

**Palmerston North
Housing Needs Assessment**

June 2011

Executive Summary

Introduction

The availability of appropriate, healthy and affordable housing makes an important contribution to the overall wellbeing of Palmerston North. The purpose of this Housing Needs Assessment is to inform future discussion about housing in Palmerston North by identifying current and emerging issues. These issues emerge from the consideration of both the national and local contexts.

Central government has a number of initiatives which contribute to the provision and regulation of housing in New Zealand. These include the provision of social housing, the oversight of building quality, initiatives to improve the quality of existing housing stock, and (through the recently announced Productivity Commission) efforts to improve the affordability of housing.

Palmerston North City Council is committed to the Sustainable City Strategy, which sets guidelines for future development. The Council has also undertaken a *Residential Growth Review* and is currently considering the nature of future housing developments through the Residential Zone Review.

Palmerston North People

The Palmerston North population is expected to grow to around 94,000 people by 2031. This population will be more ethnically diverse than the current population, and people over the age of 65 will make up a much larger proportion of the population than they do at present. The composition of households is also expected to change, with a greater proportion of one-person households living in the City. The small number of older people living in residential care will also grow as the population profile changes.

Palmerston North Houses

At the time of the 2006 Census there were almost 28,000 private occupied dwellings in Palmerston North, with the majority of these homes being built since 1950. Three bedroom houses are still the most common type of new house.

Most Palmerston North homes use electricity as their main source of heating and are thus subject to increases in fuel price. As many houses were built prior to modern insulation standards, there are potentially 20,000 homes with sub-standard insulation. Research indicates that New Zealand homes are generally significantly colder than the World Health Organisation recommendation of 18°C. Such conditions can lead to dampness and condensation and, in turn, to poor health outcomes for residents.

Housing Market

The slowing of the New Zealand property market has been reflected by Palmerston North housing market activity. In April 2011 the average property value was 4% lower than in April 2010. There has also been a downturn in property development, as measured by building consents.

Home Ownership and Affordability

Palmerston North is a reasonably affordable housing market when compared with other cities in New Zealand (in terms of ownership and renting), but affordability is a significant issue. It now takes 41.5% of (individual) median weekly take-home pay to pay the mortgage on a median priced house in Palmerston North. The rate of home ownership in Palmerston North declined from 65.2% in 1996 to 62.9% at the time of the 2006 Census.

Social Housing Need

The Housing New Zealand Corporation, the Palmerston North City Council, and a number of community providers all meet various social housing needs in the City. There are currently some unmet needs, including for one and two bedroom accommodation for people on low incomes, and accommodation for single men with mental health and addiction issues.

Emerging Issues

1. As the population changes over the next 20 years there will be an increased demand for homes suitable for older people living on their own. This has implications for the location for new housing, as well as the proximity of new housing to services. There will also be an increase in the need for residential care for older people (to approximately double the number of places currently available).
2. Much of the housing that will accommodate Palmerston North's growing population was built prior to the 1980s and may have the inadequate insulation associated with negative health outcomes for residents. Research suggests that rental housing may be more poorly maintained than housing which is owner-occupied. If there are not adequate choices in the rental housing market in future, then this could have implications for tenants who are forced to rent low-quality houses.
3. For many Palmerston North people housing is unaffordable and they are experiencing 'housing stress'. Home ownership rates are declining nationally, and more than one median income is required to afford ownership of a median priced house. There is some evidence that there are currently some unmet needs for rental housing. Future housing investment trends will help determine whether there is increased pressure on the rental market, which may further impact on housing affordability.
4. The next 20 years could see an increase in unmet needs for social housing, particularly for the growing population of older people on low incomes. The Government has signalled its intention to support a more diverse range of providers to increase the availability of social housing. City-wide responses to this policy will help determine how well the need for social housing is met.

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A. Statement of Purpose

The purpose of the Housing Needs Assessment is to identify current and emerging housing issues in Palmerston North to inform and enable future discussions about housing in the City. The level of availability of appropriate, healthy and affordable housing makes an important contribution to the overall wellbeing of Palmerston North.

Shelter is recognised internationally as a basic human right. Our homes influence our wellbeing, as do our ties to the communities in which we live and work.¹

The Palmerston North City Council (PNCC) has a number of important roles in current and future planning in response to housing issues. However the emerging issues affect a wide range of organisations, and responses to them will be made by central and local government, the private sector, community agencies, and individuals.

In order to understand the context of housing issues in Palmerston North, the changing nature of the City's population needs to be identified and understood. This understanding will, in turn, enable the diverse housing needs of the City's population to be taken into account in long term planning. We also need to understand the various factors which contribute to the current housing situation, including affordability, social need, the nature of the current housing stock, and where and how new housing is developed.

For the purposes of this report 'housing' refers to the various forms of dwelling where Palmerston North people usually reside. These include houses, flats, apartments, and retirement villages. However, the discussion here is also a broader one, recognising the social dimensions of housing, and the importance of decisions about housing for the wellbeing of the City.

B. Policy Context

1. National Policy Context

Central government involvement in housing policy and activity covers a range of areas, including affordability of home ownership, suitability of current housing stock, and social housing. There are several government agencies with core responsibilities for housing activities (such as the Housing New Zealand Corporation, the Centre for Housing Research, the Department of Building and Housing, the Energy Efficiency and Conservation Authority), and many others whose main functions also impact on housing issues (such as the Ministry of Social Development).

Productivity Commission

In March 2011 the Government announced the formation of a Productivity Commission, which has been asked to investigate and report on (among other things) housing affordability.

The terms of reference (in relation to housing affordability) for the Commission are that it should:

Identify and analyse all components of the cost and price of housing.

¹ Housing New Zealand Corporation. (2010). *Statement of Intent 2010-13*.

Identify mechanisms to improve the affordability of housing, with respect to both the demand and supply of housing and associated infrastructure.

Identify any significant impediments to home ownership, and assess the feasibility and implications of reducing or removing such impediments.

The Productivity Commission is to report to the Government by February 2012.

The Department of Building and Housing

The Department of Building and Housing has an overview of the entire building and housing sector. Its main goal is to improve building quality and housing availability for all New Zealanders.

EECA

The Energy Efficiency and Conservation Authority (EECA) was established under the Energy Efficiency and Conservation Act 2000 to encourage, support and promote energy efficiency, energy conservation, and the use of renewable sources of energy. The *Warm Up New Zealand: Heat Smart* programme started on 1 July 2009, and aims to retrofit more than 188,500 New Zealand homes over a four year period. In May 2011 100,000 homes had been fitted with insulation and/or heating under the scheme. Home owners are eligible for a subsidy of 33% for insulation (up to \$1,300) and \$500 off the cost of a clean heating device and the installation (if insulation is up to standard).

Housing New Zealand Corporation

The Housing New Zealand Corporation (HNZC) is the Crown agency with a mandate to “give effect to the Crown’s social objectives by providing housing and housing-related services in a businesslike manner to those most in need.”² The Crown’s social objectives for the Corporation are to:

Provide cost-effective state housing and associated services ... to those most in need, for the duration of their need.

Assist low-income and/or vulnerable individuals and families to make the right housing choices and work with other agencies to transition low-priority tenants into alternative housing.

Facilitate the development of alternative providers of affordable rental housing and home ownership opportunities.

The Housing Shareholders’ Advisory Group was established by the Ministers of Finance and Housing in February 2010. Its objectives were to provide advice on:

The most effective and efficient delivery for state housing services to those most in need.

More productive and innovative ways to use current social housing assets to better support the objectives of government.

Transparent measures of how the above are to be achieved.

In April 2010 the Group released its recommendations, which were underpinned by the following:

² Housing New Zealand Corporation. (2010). *Statement of Intent 2010-13*.

Empowering HNZC to focus on the high needs sector.

Develop third-party participation.

Instigate initiatives across the broader housing spectrum.

Clarifying sector accountabilities and delivery expectations.

The Government's response to the recommendations (announced by Housing Minister Phil Heatley in December 2010) included agreement to the following:

Working more closely with non-government suppliers of affordable housing to improve supply.

Setting policy expectations that match dwellings to tenant needs.

Introducing reviewable tenancies for new tenants (from July 2011).

Actively managing the housing portfolio to match future demand.

HNZC continues to allocate Housing Innovation Fund grants to social housing providers who can match government funding with their own funds. It is also continuing a process of reconfiguring its housing stock (nationwide) to try and ensure the best possible fit between need and houses available. (See below for information about HNZC in Palmerston North).

The HNZC indicates that it intends to enter into lease arrangements in future, and has a national Home Lease Programme that encourages private sector development in response to needs identified by HNZC.

2. Local Policy Context

The policy and activities of national agencies provide the context within which Palmerston North housing is built, maintained, and lived in. Some of the agencies mentioned above have a direct role in Palmerston North, through, for example, the direct provision of housing (HNZC) or efforts to improve housing stock (EECA). Locally, the PNCC has a variety of functions which impact on housing. These include planning and regulatory functions and the provision of social housing. Future decisions about housing in Palmerston North will be made within a policy framework.

The Council has adopted a *Sustainable City Strategy* that sets some guiding principles for the future development of the City. This Strategy acknowledges that any future development will be made within external constraints determined by factors outside of the Council's control. These factors include rising energy costs and the need to reduce greenhouse gas emissions overall. The implications of these factors for housing include the need for greater energy efficiency in home heating, and ensuring the City remains compact to help minimise the need for travel by petrol and diesel powered vehicles. (See Appendix One for the relevant text from the Sustainable City Strategy). Of particular relevance here are the following objectives:

Sustainable transport: Encourage development which is close to and well linked to the city and its facilities, with a variety of public and private transport alternatives.

Compact city: Encourage development which is close to and well linked to the city and its facilities.

Accessibility: development which is close to and well linked to the city and its facilities.

Housing choice: Encourage development in area(s) which would enable diversity in the city's housing stock.

The *Residential Growth Review* was undertaken to ensure enough land is available to meet future land demand for housing development. The review focused on greenfield demand – rural zone land that is currently undeveloped. The selection of the three preferred sites for future residential growth included consideration of physical, environmental and social factors. Council adopted the *Residential Growth Strategy* in September 2010. Development within the three preferred sites would not be undertaken by the Council, but rather enabled by rezoning this land as residential within the *District Plan*.

The *District Plan* sets out what can and cannot be done on land in the District. The Residential Zone Review is part of the Sectional District Plan Review.³ The purpose of this project is to review the current housing development standards and consider what housing and neighbourhoods could look and feel like in the future. The Residential Zone Review is based around five key issues:

Sustainability – how to improve the sustainability of residential areas and houses.

Urban design – how to incorporate better design criteria (and implement the actions of the Urban Design Strategy).

Residential density and subdivision – including consideration of medium density housing options around the Central Business District and neighbourhood centres.

Reviewing bulk and location standards – consideration of the requirements for good design which contributes to positive residential environments.

Non-residential activities – whether non-residential activities are able to be located in residential areas.

³ *Shaping our City* is the title of the Council's Sectional District Plan Review.

C. Where are We Now?

This section considers what is known about the current Palmerston North population and how the projected changes over the next twenty years could impact on housing needs in the City. It also discusses the nature of the City's housing, and issues of housing affordability and housing need.

1. Palmerston North People

This section provides information about the Palmerston North population. The issues identified tend to be the larger scale trends which will impact on the city as a whole. However it should be noted that there are a number of other factors which should also be taken into account. The Palmerston North population is becoming increasingly diverse as it grows, and this diversity signals a need to consider a variety of housing needs as planning is undertaken for the future.

A large number of ethnic groups and nationalities are represented in Palmerston North, and since 2006 it has become home to former refugee communities. Palmerston North is also home to a large student population⁴ and, as at the end of December 2010, there were 7,063 people (aged 18-64) who received income assistance through a benefit.⁵ Around 30% of households in Palmerston North have incomes of less than \$30,000 per annum.

Within the diverse Palmerston North population there are a number of different housing needs which can be identified. For example, Maori currently have higher representation in multi-family households than do the population as a whole.⁶ However a different kind of need has been met through the development of kaumatua housing associated with Tanenuiarangi Manawatu Incorporated. The purpose of kaumatua housing is to strengthen community ties and the relationship with marae.

As another example, many people in Palmerston North do not live in private dwellings, but instead are accommodated in rest homes or villages, or live in group homes supported by health and disability sector agencies.

Age

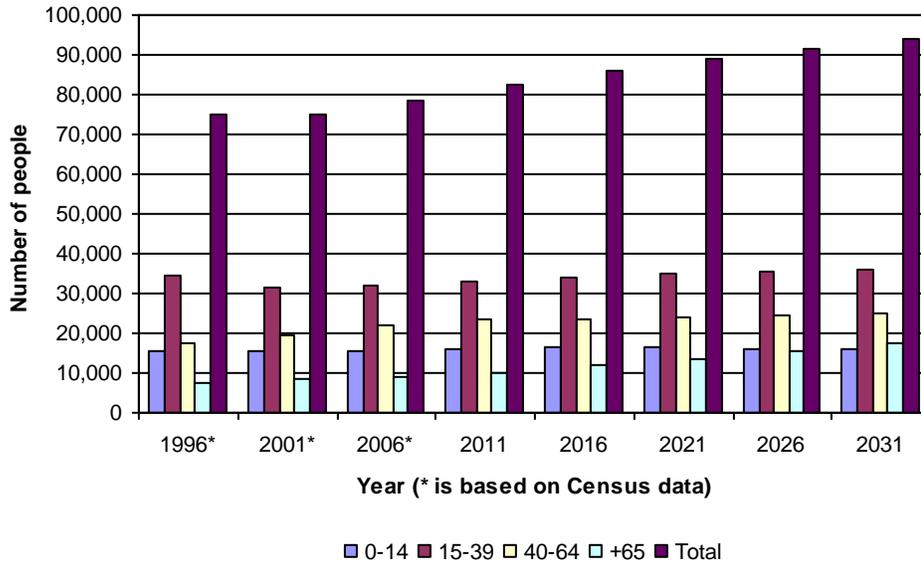
According to Statistics New Zealand the population of Palmerston North will rise to around 94,000 people by 2031. Broken down by age group, we can see that the number of people in each age group will grow over the next twenty years, with the exception of the 0-14 years age group. This decline in the actual youth population reflects the overall national trend.

⁴ Around 10,000 full time equivalent (FTEs), which represents a far greater number of people actually engaged in study.

⁵ This figure does not include people who receive income from Superannuation or Student Allowance.

⁶ Centre for Housing Research and Te Puni Kokiri. (2006). *Maori Housing Experiences: Emerging Trends and Issues*.

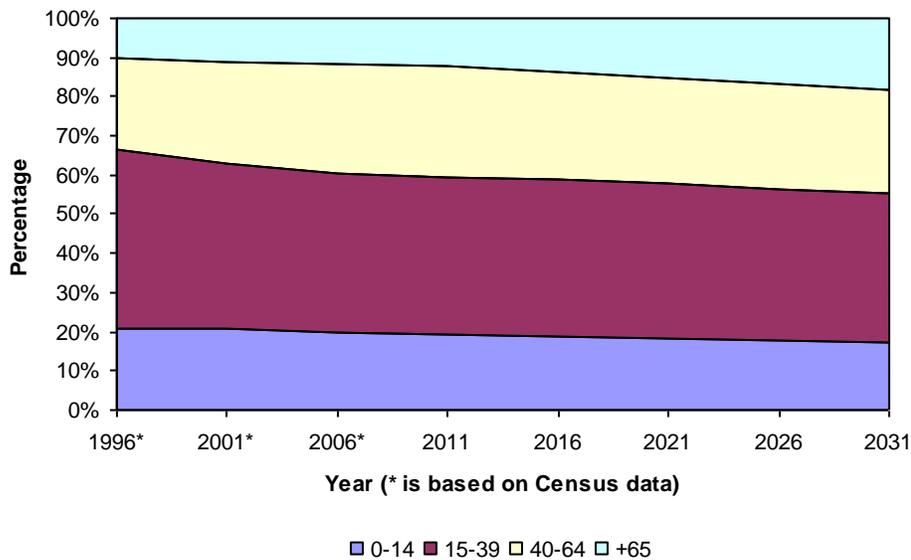
Figure 1: Projected population age structure



Source: Statistics New Zealand

When we consider the overall age structure of the Palmerston North population however, we can see that people over the age of 65 years will make up a much larger proportion of the Palmerston North population than they do at present (a projected change from 10% to 18.5% between 1996 and 2031).

Figure 2: Projected population age structure of Palmerston North (percentages)

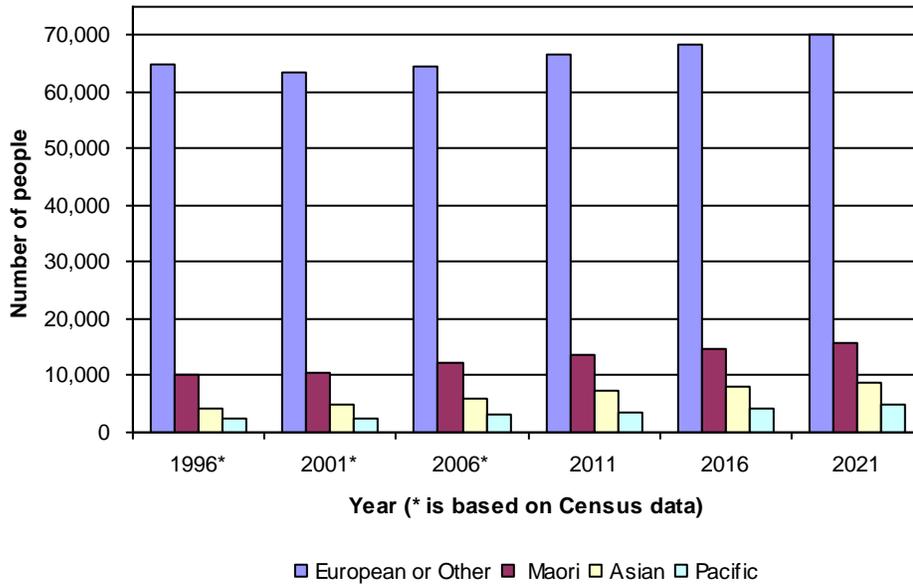


Source: Statistics New Zealand

Ethnic diversity

Population projections for the ethnic make-up of Palmerston North are currently only available to 2021. They show that it is anticipated that there will be an increase in the actual number of people identifying with each ethnic group.

Figure 3: Projected population ethnicity structure of Palmerston North



Source: Statistics New Zealand

The level of increase for each ethnic group is detailed in the table below. We can see that the Asian and Pacific populations, particularly, will undergo a significant increase. Note that the ethnic categories are not mutually exclusive because people can and do nominate more than one ethnic group that they belong to and have been included in figures for each group they identify with.

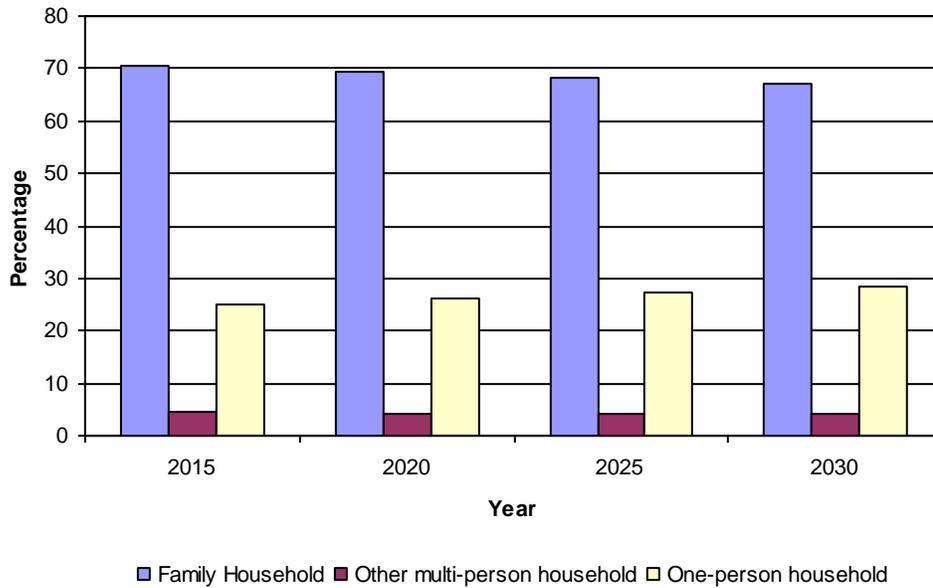
Table 1: Projected population ethnicity structure of Palmerston North (percentages)

	European or Other	Maori	Asian	Pacific	Total population
2006 (Census)	64,500 (82%)	12,400 (16%)	6,100 (8%)	3,000 (4%)	78,500
2021 (projected)	70,200 (79%)	15,900 (18%)	8,900 (10%)	4,900 (6%)	88,800

Households

National projections for household composition over the next twenty years show that there will be an increase in the percentage of one person households and a decrease in households made up of families or other groups (in addition to the increase in actual household numbers as a result of the rising population).

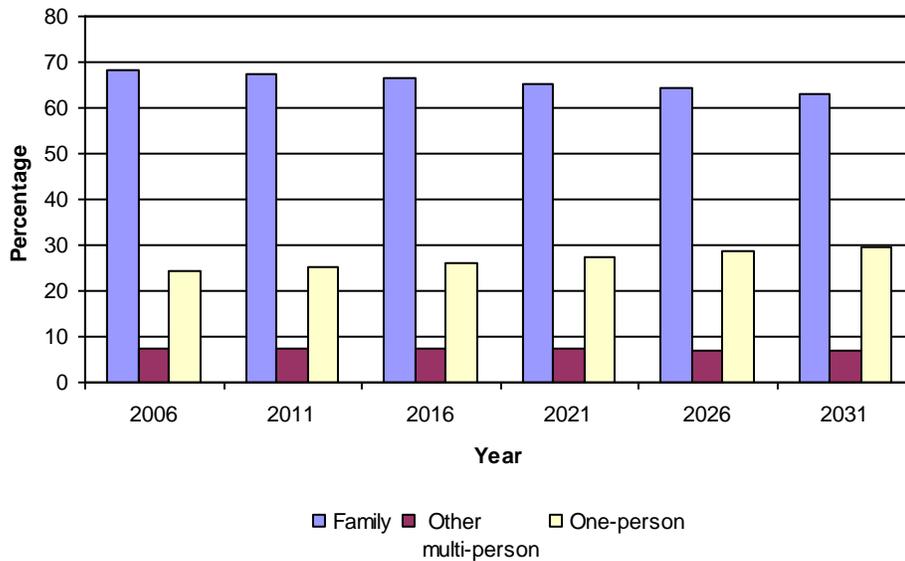
Figure 4: Projected households (percentages) by household type (national data)



Source: Statistics New Zealand

The projections for household composition in Palmerston North closely reflect the national data, although the student population is reflected in the higher proportion of multi-person households.

Figure 5: Projected households by household type for Palmerston North (percentages)



Source: Statistics New Zealand

According to Statistics New Zealand projections, the number of households in Palmerston North will increase to 39,000 by 2031 (from around 29,600 households at the 2006 Census). As Table 2 shows, the major change will be in the increase of one-person households.

Table 2: Projected households by household type (Palmerston North)

	Household type			Total
	Family	Other multi-person	One-person	
2011	21,300	2,400	8,000	31,700
2016	22,300	2,500	8,800	33,600
2021	23,100	2,600	9,700	35,400
2026	23,900	2,600	10,600	37,200
2031	24,600	2,700	11,600	39,000

Source: Statistics New Zealand

At the time of the 2006 Census the large majority of New Zealanders aged 65 years and over lived in private dwellings. Some of these were in retirement village complexes. A very small proportion of people (around 5%) were accommodated in residential care for aged people. Applying this percentage to Palmerston North, in 2006 around 450 people (aged 65 years and over) were living in residential care facilities.

In New Zealand overall, there has been a growth in the provision of aged-care facilities in recent years, and this is also true of Palmerston North. For example, the number of building consents for new apartments has increased to 9.5% of total consents for the period between 2006 and 2010, and the majority of these are in retirement complexes. Nationally, most of the recent developments have catered for people who have the financial means to pay for this accommodation.⁷

⁷ Grant Thornton. (2010). *Aged Residential Care Service Review*.

2. Palmerston North Homes

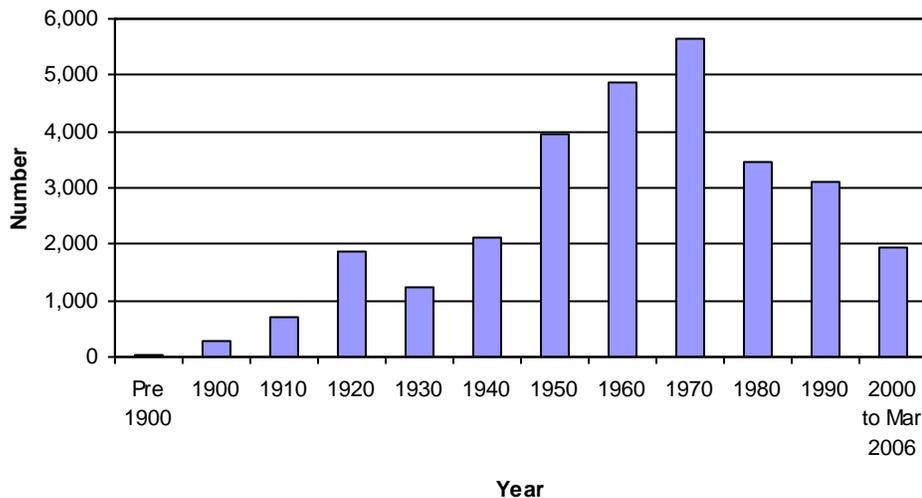
People's homes provide more than physical shelter; they contribute to the connections we experience with our communities and are an important contributing factor to the health and wellbeing of individuals, households and wider communities. Palmerston North City has grown as a result of various decisions made about the type of city we want to live in, as well as a regulatory framework which has changed over the years to enable and allow different types of development. All these decisions (by generations of politicians, planners, developers, business people, families, and individuals) have influenced the density and location of suburbs, and the nature and feel of the City's housing overall.

This section considers the nature of the houses in Palmerston North, while also acknowledging the contribution they make to broader community outcomes.

Current housing stock

Palmerston North started to grow during the late 1920s to early 1930s as the City developed bigger buildings, shopping centres, parks and suburbs. In the period between 1950 and 1980 the housing stock in Palmerston North boomed with the greatest number of new dwellings built in the 1970s. After this the building of new houses declined.

Figure 6: Additions to dwelling stock numbers for Palmerston North City by decade

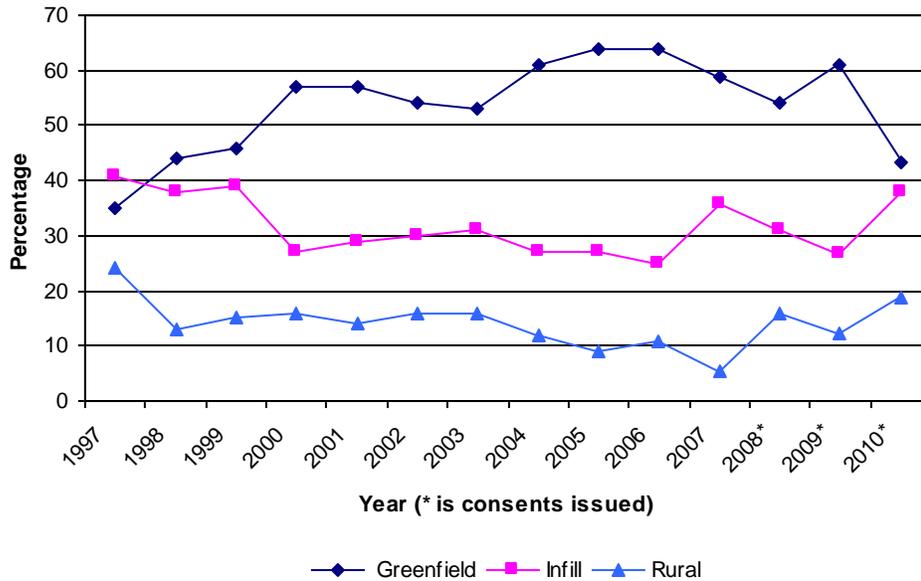


Source: Howell and Birchfield (2010)

Palmerston North has seen a growth in residential development during the 2000s.⁸

⁸ Note that Figure 7 shows the growth in residential dwellings and does not include building consents for retirement village apartments.

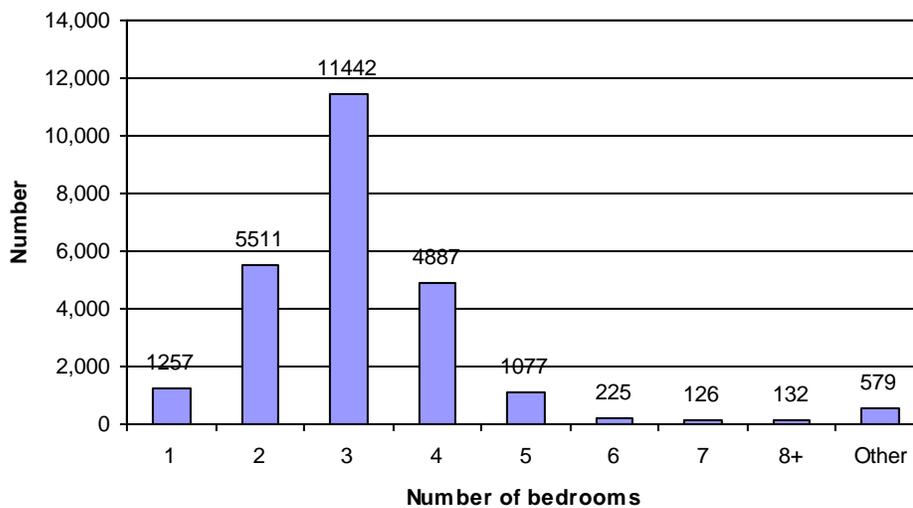
Figure 7: Residential growth comparison by type 1997-2010



The strongest infill growth has occurred in the Hokowhitu and Roslyn areas. Greenfield development is mostly concentrated in Kelvin Grove and Aokautere. In 2010 of the 160 building consents issued, 61 were for infill housing, 69 were greenfield developments, and 30 were in rural areas.

At the time of the 1996 Census, there were around 25,236 private occupied dwellings in the City, of which 82% were separate/detached houses. Forty four percent of these were three bedroom houses and 23% had four bedrooms.

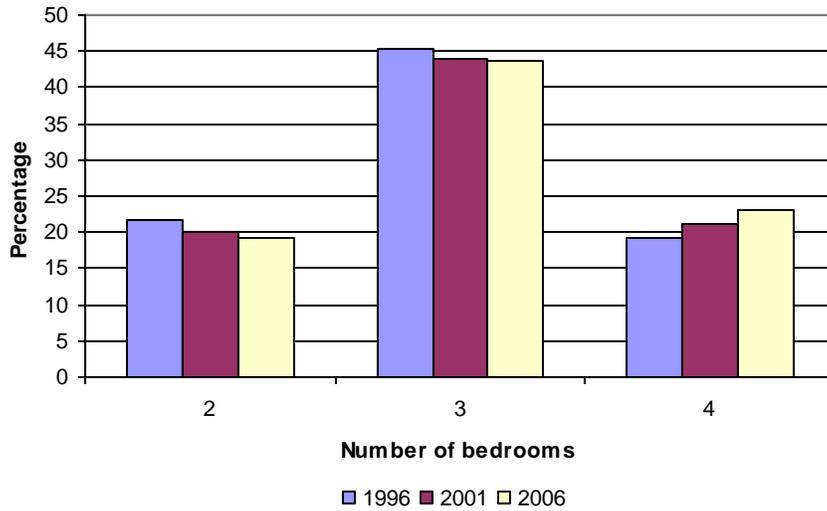
Figure 8: Number of bedrooms in Palmerston North houses (1996)



Source: Statistics New Zealand

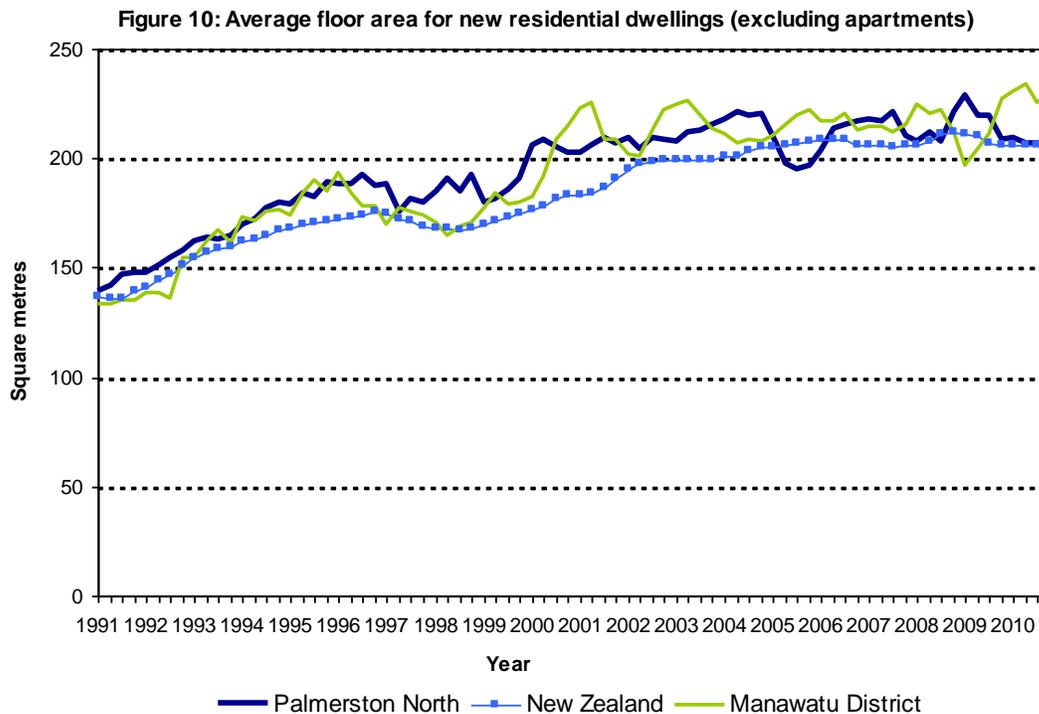
Ten years later at the time of the 2006 Census, there were almost 28,000 private occupied dwellings in Palmerston North. Over that decade, four bedroom houses replaced two bedroom houses as the second most common type of house, and this trend has continued since then.

Figure 9: Percentage of two, three, and four bedroom houses in Palmerston North (of private dwellings overall)



Source: Statistics New Zealand

The average size of the 195 new houses built in 2010 in Palmerston North was 208m² (including the floor area of attached garages). This closely reflects the size of new homes being built in New Zealand overall.



In contrast, the average size of all houses in New Zealand, based on floor area, is 149 m².⁹ The district with the largest average house size is Selwyn, followed by Queenstown Lakes, and the lowest is the Chatham Islands, followed by a number of other rural areas including Wairoa, Kawerau and Waikato. The average house size in Palmerston North is 153.8m² (ranking 60th out of the 74 local authority areas). Quotable Value (QV) notes that newer houses tend to be larger than old ones, and so areas where there are extensive new housing developments tend to have the highest averages overall. It should be noted that these data only reflects the size of houses and not apartments or flats.

Home health

National research shows that temperatures in New Zealand homes generally average 6°C below the World Health Organisation minimum recommendation for indoor temperatures of 18°C. Indoor temperatures below 18° lead to dampness and condensation, which in turn leads to an increase in fungi and dust mites, as well as increased susceptibility to infectious disease. Accordingly, studies have also found that fungal growth affects about 40% of New Zealand homes.¹⁰

The Building Research Association of New Zealand (BRANZ) undertakes a regular survey of New Zealand housing to monitor conditions.¹¹ The 2005 survey concluded the average condition of all houses in the survey was *good*, with an expected difference between the older houses in the survey and the newer ones. However BRANZ also

⁹ QV New Zealand (2011). <http://www.qv.co.nz/propertyinformation/KnowledgeCentre/Averagehousesizebyarea12042011.htm>

¹⁰ Beacon Pathways Ltd. (2007). *Indoor Environment Quality*.

¹¹ BRANZ. (2005). *Study Report No. 142. New Zealand 2005 House Condition Survey*.

notes that older homes have become more popular over past decades and that many are being modernised and upgraded. This means that the average condition stabilises at about the 1930s to 1950s age group and then improves for newer homes. However the survey also found that the estimated cost of more urgent maintenance was \$3,700 per house, compared with the average annual expenditure on maintenance of less than \$1,300 per house. Specific data are not available for Palmerston North, but it would be a fair assumption that this figure applies to houses in the City.

Preliminary findings from the most recent BRANZ survey¹² suggest that the overall condition of New Zealand houses has declined further, to between *moderate* and *good*. BRANZ suggests that the reason for the significant decrease in average condition could be that rental properties were included in the survey for the first time. If this is the case, then the implication is that the large proportion of Palmerston North houses in the rental market are in need of significant expenditure on maintenance. In response to the research, the Chief Executive of the Registered Master Builders' Federation noted that landlords are not investing in improving their properties, but were rather "doing the bare minimum" to keep them tenable.¹³

Much of the information that is available about New Zealand houses tends to rely on gathering reports of residents' perceptions, rather than surveys of the houses themselves. For example, the *2008 New Zealand Housing Survey*¹⁴ confirms that many New Zealanders live in cold, damp conditions, or in homes where there is insufficient insulation. According to survey respondents from Palmerston North, 37% of homes in the City are causing health problems for the people living in them, compared to the national figure of 26%. Nationally, health problems are reported particularly by lower income households, with Pacific Island people (50%) and Maori (47%) also more likely to report health problems than the population overall (including those groups) (26%).

Reports by residents can also be backed up by what we know about the existing housing stock. For example, prior to 1980, the Building Act did not require insulation in houses. This means potentially 20,000 houses in Palmerston North do not have any insulation. According to New Zealand research a pre-1970s home without an insulation retrofit is typically (in winter) only 1° warmer than the temperature outside.¹⁵

According to EECA, between July 2009 and December 2010, 1330 homes had insulation installed under the Warm Up NZ scheme and a further 225 homes had heating installed. These figures only reflect the homes which received the funding subsidy available under the Warm Up NZ scheme. The minimum requirements for insulation have increased significantly since 1980, but it is likely that many houses built since the 1980s (but prior to the adoption of current codes) are under-insulated and may be cold and damp. Anecdotal evidence suggests that some home owners have retrofitted heating and/ or insulation without the benefit of the subsidy. Taking this into account, it still seems highly likely that the vast majority of Palmerston North homes are either uninsulated or have inadequate insulation to provide warm, dry living conditions.

¹² BRANZ. (2011). *Study Report No. 240. Preliminary BRANZ New Zealand 2010 House Condition Survey Report*.

¹³ <http://stuff.co.nz/business/market-data/5003127/Kiwi-housing-in>

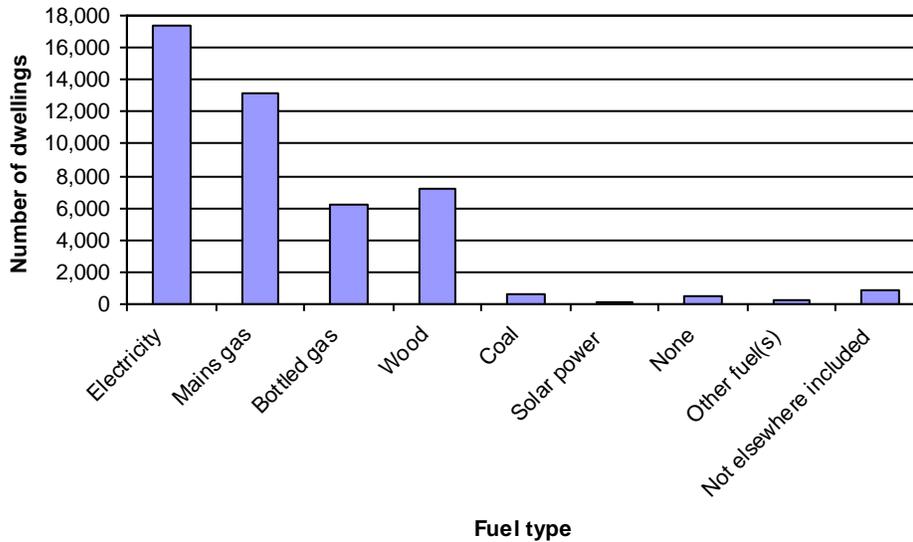
¹⁴ New Zealand Business Council for Sustainable Development. (2008). *2008 New Zealand Housing Survey*.

¹⁵ Howden-Chapman, P.M., Crane, J., Viggers, H., Cunningham, M., Blakely, T., Cunningham, C., Woodward, A., Saville-Smith, K., O'Dea, D., Kennedy, M., Baker, M., Waipara, N., Chapman, R., Davie, G. (2007). Effect of insulating existing houses on health inequality: cluster randomised study in the community. *British Medical Journal*, 224: 460-469.

Sources of heating.

The large majority of Palmerston North households use electricity as a main source of fuel for heating.

Figure 11: Fuel types to heat private occupied dwellings in Palmerston North City (2006)

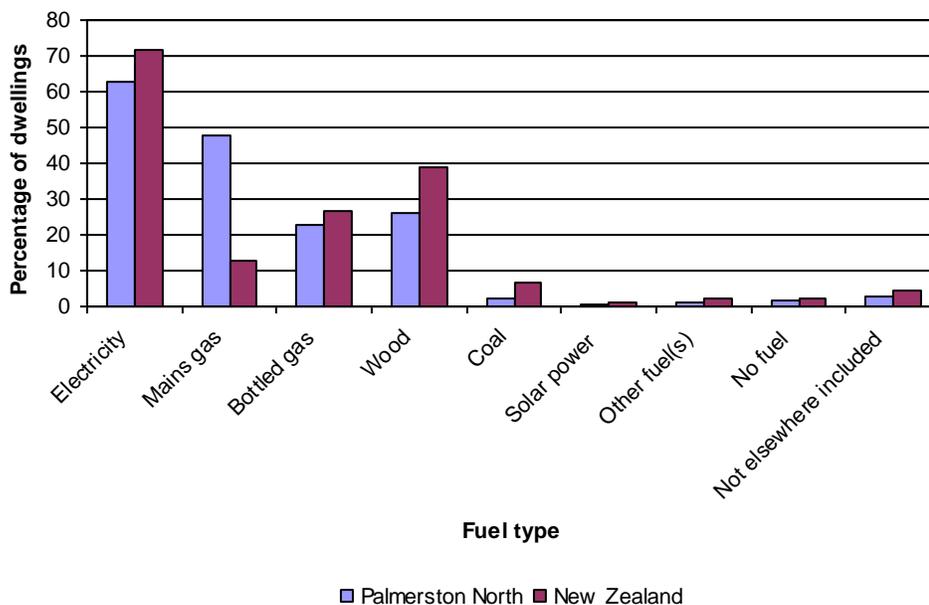


Source: Statistics New Zealand

Compared with New Zealand overall, a much greater percentage of Palmerston North homes use mains gas as a heating fuel, and fewer Palmerston North households use electricity, wood, or coal, than in the country overall. Some homes still use unflued gas appliances, which are known to have negative health consequences.¹⁶

¹⁶ Beacon Pathways Ltd. (2010). *Unflued Gas Heater Fact Bank*.

Figure 12: Fuel types used to heat dwellings in Palmerston North and New Zealand (2006)



Note: Census respondents were able to nominate more than one source of fuel for heating.

Source: Statistics New Zealand

Research undertaken by the Ministry of Social Development and EECA found that many low income households experience energy poverty, defined as “the inability to afford access to sufficient energy services”.¹⁷ Some low income households were unable to heat their homes at all, due to either a lack of space heating appliances and/or the ability to pay for heating costs.¹⁸

Overcrowding

The availability of adequate housing space is an important indicator of household and community health. The Ministry of Social Development defines household crowding as homes requiring one or more additional bedrooms.¹⁹ It should be noted that this measurement does not provide any information about other aspects of housing suitability, such as warmth or safety. Furthermore, it does not reflect the perceptions people may have about their own circumstances, or necessarily lead to negative social outcomes.

At the 2006 Census 10% of New Zealanders lived in households requiring one or more additional bedrooms to adequately accommodate all members of the household. Children were found to be more likely to live in overcrowded conditions than older people. Pacific people were far more likely to live in crowded conditions than members of

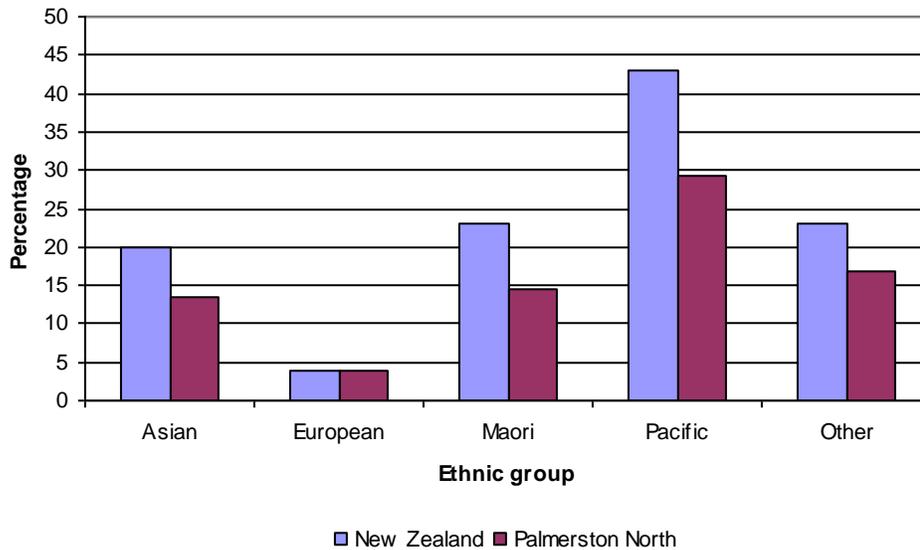
¹⁷ Ministry of Social Development and EECA. (2010). *Household Energy Affordability: Qualitative Research Report*.

¹⁸ The Council is currently developing a Domestic Energy Strategy to reduce the use of non-renewable energy by households.

¹⁹ Ministry of Social Development. (2010). *The Social Report*.

other ethnic groups. The numbers of people living in crowded conditions in Palmerston North in 2006 were lower than the national percentages, although the ethnic make-up of the figures roughly mirrors that of the country overall.

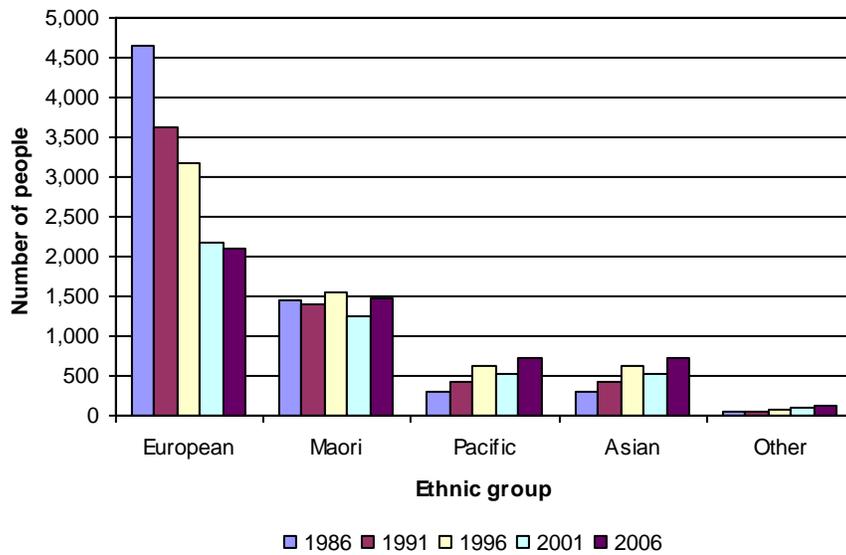
Figure 13: Percentage of household crowding by ethnic group (2006)



Source: Statistics New Zealand

The percentage of Palmerston North people living in crowded conditions decreased between 1986 (9.9%) and 2006 (6%). This also meant an actual decrease of over 2000 people during those twenty years. At the time of the 2006 Census, Palmerston North had around 4,542 people living in crowded conditions. Most of these people were European New Zealanders, however Pacific people had the highest percentage of crowding in 2006.

Figure 14: Housing crowding in Palmerston North by ethnic group (1986-2006)

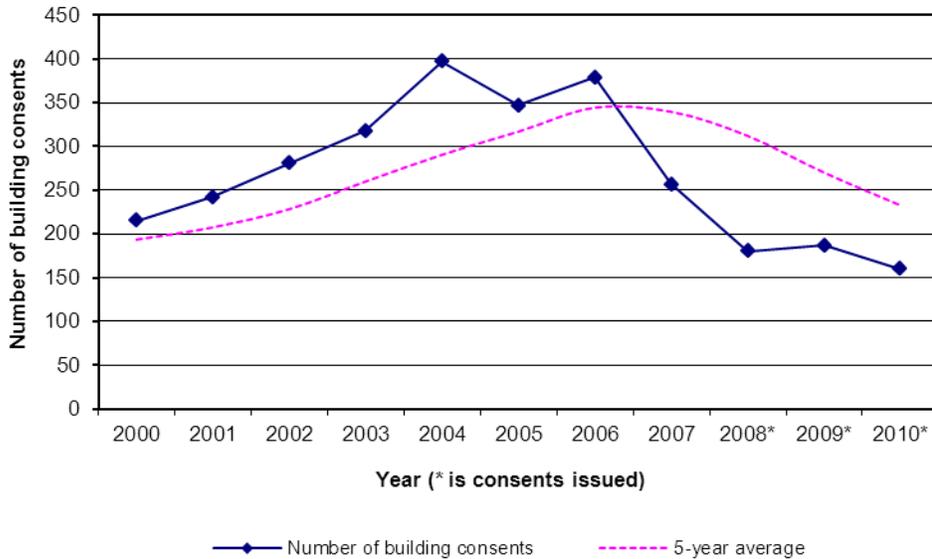


Source: Statistics New Zealand

3. Housing Market

The impact of the recession is evident in the downturn in development in New Zealand overall, with Statistics New Zealand reporting that for February 2011 the value of residential building consents had fallen \$96 million (20 percent) since February 2010. In Palmerston North a slowing in development has been evident since 2007 (see Figure 15).

Figure 15: Total number of building consents for residential dwellings in Palmerston North 2000-2010



Correspondingly, there has been a slowing of the housing market overall, nationally and in Palmerston North. QV²⁰ reports that in April the overall national property value was 2% lower than it was a year ago, and 5.9% lower than its peak value in 2007. The market has been relatively steady overall, but there is significant regional variability. Palmerston North house sales have reflected the slow provincial house market and in April 2011 the average property value was 4% lower than it was at that time in 2010. QV notes that there were low property sales in 2010, and that nationally there has only been a small rise in house buying activity so far in 2011.

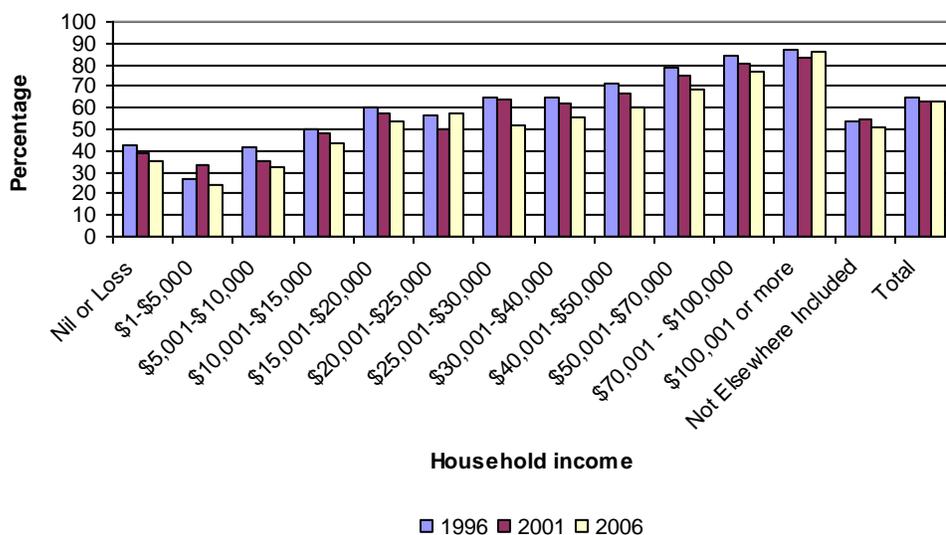
4. Home Ownership

Nationally, the level of home ownership is declining. At the 2006 Census, 66.9% of households were in owner-occupied dwellings. This figure had declined from 70.7% at the time of the 1996 Census. In 2006 only 62.9% of Palmerston North households were in owner-occupied dwellings.²¹ Levels of home ownership vary across the household income brackets. Figure 16 illustrates how the 1996 levels of home ownership were higher than the 2006 levels in almost all income groups.

²⁰ <http://www.qv.co.nz/aboutus/pressreleases/Propertyvaluessteady12042011.htm>

²¹ Of the 73 local authority areas, only 13 have a level of home ownership lower than that national average. These include the cities of Auckland, Hamilton, Palmerston North, Porirua, and Wellington. It should be noted that this figure does not reflect the level of investment in housing overall, but rather the percentage of home owners who live in their own home.

Figure 16: Households in owner-occupied dwellings in Palmerston North



Source: Statistics New Zealand

A more detailed breakdown of the ownership arrangements for Palmerston North households is shown in Table 3.

Table 3: Housing arrangements for households in Palmerston North (2006)

	Palmerston North	New Zealand
Owned or partly owned by usual resident(s)	49.9%	51.2%
Mortgage arrangements (no other information)	1.6%	1.8%
Who make mortgage payments	28.0%	27.9%
With no mortgage payments	20.3%	21.5%
Not owned by usual resident(s)	35.4%	31.1%
Rental arrangements NFD	0.4%	0.4%
Who make rent payments	32.3%	26.7%
With no rent payments	2.7%	3.9%
Held in a family trust by usual resident(s)	14.6%	17.8%
Mortgage arrangements (no other information)	0.8%	0.9%
Who make mortgage payments	4.0%	5.0%
With no mortgage payments	5.3%	5.6%
Not elsewhere included	4.6%	6.2%

Source: Statistics New Zealand

HNZC is the biggest single provider of rented accommodation in Palmerston North, although its share of the rental market is declining. However, of the households who are in rented accommodation, the large majority pay rent to private sector landlords.

5. Affordability

Affordability is usually measured by determining the number of households for whom the cost of housing (either mortgage or rental payments) is 30% or more of their disposable income.²² Households who pay more than 30% in housing costs are considered to be experiencing housing stress. In 2009, 27% of New Zealanders households spent more than 30% of their disposable income on housing costs. Since the 1980s there has been a significant increase in the proportion of households with this level of spending. The lowest income households are over-represented here, with around a third experiencing housing stress.

Home ownership

There are various measures used to assess the affordability of home ownership. Measures which are based on mortgage servicing costs show a greater improvement in affordability compared with those which focus on house prices and median income measures.

The February 2011 *Roost Home Loan Affordability Report for Palmerston North*²³ reported that the median house price was \$267,500 in January 2011, compared with \$340,000 nationally. Five years ago the median for the City was \$230,000, compared with \$300,000 nationally. It now takes 27.6% of the median household take-home pay to service a mortgage of a median priced home (purchased in January 2011). This suggests that median-priced housing is reasonably affordable for families in Palmerston North, when there is more than one adult working.^{24 25}

Mortgage costs can also be considered in relation to the median income. In New Zealand overall, it now takes 51.7% of one median income to pay the mortgage on a median priced house (purchased in January 2011). (A typical buyer is assumed to be in the 30-34 age group). This is a decrease from 62.4% one year ago and 68.2% five years ago. Essentially the median income for a typical buyer is not high enough to buy a median priced house, even with a 20% deposit.^{26 27} The comparable figure for Palmerston North is 41.5% of weekly take home pay. Palmerston North compares well to many other cities (as shown in Table 4), however it is still a challenge for single people, or households on a single income, to be able to afford to buy their own homes.

²² Ministry of Social Development. (2010). *The Social Report*.

²³ Roost. (2011). *Home loan affordability in Palmerston North*. http://www.interest.co.nz/sites/default/files/Palmerston%20North_home_loan_affordability_Feb_2011.pdf

²⁴ Roost. (2011). *Home loan affordability in Palmerston North*.

²⁵ The profile used in *the Roost Homeloan Affordability Series* for a standard buyer household is one adult male working full-time, one adult female working 50%, and one child aged 5 years.

²⁶ Roost. (2011). *Roost Homeloan Affordability Series*. <http://www.interest.co.nz/property/home-loan-affordability>

²⁷ The standard buyer index is calculated assuming that the house buyer has already has a 20% deposit. Based on current income and house prices it will take an individual 8.4 years to save the 20% deposit now required by most banks.

Table 4: Percentage mortgage payment as a percentage of median weekly take-home pay

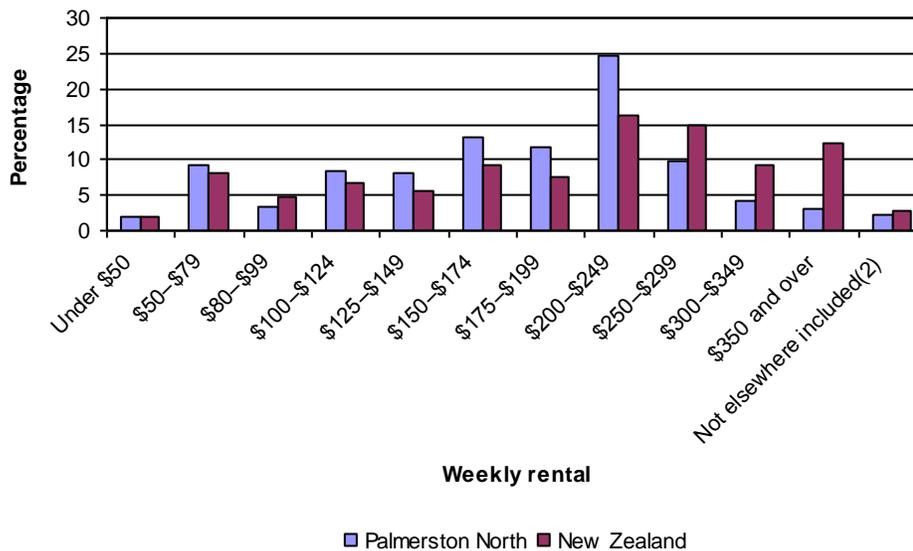
	January 2011	January 2010
New Zealand	51.7%	62.4%
Auckland	64.6%	75.9%
Hamilton	53.5%	61.2%
Christchurch	53.3%	63.9%
Wellington	52.0%	61.8%
New Plymouth	51.4%	69.0%
Napier	45.8%	60.5%
Palmerston North	41.5%	48.0%
Dunedin	39.1%	53.4%

Source: Interest.co.nz

Home rental

At the time of the 2006 Census Palmerston North rents tended to be grouped towards the middle and lower range of rents paid in New Zealand overall.

Figure 17: Weekly rent of households in Palmerston North and New Zealand (2006)



Source: Statistics New Zealand

At March 2011 the weekly average rent paid in Palmerston North was \$280, compared with the New Zealand average rent of \$320.²⁸ It should be noted that this figure is only an average and does not tell us where most rents are clustered.

More usefully, a rent ratio can be calculated which tells us the relationship between median house price and the median annual rent. While Palmerston North rents are

²⁸ Interest.co.nz (2011). *The ratio between New Zealand house prices and rents. The rent ratio.*

relatively affordable when compared with other cities, it should be noted that affordability is a limited measure and gives no indication of the suitability of the property for its purpose (in terms of size or home health).

Table 5: Rent ratio for February 2011

	Median house price	Median 3 bedroom yearly rent	Rent ratio
New Zealand	\$350,000	\$16,640	21.0
Auckland metro	\$465,000	\$20,685	22.5
Wellington metro	\$408,500	\$19,493	21.0
Christchurch	\$341,434	\$17,160	19.9
Hamilton	\$317,000	\$16,640	19.1
Napier	\$313,125	\$16,640	18.8
New Plymouth	\$312,750	\$16,640	18.8
Palmerston North	\$272,500	\$14,560	18.7
Dunedin	\$245,000	\$15,600	15.7

Source: <http://interest.co.nz>

6. Social Housing Need

Housing New Zealand Corporation

In Palmerston North there are currently 1,523 HNZC properties (see Table 6). The majority of these homes have two or three bedrooms. A small number of these properties are not rented to individuals or families, but rather provide accommodation for organisations to provide housing (e.g. refugees).

HNZC acknowledges that, nationally, there are high-priority applicants with unmet housing needs. Furthermore, many state houses need significant upgrading to current standards so that homes are suitable for modern-day living. The current portfolio of houses still requires (approximately) a further \$1.7 billion in upgrading expenditure to bring the amenities up to an acceptable standard.

Table 6: Total HNZN properties in Palmerston North City by age and bedroom size (as at 27 March 2011)

Age of unit (years)	Bedsits	Bedrooms							Total
		1	2	3	4	5	6	7	
1-10			4		1				5
11-20		1	22	5	1				29
21-30		12	104	18	5				139
31-40		18	132	128	27		1		306
41-50	4	45	110	155	25	1			340
51-60	4	38	38	217	31			1	329
61-70		50	165	73	12				300
71-80		12	31	12	1				56
81-90			5	7	1				13
91-100			3	2	1				6
Total	8	176	614	617	105	1	1	1	1,523

Source: HNZN

HNZN reports that demand for housing in Palmerston North is moderate when compared with similar centres such as Napier, Hastings, or Dunedin. Because the cost of rental accommodation in Palmerston North is generally reasonable, demand for HNZN housing is more likely to stem from a wide variety of complex needs (and not be solely due to cost). At present around half of the HNZN properties have long term tenants, and half turn over reasonably regularly. The change to HNZN's national policy will mean that from July 2011 tenancies will become fixed term, and then reviewable.

The waiting list for HNZN houses is shown in Table 7. HNZN notes that while a large percentage of its housing stock is three or more bedrooms, the biggest demand is for smaller homes of one or two bedrooms. See Appendix 2 for further information about the waiting list categories.

Table 7: Waiting list numbers for HNZN houses in Palmerston North (as at 27 March 2011)

Priority segment	Short description	Number on list
A	At Risk	9
B	Serious Housing Need	36
C	Moderate Need	61
D	Low Level Need	65
Total		171

Source: HNZN

Palmerston North City Council

The 2007 *Social Housing Strategy* currently describes the Palmerston North City Council's (PNCC) agreed role as a housing provider. The PNCC has 311 community housing units at 17 locations around the central city and in Ashhurst.²⁹ The Council's housing was primarily built in the 1960s and 1970s and has not been significantly retrofitted in terms of insulation (except where redevelopment has occurred). The rigid 80:20 ratio between community and public housing allocation was disestablished by the 2007 strategy, and a decision was made to respond to changing needs in a more flexible way. The four goals of the *Social Housing Strategy* are:

Council tenants are well housed.

Council housing is a well managed asset that offers accessible living arrangements.

Provide support to social housing providers in Palmerston North.

Council housing provides a safe, secure living environment.

The community housing units accommodate Superannuation and Invalids' Benefit recipients, and all the units have only one bedroom or are bedsits³⁰. Efforts are made to ensure an appropriate mix of tenants in each housing complex, with the Council taking an active role in ensuring the smooth operation of each area. Staff work with HNZA and social agencies in Palmerston North to try and meet the housing needs of tenants appropriately and to address any issues that arise. Council staff note that there is always a waiting list and that there is increasing demand from people on the Invalids' Benefit, many of whom are experiencing serious and complex social needs. The duration of the average tenancy is seven years, with some tenants having been in Council community housing for a great deal longer than this.

Community sector providers

There are a range of community sector organisations also meeting various aspects of social housing need. These include refuges responding to family violence, night shelter accommodation for single men, and supported accommodation in group homes. There are also agencies who act as support and advocate for people requiring assistance with housing. Social housing providers and those involved in social housing issues in Palmerston North meet regularly to monitor and discuss the current situation in the City, and to work on solutions to help address ongoing and emerging needs. The community agencies currently providing emergency or short-term social housing (of various kinds) are the Salvation Army, Manawatu Community Housing Trust, Shepherd's Rest, Camellia House and Palmerston North Women's Refuge. There are also a number of low cost hostels and hotels providing unsupported accommodation on a casual basis. At present, the Housing Advice Centre reports that the most pressing need for additional social housing is for one to two bedroom accommodation for people on low incomes and for single men with mental health and addiction issues.

²⁹ Council also has 96 public housing units, which are primarily located in three villages. These units are rented out at market rates and are not part of the Council's social housing portfolio. Council's public housing currently accommodates students, older people, and other people on low incomes. Most units have two bedrooms, and there is currently a high demand for more one bedroom accommodation. There is little difference between the Council housing and that provided by the wider private housing market.

³⁰ Remaining bedsits are being converted to one bedroom units.

D. Emerging Issues

Some challenges emerge from this consideration of the issues and trends for housing in Palmerston North. While Palmerston North does not exhibit the extremes in overcrowding or unaffordability that may be experienced elsewhere in New Zealand, there are some issues which can usefully be taken into account in future planning. The following section draws some tentative conclusions on the basis of the information considered so far.

1. Aging Population and Changing Demand for Housing

Statistics New Zealand currently suggests that there will be an additional 9,400 households in Palmerston North in twenty years time, but that the size of these households will be smaller, on average, than it is now. It is estimated that 30% of households (11,600) could be one person households by 2031. The 2006 Census indicated that only around 24% (6,612) of private dwellings in Palmerston North had one or two bedrooms³¹ and that by 2031 Palmerston North will need over 11,000 dwellings to accommodate those people living in single-person households. Given that this growth in one-person households can largely be attributed to the projected growth in the older age group, this means there will be an increased demand for homes suitable for older people living on their own. This has implications for the location of new housing, as well as the proximity to services.

There continues to be growth in residential dwellings, largely in infill and greenfield developments. The majority of this new housing has three or more bedrooms. The large majority of Palmerston North housing stock overall now also has three or more bedrooms, with new homes tending to be most suitable for families or other multiple person groups. There is potentially a mismatch, therefore, between the size of the new housing which is predominantly being developed in Palmerston North, and the size of much of the housing needed in the future.

New Zealand research also indicates that there will be an increase in the need for residential care for older people, although there are some trends which may mitigate this,³² including a preference for informal care arrangements or accommodation in retirement villages. The extent to which the older population is projected to increase, however, means that even if the rate of uptake of residential care decreases, there will still be a significant increase in the number of new residential places required in Palmerston North (to around 900 places).

2. Quality of the Current Housing Stock

Current building codes ensure that new houses built in Palmerston North have adequate insulation and are generally warmer and healthier than houses built in previous decades. However, according to BRANZ (2009) “most (approximately 70%) of the houses that will be with us in 2025 already exist”, and indeed around two thirds of current homes were built prior to the 1980s. Given the relatively low impact of the EECA Warmup New Zealand scheme so far, this means that much of the housing which will need to accommodate Palmerston North’s growing population has inadequate insulation, with associated impacts on the ongoing health and wellbeing of residents. Furthermore,

³¹ There were 1,251 (4.5%) one bedroom dwellings and 5,361 (19.3%) two bedroom dwellings at the 2006 Census.

³² Grant Thornton. (2010). *Aged Residential Care Service Review*.

almost all housing in Palmerston North is subject to the rising energy costs required for home heating.

Most of the rental accommodation in Palmerston North is in private ownership, and thus the quality of this housing is determined by private landlords. The level of demand for rental housing will help determine whether rental tenants have adequate housing choices. If the market is left to determine the quality of the rental housing stock, then evidence to date suggests that landlords may not have to upgrade their houses in order to let them.³³ Furthermore, research also indicates that rental housing may be maintained more poorly than that which is owner-occupied.³⁴ This has implications for the health of the City's population, and particularly for people on low incomes whose choices may be limited to lower quality housing.

3. Housing Affordability

The percentage of households who own the home they live in is lower in Palmerston North than in the country overall, and is declining (as at the 2006 Census) across almost all income brackets. An international survey of housing affordability shows that housing in New Zealand is "severely unaffordable" overall.³⁵ This study included the Palmerston North market, and noted that of the eight markets considered (Auckland, Christchurch, Tauranga-Western Bay of Plenty, Palmerston North, Napier-Hastings, Hamilton and Dunedin) none were considered "affordable".

The costs of buying median-priced housing in Palmerston North is reasonably affordable for households where there is more than one income. Palmerston North also compares well to other centres in terms of rental affordability. In March 2011 the average rent was \$280 per week, which is significantly lower than the New Zealand average of \$320. However, this weekly average does not provide any information about the adequacy of the property (in terms of size or location) for the needs of the tenants.

The availability of rental housing is dependent on the attractiveness of property investment, and this has declined over recent years.³⁶ The demand for rental housing is growing as home ownership rates decline, and there are some indications that there is already an unmet need for appropriate rental housing (for example, HNZA is able to meet the needs of people with only the most serious needs). It is unclear what the long-term trends are in terms of rental availability, but any decline in rental housing investment could potentially put pressure on the rental market and raise rents. We also know that Palmerston North is an increasingly diverse population, and that the range of housing needs is therefore likely to increase. We are able to conclude, therefore, that the changing profile of available housing in combination with the changing population may have negative implications for housing affordability.

³³ There have been suggestions at various times that the City could introduce a voluntary Warrant of Fitness scheme for rental housing. One example of such a scheme operates in Dunedin, where student accommodation is rated in terms of heating, insulation, security and other services. See http://www.dunedin.govt.nz/student-housing/home/_nocache for more information about Stars Dunedin Student Housing.

³⁴ BRANZ. (2011). *Study Report No. 240. Preliminary BRANZ New Zealand 2010 House Condition Survey Report.*

³⁵ Cox, W., & Pavletich, H. (2011). *7th Annual Demographia International Housing Affordability Survey: 2011.* The method of assessment was the median house price divided by the gross median household income.

³⁶ <http://reports.asb.co.nz/report/article/4608/12/0/investor-confidence-on-the-rise.html>

4. Social Housing Need

The waiting list information provided by HNZC indicates that there are unmet housing needs in Palmerston North. Social housing providers such as the Salvation Army, the refuges, and MASH all contribute towards the housing of people in Palmerston North who have a range of complex needs. The Salvation Army, for example, reports that it cannot meet the current demand for family homes or one or two room accommodation³⁷. The Council's own social housing is in constant demand, with the current configuration of units providing limitations to the number and nature of tenants able to be housed.

There is also a gap in New Zealand in the provision of supported housing for the low income elderly.³⁸ At present, HNZC and the PNCC provide social housing for around 5% (or 480-520) people over the age of 65. If this level of need is to be met in 2031, there will be at least 870 people over the age of 65 years who require social housing. The increase in the size of the older population could mean the City struggles to adequately meet the needs of this group without developing new models for provision.

The agencies which currently provide social housing report that there are currently gaps in the services available. While the need for social housing affects only a small number of people in the Palmerston North directly, the implications of failing to adequately meet this need are potentially far-reaching. As discussed earlier, homes not only provide physical shelter, they also contribute to the wider connectedness and wellbeing of individuals and communities. The Government (following the work of the Housing Shareholders' Advisory Group) has signalled its intention to support a more diverse range of housing providers to increase and improve the availability of social housing. This will potentially open up further potential for public private partnerships and a significant growth in the community housing sector.

³⁷ *Palmerston North Social Housing Forum*. (2011).

³⁸ Grant Thornton. (2010). *Aged Residential Care Service Review*.

Appendix One: Excerpts from The Sustainable City Strategy

The Sustainable City Strategy states:

As our population increases, we need to ensure that the City's housing requirements meet the needs of our diverse population. The impetus for sustainable outcomes in housing requires a focus on ensuring the houses we currently have and those that are yet to be built will have more efficient heating sources and adequate insulation.

Driver One: Sustainable Energy Use at Home and Work

Sub-drivers

- *Decrease household energy use*

Driver Two: Sustainable Energy Use to Move about the City

Sub-drivers [include]

- *Decrease the need for travel*

Driver Four: A Safe and Healthy City

Sub-drivers [include]

- *The City has affordable and healthy housing*
- *Urban design supports a safe and healthy city*

Appendix Two: Housing New Zealand Corporation Criteria

Segment	Short description	Detailed description	Rating scale
A	At Risk Households with a severe and persistent housing need that must be addressed immediately	The well-being of the household is being severely affected by the current housing circumstances (or is seriously at risk) and there is an immediate need for action due to the unsuitability and/or inadequacy and/or unaffordability of the current housing circumstances. Further, the household is unable to access and/or sustain suitable, adequate and affordable housing without state intervention	4
B	Serious Housing Need Households with a significant and persistent need	The well-being of the households has been affected in a significant and persistent way due to the unsuitability and/or inadequacy and/or unaffordability of the current housing circumstances. The household is unlikely in the foreseeable future to be able to access and/or sustain suitable, adequate and affordable housing without state intervention	3
C	Moderate Need Households with a moderate housing need	The household is disadvantaged and this is likely to be compounded over time due to the unsuitability and/or unaffordability of the current housing circumstances. The household is likely to be unable to access and/or sustain, adequate and affordable housing without state intervention	2
D	Low Level Need Low Level housing need	Low income households experiencing lower level housing need for whom there may be other viable housing options	1

