

*Submission to the*

# **New Zealand Productivity Commission**

*on*

## **Housing Affordability**

**Issues Paper – June 2011**

03 August 2011

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03 August 2011

Inquiry into Housing Affordability  
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Dear Sir / Madam

**Re: Inquiry into Housing Affordability**

The Cement and Concrete Association of New Zealand (CCANZ) represents a membership in excess of 300 corporates and individuals who collectively account for a significant proportion of the building and construction sector in New Zealand.

The cement and concrete industry annually produces and uses about 1.5 million tonnes of cement in New Zealand, which equates to around 3.75 million cubic metres of concrete for new residential, non-residential and commercial construction. In total, the direct, indirect and induced economic impact of the cement and concrete industry resulted in close to \$7.5 billion of output across the economy in the year to March 2006. This activity supported more than 24,000 jobs and created a value add of about \$2.8 billion – around 2 percent of New Zealand's GDP in 2006.

In line with our mandate as representative of the cement and concrete industry, CCANZ has prepared the following responses to selected question in the New Zealand Productivity Commission's document *Housing Affordability Issues Paper – June 2011*.

*Q1. How should the Commission think about the concept of housing affordability – its meaning and measurement? Should the Commission focus its work on affordability as it impacts on lower income households or should the focus be broader and examine the market as a whole?*

CCANZ believes that in interpreting the concept of affordable housing the Commission should focus on the entire market, rather than only on lower income households, as housing costs are relevant across all sectors of the housing market.

The Commission should also not restrict their interpretation of affordable housing to first up costs (e.g. land and construction). Ongoing operational (e.g. heating and cooling) and maintenance costs must fall within any definition of affordable housing.

*Q2. Does this stylised framework (Figure 1) capture all the important determinants of housing affordability? Are there others that are important?*

CCANZ believes that the stylised framework (Figure 1) does not capture all the important determinants of housing affordability. When interpreting the concept of housing affordability ongoing operational (e.g. heating and cooling) and maintenance costs must be taken into account.

The Commission's interpretation of affordable housing must allow for long-term cost considerations as their minimisation is critical to the affordability of occupying and maintaining a home, particularly for low-income families.

To ensure these ongoing operational and maintenance costs are minimised it is important that construction materials have sufficient mass to absorb, store and release solar energy, are durable under extreme weather conditions and over time, and ensure a building envelope that is thermally-tight as well as weathertight.

*Q4. What factors have caused recent housing price increases? Are some of them temporary?*

There are numerous factors that have influenced recent housing price increases, these include:

1. A general demand for better quality and healthier homes
2. A higher demand for urban units/ apartments
3. A higher demand for smaller units (more single people and childless couples)
4. Population growth (rising levels of immigration)
5. An unprecedented demand for new and temporary housing following the recent Canterbury earthquakes

*Q6. What effects have price rises in housing had on the affordability of home ownership?*

Price rises across land, construction materials and the existing housing stock have inevitably made home ownership less affordable. An increase in rental prices, combined with financial institutions tightening their lending criteria has led to prospective (first) home buyers finding it increasingly difficult to enter the market.

Q8. *What is the best way to segment the market, and are there significant house price variations confined to specific market segments?*

Segmentations for the property market could be:

- |               |   |
|---------------|---|
| 1. Location   | Urban<br>Suburban<br>Rural  |
| 2. Quality    | Buildings just complying with the Building Code<br>Buildings better than Building Code<br>Buildings best performing, e.g. passive house   |
| 3. House Type | Large houses, 4 bedrooms and more with large site<br>Small houses, 3 bedrooms and less with small site<br>Large apartments, 4 bedrooms and more<br>Medium sized apartments, 2 to 3 bedrooms<br>Small apartments, 1 bedroom or studio layout |

Q9. *Why have different parts of New Zealand (cities and regions) experienced different trends in housing prices?*

Reasons for different trends in house prices in different locations could be:

1. Employment levels
2. Population trends, related in part to levels of employment and New Zealand's aging demographic
3. Infrastructure quality (e.g. transport and schools) is a key influencer of house prices.
4. Availability of land for development, due in part to council zoning restrictions
5. High construction costs related to materials and availability of skilled labour
6. Local Authority consent processing efficiency
7. Building regulation complexity

Q10. *How should affordability for home buyers/owners be defined and measured, both in principle and in practice (taking account of data availability)? Is it possible to assess affordability using a single measure?*

Affordability for house prices could be measured with the price/ income ratio.

Q12. Do affordability trends differ for first home buyers with different income and household characteristics?

Affordability is of more concern for lower income, first time home buyers, particularly families with children, rather than for 'professional' single or childless couples.

*Q39. How could urban planning and development be improved to better integrate strategies for land use, economic development, transport and infrastructure?*

Land use, transport and infrastructure can be improved by:

1. Constructing car park areas below ground.
2. Creating shared spaces for pedestrians, motorized and non-motorized vehicles.
3. Developing an effective public transport system (e.g. rail and/or bus lanes).
4. Designing mixed use developments, where living, working and shopping requirements are combined.

*Q66. To what extent have changes in household composition affected the demand for housing?*

As New Zealand's population grows and ages, in conjunction with increasing numbers of single person households, the demand for affordable housing has grown.

Summary:

CCANZ believes that the Commission should not restrict their interpretation of affordable housing to first up costs (land and construction). Ongoing operational (e.g. heating and cooling) and maintenance costs must fall within any definition of affordable housing. As such, consideration must be given to appropriate building materials that assist to minimise ongoing operational and maintenance costs.

Concrete is ideally suited to the provision of affordable housing across New Zealand, as it has sufficient mass to absorb, store and release the sun's heat for energy efficient living, is durable under extreme weather conditions over time, and ensures a building envelope that is thermally-tight as well as weathertight.

We trust that the above comments and recommendations are appropriate for consideration. However, please do not hesitate to contact us if we can be of any further assistance or if you have any queries or require additional information.

Yours faithfully



Rob Gaimster  
CHIEF EXECUTIVE OFFICER