



Alternative housing tenures – the opportunity for New Zealand

Research Update 6:
Affordable alternative housing tenure
enablers and barriers in a New Zealand
context: System based analysis

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1. Context

“Housing is fundamental to our economic and social wellbeing and plays a central role in individual and community health outcomes, family stability, and social cohesion. A responsive housing market facilitates labour market mobility, allowing people to move to take up job opportunities and enhancing the productivity of the economy.”¹ Unfortunately, housing markets around the world, including in New Zealand, have struggled to provide adequate, good quality affordable housing with long term security of tenure to meet their populations’ needs. Some housing markets have responded to pressures within their housing systems to provide a range of alternative tenure structures and these responses have varied between countries. New Zealand is also a signatory to a number of United Nations conventions that state households’ ability to access good quality housing at an affordable price is considered a human right.

This research update is the sixth in a series which presents the initial results of our research project “Alternative housing tenures – the opportunity for New Zealand”. Previously published research updates from this research project summarised the results from our analysis of housing market outcomes including trends in the intermediate housing market, renter housing stress, and renter housing need and unmet need. The most recent research update focused on the experience of Māori housing providers of affordable alternative housing tenures in New Zealand.

This research update presents the results of a housing system level analysis of the barriers and enablers of affordable alternative housing tenure models in New Zealand.

2. Housing System analysis of factors that enable or limit affordable alternative tenure models

Affordable alternative housing tenures have improved housing outcomes for a small number of households in New Zealand over the last two decades. The ability of this sector of the housing system to grow to scale is limited by a number of system wide barriers. Our analysis of the systems factors impacting on the ability of affordable alternative housing tenures to grow focuses on four interdependent system levels:

- Sociohistorical barriers and enablers;
- Governmental barriers and enablers;
- Industry and Organisational barriers and enablers; and
- Barriers and enablers at the Household or end-user level.

It is important to note that the above segmentation of the housing system is specific to the alternative tenure component of the much larger and complex housing system or ‘ecosystem’.

¹ New Zealand Productivity Commission (2015) Using land for housing. Page 1.



2.1 Sociohistorical barriers and enablers

Sociohistorical level barriers and enablers reflect the historical, social, and cultural context or environment that gave rise to the current housing landscape. It identifies aspects of the following formative factors as the primary barriers and enablers of alternative tenure housing models:

- Tangata whenua and Te Tiriti o Waitangi;
- The social norms and values regarding housing in New Zealand; and
- The economic development framework underpinning housing policy in New Zealand.

Tangata whenua and Te Tiriti o Waitangi

Dominant colonial perspectives of housing and property have tended to prioritise individualised, commodified relationships to housing and land. Many of the systemic barriers identified at the Governmental, Industry, Organisational and Household levels such as those relating to an enabling legislative framework, access to capital and finance, institutional racism, the role of relationships and household affordability are directly related to the foundational role of the Treaty and the need to consider Māori interests in the housing context to ensure Māori communities have access to housing options that reflect their cultural identity and cultural values.

Social norms and values regarding housing

A strong social preference for fee simple title homeownership exists in New Zealand - it has been the dominant tenure and focus of government policy for generations. As many forms of affordable alternative tenure models do not offer full fee simple ownership, they are seen as inferior forms of tenure. Strong cultural signals about the importance of home ownership in retirement are regularly repeated in the media and advertisements which contribute to perceptions of affordable alternative tenures as a risk.

The economic development framework underpinning housing policy in New Zealand

New Zealand's economic development framework underpins housing policy in New Zealand and can both enable or limit the growth in affordable alternative tenure housing models. New Zealand and other western liberal democracies adopted what is termed the "neoliberal" approach to economic growth and development in the late 1980s and early 1990s. Since the adoption of this framework, New Zealand has witnessed a continuing decline in the rate of owner occupation and a sharp increase in rental stress. The decline in housing affordability has increased interest in affordable alternative tenure housing models as a means to provide a growing proportion of the population with options to achieve owner occupier like housing outcomes.

2.2 Governmental barriers and enablers

Governmental level barriers and enablers capture those aspects of the housing system set by central government that impact on the development of a sustainable market for affordable alternative tenure housing models. This includes housing policy, resource planning, taxation and the domestic legal and financial framework that are implemented through the institutions of government. From a systems perspective, housing policy, the legal and tax treatment of wealth accrued via capital gains, land use planning, local governance and the institutional requirements associated with access to finance and the banking sector all serve to reinforce and perpetuate a social preference for full fee simple ownership.



Looking across the barriers at the Governmental level, three recurring themes emerge:

- The lack of an enduring and holistic approach to housing that has bipartisan support to deliver better housing outcomes across New Zealand;
- The lack of an enabling legislative and legal framework to support the growth of affordable alternative tenure housing models; and
- The absence of an investment framework to facilitate the development and growth of the industry. Affordable alternative tenure housing developments require some form of subsidy without which they are typically uneconomic. Consequently, a sustainable government-led investment framework is essential if the sector is to grow to scale.

2.3 Industry and organisational barriers and enablers

Industry and Organisational level systems barriers and enablers focuses on the unique challenges associated with alternative tenure operating models at the individual provider and industry level. Institutional players such as central and local Government, financial intermediaries, lawyers, and philanthropists also play an important enabling or limiting role at this level. Identified barriers include:

- Lack of institutional awareness and understanding of affordable alternative tenure housing models across the housing system;
- Access to capital and finance are directly related to the financial viability of an investment proposal. However, most affordable alternative tenure housing models are subject to inherent financial viability constraints (without subsidies) resulting in significant barriers to accessing finance and capital for development;
- Institutional racism may also limit Iwi and Hapū access to finance with many of the overarching financial frameworks and policies impacting on their ability to access funds;
- Variable local government attitudes toward affordable alternative tenure housing developments. Many councils consider the provision of affordable housing to be a central government issue and not of local government concern and not to be subsidised by local rate payers;
- The small scale of the affordable alternative tenure housing industry limits its ability to develop and grow. Issues such as the lack of industry standard documentation, and barriers at the pre-development stage of projects further limit the ability of organisations to gain a foothold in the market; and
- Industry representation at the national level to spearhead the growth of the affordable alternative tenure housing industry.



2.4 Barriers and enablers at the household level

Household level barriers and enablers signal those aspects of the current housing system that impact on households' ability to participate in the affordable alternative tenure housing market – thereby limiting the growth of the industry overall. Many of the systemic barriers and enablers at household level are the outcome or result of structural or systemic factors beyond their control and stem from Sociohistorical, Governmental, Industry or Organisational aspects of the housing system. Systemic barriers at the Household level include:

- Household awareness of and understanding of the models;
- Household affordability of alternative tenure models. It is important that a range of models that provide 'rent plus' and 'ownership minus' solutions are developed to improve the housing outcomes of households across the different segments of the housing continuum;
- Financial support and access to mortgage finance; and
- A lack of knowledge around financial skills and areas such as dwelling maintenance. Household stewardship is important in delivering affordable alternative tenure housing tenure models. Preparing households to enter an affordable alternative tenure housing programme is important and can include household financial literacy and courses around what is required to maintain a dwelling. Larger developments can also include social procurement practices to increase community participation.

3. Summary

The analysis of the housing system identifies a range of cross-cutting or recurring themes associated with the development and growth of a sustainable alternative tenure housing framework across Governmental, Industry and Organisational, and Household levels. Albeit raised from different perspectives, these include a systemic lack of awareness and cultural acceptance of alternative tenure housing models. If affordable alternative tenure housing models are to grow, the Government will need to be an active participant setting clear and measurable goals and objectives, facilitating access to low cost patient capital, and removing any system wide barriers for different groups to participate. Local government also has a role working with the community to ensure their policies and practices do not limit innovation in the development of alternative tenure housing models.

Note: a more extensive commentary of the findings will be presented in the full technical report which will be published in mid-2023.

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