



Pacific Peoples' Homeownership in New Zealand

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1. Introduction

Pacific peoples in New Zealand have low rates of homeownership compared with the average homeownership rate in the country. There is a tendency also for Pacific peoples to have relatively low incomes and to live in areas with high concentrations of Pacific ethnicity. While incomes may, on average, be low, the areas with high Pacific concentrations are mostly in the Auckland region, and so may have high property values and rents relative to many parts of New Zealand. This combination contributes to a relatively high proportion of the Pacific population living in multi-family dwellings. The purpose of this brief paper is to provide some supporting statistics and context pertaining to these observations.

Our statistics come from three sources. We make use of 2006 data from the New Zealand census and from Quotable Value New Zealand (QVNZ). These data cover population statistics, homeownership rates, rents and property value data. In addition, we use data from the 2006 wave of Statistics New Zealand's Survey of Family Income and Expenditure (SoFIE), including its associated wealth survey. SoFIE covers approximately 10,000 households. The survey design is such that each household is representative of other households in New Zealand, so responses can be weighted up to represent all households across the country. All SoFIE results are presented after such weights have been applied.

One issue that we wish to examine is whether Pacific people pay high rents relative to the level of house prices for areas in which they live. Prior research¹ shows a national tendency for economically more deprived areas to have high rents relative to local house prices. This may be explained by high maintenance costs, high tenant turnover, rent arrears or possibly by some form of discrimination. We investigate whether this result carries over specifically to areas with high proportions of Pacific residents.

¹ Grimes, Arthur & Andrew Aitken. 2007. "House Prices and Rents: Socio-Economic Impacts and Prospects", Motu Working Paper 07-01, Wellington: Motu, www.motu.org.nz/.

2. Area Results

Initially, we examine characteristics of areas with high concentrations of Pacific peoples. We use Statistics New Zealand's definition of "area units", which are akin to tightly defined suburbs. There are 1,919 area units in New Zealand; Manukau City and Porirua City have 91 and 25 area units respectively. Using the 2006 census, we obtain the ratios, for each area unit, of the Pacific population to total population, and extract data for the 20 area units with highest Pacific concentrations. Of these 20, seventeen are in Manukau City and the remaining three are in Porirua City.² The census is also used to extract data on: the homeownership rate in the area unit,³ the proportion of multi-family households in the area unit, and the median weekly rent paid by households in that area unit.

We express the area unit rent as a ratio, relative to average rents in the territorial authority (TA) – Manukau City or Porirua City – in which the area unit (AU) is located. We use the AU/TA ratio as our measure since it adjusts for city-specific factors affecting the overall level of rents in a city. Likewise, our house prices, house values and rent/price ratios are all expressed as AU/TA ratios. Data on median sale prices and median capital values of houses⁴ in the AU and the TA are obtained from QVNZ.

Table 1 presents the raw data for each variable that we investigate. The first column presents the ratio of the Pacific to total population in each AU. The second column presents a valuation-based measure of the value of residential houses in the AU relative to its local TA. All houses in the respective areas are covered by this measure. The third column presents the median rent paid within an AU relative to the median TA rent (according to the census). In the fourth column, the median rent is expressed as a ratio of the AU's median house sale price (a market-based measure of house values), again with

² Subsequently, we found that one of the area units (Mangere Station) had very few people or houses, so we dropped this area from our analysis, leaving nineteen area units for analysis.

³ If at least one person living in the household owns the house or is a beneficiary of a family trust that owns the house, we treat that household as owner-occupiers.

⁴ We use the QVNZ category "RD", relating to a residential (non-apartment) dwelling, to standardize as much as possible for differing types of houses. Sale prices are taken for the year to June 2006; capital values are taken for the most recent valuation year, being 2005 for Manukau City and 2004 for Porirua City. Expressing the AU value as a ratio of the TA value adjusts for timing differences between the two cities on this measure.

respect to the TA average. The final two columns present the AU's homeownership rate and the proportion of multi-family households respectively. Where applicable, the table also provides data for Manukau City, Porirua City and for New Zealand as a whole.

Table 2 presents a matrix of correlation coefficients for these variables. A high ratio of Pacific peoples within an AU is found to be related negatively (and significantly) to rents and also to rents relative to house prices. This result is contrary to expectations given the cited findings of Grimes and Aitken (2007). One likely explanation is that Housing New Zealand Corporation (HNZC) and/or other social housing may be prevalent in areas with high Pacific concentrations; below-market rents for such housing would account for the relatively low levels of rents in these areas. We therefore cannot draw conclusions about the relationship between market (private sector) rents and house prices for other areas in which Pacific peoples may reside where social housing is less prevalent.

Tables 1 and 2 demonstrate that areas with high Pacific concentrations have high ratios of multi-family households: the ratio is above both the TA average and the national average for each of the 19 area units. Across these AUs, the ratio of multi-family households is 18.0% compared with the national average of 2.7%. The correlation between Pacific population concentration and relative housing capital values indicates that Pacific households generally reside in lower value properties compared with the TA average value.⁵ Homeownership rates are high in areas with higher capital values for houses and in high rent areas, consistent with renters being located in poorer communities.

Figures 1-3 present graphs of three relevant relationships. The negative relationships between concentrated Pacific populations and each of the capital value of houses and rents (relative to sale prices), and the strong positive relationship with multi-family households are all evident.

We do not graph the relationship between concentrated Pacific areas and the homeownership rate because the correlation coefficient indicates no material relationship

⁵ The correlation coefficient of -0.297 has a p-value of 0.216 reflecting the small sample size.

across this sample. However this does not mean that homeownership is unrelated to ethnicity. Taking our 19 area units as a whole, the homeownership rate is 32.9%; this contrasts with a homeownership rate across each of Manukau and Porirua cities as a whole of 57.9% and 58.6% respectively, and with a New Zealand-wide homeownership rate of 62.7%. Thus the homeownership rate in areas with high concentrations of Pacific people is approximately half that of the remainder of the country.

3. Household Results

The SoFIE survey enables us to gain more detailed analysis of the situation of Pacific households across New Zealand.⁶ Table 3 presents information on homeownership rates and mean house values⁷ of owner-occupier homes for 4 different ethnicities, plus “other”, and for New Zealand as a whole (using survey weights). The national homeownership rate according to this sample survey is 56.8%, just a little lower than that registered in the census. The similarity in figures across data sources indicates that the SoFIE survey provides a reasonably representative survey for our purposes.

European rates of homeownership (60.2%) are above the national rate, while Asian and “other” rates of homeownership (53.5% and 50.0% respectively) are a little lower. The major discrepancies come from the Maori and Pacific ethnicities with homeownership rates of 39.1% for Maori and just 28.8% for Pacific households. The latter figure is similar to the ownership rate recorded above in the 19 AUs with the most concentrated Pacific populations (32.9%).

Given the Pacific population’s high propensity to live in multi-family households, Table 3 also records the homeownership rates for households with one family, two families, and three or more families. Single family households are the most likely to be owner-

⁶ In order to categorise by ethnicity, we make a number of assumptions. First, we categorise on the basis of the head of the household, where the head is generally classified as the person with the highest income. Second, if this person identifies with more than one ethnicity, we prioritise according to the ordering: European, Maori, Pacific, Asian, other. Different assumptions will alter the quantitative magnitudes for our results, but will not alter the qualitative results given how stark the differences across ethnicities are. Emphasis should be placed on the qualitative nature of the results rather than on exact figures.

⁷ House values are based on reported capital values updated, where necessary, using regional housing indices.

occupiers at 58.1% while almost half of two family households own a home (48.4%). It is rare for households with more than two families to have an occupant as the homeowner (17.0%). Pacific peoples are over-represented in this final category, consistent with their low homeownership proportion.

Of those who own a house, we find that house values are, on average, lower than the New Zealand mean for Maori and Pacific households, and higher than the mean for the other ethnic categories. Pacific homeowners tend to have more expensive homes than do Maori homeowners, which is likely to reflect the urban (particularly Auckland) concentration of Pacific relative to Maori households. Households with two or more families, on average, own lower value houses despite the potential extra needs of multi-family relative to single family households. This is indicative of financial stress being a common factor within such households.

4. Summary

Our three (2006) data sources indicate some consistent characteristics for Pacific peoples' homeownership and related factors. First, homeownership rates are low for Pacific households. Second, rents (both absolute and relative to local house prices) tend to be low for Pacific households, possibly reflecting high uptake of social rented housing. The low relative rental ratios faced by Pacific households may contribute to the first finding of low Pacific homeownership rates. This is an area that warrants further research and policy consideration. Third, Pacific peoples have a high propensity to live in multi-family households. Fourth, despite this tendency, Pacific households tend to live in lower value houses than do other (non-Maori) ethnicities; and multi-family households tend to live in lower value houses than do single family households. These latter statistics indicate that housing pressures may be felt most strongly amongst multi-family households, many of whom are Pacific households.

Figure 1: Median Capital Value (AU/TA) vs Pacific/Total Population (AU)

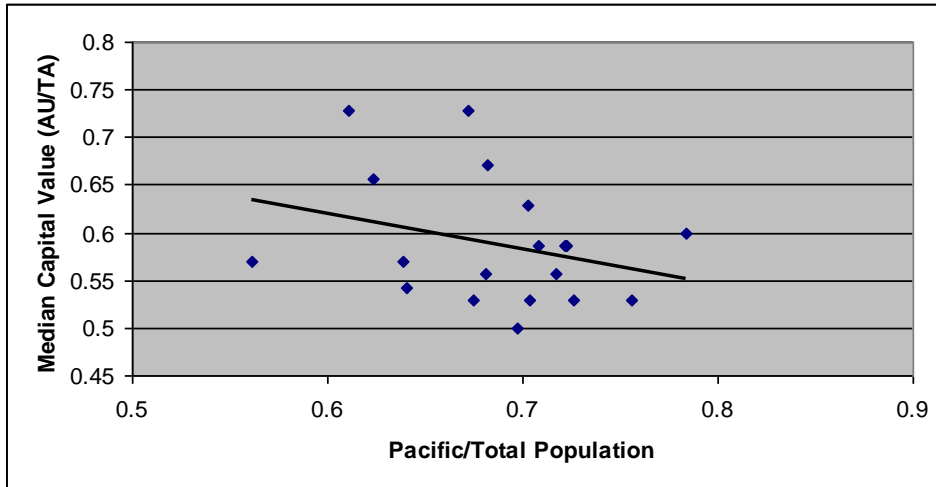


Figure 2: Rent/Sale Price (AU/TA) vs Pacific/Total Population (AU)

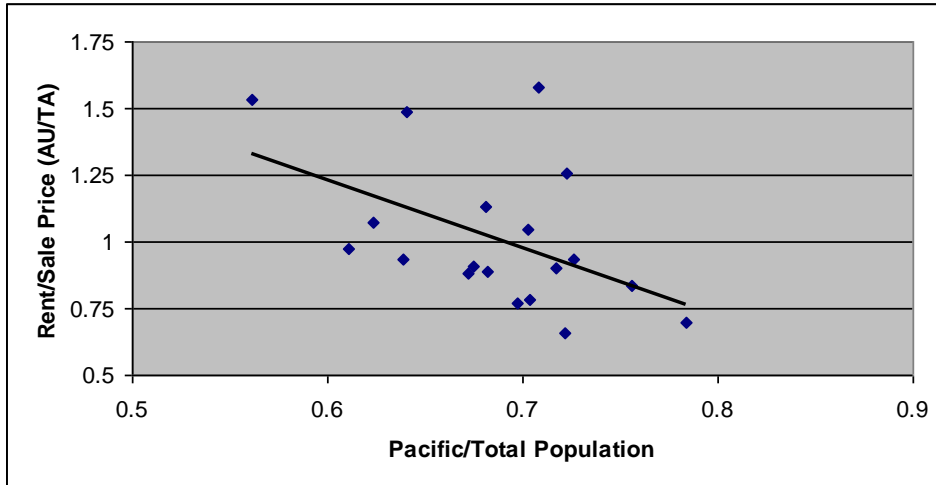


Figure 3: Multi-Family Households Ratio (AU) vs Pacific/Total Population (AU)

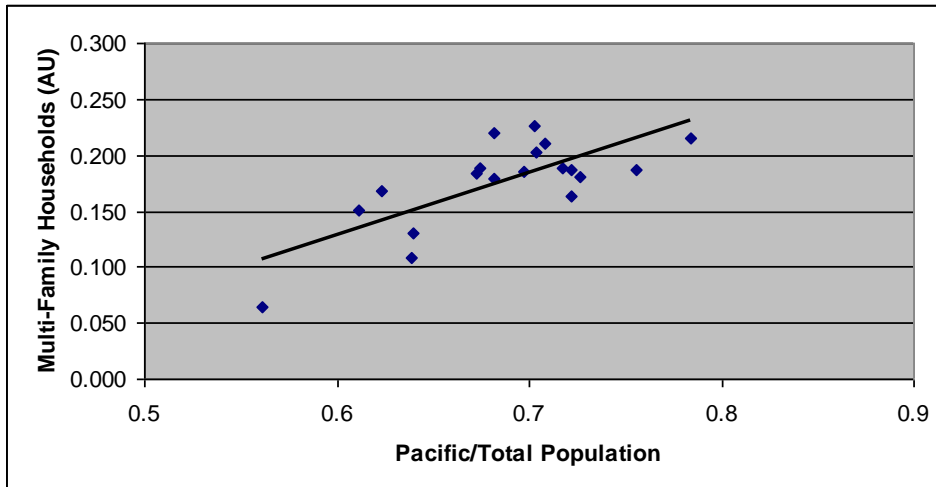


Table 1: Area Unit Data

Area Unit Description	Pacific/Total Population Ratio (AU)	Median Capital Value Ratio (AU/TA)	Median Rent Ratio (AU/TA)	Median Rent/Sale Price (AU/TA)	Homeownership Rate (AU)	Multi-Family Households Ratio (AU)
Harania North	0.784	0.600	0.454	0.698	0.330	0.215
Otara South	0.756	0.529	0.500	0.838	0.275	0.187
Otara East	0.726	0.529	0.542	0.933	0.292	0.180
Harania East	0.722	0.586	0.846	1.254	0.341	0.163
Arahanga	0.721	0.586	0.438	0.658	0.321	0.187
Viscount	0.717	0.557	0.538	0.899	0.269	0.188
Clover Park	0.708	0.586	0.962	1.579	0.490	0.211
Ferguson	0.704	0.529	0.454	0.783	0.259	0.202
Mangere Central	0.702	0.629	0.719	1.044	0.426	0.225
Otara West	0.697	0.500	0.435	0.771	0.217	0.185
Mascot	0.682	0.671	0.615	0.890	0.460	0.221
Flat Bush	0.681	0.557	0.712	1.133	0.318	0.179
Otara North	0.675	0.529	0.527	0.911	0.243	0.189
Favona West	0.672	0.729	0.692	0.879	0.322	0.184
Waitangirua	0.640	0.542	0.819	1.489	0.265	0.131
Cannons Creek East	0.639	0.569	0.550	0.935	0.307	0.108
Harania West	0.623	0.657	0.692	1.072	0.354	0.168
Favona North	0.611	0.729	0.769	0.976	0.420	0.150
Cannons Creek South	0.562	0.569	0.830	1.534	0.300	0.064
Manukau City	0.263	na	na	na	0.579	0.084
Porirua City	0.253	na	na	na	0.586	0.049
New Zealand	0.066	na	na	na	0.627	0.027

Notes: All area units are located in Manukau City except for Waitangirua, Cannons Creek East and Cannons Creek South (each located in Porirua City).

Sources: Statistics New Zealand 2006 census; Quotable Value New Zealand.

Table 2: Correlation Coefficients

	Pacific/ Total Population Ratio (AU)	Median Capital Value Ratio (AU/TA)	Median Rent Ratio (AU/TA)	Median Rent/ Sale Price (AU/TA)	Home- ownership Rate (AU)	Multi- Family Households Ratio (AU)
Pacific/Total Population Ratio (AU)	1					
Median Capital Value Ratio (AU/TA)	-0.297	1				
Median Rent Ratio (AU/TA)	<i>-0.473</i>	0.356	1			
Median Rent/Sale Price (AU/TA)	<i>-0.494</i>	-0.025	<i>0.902</i>	1		
Homeownership Rate (AU)	-0.060	<i>0.658</i>	<i>0.559</i>	0.298	1	
Multi-Family Households Ratio (AU)	<i>0.745</i>	0.085	-0.314	<i>-0.469</i>	0.290	1

Notes: Numbers in bold italics are significant at the 5% level.

Table 3: SoFIE Data

Category	Homeownership Rate (%)	Mean House Capital Value (\$)
European	60.2%	378200
Maori	39.1%	236100
Pacific	28.8%	281600
Asian	53.5%	396400
Other	50.0%	499700
1 Family Household	58.1%	373600
2 Family Household	48.4%	332400
3 or more Family Household	17.0%	335000
New Zealand	56.8%	370800

Source: Statistics New Zealand Survey of Family Income and Expenditure (SoFIE), 2006