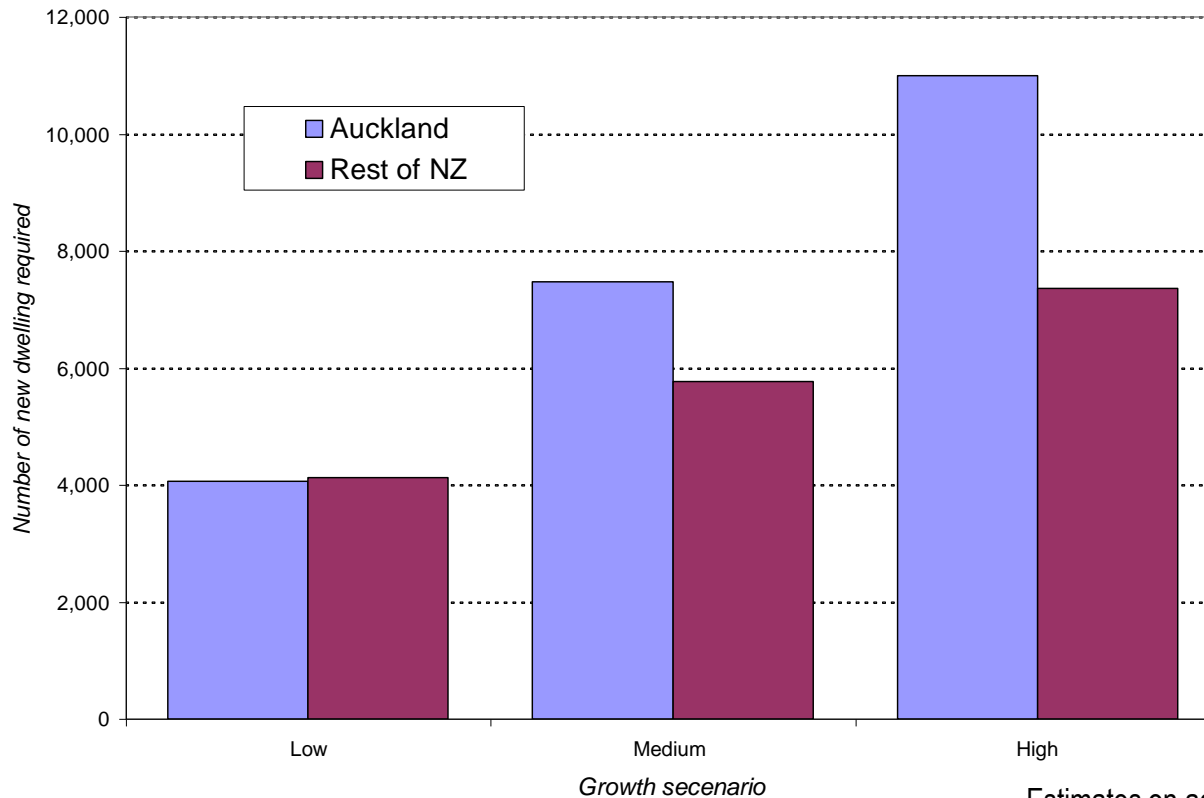
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3

THE FUTURE

In simplistic terms this means that 50-60% of the all new homes need to be built in Auckland

Housing demand based on 2031 population forecasts

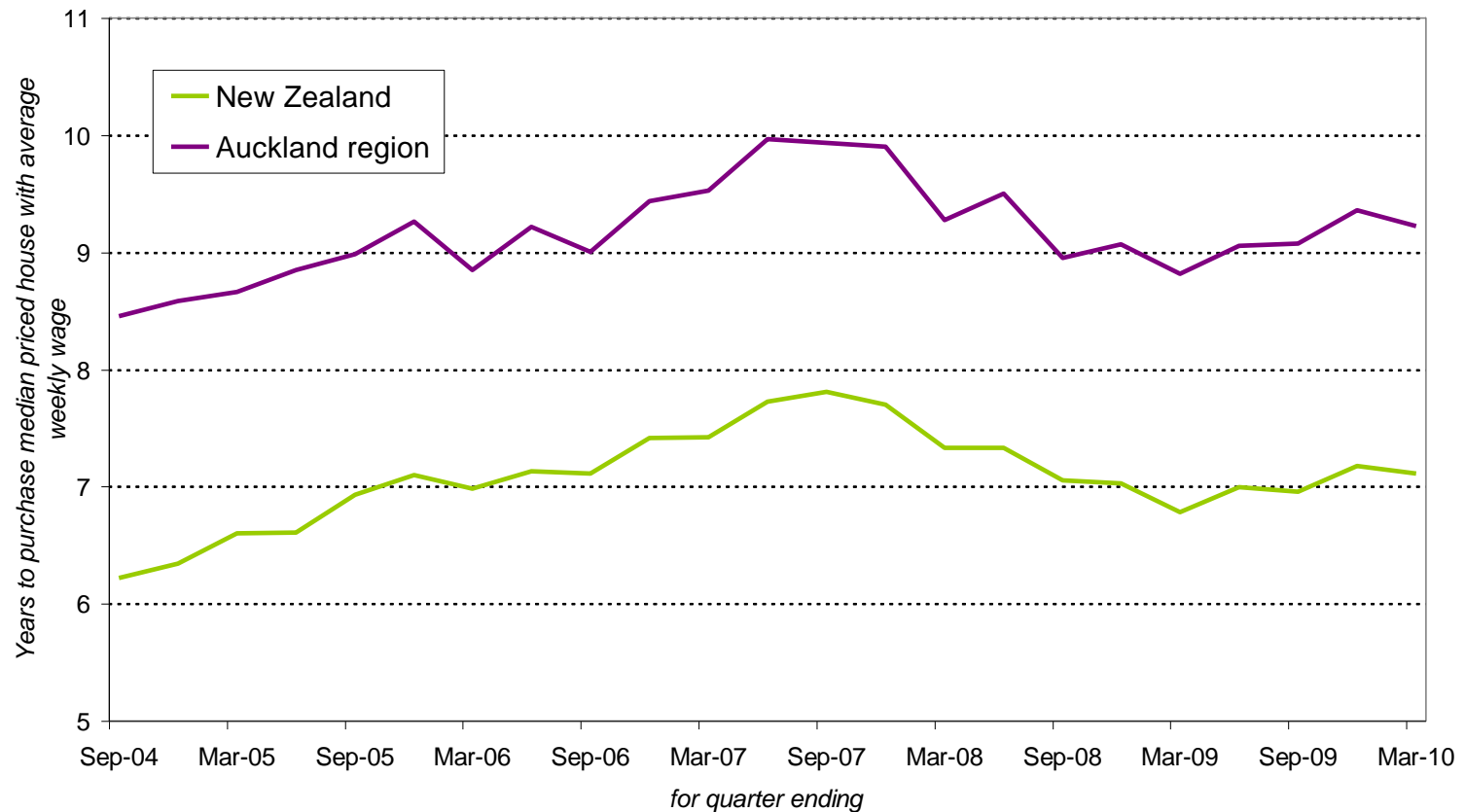


Estimates on additional housing required are based on applying the 2006 household occupancy rate to estimates of population increases

1 THE POLICY OUTLOOK

Housing affordability has not changed significantly

Years to purchase median priced house at average wage



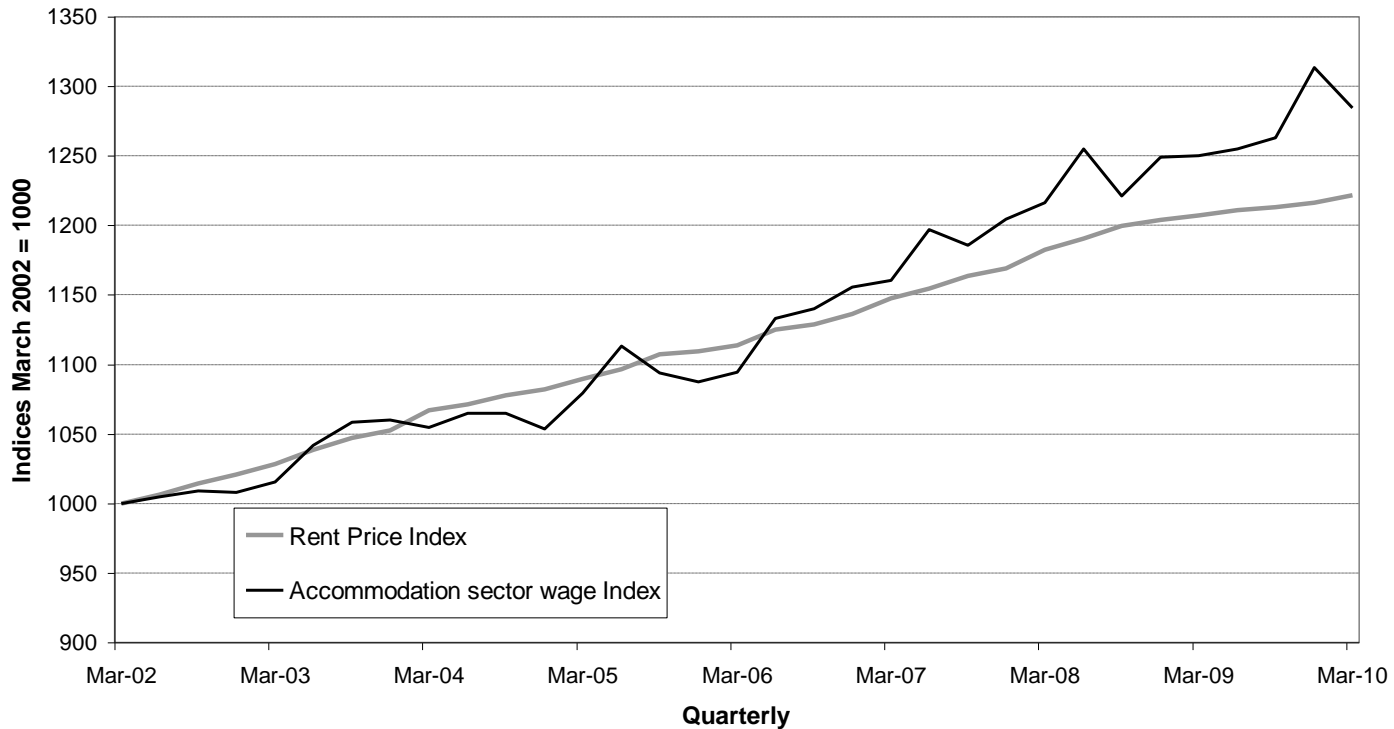
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2

THE POLICY OUTLOOK

Rents have only kept pace with wages so there is a yield gap which may not be bridged by capital gains

Comparison of changes in rents and wages 2002-2010



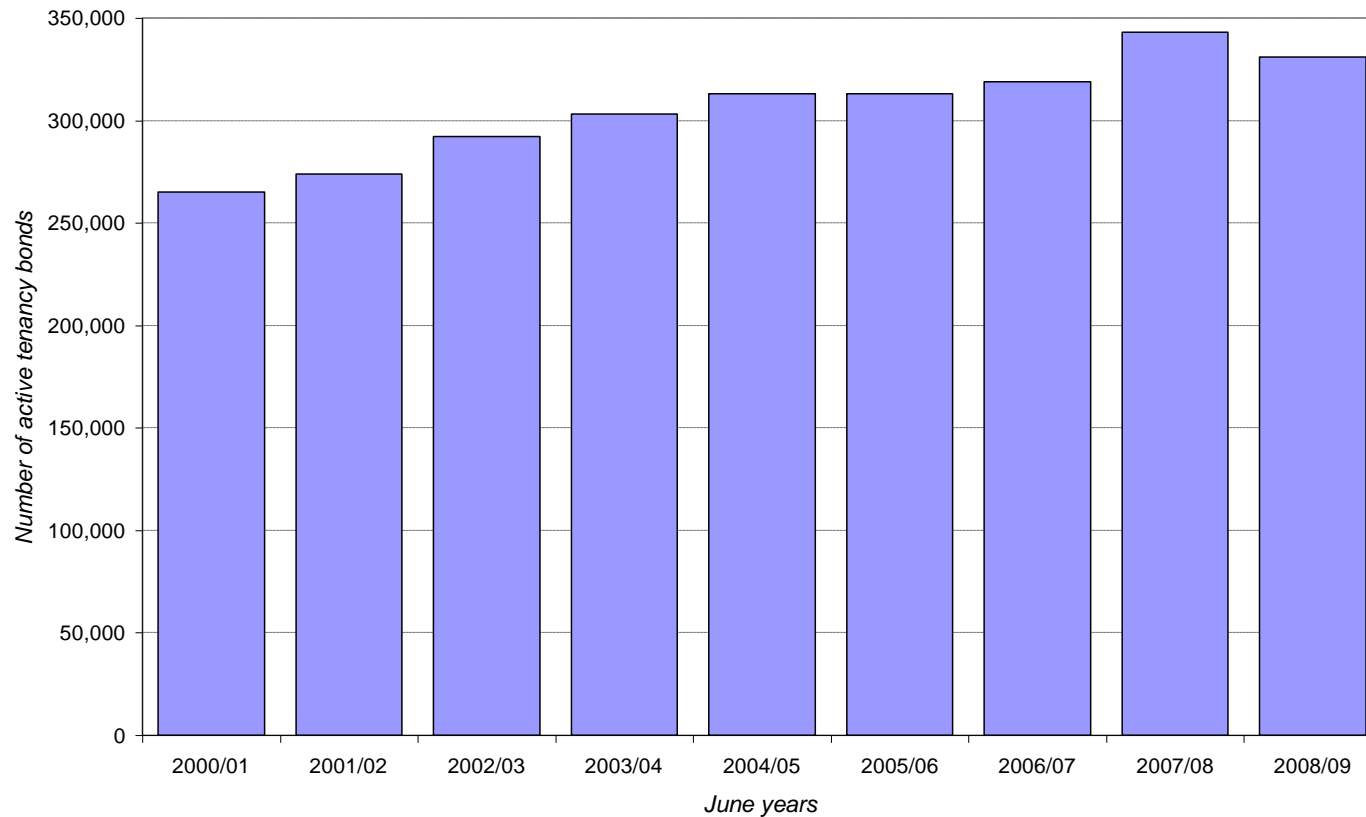
SOURCE: Statistics New Zealand - Consumer Price Survey & Quarterly Employment Survey

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3 THE POLICY OUTLOOK

Have we reached the end of the road with rental housing investment?

Active tenancy bonds with Department of Building & Housing



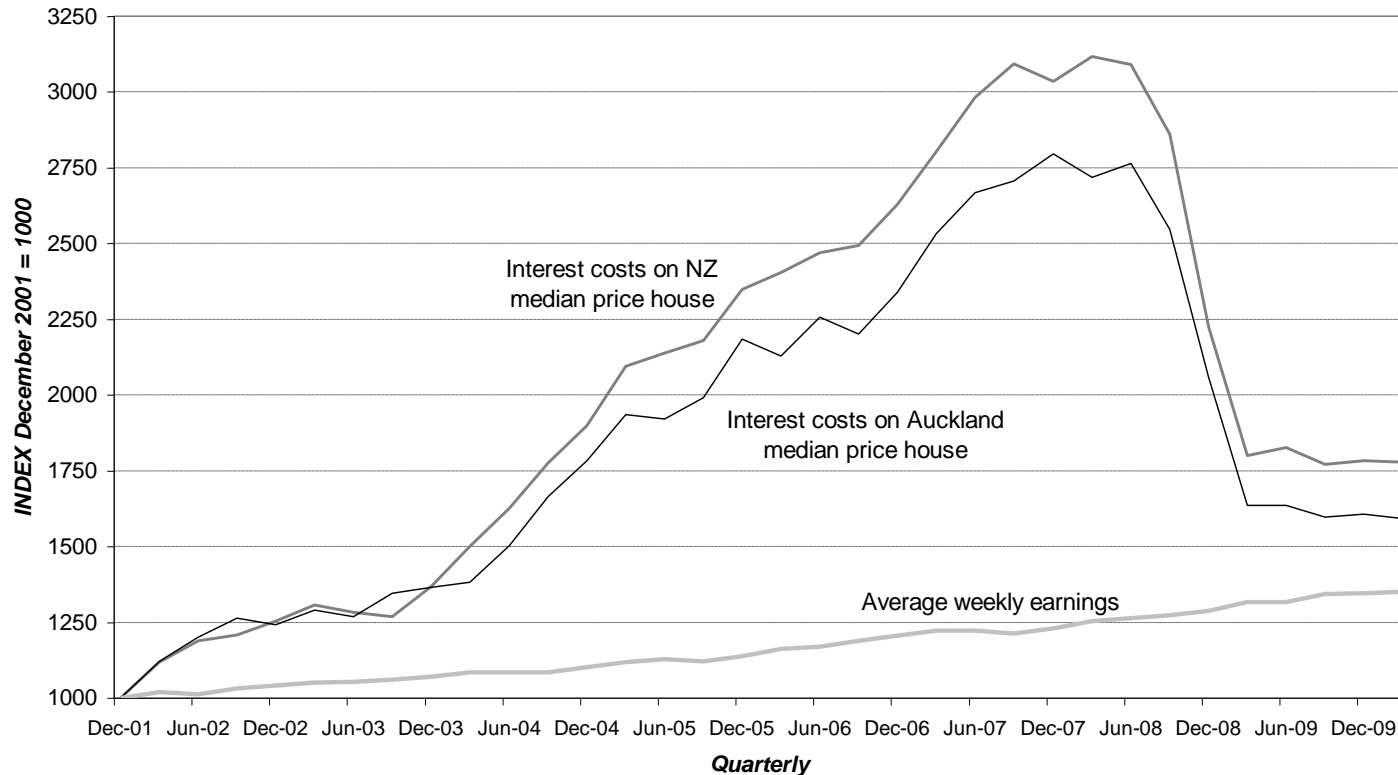
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4

THE POLICY OUTLOOK

The recent interest rate drop has brought a reprieve but how long will it last?

Comparisons of mortgage servicing costs & wages 2001-2010



SOURCES: Reserve Bank of NZ, Real Estate Institute of NZ & Statistics NZ

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5 THE POLICY OUTLOOK

Some concluding comments

There is no obvious market mechanism which will clear the looming housing shortage in Auckland

- prices are out of sync with incomes
- the incentives for private investment in rental housing have vanished
eg. tax expenditures + capital gains
- while home ownership is looking viable for more households than 5 years ago more households than ever will probably need to rent
- current prices are not encouraging further investment although this may be as much to do with industry capacity as with margins and profitability

The challenge is to build a more compelling case for public intervention by both Government and the Auckland Council