

# NZ Housing and the NZ Housing Strategy

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*27 November 2003*

 **Housing** New Zealand

Housing New Zealand Corporation

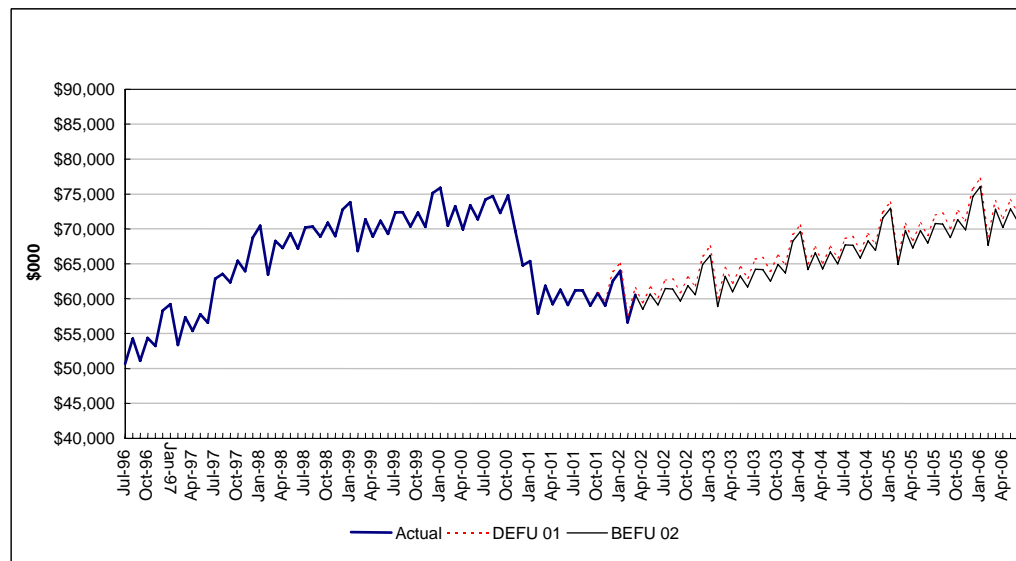
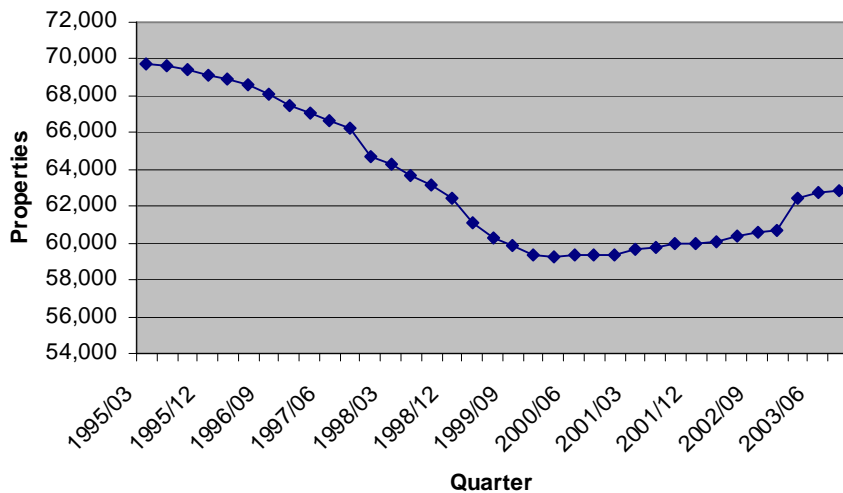
# New Zealand housing context

» 1990's (National Party era) focused on market solutions and income support

» Public housing sold down

» Accommodation supplement demand increased

HNZC Properties 1995-2003



# Average New Zealand house



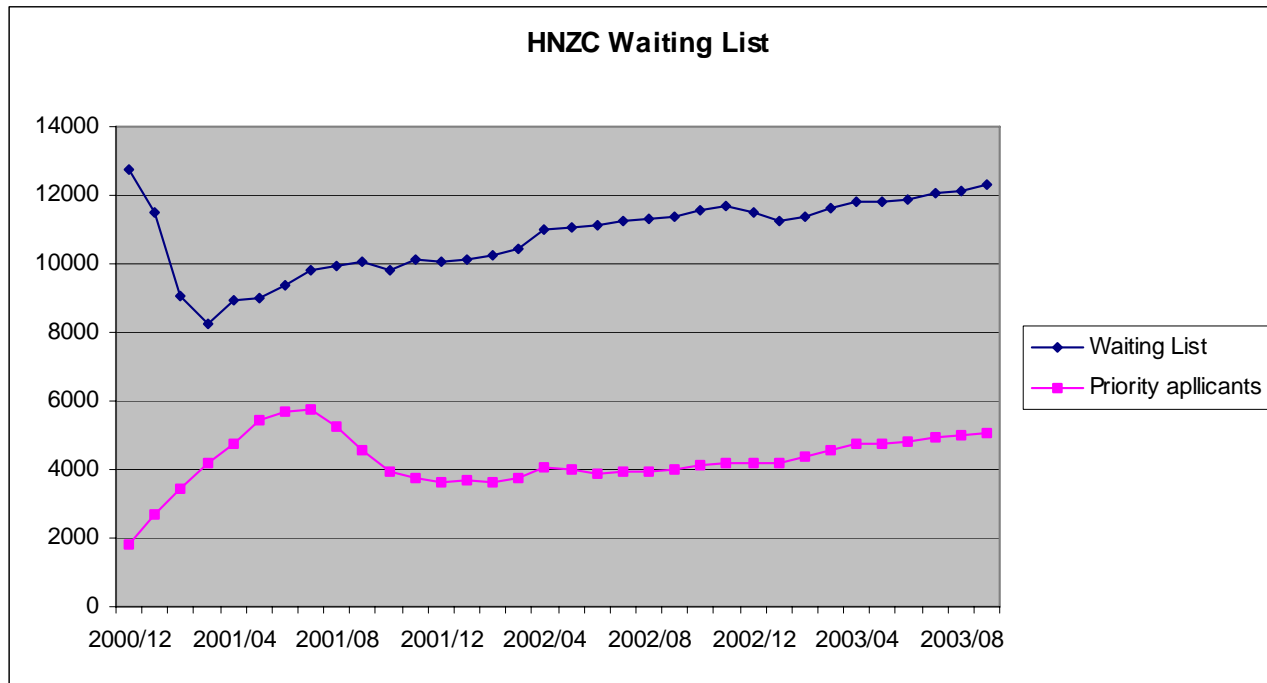
# Housing quality problems

- » De-regulation of building standards and fragmentation of agencies responsible
- » Significant “leaky buildings” problem
- » BRANZ estimates desired average annual maintenance of \$4,000 against average spend of \$800



# Paradigm shift

- » 1999 (Labour government) rebuilds public housing, introduces needs based eligibility and no sales policy



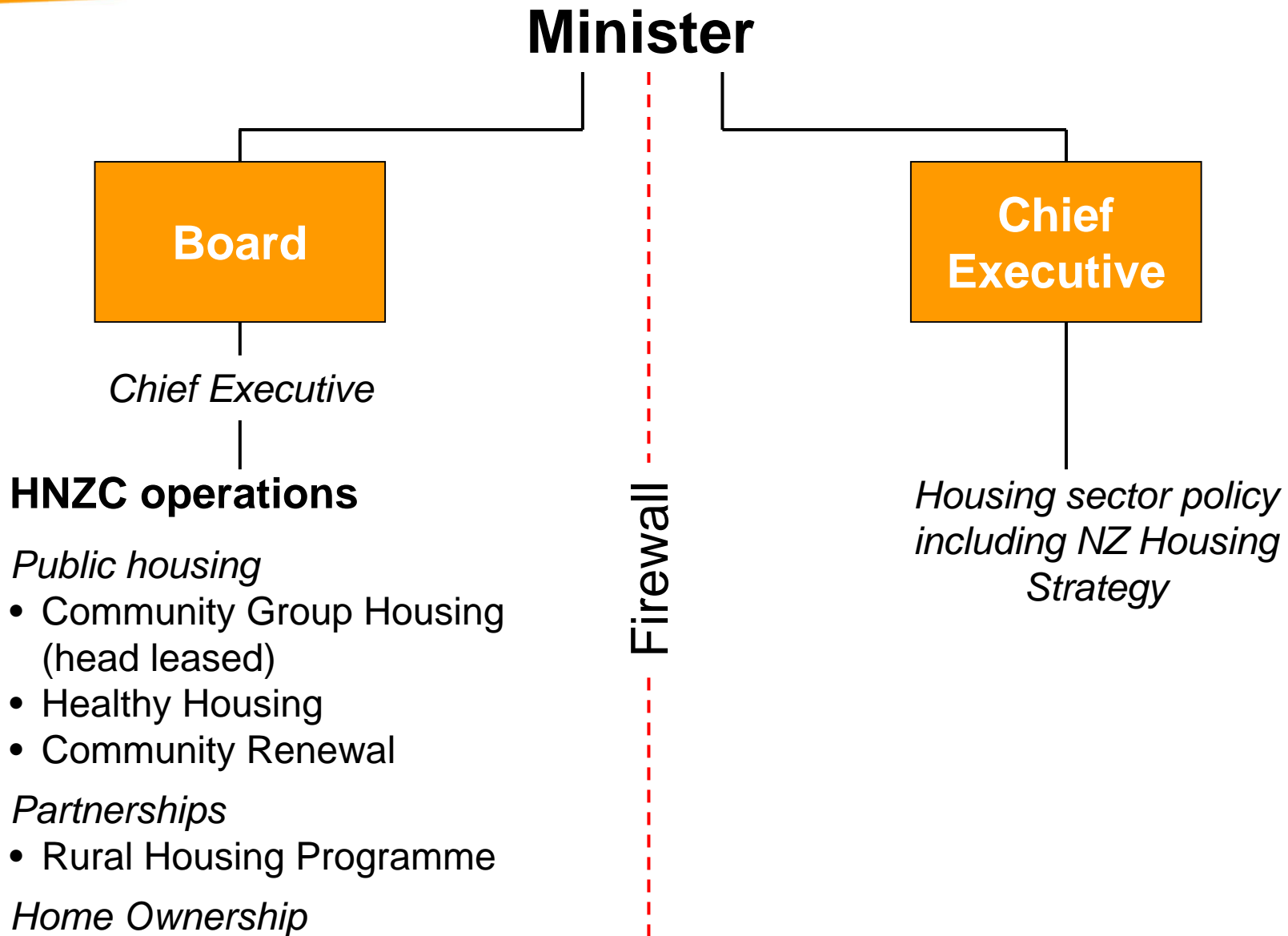
- » 2001 Housing New Zealand Corporation established, with new policy and research capacity to complement operations

## Funding structure

\$ pa

- » HNZC charges 89.62% tenants income related rent \$295m
- » Government pays HNZC subsidy to market rent \$334m
- » HNZC pays an annual dividend to government \$26m
- » Government votes annual capital appropriations, eg acquisition programme of 1,426 in 2003/04 \$185m

# Housing New Zealand Corporation



# Strategy needed

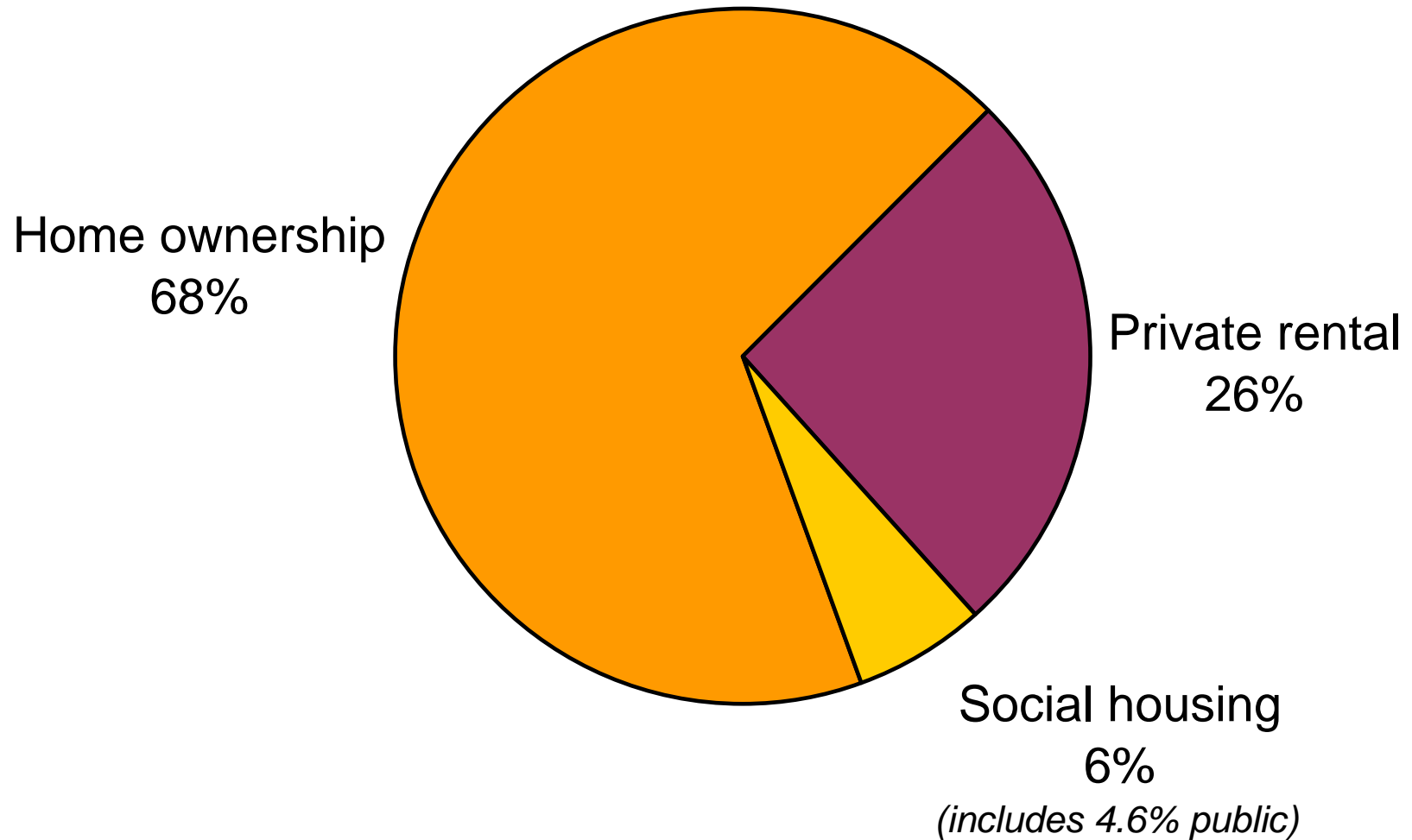
- » Housing Strategy objective: “.... *identify future needs, and ensure that the housing sector in general is well placed to provide affordable, decent housing to New Zealand families into the future.*” (Cabinet December 2002)
- » Steering Group: HNZC (lead), Treasury, Department of Prime Minister and Cabinet, Ministries of Social Development, Housing, Health, Pacific Island Affairs and Te Puni Kokiri
- » Draft to Cabinet December 2003 with public consultation in February/March 2004

# Target populations

Cabinet is looking for particular impact of this strategy on:

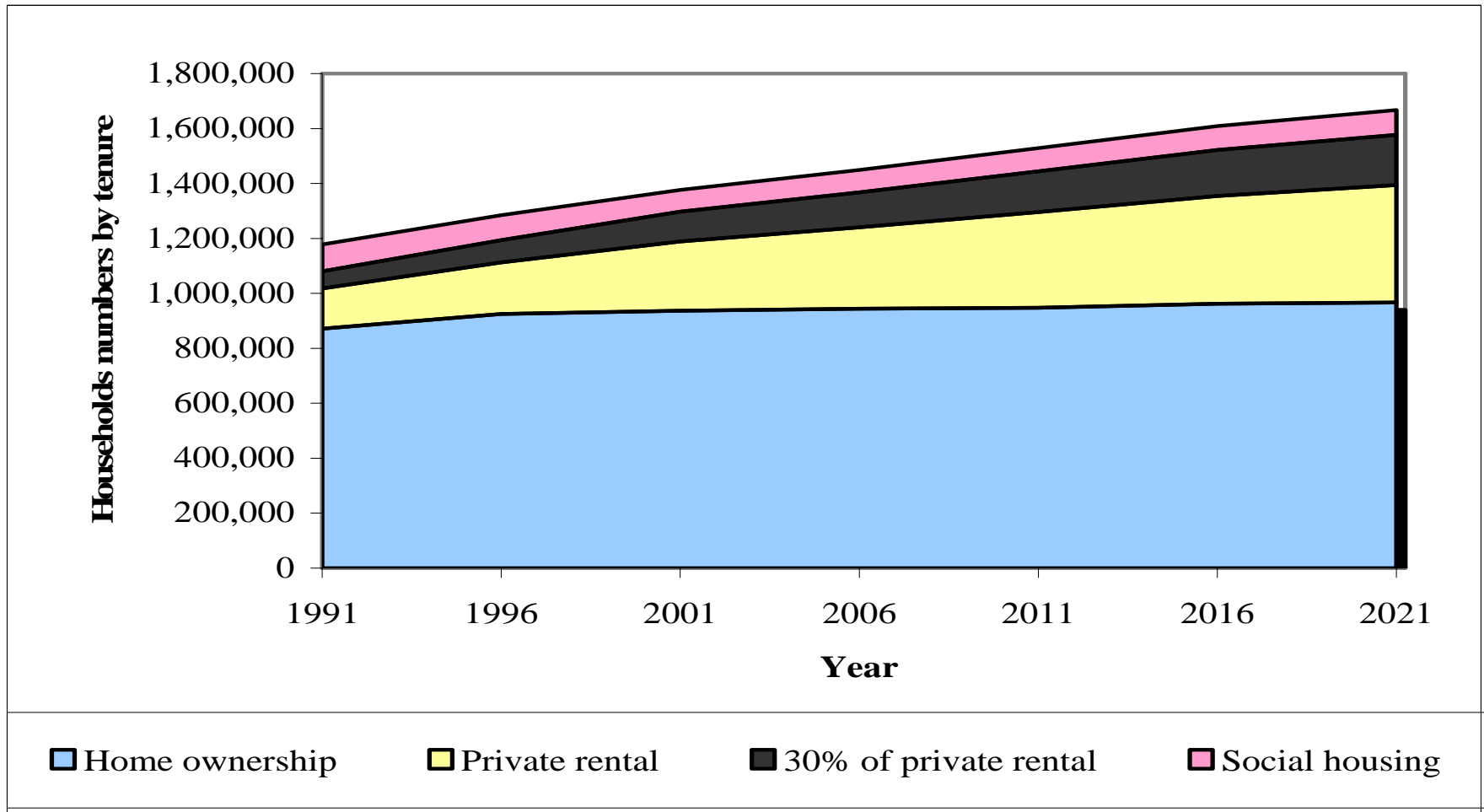
- » Maori
- » Pacific peoples
- » Ethnic communities
- » People with disabilities
- » Mental health consumers
- » Elderly
- » Young people
- » Women

# Current tenure mix

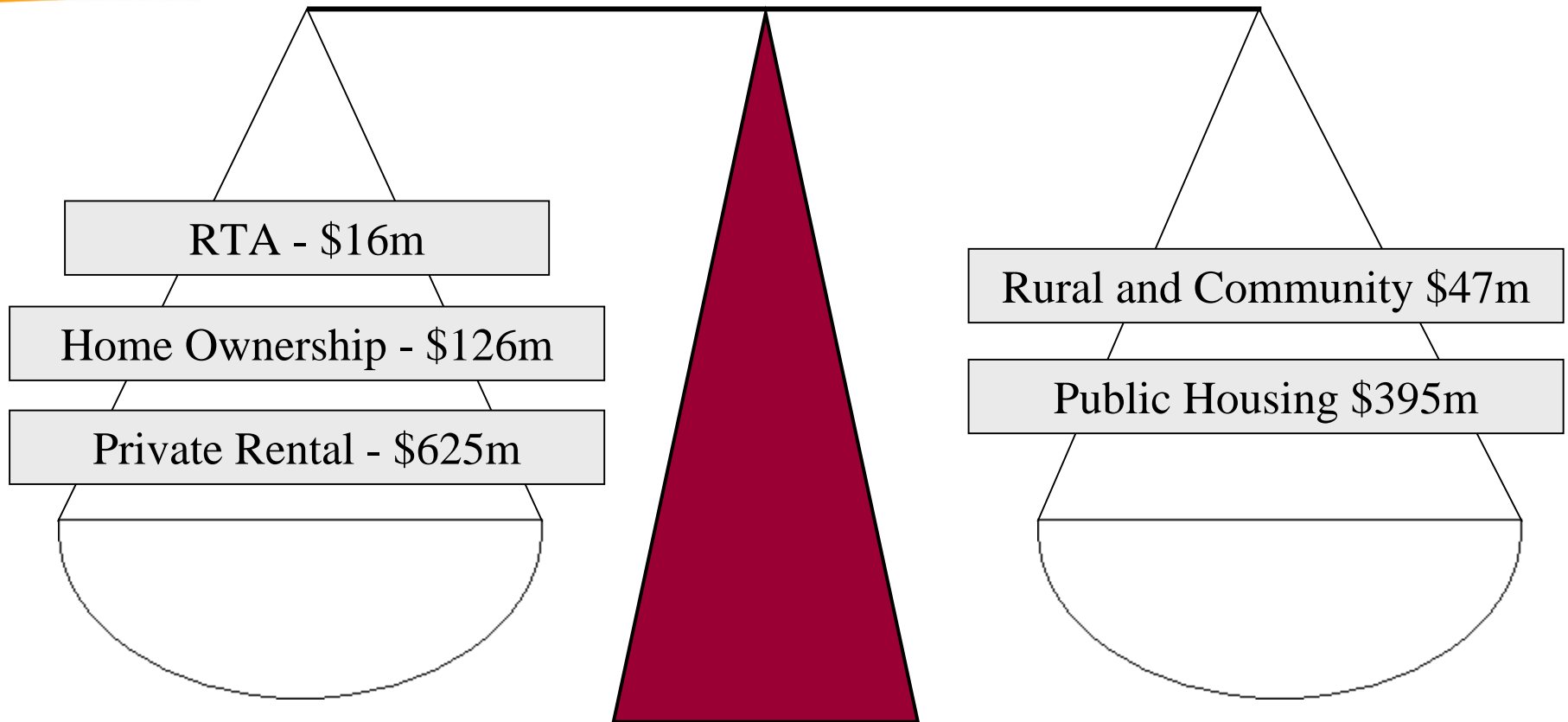


# New Zealand tenure trends

## Projected growth in household numbers by tenure 1991-2021



# Government spend of \$1.2b per annum



Subsidy	Private rental	Public rental
Recipients	266,515	52,812
Expenditure per annum	\$2,700 per person	\$5,197 per tenancy

# Two new HNZC products

## **Kiwibank-in-Reach**

- » Mortgage insurance scheme, funded through HNZC and delivered by Kiwibank
- » Targeting marginal home owners
- » Anticipates 1,800 loans over 2 years, for a cost of \$5.3m
- » Offers pre and post purchase advice

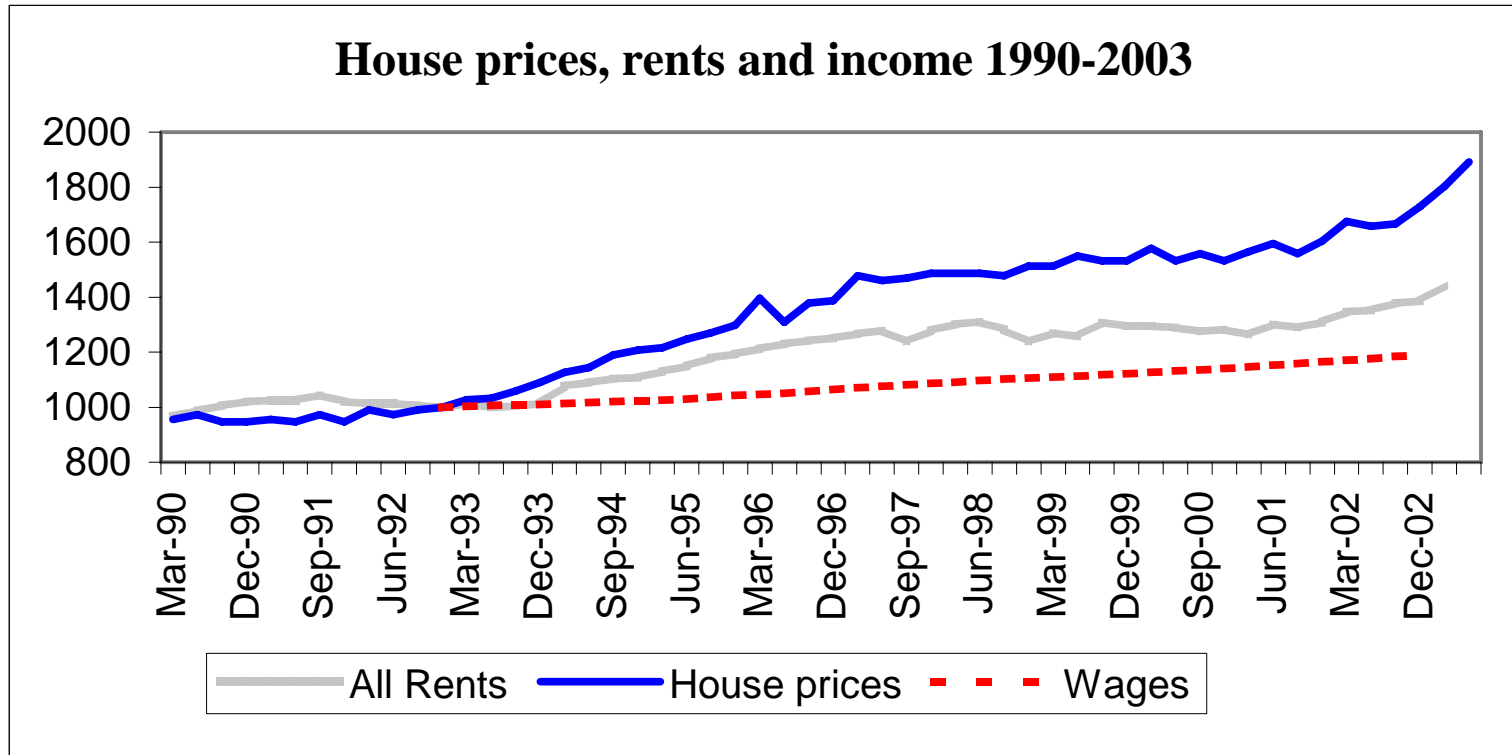
## **Innovation Fund**

- » To encourage local government and the third sector to retain, modernise and extend their low income housing portfolios
- » To develop a national third sector peak body
- » \$63m over four years

# Other providers needed ....

- » 1,300 HNZC head leases - Community Group Housing to specific needs groups
- » 4,100 third sector houses
- » 13,500 local government houses
  - 68 of 86 Councils provide social housing
  - mostly bedsits
  - deferred maintenance and modernisation problems

# Increasing housing costs



In last 12 months, 17% increase in house prices,  
and 8% increase in rents

# Overheated property market

- » Home ownership rates dropping from 72% in 1991 to 68% in 2001
- » 4% of borrowers are first home owners (14% in Australia)

*Muriwai property prices out-soaring the gannets*

**THE HOUSING BOOM**  
**\$380,000 buys a foot on ladder**

**Investors squeeze out first home buyers**

*The house price game – location, location*

**Tenants forced to bid for rent**

**Housing bonanza biggest in 20 years**

**Aggressive banks drive housing boom**

# Sub-market challenges

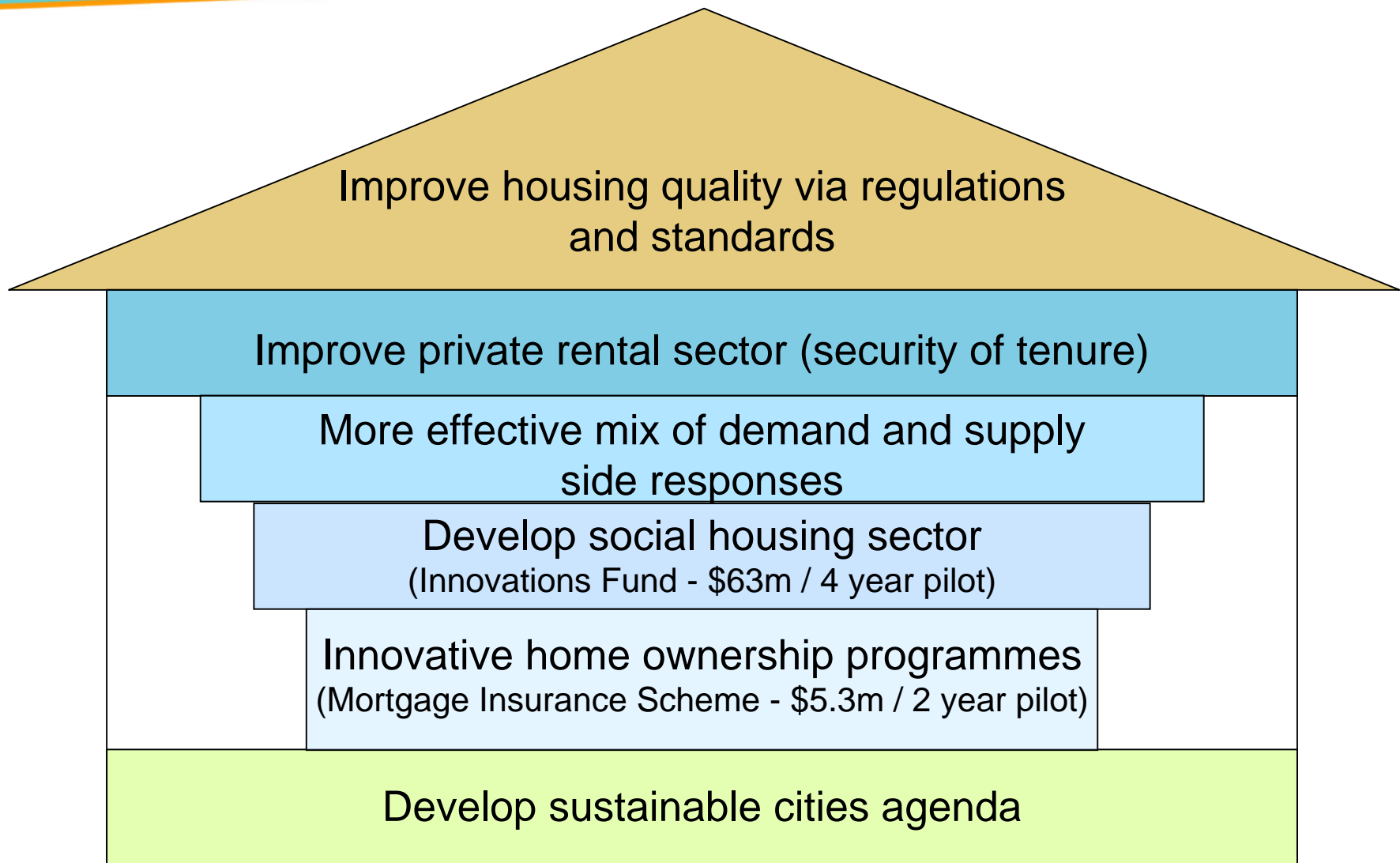
## Auckland

- » 31% of New Zealand population, in 2% of its land area
- » huge population growth, particularly due to migration
- » major infrastructure problems, including transport
- » by 2050, 25% population living in higher densities

## Nelson (sunbelt)

- » population of 43,000
- » 59% house price increase in last 2 years
- » influx of asset-rich new arrivals
- » median annual income (\$17,100)
- » housing stress and supply problems for workers

# Government's roles



## Some key questions

- » Can home ownership still be the Kiwi dream?
- » How can private rental become a more attractive option?
- » What responses are appropriate to specific population groups?
- » Should people be able to live in sub-standard housing?
- » How can social housing be expanded?