

## Crisis on the Horizon: Understanding and Addressing Housing Affordability in New Zealand

Sophia Zhou<sup>1\*</sup>, Yuxiang Sun<sup>2</sup>

<sup>1</sup> ACG Parnell College, Auckland 1052, New Zealand

<sup>2</sup> Boston University, Boston, Massachusetts 02215, United States

\* Correspondence: sophiaz0505@gmail.com

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**Abstract:** This study delves into housing unaffordability in New Zealand, examining income-to-housing cost ratios, affordability perceptions, contributing factors, mental health effects, and post-pandemic concerns. Findings highlight complex challenges shaped by income, region, demographics, and diverse perceptions. Income disparities, especially among lower-income non-property owners, underscore the need for targeted policies. Variations in affordability perceptions by ownership status, region, age, income, and ethnicity necessitate tailored strategies. Housing unaffordability negatively impacts mental health, particularly for aspiring non-owners, emphasising the importance of holistic policies. Post-pandemic housing market worries are prevalent among aspiring non-owners, varying by region, age, income, and ethnicity. Flexible policies are essential to address evolving market dynamics. In conclusion, New Zealand's housing affordability requires a comprehensive, inclusive approach. Policymakers must address income gaps, regional disparities, demographic diversity, and diverse perceptions to create a more equitable housing market promoting economic stability and mental well-being.

**Keywords:** Housing Affordability, New Zealand, Income-to-Housing Cost Ratio, Perceptions, Mental Health Impact, Policy Recommendations

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### Introduction

Over the course of nearly two decades, the issue of housing unaffordability in New Zealand has garnered significant media attention and has been the subject of extensive research scrutiny, persisting as a prominent topic of discourse. Particularly noteworthy is the heightened attention this matter has received in the aftermath of the extraordinary circumstances posed by the COVID-19 pandemic, prompting inquiries into the extent to which this crisis has influenced public perception. Thus far, there exists a dearth of comprehensive investigations examining the repercussions of the COVID-19 pandemic on individuals' cognitive evaluations of their housing circumstances. Moreover, the aspect of housing unaffordability perception amongst non-property owners, a demographic cohort that harbours the most acute need for housing solutions, has remained a relatively understudied facet of this complex issue.

This paper is principally oriented towards examining non-property owners who aspire to attain homeownership and is organised into three distinct sections. The initial section delineates the current landscape of housing unaffordability in New Zealand, focusing on the income-to-housing-cost ratio and the general sentiment prevailing among the populace. The subsequent section delves into the multifaceted

dimensions of the perception of affordable housing, considering variables such as pricing, dwelling types, and the number of bedrooms, and subsequently explores the perceived determinants contributing to the challenge of housing unaffordability. The concluding section scrutinises the post-pandemic outlook regarding housing unaffordability, with each of these segments being further subdivided into discrete classifications based on geographical regions, age demographics, household income strata, and ethnic backgrounds, thereby facilitating comprehensive comparative analyses. Prospective avenues for research are also contemplated, encompassing investigations into pre- and post-COVID-19 shifts to inform future prognostications.

The findings of our study reveal a consistent perception of housing unaffordability among non-property owners, irrespective of their aspiration to attain homeownership, with the median perceived price for an "affordable home" among this demographic cohort standing at \$575,001. Significantly, the mental health implications arising from New Zealand's housing predicament are discernibly more adverse than beneficial, with a notably pronounced negative impact observed among non-property owners aspiring to attain homeownership.

### Literature Review

A global housing crisis is slowly creeping into the horizon, and among all countries in the Organisation for Economic Co-operation and Development [OECD], New Zealand is one of which that are most at risk of housing bubbles. This has been the situation before the COVID-19 pandemic. It is necessary to delve further into the explore the before it spirals down into a crisis.

According to a housing affordability report released in 2023 by Urban Reform Institute and the Frontier Centre for Public Policy, two organisations conduct research to support economic and social growths which would enhance the quality of life, New Zealand has the second highest median housing market of affordability rating in all countries, just following Hong Kong, China. Though the study may be partially biased due to solely depending its data on one market – Auckland, this vicariously indicates the exceptionally high price-to-income ratio in the Auckland market calculated by the affordability statistics. Throughout four years (2020-2023), New Zealand has remained at second which raises concerns of the public and the government (See Table 1).

**Table 1:** Housing affordability ratings by nation

Table ES-2 Housing Affordability Ratings by Nation: Totals by Market						
Nation	Affordable (3.0 & Under)	Moderately Unaffordable (3.1-4.0)	Seriously Unaffordable (4.1-5.0)	Severely Unaffordable (5.1 & Over)	Total	Median by Nation
Australia	0	0	0	5	5	8.2
Canada	0	1	1	4	6	5.3
China: Hong Kong	0	0	0	1	1	18.8
Ireland	0	0	0	1	1	5.1
New Zealand	0	0	0	1	1	10.8
Singapore	0	0	0	1	1	5.3
United Kingdom	0	0	10	13	23	5.3
United States	0	12	18	26	56	5.0
TOTAL	0	13	29	52	94	5.3

The wide gap in demand and supply of houses sparks the need of affordable housings. What is defined as affordable housing? The Economics Times refers to affordable housing as 'housing units that are affordable by that section of society whose income is below the median household income'. In other words,

affordable housing is targeting 2.5 million New Zealanders whose annual household gross income is around or below \$110,000 (StatsNZ, June 2022). Note that this idea is not the same as the multi-dimensional perceived affordable housings. The former is the price in an ideal situation whereas the latter shows the price in reality.

The turmoil of the New Zealand housing market has previously been caused by rampant speculation, restrictive planning laws, and massive population increase in urban areas (William Doherty, 2017). This study aims to illustrate the impact of pandemic on the crisis. Another field which the study reaches into is psychology. This paper also gains insights in people's response in the situation on the level of individual decisions using a term mental health. The term is defined as the following.

Not every jargon has a precise definition. In the case of mental health, the particular term that refers to mental health does not have consistency in sources. Like the Oxford Languages, an authoritative English dictionary, only gives the vague description of mental health – “a person's condition about their psychological and emotional well-being” (n.d.). However, such is usually not specific enough to be scientifically studied. With slightly more specificity, the Cambridge Dictionary delineated the term as “the condition of someone's mind and whether or not they have any mental illness” (n.d.). The term, nevertheless, is not without its flaws. Mental health should not be restricted to mental illnesses only. The World Health Organisation[WHO], an agency of the United Nations that specialises in international public health, asserts that mental health is more than the absence of mental disorders(2018). They claimed that mental health is “a state of well-being in which the individual realises his or her abilities can cope with the normal stresses of life, can work productively and fruitfully, and can make a contribution to his or her community (World Health Organisation, 2018, para. 2)”. The substantial progress made concerning moving away from the conceptualisation of mental health as a state of absence of mental illness (Galderisi, S. et al., 2015) soon gained recognition in multiple population groups. From public resources like the well-established online encyclopaedias Wikipedia (2022) to Health Navigator New Zealand (2021), a reliable online health information centre is open to all New Zealanders. All of which quoted the exact definition provided by the WHO.

In comparison, the definition of mental health that the American Psychological Association [APA] concurs with the WHO's definition to some extent. According to the APA Dictionary of Psychology, mental health is “a state of mind characterised by emotional well-being, good behavioural adjustment, relative freedom from anxiety and disabling symptoms, and a capacity to establish constructive relationships and cope with the ordinary demands and stresses of life (APA Dictionary of Psychology, n.d.)” “Working productively and fruitfully” mentioned by the WHO matches to the state “being able to make good behavioural adjustments” in the APA Dictionary of Psychology, as both suggest that one should be adaptable in life. In addition, using almost the same words, both articles proposed that one with good mental health can live free from stress and mental disorders. Furthermore, a mentally healthy person is also socially adept. This is indicated through “a capacity to establish constructive relationships” from the APA Dictionary of Psychology and “contribute to his or her community” from the WHO. Lastly, WHO adds that individuals should “realise their abilities”, suggesting the importance of self-awareness.

The gist of the definitions can be summarised into two main points; a mentally healthy individual can make educated choices and interpersonal relationships. This study explores deeper in the aspect which mental health inform in decisions on housings.

It is important to emphasise the country's context before exploring its people. The following research from a branch of the United Nations demonstrates a clear image of the environmental, societal, and economic status of New Zealand. In 41 of the developed countries that participated in the research, New Zealand placed first in the environment, fifth in the quality of society, 21st in the economy league and

fourth in the overall context of the country (United Nations of Child Fund, 2020). A question raised is whether people are satisfied with their lives?

The answer is yes. New Zealand is considered one of the world's happiest countries. In the past decade, the country has been ranked as one of the top 10 happiest countries worldwide by the World Happiness Report (2012-2020), ten and 95th percentile. Such excelling statistics may indicate a relatively high national mental health score, but the statistics about New Zealand's mental health still have the power to shock. A dataset provided by the Ministry of Health shows that one in every ten New Zealand adults (15+) are diagnosed with anxiety disorder (Nov 19, 2020). It should be fair to conclude that there are unprecedented problems with New Zealanders' mental health.

The apparent manifestation of mental health may be caused by biological, environmental, and social factors, respectively. For example, biological factors like hormonal values may have caused mental disorders in girls between 15-24 in the previous states. At the same time, subtle expressions like a strange look in a person's social life may also intrigue anxiety in the group. Countless factors like the ones stated above could be explored for more specificity. Still, this review would focus on a predominant event, the COVID-19 pandemic, which has been accused of significantly impacting New Zealanders' mental health.

After WHO assessed that COVID-19 could be characterised as a pandemic in March, it expressed its concerns on the pandemic's mental health consequences. The organisation mentioned that new measures such as quarantine had affected people's usual activities, routines, or livelihoods. Therefore, levels of loneliness, depression, harmful alcohol and drug use, and self-harm or suicidal behaviours are expected to rise (World Health Organisation, 2021).

By enforcing strict lockdowns and social distancing rules to annihilate the virus, New Zealand has had only about 15 thousand cases and 52 deaths in a population of 5 million (Ministry of Health, 2022). However, the early response that New Zealand took to the novel coronavirus pandemic had both social and economic costs.

Stress is one of the most common symptoms of mental illness during the pandemic, exhibited in terms of lonlines and stress. Nine points one per cent of adults aged 15 years and above in a survey conducted by the Ministry of Health had experienced high or very high levels of psychological distress in the past four weeks (2021), though the survey did not further explore the reasons behind such abnormal statistics. A different study from Massey University found that nearly half of New Zealanders say they or a household member had trouble sleeping because of the spread of COVID-19 (46%), with a small increase from the June-July 2020 survey (43%). However, the population who have felt depressed remained the same, with 40% in Feb-March 2021 and 41% in June-July 2020 (Thaker, J., 2021).

The same study found that 20% of New Zealanders say they or a household member lost income from a job or business. Though this number has decreased from 33% in June-July 2020, it is inevitable to see a downturn in New Zealander's mental health due to financial burden. [It is also interesting to see that after increasing unemployment, in September 2020, the unemployment rate rose to the maximum in 5 years and gradually decreased. The unemployment rate plummeted to the lowest rate in more than a decade. (StatsNZ, 2021) "As one of the very few countries in the world that is largely back to 'normal', we would have expected mental health to improve," said Jagadish Thaker, a Lecturer from Massey University, New Zealand, who published the report. "But our survey shows that a substantial proportion of the public is still struggling with economic and mental health issues."

Although the final comment shows that New Zealanders are dealing with the post-pandemic situation well, they still face a huge mental health challenge similar to countries around the globe. Understanding

the background with the statistics of how mental health of New Zealanders has been impacted, this study further explores people's response to a particular situation – New Zealand's exacerbated housing situation.

## **Methodology**

In addressing the pressing issue of housing unaffordability in New Zealand, our study pursued two primary objectives. First, we aimed to scrutinise the demand for housing that is economically accessible, and second, we sought to gain a comprehensive understanding of the intricate determinants perpetuating this crisis. A meticulous research methodology was implemented to achieve these objectives, characterised by its unwavering commitment to methodological rigour and the pursuit of a genuinely representative sample.

*Questionnaire Development and Validation:* The development of the questionnaire, a critical component of our study, was executed precisely by Sophia Zhou in collaboration with Argus Engineering Ltd, the study's sponsor. To ensure the robustness, validity, and reliability of the measurement scales within the questionnaire, we subjected them to rigorous validation processes, drawing upon established academic research precedents. Ethical considerations were paramount throughout our research lifecycle, with strict adherence to the well-defined guidelines stipulated by the New Zealand Ethics Committee. Importantly, we obtained explicit written informed consent from all participants before their engagement in the online survey.

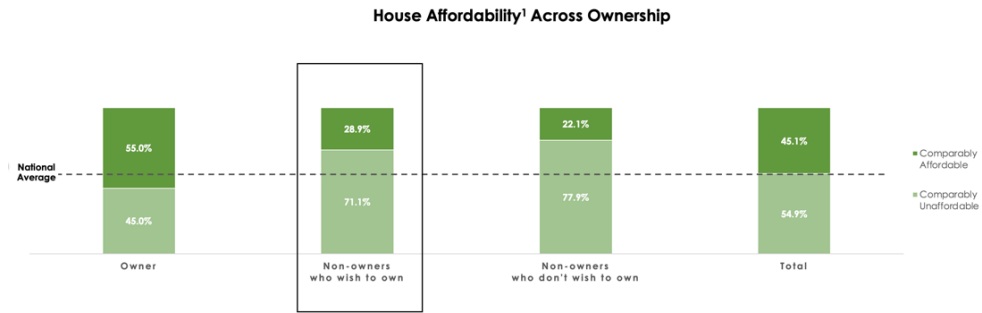
*Data Collection:* Data collection was entrusted to Trace Research Ltd, a respected market research entity. This process occurred between March 10th and March 25th, 2022. An online survey was meticulously administered to a nationally representative cohort of participants, employing a quota sampling methodology that ensured data congruence with the adult population distribution based on the 2018 New Zealand Census. With an estimated incidence rate of approximately 43.3%, our research encompassed responses from 1,000 individuals currently domiciled in New Zealand. We conservatively estimated the margin of error at  $\pm 3\%$  at a 95% confidence level. Further details regarding the compositional attributes of our sample are presented in a separate section, providing a comprehensive overview of our dataset.

This rigorous and ethically grounded research methodology, commitment to methodological excellence and the pursuit of a genuinely representative sample underpins our study's quest to provide invaluable insights into the demand for affordable housing and the intricate determinants contributing to the pervasive issue of housing unaffordability in New Zealand.

## **Findings**

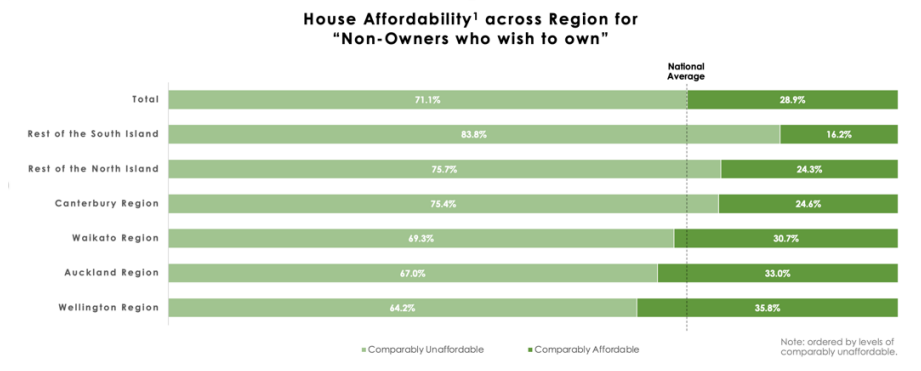
### **Perceptions of Housing Unaffordability in New Zealand: An In-depth Analysis**

The general perception of housing affordability in New Zealand unveils intriguing patterns warrant closer examination. A substantial majority, 54.9% of New Zealanders, believe housing is characteristically unaffordable within the country. However, when parsing these perceptions across distinct ownership categories, a notable disparity emerges, with owners displaying a propensity to exhibit lower indices of unaffordability perceptions, while non-owners tend to manifest an over-indexed perception of housing unaffordability (See Figure 1).

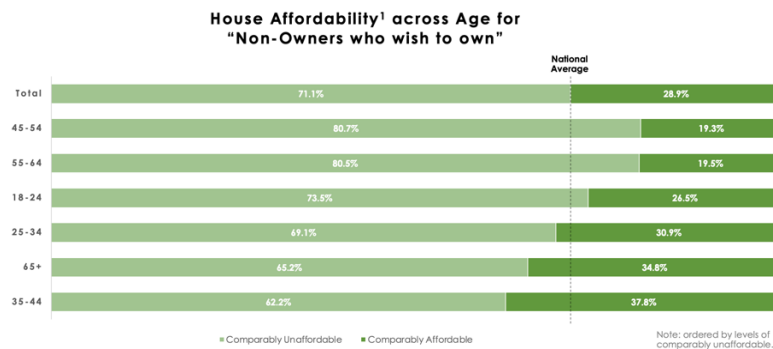


**Figure 1: House Affordability Across Ownership**

Zooming in on non-owners who aspire to possess a home, a complex interplay of regional and demographic factors unveils variations in perceptions of affordability. For instance, Residents residing in Waikato, Auckland, and Wellington are inclined to under-index in their perception of houses being comparatively unaffordable. Conversely, individuals in Canterbury, the remaining regions of the South Island, and the rest of the North Island tend to over-index, perceiving housing as distinctly unaffordable (See Figure 2). Age also emerges as a significant determinant shaping these perceptions. Specifically, individuals aged 25-44 and 65 and above tend to under-index their perceptions of housing affordability, signifying a lesser degree of concern. In contrast, the age cohorts of 18-24 and 45-64 over-index in their perception, indicating a heightened belief in the inaccessibility of affordable housing (See Figure 3).

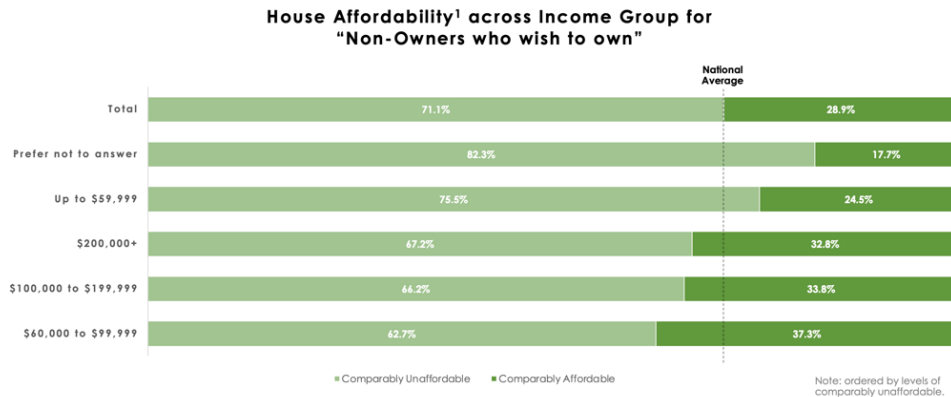


**Figure 2: House Affordability Across Region for "Non-Owner Who Wish to Own"**

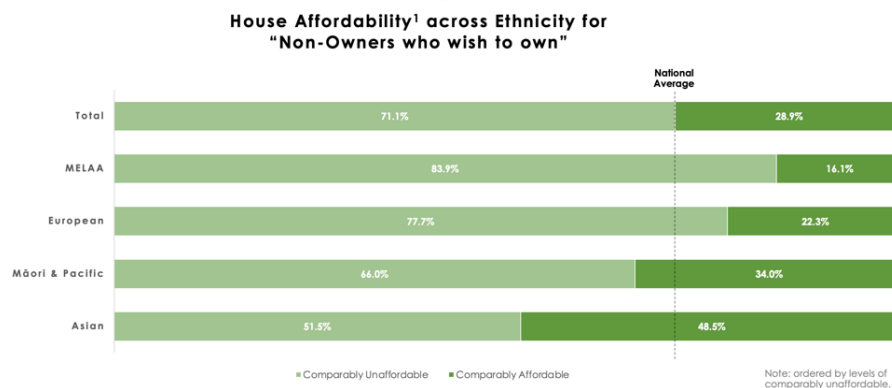


**Figure 3: House Affordability Across Age for "Non-Owner Who Wish to Own"**

Income levels present yet another influential factor intertwined with perceptions of housing affordability. Non-owners whose annual incomes fall below the \$60,000 threshold tend to over-index in their perception of housing as comparably unaffordable. Conversely, individuals with incomes of \$60,000 or more tend to under-index in such perceptions (See Figure 4). Ethnicity represents an additional dimension that significantly influences these perceptions. Specifically, individuals of European descent tend to over-index in their belief that housing is characteristically unaffordable, while Māori, Pacific Islanders, and Asians tend to under-index in their perceptions of housing affordability (See Figure 5).



**Figure 4:** House Affordability Across Income Group for “Non-Owner Who Wish to Own”

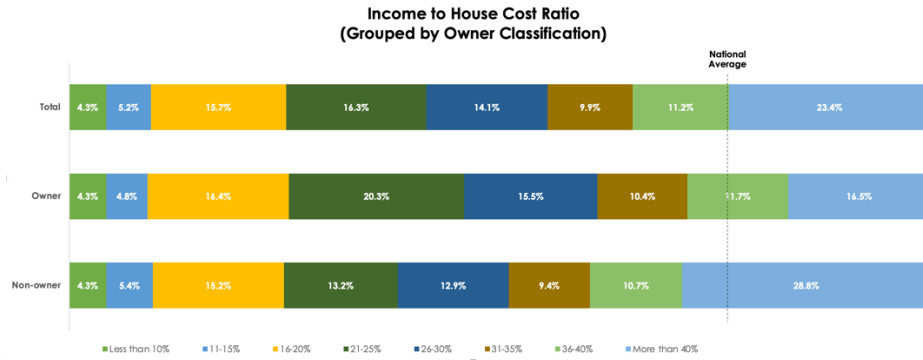


**Figure 5:** House Affordability Across Ethnicity for “Non-Owner Who Wish to Own”

These intricate findings underscore the diversity in perspectives regarding housing affordability across various segments of the New Zealand population. They illuminate the multifaceted nature of individuals' challenges, contingent upon their regional location, age group, income level, and ethnic identity. Such insights are crucial for informing policy interventions and strategies to address the nuanced dimensions of housing affordability within the country.

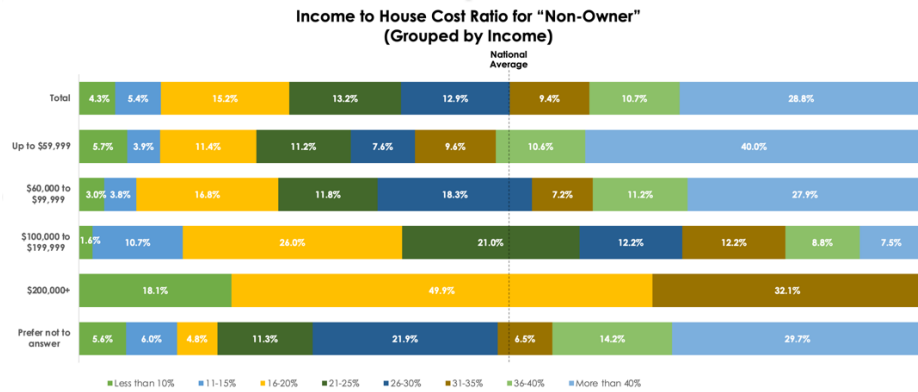
### Housing Unaffordability: Examining the Income-to-Housing Cost Ratio

The income-to-housing cost ratio represents a pivotal metric in gauging housing affordability, and the empirical data reveals concerning trends in this regard. Notably, when comparing these ratios to the overall average of 23.4%, a significantly larger proportion of non-property owners, standing at 28.8%, grapple with an income-to-housing cost ratio that exceeds the critical threshold of 40%. In contrast, property owners exhibit a notably lower percentage, with only 16.5% facing a similar predicament (See Figure 6).

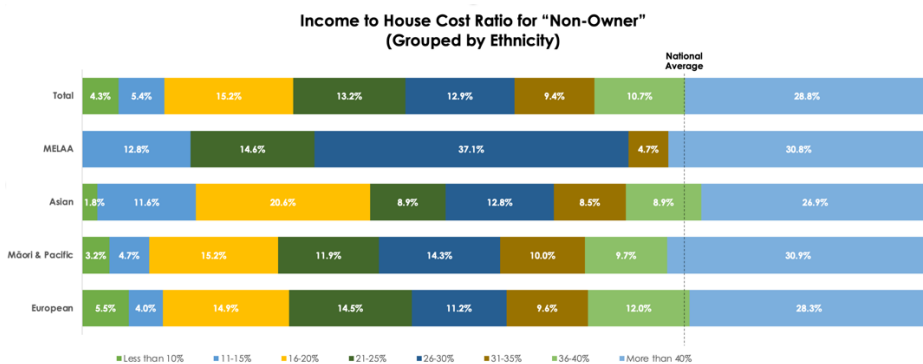


**Figure 6:** Income to House Cost Ratio (Grouped by Owner Classification)

A more nuanced analysis of the situation for non-property owners elucidates that those whose annual income falls below the \$60,000 mark confront a disproportionately higher prevalence of income-to-housing cost ratios exceeding 31% (See Figure 7). Additionally, it is worth noting that, although the disparity is somewhat elevated, a substantial portion of Māori and Pacific individuals contend with income-to-housing cost ratios that surpass the 40% threshold (See Figure 8).



**Figure 7:** Income to House Cost Ratio for 'Non-Owner' (Grouped by Income)



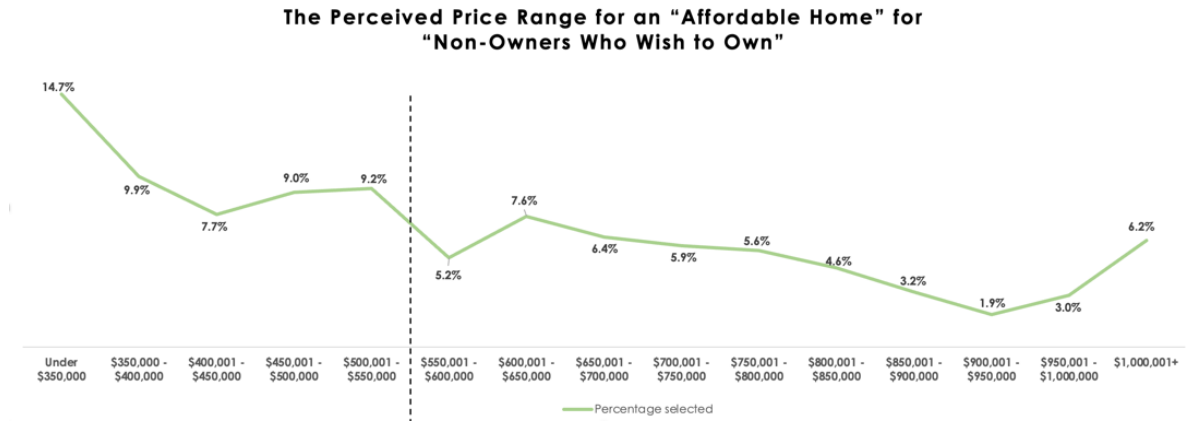
**Figure 8:** Income to House Cost Ratio for 'Non-Owner' (Grouped by Ethnicity)

These statistical insights shed a glaring light on the formidable challenges and pervasive housing unaffordability encountered by individuals and communities, underscoring the pressing need for policy measures and interventions to mitigate these disparities and enhance housing affordability.



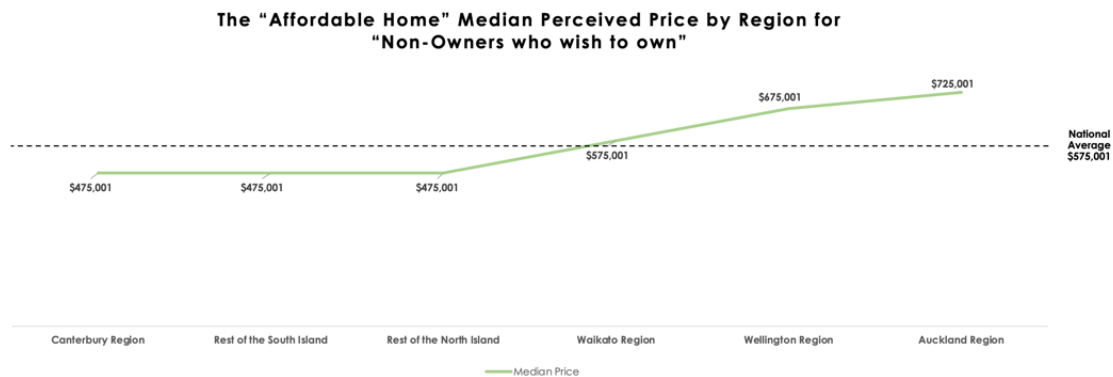
## Perceptions of Affordable Homes: The Role of Pricing

Exploring perceptions regarding affordable homes, particularly in terms of pricing, yields valuable insights into how non-owners aspiring to possess homes evaluate affordability. The median perceived price for an "affordable home" within this demographic cohort is \$575,001. Notably, a discernible trend emerges as prices escalate, with a corresponding decline in the perception of affordability (See Figure 9).

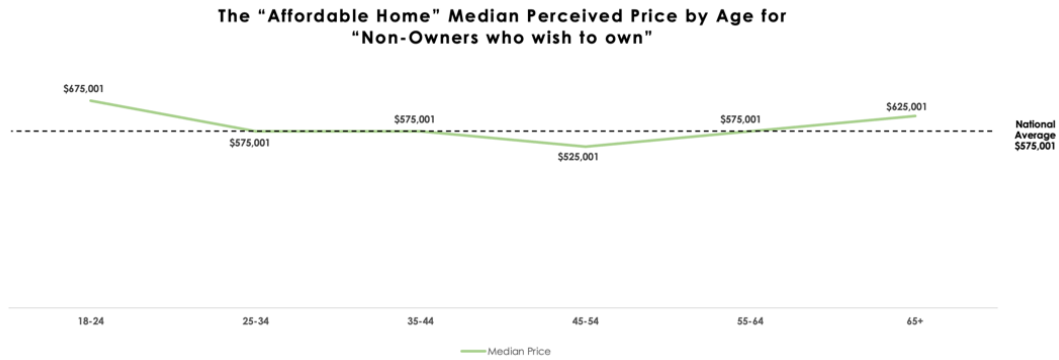


**Figure 9:** The Perceived Price Range for an "Affordable Home" for "Non-Owner Who Wish to Own"

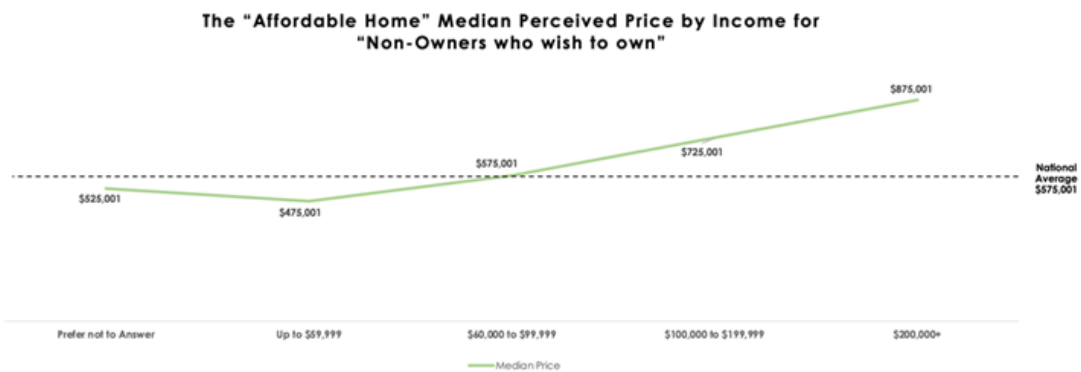
A more granular examination of non-owners seeking to acquire homes unveils regional differentials in the median perceived prices for an "affordable home." Urbanised areas in the North Island, such as Auckland and Wellington, manifest higher median perceived prices for such homes, whereas Canterbury, the remaining South Island regions, and the rest of the North Island exhibit lower median perceived prices for affordable homes (See Figure 10). The role of age also surfaces as a significant determinant in shaping perceptions of the affordable price range. Specifically, individuals falling within the age brackets of 18-24 and 65 and above tend to hold higher-than-average median perceived prices for "affordable homes," whereas those between the ages of 45 and 54 maintain a median perceived price below the average (See Figure 11). Household income further delineates this landscape, with those boasting incomes of \$100,000 or more exhibiting an above-average median perceived price for "affordable homes." This observation suggests that income levels significantly influence the conceptualisation of affordability (See Figure 12).



**Figure 10:** The "Affordable Home" Median Perceived Price by Region for "Non-Owner Who Wish to Own"

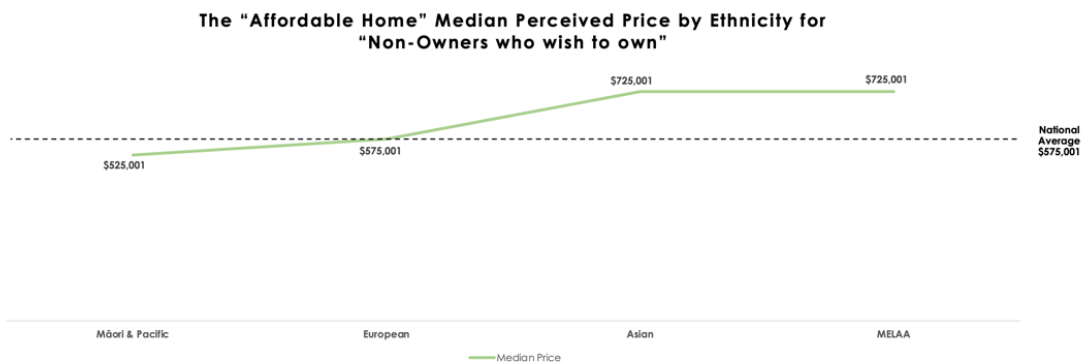


**Figure 11:** The "Affordable Home" Median Perceived Price by Age for "Non-Owner Who Wish to Own"



**Figure 12:** The "Affordable Home" Median Perceived Price by Income for "Non-Owner Who Wish to Own"

Ethnicity emerges as another factor that notably influences perceptions concerning affordable home prices. In this regard, individuals of Asian descent present the highest median perceived price for an "affordable home," surpassing the average. Europeans, conversely, align closely with the average pricing perceptions, while Māori and Pacific individuals manifest a median perceived price for "affordable homes" that falls below the average (See Figure 13).

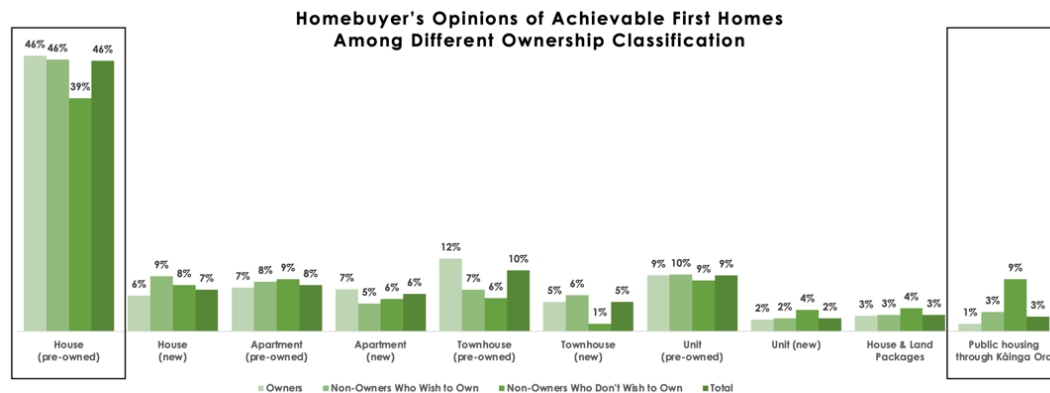


**Figure 13:** The "Affordable Home" Median Perceived Price by Ethnicity for "Non-Owner Who Wish to Own"

These findings collectively underscore the multifaceted nature of perspectives surrounding the pricing of affordable homes among non-owners with aspirations of homeownership. Geographic location, age, household income, and ethnicity all contribute significantly to the variance in perceptions and expectations concerning the price range deemed attainable and affordable within the housing market. Such nuanced insights hold implications for policy formulation and interventions addressing this demographic's diverse housing affordability perspectives.

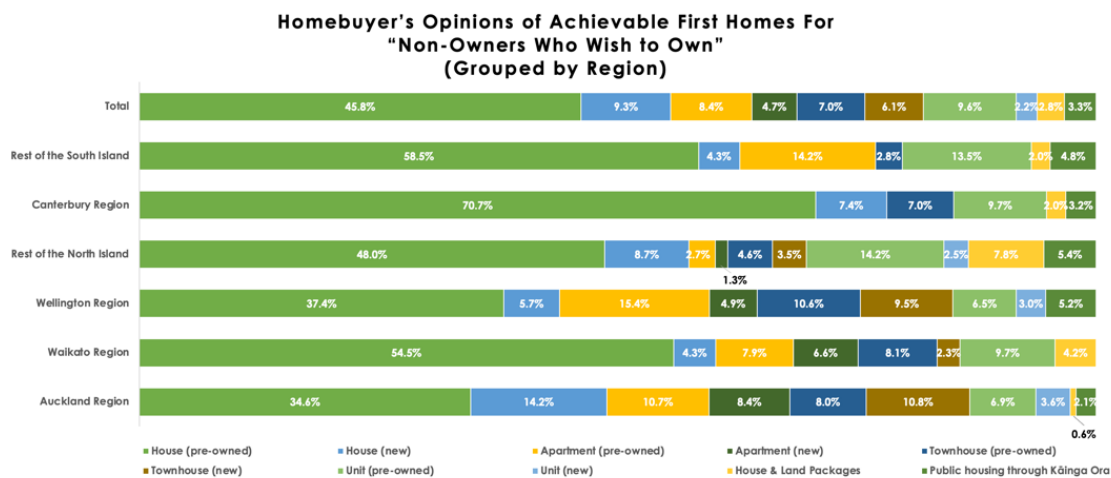
### Perceptions of Affordable Homes: A Focus on Dwelling Types

An intriguing revelation emerges when considering perceptions of affordable homes about the type of dwelling. Remarkably, 46% of New Zealanders believe purchasing a pre-owned house is a more attainable prospect for first-time homebuyers (See Figure 14).



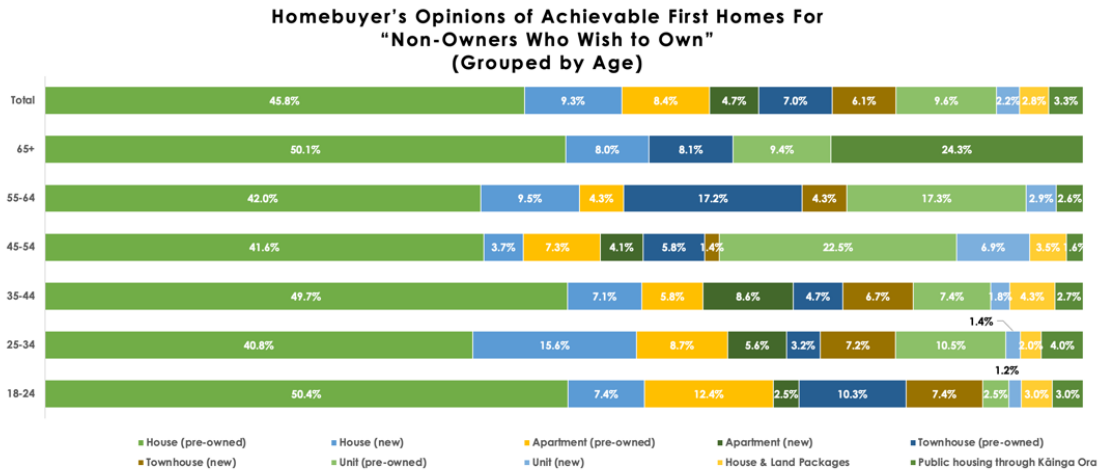
**Figure 14:** Homebuyer's Opinions of Achievable First Homes Among Different Ownership Classification

Delving deeper into the preferences of non-owners with homeownership aspirations, regional disparities in dwelling preferences become evident. Regions such as Waikato, Canterbury, and the remainder of the South Island over-index in their predilection for pre-owned houses, signifying a stronger inclination towards this housing type. In contrast, Wellington exhibits an over-indexing trend in favour of pre-owned apartments compared to other regions (See Figure 15).



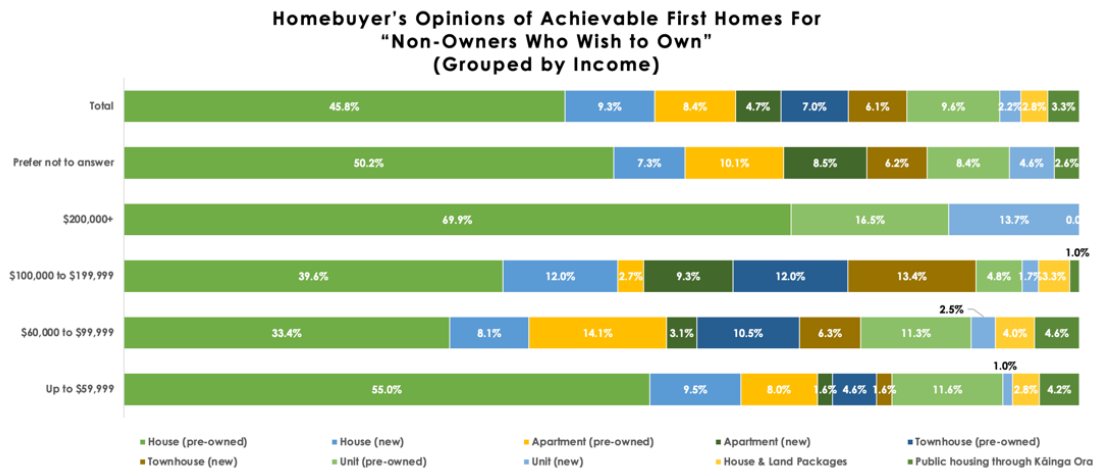
**Figure 15:** Homebuyer's Opinions of Achievable First Homes for "Non-Owner Who Wish to Own" (Grouped by Region)

Age cohorts also display distinctive preferences for specific types of dwellings. Notably, individuals aged 65 and above manifest an over-indexed preference for public housing through Kāinga Ora. Those within the age group of 45-64 over-index in their preference for pre-owned units, whereas individuals between the ages of 55 and 64 demonstrate an over-indexed preference for pre-owned townhouses (See Figure 16).



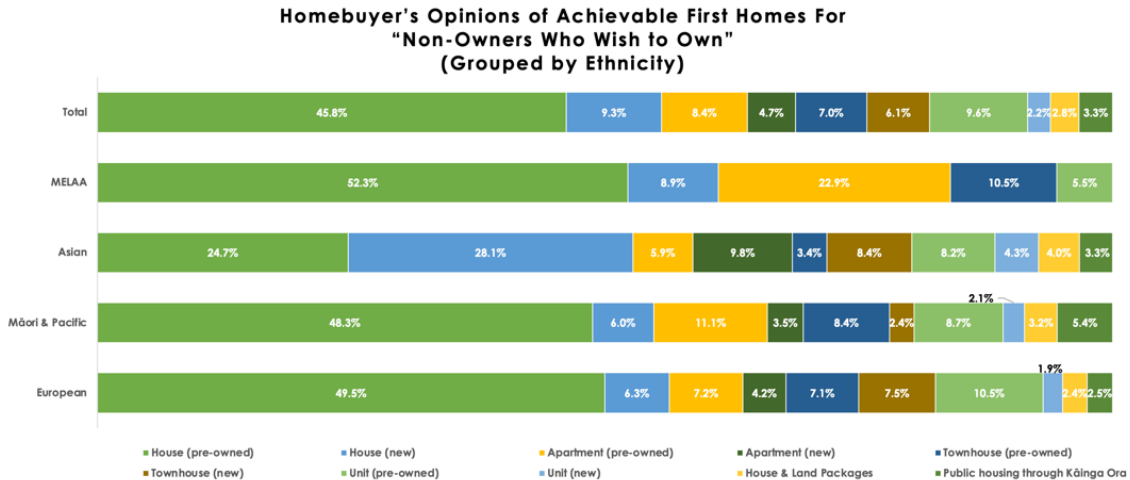
**Figure 16:** Homebuyer’s Opinions of Achievable First Homes for “Non-Owner Who Wish to Own” (Grouped by Age)

The choice of dwelling is further influenced by income levels, with non-owners earning lower incomes (less than \$60,000) exhibiting an over-indexed preference for pre-owned houses. In contrast, individuals with incomes ranging from \$60,000 to \$99,000 over-index prefer pre-owned apartments. Those within the income bracket of \$100,000 to \$199,000 over-index prefer new apartments and pre-owned and new townhouses. Finally, individuals with incomes of \$200,000 or more over-index prefer pre-owned townhouses and pre-owned and new units (See Figure 17).



**Figure 17:** Homebuyer’s Opinions of Achievable First Homes for “Non-Owner Who Wish to Own” (Grouped by Income)

Ethnicity also plays a pivotal role in shaping preferences for dwelling types. Europeans, for instance, over-indexed in their preference for pre-owned houses. Māori and Pacific individuals over-index in their preference for pre-owned houses, apartments, and public housing through Kāinga Ora. In contrast, individuals of Asian descent over-index in their preference for new houses and apartments (See Figure 18).

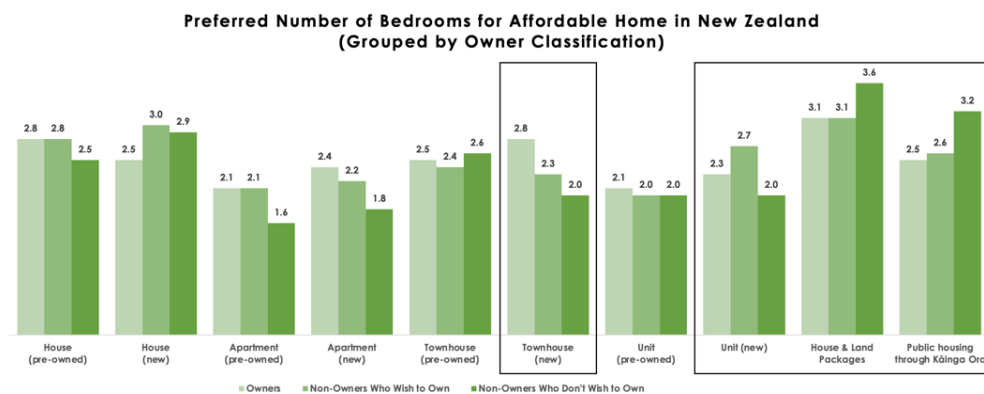


**Figure 18:** Homebuyer’s Opinions of Achievable First Homes for “Non-Owner Who Wish to Own” (Grouped by Ethnicity)

These findings underscore the diversity of preferences among non-owners aspiring to own homes concerning the type of dwelling they deem most affordable. Regional factors, age, income, and ethnicity all converge to mould these preferences, offering valuable insights into the intricate dynamics of housing choices in New Zealand.

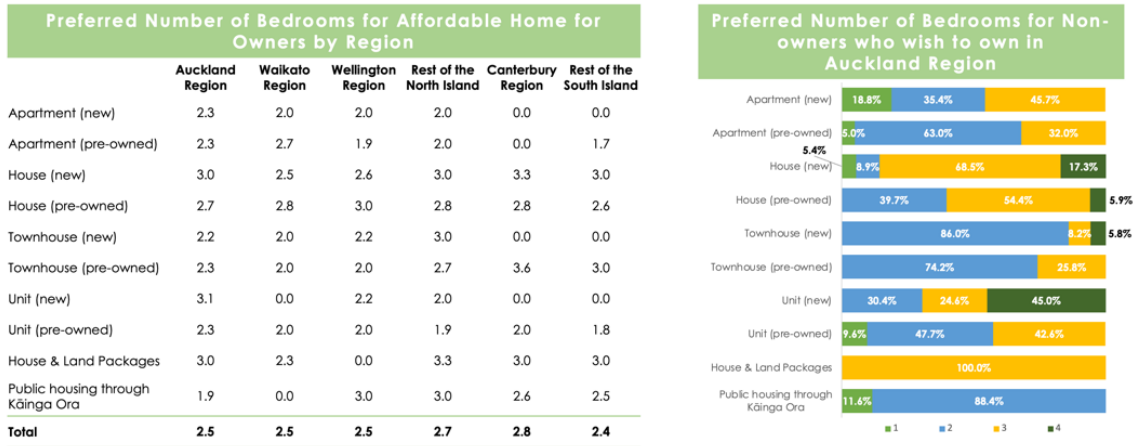
### Perceptions of Affordable Homes: The Role of Bedroom Numbers

Perceptions of what constitutes an affordable home are notably influenced by pricing dwelling type and the number of bedrooms it offers. An analysis of the data reveals discernible differences in bedroom preferences between owners and non-owners and across diverse regions and demographic cohorts. On average, owners typically prefer more bedrooms in new townhouses, while non-owners aspiring to homeownership tend to favour more bedrooms in new units. Conversely, non-owners who do not aspire to own homes tend to lean towards more bedrooms in house land packages and public housing offered through Kāinga Ora (See Figure 19).

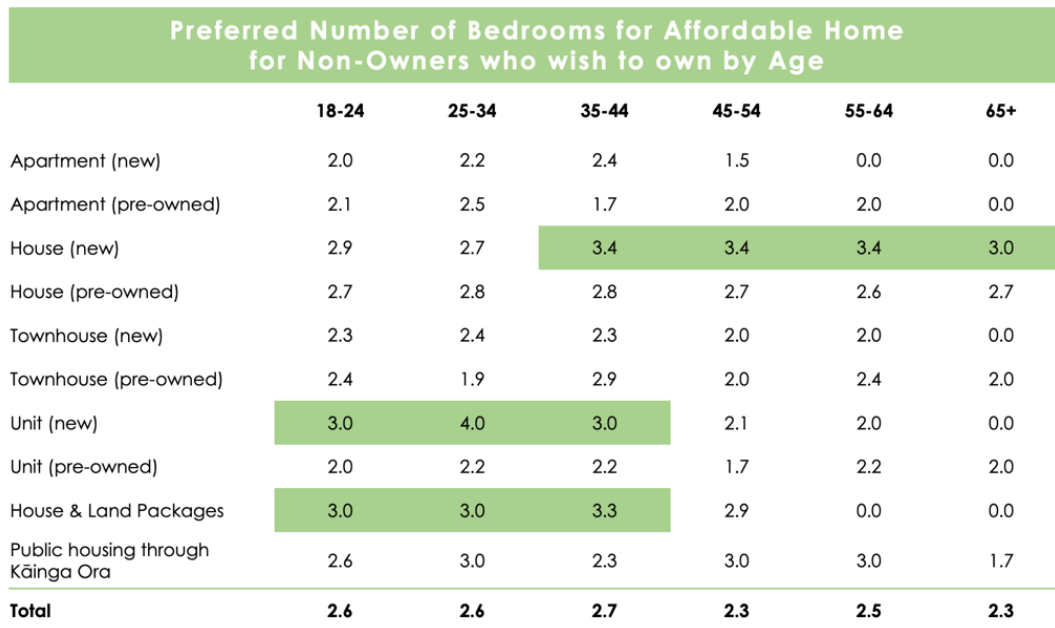


**Figure 19:** Preferred Number of Bedrooms for Affordable Home in New Zealand (Grouped by Owner Classification)

Delving into regional disparities, owners across various regions generally prefer 2-3 bedrooms, with a notable preference of 2.5 bedrooms observed in the Auckland region. Non-owners aspiring to own homes in Auckland share a similar preference for 2-3 bedrooms (See Figure 20). Age group differentials among non-owners with homeownership aspirations reveal that those aged 45 or older tend to lean towards a slightly fewer number of bedrooms in their preferences compared to their younger counterparts under the age of 45. Conversely, individuals below 45 prefer more bedrooms in new units and house land packages, whereas those aged 45 or older are inclined towards more bedrooms in new houses (See Figure 21).



**Figure 20:** Preferred Number of Bedrooms for Affordable Home for Owners by Region



**Figure 21:** Preferred Number of Bedrooms for Affordable Home for Non-Owners Who Wish to Own by Age

Income levels also play a role in shaping bedroom preferences, with non-owners possessing lower incomes (less than \$100,000) generally indicating a preference for a slightly higher number of bedrooms in new apartments and public housing provided through Kāinga Ora when compared to those with annual incomes exceeding \$100,000 (See Figure 22). Additionally, ethnicity influences bedroom preferences, with Europeans tending to favour the highest number of bedrooms in house land packages. At the same time, Māori and Pacific individuals prefer the greatest number of bedrooms in new houses and units. Asians, conversely, exhibit a preference for the highest number of bedrooms in pre-owned townhouses and pre-owned units (See Figure 23).

Preferred Number of Bedrooms for Affordable Home for Non-Owners who wish to own by Income					
	Up to \$59,999	\$60,000 to \$99,999	\$100,000 to \$199,999	\$200,000+	Prefer not to answer
Apartment (new)	2.6	2.3	1.9	0.0	2.5
Apartment (pre-owned)	2.0	2.4	2.0	0.0	1.9
House (new)	2.9	2.9	3.1	0.0	3.0
House (pre-owned)	2.8	2.8	2.7	2.6	2.6
Townhouse (new)	2.5	2.0	2.2	0.0	3.0
Townhouse (pre-owned)	2.3	2.4	2.4	0.0	0.0
Unit (new)	1.6	2.3	4.0	4.0	2.5
Unit (pre-owned)	1.9	2.2	2.2	2.0	2.0
House & Land Packages	3.0	3.3	3.0	0.0	0.0
Public housing through Kāinga Ora	2.4	3.0	2.0	0.0	3.0
<b>Total</b>	<b>2.6</b>	<b>2.6</b>	<b>2.6</b>	<b>2.7</b>	<b>2.5</b>

**Figure 22:** Preferred Number of Bedrooms for Affordable Home for Non-Owners Who Wish to Own by Income

Preferred Number of Bedrooms for Affordable Home for Non-Owners who wish to own by Ethnicity				
	European	Māori & Pacific	Asian	MELAA
Apartment (new)	2.3	1.4	2.4	0.0
Apartment (pre-owned)	2.1	2.1	2.2	2.4
House (new)	2.9	3.3	3.0	2.0
House (pre-owned)	2.8	2.8	2.5	2.7
Townhouse (new)	2.3	2.6	2.0	0.0
Townhouse (pre-owned)	2.4	2.3	3.0	2.0
Unit (new)	2.5	3.2	2.7	0.0
Unit (pre-owned)	2.0	2.0	2.5	2.0
House & Land Packages	3.2	3.0	3.0	0.0
Public housing through Kāinga Ora	2.4	2.8	3.0	0.0
<b>Total</b>	<b>2.5</b>	<b>2.6</b>	<b>2.6</b>	<b>2.5</b>

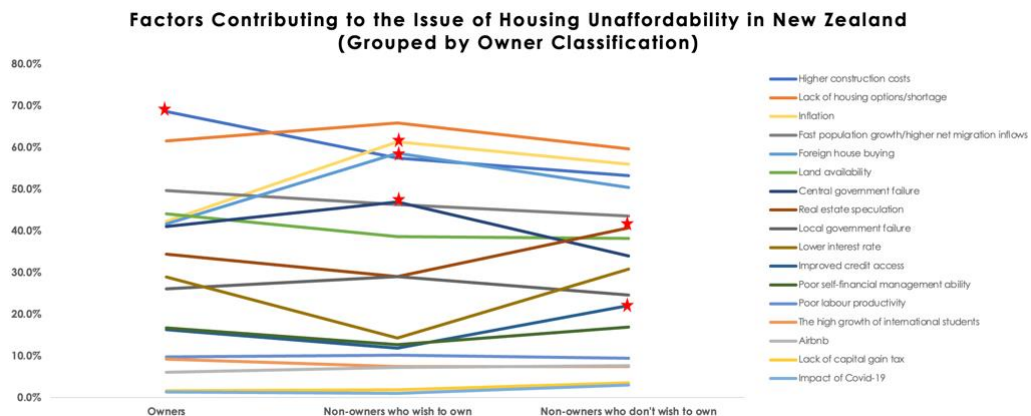
**Figure 23:** Preferred Number of Bedrooms for Affordable Home for Non-Owners Who Wish to Own by Ethnicity

These findings collectively underscore the diversity of preferences concerning the number of bedrooms, which emerges as a pivotal consideration for individuals when assessing the affordability and suitability of a prospective home. These multifaceted preferences are influenced by ownership status, region of residence, age, income, and ethnicity, thereby highlighting the intricate dynamics underpinning housing choices within New Zealand.

### Perceived Factors Shaping Housing Unaffordability

A comprehensive examination of the perceived factors influencing housing unaffordability provides valuable insights into the diverse perspectives of property owners and non-owners, particularly those with aspirations of homeownership and those without. These perspectives offer a nuanced understanding of the rationales attributed to the housing affordability challenges that persist in New Zealand.

Property owners are more prone to attribute housing unaffordability to elevated construction costs. Conversely, non-owners aspiring to possess homes tend to align their perceptions with inflation, foreign house purchases, and central government shortcomings. Non-owners who do not harbour homeownership aspirations are inclined to view real estate speculation and improved credit accessibility as contributory factors to housing unaffordability (See Figure 24).



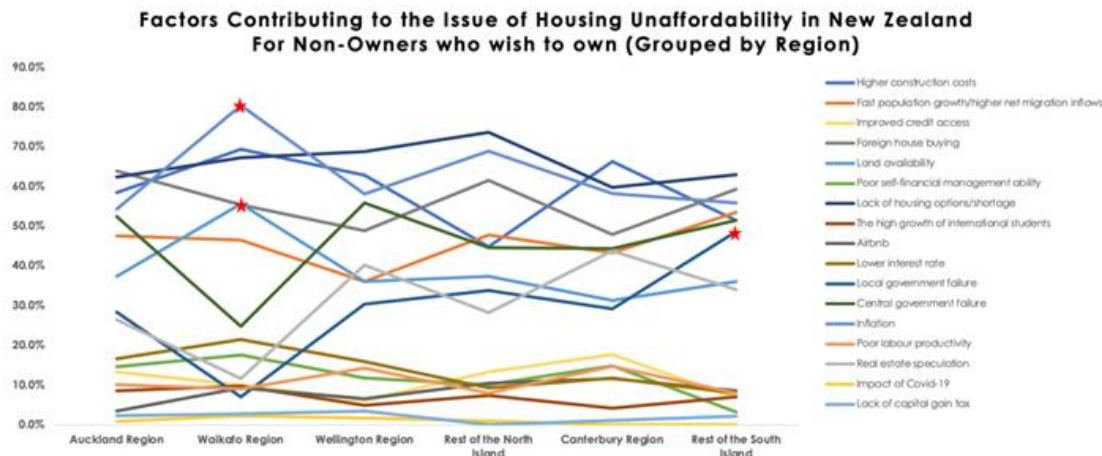
**Figure 24:** Factors Contributing to the Issue of Housing Unaffordability in New Zealand (Grouped by Owner Classification)

When respondents were asked to identify the top three factors perceived to contribute to housing unaffordability, a recurring theme emerged. Higher construction costs, a dearth of housing options or shortages, and inflation consistently surfaced as the primary concerns (See Figure 25). However, examining regional disparities among non-owners aspiring to homeownership reveals distinct variations. In Waikato, for instance, housing unaffordability is more likely to be ascribed to land availability and inflation, while in the remaining regions of the South Island, local government inadequacies take centre stage as a contributing factor (See Figure 26).



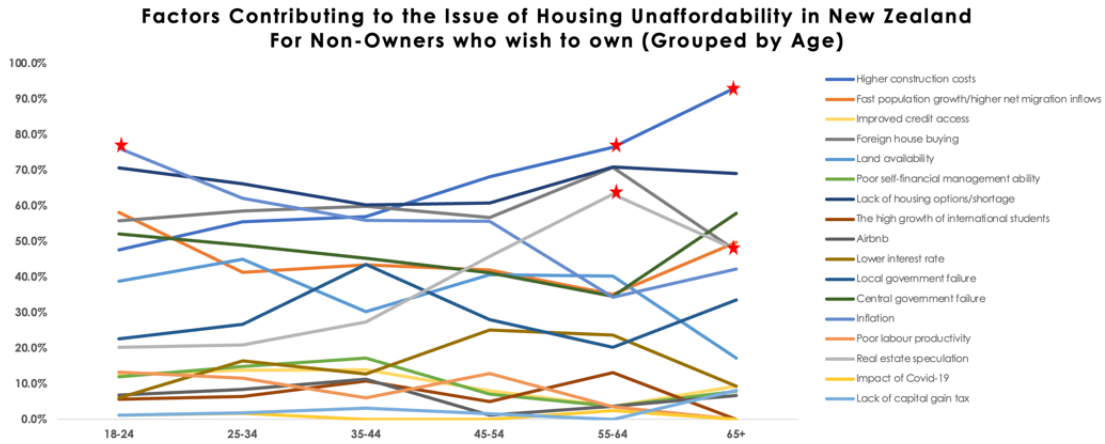
Factors contributing to Housing Unaffordability - Total (top 8)		Factors contributing to Housing Unaffordability - Owner (top 8)		Factors contributing to Housing Unaffordability – Non-Owners who wish to own (top 8)	
Higher construction costs	64.3%	Higher construction costs	68.7%	Lack of housing options/shortage	65.9%
Lack of housing options/shortage	62.5%	Lack of housing options/shortage	61.6%	Inflation	61.4%
Inflation	48.6%	Fast population growth/higher net migration inflows	49.7%	Foreign house buying	58.7%
Fast population growth/higher net migration inflows	48.3%	Land availability	44.1%	Higher construction costs	57.5%
Foreign house buying	47.0%	Inflation	42.3%	Central government failure	47.0%
Land availability	42.2%	Foreign house buying	41.7%	Fast population growth/higher net migration inflows	46.3%
Central government failure	42.0%	Central government failure	41.1%	Land availability	38.7%
Real estate speculation	33.6%	Real estate speculation	34.4%	Local government failure	29.1%

**Figure 25:** Factors Contributing to Housing Unaffordability by Ownership Classification



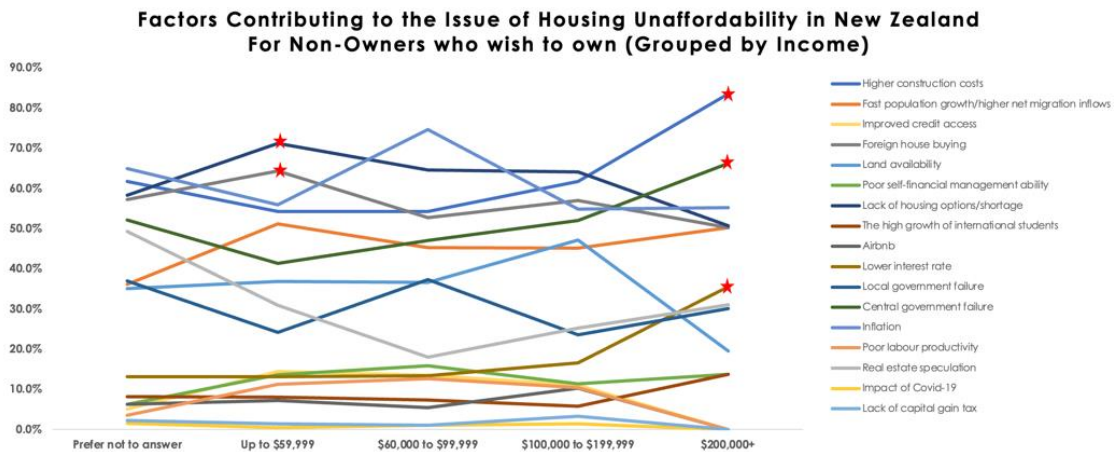
**Figure 26:** Factors Contributing to the Issue of Housing Unaffordability in New Zealand For Non-Owner Who Wish to Own (Grouped by Region)

Age groups among non-owners aspiring to own homes further underscore varying perceptions. Younger individuals within the 18-24 age bracket tend to associate housing unaffordability more strongly with inflation. Conversely, their older counterparts aged 55 and above are more inclined to attribute it to elevated construction costs and real estate speculation (See Figure 27).



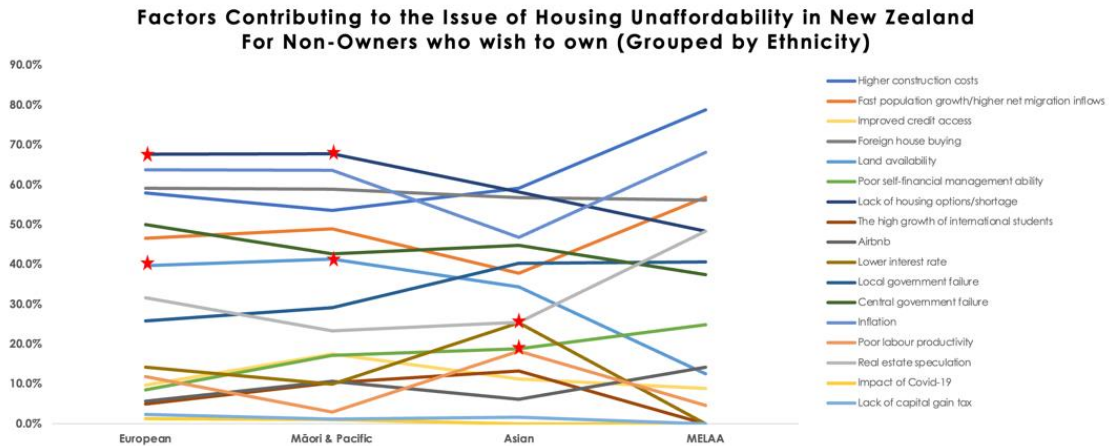
**Figure 27:** Factors Contributing to the Issue of Housing Unaffordability in New Zealand for Non-Owner Who Wish to Own (Grouped by Age)

Income levels exert an additional layer of influence on perceived factors. Non-owners with lower incomes (less than \$60,000) are more inclined to view foreign house purchases and housing shortages as significant contributors to housing unaffordability. In contrast, individuals boasting higher incomes (\$200,000 or more) are more likely to point to elevated construction costs, lower interest rates, and central government failures (See Figure 28).



**Figure 28:** Factors Contributing to the Issue of Housing Unaffordability in New Zealand For Non-Owner Who Wish to Own (Grouped by Income)

Considering different ethnic groups, discernible variations in perceived factors emerge. Europeans and Māori Pacific individuals are more likely to associate housing unaffordability with land availability and housing shortages. However, individuals of Asian descent are more prone to attribute it to lower interest rates and suboptimal labour productivity (See Figure 29).



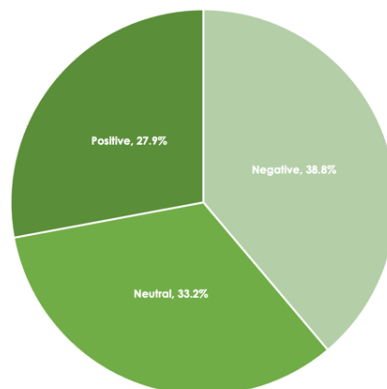
**Figure 29:** Factors Contributing to the Issue of Housing Unaffordability in New Zealand For Non-Owner Who Wish to Own (Grouped by Ethnicity)

These findings collectively underscore the factors perceived to shape housing unaffordability among owners and non-owners in New Zealand. These perspectives exhibit variability contingent upon ownership status, age, and regional considerations. A comprehensive understanding of these perceived factors is imperative for policymakers and stakeholders to formulate effective strategies to address the underlying causes of housing unaffordability and pursue sustainable solutions.

### Impact of Housing Unaffordability on Mental Health

The repercussions of housing unaffordability on the mental health landscape of New Zealand are of paramount concern, and data underscores a predominantly adverse effect. Within the population, a noteworthy 38.8% report experiencing a negative impact on their mental health, outweighing the 27.9% who perceive a positive impact. Notably, the adverse impact appears more pronounced among non-owners harbouring homeownership aspirations, with a substantial 50.7% reporting unfavourable effects (See Figure 30).

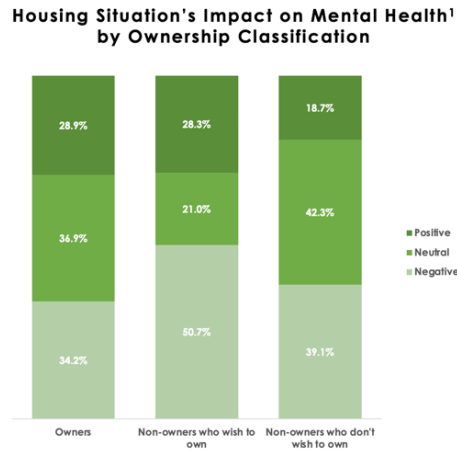
**Overall New Zealand Housing Situation's Impact on Mental Health<sup>1</sup>**



**Figure 30:** Overall New Zealand Housing Situation's Impact on Mental Health

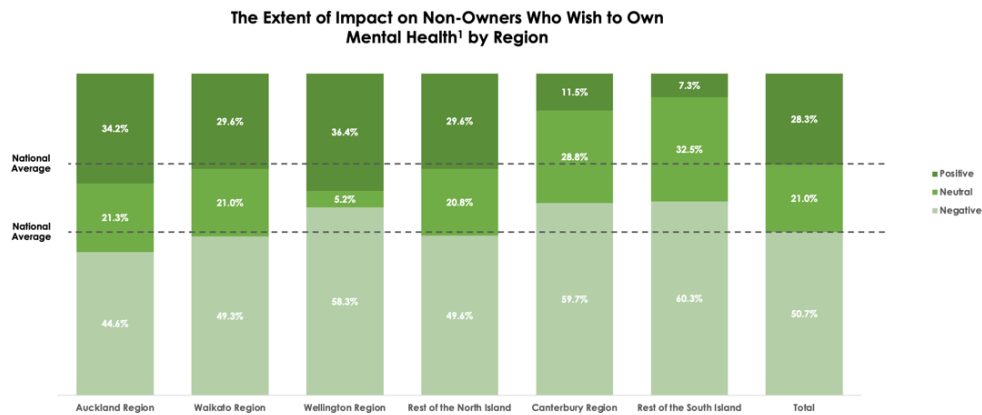
For non-owners aspiring to own homes, the existing housing situation significantly impinges upon their mental well-being, as 50.7% of respondents indicated. In contrast, non-owners who do not aspire to

homeownership exhibit a somewhat lower negative impact, with 39.1% reporting adverse consequences. Interestingly, there are higher neutral scores observed among non-owners who do not wish to own (42.3%) compared to their counterparts who aspire to homeownership (21.0%), suggesting that some individuals within the former group may not find the current housing situation as distressing (See Figure 31).

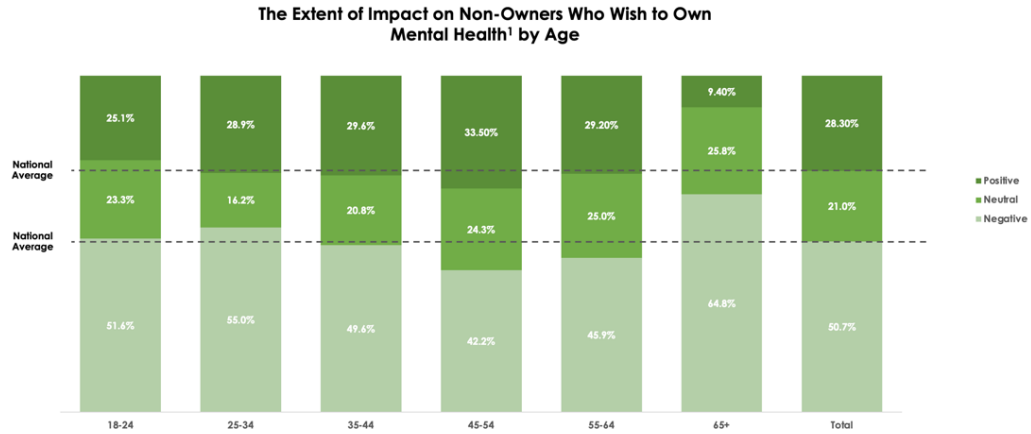


**Figure 31:** Housing Situation's Impact on Mental Health by Ownership Classification

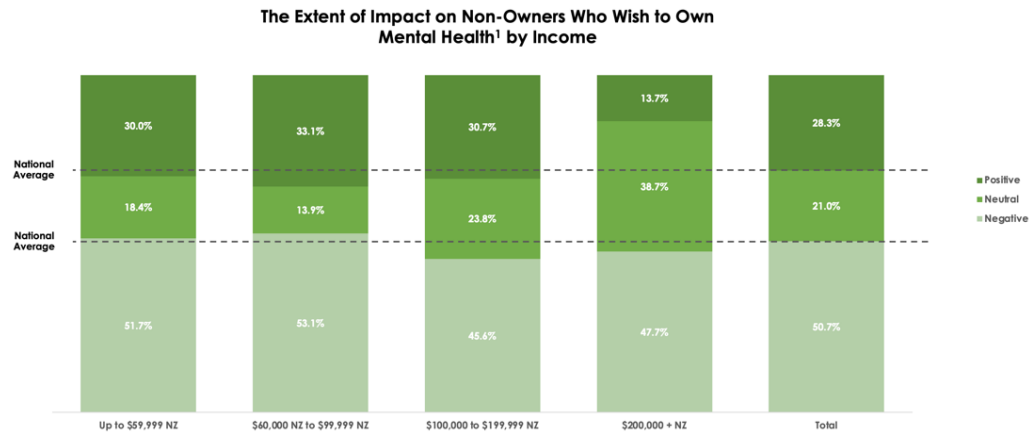
Within non-owners aspiring to own, geographical disparities come to the fore. Residents of Wellington, Canterbury, and the remaining regions of the South Island tend to over-index in reporting a negative impact on their mental health due to the prevailing housing situation. Conversely, Auckland exhibits an under-indexing trend in this regard (See Figure 32). Age emerges as a salient factor, with individuals aged 65 and above over-indexing experiencing a negative impact on mental health attributable to the existing housing situation. The 25-34 age group also marginally over-indexes, whereas individuals aged 45-64 under-index. Intriguingly, individuals aged 18-24 exhibit mental health impact levels that align with the overall population (See Figure 33). Income groups exhibit minimal variation regarding the negative impact on the mental health of the current housing situation. However, individuals with incomes ranging from \$100,000 to \$199,000 modestly under-index in reporting a negative impact (See Figure 34). Ethnicity similarly influences perceptions of the housing situation's impact on mental health. Notably, individuals of Asian descent deviate from the overall population, registering an under-indexing trend in reports of a negative impact and an over-indexing trend in perceiving a positive impact on mental health (See Figure 35).



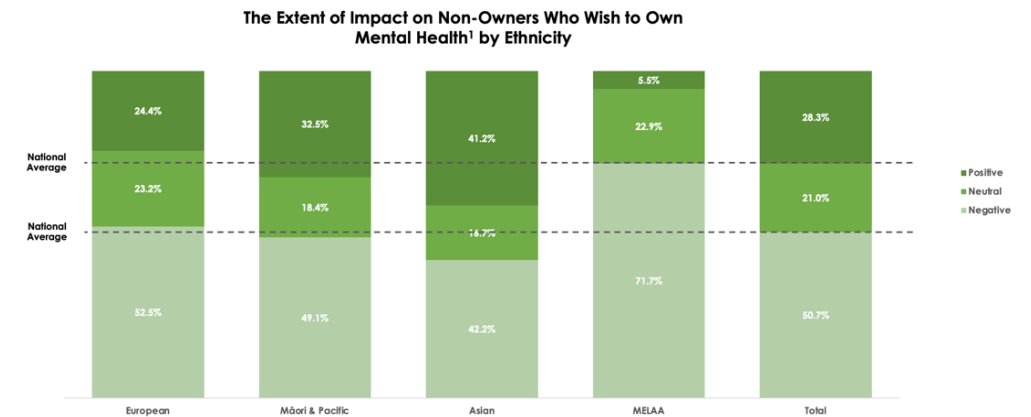
**Figure 32:** The Extent of Impact on Non-Owners Who Wish to Own Mental Health by Region



**Figure 33:** The Extent of Impact on Non-Owners Who Wish to Own Mental Health by Age



**Figure 34:** The Extent of Impact on Non-Owners Who Wish to Own Mental Health by Income

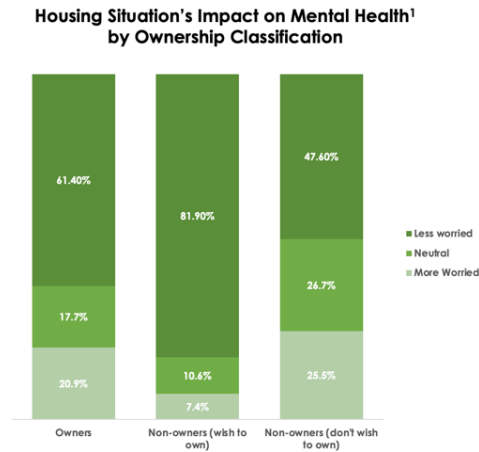


**Figure 35:** The Extent of Impact on Non-Owners Who Wish to Own Mental Health by Ethnicity

These findings underscore the substantial adverse impact of housing unaffordability on mental well-being, particularly among non-owners with homeownership aspirations. Effectively addressing the housing crisis and enhancing affordability may serve as a means to alleviate the strain experienced by individuals and communities across New Zealand in mental health.

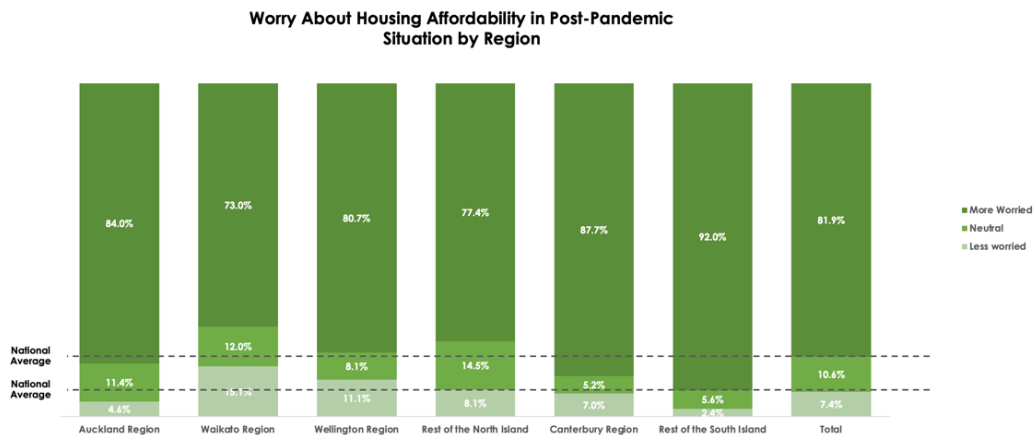
## Perception of Post-Pandemic Housing Unaffordability

Elevated concerns about the post-pandemic housing market resonate among most New Zealanders, with nearly two-thirds expressing heightened apprehension. Notably, this heightened worry is particularly pronounced among non-owners with homeownership aspirations, while non-owners without such aspirations exhibit a lower degree of concern. A similar trend is observed among homeowners, with 61.4% expressing elevated levels of apprehension. Most (81.9%) non-owners aspiring to own homes manifest heightened concern regarding the post-pandemic housing market. In contrast, just under half (47.6%) of non-owners who do not aspire to homeownership share in these elevated concerns (See Figure 36).

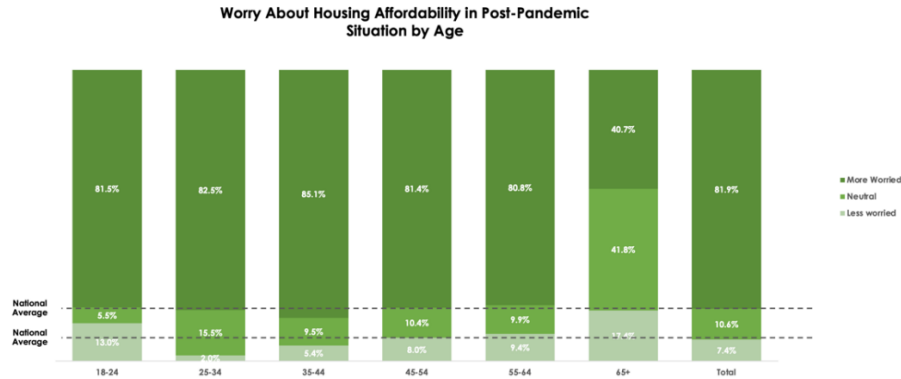


**Figure 36:** Housing Situation's Impact on Mental Health by Ownership Classification

Upon a closer examination of specific subgroups within non-owners who aspire to own, regional disparities come to the forefront. Residents of Canterbury and the remaining South Island regions tend to over-index in their apprehension concerning the post-pandemic housing market. In contrast, those residing in Waikato under-index most significantly concerning worry (See Figure 37). Age also exerts an influence on perceptions of post-pandemic housing unaffordability. Individuals aged 65 and above notably under-index in their concerns about the post-pandemic housing market. Those in the 35-44 age group marginally over-index, while all other age cohorts align closely with the total levels of concern (See Figure 38). Those earning between \$100,000 and \$199,000 in income groups slightly over-index in their apprehensions regarding the post-pandemic housing market.

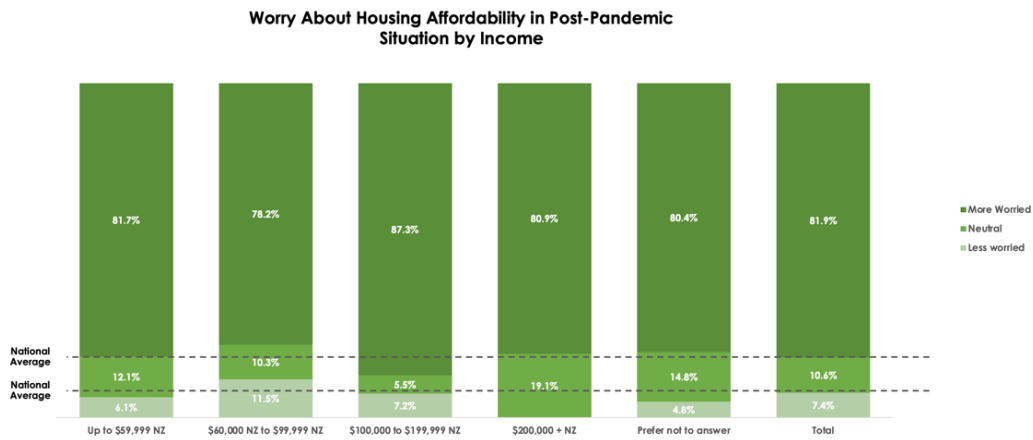


**Figure 37:** Worry About Housing Affordability in Post-Pandemic Situation by Region

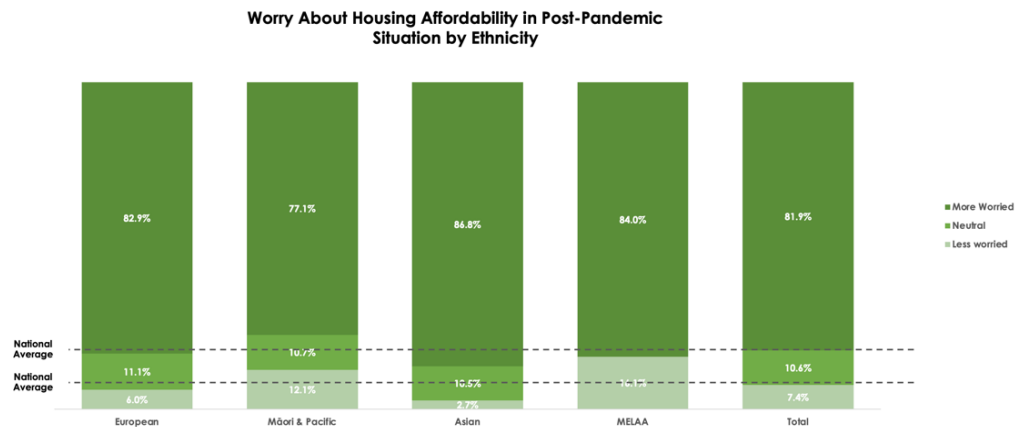


**Figure 38:** Worry About Housing Affordability in Post-Pandemic Situation by Age

Conversely, those with incomes ranging from \$60,000 to \$99,000 exhibit a slight under-indexing trend. Other income groups appear to be more closely aligned with the overall levels of concern (See Figure 39). Ethnicity also plays a discernible role in shaping perceptions, with individuals of Asian descent slightly over-indexing in their worries about the post-pandemic housing market, whereas Māori and Pacific individuals exhibit a slight under-indexing trend. The level of concern among individuals of European descent tends to mirror that of the total population (See Figure 40).



**Figure 39:** Worry About Housing Affordability in Post-Pandemic Situation by Income



**Figure 40:** Worry About Housing Affordability in Post-Pandemic Situation by Ethnicity

These findings underscore New Zealanders' widespread and heightened concerns concerning the post-pandemic housing market, particularly prominent among non-owners aspiring to homeownership. A comprehensive comprehension of these perceptions is paramount for policymakers and stakeholders alike, as it provides a crucial vantage point for addressing the challenges associated with housing affordability and mitigating potential impacts on individuals and communities.

## **Discussion**

The findings presented in this study offer valuable insights into the multifaceted nature of housing affordability in New Zealand. The examination of income-to-housing cost ratios highlights a concerning trend, where a significantly larger proportion of non-property owners, especially those with lower incomes, grapple with ratios that exceed the critical threshold of 40%. This discrepancy in affordability metrics between property owners and non-owners underscores the pressing need for targeted policy interventions to address the disparities in housing affordability. Additionally, the finding that many Māori and Pacific individuals face income-to-housing cost ratios surpassing 40% highlights specific challenges within these communities that require attention and targeted support.

When delving into perceptions of housing affordability, a complex interplay of regional, demographic, and economic factors becomes evident. Non-owners aspiring to homeownership exhibit a heightened perception of housing unaffordability compared to property owners. These perceptions vary significantly based on geographical location, with residents of Canterbury, South Island regions, and some North Island areas perceiving housing as distinctly unaffordable. Age, income, and ethnicity also shape these perceptions, indicating that a one-size-fits-all approach to addressing housing affordability may not be effective.

Analysing perceived factors contributing to housing unaffordability highlights the diverse perspectives of property owners and non-owners. Property owners attribute unaffordability to high construction costs, whereas non-owners emphasise factors like inflation, foreign house purchases, and central government shortcomings. Regional variations, age, income levels, and ethnicity further complicate the housing unaffordability landscape, emphasising the need for targeted policy measures that consider these nuanced factors.

The impact of housing unaffordability on mental health is a significant concern, particularly among non-owners aspiring to homeownership. A substantial percentage of individuals report experiencing a negative impact on their mental well-being due to housing unaffordability. This finding underscores the importance of addressing housing affordability as a public health issue, as the mental health consequences affect a substantial portion of the population.

Finally, concerns about the post-pandemic housing market are widespread, with non-owners aspiring to own, expressing the highest levels of worry. These concerns vary by region, age, income, and ethnicity, indicating that the post-pandemic housing market may impact various population segments differently. Policymakers must consider these varying concerns when planning for the housing market's future.

## **Conclusion**

Examining housing affordability in New Zealand reveals a multifaceted landscape influenced by income disparities, regional variations, demographic factors, and diverse perceptions. This comprehensive analysis underscores the need for targeted policy interventions to address the challenges and disparities in housing affordability across the country.

Income-to-housing cost ratios serve as a critical metric, indicating that many non-property owners, particularly those with lower incomes, grapple with affordability issues. These findings highlight the



pressing need for policies that address income inequality and support those facing income-to-housing cost ratios exceeding 40%. Specific attention should also be given to Māori and Pacific individuals' challenges in achieving housing affordability.

Perceptions of housing affordability vary widely among property owners and non-owners. Property owners tend to perceive housing unaffordability as a consequence of high construction costs, while non-owners emphasise factors such as inflation, foreign house purchases, and government shortcomings. These differing perspectives necessitate a nuanced policy approach that addresses the unique concerns of both groups. Regional disparities, age, income levels, and ethnicity further complicate the housing affordability landscape, underlining the need for tailored strategies for these diverse factors.

The impact of housing unaffordability on mental health is a significant concern, with a substantial portion of the population reporting negative effects, especially among non-owners aspiring to homeownership. This highlights the importance of viewing housing affordability as a public health issue, emphasising the need for holistic policies that consider both economic and mental well-being.

Lastly, the post-pandemic housing market raises heightened concerns among New Zealanders, particularly non-owners aspiring to own. These concerns vary by region, age, income, and ethnicity, indicating the necessity of flexible and adaptable policies to address the evolving dynamics of the housing market in the wake of the pandemic.

In conclusion, addressing housing affordability challenges in New Zealand requires a comprehensive and inclusive approach. Policymakers must consider income disparities, regional nuances, demographic diversity, and varying perceptions of affordability when formulating strategies. By doing so, New Zealand can work towards a more equitable and accessible housing market that meets all its residents' needs, fostering economic stability and improved mental well-being.

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