

IMPROVING THE DESIGN, QUALITY AND
AFFORDABILITY OF RESIDENTIAL
INTENSIFICATION IN NEW ZEALAND

Working Paper 4:
Making Medium Density Housing Work

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List of Contents

1	Introduction	1
1.1	Outline of the Study	1
1.2	Working Paper 4	2
2	Research Design	3
2.1	Purpose and Process	3
2.2	Case Study Topic Guide	3
2.3	Findings	4
3	The Case Studies	6
3.1	Tuscany Towers, New Lynn	6
3.2	The Aston, Grey Lynn	7
3.3	Hanson Street, Newtown	8
3.4	Addison, Papakura	9
3.5	Urban Ridge, Tauranga	9
4	Design Considerations	11
4.1	The Dwelling	11
4.1.1	Interiors	11
4.1.2	Exteriors	12
4.1.3	Shared Spaces	12
4.2	The Setting	12
4.2.1	Community Characteristics	12
4.2.2	Neighbourhood characteristics	13
4.2.3	Connectivity	13
5	Tenure and ownership type	15
5.1	Freehold	15
5.2	Unit Title	15
5.3	Freehold with some shared responsibility	16
5.4	Community title	17
5.5	Cross lease	17
5.6	Renters	17
6	Tradeoffs in Dwelling Selection	18
6.1	Outer Bounds	18
6.2	Style of Development	18
6.3	The Setting	19
6.4	Accessibility	19
6.5	Towards a segmentation	20
6.6	Renter households	20
7	Development Challenges	22
7.1	Planning delays	22
7.2	Costs	22
7.3	Development finance	23
7.4	Public education	23
7.5	Possible solutions	23
8	Conclusions	25

Attachment: Case Study Reports

1 Introduction

The goal of this study is to identify those features of residential intensification that need to be addressed in order to make higher density housing more appealing to more New Zealanders. It is intended that the results of the research will help to:

“improve the design, quality, and affordability of residential intensification in New Zealand in order to make it a more attractive housing option.”

This is the fourth working paper describing the research. It summarises and draws conclusions from five case studies of existing medium density housing developments and the experiences of residents and stakeholders associated with them.

1.1 Outline of the Study

Working Paper 1 reviewed the literature dealing with this issue in New Zealand and overseas. It described some of the market barriers to higher density housing and key areas that might increase its acceptability. These were not simply about acceptability of development and dwellings to potential residents, daunting as these appear given wide-spread attachment to detached housing. They are also about how medium density housing might be made more attractive and acceptable to existing (host) communities in suburban areas.

Working Paper 2 took a closer look at market trends and projections, particularly the quantification of housing markets that has informed policies to foster higher density housing. It reported projections indicating a need for around 25,000 new dwellings a year nationally, up to 10,000 a year in Auckland, 2,000 or thereabouts in Wellington, 3,500 in Canterbury (prior to the earthquake of February 2011), close to 2,300 in Waikato, and 2,000 in the Bay of Plenty. There is an expectation that a growing share of new homes will be by way of multi-unit dwellings, climbing from around 20% to 25% currently to well over a third of the total. This is despite a lower than expected uptake of multi-unit dwellings to date, which suggests the persistence of market preferences for detached, suburban housing even though there has been an increase in rental tenure. This also drew attention to the rapid growth in the intermediate rental market, defined as young household with one or even two incomes that were faced with difficulties purchasing a home and are faced with a long-term future in a rental market that is marked by poor stock, high rentals, and limited stability.

Working Paper 3 looked a little more closely at how the market perceives medium density housing, based on focus group research. The research was focused on households active in the Auckland housing market, excluding those looking at properties in the top price quartile. It covered people who would not consider purchasing medium density housing, those with an open mind, and those who were looking, or had looked, at apartments, terraces, and the like.

The focus groups highlighted a general attachment to the suburban neighbourhood environment and the detached dwelling but confirmed that a tight housing market in general is making it difficult for people to fulfil their expectations. The analysis of participants’ attitudes and expectations helped to confirm the suite of neighbourhood attributes that make up a household’s domain, where the bulk of social relations may be established¹, and those that make the home a sanctuary, which are the joint drivers of housing preferences. Understanding how these might be reflected in the design

¹ “Social relations” refers to the range of interactions with other individuals and institutions, including schools, medical and health services, recreation, clubs, and social networks. The extent to which social relations are contained within a neighbourhood or household domain as described here may be quite variable, depending on household circumstance and structure.

and quality of a higher density neighbourhood and in smaller homes closer together may be the key to lifting the acceptability of residential intensification.

Incidentally, the focus group research established the limited recognition by people active in the market in the range of terminology used to describe regional intensification. The word “density” was recognised generally had negative connotations associated with poor housing quality, leaky buildings, and small homes. The term “medium density” appeared to cover the range of housing types that might fall into such a category, and has been adopted in this study as a short hand for residential intensification generally.

1.2 Working Paper 4

This working paper reports on original research into the attitudes and experiences of residents in five medium density developments, informed by the views of a number of stakeholders other than residents. The research and analysis was undertaken in April, May and June 2011.

The developments were chosen in association with the client following the completion of Working Papers 1 and 2. They represent a range of settings and structures in the “middle market”. Certain categories were excluded from consideration: social housing, expensive apartments, and inner city blocks. They cover the city edge (Grey Lynn in Auckland and Mt Cook in Wellington), inner and outer suburbs (New Lynn and Papakura in Auckland) and one secondary city (Urban Ridge on the western edge of Tauranga).

2 Research Design

2.1 Purpose and Process

The case studies were intended to address the design, affordability, quality, accessibility and governance of different examples of medium density housing. This paper analyses the aspects of intensive housing that initially attracted purchasers or tenants, how the experience has lived up to expectations, the perceived disadvantages, and how these might be overcome through improved design, quality and affordability.

Five case studies were drawn from a range of metropolitan and provincial possibilities, with three selected in Auckland, one in Wellington and one in Tauranga.²

Interviews were conducted in residents' homes (or other convenient location) by experienced qualitative interviewers. The interviews sought to understand both the differences and the similarities in the decision process of residents. They also explored different sub-groups within each.

Residents interviewed included both renters and owner occupiers, and covered:

- Young singles and couples;
- Singles and couples with children;
- Retired singles and couples;
- Empty – nesters;
- Extended family households.

Interviews were arranged by a letter drop in the targeted development inviting residents to call and arrange a time for an interview. An incentive of \$100 was offered for each interview. Interviews lasted for one hour and were recorded and transcribed for later analysis.

2.2 Case Study Topic Guide

The interviews followed principles of urban morphology where different layers of activity are analysed as well as the interaction between layers. This has been compared to “Russian Dolls” in the following extract from the “Scottish Planner”:

*“At the root of design is a very simple principle: to provide for people. To produce places that work for people and enable them to make choices about the life they want to lead, their way....The simplest building that enables people to make choices is the house. Personalisation transforms the house into a home. This environment of confidence enables people to make some choices; when the house is connected to the community and the system of the neighbourhood, additional choices open up. When the neighbourhood is connected to the town as a whole, even more choices are available. It's the Russian doll principle. Everything is connected, and the more connection there is, the more choice there is.
.....*

Too often, instead of joined-up thinking, we think only about individual bits and pieces that make places; housing, schools, health, all individually ...”

(Lawlor D (2010) “Place Making: What Really Matters” *Scottish Planner*, 134)

² Given the effects of the February 2011 earthquake the original intention to cover a Christchurch study was revoked in favour of an additional Auckland case study.

Interviews covered respondents' choices of housing from the inside out, considering the elements of choice at each level and connections between levels. Topics covered:

- Internal design issues
- External design issues
- Neighbourhood issues
- Community issues
- Connectivity, including accessibility to major activities and amenities
- Tradeoffs made in the dwelling selection; including budget constraints that reflect affordability
- Post construction governance and management issues
- Development difficulties and possible solutions

Analysis of the results covered the potential benefits and disadvantages of intensive housing suggested in the literature review.

2.3 Findings

The case studies are described in the attachments. The history and character of the developments are described, including issues of scale and density, and indications of the composition of residents.³

The body of the report draws on the case study findings with reference to what emerged from them as the main influences on demand, namely:

- Dwelling design considerations
- Shared spaces and places
- Community characteristics
- Neighbourhood considerations
- Connectivity
- Ownership types and tenure

Dwelling choice is based on a complex series of tradeoffs between different drivers. The boundaries of the trade-offs made among them by individual households will be determined by the budget available (affordability).

For example, the ideal of buying a new or near new (low maintenance) four bedroom house with a double garage and a private section, close to a town centre, and close to family and friends is likely to be beyond the budget of many young families. The alternatives may involve dropping to three bedrooms, buying an older house, moving further out, getting a flatmate or two to share the cost, get a bigger mortgage, or some combination of these. It may also mean renting instead of buying, deferring an expectation of or aspiration to home ownership.

The following sections include the criteria used by residents interviewed to illustrate the range of issues considered when seeking a home. Differences are apparent both among different segments and between different developments. The implication is that there may be a degree of alignment between development styles and appeal to different groups in the market. This is particularly apparent in the distinction between apartments and other forms of medium density development. This association is by no means absolute, though: the diversity of people within any one complex is one of the key observations from the case studies.

³ Observations on the character of residents is derived from interviews rather than a comprehensive survey of each development

Although the attributes of a particular development might be strongly oriented towards the needs of a specific segment, this does not prevent households from quite different segments purchasing or renting in the same complex. This may reflect the absence of affordable alternatives, especially in a tight market like Auckland. It may also reflect the fact that for many people living in medium density housing and especially apartments is transitional, a step on the housing ladder.

The report concludes with a discussion of what may influence tradeoffs across the different attributes and hypothesises how segments may be usefully determined based on the attributes that households favour in their dwelling choices. For example, there will inevitably be some relationship between demographic characteristics and housing choice, but how much is the trade-off also influenced by the lifestyle a particular housing type and locality afford? In a tight market, it may be that measures to improve the appeal of medium density housing are directed towards the lifestyle choices that people make, or are obliged to make if they cannot match their ideals.

3 The Case Studies

This section reviews the key features of the case studies, and then outlines some of the wider attributes of medium density living identified as important across case studies.

3.1 Tuscany Towers, New Lynn

Some 25 kilometres west of the Auckland CBD, Tuscany Towers, New Lynn, is the first in a series of medium density developments in a former industrial and mixed use long-established suburb. It is located on Auckland's western railway and major arterial Great North Road. It comprises a series of low rise terraces of 2 and 3 storeys. The main characteristics are as follows:

- A community of 97 households;
- A gross density of around 42 dwellings per hectare (DPH);
- A quiet community where people largely keep themselves to themselves;
- Greetings and brief conversations are the norm for social interaction within the complex;
- A group of around 12 original owners appear to have retained stronger friendships;
- The owners' committee creates a network which is seen to be a community strength;
- Ethnically diverse but with a predominance of Chinese and a notable under-representation of Maori and Pacific Island peoples;
- Prices currently distorted by leaky building damage, with purchase prices under \$200,000 and rentals around \$370 a week for 3 bedroom house;
- A wide range of household structures and sizes with several young families, extended families, older single person households, couples and flatting households;
- Approximately 50% of the houses are rented;
- Crime is a concern but considered no worse than elsewhere in Auckland.

Purchasers are attracted to Tuscany Towers equally by the style of housing, the location close to New Lynn town centre and the connectivity to the wider Auckland community. The marketing of the development emphasised the *"style of Europe and the feel of home"*. Early buyers bought into a lifestyle which one respondent describes as *"like a resort"*.

Initially, prices were comparable with older three bedroom homes on 500+ m² sections in the surrounding suburbs, and were considered very affordable. The style of housing offers a low maintenance lifestyle and the potential sense of security and community that come from having plenty of neighbours

The diagnosis of the development as "leaky homes" has destroyed property values although there is hope that this will be restored with the re-cladding work due to commence soon.

Many owners have now moved out and around 50% of the properties are rented. Renters are attracted by the same basic features and the rents are considered good value for money. Interestingly, the rents do not appear to have fallen to reflect the falling house values as the evidence of leaky homes is not always obvious.

The ethnicity of the tenants reflects the New Lynn community with a predominance of Chinese and a good range of other nationalities. The increase in rentals rather than owner occupied units and ethnic diversity are seen to act against community living. What was once a relatively homogenous and upmarket community of owner occupiers with secure investments is no more. Resentment is directed mostly at the developers and initial Body Corp. secretary who some feel have let them down.

Obviously better quality construction will prevent some of the worst problems associated with Tuscany Towers from occurring elsewhere. There were also design features that occupants feel could be improved, including bathroom ventilation, outdoor privacy and more car parking for visitors.

Tuscany Towers is fortunate to have an active and well qualified group of owner occupiers who work with the Body Corporate secretary and the on-site manager to make the best of the current situation. Rules are communicated to new tenants and enforced by the manager. Despite the setbacks and some concerns about crime, people are generally happy with day to day life. The Body Corporate rules can be a source of annoyance for the restrictions they place on personal freedom but are generally accepted for the benefit of keeping the place safe and looking good.

3.2 The Aston, Grey Lynn

The Aston is around 3.5km from the CBD in Auckland, located on the corner of a major east-west arterial road in a largely commercial environment. Great North Road offers good access to the CBD by car or bus. It is in an elevated location and occupies the entire site. Shopping and cafes are generally within a short walk or drive.

The development comprises commercial space on the Great North Road frontage and 34 residential units; ten single storey two-bedroom apartments (80m²), two detached villas, and 22 double storey apartments (95m²).

Based on resident interviews, the key characteristics include:

- Predominately professional singles and couples in their 30s and 40s, but with some retired people and some families;
- The building was completed in August 2008; this timing coincided with a drop in market prices meaning apartments at the Aston sold at discounted prices. Originally marketed at mid \$500,000s to low \$600,000s, split-level townhouses eventually sold in the mid \$400,000s;
- Approximately 60% of apartments are owner occupied, while 40% are rented;
- The Aston is considered to be a good development with quality construction, architectural design and above average specifications;
- A central open air passageway, along with wide high stud and floor to ceiling windows, ensures the eleven rear double story apartments also have direct afternoon sun;
- The residents enjoy the location, close to the CBD and popular cafe and bar precincts;
- There are no communal facilities apart from the car parks (two per unit) and circulation areas;
- Greetings and brief conversations create a friendly atmosphere when people meet in the circulation areas.

Buyers of apartments at the Aston were attracted primarily by the location. The apartments are close to the CBD for work and close to nearby social centres of Kingsland, Ponsonby and Grey Lynn. The apartments are of a good size, solid masonry construction, modern, and are warm and dry (contrasting with nearby old villas). Renters were attracted by the same features plus two good sized bedrooms (rather than a main bedroom and a small second bedroom), two car parks, and separate bathrooms.

Residents were mostly very happy with their choice of dwelling with just a few problems; the traffic noise is a concern for residents fronting onto Great North Road; some residents would like to see some greater sense of community; and others are disappointed that the commercial uses on the ground floor are not more successful. The difficulty of letting the ground floor commercial uses

means the development lacks a “sense of place”. It also means residents have to use the car to go for newspapers, milk, wine, coffee and other essential supplies.

Building apartments on main roads and in mixed use areas is a feature of the Auckland Regional Growth Strategy. The issue of noise intrusion is only partly solved by double glazing. The problem with the commercial spaces may be related to the stage of development along Great North Road. The Aston may be the first of many intensification projects along the Great North Road ridge. As it is first however, it suffers to the extent that there is not yet sufficient local population nearby to support the commercial areas.

3.3 Hanson Street, Newtown

The medium rise (six storey) apartment block at 1 Hanson St, Newtown, comprises 34 single level one and two bedroom apartments. It is located in an area of mainly pre-war villas interspersed with several recent apartment blocks where sites have been consolidated, and industrial development on King St. The development is approximately 50m to Adelaide Rd, a main thoroughfare from Newtown to the Wellington CBD. 1 Hanson St is around three kilometres from the CBD and around 750 metres from the Newtown shops.

The key characteristics include:

- A wide range of residents including working people (government and non government), and some retired people and students.
- Ages ranging from the 20s through to retired;
- Predominantly European (New Zealand and non-New Zealand), but also Maori, Indian and Chinese ethnicities;
- Mainly singles and couples, although some families with teenagers or small children;
- Approximately one third owner occupied, and two thirds rented;
- Some rental properties, particularly those on the ground floor, are seen as turning over quickly;
- A close community had developed between Body Corp members;
- Many residents opt to keep to themselves, but established communication channels (such as a newsletter, notice-board and Facebook page) mean that they generally feel informed and able to raise issues with the Body Corporate. An annual barbecue provides opportunities for people to meet other residents in an organised social setting;
- Close to Massey University campus (450m) in an area with a concentration of resident students.

Purchasers and tenants are attracted to the Hansen Street apartments mainly because of the location within walking distance (25 minutes) to the CBD for work and to Courtney Place for social activities. The nearby Newtown town centre is also popular for some social activities (cafes and ethnic restaurants) but the CBD is the main attraction. The apartments compare favourably with others considered. They are modern, warm, and larger compared with other housing options such as ‘pokey’ apartments and cold villas. Being new also means less risk of high maintenance costs in the near future.

The apartments have lived up to expectations in most ways. The area is noisier than anticipated due to the number of student flats and associated parties that take place from Wednesday to Sunday. Empty bottles and general messiness is also part of the same problem. Residents would like the apartments to be slightly larger but this is part of the trade-off made when choosing an affordable apartment in an area close to the CBD.

Some residents clean up the bottles on the street around the apartments on a regular basis but there could be more permanent solutions. Perhaps discussions between the Body Corp and Massey

University or the Council will help to resolve the problem. Making the apartments larger may appear to be a solution to the need for space except that this would also push up the price and may not be affordable for the same market. The area may also not sustain a higher price of apartments. There appears to be a fine balance between the area, the quality of development and the price at which the apartments can be sold. This balance needs to be considered by all stakeholders. Any opportunity for discussion and consensus on these issues can only be to the benefit of all.

3.4 Addison, Papakura

Addison is located 25km south of the CBD, 2.5 km from Papakura town centre and railway station, and close to the southern motorway. It comprises mainly detached, semi-detached, and terraced housing. Key characteristics include:

- A community of around 400 households, planned to grow to around 1,500;
- Gross development density is around 20 DPH. Stage 1 was just 15 DPH while Stage 3 will be closer to 30 DPH;
- A quiet community where people tend to keep themselves to themselves;
- A Residents' Society is run by a committee with a social sub-committee which appears to be valued by residents;
- Other friendship networks within the community;
- Community events arranged periodically, particularly directed at the children;
- New Zealand European, Maori and Pacific Island peoples are well represented and there is a growing Chinese population in Stage 3;
- A wide range of household structures, from single people and couples through to large households renting together and extended families;
- House prices between \$350,000 and \$500,000. Rents are between \$420 and \$600 per week;
- Approximately 50% of the houses are rented.

Purchasers at Addison are attracted by the housing style and quality, the safe and secure environment, the promise of a sense of community and good prospects for property values. Many purchasers were moving from nearby suburbs to a better neighbourhood. For this, many paid more they received by selling their old homes. The low maintenance lifestyle frees residents for other things; from sustaining busy family lives through to the ability to enjoy "lock up and leave" travel.

The main concern at Addison is falling property value. Although this is partly a reflection of current market conditions, residents feel the growing proportion of renters and the failure of Addison Developments to manage this is to blame. There are other concerns about Body Corporate-style rules (Addison does not have a Body Corporate but similar style rules are enforced by the Addison Residents Society). There are also concerns about insulation, with some of the homes are not as warm as expected.

The failure of expectations regarding property values and tenure to live up to expectations is mostly a lesson for marketing. If the development is to progress over a long time, as is the case with Addison, then the marketing needs to be careful not to over promise. Building an up-market development in a relatively low income area will always have risks associated with property values.

3.5 Urban Ridge, Tauranga

Urban Ridge is located between the suburban centres of Brookfields and Bethlehem next to Carmichael's Reserve on the western side of Tauranga City. It is about 6km from the CBD. Stage 1

comprises a development of 25 homes at a density of 15 dwellings per hectare. Stage 2 is under development and Stage 3 will follow at a greater density.

Key characteristics include:

- All homes are fully detached, 2 to 3 bedroom homes on freehold sections;
- Section sizes range from 230m² to 440m²;
- Access to the development is via a private road owned collectively by residents;
- Residents are predominantly 50+ and include singles and couples approaching retirement or already retired, and other working people; there are some families with small children or teenagers; mainly European but also Maori, Chinese and Indian;
- No communal facilities apart from visitor car parks, private access road and some gardens at the entrance;
- Urban Ridge is a friendly community of like-minded people who value a tidy well maintained street; informal social networks have been established between some residents, while others prefer to keep themselves to themselves;
- No Body Corporate and the residents' association established in the first year has now been disbanded as it was not felt to be necessary;
- All properties (at the time of interviewing) were owner occupied;
- House values ranged from \$310,000 to \$380,000 at the time of purchase.

Buyers at Urban Ridge were attracted by small sections and modern, quality dwellings which offered a chance for a low maintenance lifestyle. Particular features that added value included the freehold title, good quality construction, the contemporary look of the homes, and the ability to personalise and customise the design and fit-out to meet their needs/tastes. The properties represented very good value for money and the personal commitment of the developer was also an important factor.

The street is also a factor in the enjoyment of Urban Ridge. The homes are well cared for and maintained ensuring a pleasant living environment and like-minded people. The small scale and the cul-de-sac design gave a sense of security and community. This contrasts with apartment buildings where there is no casual observation within the building making security of access more important.

Purchasers are very happy with the development and issues or concerns are small by comparison. There was one instance of an owner being impacted by the subsequent development of a property next door which took some light from their property. Although this was not a big concern at Urban Ridge, it does indicate the potential for such issues to arise in medium density housing developments. There have been other references in the literature to more severe examples of the same problems. Perhaps this is where a master plan approach can add to greater certainty. The master plan at Addison, for example, showed precisely where the houses would be located and also the type of housing that would be built. In such cases there are no surprises, unless of course the development plans are changed for some reason.

4 Design Considerations

This section summarises the key design features raised in the course of interviews across all five development.

4.1 The Dwelling

4.1.1 Interiors

The following features of individual dwellings were important to almost all the interviewees:

Quality:

- A new dwelling;
- Modern and contemporary decor; design features that add value (e.g. high stud);
- Quality of fixtures and fittings (e.g. appliances, carpets, tap ware, bench tops);
- Good condition; clean and tidy;
- Low maintenance; less housework.

Capacity:

- Number of bathrooms
- Storage space; especially when trading down from bigger home;
- Size of rooms especially living rooms; open plan with balconies/decks/gardens helps;
- Cupboard space in kitchen and bathroom;
- Garage; often used for storage.

Comfort:

- Natural light in all habitable rooms;
- Access to sunshine;
- Well insulated and warm;
- Quiet; can't hear neighbours;
- Separate laundry (to contain the noise of the washing machine);
- Outside window in bathroom.

Connection with the outside

- Privacy; rooms not overlooked
- Outlook; views or landscape rather than of a building or fence

The difficulty of attaining the ideal means that these universal attributes are subject to tradeoffs, which may vary according to the specific needs of households. These trade-offs might reveal the "bottom lines" that they are prepared to accept, and some of these may be associated with particular segments. For example, space might be traded off for comfort among larger households, or quality for comfort among households faced with affordability constraints.

Beyond these commonly desired attributes, individual segments might have specific needs. For example, space requirements such as the number of bedrooms are likely to vary according to household composition. Older households tend to favour single level units for practical reasons of access and mobility, but also for a greater sense of spaciousness and privacy. Flat mates in

apartments may look to layout in terms of space within and between bedrooms given that personal space in a shared dwelling is usually confined to the bedroom.

4.1.2 Exteriors

Again, attributes can be divided among requirements or expectations that are mentioned almost universally and those that apply to individual segments. Among the widely favoured features are:

- Visual appeal;
- Quality construction; (e.g. traditional materials for cladding);
- Well maintained;
- Security (home and total development);
- Well designed parking areas (especially apartments);
- Low maintenance; less gardening and house maintenance;
- A sitting out area; from balcony to small garden.

Among the features favoured by particular groups are:

- The particular style of a dwelling; apartment, terrace, or town house;
- Storage space;
- Size of garage;
- Adequate car parking for residents and visitors. There are wide variations in car ownership; larger households generally require more parking spaces.

4.1.3 Shared Spaces

Shared spaces may vary from small areas inside apartment buildings (lobby and stairs or lift area for example) through to roads, footpaths, reserves and recreation areas in less dense developments (e.g. Addison and Tuscany Towers).

The following aspects of shared space were valued in the case studies:

- Good stairwells and lift spaces (apartments);
- Adequate reserves;
- Appropriate trees (variety and location);
- Tidy gardens;
- Recreation facilities ;
- Visitor parks;
- Safe access roads;
- Children's play areas (for young families).

4.2 The Setting

A range of attributes beyond the physical character of dwellings also influences the attractiveness of medium density developments. These relate to the nature of the community that forms within the boundaries of the development itself, and the nature of the neighbourhood it is located in.

4.2.1 Community Characteristics

The demographic characteristics of a community can attract or deter residents. People are influenced by what appears to be a tidy, friendly and welcoming community where they can feel

safe and make friends. The appearance of a development is an important cue of what the community will be like. To some extent this concern reflects a resistance to diversity, with people attracted and most comfortable around others with characteristics and values similar to themselves.

The following characteristics of community appear important to the people interviewed. They may well be sub-categories within them which will attract different segments on a like-with-like basis:

- Scale: number of households in the development (from 4 to 1500);
- Community interaction: networks and strength of ties (weak to strong and overt);
- Ethnic diversity and predominant nationalities (wide range);
- Household structures (families and singles etc.) and household sizes;
- Price range (for buyers and renters);
- Tenure mix (the share of owner occupiers);
- Crime levels (compared with a perception of the norm).

4.2.2 Neighbourhood characteristics

What residents of medium density housing like about their neighbourhood is likely to be similar to what owners of detached houses like. More intensive housing simply allows more people to enjoy the benefits of a neighbourhood than would otherwise be possible. At the same time, there is evidence that they too become resistant to the crowding associated with further intensification.

Nearby town centre neighbourhoods with a good range of facilities may help attract people to medium density housing. While this does not mean that town centres are essential for all forms of residential intensification, the amenities associated with them will clearly lift its appeal for some segments. This may create a compounding advantage offsetting any perceived disadvantage of further development such that once intensification commences in an area and supports the development of the local centre (or centres), it is likely to add to the attraction for subsequent residents.

Tuscany Towers, The Aston and Hanson Street in Wellington were all popular in part because of their proximity to particular town centres; New Lynn, Kingsland/Grey Lynn/Ponsonby, and Wellington City /Newtown respectively. These are different styles of neighbourhood, attracting different types of people. The CBD fringe neighbourhoods attract younger households with higher disposable incomes, focussed more on work and recreation opportunities. New Lynn is a suburban centre in a lower income area with greater attraction to families.

What unites them is that the neighbourhoods are all within walking distance of a centre, although there is some variation: five minutes to New Lynn town centre from Ambrico Place, ten minutes to Kingsland from the Aston, and five to ten minutes to Newtown and 25 minutes to Wellington CBD from Hanson Street.

Urban Ridge is a little more removed from commercial activity, around 800m by foot from Brookfield Centre and 3km to Bethlehem. Similarly, Addison has limited commercial amenities in the immediate neighbourhood, being about 3km Papakura town centre and 1km from the retail centre at Southgate on the Great South Road (Stage 3 is closer).

4.2.3 Connectivity

Connectivity is what links the neighbourhood to the wider city or region. This is important because the case studies showed that travel linkages for work, study or visiting friends and families in some cases, could be quite widely distributed, usually within a 20-30 minute travel time envelope.

In Auckland, train was used for some CBD journeys (work and study) where available (New Lynn, and to some extent, Takapuna near Addison). Walking and public transport (buses) are important modes in Hanson St, particularly for getting to work. In Auckland and Tauranga the car is still used for most journeys. The bulk of non-local trips across the board still rely on private vehicles, primarily cars.

Consequently, connectivity may be defined as much by motorway or arterial road access as by access to public transport. Car ownership (and usage) was particularly high in suburban areas and in households with extended families. Work and education journeys are usually widely dispersed in these settings and public transport is not often a practical option.

The importance of car parking, including space for visitors, was a common theme in all developments. Not surprisingly larger households and families generated greater demands for parking on a day to day basis. Pressure on common parking areas often reflected the use of garages for storage rather than car parking.

5 Tenure and ownership type

This section discusses the significance of differences in ownership options available to residents.

5.1 Freehold

Owners of properties with no shared ownership and no covenants have the most freedom to personalise their property (within the laws and bylaws pertaining to the area) and to determine how well their property is maintained. The fact that none of our case studies fell into this category reflects the need for some management of the environment when people are living in close proximity to one another.

5.2 Unit Title

Unit titles are an increasingly common form of ownership, especially for apartments. By definition, unit title owners have some private property relating to their particular premises and some shared ownership of common space and facilities, managed by a Body Corporate. This generally includes the exterior of the building or buildings.

The Body Corporate is usually managed by a professional property management company (The Body Corp Secretary) appointed initially by the developer (in the capacity of owner) and subsequently by an owners' committee. Between the owners' committee and the Body Corporate a set of rules and responsibilities is established and a schedule of fees developed to fund the tasks set out. These may include maintaining the exterior of the property through to landscape work and road maintenance in larger properties. There may also be a set of rules for residents to abide by which will curtail their freedom to individualise their properties and may also place some restrictions on behaviour.

The Body Corporate may appoint a property manager (sometimes referred to as the Body Corp secretary) to maintain the property and help enforce the rules. Rules may cover parking restrictions, television aerials, where washing may be hung, fireworks, noise, and additions or alterations to the exterior of a property etc.

Within apartments especially there appears to be wide acceptance that this is all part of the package. There is recognition that it is vital to lay down a common understanding of what is and is not acceptable. In this way the chances of disharmony through the behaviour of others is greatly diminished. The activities of the Body Corporate (or property manager) are seen as contributing to a pleasant living environment and preserving the value of the properties. Given the secondary evidence about issues with bodies corporate and the recent revision of the Unit Titles Act 2010, this positive view may reflect the quality of local management and the relatively recent construction of the developments used as case studies.

The Hanson St case study demonstrated that the Body Corporate is also able to operate effectively beyond the remit of rules and maintenance. It can create an atmosphere where residents feel informed and able to easily contact it should issues arise. Communications do not just focus on "do's and don'ts" but provide information relevant to residents. The rules and regulations have been converted to user friendly language and are posted on the notice-board. Signage around the building put up by the Body Corporate provides effective guidance on issues that would otherwise be an on-going communication challenge. Body Corporate members have formed a close community and provide opportunity for other residents to meet one another through an annual event.

Consequently, there is a feeling that the Body Corporate:

- Effectively manages and maintains the building;
- Is very timely in addressing issues;

- Visible;
- Achieves change through working with Council;
- Communicates through a variety of mediums including a Facebook page;
- Communicate expectations in easy to understand language, but is not just about “dos and don’ts”;
- Provide opportunity to meet neighbours through an annual BBQ;
- Is inclusive;
- Has good ideas e.g. edible garden.

At Tuscan Towers the Body Corp has appointed an on-site manager who takes responsibility for communicating with new residents, explaining the rules and enforcing them as best he can. There are difficulties with new migrants understanding the nature of the Body Corp. Problems brought by some migrants are issues for the landlord and at the same time, there is a mistrust of authority that has more to do with Chinese society than New Lynn.

5.3 Freehold with some shared responsibility

There are medium density developments in which dwellings are held by owner occupiers, with or without a mortgage, with shared ownership of common property (by way of an incorporated society, for example) with or without formal management organisations. Without a Body Corporate, the connection between the rules and the households is through covenants on the property titles which are weaker than Unit Title provisions.

The difference between those with and those without a formal manager relates to risk and autonomy. An incorporated society, for example, may act as a Body Corporate and charge fees for landscaping, road maintenance and enforcing rules of behaviour. While this restricts individual freedom some see it as beneficial for maintaining neighbourhood standards and property values.

Urban Ridge owners have shared ownership of a private road but have established no formal management organisation. The owners will need to agree on when repairs need to be done and are confident they will be able to work through these needs informally when the time comes with no need for any permanent structures in the meantime.

In contrast, Addison has an incorporated Residents’ Society. This is managed by Addison Developments and charges a fee for landscape and roads maintenance and to enforce rules. These rules relate, for example, to the ability to park cars behind garage doors to preserve the thoroughfare, parking on grass verges, and altering the exterior appearances of the houses.

One problem at Addison is that not all residents are members of the Society and therefore do not all pay fees. Membership became compulsory with Stage 2 so that Stage 1 owners who opt not to pay can enjoy the benefits of the services funded by Stage 2 owners. Some of the latter reportedly default on their payments as well, an additional source of resentment.

The main concern at Addison, however, is the increasing proportion of rented properties, a trend perceived to impact negatively on property values. Renters are thought to take less care of the properties and contribute to a general deterioration of the development. Several respondents felt that Addison Developments should be able to prevent this trend.

Further concerns are expressed about the Stage 3 development with smaller homes planned, higher proportions of renters, and a growing Chinese population. Rumours are circulating of sales to Housing New Zealand which is seen by some to be the ultimate threat to property values.

These concerns (also evident in Tuscan Towers) highlight the difficulty of maintaining expectations of the initial owners long after the development is complete. Although the Body Corporate has

some responsibility in these matters the initial developer is also held responsible by purchasers (at least in their minds) for any failure to meet their initial expectations.

5.4 Community title

The Australian Community Title is an alternative to Unit Titles and Residents Societies where provision needs to be made for shared ownership and maintenance of landscaping and recreational facilities. The provisions appear to combine the best of both worlds, making greater certainty for joint owners and greater flexibility of application.

5.5 Cross lease

This type of ownership is common for “half sections” where the front or back has been sold off for a second dwelling on one section. Each owner has exclusive right to their half share but share ownership of the total section. There is often a shared driveway which requires cooperation for maintenance work. Cross-leasing was not a feature of the case studies covered in this study.

5.6 Renters

The rights and responsibilities of renters differ markedly from owners who have different levels of understanding about the rules and responsibilities associated with bodies corporate. It appears that these rules and regulations are not always communicated well to tenants by owners. Most tenants interviewed appeared keen to understand and follow them, although there are exceptions which cause difficulties. Landlords who are based overseas and tenants for whom English is a second language contribute to communication and apprehension problems around the operation of bodies corporate and their responsibilities.

There was no evidence that renters were influenced by or towards one or other type of ownership, as they are bound most immediately in their behaviour by the relationship with the landlord, or that their experience might influence their attitudes if and when they make the transition to ownership themselves. The main issue associated with rental tenure arises from the proliferation of rental dwellings because owner occupiers perceive a loss of value from the lack of long-term commitment or responsibility towards the property by tenants.

The link between the proportion of renters and possible adverse effects on property values is likely to be particularly strong in the current property market where owners are concerned about property prices. There was not a lot of evidence from our interviews to support the concerns of owners but we did notice a reluctance of tenants to be interviewed.

To some extent there is a symbiotic relationship between renters and owners (especially in Tuscany Towers and Addison) where owners have tenants or extended family members living in the same house to help pay the mortgage. The prevalence of extended family living is likely to increase as proportions of Asian populations increase where this is a cultural tradition. It is possible also that extended families are becoming more common in other NZ households in response to housing affordability difficulties and a shortage of rental accommodation.

6 Tradeoffs in Dwelling Selection

This section draws on the experience of people interviewed to assess how decisions leading to their current medium density housing options have been made.

6.1 Outer Bounds

The case studies provided information enabling an analysis of the tradeoffs households make when selecting a dwelling.

All tradeoffs will be determined within a price envelope. People may have some ability to pay more for something they really want (and they do) but the range from which they can choose is usually limited. One important source of flexibility observed is the willingness to share accommodation with family members or friends. Young single people traditionally share accommodation but the case studies indicate that Maori, Pacific Peoples, Chinese, and Indian households are quite happy to share accommodation with other family members. This may apply to other nationalities. Willingness to share can influence (and complicate) the available tradeoffs considerably.

When they move most people like to remain within an easy 30 minute drive of their family, friends and other networks. Apartment dwellers tend to search within a clearly defined geographic area; for many of them the key is proximity to work and to social precincts. For younger people the key networks may be based on friends rather than family. Consequently, any preference for the home neighbourhood gives way to preference for a more central location. This reflects a particular transitional phase, to independence, qualification, and careers. It is also associated with the expansion of non-family relationships.

Tradeoffs are made largely within the window of budget and area. Within that window, the case studies suggest that the selection of higher density housing can be opportunistic. Quite often people become aware of the opportunities because they drive past or they know someone who already lives in a complex. This may be enough to get a property onto the shortlist even though the search process may be quite long and well researched. This is less the case for renters who are often faced with making quick decisions, especially when the market is undersupplied.

Time constraints generally may oblige some people to accept trade-offs that they would otherwise resist.

6.2 Style of Development

The style of house is a major factor in the decision. Some of the housing types referred to by people interviewed for the case studies included:

- Retirement villages;
- Apartments (low rise);
- Apartments (high rise);
- Traditional 2,3 or 4 bedroom houses on 500-1,000 m² sections;
- Town houses, units, terraces, etc. (medium density housing).

Within each one of these nominated types there are possible variations in size, modernity, design, and quality, which can influence the extent to which they may substitute for one another, although there may not be a lot of variation within targeted search areas.

For example, the choice in inner suburbs might be between older villas and bungalows, often poorly positioned for sun and cold, or a new modern townhouse or apartment. In the Addison and Tuscany

Towers case studies, most people were moving into the area from traditional houses, so moving into a more modern dwelling was a key trade off.

Moves were often prompted by a change in household structure (e.g., kids leaving home, a new relationship, or a relationship ending) and a desire for less maintenance work on traditional older houses and gardens.

As indicated above, the appearance of the development was important, both for what it conveyed about the residents themselves and for aesthetic reasons.

6.3 The Setting

The selection of the dwelling type is made in conjunction with the street or setting for the dwelling. Most importantly, people look for the following attributes:

- Tidy area;
- Safe (from crime and dangerous traffic);
- Quiet;
- Private.

For families with children this means safe areas to play, ride bikes, kick a ball, or use a skateboard, with the age of children affecting the definition of safety. For younger children, the play area must be visible from the home and protected from entry by strangers. For older children a quiet street near home or a local park may constitute a safe area. For adults it means somewhere safe to walk or cycle around for exercise. This can be influenced by both lighting for night use and how busy the area is.

The quality of locality for suburban development relates to the security of the investment in the property purchased as well as to the inferred personal comfort with the locality. It has to be a “good area”. A trade off may be made, then, between the quality of the house and the quality of the locality as a place to invest: i.e. “good house-bad street” compared with “bad house-good street” (and the shades of grey in between).

For apartments, the locality is more about lifestyle. Does it give access to work and social life? At the same time a new apartment building provides some insurance against unexpected maintenance bills. The physical security of the building is also important. This is especially so for inner suburb apartments, which may be closer proximity to high crime areas than their suburban equivalents. The design of apartments can also limit natural surveillance. Location on a busy, well lit street contributes to a sense of safety, while internally things need to look tidy

Complicating the trade off between structure and setting may be the form of ownership: e.g. a body corporate (unit title) situation or a traditional freehold. A unit title may be viewed as a benefit where shared spaces are valued by the purchaser and where the body corporate is seen as an assurance that the property is well maintained. Others may see the fees and the rules as a negative. The case studies have shown a range of potential problems arising from body corporate or incorporated societies. Moreover, it is difficult for a new buyer to evaluate the quality of management.

6.4 Accessibility

The nature and range of facilities within easy reach and the accessibility of services and facilities will enter the trade-off. These include shops, food outlets schools, banks, and public transport facilities, among others. For car dependent households they may be less important criteria than for those for whom the capacity to walk to services is important. For the latter, the range of services in the local environment could be a determining factor in choice.

6.5 Towards a segmentation

How tradeoffs are made will reflect the values placed on the different attributes by different households. The particular distribution of household types across trade-offs is not obvious. Given the potential variations of attributes and the ways in which they might be combined in trade-offs, and evidence of considerable diversity in them, even 50 interviews across five case studies can provide only limited guidance.

The difference between apartment dwellers and others is perhaps the most pronounced. Apartments (particularly small apartments) close to city or central suburbs probably have the clearest demographic target in young professionals, singles, and couples with their preferences for accessibility and their low commitment to particular place or style of housing. Even here there are exceptions, though.

The remainder of the housing stock has proven to be highly flexible, appealing to a wide range of groups and making it difficult to identify specific target demographics. This is no bad thing because most people want to live in a varied community with different age groups. Conflicts do arise; for example between people seeking quiet (e.g. retired) and families with young children who want space to ride their bikes and don't respect property boundaries. Yet lifestyle conflicts within developments do not stop a diverse range of household types from occupying apartments close to the CBD, although their reasons for being here may be quite different.

This suggests that the way through the diversity of segmentation and the complexity of trade-offs may be to ensure reasonable flexibility in multiunit design and operations regardless of setting.

Given sufficient flexibility, housing stock in the CBD, for example, has appealed to a wide range of segments, and cannot be identified exclusively with any particular demographic, cultural or social group. This supports social variety in medium density communities, which most people suggest they want. Flexibility in unit design and presentation also reduces risk to developers and investors.

The larger developments however, are still associated with certain lifestyle values so that they appeal to households that are likely to:

- Not want to spend time gardening or on house maintenance;
- Like something new and modern;
- Like the idea of living in a community where friends are made and people look out for one another;
- Like the orderliness of style that accompanies medium density housing (in contrast to the traditional "haphazard" development in typical NZ suburbs);
- Accept constraints on personal freedoms in return for a better communal environment and the prospect of secure or rising property values.
- Trade off capital gains for lifestyle benefits.

6.6 Renter households

Many of the considerations above apply equally to people who own or rent. Within the constraints of renting, people still have some choice of tenure. They may live with families (contributing to the costs), rent a room in a house or flat, share an apartment, or rent a dwelling in their own name.

The increase in demand for rentals is reflected in a degree of innovation and flexibility in supply. Additional forms include renting parts of another house with or without their own entrance, including sleep-outs, garages, and attic or loft space. Houses at Addison have lofts above the garages which can be – and are -- separately rented. People are also reported to use garages as additional bedrooms.

The housing choices made by renters span a range of situations, from those looking for long term security through to households renting between house purchases. Some choose to rent in a development where they are considering buying to get a better idea of the area and the housing. This is most likely in new styles of housing where about which people may still be some uncertain.

Recent migrants, particularly young people, may be quite transient. Young people in particular may frequently moving house to accommodate visiting relatives from overseas, because they may travel themselves, or because they spend time “back home” for a while. Migration and high levels of mobility among young people can complicate traditional views of housing chains.

Renters’ concerns about the form of ownership tend to be muted. Often, tenants have nothing to do with the body corporate, except where a copy of the rules is passed on by the landlord or by a manager. By way of exception, tenants In the Hanson St apartments are invited to attend body corporate meetings and are included in the social media events. This may be recognition of the potential role of the body corporate in fostering a sense of community within the complex.

7 Development Challenges

The case studies identified a range of development difficulties which reflect some of the supply-side issues that have been raised in previous working papers.

7.1 Planning delays

A recurring theme is the perceived slow process of gaining resource consents. This has a significant negative impact on the cost of development and its financing. As a result, procedural delays are likely to reduce the range of developers in the market, favouring those with substantial financial backing which increases their access to and reduces their dependence on loan capital.

At the same time, the potential reduction in returns associated with higher holding, planning and development, and construction costs reduces the attractiveness of large scale development as an equity investment

The recent property market crash and the consequences for developers have highlighted this sensitivity to delays and the consequences by way of a loss of capacity in the development and construction sector. One possible outcome of such delays may be a move towards smaller scale developments involving less capital and less risk. Unfortunately, under current circumstances small scale developers, who are usually more highly geared and often dependent on pre-sales off the plans to complete a development, will also face difficulties raising finance.

Delays may result from a lack of understanding of the market for medium and high density housing, and a focus instead on gross density targets in plans. The prescriptive nature of District Plan rules can deter innovation in medium-density housing design as well as pushing up the costs of execution. Developers have reported that designs may simply be modified to meet the planners' requirements to avoid delays. Where expediency has ruled, there is a tendency to do the minimum.

Examples or problems arising from District Plan rules identified in the case studies included:

- Road widths being too narrow;
- Shading from neighbouring buildings;
- Inappropriate location of garages;
- Proximity of houses to public road.

More serious issues concerned the relative location of retail centres, drainage engineering issues and the requirements for infrastructure provision. There is a question, also, of how far planning for enhancing the local public realm – by way of parks and reserves, the quality of street frontages, parking provisions, and the like – had responded to the private investment in higher density housing.

Experience at Ambrico Place in New Lynn (of which Tuscany Towers is a part) has shown the need to have some design guidelines for medium density housing. The problem appears to arise when these guidelines become rules and thereby destroy the design flexibility they were intended to promote.

7.2 Costs

In addition to costs associated with delays, developers faced high fees for resource consents and development contributions. These have increase noticeably in recent years. Examples include:

- A developer having to purchase adjoining properties to remove objections from neighbours;
- A requirement to install infrastructure well beyond the boundary of the property;
- Funding for consultants to help resolve engineering and retail issues in the neighbourhood;
- Funding for a project manager within the local authority due to a shortage of resources.

7.3 Development finance

Interviews with trading banks identified significant challenges for medium density housing. There are no hard and fast rules with each case being treated on its merits. However the two banks interviewed suggested similar lending criteria would apply. A maximum of 65% of the completed value would be available for the developer, provided the developer was able to demonstrate a market for the finished product. This provision leaves around 10% of the cost to be found elsewhere from equity investors or mezzanine finance, both of which are in short supply at present.

These conditions tend to favour smaller scale and terrace or town house style developments rather than apartments. The problem with apartments (especially large scale ones) is that once started, the development must be completed. There is no flexibility to pause if the market pauses for some reason.

Another factor working against apartments is the retail lending threshold. Banks are less willing to lend over 65% on an apartment which is considerably less than for houses.

7.4 Public education

The different forms of medium density housing are not always well understood by the house buying public, by planners and by politicians. Even real estate agents are sometimes reported to be unsure about its merits.

Some developers feel there is a need to actively promote different housing styles and communicate the benefits to residents and the wider community. Given the emphasis on public benefits of the compact city, some developers feel the public sector (local council or central government) should take a lead in promoting such developments. The Auckland Regional Council did respond to this by developing guidelines on purchasing an apartment and on the ownership issues associated with bodies corporate.

7.5 Possible solutions

Given the potential shared public and private benefits of compact living and the difficulties experienced by developers, it may make sense for the public and private sectors to jointly approach the implementation of more intensive housing developments.

Many of the characteristics that make medium density living attractive are based on the connectivity and amenity of the adjoining locality. The meaning of amenity can be broad, ranging from good public transport, through good local parks and open spaces, shopping, cafés and bars, to access to work. The public sector can encourage more intensive housing by helping to finance some of these amenities or encourage developers to consider development where these amenities already exist. This is particularly important in the case of affordable housing given that any additional costs borne by the developer are passed on to the house buyer or tenant.

Mechanisms whereby this can occur can be informal; such as joint planning exercises, or formal, such as public private sector partnerships (PPPs) where public and private sectors take financial stakes in the development vehicle. The scale and location of development may determine the appropriate structure and scope of cooperation.

There are barriers in understanding and in levels of trust between the different stakeholders involved which also need to be addressed. One stakeholder suggested a planners' charter for working with developers that addresses the most common areas of misunderstanding and provides guidelines for dealing with conflicts. Such a charter would acknowledge the various interests of both parties (e.g. returns on investment, continuity of work, efficient investment in infrastructure, the provision of affordable housing, community development, and good resource and environmental management) and commit to jointly acceptable solutions. The Charter would also address the needs

and rights of the public (the house buyers and existing residents and businesses, among others) to have their views taken into account also.

Early consultation between stakeholders and the sharing of information can help to avoid later roadblocks. One small example of how this can be advanced is through the “pre-application meetings” held by resource consent planners and other interested parties. This process can help identify any potential problems and help ensure that delays are kept to a minimum.

8 Conclusions

The case studies have indicated, by and large, the satisfaction that residents have with their medium density housing across quite different settings. This positive outcome may be influenced in part by the fact that the most of complexes examined were relatively new, and this has been part of their appeal to purchasers or renters.

The medium density developments considered have appealed to broadly different groups, in large part reflecting their location and their style. Hanson Street and The Aston appeal to young professionals who value access to work – by foot, car or public transport – in the central city, and the ability to enjoy the social networking and ambience associated with the inner city cafe culture.

Tuscany Towers appears to be occupied by a wide range of household types. Its population is much more diverse than the more central apartments. This may also reflect the fact that it comprises a slightly more traditional form of housing by way terrace dwellings. It is also older and so has been subject to more on-selling. Other than the problems and uncertainty associated with leaking, the complex appears to work well for most residents, in large part because of its accessible location and because of the nearby amenities – shopping and services.

Addison has a similar household structure to Tuscany Towers but without the same Asian immigrant influence. In many cases the residents have “traded up” to a modern, well specified residence. While this may be smaller than their previous home, a contemporary design, low maintenance, and a relatively close community may cater for a change in lifestyle.

Urban Ridge is not dissimilar, with predominance of retired or near retired people who have bought into a house that may be smaller than they have been living into, but which offers a higher level of appointment, less maintenance, and greater security. Again, the motive may be a change in lifestyle, including the capacity to “lock up and leave”.

In both Addison and Urban Ridge, buyers responded positively to exposure to a new form of dwelling with which they were not previously familiar. They tended to buy “close to home” (including in Tauranga which is a relatively small urban area in any case), and so were able to meet their aspirations without locating away from familiar surroundings.

In making these choices in favour of medium density housing the buyers and renters have rejected traditional housing with detached houses and large(r) sections. The space inside the traditional property has been traded off for space outside, either in the immediate vicinity (Addison) or the wider area (Hansen Street and the Aston).

The people we interviewed have been able to find something that met their needs which included a medium density housing option. There will be many others who did not find such a solution.

The question this raises is how many of those who have not found a medium density solution may have done so if more choices were available in their search areas or design features and prices that meet their needs?

Answering these questions is the focus of the proposed Stage 2 in this research proposal, a quantitative study of the wider market.

Attachment: Case Study Reports

The Aston, Grey Lynn, Auckland
Tuscany Towers, New Lynn, Auckland
Addison, Takapuna, South Auckland
Urban Ridge, Tauranga
1 Hanson St, Newtown, Wellington