



THE PROPERTY GROUP LIMITED'S REPORT FOR

Wellington City Council

Housing Viewpoints Report “What’s Most Important?”
Assessing the Impact of Changing Housing Preferences on
Demand for New Housing in Wellington City

April 2014

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EXECUTIVE SUMMARY

Introduction

This paper summarises the results of two surveys carried out by The Property Group Limited (“TPG”) into the drivers of housing choice in Wellington City.

- The **Wellington Housing Survey 2014** focuses on what Wellington housing consumers like and dislike about their current housing, and what factors they consider most important when making a decision about their next home.

The survey was distributed to 750 members of WCC’s research panel in February 2014. 315 responses were received before the closing date.

- The **Wellington Housing Survey 2014 - Developer Edition** is an online survey targeted at members of Wellington’s residential development industry, including land and property developers, planners, builders, architects and financiers. The objective of the survey is to better understand what the supply chain is thinking about Wellington’s housing future.

The survey has been distributed electronically to about 60 selected property professionals, 70% of whom have responded. In addition, TPG has personally interviewed several of Wellington’s most prolific property developers, to ensure their views are incorporated into this *Housing Viewpoints* study.

The Housing Consumer Survey

Who Participated in our Survey?

The household profile of those who responded to our survey was generally consistent with Wellington City’s overall profile, although there may be some bias towards western suburbs and older-age homeowner households.

- 69% of sample respondents lived in owner-occupier housing (including dwellings held in a family Trust). 31% of all respondents lived in rental housing.
- 78% of all owner-occupier respondents lived in standalone housing compared to only 33% for renting households, who are divided between multi-unit housing, townhouses, and older houses split into flats.
- Renting respondents generally lived in smaller housing than their owner-occupier counterparts, with fewer features like storage, off-street parking and private outside space.

The survey confirms recently-released findings from the 2013 Census, that Wellington households are highly mobile:

- 50% of all respondents had moved to their current address within the last four years.

- 83% of all renting households, and 33% of owner-occupier households, expect to move within the next five years.

Our survey hints at some significant changes in the way Wellington's existing housing stock is utilised:

- A growing proportion of housing stock in the CBD and Wellington's southern and eastern suburbs is being utilised for rental housing.
- 'Empty nester' older singles and couples make up a growing proportion of owner-occupier housing in the city's western and inner-northern areas.

It would also appear housing affordability is not a major issue for most of those living in Wellington:

- More than 60% of those surveyed could comfortably afford to live or rent in their chosen location.
- About 30% had made trade-offs to live in their chosen location, including paying more for housing.
- Only 12% had serious concerns about current or future housing affordability.

What's most important when Wellington households choose where to live?

Easy access to work and public transport was considered highly important by almost two thirds of all those surveyed.

About 50% of our sample also placed a high priority on access to local shops, cafes and restaurants, health and social services.

80% of all families with children regarded good local schools as a high priority.

Safety and security are the highest priority for 90% of all households surveyed, although it must be noted that fewer than 5% of all respondents had safety concerns about their current housing situation.

Access to natural amenity values like sunlight and ventilation are also regarded as non-negotiable by most respondents.

Friendly neighbourhoods that reflect local character are highly prized, no matter whether the community is in the CBD or suburbs.

Where do Wellington households want to live?

When asked if they had to move inside Wellington City tomorrow:

- 80% of all those surveyed said they would prefer to stay within the same neighbourhood or general area that they currently live in.
- About 65% of respondents would own their own home, 35% would rent.
- 80% of all renting respondents, and 65% of owner-occupiers, expected that their tenure, location and housing type preferences would be constrained by housing affordability issues.

What type of housing do we prefer?

81% of all respondents would prefer to live in a standalone house, but only 25% would *not consider* any other dwelling type:

- 50% of all those surveyed would consider living in a townhouse or other attached dwelling with outside space.
- 25% would consider living in an apartment.

Single person households would prefer at least two bedrooms, although many renting singles are reconciled to living in single bedroom multi-units or flats.

Couple-only households prefer three bedroom housing, but renting households would generally accept two bedrooms if the location is right.

Almost all families with children want to live in standalone housing with a minimum of four bedrooms. Homeowner families would generally prefer four bedrooms, while renting families are more willing to make trade-offs in size and location to live in their preferred area.

What's MOST important when choosing a new home?

Our sample regarded the having the right number of bedrooms and housing affordability as being more critical than being able to live in a preferred location or housing type

Location remains an important consideration, however:

- At least 50% of respondents would actively consider living in more compact housing to stay in their preferred location.
- A similar proportion would trade off non-essential housing features like off-street parking and outdoor space to live in their preferred location.
- A third of all respondents would be prepared to pay more to live in their preferred location.

Planning Implications?

Although standalone housing remains the preferred tenure for 81% of all Wellington households, a significant proportion are willing to consider more compact housing forms, (especially townhouses with some private outside space) in order to live in their preferred location or keep their housing costs down.

There are also growing numbers of older single people and couples in suburban areas who no longer want to (and in some cases can't afford to) stay in larger family housing, but want smaller housing that reflects suburban amenity values:

Our summary conclusion is that emerging housing preferences in suburban areas should be supported by more dynamic District Plan settings for the outer and inner-city residential areas, for instance:

Rules that actively promote small-lot housing.

Rules and objectives that support growing the population base around existing suburban centres, which are currently being undermined by age-based de-population?

Is there also a case for adapting our planning regime to recognise the dynamics of the market? For instance, Wellington's highly mobile population (and more general affordability issues for low-medium income earners) means that rental housing will make up a greater proportion of total housing stock over the next 10-20 years. Is it time to recognise this in the City's planning regime, for example by enabling the construction of smaller, lower maintenance housing units favoured by investors?

- By reducing rule-based disincentives for commercially-viable development of compact housing forms close to suburban centres and in the outer residential zone?

The sample also suggests there is scope to improve utilisation of existing housing stock, although a full discussion of this issue is outside the brief for this consumer preferences survey.

Developer Viewpoints

In a parallel exercise to the consumer preference survey, PG has sought the views of members of Wellington's development industry about what they think is most important if the City is to meet its target of building 1,000 new units annually over the coming years.

To achieve this target WCC must do what it can (within statute and reason) to promote new housing development, which is largely developed by Wellington City's 'residential development community.'

Who is Wellington's 'Development Community'?

Wellington's development community is largely divided between suburban and inner-city-focused developers and development professionals. The City has only a handful of large-scale developers operating in each sub-market, the largest of which are located in the City's northern suburbs, the CBD and Te Aro.

Where does the community think Wellington's housing market is heading?

Over the next five to ten years, Wellington developers and associated housing professionals expect that the market for NEW housing will largely follow recent trends:

- The market for suburban housing will be dominated by existing owner-occupiers, in particular older households who will make up more than 50% of demand for new suburban households
- The market for housing in the city's core is more diverse, catering for a high proportion of younger, temporary non-family households. Here the market will be driven by investors catering for these market segments, along with growth in the owner-occupier market.

The biggest short term risks to new housing development are land and construction costs, and rules that constrain developer's ability to deliver higher densities in suburban and city fringe locations.

Respondents were generally supportive of WCC's Central Area rules, but believed more could be done to promote compact housing forms in the Inner and Outer Residential Zones.

In particular, restrictions on infill housing were seen to be out of alignment with what the market wanted, and minimum lot sizes acted as a substantial brake on comprehensive redevelopment.

There is a view amongst some within the development community that not enough land is available for housing, and that the larger sub-markets are dominated by only a few players.

What is the Industry’s longer-term vision for Wellington?

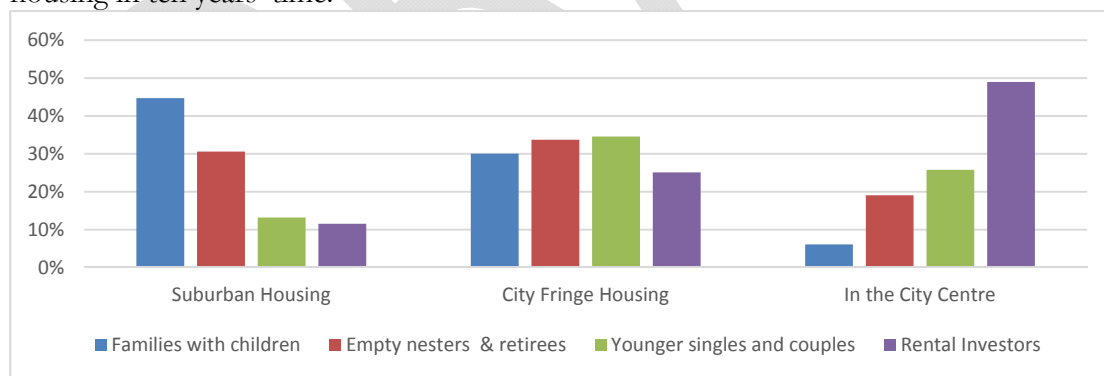
Wellington’s development community is largely positive about Wellington’s housing future, provided that District Plan settings are aligned with their future housing vision, and the market can support commercially-sustainable development.

Overall, the industry expects that Wellington’s housing sub-markets will follow different pathways, although increases in newly-built compact housing will feature in all locations:

- The suburban market will still be driven largely by family-with-children households, but the market will also target older people who want to retain their suburban links.
- Suburban areas on the fringe of the central city will experience an upsurge in intensive housing development, reflecting the increasingly diverse population in these areas, and the fact that lower-density housing development is no longer viable in these areas.
- The City Centre will complete its transition to a high-density housing zone.

The tables below present a composite picture of how Wellington’s development community views the new-build housing market in ten years’ time. There are sharply divergent views on how the industry should respond, so we have compiled a broad brush vision based on a weighted score of all responses to the developer preferences survey:

The figure below summarises respondents’ collective views on who will be buying new-build housing in ten years’ time:



The figure below summarises the development community's view of at what types of new housing will be being built in each sub-market in ten years' time:



In conclusion, we note that that the industry's collective view of Wellington's housing future is largely consistent with messages from the consumer preferences survey.

In particular:

- The supply chain wants to adapt to the changing demographics of Wellington's housing marketplace.
- Household growth (coupled with demand growth) in the inner city is changing the form of housing that can be delivered within reasonable commercial parameters.
- The question is will the supply chain will lead market acceptance of more compact housing forms? Or will it lag behind consumers own perceptions of what's most important for Wellington in the coming years.

1. INTRODUCTION

This paper summarises recent research by the Property Group Limited (“TPG”) into the drivers of housing choice and future housing supply in Wellington City. The paper has been commissioned by the City Planning and Design Group of Wellington City Council (“WCC”).

1.1 Background

WCC is revisiting its policies and strategic approach to housing issues. Work due for completion in 2014 includes a new Housing Strategy and a Spatial Plan that will either update or supersede the Council’s current Urban Development Strategy.

These new documents will inform future decisions about where new /housing should be constructed in Wellington City over the next 10-20 years, and what forms of housing should be encouraged.

To support work on the Spatial Plan and Housing Strategy, WCC has asked The Property Group Limited (“TPG”) to find out what matters most to Wellington residents when choosing a new dwelling , and what trade-offs they make to achieve a balance between housing affordability, location, and their preferred housing type.

TPG has also surveyed developers and other professionals involved in the supply of new housing, to record their views on what is likely to drive the housing market over the next 10-20 years, and what Council needs to do to align the Wellington supply chain with future demand.

The paper is one of three work stream reports which will be merged into a discussion document targeted at WCC planners working on the new Spatial Plan and Housing Strategy.

1.2 Methodology

The findings in this report are derived from two specially-commissioned online surveys:

- The **Wellington Housing Survey 2014 – Consumer Edition** focuses on what Wellington housing consumers like and dislike about their current housing, and what factors they consider most important when making a decision about their next home.
- The **Wellington Housing Survey 2014 - Developer Edition** targets members of Wellington’s residential development industry, including land and property developers, planners, builders, architects and financiers. The objective of the survey is to better understand what the supply chain is thinking about Wellington’s housing future.

1.2.1 The Housing Consumer Survey

The *Wellington Housing Survey 2014* was jointly developed by TPG and WCC over January 2014. The survey itself is divided into four sections:

- *Section 1* collects information about the respondent, and provides a basis for disaggregating survey results by household type and tenure.
- *Section 2* looks at respondents current living situation, including housing type, location and costs.
- *Section 3* canvasses what respondents like or dislike about their current housing.
- *Section 4* asks all respondents to select a preferred place and type of housing if they had to move from their current dwelling tomorrow, and to rank those factors that would most influence their choice of housing.
- *Section 5* looks more closely at the trade-offs our sample would be prepared to make to achieve a balance between affordability and their preferred form and location of housing.

The survey was electronically distributed to WCC's Survey Panel in February 2014. The Panel has approximately 750 members, dispersed widely throughout Wellington City, and representing a variety of household types and income ranges.

315 responses were received within the survey's four-week 'live' period. To protect confidentiality, responses have been pooled by tenure and household type. In the same vein, comments potentially attributable to individual respondents have been generalised.

Survey Design

Our approach to this work stream has been informed by recent, larger-scale studies in Australia and other countries, in particular, the Grattan Institute's consumer preferences project in Melbourne and Sydney (2011), and a similar study for Perth, commissioned by the Western Australian Government in 2013.

The Grattan study ("The Housing We'd Choose") surveyed more than 700 Sydney and Melbourne residents about their housing preferences, including their preferred tenure, location, type and size of housing, and what features of a home they valued most¹. Respondents were given a reality check which restricted their choices to housing that was affordable based on current income levels.

In the Perth study², researchers used focus groups to determine what housing attributes mattered most when selecting a home. Findings were then translated into two surveys. The first survey ("What Matters Most") asked 866 respondents to prioritise the features of homes they considered important. This was followed up by the "Housing Preferences and Trade-offs" online survey, which asked residents to make trade-offs between location, house type, house size and features, to come up with a preferred housing solution within their budget.

In both studies, the results were then compared with existing housing supply, and with contemporary new housing trends, with a view to identifying gaps in the supply chain.

¹ Ref. Kelly J F, Weidmann B and Walsh M, *The Housing We'd Choose*, Grattan Institute Melbourne (2011)

² Ref. *The Housing We'd Choose, A Study for Perth and Peel*, Department of Housing, Perth WA 2013

It should be noted that both the Perth and Sydney/Melbourne studies cover significantly larger populations and urban areas than Wellington City, which is a comparatively compact city. The Australian studies also covered ‘total markets’, whereas TPG’s brief is limited to a subset of the broader Wellington metropolitan housing market, which takes in all five cities and Wellington Districts³.

Nevertheless, we have endeavoured to reprise the main themes of the Australian research.

1.2.2 Housing Industry Viewpoints

Supply-side research also draws overseas exemplars, in particular the annual Residential Development Sentiment Survey conducted by Lambert Smith Hampton (UK)⁴.

TPG’s target audience for the *Wellington Housing Survey 2014 – Developer Edition* was the Wellington residential development community, which includes land and property developers, planners, urban designers and architects, and others involved in the development process.

The survey itself is divided into four sections:

- Sections One and Two cover respondents’ role in the development process, and the scale and location of projects that have either recently been completed, or are at the planning stages.
- Section three asks respondents to consider what factors are most likely to stimulate the market for new build housing over the next 5-10 years, and what factors present the biggest risk to a timely delivery of new housing.
- In section Four, respondents are asked to take a longer-term view of the housing market. Who will be the customer for new-build housing? Will the type of housing being built differ markedly from today?

The survey was electronically distributed to 60 selected individuals and companies in mid-February 2014. At the time of writing, about 30 responses had been received, although not all respondents have completed the whole survey.

To augment the online survey, TPG also conducted personal interviews with several larger-scale developers, to ensure that their individual insights were captured in this report.

As with the consumer preferences survey, all comments and responses have been aggregated to preserve confidentiality.

³ Kapiti Coast District, Porirua City, Wellington City, Lower Hutt City, Upper Hutt and arguably Southern Wairarapa Districts.

⁴ Residential Development Sentiment Survey *Addressing the Nation’s Housing Needs*, compiled by Lambert Smith Hampton (UK) 2013.

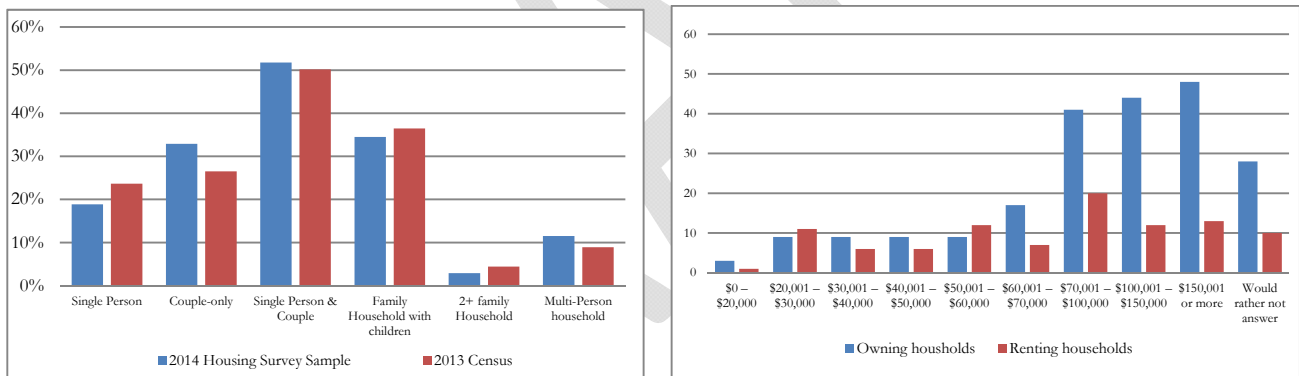
2. THE WELLINGTON HOUSING SURVEY 2014 - CONSUMER VIEWPOINTS

2.1 The Sample

As noted above, the **Wellington Housing Survey 2014 – Consumer Edition** was distributed to 750 members of the Council’s survey panel in early February 2013. 315 qualifying responses⁵ were received over the three week survey period:

- The average household income for respondents was \$100,000, compared to \$92,000 for Wellington households counted in the 2013 Census.
- The sample’s household mix largely mirrors the 2013 Census results for Wellington City as a whole, apart from the proportional balance between single and couple only households.
- 69% of sample respondents lived in owner-occupier housing (including dwellings held in a family Trust).
- The sample shows some bias towards older existing home owners (mostly older post-family households), but generally reflects the city’s household mix in 2014.

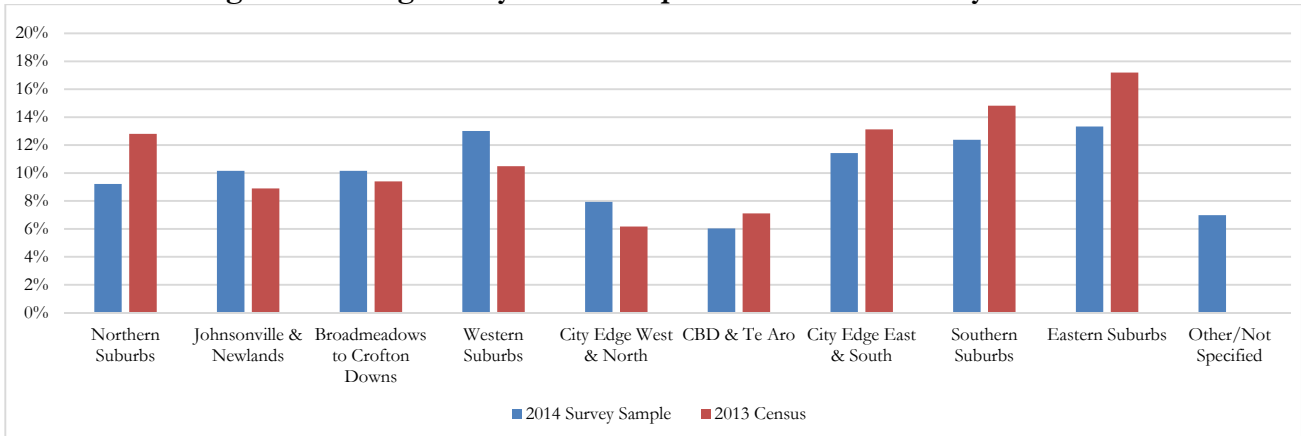
2.1.1 Wellington Housing Survey 2014 – Respondent Households by Household Type and Income



Respondents were widely distributed amongst the 31 communities that make up Wellington City, with some locational bias toward western suburbs.

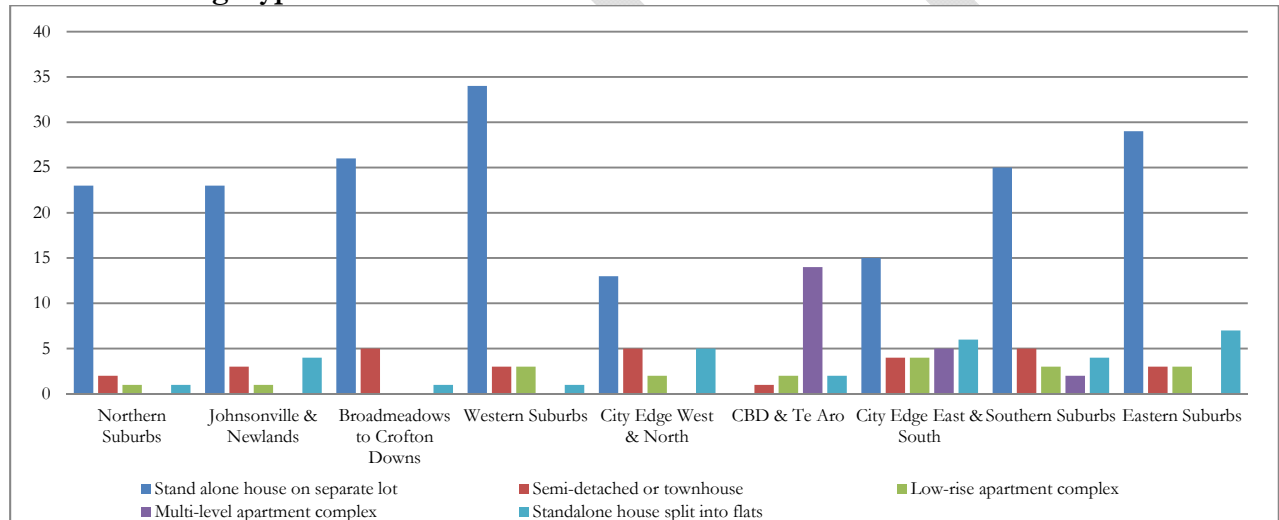
⁵ Excluding partially completed or accidentally-submitted surveys

2.1.2 Wellington Housing Survey 2014 – Respondent Households by location



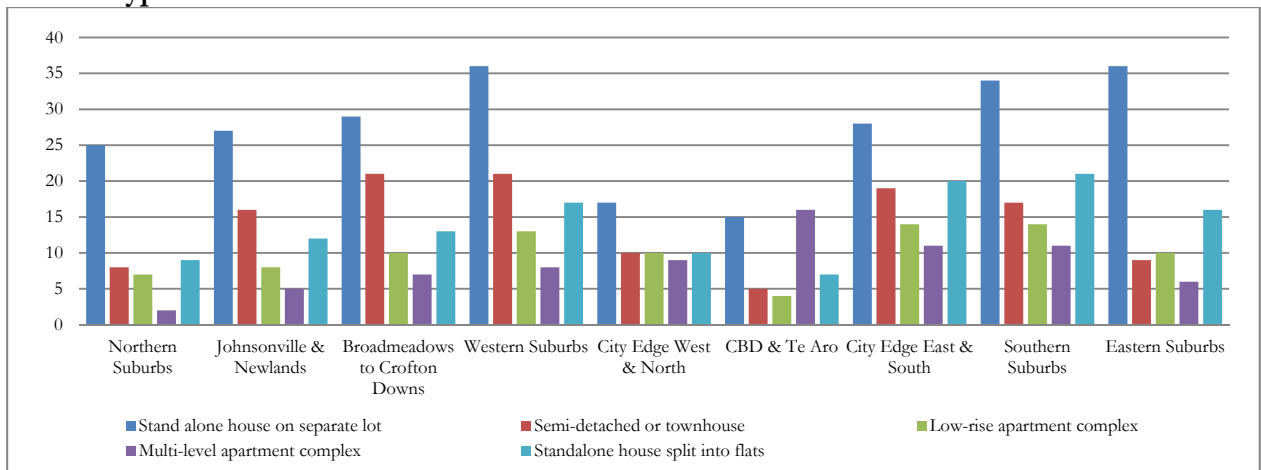
78% of all owner-occupier respondents lived in standalone housing compared to only 33% for renting households, which is broadly-consistent with the typology split for Wellington City as a whole.

2.1.3 Wellington Housing Study 2014 – Respondent Households Current Residence by Dwelling Type and Area



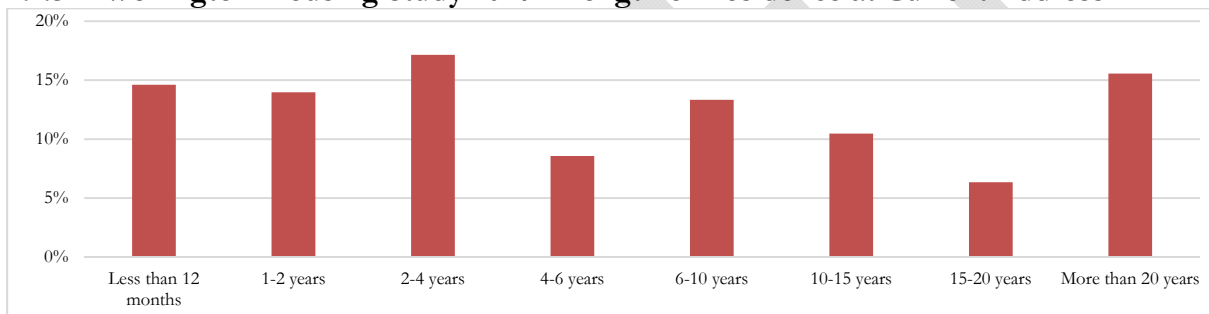
Although standalone housing prevails amongst our suburban sample, many survey respondents have previously lived in higher-density housing, which bodes well for future acceptance of more compact housing forms. Renting households in particular are more likely to have experienced a range of housing types, along with new arrivals from overseas.

2.1.4 Wellington Housing Study 2014 – Previous Housing Experience – By Housing Type and Area



Our sample is also highly mobile, with more than 40% of all respondents having moved to their current address within the past four years. By contrast, only 30% of respondents had been at their current address for ten years or more.

2.1.5 Wellington Housing Study 2014 – Length of Residence at Current Address



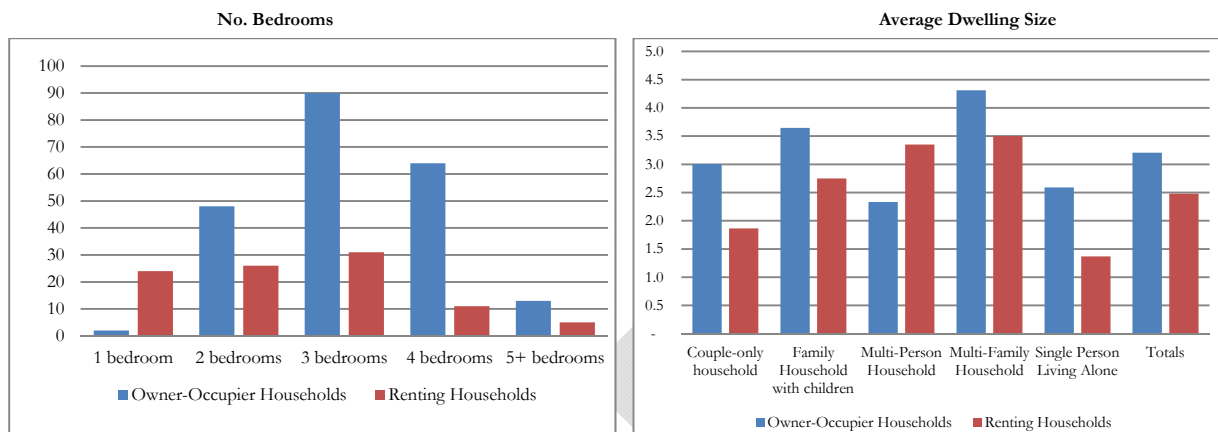
At the time of their last move, about 50% of all respondents moved within the same neighbourhood or general area. In the central city and periphery suburbs, about 30% of all respondents lived outside Wellington prior to moving to their current address, reducing to 15% for outer suburban areas.

2.1.6 Wellington Housing Study 2014 – Previous Address by Current Location (Area)



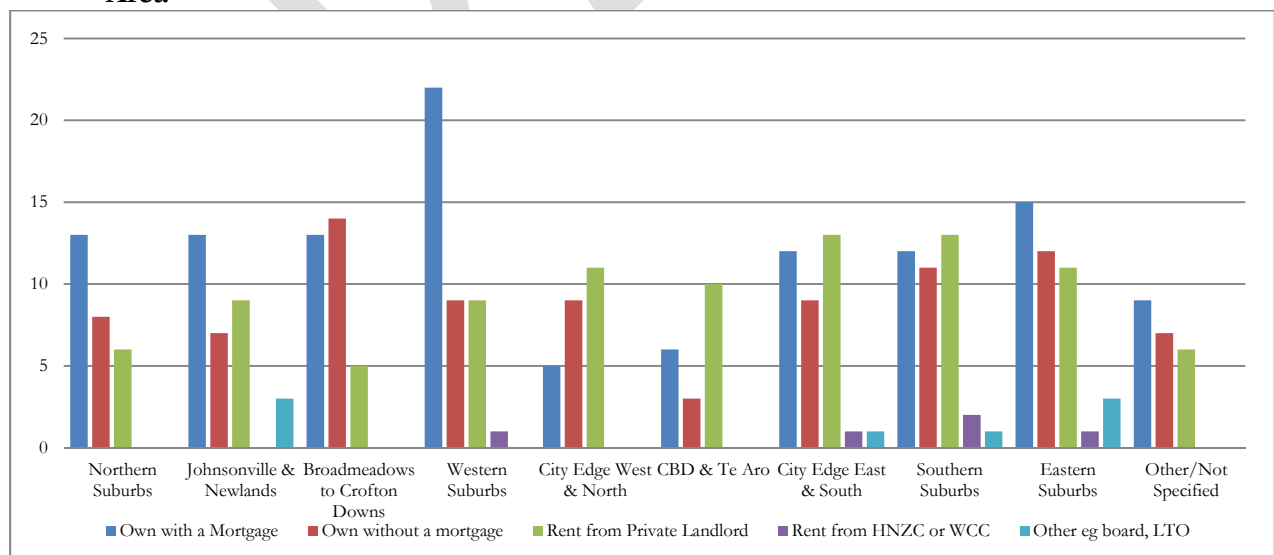
With the exception of multi-person households, owner-occupier respondents generally live in larger housing, especially single person and couple-only households, where the distinction between older, suburban-based singles and couples and their renting counterparts is most marked.

2.1.7 Wellington Housing Study 2014 – Respondent’s Current Housing by Bedroom and household Type



The figure below looks at how the sample is distributed by tenure. Results are consistent with recent trends⁶, in particular the growing proportion of housing in the City’s core and eastern suburbs utilised as rental housing. Also, there is a growing proportion of mortgage-free owner-occupier households in inner suburbs like Wadestown and Khandallah, reflecting the concentration of post-family households in these traditional family areas.

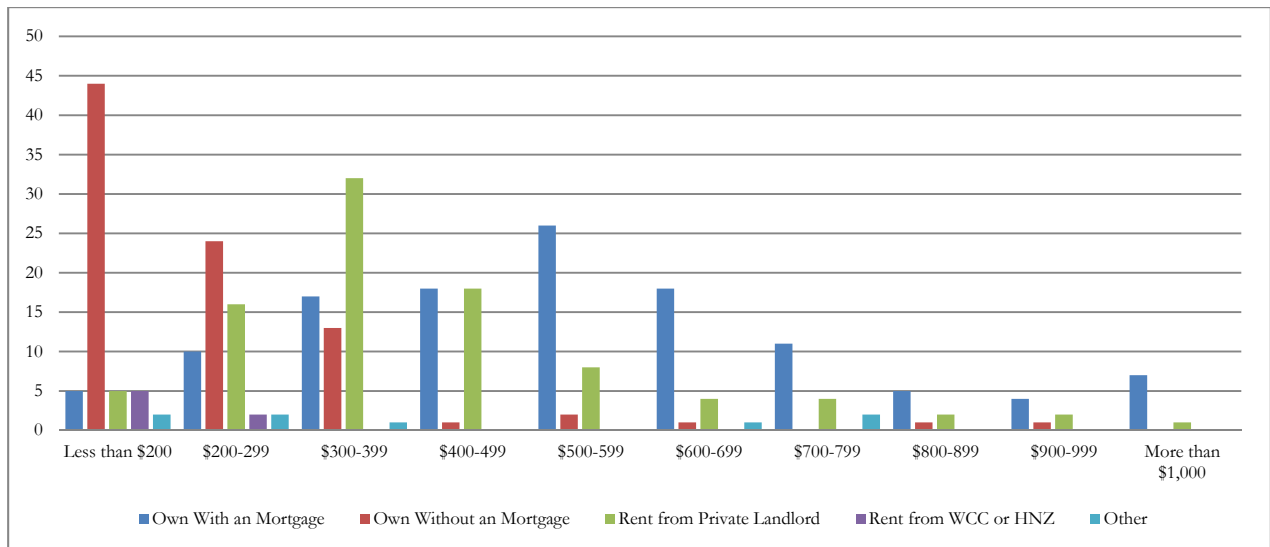
2.1.8 Wellington Housing Study 2014 – Respondents Current Residence by Tenure and Area



Mortgage free households generally have the lowest housing outgoings of sub-group within the sample, while Owner-occupiers with a mortgage generally have the highest housing costs. Only 20% of all renting respondents pay more than \$500 per week in rent, while 60% pay less than \$400.

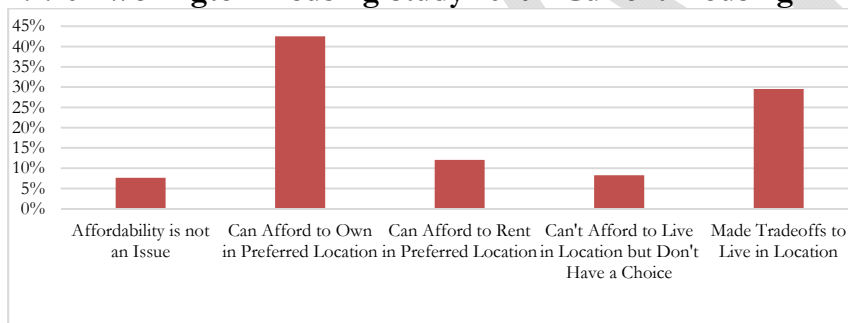
⁶ To be covered in more detail in the companion ‘Housing Forces’ report.

2.1.9 Wellington Housing Study 2014 – Respondents Weekly Housing Outgoings by Tenure



For most survey respondents it would appear that HOUSING UNAFFORDABILITY is not a major influencer on housing choice. More than 60% of all respondents expressed a view that they could afford to live or rent in their chosen location. About 30% had made trade-offs to live in their current location, including paying more for housing. Only 8% viewed their current housing unacceptably unaffordable.

2.1.10 Wellington Housing Study 2014 – Current Housing Affordability Sentiments



2.2 Drivers for Choosing Current Housing Type and Location

Section Three of the survey looked more closely at what respondents' value most about their current living arrangements.

Neighbourhood and Dwelling Attributes

Respondents were first presented with a related group of neighbourhood or dwelling-related attributes, and asked to rank each in order of importance to their household.

- Very high importance
- High importance
- Medium importance
- Low importance
- Very low importance

The tables below summarise responses for each major household and tenure sub-group. Scores are based on the percentage within each sub-group that selected either high or very high importance for a particular attribute. For accessibility, easy access to work and public transport appears to be a priority for all sub-groups, perhaps more so for renters and younger-age working households.

2.2.1 How important are the following accessibility elements to you?

	Near family and friends	Easy access to work	Easy access to entertainment and nightlife	Easy access to university or Polytech	Easy access to public transport
Single Person Household - Own	29%	59%	28%	8%	69%
Single Person Household - Rent	35%	75%	15%	10%	70%
Couple Only Household - Own	33%	58%	16%	9%	54%
Couple Only Household - Rent	24%	68%	14%	0%	55%
Family Household with Children - Own	30%	66%	12%	11%	63%
Family Household with Children - Rent	30%	61%	17%	9%	74%
Multi-Person Household - Own	33%	100%	33%	0%	83%
Multi-Person Household - Rent	30%	70%	43%	34%	62%
Multi-Family Household - All	30%	60%	0%	10%	60%
Total Owning Households	31%	62%	17%	9%	61%
Total Renting Households	30%	68%	24%	15%	65%
Total	31%	64%	19%	11%	62%

Owner-occupier respondents placed a higher value on neighbourhood amenity than renters with about half ranking access to local nature-based recreation, shops and cafes, and health/social services of high or very high importance (the latter perhaps reflecting the sample's age bias). Proximity to good local schools is a clear priority for family-with-children households irrespective of tenure.

2.2.2 How important are the following neighbourhood amenities to you?

	Beaches and/or natural bush reserves, cycleways and walkways	Sporting clubs, gyms, golf courses	Shopping facilities, cafes and restaurants	Good local schools	Good health and social services
Single Person Household - Own	38%	11%	68%	14%	54%
Single Person Household - Rent	45%	0%	30%	15%	15%
Couple Only Household - Own	52%	14%	46%	16%	49%
Couple Only Household - Rent	32%	22%	55%	10%	33%
Family Household with Children - Own	51%	20%	48%	80%	62%
Family Household with Children - Rent	30%	26%	30%	78%	57%
Multi-Person Household - Own	50%	17%	83%	17%	17%
Multi-Person Household - Rent	33%	21%	40%	0%	10%
Multi-Family Household - All	30%	20%	30%	40%	20%
Total Owning Households	48%	16%	51%	41%	53%
Total Renting Households	35%	18%	39%	24%	28%
Total	44%	17%	47%	36%	45%

Owner-occupiers are also more likely to seek out character neighbourhoods and rate neighbourhood safety and friendliness as a high priority, although these elements are also highly prized by renting households living outside the city's core and CBD periphery neighbourhoods.

2.2.3 How important are the following neighbourhood features to you?

	Low noise levels and few adverse commercial/ industrial impacts	Character of neighbourhood	Safe neighbourhood	Friendly neighbourhood	Special neighbourhood features like sea views
Single Person Household - Own	82%	74%	84%	61%	35%
Single Person Household - Rent	55%	75%	80%	55%	25%
Couple Only Household - Own	83%	78%	91%	75%	42%
Couple Only Household - Rent	73%	41%	41%	77%	18%
Family Household with Children - Own	72%	78%	96%	78%	36%
Family Household with Children - Rent	83%	70%	96%	65%	13%
Multi-Person Household - Own	100%	17%	100%	67%	50%
Multi-Person Household - rent	63%	62%	80%	47%	10%
Multi-Family Household - All	70%	70%	90%	50%	20%
Total Owning Households	78%	75%	92%	72%	38%
Total Renting Households	68%	62%	75%	60%	16%
Total	75%	71%	87%	69%	31%

In terms of housing form and features, owner-occupiers appear to place a higher priority on housing type and character than renters, and having additional features like garaging and indoor-outdoor flow. Plenty of inside living space is rated by all sub-groups as more important than outside space, especially singles, couples and multi-family households.

2.2.4 How important are the following dwelling features to you?

	Type and character of dwelling	Plenty of outside space	Plenty of inside living space	Indoor/outdoor living	Garage/off-street parking
Single Person Household - Own	42%	32%	45%	38%	63%
Single Person Household - Rent	40%	35%	50%	50%	30%
Couple Only Household - Own	60%	35%	58%	58%	74%
Couple Only Household - Rent	41%	45%	50%	57%	55%
Family Household with Children - Own	52%	60%	75%	67%	64%Safe
Family Household with Children - Rent	26%	57%	65%	52%	57%
Multi-Person Household - Own	100%	50%	100%	100%	67%
Multi-Person Household - Rent	27%	30%	60%	30%	40%
Multi-Family Household - All	20%	38%	70%	50%	30%
Total Owning Households	51%	45%	63%	58%	65%
Total Renting Households	33%	41%	57%	46%	45%
Total	46%	44%	61%	54%	59%

General elements like privacy, security and sunlight are integral to housing-related decisions, and were seen as a high priority all respondents suggests, more important perhaps than more specific housing-related items like energy efficiency, property condition or ease of access. These are, however, still regarded as highly important by two-thirds of all respondents.

2.2.5 How important are the following non-housing elements to you?

	Security	Privacy	Energy efficiency	Low maintenance	Accessibility	Sunlight exposure
Single Person Household - Own	85%	74%	51%	71%	72%	79%
Single Person Household - Rent	70%	70%	80%	75%	55%	80%
Couple Only Household - Own	90%	85%	70%	68%	70%	91%
Couple Only Household - Rent	95%	91%	64%	82%	59%	73%
Family Household with Children - Own	90%	89%	70%	51%	67%	94%
Family Household with Children - Rent	87%	91%	57%	57%	61%	78%
Multi-Person Household - Own	100%	83%	67%	67%	67%	100%
Multi-Person Household - Rent	80%	73%	63%	67%	53%	83%
Multi-Family Household - All	80%	70%	40%	40%	50%	60%
Total Owning Households	89%	84%	65%	60%	68%	89%
Total Renting Households	83%	81%	65%	69%	57%	79%
Total	87%	83%	65%	63%	65%	86%

2.3 Likes and Dislikes

Having considered dwelling and neighbourhood-related attributes, respondents were asked to respond to a series of pejorative statements about their current housing situation, and to indicate whether they agreed or disagreed with each statement.

- Strongly agree
- Agree
- Neither agree or disagree
- Disagree
- Strongly disagree

The statements themselves are derived from prior questions on affordability and neighbourhood/dwelling attributes. They provide a pointer to what housing consumers are most concerned about in respect of their current housing choices. Results are summarised in the table overleaf (dissatisfaction levels over 33% highlighted in blue).

The main points are:

- Although affordability is a key determinant of housing choice, only 12% of households surveyed have serious concerns about the affordability of their current dwelling, which perhaps reflects the sample's (and Wellington City's) relatively high household income levels.
- Affordability concerns are highest amongst families and single person households renting from a private landlord (20%).
- More than 20% of renting households regarded noise and/or lack of privacy as a serious concern, more than double the rate for owner-occupier households.
- As a general rule, respondents were content with their current neighbourhood, with fewer than 5% expressing dissatisfaction with location.
- Renting households were more than twice as likely to have issues with the style and size of their current dwelling.

- Storage is an issue for 40% of all respondents (50% of all renting households).
- More than 50% of all renting households believed that their current dwelling had poor heating and insulation, compared to 23% for owner-occupiers.

In summary, there appears to be a size and quality gulf between housing available to renting households, compared to owner-occupiers. This is in part due to a higher proportion of rented housing being attached or multi-unit dwellings, but may also reflect a comparative lack of investment in housing amenity.

DRAFT

2.3.1 Thinking specifically about your current dwelling, please rate the extent to which you agree or disagree with the following statements:

		I can't afford it	It's too noisy	There's not enough privacy	I don't like the location	I don't like the type and character of dwelling	There's not enough living space	There's not enough bedrooms	There's not enough outside space	There's not enough storage	It has poor heating and insulation
Single Person Household - Own	Agree	10%	6%	9%	3%	3%	14%	11%	12%	36%	23%
	Disagree	70%	79%	78%	90%	88%	74%	78%	77%	51%	55%
Single Person Household - Rent	Agree	17%	14%	19%	7%	19%	35%	21%	42%	49%	52%
	Disagree	50%	70%	63%	85%	65%	56%	69%	45%	39%	37%
Couple Only Household - Own	Agree	8%	6%	10%	1%	3%	8%	11%	6%	29%	21%
	Disagree	78%	81%	73%	93%	91%	83%	81%	84%	55%	62%
Couple Only Household - Rent	Agree	11%	9%	9%	9%	23%	45%	41%	50%	64%	64%
	Disagree	53%	77%	73%	77%	55%	41%	50%	45%	18%	32%
Family Household with Children - Own	Agree	11%	0%	6%	5%	4%	17%	12%	18%	41%	23%
	Disagree	71%	84%	86%	89%	87%	67%	70%	67%	48%	53%
Family Household with Children - Rent	Agree	22%	13%	17%	13%	35%	43%	26%	48%	32%	52%
	Disagree	30%	65%	65%	87%	52%	43%	61%	39%	59%	39%
Multi-Person Household - Own	Agree	17%	33%	17%	0%	17%	50%	33%	33%	33%	17%
	Disagree	67%	33%	83%	67%	67%	50%	67%	50%	67%	50%
Multi-Person Household - rent	Agree	8%	7%	23%	3%	7%	20%	0%	43%	43%	47%
	Disagree	71%	79%	57%	87%	70%	70%	93%	43%	43%	37%
Multi-Family Household - All	Agree	10%	10%	10%	0%	0%	10%	10%	0%	40%	40%
	Disagree	60%	80%	80%	80%	80%	80%	70%	80%	40%	30%
Total Owning Households	Agree	10%	6%	9%	3%	3%	14%	11%	12%	36%	23%
	Disagree	70%	79%	78%	90%	88%	74%	78%	77%	51%	55%
Total Renting Households	Agree	17%	14%	19%	7%	19%	35%	21%	42%	49%	52%
	Disagree	50%	70%	63%	85%	65%	56%	69%	45%	39%	37%
Total	Agree	12%	8%	12%	4%	8%	20%	14%	21%	40%	32%
	Disagree	64%	76%	73%	88%	81%	69%	75%	68%	47%	49%

2.4 Relocation Drivers

To better understand what drives a decision to relocate to another dwelling, we asked our respondents if they expected to move house within the next five years, where they planned to move to, and what the main reasons were for their intended move.

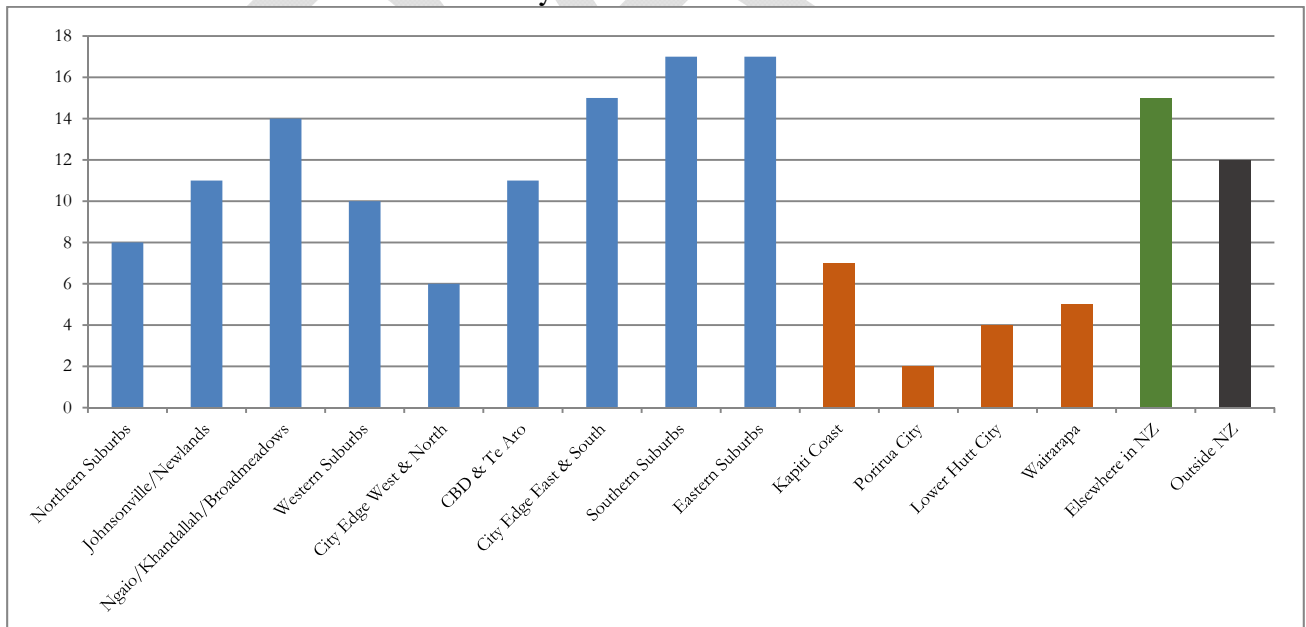
In summary, 83% of all renting households and 36% of owner-occupier households who participated in the survey expect to move house within the next five years.

2.4.1 Do you expect to move house in the next five years?

	Owner-Occupier Households - Move	Owner-Occupier Households - Stay	Renting Households - Move	Renting Households - Stay
Single Person Households	15	24	16	3
Couple Only Households	26	55	17	5
Families with Children	28	55	19	4
Multi-family Households	5	3	1	1
Multi-person Households	5	1	27	3
Totals	79	138	80	16

For the most part, respondents plan to stay in Wellington, although 30% plan to move outside the City, reinforcing our view that the City's population is amongst the most mobile in New Zealand. Although the sample is too small to be definitive, there appears to be a trend towards the eastern and southern suburbs, perhaps reflecting a higher concentration of rental housing in these areas.

2.4.2 Taking into account your CURRENT financial position, where would you REALISTICALLY be most likely to move to?



The table overleaf looks more closely at why respondents are considering a move (significant results highlighted in blue). The main drivers appear to be positive (i.e. lifestyle choice, moving to home ownership and family formation), although renting households are also more likely to be considering a move because of issues with their current dwelling.

2.4.3 Why are you considering moving from your current home?

		Current housing is not affordable	Current housing is not energy efficient	Current dwelling is too big	Current dwelling is too small	Growing family	Want to be closer to preferred schools	Seeking a better lifestyle	Seeking a better-quality neighbourhood	Easier access to work	Other work-related (new job, transfer)	Seeking to own my/our own home	Safety concerns about current neighbourhood
Single Person Household - Own	Agree	16%	25%	16%	27%	20%	11%	47%	8%	16%	12%	10%	4%
	Disagree	65%	56%	68%	60%	70%	86%	39%	64%	63%	67%	71%	86%
Single Person Household - Rent	Agree	18%	33%	4%	33%	8%	8%	47%	16%	14%	20%	45%	3%
	Disagree	62%	53%	91%	55%	76%	76%	34%	63%	64%	61%	38%	85%
Couple Only Household - Own	Agree	8%	24%	20%	20%	8%	4%	48%	8%	20%	20%	8%	4%
	Disagree	80%	60%	64%	72%	88%	96%	40%	64%	60%	68%	80%	88%
Couple Only Household - Rent	Agree	12%	35%	0%	47%	6%	12%	71%	18%	12%	24%	41%	0%
	Disagree	71%	53%	88%	35%	82%	82%	18%	59%	65%	65%	47%	88%
Family Household with Children - Own	Agree	7%	14%	7%	29%	26%	22%	43%	4%	18%	11%	14%	4%
	Disagree	71%	57%	75%	54%	56%	70%	32%	68%	61%	54%	64%	86%
Family Household with Children - Rent	Agree	31%	44%	6%	31%	19%	27%	56%	13%	6%	0%	69%	0%
	Disagree	38%	38%	81%	56%	63%	60%	31%	50%	63%	69%	19%	75%
Multi-Person Household - Own	Agree	20%	20%	0%	60%	60%	20%	80%	20%	20%	0%	0%	0%
	Disagree	40%	80%	100%	20%	20%	80%	0%	0%	60%	80%	40%	80%
Multi-Person Household - rent	Agree	7%	22%	7%	19%	4%	0%	28%	15%	22%	30%	30%	0%
	Disagree	74%	59%	93%	69%	81%	85%	48%	73%	63%	56%	48%	93%
Multi-Family Household - All	Agree	25%	25%	25%	25%	25%	0%	25%	0%	0%	0%	0%	25%
	Disagree	50%	75%	75%	75%	75%	100%	75%	75%	67%	75%	0%	75%
Total Owning Households	Agree	16%	25%	16%	27%	20%	11%	47%	8%	16%	12%	10%	4%
	Disagree	65%	56%	68%	60%	70%	86%	39%	64%	63%	67%	71%	86%
Total Renting Households	Agree	18%	33%	4%	33%	8%	8%	47%	16%	14%	20%	45%	3%
	Disagree	62%	53%	91%	55%	76%	76%	34%	63%	64%	61%	38%	85%
Total	Agree	17%	29%	10%	30%	14%	9%	47%	12%	15%	16%	28%	3%
	Disagree	63%	54%	79%	57%	73%	81%	36%	64%	64%	64%	54%	86%

Other reasons given for considering a move are summarised in the table below. While some comments mirror the choices offered in our questionnaire, the comments point to a wider range of factors driving housing choice than anticipated in earlier surveys.

2.4.4 Any other reasons for considering a move?

Reason given	No.
Want to reduce mortgage/other housing outgoings	8
Poor condition of/issues with current dwelling	6
Want lower maintenance	5
Relationship break up	5
New relationship	5
Want more outside space for children	5
Owners returning to or selling rental property	5
Closer to shops and services	5
Access to public transport	4
Children left home/need less space	4
Growing family - need a bigger house	4
Moving to retirement destination	4
Less noise and/or adverse industrial/commercial impacts	4
Move closer to family	3
Issues with current neighbours or neighbourhood	3
Current housing unaffordable	3
Saving money for non-housing items (e.g.travel)	2
Investment reasons (e.g. capital gain, investments)	2
Looking for different flatting	2
Generally moving up the property ladder	2
Need space for extended family	1

2.5 Housing Preferences

The final sections of the Wellington Housing Survey 2014 asked respondents to ponder what they would do if they had to move inside Wellington City tomorrow, based on:

- A realistic assessment of their household's current financial situation.
- Respondents understanding of rental and ownership costs in Wellington.
- Their current household configuration.

Location Preferences

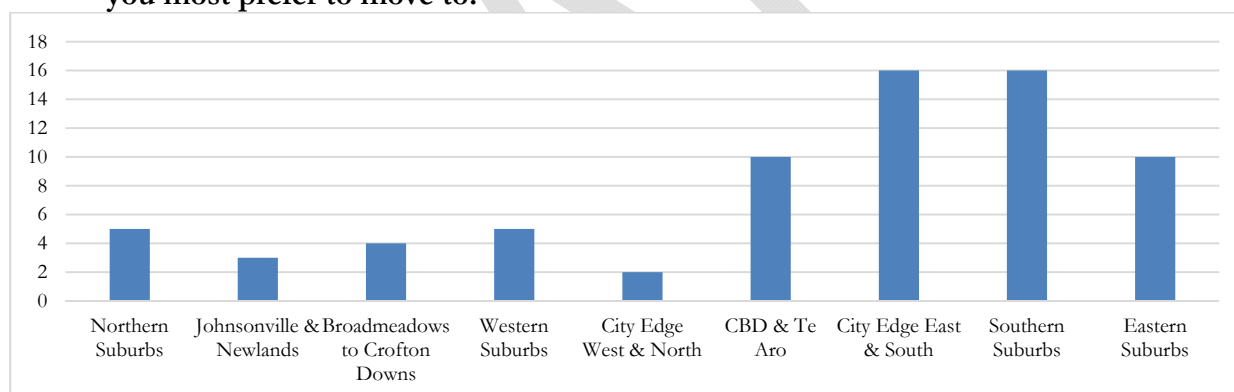
The table below summarises respondents preferences in respect of location. About 80% of all those surveyed indicated that they would stay within the same neighbourhood or general area, which confirms earlier indications.

2.5.1 If you had to move INSIDE WELLINGTON CITY tomorrow, would you realistically:

	Move to a Different Area	Stay in Same Area	Shift in Area as % of tot
Single Person Household - Own	9	29	24%
Single Person Household - Rent	5	15	25%
Couple Only Household - Own	18	63	22%
Couple Only Household - Rent	7	15	32%
Family Household with Children - Own	15	68	18%
Family Household with Children - Rent	5	19	21%
Multi-Person Household - Own	1	5	17%
Multi-Person Household - rent	7	23	23%
Multi-Family Household - All	1	9	10%
Total Owing Households	44	174	20%
Total Renting Households	24	72	25%
Total	68	246	22%

Of those who preferred to move to a different area, there is a marked net preference for locations to the south and east of the CBD, although the sample size is perhaps too small to draw definitive conclusions about a preferential swing away from other areas.

2.5.2 You indicated that if you moved INSIDE Wellington City tomorrow, you would move to a different general area which of the following areas in Wellington would you most prefer to move to?



The table overleaf contains a more detailed analysis of locational preferences.

In summary:

- 80% of all renting households regard housing affordability as a priority locational driver, compared to 65% for owner-occupiers.
- Access to work and public transport remains a high priority for renters.
- Neighbourhood character, friendliness and safety are highly prized by owner-occupiers (and to a lesser extent renters) along with a low noise environment.
- Access to good neighbourhood schools remains one of the highest priorities for families with children.

2.5.3 Please rate the importance of the following elements in leading you to choose your most preferred area/suburb in the previous question.

	Affordable home ownership	Affordable rent levels	Access to work	Access to public transport	Access to entertainment and nightlife	Character of neighbourhood	Safe and friendly neighbourhood	Local schools and other amenities	Natural environmental features	Style and character of housing	Close to family and friends	Low-noise environment
Single Person Household - Own	61%	18%	45%	72%	26%	56%	72%	8%	35%	44%	34%	55%
Single Person Household - Rent	35%	85%	70%	80%	20%	55%	80%	0%	50%	37%	26%	50%
Single Person Household - All	52%	41%	53%	75%	24%	56%	75%	5%	40%	41%	32%	53%
Couple Only Household - Own	65%	19%	53%	65%	19%	75%	86%	19%	58%	67%	31%	68%
Couple Only Household - Rent	62%	77%	71%	59%	24%	45%	82%	18%	45%	27%	36%	73%
Couple Only Household - All	64%	32%	57%	64%	20%	69%	85%	19%	55%	58%	32%	69%
Family Household with Children - Own	66%	30%	67%	67%	13%	61%	94%	75%	59%	54%	29%	58%
Family Household with Children - Rent	61%	71%	58%	78%	8%	46%	83%	75%	42%	33%	29%	33%
Family Household with Children - All	65%	40%	65%	70%	12%	58%	91%	75%	55%	49%	29%	52%
Multi-Person Household - Own	83%	50%	100%	100%	33%	33%	83%	33%	50%	17%	33%	60%
Multi-Person Household - Rent	38%	87%	73%	77%	40%	50%	53%	10%	40%	30%	37%	53%
Multi-Person Household - All	46%	81%	78%	81%	39%	47%	58%	14%	42%	28%	36%	54%
Multi-Family Household - All	40%	40%	60%	70%	0%	30%	80%	30%	40%	10%	30%	30%
Total Owning Households	64%	25%	59%	68%	18%	63%	86%	39%	53%	54%	31%	60%
Total Renting Households	48%	80%	68%	74%	24%	49%	73%	26%	44%	32%	33%	52%
Total all households	59%	42%	62%	70%	20%	59%	82%	35%	50%	47%	31%	57%

Tenure Preferences

When asked whether they would prefer to own or rent, 16% of renting households and a surprising 13% of owner-occupiers indicated that they consider switching tenures if they had to move home tomorrow

2.5.4 If you moved to your preferred area tomorrow, would you REALISTICALLY be more likely to rent or own?

	Current	Prefer to Own	Prefer to Rent	Shift in preference
Single Person Household - Own	39	36	3	8%
Single Person Household - Rent	20	3	17	15%
Couple Only Household - Own	81	75	6	7%
Couple Only Household - Rent	22	3	19	14%
Family Household with Children - Own	83	70	13	16%
Family Household with Children - Rent	24	5	19	21%
Multi-Person Household - Own	6	4	2	33%
Multi-Person Household - rent	30	4	26	13%
Multi-Family Household - All	10	5	5	10%
Total Owning Households	219	190	29	13%
Total Renting Households	96	15	81	16%
Total	315	205	110	
Net shift		-14	14	

As a general rule the rationale behind tenure choice follows current tenure patterns, with those already owning a home, and discretionary renters moving into the family formation phase, choosing to own. Those moving away from home ownership appear to be trading off in favour of a preferred location, in some cases as a prelude to a move outside of Wellington.

2.5.5 What is the MAIN REASON for your choice between owning and renting in your preferred area?

	Already own a home	Currently rent but plan to buy	Can't afford to own in preferred location	Can't afford to own anywhere	No long term plans to stay in Wellington	Renting is more convenient	Other	Not specified
Single Person Household - Own	35		2			1	1	
Single Person Household - Rent		1	13	1	1	1	1	
Couple Only Household - Own	71	2	1					7
Couple Only Household - Rent	1	2	13		5	1		
Family Household with Children - Own	68	2	10	1		2		
Family Household with Children - Rent		5	17	1			1	
Multi-Person Household - Own	4		2					
Multi-Person Household - rent			16	2	7	5		
Multi-Family Household - All	5		2	2		1		
Total Owning Households	183	4	17	3	0	4	1	7
Total Renting Households	1	8	59	4	13	7	2	0
Total households	184	12	76	7	13	11	3	7
Rationale as % of tot	59%	4%	24%	2%	4%	4%	1%	2%

Dwelling Preferences

In respect of dwelling preferences, 81% of all respondents indicated that they would prefer to live in a standalone dwelling, although 40% of single-person households opted for attached housing as their first preference.

2.5.6 What type of dwelling would you MOST PREFER to live in?

	Single Person - Own	Single Person - Rent	Couple Only - Own	Couple Only - Rent	Families with Children - Own	Families with Children - Rent	Multi-Family - All	Multi-Person - Own	Multi-Person - Rent	Total	% of tot
Standalone Home	26	10	64	18	77	22	8	5	25	255	81%
Semi-detached or townhouse	8	4	10	2	2	1	1	1	3	32	10%
Low-rise apartment complex	4	3	3	1	0	1	0	0	0	12	4%
Multi-level apartment complex	0	2	3	1	2	0	1	0	2	11	4%
Standalone house split into two or more flats	1	1	0	0	2	0	0	0	0	4	1%
Totals	39	20	80	22	83	24	10	6	30	314	
% selecting compact housing form	33%	50%	20%	18%	7%	8%	20%	17%	17%	19%	

Standalone housing continues to be the housing form of choice for most Wellington households, but there is growing acceptance of alternative housing forms. For instance, almost 60% of all households that did not choose semi-detached or townhouse-style housing as their first option would consider living in this type of dwelling. This drops to 26% for low-rise apartment-style housing but, for single-person households, almost 50% of all those surveyed would choose or consider this type of dwelling.

Renting households are far more likely to accept standalone houses split into flats as a fall-back housing choice, perhaps due to the predominance of this housing form in the current rental market.

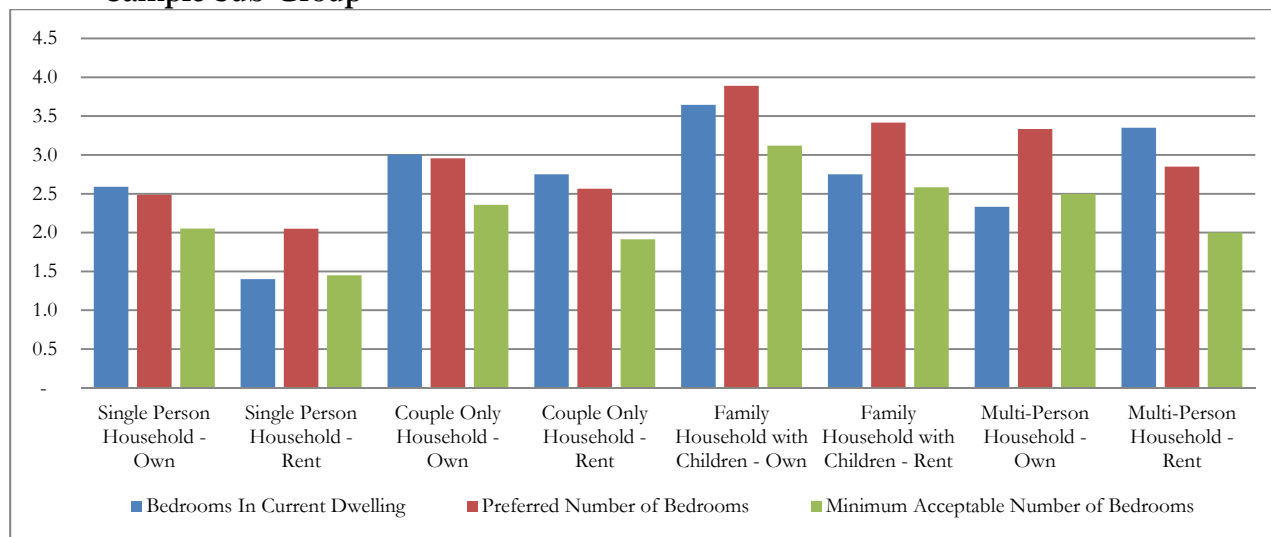
2.5.7 What other types of dwelling would you consider living in?

Preferred housing type	Would not consider any other dwelling type	Stand-alone house	Semi-detached house or townhouse	Low-rise apartment complex	Multi-level apartment complex	Standalone house split into two or more flats	Other
Standalone house	77	0	143	53	31	49	7
Semi-detached house or townhouse	0	16	0	16	8	11	5
Low-rise apartment complex	0	4	6	0	4	1	3
Multi-level apartment complex	1	5	7	10	0	1	1
Standalone house split into two or more flats	1	1	2	0	0	0	0
Totals	79	26	158	79	43	62	16
% not choosing as 1 st option that would consider this housing type	25%	44%	56%	26%	14%	20%	5%

Bedroom Preferences

The survey asked all respondents to consider how many bedrooms they would prefer to have, and also what they considered was the minimum acceptable number of bedrooms for their household. The figure below contrasts respondents' current housing situation with their bedroom responses.

2.5.8 Current, Preferred and Minimum Acceptable Number of Bedrooms – Average by Sample Sub-Group



The results suggest that the expectations of both owner-occupier and renting households are largely shaped by their previous housing experiences. Older owner-occupier couples and singles, for instance, generally still live in their family home, and expect to have a spare bedroom available. By contrast renting households in the same age range are more likely to have adapted to smaller, more affordable housing.

2.6 Housing Priorities and Trade-Offs

To conclude the housing consumer survey, respondents were asked a series of questions designed to establish what matters most to Wellington households when choosing a new home. Firstly, respondents were asked to rank what housing elements were MOST important when choosing a home. The results suggest that *dwelling capacity* (i.e. number of bedrooms) is the primary consideration for Wellington households, followed by *housing affordability*. Non-essential housing features (storage, off-street parking and indoor-outdoor living) were ranked slightly ahead of location and housing type, which is somewhat surprising given the thesis of previous housing preference studies that choice is largely a matter of trading off locational benefits against dwelling size and type.

2.6.1 Which of the following is most important you?

	Most important	Second most important	Third most important	Fourth most important	Fifth most important	% Ranking 1	% Ranking 1 or 2	% Ranking 1, 2 or 3
Having my preferred number of bedrooms	109	54	115	8	20	36%	53%	91%
Housing outgoings are affordable	71	61	60	46	61	24%	44%	64%
Other housing features like storage, parking, indoor/outdoor living	57	54	46	72	66	19%	38%	53%
Living in my preferred type of housing	36	63	26	84	78	13%	34%	44%
Living in my preferred location	27	58	45	80	71	10%	30%	46%
Totals	300	290	292	290	296			

The table below provides a more detailed breakdown by sub-group. Owning couples appear to place a far higher priority on dwelling size, perhaps reflecting the fact that many owning couples are still living in the family home. By contrast, affordability is less of an issue for single person households, reflecting the fact that many such households in our sample are mortgage-free, or are higher-income renters.

2.6.2 Housing element rankings by subgroup - percentage scoring each element first second or third most important

	Single Person - Own	Single Person - Rent	Couple Only - Own	Couple Only - Rent	Families with Children - Own	Families with Children - Rent	Multi-Family - All	Multi-Person - Own	Multi-Person - Rent	Total All
Having my preferred number of bedrooms	82%	88%	96%	91%	88%	95%	80%	83%	100%	91%
Housing outgoings are affordable	76%	69%	58%	76%	58%	55%	80%	83%	69%	64%
Housing features like storage, off-street parking etc	63%	75%	47%	47%	52%	60%	40%	50%	54%	53%
Living in my preferred type of housing	47%	38%	44%	42%	37%	53%	60%	67%	45%	44%
Living in my preferred location	30%	31%	52%	39%	63%	37%	40%	17%	32%	46%

In a series of follow up questions, respondents were asked about what TRADE-OFFS they would be prepared to make in order to:

- Live in their preferred location; or
- Live in their preferred type of housing; or
- Become home owners.

For location, 40% of all respondents indicated they would be MOST LIKELY to choose a different dwelling type as the primary means of achieving their locational objectives. One third of all respondents would also choose to pay more for housing as their first or second choice.

About 50% of respondents indicated that they would actively consider down-sizing to stay in their preferred location. Two thirds would sacrifice non-essential housing features for location as a first, second or third choice.

2.6.3 What trade-offs would you consider to live in your preferred location?

	Most likely to consider	Second most likely to consider	Third most likely to consider	Fourth most likely to consider	Fifth most likely to consider	Totals	% Ranking 1	% Ranking 1 or 2	% Ranking 1, 2 or 3
Live in a different type of dwelling from preferred option	115	43	52	25	55	290	40%	54%	72%
Pay more for housing	65	28	75	54	55	277	23%	34%	61%
Fewer bedrooms than preferred	35	33	70	80	55	273	13%	25%	51%
Smaller living spaces	30	52	52	78	60	272	11%	30%	49%
Trade location for features (e.g. storage, parking, outdoor living)	36	113	27	35	53	264	14%	56%	67%
Totals	281	269	276	272	278				

In order to live in their preferred dwelling type, most respondents would choose a smaller-size version and sacrifice at least some non-essential housing amenities, but would maintain their preferred number of bedrooms. Paying more for housing and/or moving to a lower-cost location are also considerations, but not generally regarded as first choice.

2.6.4 What trade-offs would you consider to live in your preferred type of housing (e.g. standalone, townhouse, apartment)?

	Most likely to consider	Second most likely to consider	Third most likely to consider	Fourth most likely to consider	Fifth most likely to consider	Totals	% Ranking 1	% Ranking 1 or 2	% Ranking 1, 2 or 3
Accept fewer features like storage, off-street parking and indoor/outdoor living	75	74	48	38	67	302	25%	49%	65%
Pay more for housing	26	35	84	75	69	289	9%	21%	50%
Fewer bedrooms	32	32	72	96	55	287	11%	22%	47%
Move to a lower-cost housing area	49	60	61	49	67	286	17%	38%	59%
Smaller living spaces	110	88	22	31	30	281	39%	70%	78%
Totals	292	289	287	289	288				

Relocation to a lower-cost housing area is a more acceptable option for respondents at the family formation phase of their life cycle, many of whom would also consider more compact forms of the traditional family home.

2.6.5 What trade-offs would you consider to own your own home?

	Most likely to consider	Second most likely to consider	Third most likely to consider	Fourth most likely to consider	Fifth most likely to consider	Totals	% Ranking 1	% Ranking 1 or 2	% Ranking 1, 2 or 3
Move to a lower-cost housing area	70	72	66	45	46	299	23%	47%	70%
Accept fewer features like storage, off-street parking and indoor / outdoor living	41	28	82	87	50	288	14%	24%	52%
Live in a different type of dwelling from preferred option	32	29	65	84	75	285	11%	21%	44%
Pay more for housing	43	63	52	45	80	283	15%	37%	56%
A smaller home	103	93	22	26	35	279	37%	70%	78%
Totals	289	285	287	287	286				

2.7 Consumer Preferences Summary and Conclusions

Although standalone housing remains the preferred tenure for most Wellington households, a significant proportion of those participating in the new housing market are prepared to consider more compact housing forms, in particular attached housing with some outside space.

There are also growing numbers of older single people and couples in suburban areas who want to stay there, but no longer need to (and in some cases can't afford to) stay in larger family housing.

On this basis, is there a case for a more dynamic approach to suburban housing, for example:

- Promoting purpose-built small-lot, more compact housing in suburban areas?
- Building up a population base to support suburban centres, which are being undermined by ageing-based de-population?

Is there also a case for adapting our planning regime to recognise the dynamics of the market? For instance, Wellington's highly mobile population, and reduced access to home ownership, means that rental housing will become a greater proportion of total housing stock over the next 10-20 years. Is it time to recognise this in the City's planning regime by, for example, ensuring that housing being built in the suburbs is commercially viable as a long-term rental proposition. The sample also suggests there is scope to improve utilisation of existing housing stock, although this is beyond the brief for this report.

3. THE WELLINGTON HOUSING SURVEY 2014 – DEVELOPER VIEWPOINTS

In parallel to the consumer preferences survey, TPG approached about 60 developers and other professionals involved in residential development within Wellington City, and asked them to complete an online survey designed to collect:

- Information about recent and planned housing projects.
- Development professionals' views on factors likely to have the biggest impact on new housing supply over the next 5-10 years.
- Longer-term views housing supply. What sort of housing will we be building in 10-20 years? Where will this housing be located? What market segments will be the main purchasers of new housing product.

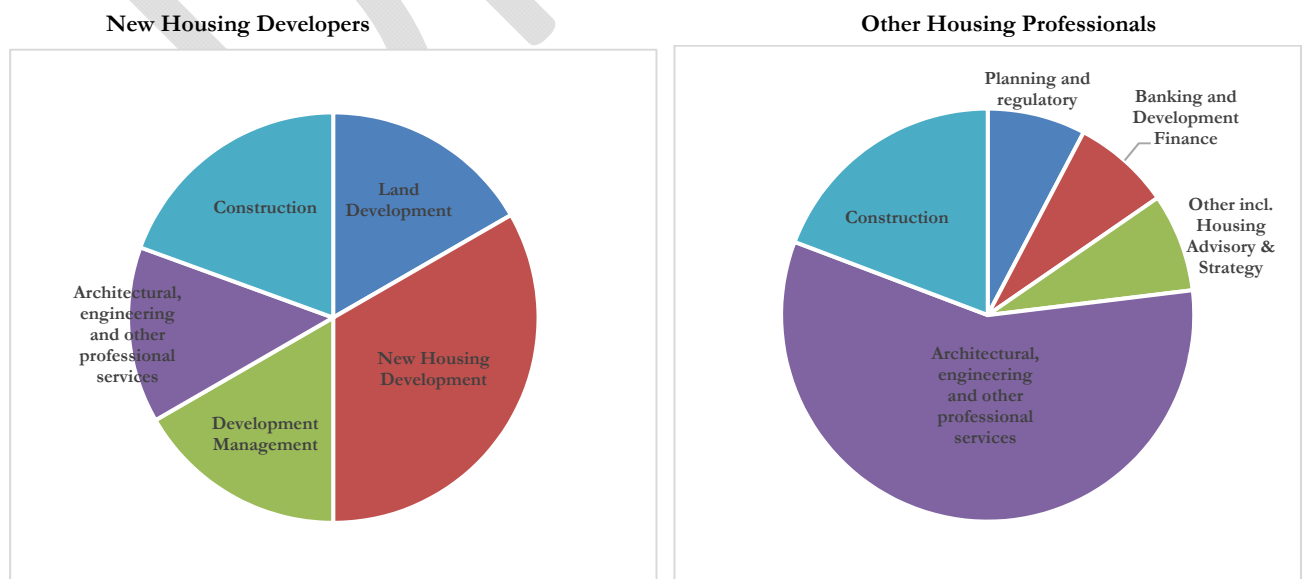
To augment the email survey, TPG also conducted personal interviews with several larger-scale developers, to capture their individual insights.

3.1 The Sample

At the time of writing, 12 new housing developers and 26 other industry professionals had completed the online survey. Most housing developers played more than one role in the development process, including land development and subdivision (six), Development management (five) and having in-house design and engineering expertise. Seven of our participated developers also had some in-house construction capability.

By contrast, almost all non-developers involved in the process were specialists, more than 50% primarily involved in architecture and urban design.

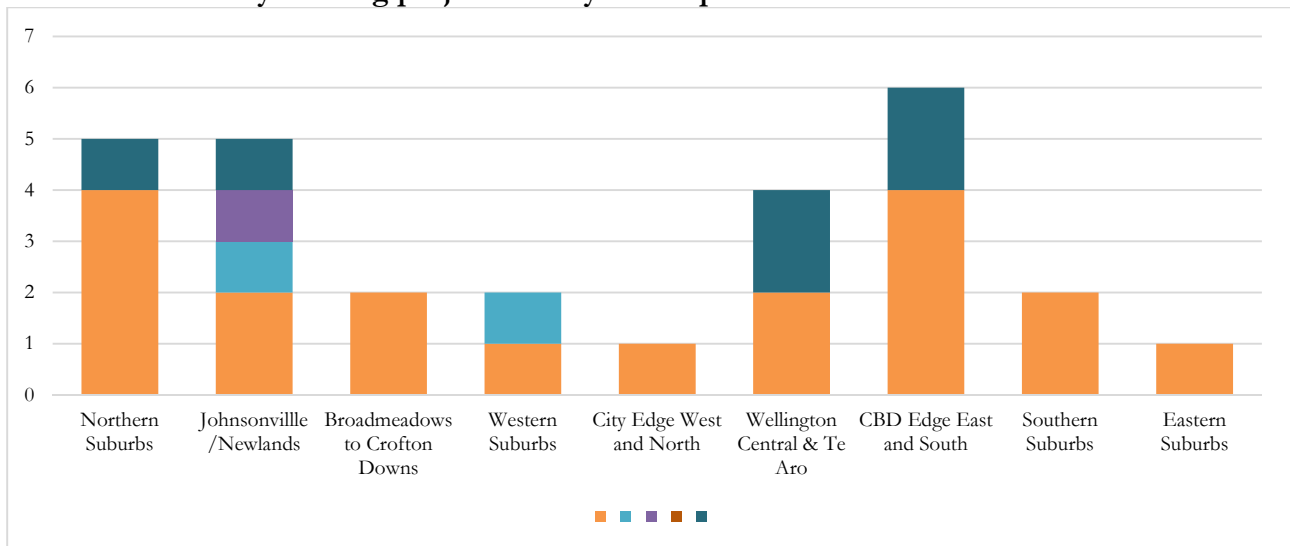
3.1.1 Developer Survey Respondents – Role in the Development Process as Percentage of Each Sub-Group



3.2 Recent Developer Activity and Focus

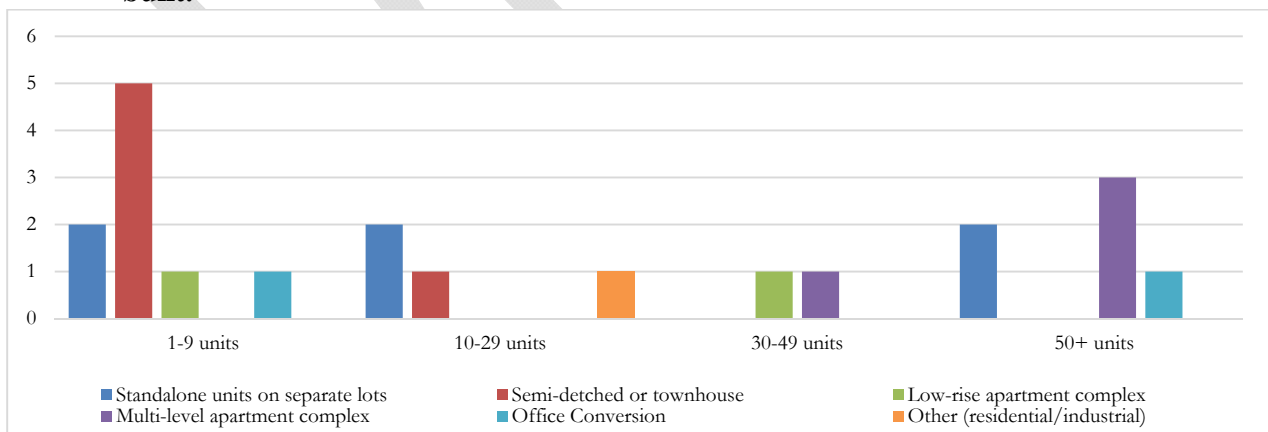
Over the past five years, developer respondents have delivered about 600 new housing units into the Wellington housing market. The focus of activity has been in the Northern Suburbs, the CBD/Te Aro and periphery suburbs, with large and smaller-scale developers featuring prominently in these locations. Other areas have generally been the domain of small-scale builder-developers and individuals.

3.2.1 How many housing projects have you completed and where were these located?



The split between Northern suburbs and the City’s core is also reflected in the scale and type of housing being built. Our sample confirms that Wellington’s larger-scale developers have generally focused on multi-unit housing in the CBD and periphery, or large-scale subdivision activity in Johnsonville and the Northern Suburbs. Other compact housing forms are generally carried out on a one-off basis, organised around a single lot or brownfields site. Only two members of the sample had delivered a large-scale townhouse project over the past five years.

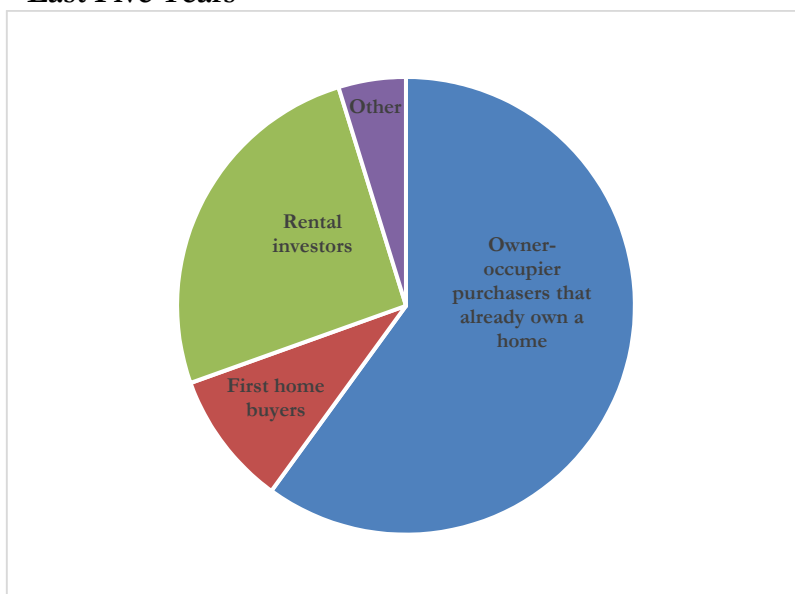
3.2.2 In total, how many housing units were completed and what type of housing was built?



It would appear that the recent market for new housing product has been heavily geared towards existing home owners. Based on developer responses we estimate that about 60% of all recent new housing has been sold to owner-occupier households with a history of home ownership. By contrast, first home-buyers are appearing to comprise less than 10% of the current market.

Residential investors have become an increasing feature of the new housing, making up about 25% of all our respondents' sales over the past five years – almost all of which was compact housing (i.e. attached housing, flats or apartments).

3.2.3 Developer Survey – Purchasers of Housing Sold by Developer Sample over the Last Five Years



Realisation levels varied widely by location and type and location, with premium properties targeted at owner-occupiers being delivered in both urban and suburban locations. By contrast, lower-price CBD housing is generally targeted at investors and (to a lesser degree), with a price ceiling based on expected yield.

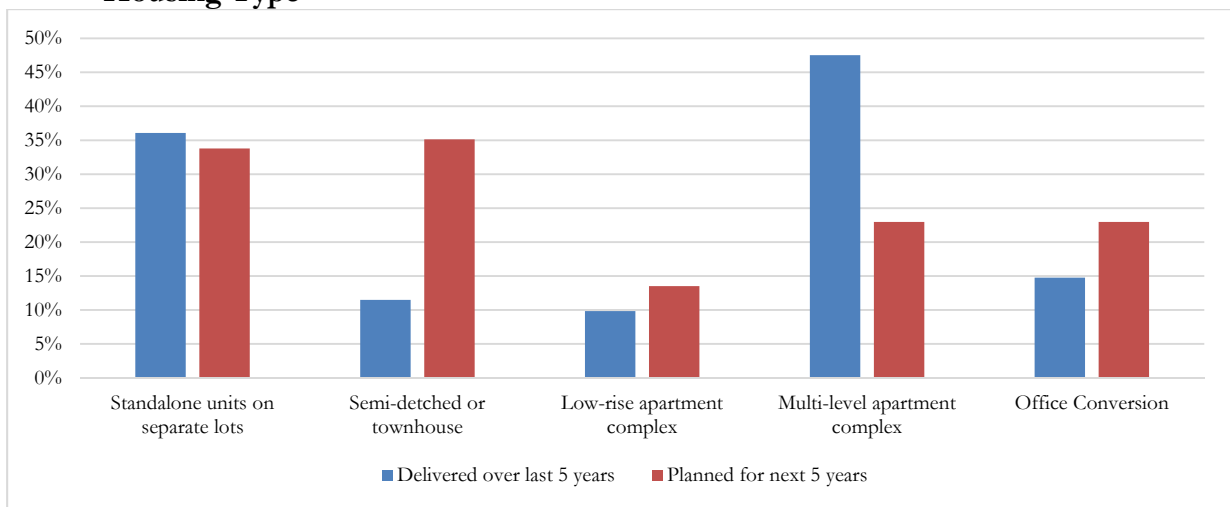
3.2.4 Developer Survey – Sale Value of Housing Sold by Developer Sample over the Last Five Years

	Standalone units on separate lots	Semi-detached or townhouse	Low-rise apartment complex	Multi-level apartment complex	Office Conversion (Student units)
High	\$ 750,000	\$ 600,000	\$ 1,000,000+	\$ 750,000+	
Midpoint	\$ 600,000	\$ 500,000	\$ 500,000	\$ 450,000	\$ 100,000
Low	\$ 360,000	\$ 450,000	\$ 400,000	\$ 350,000	

3.3 Development Plans over the Next Five Years

In a parallel set of questions, the developer respondents were asked to indicate their plans for delivering new housing over the coming five years. Based on their responses, it would appear that it will be business as usual for most of Wellington's development community, although suburban-focused developers are likely to broaden their focus to include lower-cost compact housing as they search for new customers. Of more significance, perhaps is the fact that multi-unit developers are not planning to push ahead with new apartment developments to the same extent as the previous decade.

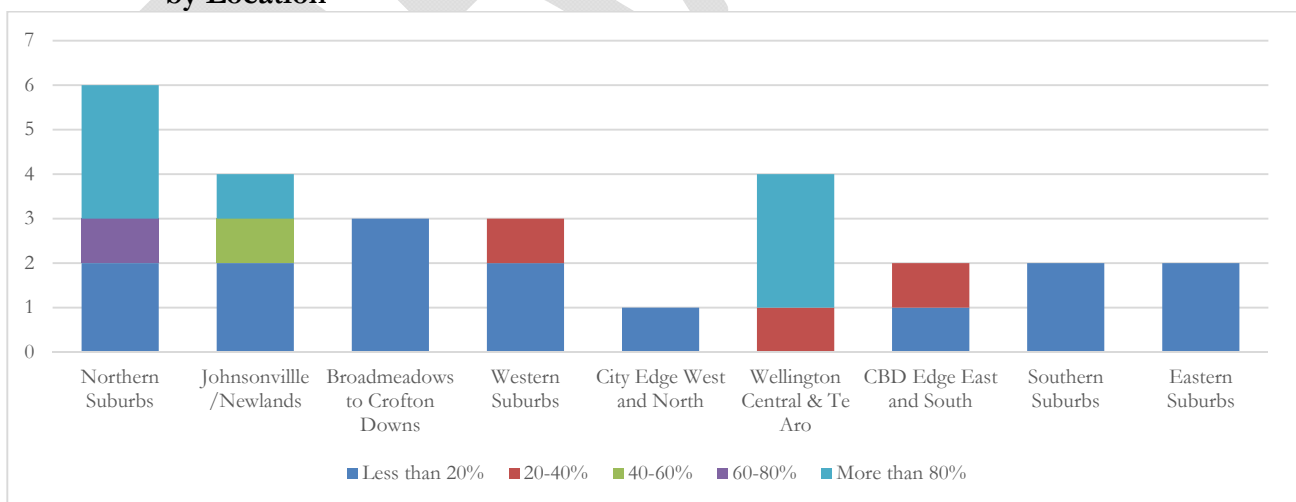
3.3.1 Developer Survey – Housing Planned for Delivery over the Next Five Years - By Housing Type



Although our sample is too small to make definitive comments about this, we note at least one major central city development company has already begun to divest its Wellington holdings in favour of Auckland. The margins, as they see it, are simply too tight. "... the land costs the same as Wellington, construction costs are pretty much the same ...but the average sale price is about \$200,000 per unit higher!"

In terms of location, those developers already active in Johnsonville and the Northern Suburbs will continue to deliver most of the new housing in these areas, while the CBD and Te Aro will also largely be the preserve of specialist multi-unit developers. Our sample is pursuing one or two opportunities in other locations, as are developers who declined to participate in the current survey.

3.3.2 Developer Survey – Housing Projects Planned for Delivery in the Next Five Years – by Location

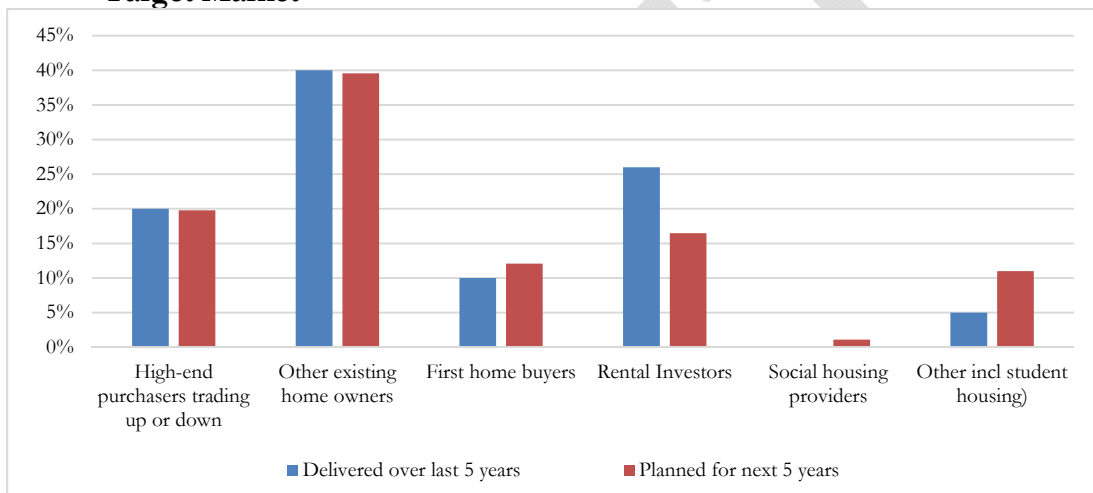


Why focus on these locations? Those surveyed gave a number of reasons:

- “...We only build in Grenada and Churton Park subdivisions”
- “The CBD is where the market is heading. No demand for my type of housing in suburbs...”
- “We only build in our own subdivision.”
- “80% of our builds are on newly-created sections. In other areas we will clear one house and rebuild two,”

Who is being targeted for new housing over the next five years? Based on developer feedback the focus on existing home owners is likely to continue, with rental investors playing a reduced role – largely due to fewer planned new multi-unit developments.

3.3.3 Developer Survey – Housing Planned for Delivery over the Next Five Years – by Target Market



With one or two exceptions, developers do not appear to put much thought into their target markets, nor into opportunities to broaden their customer base. When pressed about their reasons for targeting their current market segments, most answered reactively, with comments like

*“...because it’s our market, always has been”, or
 “...the area we are in dictates our market”*

One respondent had researched the market and sees more changes coming in the long-term:

“Our multi-unit market is pretty naïve compared to overseas, but it’s beginning to mature. In the future we’ll see buyers of all sorts moving into multi-unit housing, and demanding that we produce a better product. We want to be part of that...”

3.4 What Will Shape the Wellington New-Build Housing Market over the Next 5-10 Years?

To get a broader view of what Wellington’s development industry thinks about the future, we asked all survey participants to consider where the Wellington housing market was likely to head over the next 5-10 years, irrespective of their own plans or role in the delivery process.

Respondents were asked a series of questions on:

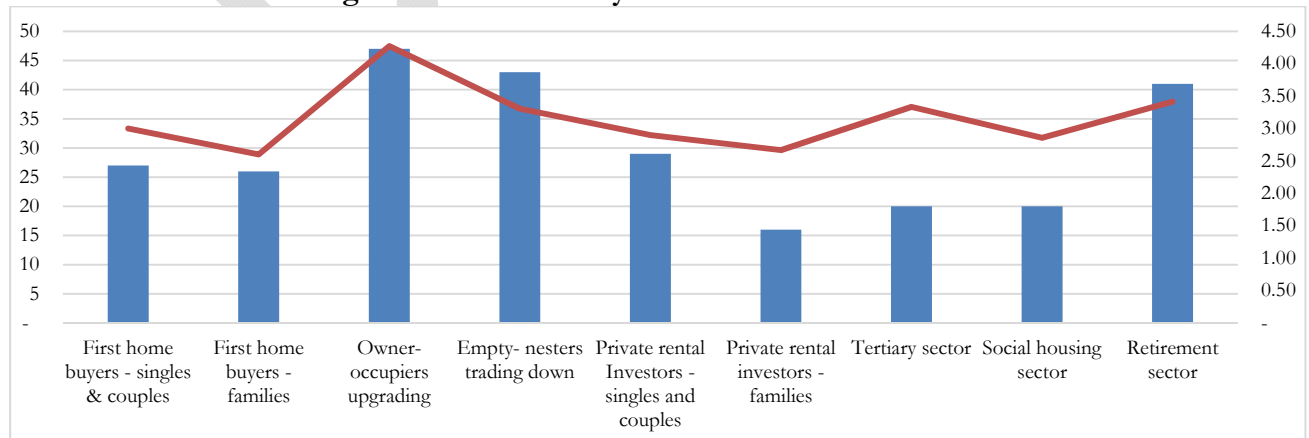
- What market segments are likely to have the BIGGEST IMPACT on demand for new-build housing over the next 5-10 years?
- What factors pose the BIGGEST RISKS to new housing development?
- What was most likely to stimulate new housing development?
- Is Wellington’s residential development capacity aligned with future housing demand?
- Are WCC’s District Plan settings attuned to upcoming changes in housing demand?

The tables below summarise industry sentiment on these points. They are based on a weighted score for each variable (blue column) along with an average ranking (orange line) for all those that selected that variable (one being least important, five being most important).

In respect of customer demand, most respondents expect that existing owner-occupiers will continue to drive the Wellington housing market (including retirees moving to purpose-built housing), although the rental investment sector will grow in response to increasing rental housing demand amongst singles and couples – and to a lesser extent families in the ‘intermediate housing market’ who would trade off traditional housing for their preferred location. The rise in rental investor numbers is also seen by many as a key drive to rising demand for compact housing product.

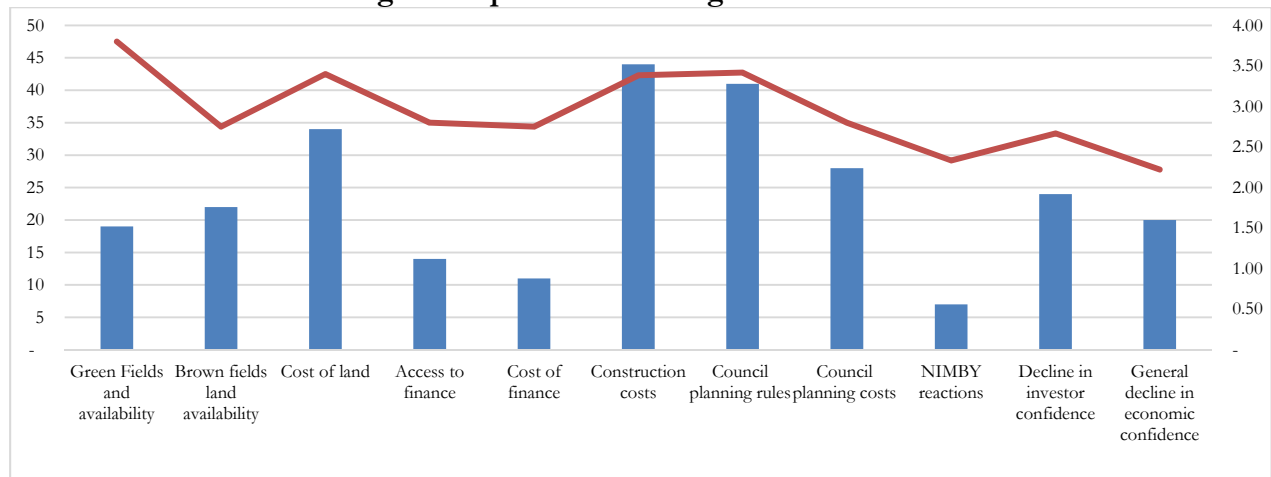
Respondents were split about whether newer, more affordable housing types would gain traction in suburban areas, although many noted that growth of lower-cost housing forms was necessary to stop the flow of younger families from established suburban areas.

3.4.1 Which market segments will have the BIGGEST IMPACT ON DEMAND for new-build housing over the next 5-10 years?



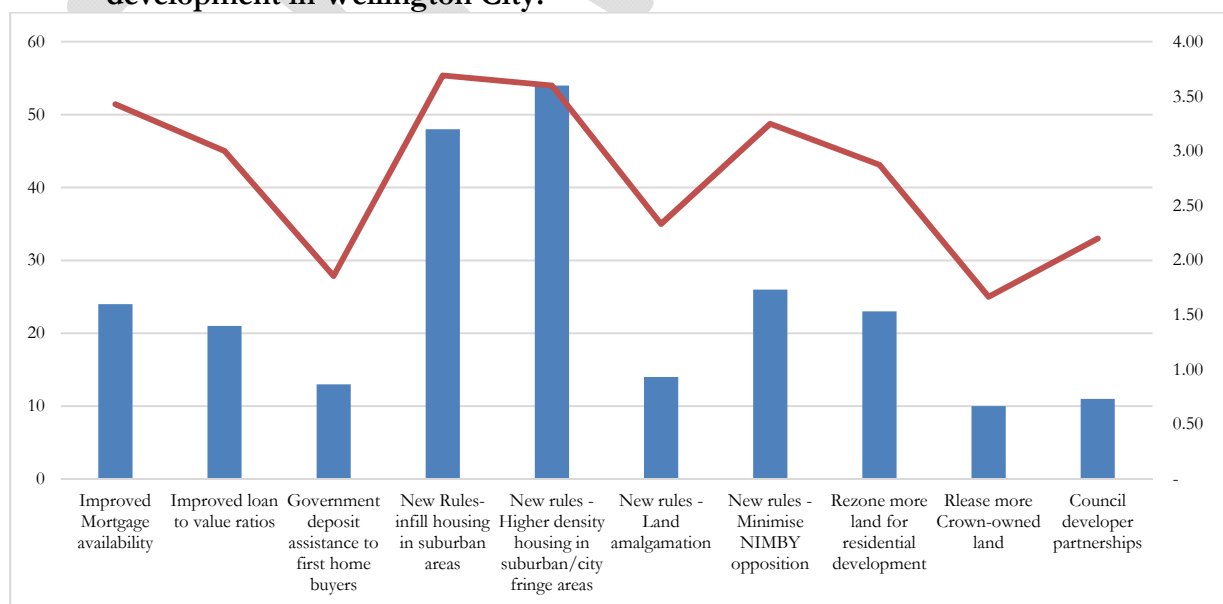
In terms of risk, respondents believed that the combined impact of high land and construction costs, and council rules and charges, made Wellington a difficult place to do business. A smaller subset of respondents also believed that Wellington had suffered in recent years from a decline in investor confidence in the Wellington property market, and a more general decline in confidence amongst housing consumers in the Wellington economy in general. As one survey participant who rents a two-bedroom apartment in the inner city noted *“There’s not much value uplift in the apartment market, my job is by no means certain and renting is still cheaper than buying... why buy when there’s no upside?”*

3.4.2 Over the next 5-10 years, which of these factors is likely to pose the BIGGEST RISK to new housing development in Wellington?



Not surprisingly perhaps, respondents believed that an overhaul of Council rules and regulations would do more to stimulate the new housing market than, say, central government policy aimed at increasing home ownership participation rates, although those most involved in suburban land development were also more likely to call for more land to be rezoned.

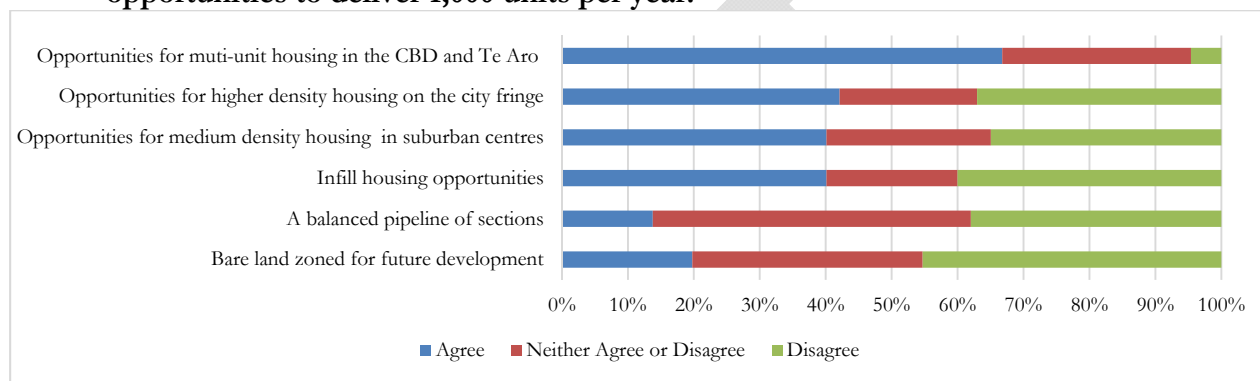
3.4.3 Over the next 5-10 years, which of these factors is likely to stimulate new housing development in Wellington City?



The tables below explore issues of land availability, industry capacity and WCC’s role in the development process in more detail. Respondents were presented with a series of statements about each of these variables and asked whether they disagreed or disagreed with ear statement. For instance, when asked whether Wellington had enough medium-term development opportunities for the development community to deliver WCC’s target of 1,000 new housing units annually, most respondents felt that there was an abundance of opportunities for residential development within the City’s core, but the pipeline of new sections and future development land was poorly-managed.

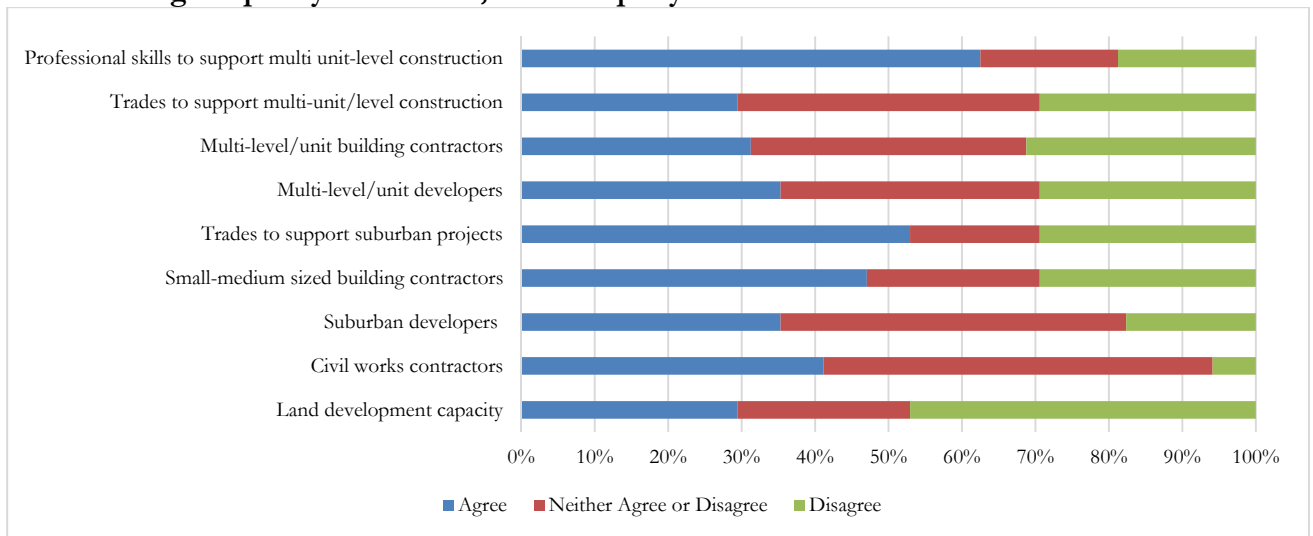
Opportunities for developing compact housing in existing suburban centres was also seen as problematic by a significant minority of respondents.

3.4.4 Over the next 5-10 Years, Wellington will have enough of each the following opportunities to deliver 1,000 units per year:



The industry largely believed that it had the skills to deliver Council’s housing target of 1,000 new units annually, provided that council rules enabled this total and that development in the city was commercially-viable. There was a feeling in some quarters that each of the city’s sub-markets (and the professional services that support them) was dominated by too few players, perhaps to the detriment of competition. This applies in particular to green fields land development, where a common response amongst other players was that the supply chain was largely fixed. More than one longer-term developer noted the departure from Wellington of some of New Zealand’s biggest construction companies in recent years, and the relative lack of innovation in multi-unit construction.

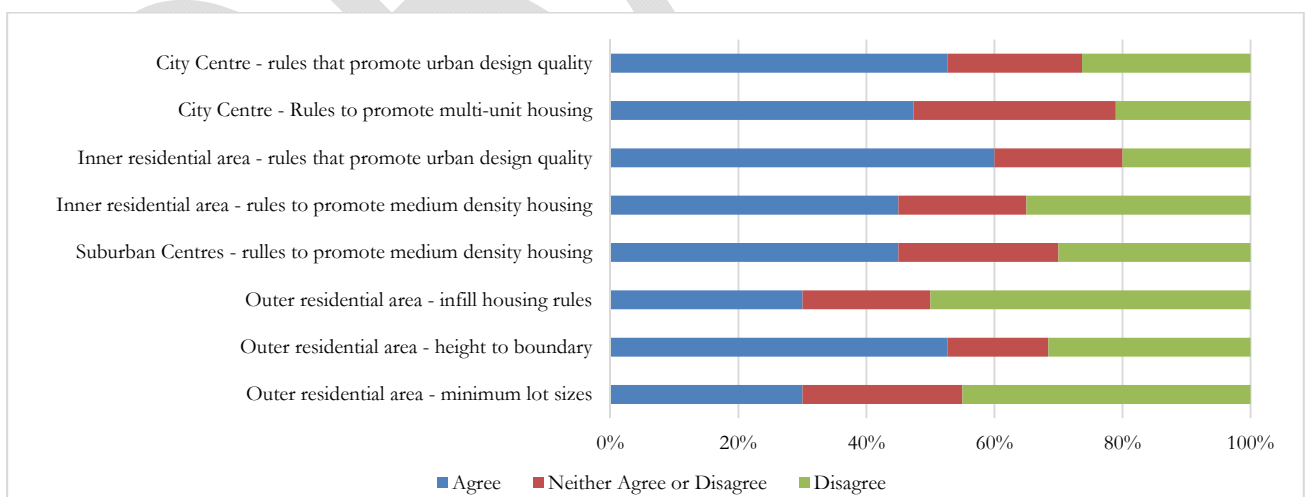
3.4.5 Over the next 5-10 Years, the Wellington Development Community will have enough capacity to deliver 1,000 units per year:



In respect of Council’s District Plan settings, respondents were generally supportive of City Centre Zone rules, but believed more could be done to promote compact housing forms in the Inner and Outer Residential Zones. In particular, restrictions on infill housing were seen to be out of alignment with what the market wanted, and minimum lot sizes acted as a substantial brake on comprehensive redevelopment.

A view was also expressed by some participants that Council could do more to promote compact housing redevelopment around suburban centres, including facilitating land amalgamation and providing tangible support for exemplar projects.

3.4.6 Over the next 5-10 Years, Wellington City Council's District Plan settings will enable developers to deliver the right mix and quality of housing, in particular:



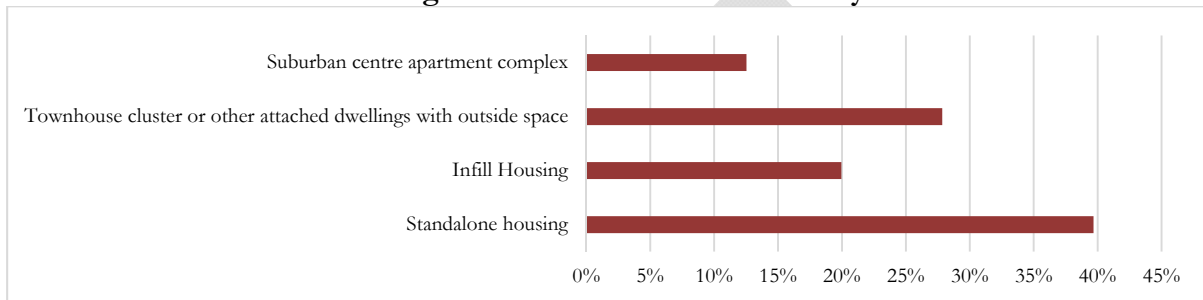
3.5 What Will the Market for New Build Housing Look Like In 10 Years?

In the last section of our developer survey, we asked all participants to consider the longer-term direction of the Wellington housing market. What types of housing should we be building in Wellington's main sub-markets in 10 years if the right planning settings and commercial conditions are in place? Who will be the main purchasers of new-build housing within each sub-market?

Suburban Areas

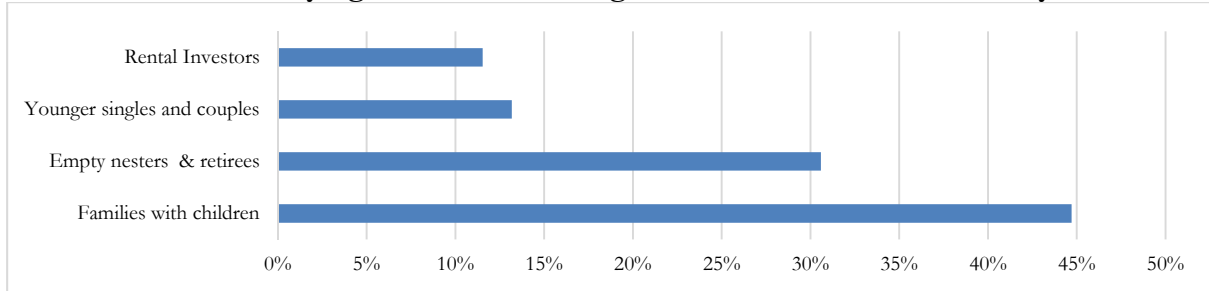
The industry's collective vision for Wellington's suburbs sees a reduced focus on standalone housing in favour of a greater mix of housing types.

3.5.1 What will we be building in SUBURBAN AREAS in 10 years?



The suburban market still be driven largely by family-with-children households, but there will be an increasing recognition of the housing preferences of non-family households that want to retain their suburban lifestyle. Rental investors will emerge as a discrete sub-market within the suburbs, but are not seen as driving the market to the same extent as central city locations.

3.5.2 Who will be buying new-build housing in SUBURBAN AREAS in 10 years?

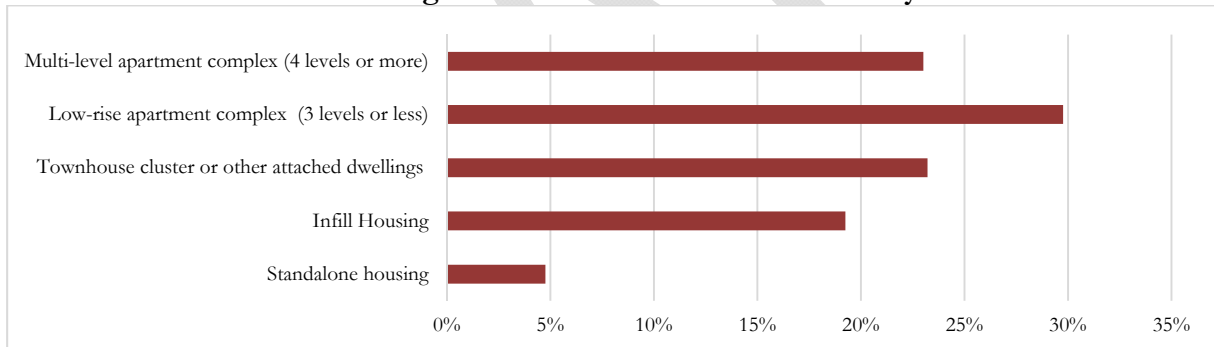


City-Fringe Locations

The industry's longer-term view of new construction in city-fringe areas (from Thorndon through the Aro Valley and Mount Cook, including Newtown, Mt Victoria, Oriental Bay and Roseneath) reflects the fact that these areas house the bulk of Wellington's 'temporary population' as well as being magnets for empty nesters looking for a different lifestyle.

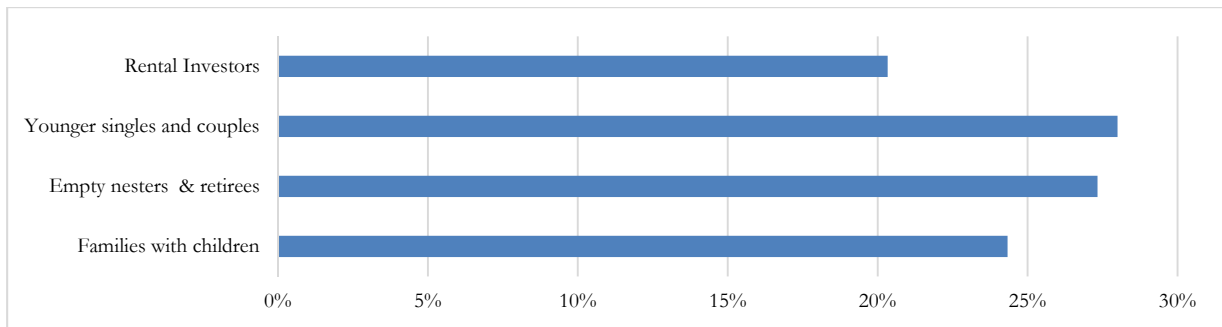
More importantly, perhaps, new housing in City fringe location will be dictated by commercial considerations, not least the growing proportion of CMV (at least for older standalone housing on larger lots) that is attributable to land value. As land value increases as a proportion of CMV, so does the prospect of future intensification. This is perhaps even more applicable to fringe industrial areas, whose use-value is under constant scrutiny by more commercially-focused owners.

3.5.3 What will we be building in CITY FRINGE locations in 10 years' time?



For the most part, the industry anticipates relatively balanced demand for new housing in the city fringe between consumer subgroups. Younger singles and couples who want to be close to work and city amenities will migrate towards home ownership, while rental investors will continue to cater for transient and for younger multi-person households. Perhaps, surprisingly, the industry envisages a higher proportion of family households will find compact housing an acceptable compromise. We remain sceptical, however, as to whether respondent's projections of an influx of post-family households will come to pass – especially if compact housing forms are more readily-available around established suburban centres.

3.5.4 Who will be buying new-build housing in CITY FRINGE locations in 10 years' time?

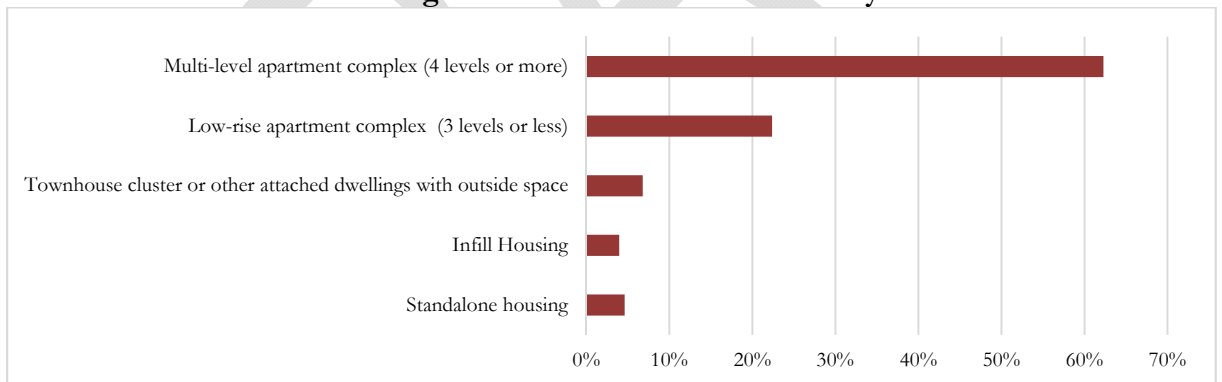


The City Centre

While some concern had been expressed about the commercial viability of multi-unit development in the CBD and Te Aro over the short-medium term, the industry remains confident that demand will ultimately prevail, and that the planning settings are right for housing growth over the next 10 years.

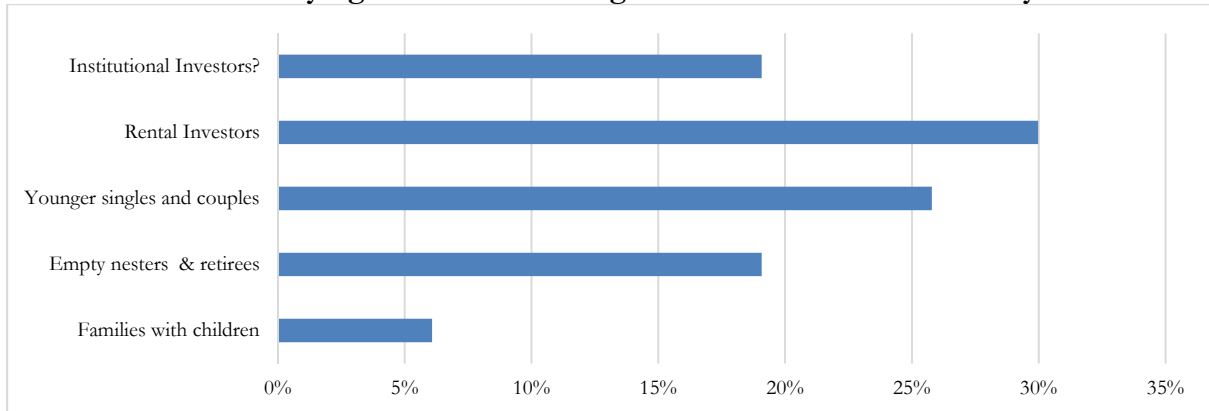
As most observers will have already noticed, land values within the city's core have long outstripped the possibility of developing at lower densities – unless of course such development is on behalf of high net worth individuals. The CBD's residential future will be dictated largely by multi-unit development, although an absence of large lots outside of existing commercial/industrial areas (and lots made marginal by legal or topographical considerations, or NIMBY concerns) should also see growth in the number of townhouse-type developments and lower-impact apartments.

3.5.3 What will we be building in THE CITY CENTRE in 10 years' time?



The industry's view on who will drive the housing market in the city's core parallels our own, in particular, the emergence of institutional investors willing to take out a whole new higher-density development, in preference to sales of single units to individual investors. As a whole, respondents expect investors to wield a greater degree of influence over new housing in the inner-city. Notwithstanding tenure, the City will remain largely the domain of non-family households.

3.5.4 Who will be buying new-build housing in the CITY CENTRE in 10 years' time?



3.6 Summary: The Development Industry's Collective Vision for New Housing in Wellington City

While individual respondents had radically-opposed views of how the City's new housing market will change over the next ten years, there is an emerging consensus that:

- The new housing supply chain in suburban areas needs to adapt to emerging demand from non-family households.
- City fringe locations have become home to an increasingly diverse set of market sub-groups, a growing proportion of who depend on the decisions of others (i.e. investors) to determine the size and type of housing that will be available to them.
- Commercial considerations are rapidly outstripping the policy settings that govern housing density, site coverage and other District Plan constraints, especially in suburban areas and the City fringe.

The table below summarises the industry's view of longer-term demand by location. We ask readers to note that this is a very broad brush view, based on a limited sample. It does, however, highlight potential areas for improvement in the Wellington planning framework and (we hope), will also provide some direction to developers' wishing to align their future plans with emerging patterns of demand.

3.6.1 Who will be buying new-build housing in the WELLINGTON CITY in 10 years' time?



In conclusion, we note that the industry's collective view of Wellington's housing future is largely consistent with messages from the consumer preferences survey.

In particular:

- The supply chain wants to adapt to the changing demographics of Wellington's housing marketplace.
- Household growth (coupled with demand growth) in the inner city is changing the form of housing that can be delivered within reasonable commercial parameters.
- The question is will the supply chain will lead market acceptance of more compact housing forms? Or will it lag behind consumers own perceptions of what's most important for Wellington in the coming years.

The industry's blueprint for Wellington's housing future (summarised in the table below) suggests that it is moving in the right direction, although it remains moot whether changes in Council policy settings – combined with shifting consumer preferences being translated into shifts in REAL housing demand - will enable that vision to be realised.

3.5.3 What should we be building in WELLINGTON CITY in 10 years' time?



