

The Economic Impact of Immigration on Housing in New Zealand 1991–2016

Household status (single/couple) and not birthplace (migrant/New Zealand-born) is the major determinant of housing behaviour.

Based on research by Business and Economic Research Ltd (BERL) that examines the impact of immigration between 1991 and 2006 and projects likely population changes for the decade 2006–2016 under ‘conservative’ and ‘growth’ scenarios. It projects the impact on housing choices for various tenures, dwelling types and different household composition for New Zealand, and especially Auckland. The research was jointly funded by CHRANZ and the Department of Labour.

The research is part of the Department of Labour’s wider Economic Impacts of Immigration (EII) project that will undertake computable general equilibrium (CGE) economy-wide modelling of various immigration scenarios.

Length of time spent in New Zealand is very significant. Migrants resident in New Zealand for more than fifteen years act very like New Zealand-born households. Under both low migration (conservative) and high migration (growth) scenarios, residing in one’s own home will still be the primary form of tenure in 2016. By then, households renting from private sector landlords would increase by 27.6 percent (103,811 extra households under high migration). Single migrants and single NZ-born residents are the main drivers of this demand.

In Auckland, migrant households were 20 percent of all households in 2006. Assuming high immigration rates, Auckland would grow by 70,120 households over the decade (7,012 households per annum). Migrant couple households are a significant share of these new households. The changing composition of demand (changes in household composition and tenure choices) and not the numbers of households per se is critical.

Findings

There has been no steady trend or direction of movement in the impact of immigration on housing demand (1991 to 2006). Household numbers in various household types have changed but there has been no readily discernible pattern to these changes.

- Housing behaviour of migrant households is more linked to household status (single/couple) rather than country of birth, i.e. immigrant couples act more like other couple households than single households from their own country of birth.
- Migrants' housing behaviours change as they spend more time in New Zealand. After 15 years here, their housing behaviour becomes very similar to New Zealand-born households.
- The capacity of the building industry to supply appears adequate to meet the absolute level of demand for housing (for New Zealand generally and Auckland in particular), even under a high immigration scenario.
- The changing composition of housing demand (household status, country of birth, tenure and dwelling types) is a critical policy issue.

Methodology

The research explores links between immigration and housing demand and supply. Using census data for 1991, 1996 and 2006, it investigates the past housing behaviours of five identified household groups: migrant couple; NZ-born and migrant couple; NZ-born couple; single migrant household; and NZ-born single household. Migrant households are further classified as either 'recent' (fewer than five years), 'intermediate' (5–15 years), or 'earlier' (15+ years).

Past household behaviours are projected onto two different migration scenarios for the decade 2006 to 2016. Scenario I, the 'conservative' scenario, has 148,000 additional households created between 2006 and 2016; the 'growth' scenario II has an extra 236,000 households.

The scenarios show likely patterns of household formation, housing choices, and the future demand and supply for different tenures. The impacts of emigration are not assessed. The Auckland region is covered in depth.

Past Migration and Impact on Housing

Migration surged between 2001 and 2006. By 2006, more than a quarter (27.7 percent) of migrant households were 'recent' migrants – a jump from 22.4 percent recorded for 2001. A total of 21,785 new households were created in this five-year period.

Number of Households

There was no wild swing in the net number of households created in each five-year period between each census. Approximately 100,000 households were created between 1991 and 1996; about 80,000 between 1996 and 2001; and about 110,000 households between 2001 and 2006. However, there were changes in the nature (type) of new households created.

The number of NZ-born households changed significantly, especially single NZ-born households, which increased by 28,317 (1991–1996), increased 73,044 (1996–2001), and then decreased 40,134 (2001–06).

Ownership Rates

Length of time in New Zealand is highly significant for immigrant housing. There is a marked change for many measures for migrant groups who have been in New Zealand for more than five years, especially single households. 'Earlier' migrants behave very like comparable NZ-born households. In 2006, 77.0 percent of 'earlier' migrant couple households lived in their own home, compared with 77.1 percent for NZ-born couples, and 59.6 percent of single 'earlier' migrants lived in their own homes (51.5 percent for NZ-born singles).

Rentals

Fewer migrant couples have been purchasing houses since 1991. Instead, migrant couples are renting from private landlords, especially couples from the UK and Ireland.

Single households, whether NZ-born or migrant, renting from private landlords show huge changes between 1991 and 2006. Single migrant households increased from 19.0 percent to 32.9 percent, and single NZ-born households increased from 20.8 percent to 45.9 percent.

Dwelling Type

In 2006, 77.4 percent of households lived in houses, 10.2 percent in flats or apartments in single-storey buildings, 6.8 percent in flats or apartments in multi-storey buildings and 5.6 percent in other categories of dwellings.

The choice of dwelling type varies more with single/couple status, rather than with migrant status. The proportion of migrant couples living in houses was 78.0 percent, compared with an NZ-born couple rate of 90.6 percent. However, NZ-born singles have a rate of 69.7 percent, well below that of NZ-born couples, and far more similar to that of single migrants at 61.3 percent.

Housing Tenure and Dwellings Scenarios to 2016

Renting from private landlords increases proportionately more, as the relative importance of migrants increases over 2006 and 2016. Two household types (single migrant households and NZ-born/migrant couple households) are the key drivers of this 'growth'.

The projected extra households – 148,000 for scenario I and 236,000 for scenario II – will consist of:

- 46,200 (102,300) households in their own home¹
- 74,400 (103,800) households renting from the private sector
- 9,000 (8,400) households renting from central government
- 1,500 (1,800) households renting from local government.²

Auckland

In 2006, there were nearly 371,000 households in Auckland, representing just over a quarter (25.5 percent) of all households in New Zealand. Migrant households comprised 20 percent of these households. Single migrant households were 14 percent of all Auckland households. These proportions were noticeably greater than the equivalent figures (10 percent and 8 percent, respectively) for New Zealand as a whole.

Between 2006 and 2016, the net number of households in Auckland will grow by 4,752 per annum (conservative) or 7,012 per annum (growth). Migrant couples are a significant share with 1,557 households per annum (33 percent) for 'conservative' immigration and 2,644 households per annum (37.7 percent) under the 'growth' immigration scenario.

Assuming this growth translates into demand for new dwellings, and despite the increased share of migrants, dwelling demand in Auckland is not expected to exceed the supply capacity of the building industry. (Over the last 15 years, the average number of new dwelling consents per annum in Auckland was about 7,160.)³

1 Scenario II (growth) is bracketed.

2 The remaining households will be in 'other' and 'not elsewhere specified' tenure categories.

3 However, in the last five years, this average has increased to over 8,060 new dwelling consents per annum.

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Policy Implications

Three core findings have significant policy implications:

- Housing behaviour depends more on the single/couple status of a household than country of birth. Future demand for housing will be best found by projecting the total population and the breakdown of this population between single and couple households.
- Building capacity is sufficient for New Zealand generally and also specifically for Auckland. The question is whether there will be sufficient building sites (or sections) for this number of dwellings to be supplied. The issue is whether these dwellings can be provided from increases in urban density in existing areas, or require further areas of land to be released.
- Housing type and tenure is changing. While the number of dwellings required can be supplied, the range of types of houses supplied will change significantly. This includes changes to the physical structure of the house, as well as the tenure between owned homes, private rental and public rental. There will be increased demand for rentals and greater demand for smaller ageing households. Housing policies may have to change to reflect this.

Further Information

This bulletin is based on the report *The Economic Impact of Immigration on Housing in New Zealand 1991–2016*. A copy of the report and this bulletin can be found on the CHRANZ website under “Our Publications”.

Other useful reports include:

- DTZ Research (2008). *Census 2006 and Housing in New Zealand*.
- Coleman and Landon-Lane (2007). *Housing Markets and Migration in New Zealand, 1962–2006*. RBNZ Discussion Paper 2007/12. Wellington.
- Motu Economic and Public Policy Research (2008). *Housing Markets and Migration: Evidence from New Zealand*. www.immigration.govt.nz/research

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