

Population and Housing in the Auckland Isthmus

Keith Rankin, 31 Oct 2013

Housing patterns are changing radically in the former Auckland City, essentially the central isthmus bounded by the Tamaki and Whau rivers. With house prices becoming out of reach for young owner-occupiers, houses in these central suburbs are increasingly being bought as financial assets, and not as places in which the purchasers intend to live.

This means that the former Auckland City, and its communities, is, more than any other part of New Zealand, populated by tenants living in 'investment properties'.

We would hardly know this from the media focus on owner-occupation, and on first-home buyers. For example, central to the 'berm' issue that gained front-page attention in the beginning of the month, is the relationship between council, tenants and landlords, and finding the most efficient way of allocating responsibility for keeping our streets tidy.

We don't have census results yet for the numbers of occupied and unoccupied properties in Auckland. Data up to 2006, however, shows a significant increase in unoccupied properties from 1996 to 2006. In March 2006, 7.2 percent of isthmus properties were unoccupied.

This number may well stretch in the 2013 data. Or, alternatively, there may be increased occupation rates in suburbs with apartments, and decreased occupation rates in those middle-upper income suburbs still dominated by houses in sections.

We do have 2013 census results for population by area unit. Areas with high apartment density showed large population increases: CBD, Newton, Grafton West, St Marys, Newmarket, Eden Terrace, St Lukes.

On the other hand, nearby suburbs without such apartment growth showed the lowest population growth. Herne Bay showed population decline, unlike neighbouring St Marys. St Heliers, Ponsonby, Grey Lynn, Mt Albert, Mt Eden, Balmoral, Royal Oak and Three Kings all showed much lower growth than the isthmus average of 8 percent. These are now suburbs of million dollar houses.

In increasingly attractive New Windsor, population increased by just 0.2 percent. Yet its markedly poorer neighbour, Glenavon, saw an increase of 11.8 percent.

There is a pocket of severe poverty in western Mt Roskill: area units Wesley, Walmsley and Akarana, with average incomes below \$15,000 in 2006. (This compares with a 2006 average income of \$25,000 in Glen Eden, an area not regarded as affluent.) Population here grew by over 7 percent.

So, population growth in Auckland's isthmus is predominantly in apartments close to the CBD, and in the poorest areas such as Wesley and Glenavon. Wesley was the most overcrowded in 2006, with 3.64 persons per dwelling, compared to an isthmus average of 2.55.

My question then is, what is happening in places like Mt Albert and Mt Eden, Grey Lynn and Herne Bay? These are places where houses are being bought at very high prices, by people who themselves do not plan to occupy them.

Traditionally, the term 'investment property' meant a rental. Landlords with small portfolios would earn yield on their capital in the form of rent. Thus it would be completely pointless leaving a property untenanted.

We are now moving to a different residential investment model; known otherwise as landbanking. Property-owners are increasingly acquiring residential properties in the same way as people acquire shares in publicly-listed companies. Where properties are tenanted, it's increasingly through property managers, meaning that traditional relationships between landlord and tenant are dissipating.

Owners of properties that they themselves do not occupy are increasingly free to buy and sell as if their tenants are incidental. The principal reward in today's property market is leveraged capital gain, not yield. It's playing the market, not long-term investment.

Indeed, tenants may in some cases be regarded as too much of a hassle. Especially in properties in central suburbs with large sections and somewhat dilapidated houses, the best strategy may be just to leave such properties vacant, with the aim of selling them around 2016. Some commentators believe that prices of these properties will continue their double-digit appreciation for about another three-four years.

Housing policy, especially with respect to Auckland, needs to focus on the supply of quality rental housing in mixed liveable communities. Property owners who do not wish to let or maintain the houses on their properties should be subject to a landbank tax. And landlords who maintain and do not sell their properties could be rewarded with a tax incentive. Housing policy needs to focus on minimising unoccupied properties, as well as on the construction of affordable new houses.

The future of the Auckland isthmus can be of a young relatively affluent population mainly renting their homes, and living closer to workplaces than in recent decades. Auckland can be a vibrant liveable place with mixed communities of quality dwellings, rented and owner-occupied. Or it could be an unpleasant place of suburbs with poor quality overcrowded insecure accommodation interspersed with suburbs with many unoccupied and under-occupied properties acting more as a landbank than as places to live.

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