

The Future of Housing in New Zealand

How will the New Zealand housing sector look in 2030? Five future scenarios of plausible housing options, underpinned by solid evidence, are developed to assist answering this question. The scenarios relate to the key drivers identified as likely to impact on the future housing sector. These include pre-determined elements (large-scale forces that are relatively stable and predictable) and critical uncertainties (forces that are impossible to predict). The challenge for housing sector stakeholders is to confirm what action is required now to get to where we need to be in the future. First up, a manageable time frame of 5-10 years is recommended.

Based on research by Scion (Susan Bates) and BRANZ (Chris Kane). The research includes the methodology and key research steps for developing the five housing future scenarios and supporting evidence, with appendices on source documentation for research methodology, workshop and work-in-progress seminar participants, interview questions and the determination of key issues (pre-determined elements and critical uncertainties).

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Key Points

- This futures research uses scenario planning techniques to test the outer limits of current thinking on future housing options in New Zealand for 2030.
- These housing scenarios are not predictions, but alternative future situations in which today's decisions might be played out.
- Five housing scenarios depict stories about everyday life in 2030: moving between regions for work necessitated by regional economic decline; deferred nurturers with student debt who have a disposable house on leased land; life in a multi-unit high-rise complex in the central city with better access to work; life in a gated safe community where people share the same religious values; and life in rental accommodation on a benefit after a breakdown and job loss.
- The predictable key drivers common to all the scenarios are: the advent of new technologies and solutions; more mass-produced/factory housing; capability changes within the construction industry; an increase in the number of households relative to the population; ageing of the population; climate change; the need to address the quality of existing housing; and regulatory changes in the New Zealand building industry.

KEY POINTS CONTINUED

- The points of difference between the scenarios arise from four clusters of critical uncertainties: regional economics and communities; changing aspirations and attitudes, house maintenance, durability and economic lifetime; resource availability and price, transport and infrastructure; and demographics, communities and attitudes.
- This research sets the stage for active involvement in decisions about future housing options across a wide range of stakeholders, including home owners, policy makers, local and central government, the building industry and banks.
- The authors recommend the next step is to tease out where we need to be in 5–10 years time.

The Challenge

The challenge is to encourage wide debate on housing options for 2030.

- How might the New Zealand housing sector look in 2030?
- What are the underlying forces?
- What are the implications for key players in the housing market?

Using Scenario Planning

Five future housing scenarios were developed to describe plausible future environments. They are not predictions, but alternative future situations in which today's decisions might be played out. Scenarios help challenge existing thinking by drawing attention to key drivers and exploring how they push the future in different directions. They provide a common vocabulary and an effective basis for communicating complex – sometimes paradoxical – conditions and options.

In practice, scenarios typically resemble a set of stories built around constructed plots in a provocative and memorable manner, rich in imagery. A certain degree of exaggeration is expected to looking at the outer limits of what is plausible.

The five stories are based on typical domestic circumstances and follow the everyday interactions of Brenda, the main character, and her sometime partner, Jack, as they follow different paths – a regional economic downturn, losing a job, transport problems, hardship grants, problems of property investment, changing attitudes to home ownership, purchase of disposable homes, living in a housing complex and life in a safe community.

This research has generated a set of thought-provoking and realistic scenarios to show how New Zealand's housing sector might look in 2030. It engages a broad range of stakeholders in the New Zealand housing sector (including typical home owners, industry representatives and policy experts) to enhance the collective understanding of the forces that will shape future housing. It is the first stage in a process of wide engagement about the issues and the roles and responsibilities of all participants.

Driving Forces

Scenarios were developed by analysing the broader social, technological, environmental and political issues likely to impact on the housing sector. These included pre-determined elements (large-scale forces that are relatively stable and predictable) and critical uncertainties (forces that are impossible to predict.)

Pre-determined elements

The pre-determined elements common to all scenarios are:

- The advent of new technologies and solutions.
- More mass-produced/factory housing. (Greater customisation is expected. Already 80% of New Zealand timber framing used for new residential building is pre-cut.)
- Capability changes within the construction industry. (12% of the 150,000 workforce is currently near retirement age. Labour demand is expected to drop over the next decade, except for civil engineering, especially concrete engineering.)
- An increase in the number of households relative to the population. (40% of those living alone are

over the age of 65, and 26.4% are in their 30s and 40s. Most people under the age of 40 who are living alone have never been married.)

- Ageing of the population. (With no change in current tenure patterns, the number of older people in residential care could double by 2021.)
- Climate change (especially flooding, overheating of homes in the summer and tropical cyclones).
- The need to address the quality of existing housing. (70% of the houses that will be with us in 2030 already exist.)
- Regulatory changes in the New Zealand building industry. (Since the vast majority of houses change

hands inside ten years, a strong case can be made for a stronger regulatory and compliance framework.)

Critical uncertainties

The points of difference between the scenarios arise from critical uncertainties. Four clusters emerged:

- Regional economics and communities.
- Changing aspirations and attitudes, house maintenance, durability and economic lifetime.
- Resource availability and price, transport and infrastructure.
- Demographics, communities and attitudes.

Five Scenarios

Four plausible scenarios were derived from these clusters: **Sunrise**, **Sunset**; **Change of Heart**; **Vertical Village**; and **Gates of Heaven**. A fifth **Reference** scenario was also added.

The **Sunrise**, **Sunset** scenario looks at regional economics, in particular, regional decline. It is a story about regional economic decline in Nelson, resulting in a decision to move to Christchurch to the growing IT industry. A fundamental assumption by many New Zealanders is that housing is a “safe” investment; however, it rapidly became obvious that this could really only be said for city areas, and even then it was not a foregone conclusion. The impact of an unforeseen regional economic decline on house/land prices and regional demographics contrasts sharply with the same issues in a nearby city, where an economic upswing brings increased population growth with extra pressure on infrastructure and the environment.

The **Change of Heart** scenario shows changing attitudes to home ownership and reflects discussions about home ownership aspirations, housing affordability, attitude to debt, and the durability and economic lifetime of buildings. It is a story about deferred nurturers with student debt who have bought a disposable home on leased land.

The implicit assumption made by many New Zealanders is that their houses will last forever. When combined

with land shortages and an emergent debt-tolerant younger population that does not value ownership as highly as life experience, society’s former opinion leaders find that their assumptions may not just be wrong, but may actually be preventing them from enjoying their lives to the full.

The **Vertical Village** scenario emerged from questions about resource availability and transport policy. It depicts life in a multi-unit multi-storey complex in the central city with better access to work. There is an interesting contrast between those who live on one side of the city and those who live on the other, based almost entirely on transport policy. Although land in the city is scarce, the sheer impossibility of getting to work from some suburbs creates the economic conditions in which pleasant high-rise communities can exist in the city centre.

The **Gates of Heaven** scenario considers rising conservatism, a strengthened influence of Christian fundamentalist values, and changes in demographic trends. It portrays life in a gated safe community where people share the same religious values. This scenario emerged from challenging conventional wisdom regarding demographics. Overseas, faith-based communities are emerging. Can such communities exist comfortably in New Zealand where many types of social segregation are frowned upon?



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FIVE SCENARIOS CONTINUED

The **Reference** scenario presents an alternative outlook based on extrapolations of current trends, especially the structure of the housing sector and government organisations active in it. The story is about life in rental accommodation on a benefit after a breakdown and job loss. It assumes that current regulatory initiatives surrounding housing continue in a fragmented and ill-coordinated manner and provides an illustration of how the “social” houses provided today function when the occupant has no choice in the housing supplied.

Supporting Evidence

The housing scenario development combines factual data and evidence with information from stakeholder interviews and workshops. All sources highlighted many possible driving factors for change, such as demographic changes (ageing population, changes in household composition); home ownership rates; urban density; urban sprawl; availability of credit; internal and external migration; social housing; rental/apartment investment; land availability; energy prices (domestic and vehicle fuels); planning and building regulatory framework; infrastructure, environmental and health issues; new technologies; and economic, social, and environmental sustainability.

Next Steps

The result of scenario planning is not a more accurate picture of tomorrow, but better thinking and an ongoing strategic conversation about the future. There is no one housing scenario that “gets it right” – rather a set of scenarios that illustrate the major driving forces and their interrelationships.

Translating such scenarios into action is a separate, equally demanding task. Part of the challenge is to bridge the gap in people’s minds between the distant future (2030 in this case) and the present, where most people’s day-to-day efforts are focused. This work can begin the process of making some collective choices about the future of New Zealand’s housing sector.

As a next step, the authors recommend a series of workshops (possibly regional) using the housing scenarios as a starting point to address the question, “Where do we need/have to be in 5–10 years time?” This is seen as a more manageable timeframe for participants to test out a list of agreed action points.

Further Information

This bulletin is based on the report *The Future of Housing in New Zealand*.

A copy of the report and this bulletin can be found on the CHRANZ website under “Our Publications”.

Other useful reports include:

- *Changes in the Structure of the New Zealand Housing Market* DTZ New Zealand (May 2004)
- *Housing Costs and Affordability in New Zealand* DTZ New Zealand (June 2004)
- *Housing Tenure Aspirations and Attainment* DTZ New Zealand (October 2005)

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