

# Changes in the structure of the private rental market 1996 to 2023

## Report 6 of 6 - "Summary"

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## 1. Introduction

This report addresses a critical issue for New Zealand. That is, the extent to which the private rental market can generate supply into the residential rental market that is affordable to low- and moderate- income renting households. In doing so it responds to BRANZ’s 2025 research investment priorities one of which is dedicated to “Improving housing affordability for all New Zealanders” and the research dimensions BRANZ associates with that priority. Those are research to: understand the barriers to home affordability and to investigate potential intervention options; develop low-cost pathways to supply warm, dry, and healthy homes; and, investigate supply and demand cycles of housing in cities and regions and their impact on vulnerable population groups and industries.

This research project was funded by the BRANZ via the Building Research Levy and was led by Livingston and Associates Ltd in collaboration with CRESA. This report summarises the results of our project with more detailed analysis presented in a series of reports including:

1. Trends in the size of the intermediate housing market (can work – can’t buy) between 1991 and 2025 (completed by Livingston and Associates Ltd);
2. The changes in the structure of the private rental market between 1996 and 2023 (completed by Livingston and Associates Ltd);
3. Housing and proposed “Granny Flat” provisions New Zealand as a potential housing market solution (completed by CRESA);
4. The overseas build to rent (BtR) experience focused on organisations involved in delivery, sources of financing, tenant segments serviced, tenant outcomes, typology and location of supply and the regulatory framework designed to stimulate supply (completed by CRESA); and
5. Evidence review of the societal and economic impacts of housing stress and under-supply of affordable housing (completed by CRESA).

The position of the private rental market in New Zealand’s housing system and people’s housing experiences are contextualised in Section 2 of this report. For the present, it is sufficient to note that private rental market is playing an increasingly critical role with a growing proportion of New Zealand’s housing stock concentrated the hands of private property investors. Between 1986 and 2023, size of the stock owned by private property investors increased by 215% although the total dwelling stock only increased by 63%. Despite the expansion of the private rental stock, rents have not been well aligned to the needs of low- and moderate- income households<sup>1</sup>. In 2023, 45% of renter households paid more than 30% of their gross household income in rent compared to 19% in 1988. Those trends and other housing system performance issues have prompted considerable anxiety among households, government agencies and communities.<sup>2</sup>

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<sup>1</sup> Saville-Smith, K., and I. Mitchell, (2021), Accommodation Supplement High Expenditure, Low Efficacy, Affordable Housing for Generations Research Programme, BBHTC, <https://homesforgenerations.goodhomes.co.nz/wp-content/uploads/2021/03/Accommodation-Supplements-AHFG-Report-MARch-2021-update.pdf>

<sup>2</sup> Cabinet Paper (2024) – Fixing the housing crisis. Office of the Minister of Housing Infrastructure and RMA Reform.



Section 3 of this report focuses on establishing the nature of the mismatch between what the market has delivered in terms of housing rental stock and low- and moderate- income households' ability to affordably occupy those dwellings and highlights the current precarity of housing in New Zealand, and the societal impacts of housing precarity associated with the structure of the private rental market and its positioning within the housing system.

In addition, the report examines two initiatives drawn from overseas that have been promoted as better aligning the private rental sector with the needs of households that are increasingly dependent on it. The first, is reducing the barriers to accessory dwelling units (ADUs) and increasing land supply for housing. While not intended to simply release land for rented dwellings, the rationale for regulatory change in New Zealand was strongly articulated as a way of improving access to rental stock either through rental builds or release of existing dwellings for rent. The second has been an increasing interest in and some activity in Build-to-Rent (BtR). The experience and potential of those two initiatives for private rental delivery and responsiveness are explored in Section 4. Section 5 discusses the reports key findings and their potential implication.



## 2. Context of structural change in the rental market

### 2.1 Introduction

This section highlights four contextual conditions in New Zealand that have, and continue to, inform structural change in the rental sector. The first relates to the radical break embodied in the 1990s housing reforms which, despite attempts at remedial tinkering, still set the ‘architecture’ of the New Zealand Government’s role in the housing system, funding, assistance and investment. The second important contextual condition has been the deepening of the intermediate housing market and house prices. This was tied to some other critical changes in policy and regulatory settings in connected systems in particular financial and banking reforms of the late 1980s and early 1990s. The third is the growth of housing deprivation which has marked by its persistence and its spread to sub-populations such as seniors. Finally, this section also notes that housing system and the rental sector within it, is increasingly operating within a fluctuating approach to migration as well as being challenged by climate change and adverse natural events.

### 2.2 New Zealand’s housing system

New Zealand, like many western countries, in the last two decades of the 20<sup>th</sup> century remoulded its housing system consistent with emerging neo-liberalism and the retraction of the state. It is arguable that New Zealand’s shift was significantly more radical than the shifts in the other countries with which we tend to compare ourselves: Australia, United States, Canada, the United Kingdom and Western Europe. Prior to the 1990s reforms, there was broadly cross-party commitment to a mixed supply-and-demand approach which incorporated a myriad of instruments in which Government not only assisted certain households but also sought to stimulate development and new builds. The ‘tool-box’ the successive Governments used in the post-war period until the 1990s reforms were light regulation of the rental sector, direct investment in state housing, supports for owner occupation among low- and modest-income families, the development of low-cost residential land and providing bridging finance to the building industry producing low-cost housing, and lending to non-profit housing as well a low and long term lending to councils for the building of council housing.<sup>3</sup> The 4<sup>th</sup> National Government’s decisions in 1990/91 swept those tools aside.<sup>4</sup>

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<sup>3</sup> Commission of Inquiry into Housing (1971). *Housing in New Zealand*, Wellington: A. R. Shearer, Government Printer, Appendix 2: Government Assistance with Housing, Tables 1–5; Thorns, D. (2000). ‘Housing Policy in the 1990s: New Zealand a Decade of Change’, *Housing Studies*, 15 (1): 129–38; Thorns, D., (2006). ‘The Remaking of Housing Policy: The New Zealand Housing Strategy for the 21st Century’, *Housing Finance International*, June: 20–28. Dodson, J. (2007). *Government Discourse and Housing* Aldershot: Ashgate Publishing; Figenshow, S., & K. Saville-Smith (2020) *Housing Policy* in Hassall, G. and Karacaoglu (eds) 2020, *Social Policy Practice and Processes in Aotearoa New Zealand*, Palmerston North: Massey University Press.

<sup>4</sup> Luxton, J. (1991) *Housing and accommodation. Accommodation assistance. A statement of Government policy on housing and accommodation*, Wellington, Housing Corporation of New Zealand.



Market rents rather than income related rents were introduced for state housing, state housing was vested in a new commercial entity, capital funding for community and council housing providers was removed along with income-related interest rates and lending for low income households seeking entry in homeownership. Assistance to low-cost new builds was removed along with the Government involvement in low-cost subdivisions for low-cost housing. An Accommodation Supplement (AS) replaced the previous Housing Benefit. Administered through the Social Security Act and accounted for through vote: Housing, the AS became the primary mechanism for housing assistance. This untied housing assistance which was purposefully set to subsidise only a portion of households' unaffordable housing gap was promoted as ensuring horizontal equity for households and tenure neutrality as well as stimulate a supply response.

A number of researchers, Government and non-Government agencies have commented on the inadequacies of the AS both as a means of relieving housing affordability stress and as a means of stimulating new build low-cost housing in general and, in particular, the rental sector.<sup>5</sup> Since the 1990s housing reforms, there have been a variety of initiatives attempting to resolve on-going problems, including the re-introduction of income-related rent subsidies (IRRS) for state housing and, later, some community housing providers (CHPs) as well as residual investments in new builds by CHPs and some private sector builds as well as larger investments in state housing under the reforms that established Kāinga Ora. A myriad of investments have been made into so-called emergency and transitional housing as envisaged by the 2017/18 Social Housing Strategy. The use of additional assistance (TAPs) has become widespread. At its heart, however, the 'architecture' of housing assistance has remained mainly limited to demand-side assistance by way of the AS and the IRRS. Further limits on the latter are currently being introduced with the proposed 'moving on' legislation.

The changes to the housing system, Government's role in it, and globalisation of housing financialisation have been key drivers of what has been described as a tenure revolution. That is, New Zealand has moved from an owner-occupier society to one that will be increasingly dependent on the rental sector. There was a brief tightening of regulatory expectations of landlords, but no-fault terminations have been re-introduced. No-fault termination had a limited impact when renting was a residual housing sector, it has more import in the context of a society in which households, including households bearing and rearing children, find themselves dependent on the private rental market.

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<sup>5</sup> Wong, E., and S. Morrissey (2016) *Budget Report: Advice on Personal Tax Cuts for Budget 2017*. Wellington, The Treasury. Retrieved from: <https://treasury.govt.nz/sites/default/files/2017-11/b17-3598626.pdf>; Johnson, A. (2018). *Beyond Renting: Responding to the decline in private rental housing*. Auckland, Salvation Army: Social Policy and Parliamentary Unit; McAllister, A., St John, S., and A. Johnson (2019) *The Accommodation Supplement: The wrong tool to fix the House*, Auckland, Child Action Poverty Group.

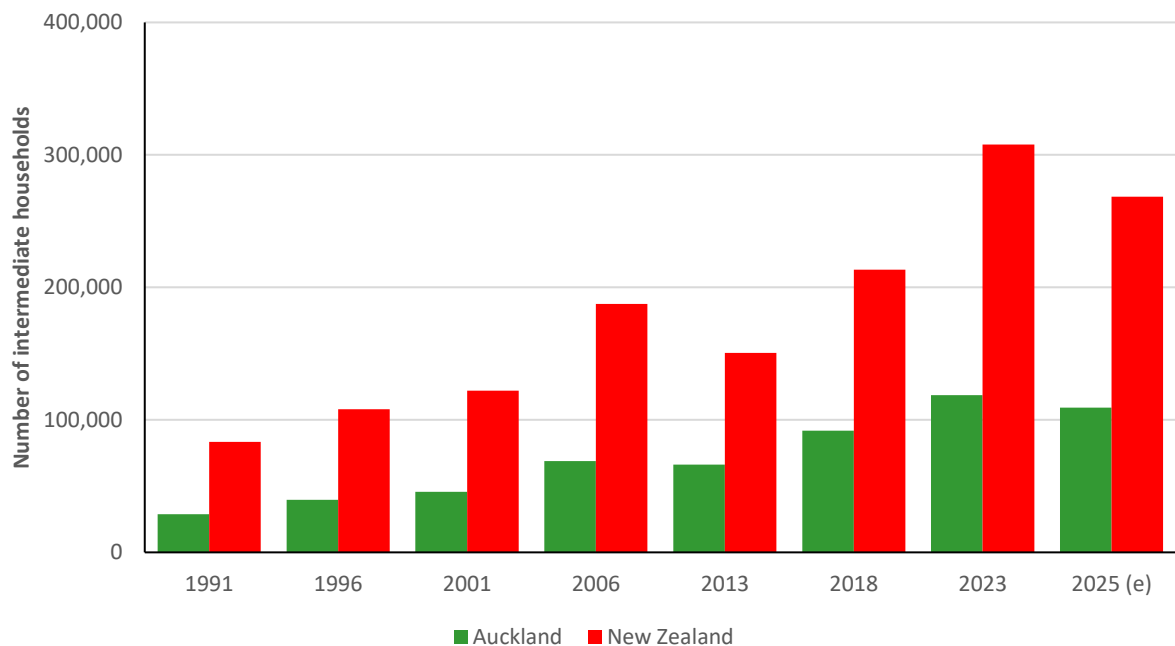


### 2.3 “Can work – can’t buy” - The intermediate housing market

The intermediate housing market<sup>6</sup> forms an important segment of the housing market and represents working households unable to affordably buy a dwelling at the lower quartile house sale price. Changes in the relative size of the intermediate housing market reflect changes in first home buyer affordability trends.<sup>7</sup> This analysis provides insight into the pressures faced in the private rental market as if the hurdles for private renter households to become owner occupation changes (becomes easier or more difficult) the relative size of the intermediate market will grow or contract impacting on the demand for private rental dwellings.

The intermediate housing market has varied in size as a result of growth in the size of the private renter market as a result of population growth and a fall in the rate of owner occupation, house sale prices increasing faster than the growth in household incomes and, changes in mortgage interest rates. In 1991, the intermediate housing market totalled 83,330 households, or 7% of all households, and by 2025 it is estimated to have grown to 268,400 households or 15% of all households. Figure 2.1 presents the trend in the size of the intermediate housing market in Auckland and nationally between 1991 and 2025.

**Figure 2.1: Intermediate housing market 1991 to 2022**



Source: Modelled based on data sourced from Statistics New Zealand, RBNZ, and Headway Systems Ltd

<sup>6</sup> Private renter households with at least one person in paid employment, who are unable to affordably purchase a house at the lower quartile house sale price for the local authority area at standard bank lending conditions. In the context of this report the ability of a household to “affordably” buy a dwelling assumes no more than 30% of gross household income from all sources is used to meet to service the mortgage associated with buying the dwelling.

<sup>7</sup> This section of the report summarises key trends in the intermediate housing market presented in Changes in the structure of the private rental market– Report one - The intermediate housing market.



The intermediate market has steadily increased over the last 34 years with the variation in growth rate significantly influenced by house prices, changes in the mortgage interest rates, the declining production of low-cost dwelling, and issues of retention of low cost housing under housing price pressure.

Table 2.1 presents analysis of the quantum of the impact of the key drivers of the change in the size of the intermediate housing market between 2006 and 2025.

**Table 2.1: Key drivers of the change in the size of the intermediate housing market 2006 to 2025**

Driver	Change in the number of intermediate households				
	2006 to 2013	2013 to 2018	2018 to 2023	2023 to 2025	Total 06 to 25
Growth in total households (population growth)	12,400	18,000	11,500	10,100	52,000
Growth as a result of tenure change <sup>8</sup>	18,700	22,400	9,500	9,300	59,900
Change in interest rates	-44,800	-5,700	37,700	-37,000	-49,800
House sale price appreciation	33,400	64,500	67,400	-4,000	161,300
Household income growth	-56,500	-36,800	-31,600	-17,900	-142,800
Total change	-36,800	62,400	94,500	-39,500	80,600

Source: Modelled from data sourced from Headway Systems, RBNZ, and Statistics New Zealand

The number of households in the intermediate housing market has increased over the past 31 years by approximately 247% nationally (or a compounded annual growth rate of 4.1% per annum) and 277% in the Auckland region (or an annual compounded growth rate of 4.4% per annum). There are now 289,300 intermediate households nationally and 108,500 of these are located in Auckland. Over the same time period, the total number of households living in New Zealand is estimated to have increased by 1.4% per annum.

Growth in both the number of households and the relative size of the intermediate housing market has placed pressure on the private rental market as the demand for dwellings has increased relative to the growth in all households. In addition, the demographic characteristics of private renter households have changed with them living in rental dwellings for longer. This has resulted in an aging of the people living private rental dwellings and associated household compositional changes.

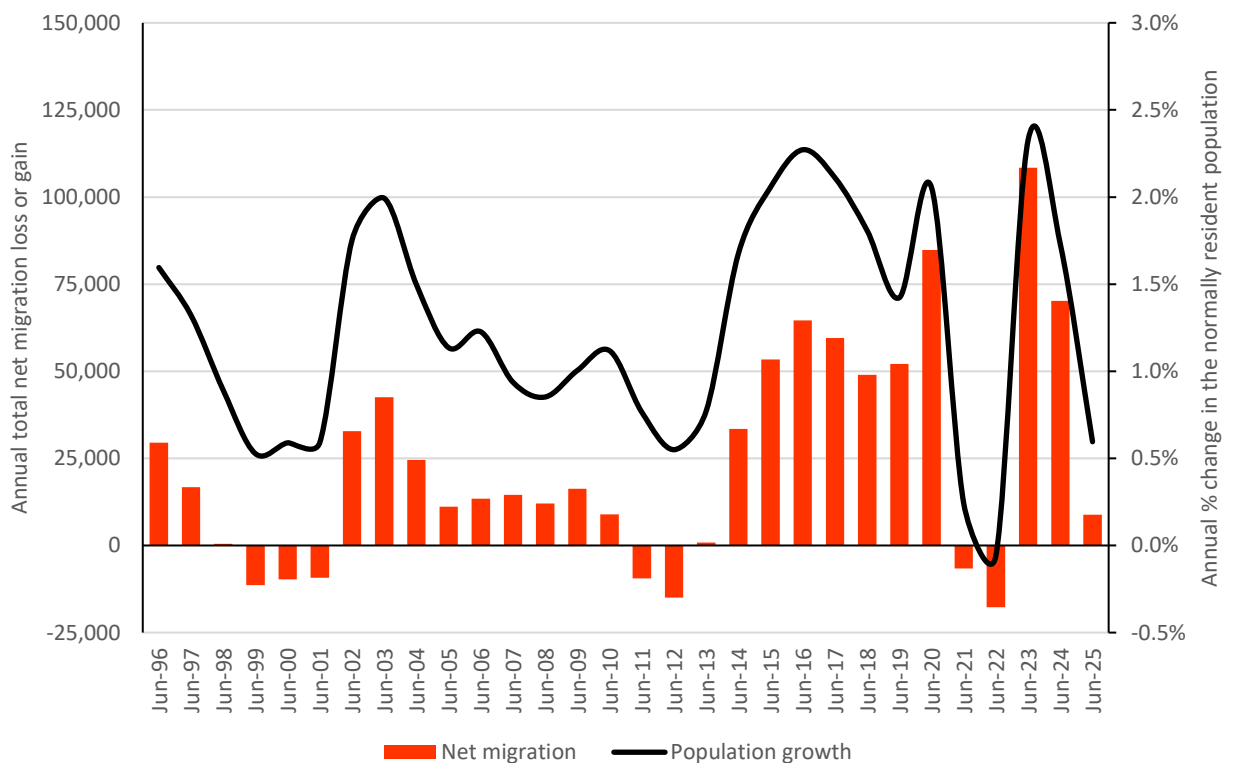
<sup>8</sup> Excludes population growth



## 2.4 Changes in supply and demand

New Zealand’s population growth rate and consequently the rate of growth in new housing demand, has been volatile over the last thirty years. This volatility is likely to have influenced housing market outcomes over the short to medium term. Figure 2.2 presents the annual percentage change in New Zealand’s normally resident population and annual net migration loss or gain.

**Figure 2.2: Annual % change in New Zealand’s normally resident population and annual net migration loss or gain**



Source: Statistics New Zealand

New Zealand’s rate of population growth has significantly varied between 1996 and 2025 ranging from -0.1% per annum in the June 2022 year to +2.3% per annum in the June 2023 year. A significant proportion of the change in the rate of population growth has been driven by changes in the level of net migration. The construction sector has struggled to adapt to these changes in demand. The construction sector response typically lags changes in demand due to the time required to plan, develop the land, and construct a dwelling. As a result, significant variations in demand over short periods of time can be problematic for the housing market and result in periods of under or over supply of new dwellings and spikes in housing costs<sup>9</sup>.

<sup>9</sup> Coleman, A., (2023) “Housing quality improvement, property market dynamics, and sustainable house prices.” Reserve Bank of New Zealand Discussion Paper DP2023-01.



## 2.5 Housing affordability outcomes - housing stress and crowding<sup>10</sup>

Private renter housing affordability outcomes have deteriorated since the economic and housing market reforms of the early 1990s. The proportion of private renter households paying more than 30% of their household income in rent has increased. Table 2.2 presents the proportion of private renter households paying more than 30% of their gross household income in rent in 1996 and 2023.

**Table 2.2: The proportion of private renter households paying more than 30% of their gross household income in rent in 1996 and 2023**

	Income quintile 1	Income quintile 2	Income quintile 3	Income quintile 4	Income quintile 5	Total
<b>1996</b>						
Rental quintile 1	72%	9%	0%	0%	0%	26%
Rental quintile 2	100%	40%	0%	0%	0%	39%
Rental quintile 3	100%	68%	0%	0%	0%	40%
Rental quintile 4	100%	100%	21%	0%	0%	43%
Rental quintile 5	100%	100%	100%	25%	3%	47%
Total	91%	57%	21%	7%	2%	39%
<b>2023</b>						
Rental quintile 1	67%	0%	0%	0%	0%	24%
Rental quintile 2	100%	66%	0%	0%	0%	46%
Rental quintile 3	100%	100%	19%	0%	0%	49%
Rental quintile 4	100%	100%	39%	0%	0%	48%
Rental quintile 5	100%	100%	77%	8%	1%	48%
Total	94%	77%	30%	3%	1%	45%
<b>Change 96 to 23</b>						
Rental quintile 1	-5% pts	-9% pts	0% pts	0% pts	0% pts	-2% pts
Rental quintile 2	0% pts	26% pts	0% pts	0% pts	0% pts	7% pts
Rental quintile 3	0% pts	32% pts	19% pts	0% pts	0% pts	9% pts
Rental quintile 4	0% pts	0% pts	18% pts	0% pts	0% pts	5% pts
Rental quintile 5	0% pts	0% pts	-23% pts	-17% pts	-2% pts	1% pts
Total	4% pts	20% pts	9% pts	-4% pts	-1% pts	7% pts

Source: Statistics New Zealand

The biggest change in the proportion of private renter households paying more than 30% of their gross income in rent between 1996 and 2023 were for households in income quintile 2 and renting dwellings in quintiles 2 (up from 40% of households in 1996 to 66% in 2023) and 3 (up from 68% of households in 1996 to 100% in 2023). A similar trend occurred for private rent households in income quintile 3. Between 1996 and 2023 the proportion of private renter households in income quintile 3, renting in rental quintile 3 and paying more than 30% of their gross income in rent increased from 0% to 19% and those renting in rental quintile 4 increased from 21% in 1996 to 39% in 2023.

<sup>10</sup> This section of the report summarises some key findings from Changes in the structure of the private rental market – Report 2 – private rental market trends 1996 to 2023



The affordability outcomes can be masked by changes in the proportion of crowded households. For example, crowded households have more residents contributing to the overall combined household income for the dwelling. The dwellings rent is spread across the total combined income lowering the rent to household income ratio. If the proportion of crowded households increased over time this may mask the underlying change in affordability. Note that although crowding may improve the affordability outcome, households outcomes in a range of other areas may deteriorate such as occupants’ health. Table 2.3 presents the proportion of crowded private renter households by rental and income quintiles in 2006 and 2023.

**Table 2.3: Crowded private renter households as a % of all private renter households by rental and income quintiles**

	Income Q1	Income Q2	Income Q3	Income Q4	Income Q5	Total
<b>2006</b>						
Rental Q1	2.5%	3.7%	4.2%	5.9%	6.5%	5.1%
Rental Q2	5.0%	5.7%	7.0%	8.5%	11.3%	8.1%
Rental Q3	6.7%	6.7%	7.4%	7.7%	10.9%	9.2%
Rental Q4	7.0%	7.3%	7.8%	7.4%	10.5%	10.1%
Rental Q5	7.0%	6.2%	6.1%	5.5%	6.2%	7.8%
Total	5.5%	6.1%	6.9%	6.9%	7.9%	8.5%
<b>2023</b>						
Rental Q1	3.3%	6.5%	12.3%	22.4%	34.0%	9.2%
Rental Q2	4.5%	7.1%	12.4%	23.4%	37.4%	10.1%
Rental Q3	7.2%	8.2%	11.6%	19.3%	33.8%	11.7%
Rental Q4	8.0%	8.0%	10.4%	14.3%	27.6%	11.7%
Rental Q5	8.2%	7.9%	9.4%	10.2%	17.1%	11.3%
Total	5.7%	7.5%	11.1%	15.0%	22.8%	10.9%
<b>Chge 06 to 23</b>						
Rental Q1	0.8% pts	2.8% pts	8.0% pts	16.5% pts	27.5% pts	4.1% pts
Rental Q2	-0.5% pts	1.5% pts	5.4% pts	15.0% pts	26.0% pts	2.1% pts
Rental Q3	0.5% pts	1.5% pts	4.2% pts	11.6% pts	22.8% pts	2.5% pts
Rental Q4	1.1% pts	0.7% pts	2.5% pts	6.9% pts	17.1% pts	1.6% pts
Rental Q5	1.2% pts	1.7% pts	3.2% pts	4.8% pts	10.9% pts	3.4% pts
Total	0.1% pts	1.4% pts	4.1% pts	8.1% pts	14.9% pts	2.4% pts

Source: Statistics New Zealand

The proportion of crowded households increased across all rental quintiles between 2006 and 2023. The largest percentage point increase was in the proportion of crowded private renter households between 2006 and 2023 were for households in income quintile 4 and 5 and rental quintiles 1 to 4.

In summary, private renter household affordability and crowding outcomes have deteriorated since the key early to mid-1990 economic and housing market reforms. A proportion of the deterioration in private renter affordability measured by housing stress may have been masked by an increase.



## 2.6 Housing precarity, the implications of unmet housing need and under supply of affordable housing<sup>11</sup>

The societal and economic impacts of unmet housing need and housing stress can be broadly thought of as falling into three related but separable categories. Firstly, excessive, unavoidable housing costs in relation to household incomes can reduce the households' independent consumption of households of goods and services, increase welfare dependency and probabilities of recourse to residential care, result in unmanageable household debt, reduce the ability of individuals and households to save either for retirement, or to protect themselves in the context of shocks and loss of earning power. Second, unmet housing need and housing stress undermine human capital and inter-generational transfers. Housing deprivation and poor housing conditions are associated with poor health, educational and employment outcomes. Third, inability to access and/or retain affordable housing is associated with precarity.

The first two categories have been the subject of vast research literatures in New Zealand and overseas. Causes, dynamics and solutions continue to be debated, but that they constitute pathways connecting unresolved housing need among individuals and households to undesirable social and economic conditions are generally recognised. Typically, the individuals and households caught up in those dynamics are seen as inherently vulnerable. Unmet housing need and housing stress are often seen as symptoms of existing social and economic marginalisation including unemployment, incapacity associated with disability or disabling behaviours such as substance abuse, or lack of habilitation arising from poor socialisation, criminality, or previous institutionalisation including imprisonment. These have been the subject of vast research literatures in New Zealand and overseas as well as preoccupying narratives in public and political discourses and we do not rehearse them here.

Instead we focus on the largely neglected and often distorted emerging research and commentary around precarity and the way in which housing precarity is both driven by and drives societal instability and stress. The precarity is not an alternative or substitute to research around the dynamics of excessive housing costs or how poor housing is associated with poor individual and household long-term and intergenerational impacts, although some researchers tend to have adopted the term and used it in this way. The precarity lens provides another layer around societal implication of housing. A more detailed analysis of precarity literature and its relevance to housing is found in CRESA (2026) Changes in the structure of the private rental market – Report 5 – Housing precarity literature and the implication of unmet housing need.

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<sup>11</sup> This section of the report summarises some key findings from Changes in the structure of the private rental market – Report 5 – Housing precarity literature and the implication of unmet housing need



It has already been noted that typically we see unmet housing need, housing deprivation and housing stress as a condition generated by those who are very poor, unskilled or marginalised. That rendition prompts a preoccupation with defining those populations as ‘in need’ and treating housing assistance as a form of welfare which is more or less ‘generous’ according to Government fiscal constraints and, to a lesser extent, evidence around impacts on the conditions experienced by targeted individuals and households. In that still dominant rendition of unmet housing need and access to affordable housing, the production of affordable housing is largely on the margins of Government policy and frequently reduced to attempts to stimulate housing supply in general, often through deregulation.

The precarity literature suggests a very different approach. It highlights how housing precarity generates social marginality and suppresses economic engagement. By extension it implies that the production and supply of affordably price-pointed housing must be placed at the centre of the housing system and housing policy. That literature argues that over-targeting of housing assistance is counter-productive, that it is a remnant of the past and fails to recognise that precarity has become embedded in the lives of many households. While the poorest households are least able to manage the risks associated with precarity, the ability to manage increased risks across life trajectories is reduced for many other households too. Secure, affordable housing is a pathway to increased household resilience but it is also a way of stabilising societal and economic participation and protecting living standards.

The body of precarity research literature argues that in western societies, low- and middle-income households have very different experiences of uncertainty and insecurity that are distinctly different from the experience of marginality and exclusion experienced by some in the post-war period. Current conceptions emphasise precarity as a state of insecurity and uncertainty. Precariousness does not affect us all equally, but it does affect us all, due to the vulnerability of being human and our interdependency on others. What protections are offered and who is deemed worthy of protection has a determining effect on the ways that precarity is experienced by different groups (Armano *et al.*, 2022; Millar, 2017; Clair *et al.*, 2019). It is an encapsulating term that goes beyond insecurity to focusing on exposure to risks and structural conditions limiting the agency of individuals to regularise their social and economic participation (Clair *et al.*, 2019). The precarity lens focuses on structural arrangements in which all individuals and households must operate, rather than individual risk factors and vulnerabilities (Lombard, 2023; Lain *et al.*, 2020).

Until recently housing precariousness has received relatively limited attention in housing studies. It is increasingly portrayed as part of “the financialisation of everyday life.” Typically, housing researchers concerned with the security and uncertainties of housing need have noted that impacts of precariousness are mediated by a range of individual, community and social factors and resilience (Clair *et al.*, 2019). For example, social support from family or friends may prevent people from falling into homelessness following housing loss. Nevertheless, housing precarity is seen as a structural development associated in the post-neo liberal period with governments largely repudiating responsibilities for the housing system and transferring the risks and responsibilities associated with provision and financing of housing and the production of housing from providers and institutions to households (Clair *et al.*, 2019; Martino *et al.*, 2025; Stephenson, 2023).



There are, as yet, no uniform measure or consistent categorisation of housing precariousness in the literature. There is, however, a consistent conclusion through the research literature that expanding rental markets and the narrowing of tenure choices are at the centre of housing precarity (Mckee *et al.*, 2017a). Despite acknowledging the strong association of risk with renting, some researchers (Clair *et al.*, 2019; Bentley *et al.*, 2016; Morris *et al.*, 2017) argue that rentals are no more inherently insecure than homeownership. Morris *et al.*, (2017) point out that even in poorly regulated markets like Australia, tenants can experience security. Bentley *et al.*, (2016 p 11) argue that renting is no more “intrinsically...vulnerable or risky” than other tenures, rather it is “the combination of social, legal, economic and cultural dynamics surrounding individual tenures” that renders private rental housing precarious.

The concept of precarity signals an expansion of unmet housing need and housing stress to a broader population, which was not evident in the 20<sup>th</sup> Century. Housing precarity as “a state of uncertainty which increases a person’s real or perceived likelihood of experiencing an adverse event, caused (at least in part) by their relationship with their housing provider, the physical qualities, affordability, security of their home, and access to essential services” (Debrunner *et al.*, 2024; Waldron, 2021; McKee *et al.*, 2017b). In New Zealand, of course, the expanding prevalence of those experiences is played out in the widening gap in the housing trajectories and experiences of older generations and younger generations. The former, including those in low-income employment, have been able to accumulate the security associated with owner-occupation which the latter, even those in middle-income households, have struggled to establish that trajectory and associated resilience. Precarity has stretched to households beyond the very poor.

Housing precarity provides a new understanding of the impacts of unmet housing need and under-supply of affordable housing. Precarity research suggests a more direct impact on societal performance than that routed through housing drag and degraded human capital. That research suggests that housing precarity may drive labour market deficits and employment precarity, rather than be a symptom of them. If that is the case, meeting unmet housing need and addressing deficits in the affordable housing becomes a pathway to better employment, labour participation, and improved living standards.

The 21<sup>st</sup> Century has been marked by the declining position of educated, stably employed and middle-income households who are “making sideways or even downwards movements on the housing ladder” (Bolt & Czirfusz, 2022). While still contested, evidence has emerged that the impact of precarious housing on employment precarity may be equal to, if not greater than, the effect of precarious employment on housing precarity (Beer *et al.*, 2015; Desmond & Gershenson, 2016). For a growing sector of the population, stable income and employment have been insufficient to prevent experiences of housing precariousness. The “disruptive effects” of housing loss on job loss has been found by Desmond and Gershenson (2016) to be ten times that of job loss on housing loss, even among those stably employed. Conversely, evidence suggests that secure housing is associated with greater workforce participation, reduced absenteeism and risk of job loss, increased individual capacity to search for and secure employment and contributes to higher earning potential (Oberklaid *et al.*, 2022).



What the precarity research suggests, then, is that housing systems that protect households from precarity provide protections in increasing social and economic precarity. It also suggests, however, that attention does need to be given to the conditions that increase housing uncertainty and precarity. Fluctuating and poorly aligned population settings related to migration exacerbate uncertainty in housing markets. Fluctuating positions around economic policy, macroprudential settings and planning policy can have similar impacts. Climate change already is already generating uncertainties, including around housing and insurance. Establishing transparency of direction and long-term vision are critical to housing systems that can not only deal with immediate housing stress and unmet needs but reduce housing precarity.



## 2.7 Summary

New Zealand has experienced significant change to its housing system settings since the early 1990s reforms. Prior to the reforms there was a broad-based and cross-party commitment to a mixed supply and demand approach by Government which incorporated a myriad of instruments in which Government not only assisted certain households but also sought to stimulate development and new builds. The 1990s reforms introduced market rents for state housing, capital funding for community and council housing providers was removed, subsidised mortgage interest rates for low to moderate income first home buyer households ceased. The accommodation supplement was introduced as the primary form of housing assistance. It replaced the housing benefit as well as supply- directed investments. The accommodation supplement was designed to only partially offset/subside the unaffordable portion of rent (or mortgage) paid by individuals and was not linked to any particular properties (untied housing assistance) and was paid to the individual rather than to the landlord. This structure was promoted as tenure neutral and likely to stimulate a supply side response.

These reforms along with the deregulation of the finance sector changed the dynamics of the housing market leading to a fall in the rate of owner occupation and strong growth within the private rental market. Post reforms the intermediate housing market (employed private renter households unable to affordably buy a dwelling) has grown from 7% of all households in 1996 to 15% in 2025. At the same time private renter household affordability outcomes deteriorated. In 1996, 39% of private renter households were paying more than 30% of their gross household income in rent and increased to 45% in 2023. The impact was greatest on private renter households in household income quintile 2 (57% of renter households were paying more than 30% of their gross household income in 1996 and this increased to 77% in 2023) and income quintile 3 (21% of renters were paying more than 30% of their gross household income in 1996 and this increased to 30% in 2023)<sup>12</sup>. Although affordability outcome did not deteriorate for private renter households in income quintile 4 and 5 they did experience a significant increase in crowding between 1996 and 2023. For example, by 2023 private renter households in income quintile 5 and occupying dwellings in rental quintiles 1,2, and 3 had crowding levels in excess of 33%, and increase of over 22 percentage points since 1996.

The increase in housing stress and crowding combined with housing system settings which favour landlords have resulted in a precarious environment for private renter households with implications for the wider economy.

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<sup>12</sup> Note affordability outcomes in household income quintile 1 was already poor in 1996 with 91% paying more than 30% of their gross income in rent and this increased to 94% in 2023.



### 3. Changes in the structure of the private rental market

#### 3.1 Introduction

New Zealand, like other neoliberal western democracies, has experienced a decline in housing affordability over the last three decades. A significant amount of commentary and government policy has focused on the decline in first home buyer affordability and the subsequent fall in the rate of owner occupation. However, as the rate of owner occupation has declined the numbers and proportion of private renter households have increased at a faster rate which has placed pressure on the housing market’s ability to provide adequate housing. These pressures have resulted in a change in the structure of the private rental market which are discussed in Sections 3.2 and 3.3<sup>13</sup>

#### 3.2 National trends

New Zealand’s housing market has experienced significant change since the beginning of the 1990s. This section of the report discusses key national trends while Section 3.3 discusses significant regional variations. Table 3.1 summarises key housing market statistics from 1996 to 2023.

**Table 3.1: Key housing market statistics from 1996 to 2023**

	1996	2023	Change 96 to 23
Total households	1,268,100	1,780,500	1.3% pa
Rate of owner occupation	70.7%	66.0%	-4.7% pts
Private renter households	197,900	475,900	3.3% pa
Intermediate housing market	108,070	307,920	4.0% pa
Median household income	\$34,700	\$97,000	3.9% pa
Median house sale price	\$154,000	\$770,000	6.1% pa
Median market rent	\$180	\$572	4.4% pa
Geometric mean market rent	\$184	\$547	4.1% pa

Source: Statistics New Zealand, MHUD

Private renter households as a proportion of total households have increased over the last 27 years growing at an average of 3.3% per annum compared to growth of 1.3% per annum for all households. Households in the intermediate housing market increased at a faster rate than private renter households indicating that the proportion of private renter households with at least one person in paid employment and unable to affordably purchase a dwelling at the lower quartile house sale price has increased. Declining housing affordability is likely to be one of the reasons this subgroup is growing at a faster rate with median house sale prices increasing faster than median household income.

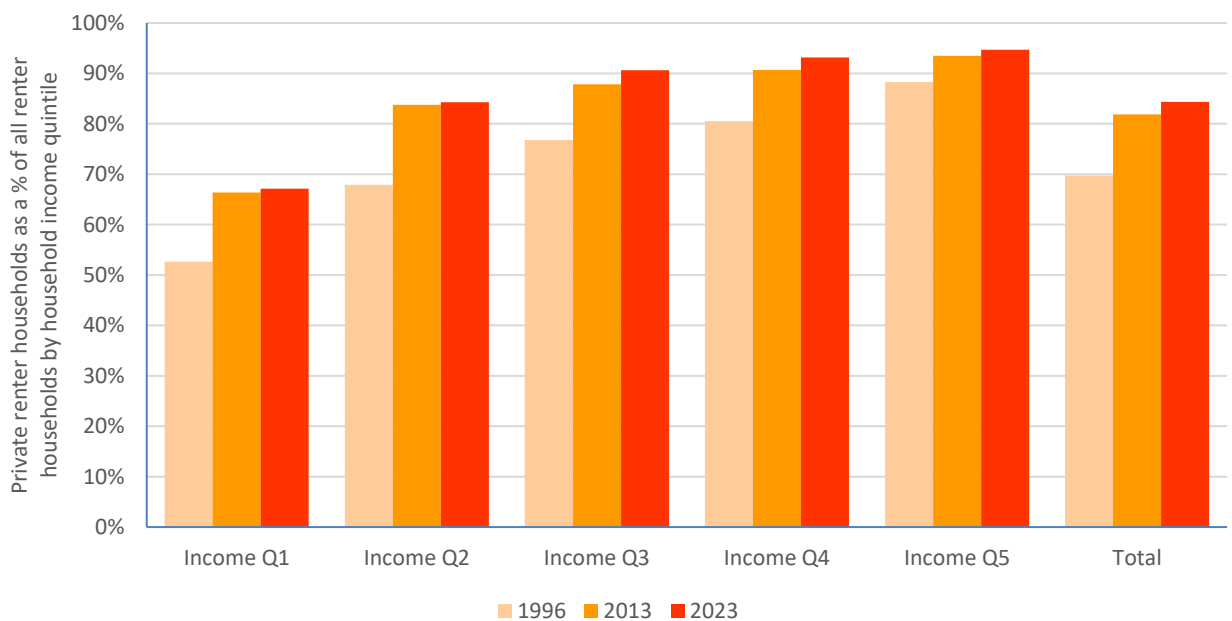
<sup>13</sup> In addition, a more detailed analysis is presented in: Changes in the structure of the private rental market - Report 2 – Private rental market trends 1996 to 2023.



Median market rents have also increased faster than median households incomes and private renter households have experienced an increase in the proportion of stressed renter households and crowding<sup>14</sup>.

With the strong growth in private renter households the dynamics in terms of their income profiles and the cost of the properties they occupy have also changed. Figure 3.1 presents private renter households as a percentage of total renter households by household income quintile in 1996, 2013 and 2023.

**Figure 3.1: Private renter households as a percentage of total renter households by household income quintile in 1996, 2013 and 2023**



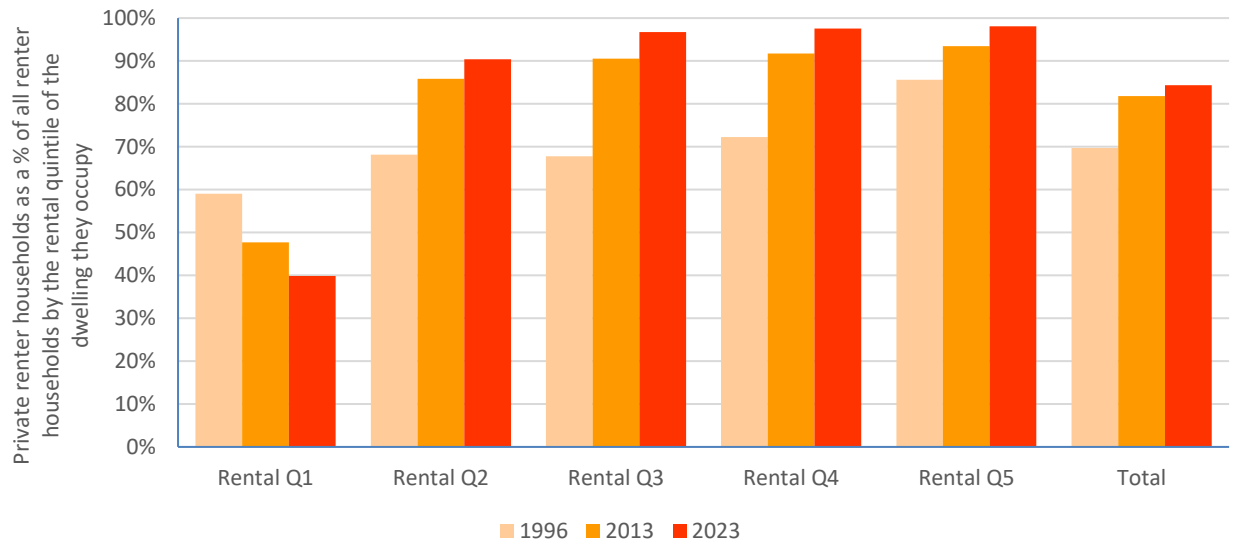
Source: Statistics New Zealand

Between 1996 and 2023, private renter households as a percentage of all renter households increased in all 5 household income quintiles. Figure 3.2 presents private renter households as a percentage of total renter households by rental quintile in 1996, 2013 and 2023.

<sup>14</sup> See Section 2.5 of this report.



**Figure 3.2: Private renter households as a percentage of total renter households by rental quintile in 1996, 2013 and 2023**



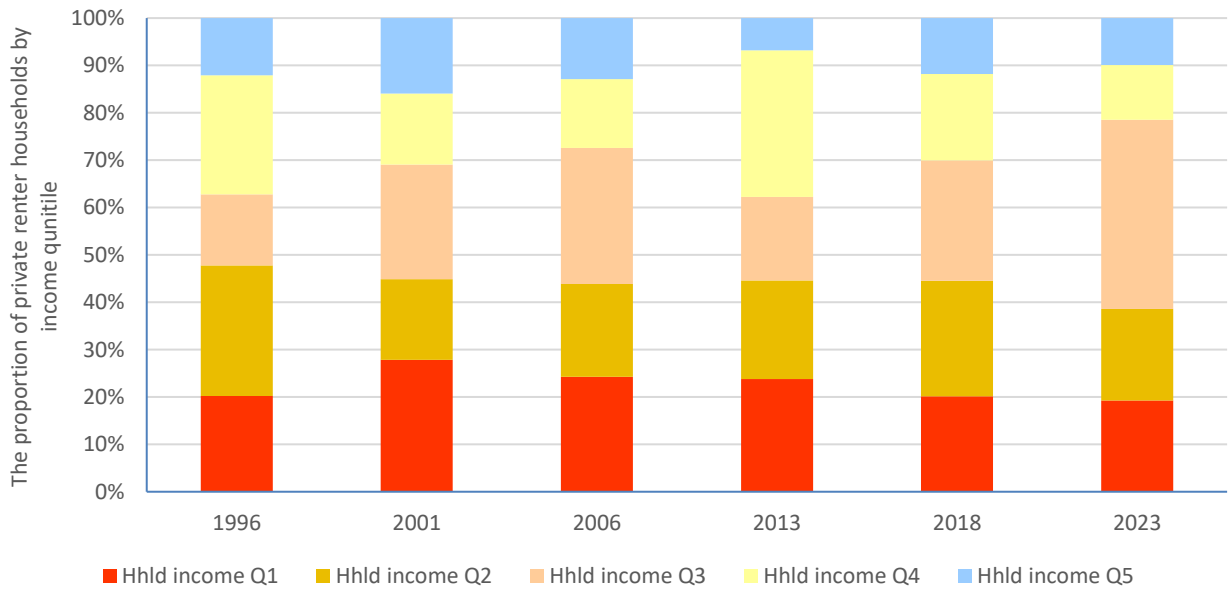
Source: Statistics New Zealand

Between 1996 and 2023, private renter households as a percentage of all renter households increased in all 5 rental quintiles except quintile 1, while as a proportion of total renter households they fell from 59% in 1996 to 40% in 2023. As the private rental market’s share declined in rental quintile 1, the social housing market’s share increased. Between 1996 and 2023 the private rental market’s share in rental quintiles 2 to 5 of the overall rental market increased while the social housing market’s share fell.

Growth in the number of private renter households has also had an impact on their characteristics. Figure 3.3 presents the trend in private renter households (as a % of total private renter households) by income quintile between 1996 and 2023.



**Figure 3.3: The trend in private renter households (as a % of total private renters) by income quintile between 1996 and 2023**



Source: Statistics New Zealand

Changes in the composition of private renter households by income reflect changes in first home buyer affordability as interest rates, house sale prices and household incomes have changed over the last three decades. However there are now proportionally more households in income quintile 3 than in 1996 and proportionally fewer in income quintiles 1 and 2. There are also proportionally fewer private renter households in income quintile 4. Variation in the size of the proportion of private renter households in income quintile 3 has tended to co-vary with variations in mortgage interest rates and changes in the size of the intermediate market.

In summary, there has been a number of structural changes in the private rental market between 1996 and 2023. Over the last 27 years the number of private renter households increased by approximately 140% or 3.3% per annum. The strong growth in the number of private renter households has resulted in a corresponding increase in the number of private rental dwellings. The growth in the number of rental properties in rental quintile 1 was significantly lower than the growth in the number of private renter households with incomes in household income quintile 1. This suggests there was a shortage of lower cost dwellings for lower income households. Effectively a higher proportion of private renter households in with incomes in quintile 1 would have had to rent dwellings in rental quintile 2. This is reflected in the growth in the proportion of stressed quintile 1 private renter households (increased from 91% to 94% between 1996 and 2023). The highest increases in the proportion of stressed private renter households between 1996 and 2023 was for households with income in quintile 2 renting properties in quintiles 2 and 3 and households in income quintile 3 renting dwellings in rental quintiles 3 and 4.



### 3.3 Regional variations

Metropolitan housing markets are all influenced by a number of national and local trends and over the long term tend to follow a similar trend with some local variations. Table 3.2 presents key housing market statistics for New Zealand’s key metropolitan housing markets between 1996 and 2023 and compares these to the national average.

**Table 3.2: Key housing market statistics – main metropolitan centres**

	Auckland	Greater Hamilton	Greater Tauranga	Greater Wellington	Greater Christchurch	Total NZ
Total households	1.6% pa	2.1% pa	2.2% pa	1.0% pa	1.4% pa	1.3% pa
Rate of owner occupation	-9.7% pts	-7.3% pts	3.9% pts	-4.1% pts	-7.2% pts	-4.7% pts
Private renter households	4.7% pa	4.4% pa	4.2% pa	3.4% pa	3.8% pa	3.3% pa
Intermediate housing market	4.1% pa	4.5% pa	4.0% pa	4.6% pa	3.9% pa	4.0% pa
Median household income	3.8% pa	3.9% pa	4.3% pa	3.8% pa	3.9% pa	3.9% pa
Median house sale price	5.9% pa	6.6% pa	6.6% pa	6.5% pa	6.3% pa	6.1% pa
Median market rent	3.3% pa	4.2% pa	4.9% pa	4.1% pa	4.0% pa	4.4% pa
Geometric mean market rent	3.2% pa	4.1% pa	4.7% pa	3.9% pa	3.9% pa	4.1% pa

Source: Statistics New Zealand and MHUD

Between 1996 and 2023 the main metropolitan centres have experienced similar trends as the national average except for Auckland where median household incomes increased at a slightly faster pace than median market rents. The number of private renter households and the number of households in the intermediate housing market all increased significantly faster than the overall increase in total households within each metropolitan centre.



Figure 3.4: presents the proportion of private renter households by household income quintile for the region in 2023.

**Figure 3.4: The proportion of private renter households by regional household income quintiles in 2023**



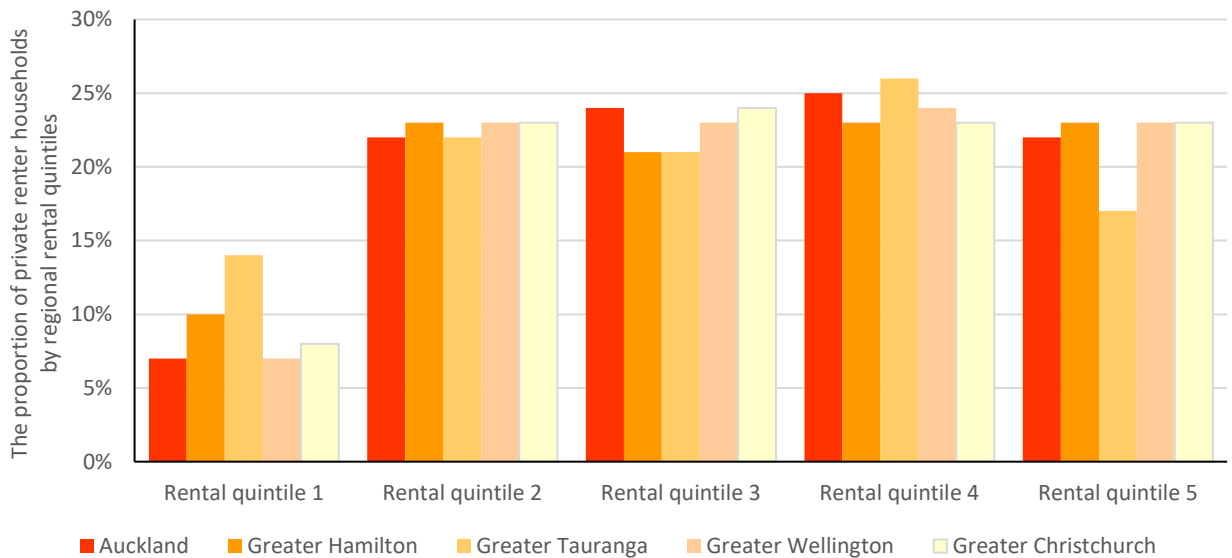
Source: Statistics New Zealand

Greater Wellington private renter households had a lower proportion of households in income quintile 1 compared to the other metropolitan areas. Greater Hamilton private renter households had a higher proportion of households in income quintile 3 compared to the other metropolitan areas. Greater Tauranga and Christchurch private renter households had a higher proportion of households in income quintile 4 compared to the other metropolitan areas. Auckland and Greater Wellington private renter households had a higher proportion of households in income quintile 5 compared to the other metropolitan areas. Between 1996 and 2023, the income profile of private renter households changed. The proportion of private renter households in quintile 5 fell in all housing markets and, with the exception of Greater Tauranga, the proportion of private renter households in Quintile 1 also fell. Nationally, the proportion of private renter households in household income quintile 3 increased from 15% in 1996 to 40% of all private renter households or from 24,336 renter households in 1996 to 177,933 households (an increase of 630%). This trend varied across our main housing markets.



Figure 3.5 presents the proportion of private renter households by regional rental quintiles in 2023.

**Figure 3.5: The proportion of private renter households by regional rental quintiles in 2023**



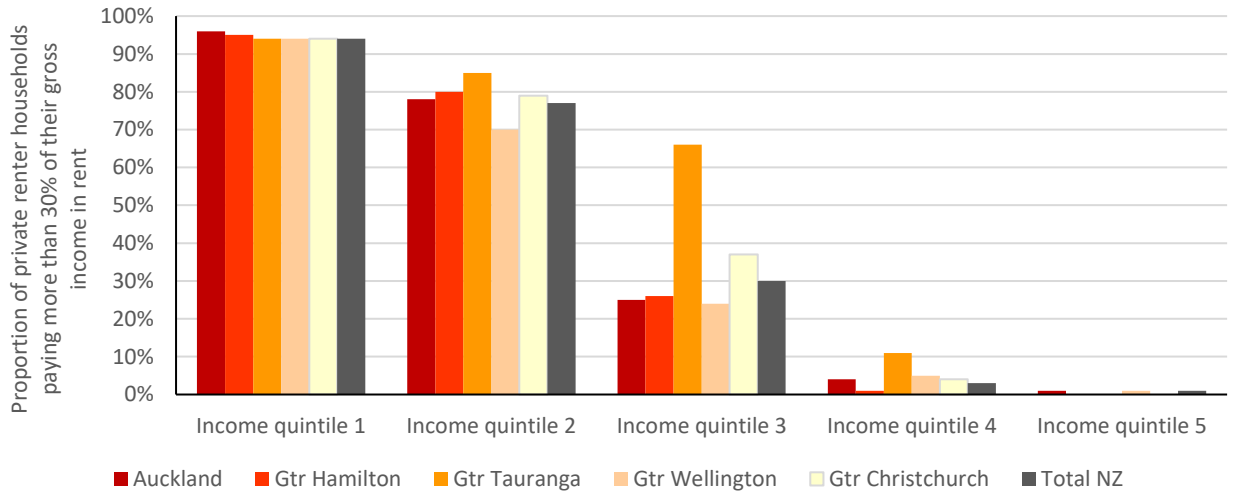
Source: Statistics New Zealand

Greater Tauranga had proportionally more private rental properties in rental quintile 1 than the other four metropolitan areas and proportionally less in rental quintile 5. All metropolitan areas experienced a fall in the proportion of private rental dwellings in rental quintile 1 between 1996 and 2023.

Between 1996 and 2023, a combination of the strong growth in the number of private renter households, with the exception of Auckland, median market rents have increased faster than household incomes. This has resulted in poor affordability outcomes. Figure 3.6 presents the proportion of private renter households paying more than 30% of their gross household income in rent by income quintile in 2023.



**Figure 3.6: The proportion of private renter households paying more than 30% of their gross household income in rent by income quintile in 2023**



Households in the lower income quintiles had the greatest proportion of stressed private renter households. Greater Tauranga’s housing market had the highest overall proportion of stressed private renter households at 50%.

Table 3.3: presents the proportion of private renter households paying more than 30% of their gross household income in rent by regional income quintiles in 1996 and 2023.



**Table 3.3: The proportion of private renter households paying more than 30% of their gross household income in rent by regional income quintiles in 1996 and 2023**

	Income quintile 1	Income quintile 2	Income quintile 3	Income quintile 4	Income quintile 5	Total private renters
<b>Auckland</b>						
1996	95%	72%	34%	8%	3%	43%
2023	96%	78%	25%	4%	1%	47%
chge 96 to 23	1% pts	6% pts	-9% pts	-4% pts	-2% pts	4% pts
<b>Gtr Hamilton</b>						
1996	92%	54%	12%	2%	1%	38%
2023	95%	80%	26%	1%	0%	46%
chge 96 to 23	3% pts	26% pts	14% pts	-1% pts	-1% pts	8% pts
<b>Gtr Tauranga</b>						
1996	90%	74%	25%	2%	1%	42%
2023	94%	85%	66%	11%	0%	50%
chge 96 to 23	4% pts	11% pts	41% pts	9% pts	-1% pts	8% pts
<b>Gtr Wellington</b>						
1996	92%	37%	8%	4%	1%	31%
2023	94%	70%	24%	5%	1%	44%
chge 96 to 23	2% pts	33% pts	16% pts	1% pts	0% pts	13% pts
<b>Gtr Christchurch</b>						
1996	93%	59%	17%	4%	1%	41%
2023	94%	79%	37%	4%	0%	43%
chge 96 to 23	1% pts	20% pts	20% pts	0% pts	-1% pts	2% pts
<b>Total NZ</b>						
1996	91%	57%	21%	7%	2%	39%
2023	94%	77%	30%	3%	1%	45%
chge 96 to 23	3% pts	20% pts	9% pts	-4% pts	-1% pts	6% pts

Source: Statistics New Zealand

With the exception of private renter households in Auckland, the proportion paying more than 30% of their gross household income in rent (stressed private renter households) increased more than the overall market average for households in income quintile 2 and 3 with only small changes in the proportion of stressed private renter households in income quintiles 1, 4 and 5. Overall the proportion of stressed private renter households in Auckland was higher in income quintiles 2 and 3 in 1996 than the other main metropolitan centres. By 2023 this difference had disappeared and may reflect a deterioration private renter household affordability in Auckland prior to 1996.

Overall, the main metropolitan centres have experienced change in the structure of their private renter household markets with some regional variations along with a significant increase in the numbers and proportion of private renter households paying more than 30% of their gross household income have increased.



### 3.4 Summary

In summary, there has been a number of structural changes in the private rental market between 1996 and 2023. Over the last 27 years the number of private renter households increased by approximately 140% or 3.3% per annum. The strong growth in the number of private renter households has resulted in a corresponding increase in the number of private rental dwellings. The growth in the number of rental properties in rental quintile 1 was significantly lower than the growth in the number of private renter households with incomes in household income quintile 1.

This suggests there was a shortage of lower cost dwellings for lower income households. Effectively a higher proportion of private renter households with incomes in quintile 1 would have had to rent dwellings in rental quintile 2. This is reflected in the growth in the proportion of stressed quintile 1 private renter households (increased from 91% to 94% between 1996 and 2023). The highest increases in the proportion of stressed private renter households between 1996 and 2023 was for households with income in quintile 2 renting properties in quintiles 2 and 3 and households in income quintile 3 renting dwellings in rental quintiles 3 and 4.



## 4. Getting More and Better Private Rentals: Learning from overseas research

### 4.1 Introduction

This section focuses on two initiatives that have become prominent overseas and are seen in New Zealand as providing opportunities to get more and better private rentals. Those are, first, providing an environment more conducive to accessory dwellings units (ADUs) or what recent legislation refers to as minor residential units and, second, the promotion of Build-to-Rent (BtR). There is considerable evidence overseas around the efficacy of ADUs as a by-right building response. There is less, but growing research and data around the potential and delivery of BtRs overseas. Sections 4.2 and 4.3 respectively explore the learnings from that overseas research, the implications for the New Zealand private rental sector and pathways to delivering affordable housing to low- and moderate- income households in the context of structural change. Before discussing those two initiatives, Section 4.1 comments on how these two latest approaches fit within both the logic of and previous attempts to generate a private rental sector that meets the needs of low- and moderate-income households.

### 4.2 Attempts to stimulate the private rental sector – The New Zealand context

Questions around the role, delivery and performance of the private rental market in New Zealand's housing system have been longstanding. The development of New Zealand as an owner-occupier society in the post-war period saw the private rental market decline in the proportion of households dependent on access to rentals. The rental sector, both public and private, become effectively a residual sector. It delivered housing to households in transition between parental homes and forming their own familial households awaiting entry into the first home ownership market. The private rental sector was an active provider of rental accommodation for tertiary students. In addition, the rental sector in the post-war period delivered housing to households 'on the move'. That is; moving to new places, often because of employment transfers or seasonal employment. The rental sector also provided for those whose household arrangements had become disrupted. Sometimes that was through loss of dwellings due to natural adverse events or because of family breakdown including that due to desertion or violence. The rental sector also served a set of retired individuals who, because their housing was employer provided tied housing through their earning years, had not entered owner occupation.

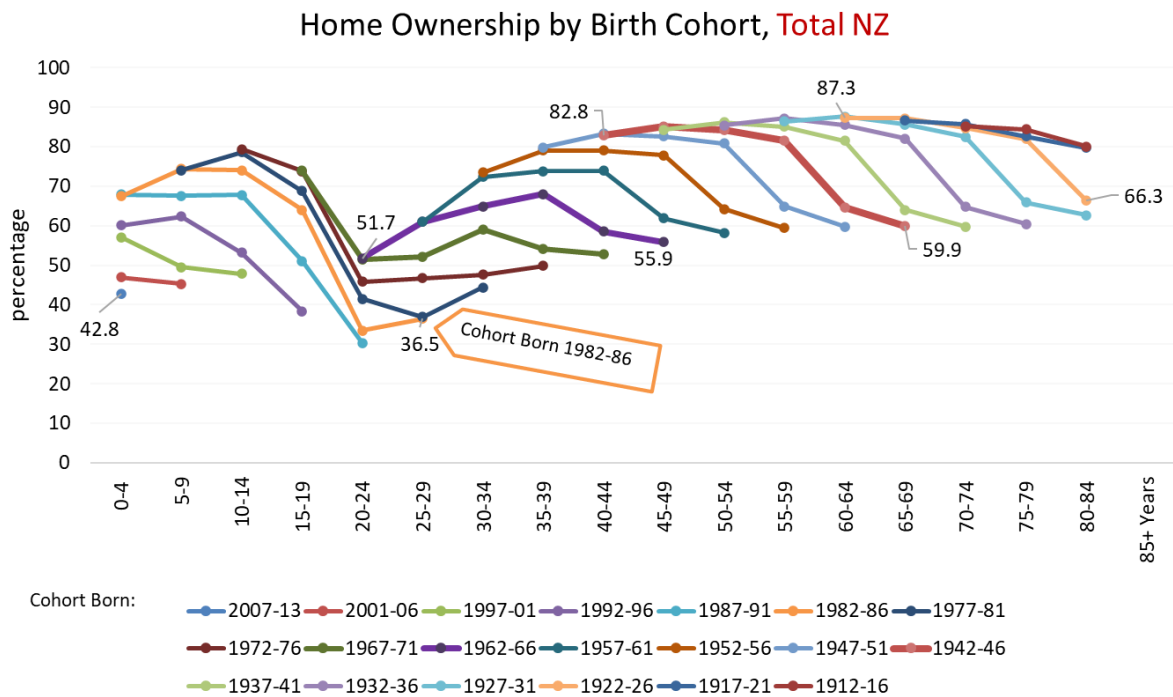
The residualisation of renting was evident in both private rentals and in public or community owned rentals. It was frequently claimed by private landlords in the 1970s and 1980s that the private rental sector was being squeezed out of the rental sector by council housing and state housing. The evidence does not support that argument. The state landlord may have been the single largest landlord in the rental sector, but it delivered only a minority of dwellings in the rental sector. In many areas, there were only very small numbers of state housing units, and in some places, no state housing stock.



The over statement of state housing as a dominant segment in the rental sector reflected three factors. First, unlike private rental housing, some state housing had a profound visual impact. In growing cities, there were significant suburban developments of state housing, for example in parts of Manukau, Porirua East, Aranui in Christchurch, and Naenae, Pomare and Epuni in Lower Hutt. Second, private rental property owners tended to have a pattern of fragmented and small portfolios. Third, the stock typologies of dwellings acquired by private property investors were typically similar to the prevailing typologies owned by owner-occupiers.

The notion of the private rental sector being crowded out of the housing system because of state housing in the post-war period is a mirage. The real driver of the rental sector’s minimisation and residualisation lay not in state and council housing provision, but the rise of owner occupation. This is evident in the high rates of owner occupation for population cohorts born prior to the 1970s (Figure 4.1).

**Figure 4.1: Birth cohort and ownership status 2013 Census<sup>15</sup>**



Despite dominance of owner-occupation in the post-war period, the private rental sector remained an important part of the housing system, even as a residual form of housing provision, for successive governments. The private rental sector provided housing for people in transition, including tenure transition but also the other transitions previously noted. Moreover, the private rental sector provided a housing stock that relieved the state from building and delivering stock. In the end of the 1980s, the focus on the private rental sector sharpened.

<sup>15</sup> Prepared by Jackson in Jackson, N., and B. James (2016) *Ownership, Renting and Residence in a Home Owned by a Family Trust for the Western Bay of Plenty and Total New Zealand, by birth cohort for the period 1986-2013*. Report prepared for Population Ageing Technical Advisory Group and SmartGrowth.



This reflected claims around owner-occupation reducing labour flexibility, fiscal pressures and the transparency of public finance, increases in mortgage costs and interest rates making owner-occupation difficult for some households, waiting lists for state housing and inequities around access to housing assistance.

The housing reforms of the 1990s which saw the introduction of the Accommodation Supplement as the primary form of government housing assistance, associated also with disbanding income-related rent subsidies for state housing and the institution of non-subsidised market rents, were intended to stimulate the private rental sector through tenure neutrality in housing assistance. The new settings, including the Government's withdrawal from income-related mortgages for low-income first home buyers, were expected to draw property investors into the private rental market, generate more rental stock, and provide for the growing diversity of households and their housing needs while reducing the implication of Government in direct dwelling provision and associated liabilities.<sup>16</sup>

The 1990s reforms generated a private market rental expansion. Between 1986 and 2018 the number of dwellings in the housing stock increased by 53%. The number of dwellings in the private rental sector increased by 191%.<sup>17</sup> But that expansion was not that envisaged in the 1990s Housing Reforms. The private rental sector's rents have still generated significant housing affordability stress for lower quintiles of renters. The sector has not removed pressure on social housing, and both security of tenure and the condition and performance of private rental stock is still poor relative to stock in owner-occupation.<sup>18</sup> The latter is, in part due to property investors in the private rental sector tending to acquire existing stock, despite developers of apartments buildings delivering into the buy-to-rent segment of property investors.

The failure of the 1990s Housing Reforms and the Accommodation Supplement to deliver on the expectation that the private sector would generate more, better and more affordable housing,<sup>19</sup> combined with the expansion of the intermediate housing market (IHM), the subsequent increase and persistence of housing deprivation, and what has been presented as poor value for money through build by the state housing agency, Kāinga Ora, is the context in which getting supply through ADUs and BtRs has emerged.

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<sup>16</sup> Luxton, J. (1991) *Housing and accommodation. Accommodation assistance. A Statement of Government Policy on Housing and Accommodation*, Wellington, Minister of Housing; Figenshow, S., and K. Saville-Smith, (2021), in G. Hassall and G. Karacaoglu, (eds) *Social Policy Practice and Processes in Aotearoa New Zealand*, Palmerston North, Massey University Press.

<sup>17</sup> Saville-Smith, K. (2021) *Housing Stock Ownership Concentration 1986-2018: A Brief Comment on Trends, Transformation and Implications*, Research Bulletin, Affordable Housing for Generations, Research Programme Building Better Home, Towns and Cities National Science Challenge.

[https://www.buildingbetter.nz/wp-content/uploads/2023/10/SavilleSmith\\_21062021\\_stock\\_ownership\\_concentration\\_research\\_bulletin.pdf](https://www.buildingbetter.nz/wp-content/uploads/2023/10/SavilleSmith_21062021_stock_ownership_concentration_research_bulletin.pdf)

<sup>18</sup> StatsNZ. (2025) *Housing in Aotearoa New Zealand: 2025*, Retrieved from [www.stats.govt.nz](http://www.stats.govt.nz)., pp.79ff; White, V. W., Jones, M., Cowan V. J. & Chun, S. (2017). BRANZ 2015 House Condition Survey: Comparison of house condition by tenure. BRANZ Study Report SR370. Judgeford, New Zealand: BRANZ Ltd.

<sup>19</sup> Wong, E., and S. Morrissey (2016) *Budget Report: Advice on Personal Tax Cuts for Budget 2017*. Wellington, The Treasury. Retrieved from: <https://treasury.govt.nz/sites/default/files/2017-11/b17-3598626.pdf>; Johnson, A. (2018). *Beyond Renting: Responding to the decline in private rental housing*. Auckland, Salvation Army: Social Policy and Parliamentary Unit; McAllister, A., St John, S., and A. Johnson (2019) *The Accommodation Supplement: The wrong tool to fix the House*, Auckland, Child Action Poverty Group.



### 4.3 Getting Supply through ADUs<sup>20</sup>

Issues around land supply and the more effective utilisation of land, including within existing built environments, have preoccupied successive Governments since 2018. In 2017, New Zealand research indicated that ADUs had the potential to diversify housing stock, and increase the number of dwellings available, particularly in inner and outer suburban areas.<sup>21</sup> By 2025 the Government proposed regulatory change to promote what it referred to as ‘granny flats’ or minor residential units (MRUs). While that policy was not intended to be confined to building ADUs for rental purposes, overseas experience suggested that ADU policy change disproportionately stimulated the rental sector compared to builds for owner occupation. This section explores impacts on the private rental market of ADU promotion revealed in overseas research since 2015 in jurisdictions comparable New Zealand such as Australia, Canada and the United States. This summary is drawn from a detailed review of ADU impacts evident overseas research framed by the expectations articulated around New Zealand’s proposed ‘granny flat’ legislation which has subsequently been implemented in January 2026.

In 2024 the Government released a discussion document proposing relaxation of restrictions on the construction of MRUs in rural and residential zones across New Zealand. This was, in part, related to a desired to get more consistency across councils and certainty for those wishing to increase the utilisation of their current housing sites. The proposed changes were presented as meeting the changing needs of the population, in particular, providing more options for smaller households, intergenerational households, younger people and older people wanting to age in place or requiring additional support. Facilitating the production of MRUs or ADUs was seen a means of increasing both housing supply and affordability.<sup>22</sup>

It was argued that reducing the complexity and cost of developing MRUs would prompt existing owner occupiers to build ADUs for rental purposes or to provide affordable owner occupation for others and thereby take pressure off the rental market. Government estimates that removing requirements for building and resource consent for MRUs could reduce time delays and save property owners between \$3,500-6,500 per unit<sup>23</sup> and make it more cost-effective for owners to build.

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<sup>20</sup> This section of the report draws on information presented in Changes in the structure of the private rental market – Report 3 – Housing and granny flat provisions in New Zealand

<sup>21</sup> Saville-Smith, K., Saville-Smith, N., and Fraser, R. (2017) *ADU potential: Have we the potential to use our existing housing stock of homes to create a bigger stock of affordable, fit for purpose homes?* A report as part of the National Science Challenge - Building Better Homes, Towns, and Cities.

<sup>22</sup> The Ministry of Business, Innovation and Employment (MBIE) (2024a) *Making it easier to build granny flats: Discussion document*. <https://www.mbie.govt.nz/dmsdocument/28513-making-it-easier-to-build-granny-flats-discussion-document>

<sup>23</sup> The Ministry of Business, Innovation and Employment (MBIE) (2024a) estimate that building consents for a small dwelling cost between \$2,000-5,000 for a small dwelling and resource consents cost approximately \$1,500.



The ability to build MRUs or ADUs as a right has been cited in overseas research as stimulated significant building activity by property owners. Although the quanta vary considerably, more jurisdictions are formalising ADUs and removing barriers to development more opportunities for investment, commodification and exploitation of this housing typology are becoming apparent. Internationally there is evidence ADUs are increasingly being viewed as a “financial tool,” by both by homeowners and investors. Fifty-two percent of property owners report that rental income is a primary motivation for developing an ADU, 38 percent of owner/investors report increased property valuation as a key motivator and 49 percent of individual investors view ADUs as assets for generating income.<sup>24</sup>

Certainly, after California changed the permitting process from conditional use to a by-rights process in 2017, the number of ADU permits issued in Los Angeles rose by 2000 percent.<sup>25</sup> Twenty-eight percent of Californian homeowners who built an ADU between 2018 and 2019 directly credited the reforms with enabling development.<sup>26</sup> Sydney has also reported significant build activity with the passing of the Affordable Rental Housing State Environmental Planning Act (AHRSEPP) in 2009. In Sydney, over 10,000 ADUs were approved between that legislation coming into force and 2015. That accounted for around five percent of the city’s new housing supply. A further 7,000 units were approved in the year 2015/2016.<sup>27</sup>

Despite the by-right approach, however, owner occupiers still cited barriers to building including finance and build costs and difficulties with approval processes. Forty-seven percent of Californian ADU owners reported issues with the approvals process and 50 percent found obtaining the relevant permits “complex and time consuming” (Chapple *et al.*, 2021 p 10). Similarly, 36 percent of ADU owners surveyed in Portland, Seattle and Vancouver cited difficulties with the permitting process that led to increased costs and delays.<sup>28</sup>

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<sup>24</sup> Global Growth Insights (2025). *Accessory Dwelling Unit (ADU) Market Size, Share, Growth and Industry Analysis*. <https://www.globalgrowthinsights.com/market-reports/accessory-dwelling-unit-adu-market-102182>

<sup>25</sup> Crane, R. E. (2020). *Is Granny in that flat?: How regulations shape the construction and use of accessory dwelling units in Los Angeles*. [Doctoral dissertation. University of California, Los Angeles]. ProQuest. <https://escholarship.org/uc/item/2wh204vz>

<sup>26</sup> Chapple, K., Ganetsos, D. and Lopez, E. (2021). Implementing the Backyard Revolution: Perspectives of California’s ADU Owners. *Center for Community Innovation*. <https://www.aducalifornia.org/wp-content/uploads/2021/04/Implementing-the-Backyard-Revolution.pdf>

<sup>27</sup> Gurran, N., Maalsen, S., and Shrestha, P. (2022). Is ‘informal’ housing an affordability solution for expensive cities? Evidence from Sydney, Australia. *International Journal of Housing Policy*, 22(1), 10–33.

<https://doi.org/10.1080/19491247.2020.1805147>; Gurran, N., Pill, M. and Maalsen, S. (2021). Hidden homes? Uncovering Sydney’s informal housing market. *Urban Studies*, 58 (8). pp. 1712-1731. <https://doi.org/10.1177/0042098020915822>

<sup>28</sup> Ibid; Chapple, K., Wegmann, J., Mashhood, F. and Coleman, R. (2017). Jumpstarting the market for accessory dwelling units: Lessons learned from Portland, Seattle, and Vancouver. *University of California Berkeley, Terner Center for Housing and Innovation*. <https://escholarship.org/content/qt4b9836bh/qt4b9836bh.pdf>



The Sydney experience is particularly notable for New Zealand because the 2009 Affordable Rental Housing State Environmental Planning Act explicitly aimed to stimulate the development of infill housing and “encourage new supply of lower cost rental accommodation.” This raises three issues around promoting ADUs among owner-occupiers. The first is whether owner-occupiers build ADUs or MRUs to rent. The second is whether, if they do, who they choose to rent to. The third issue is whether ADU stock in the rental market generates downward pressures on rents generally or, more specifically, are delivered into the private rental market at less than prevailing rents for equivalent dwellings.

Given the difficulties owner-occupiers cite around getting finance for ADU construction, even in liberal regulatory regimes, research unsurprisingly and consistently finds that homeowners who are wealthy and/or with higher incomes are most likely to develop ADUs. Thirty-three percent of Californian ADU owners reported an annual household income over USD\$200,000 and 70 percent had an annual income of USD\$100,000 or above compared to 40 percent of the general (Californian) population (Chapple *et al.*, 2021 p 6). What is also clear from the Californian experience is, however, that these owner-occupiers were less likely to use the ADUs they build to residential rental purposes. Indeed, they were less like to use their ADU for any residential purpose (Prousaloglou, 2024; Crane 2020; Chapple *et al.*, 2017). In the United States and elsewhere, a number of local government or central government agencies have introduced finance packages or grants to assist lower income householders to develop ADUs.

California for example, established a grant programme that contributes up to USD\$40,000 towards the cost of construction for low-moderate income households (Jennings, 2023). Boston has developed a deferred home loan programme, which provides loans of up to \$50,000 at zero percent interest to owners with less than USD\$75,000 in assets (excluding retirement funds, college funds and the primary residence). Owners making less than 120 percent of the area median income are not required to match the loan, which does not become due until the owner sells, refinances or transfers ownership of the property.<sup>29</sup> In 2023 the Federal Housing Administration introduced a policy that allows up to 50 percent of the projected rental income from a new ADU to be used to qualify for a mortgage under the FHA’s Standard 203(k) Rehabilitation Mortgage Insurance Programme.<sup>30</sup> In Canada, The Canada Mortgage and Housing Corporation (CMHC) offers funding of up to CAD\$60,000 for First Nations owner-occupants to develop secondary or garden suites.<sup>31</sup> CMHC also offers refinancing options for homeowners to develop an ADU, provided it is compliant with all bylaws and regulations, and is not to be used as a short-term rental.<sup>32</sup>

<sup>29</sup> <https://www.boston.gov/sites/default/files/file/2022/01/ADU%20Fact%20Sheet%2C%20English.pdf>

<sup>30</sup> Kalyandurg, C. (2024). *Accessory Dwelling Units*, Report 24. Office of Legislative Oversight.  
[https://www.montgomerycountymd.gov/OLO/Resources/Files/2024\\_Reports/OLOReport2024-4.pdf](https://www.montgomerycountymd.gov/OLO/Resources/Files/2024_Reports/OLOReport2024-4.pdf)

<sup>31</sup> <https://www.cmhc-schl.gc.ca/professionals/project-funding-and-mortgage-financing/funding-programs/all-funding-programs/residential-rehabilitation-assistance-program>

<sup>32</sup> <https://www.cmhc-schl.gc.ca/professionals/project-funding-and-mortgage-financing/mortgage-loan-insurance/mortgage-loan-insurance-homeownership-programs/refinance>



The research evidence suggests that where ADUs are rented, they are rented at prices below comparable dwellings in the local market. But the dynamics of this discounting is not straightforward. ADU owners in areas such as Seattle, Portland and Vancouver, areas in which ADU builds are encouraged, who house family or friends are much less likely to charge their tenants rents or tend to offer rents at significantly discounted rates. This kin-tied discounting makes up a significant proportion of the ADU stock in those areas. Well over a quarter (28%) of ADU owners in Seattle, Portland and Vancouver built ADUs with the explicit intention of “creating a living space for a household member or helper.” Almost half (46%) of existing ADU tenants had a pre-existing relationship to the owner.<sup>33</sup> Similar patterns are found in Los Angeles where a 2020 study found around half of ADU owners rented to a family member. Around 85% of those ADU owners did not charge any rent. A later survey of Californian ADU owners found 16% of ADUs were rented to relatives at no cost and 2% percent were rented to friends at no cost.<sup>34</sup>

These discounts for friends and family contributed to conclusions in early research that ADUs stimulated affordable housing solutions for low income and marginal households both through direct discounting and through increasing the supply of low-cost housing. The latter was generated by the price pressures of low rent ADUs. Some American studies suggested ADUs were available at rents 20-35% lower than mainstream, private rental housing.<sup>35</sup> Subsequently, it has been argued that those discounts reflect both the kin- or friend- discounts already noted and the impact of illegal ADUs on rent pricing. When those two factors are controlled, there is evidence that the price differential against mainstream rentals disappears. In Los Angeles, when non-rent receiving households were removed from rent price analysis, the average rent for an ADU in Los Angeles was higher than that for comparable market rentals across the City, with ADU residents paying an average of \$1,667 for a studio to \$3,917 for a three or more bedroom unit, compared to an average of \$1,130 for a studio unit to \$1,560 for unit with three or more bedrooms for Los Angeles as a whole.<sup>36</sup> In the United States, these problems with rent affordability remain unresolved by ADU build and rent, which has prompted some jurisdictions to provide assistance to ADU builders committed to affordable rent setting for low-income households, including Section 8 voucher holders.<sup>37</sup>

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<sup>33</sup> Chapple *et al.*, (2017), op cit.

<sup>34</sup> Chapple, Ganetsos and Lopez, (2021), op cit.

<sup>35</sup> Cipkar, S. (2023). ADUs and the Just City: How additional dwelling units can shape urban environments toward equitable outcomes in Canadian cities. *Frontiers in Sustainable Cities*, 4: 1053439; Maaoui, M. (2018). A granny flat of one’s own? The households that build accessory-dwelling units in Seattle’s King County. *Berkeley Planning Journal*, 30(1). <https://doi.org/10.5070/BP330137884>

<sup>36</sup> Crane (2020) op cit.

<sup>37</sup> Kalyandurg (2024), op cit.; Ramsey-Musolf, D. (2018). Accessory Dwelling Units as Low-Income Housing: California’s Faustian Bargain. *Urban Science*, 2(3), 89. <https://doi.org/10.3390/urbansci2030089>; <https://dhcd.dc.gov/raap>



Evidence that ADUs bring pressure on exiting private rental stock rents is both fragmentary and inconsistent. Indeed, in California, Ramsey-Musolf (2018) argue that the liberalisation of controls over ADUs policy has resulted in a net loss of dedicated affordable housing. This appears, in part, because there are no mechanisms or monitoring to ensure that ADUs approved as affordable housing are actually delivered as affordable. There is evidence in Sydney too that increased supply of ADUs did not ease housing affordability stress and may have contributed to an overall decline in “the supply of rental units affordable to low-income earners” despite housing production almost doubling between 2015 to 2016. That problem reflects new build ADUs being aimed at the “higher end sector of the rental market, including short term rentals on Airbnb style platforms.” There was evidence that older, affordable private rental stock was converted into ADUs to increase the number of units available for rent and maximise profit to landlords. In Sydney ADUs made up only 39 percent of advertised lower cost rentals in 2022 and median rents for a compliant ADU ranged from AUD \$200-\$260 per week, compared to AUD \$250-270 for a standard rental.<sup>38</sup>

Perhaps most concerning in New Zealand where informal and illegal structures are used by many vulnerable people for shelter, it appears that permissive ADU legislation does not necessarily halt the development of illegal, poorly performing structures being used to house people. In Calgary, 73 percent of unauthorised structures in which people live can be found in zones that permit secondary suites or ADUs. Those structures are even more prevalent in areas in which households are low income and vulnerable immigrants.<sup>39</sup> In Sydney, it was found that illegal conversions, extensions and construction were common, despite liberalising ADU legislation. Moreover, while the median rent for these units was lower than the median rent in the mainstream rental market, they remained unaffordable to very low-income renters.<sup>40</sup>

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<sup>38</sup> Gurran *et al.*, (2022), op cit.

<sup>39</sup> van der Poorten, K. and Miller, B. (2017), Secondary suites, second-class citizens: The history and geography of Calgary's most controversial housing policy. *The Canadian Geographer / Le Géographe canadien*, 61: 564-578. <https://doi.org/10.1111/cag.12425>

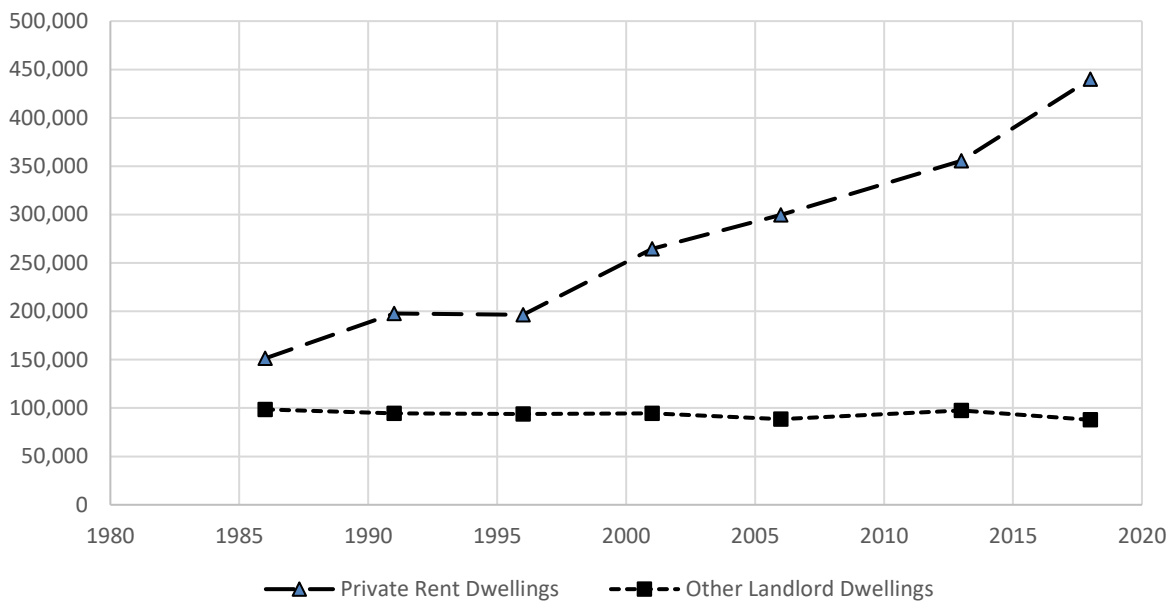
<sup>40</sup> Gurran *et al.*, (2021) op cit.



#### 4.4 Build-to-Rent as a change-maker in private rental sector provision<sup>41</sup>

The concentration of housing stock in the hands of property investors has been noted previously. Figure 4.2 and Figure 4.3 shows how that increase was not simply a matter of declining proportions of stock in owner-occupation.<sup>42</sup> The period 1986 to 2020 also saw a decline in the proportion of stock ownership by other landlords, in particular central government and councils. It is in this context, along with the expansion of the IHM, that interest in BtR has emerged.

**Figure 4.2: Rise of property investor-owned private rented dwellings 1986-2018**

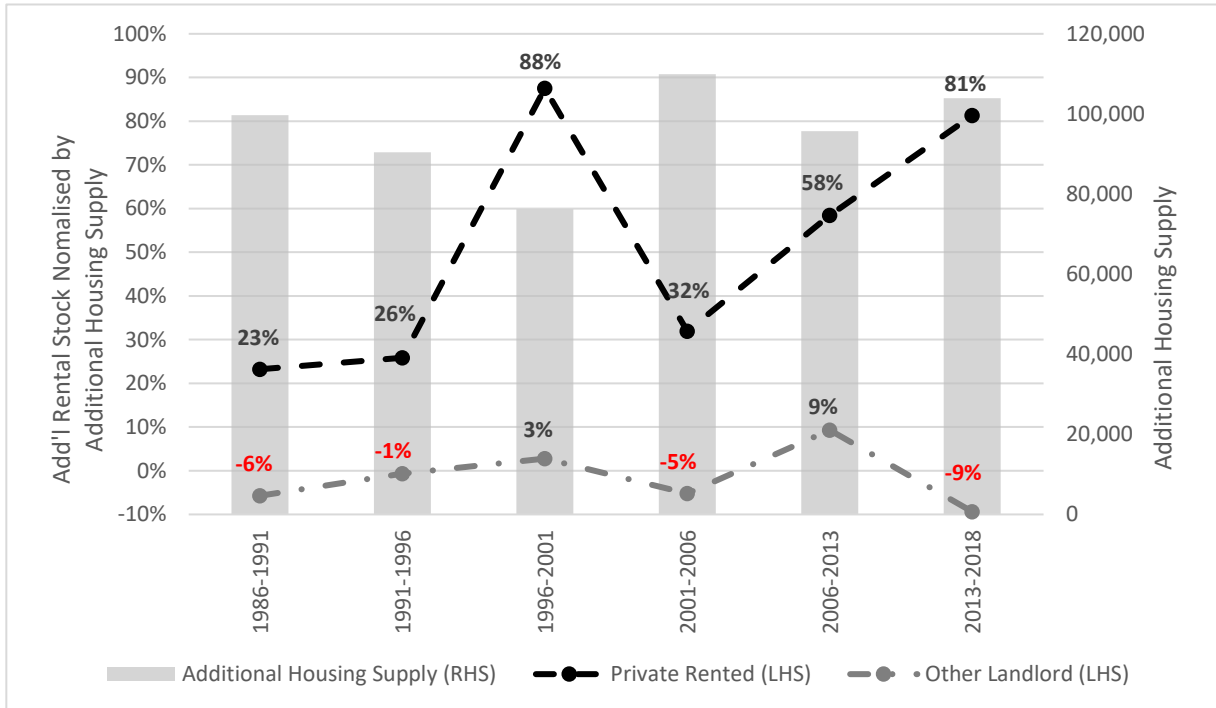


<sup>41</sup> This section of the report draws on information presented in Changes in the structure of the private rental market – Report 4 – Build to rent and learnings for New Zealand’s housing market.

<sup>42</sup> Saville-Smith, K., (2021) “Housing Stock Ownership Concentration 1986-2018: A Brief Comment on Trends, Transformation and Implications.” Research Bulletin for BBHTC Homes and Spaces for Generations: Affordable Housing for Generations.



**Figure 4.3: Proportional shares in additional rental stock relative to additional housing supply**



Prepared by Dr Michael Rehm, School of Business, University of Auckland

BtRs are a comparatively new phenomenon. Indeed, its status as an emerging segment of housing investment and provision is evident in residual fluidity in what is referred to as BtR. In some earlier industry reporting and research, BtRs have been presented as essentially the equivalent of buy-to-rent, differing only in so far as it involves the purchase of new builds, usually, from plans, rather than existing dwellings.<sup>43</sup> Variability of and softness in the boundaries around BtRs and other forms of rental housing investment and provision can be expected to continue. However, BtRs are now typically characterised by institutional investment in new builds for rent in the private rental sector. It involves, subsequent to development and build, the operation and management of a private rental portfolio. This contrasts with buy-to-rent builds delivered by the building industry, often speculatively, to property investors into the private rental sector but with short- and medium-term investment or asset accumulation goals. It differs, too, from the construction of rental public housing by central or local government or new builds by non-profit social housing providers. In 2019, Pawson *et al.*, identified three categories of business models: those focused on returns from rent revenues over the life of a building, a mixed model concerned with both capital gains and rental returns over the long term, and those positioning around later sale marginal rent revenues in relation to returns.<sup>44</sup>

<sup>43</sup> See the definition used by Curtis, M. & Brunson, N. (2018). Building to rent. BRANZ Study Report SR390. Judgeford, New Zealand: BRANZ Ltd.

<sup>44</sup> Pawson, H., Martin, C., van den Nouwelant, R., Milligan, V., Ruming, K., & Melo, M. (2019) *Build to rent in Australia: Product feasibility and affordable housing contribution Report*, Sydney: Landcom:53



Unlike ADUs, for which there is a substantial platform internationally of both formal research and evidence-based commentary, BtRs are only recently attracting any systematic attention from researchers. This is unsurprising. BtRs may be seen as a descendant of real estate investment trusts (REITs) and the partnerships that emerged around the build around specialist niches such as student accommodation.<sup>45</sup> The combination of institutional finance combined with builds in the private rental sector and on-going service provision to tenants and building management (rather than simply asset accumulation) that (investment emerged as potential opportunity for corporate or institutional investment in the private residential rental sector around the beginning of the second decade of the 21<sup>st</sup> century. A small number of housing researchers have investigated the nature of BtR but the evidence around both structure and performance are inevitably limited. Much of the information, including quantitative data, is generated out of the real estate sector and investment stakeholders in BtRs as well as global property investment companies such as CBRE, JLL, Savill and Collier.

This discussion draws on the more detailed analysis of BtR related research undertaken within this programme reviewing the limited research findings and apparent trends in BtR overseas.<sup>46</sup> The discussion here, highlights how BtR seeks to change traditional practices found in the private rental sector in Australasia, North America and the United Kingdom. It comments on BtR in a selection of jurisdictions around dwelling numbers in BtRs and penetration into new build provision, the dominant dwelling typologies, locational characteristics, and target populations. The limited available research on consumer-related dimensions and outcomes, in particular rents, affordability and tenure security, is summarised along with a comment on market shifts emerging in BtR provisions.

BtRs position themselves to potential tenants, investors and to governments as ‘skin in the game’ enterprises that undertake the ongoing tenant and building management of the property portfolios in which they invest. Although BtRs overseas have acquired existing stock, their focus is on the financing, building and operation of new stock, particularly through the utilisation of institutional finance such as pension and equity funds.

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<sup>45</sup> Curtis, M. & Brunson, N. (2018). Building to rent. BRANZ Study Report SR390. Judgeford, New Zealand: BRANZ Ltd; Pawson, H., Martin, C., van den Nouwelant, R., Milligan, V., Ruming, K., & Melo, M. (2019) op cit.

<sup>46</sup> CRESA ( 2026) Changes in the structure of the private rental market – Report 4 – Build to rent and learnings for New Zealand’s housing market.



BtRs explicitly draw a distinction between their own operations and the traditional practices of the private rental sector. In Australasia, North America and the United Kingdom, the private rental sector has been characterised by:

- Acquiring stock to rent through the acquisition of existing stock and often older stock with limited amenities and poorer performance.
- Small and often disparate portfolios focused on short-term cash incomes and stock which appears to often promise wind-fall gains through capital gains. Typically, the strategy of property investors has been speculative in nature, driven by a desire to acquire at low prices and sell when house prices are heated. In New Zealand, that speculative strategy has seen investors pursue not only older stock and stock in poorer condition, but also stock in lower priced housing markets, particularly provincial towns.
- Reliance on high levels of flexibility in relation to the conditions of tenancy, length of tenure and discretion to terminate tenancies.
- Financing is frequently sought through residential mortgage providers and retail banking.

Internationally, the real estate industry, as well as some governments, present BtR as a new asset class. This is in part to attract institutional investors and, in part, to promote more conducive treatment within prevailing finance and tax regimes. The real estate industry also present BtR as providing investment opportunities in a service industry of purposeful delivery into an expanding customer base, which allows a long-term rental portfolio to both accumulate assets and provide superior rates of return through rents. This on-going 'service' component is claimed to drive commitments to tenant affordability and good management.

In short, by applying global savings accumulated in pension funds, private equity companies, and real estate investment organisations, proponents have argued that BtR simultaneously creates a viable asset class to potentially financially fuel rental housing growth, while providing opportunities for governments to address rental sector deficits through sharing development costs. BtR has been presented as a pathway by which governments can address problems of affordability and availability of rental stock for low- and modest- income households through mobilising large-scale increases in rental supply that is actively managed and secure. BtR exponents claim that BtR not only addresses the under-supply of public rental housing, but also alleged pervasive unresolved problems arising from the prevalence of landlords delivering rental housing through small portfolios of stock.<sup>47</sup>

The promotion of BtR has become increasingly intense since the first decade of the 21<sup>st</sup> Century. The Savills World Report 2013 reported an estimated £1.2 billion in the London BTR pipeline and an emerging pipeline of private rental sector BtRs in the Midlands and the North of England. This private rental sector focus was emerging subsequent to central Government supporting private institutional investment by Housing Associations through the Government HCA Build to Rent programme which promised £2 billion for rentals built through the social housing sector with institutional investment.

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<sup>47</sup> Ronald R and Kadi J (2017) The revival of private landlords in Britain's Post-Homeownership Society, *New Political Economy* 23(6): 786–803.



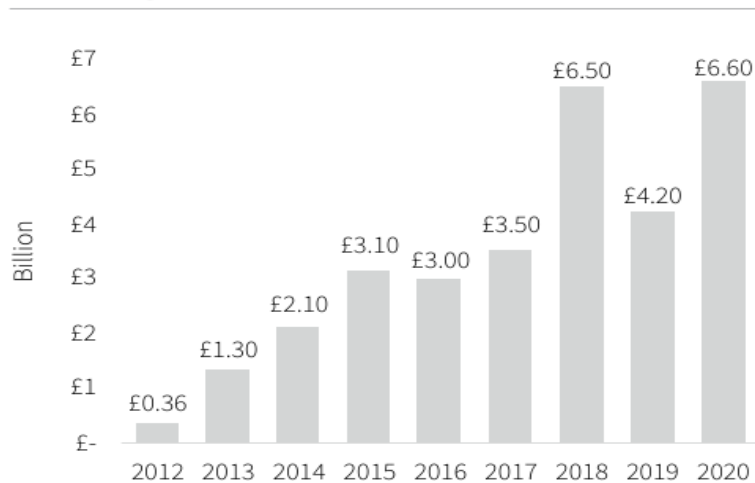
In London, private sector rentals through BtR were expected to deliver 5,000 units over the next decade, with 1,600 units already confirmed in the pipeline. The constraint on expansion was argued to be a lack of ‘product’ rather than institutional investment finance. The latter of untapped investment was estimated to be in the region of £7 billion.<sup>48</sup> The British Property Federation reported substantial BTR builds with 67,535 under construction between 2012 and 2018.<sup>49</sup> According to JLL, BtRs’ proportion of new builds in the private rental sector moved from 1% of new builds in 2015 to 6% by 2021.

In 2022, a report commissioned by the Property Council of Australia suggested that BtRs would have a market value of AUD \$16.87 billion constituting about 0.2% of all housing value. It argued that 3,900 units were already completed with 19,000 construction starts. Growth potential was estimated as 3% of the value of the housing stock reaching AUD \$290 billion.<sup>50</sup>

The reality has been, however, that BtR production has seen considerable fluctuation (Figure 4.4).<sup>51</sup>

**Figure 4.4: Multifamily BtR investment in the United Kingdom 2012-2020**

**Multifamily Investment**



Source: JLL

<sup>48</sup> Daly, J., Emmett, S. & Hudson, N. (2013). Investing in rental Britain. London, UK: Savills World Research.

<http://pdf.euro.savills.co.uk/residential---other/spot-rental.pdf>

<sup>49</sup> British Property Federation (2017) ‘Unlocking the benefits and potential of Build to Rent’, Savill and BPF, London.

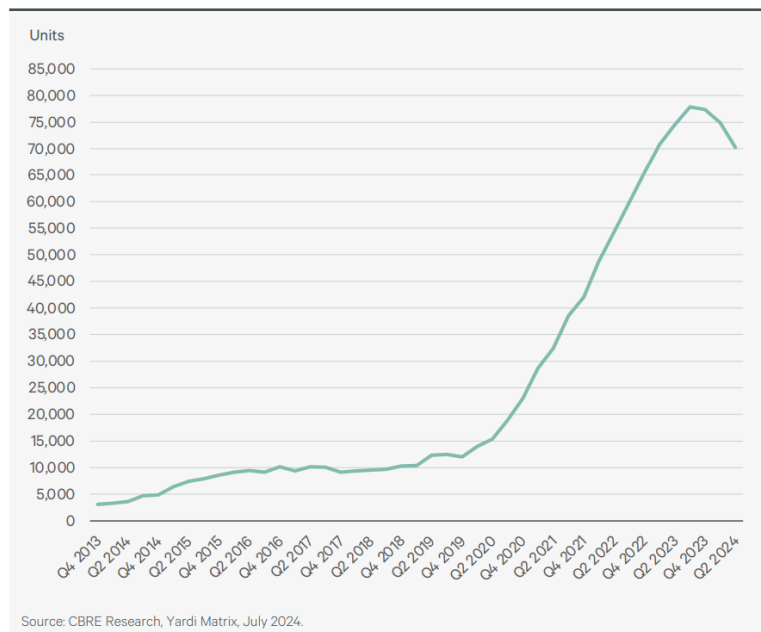
<sup>50</sup> MacKintosh, L. (2023) *A new form of rental supply for Australia: Build-to-Rent Housing*, A report prepared for the Property Council of Australia, Melbourne: Ernst & Young Australia.

<sup>51</sup> Jll. (2021) *UK Build to Rent*, JLL



In 2023, CBRE reported around within the 44.5 million private rental stock, 340,000 stock units nationally were provided by way of BtRs in the context of around 514,000 dwellings were added to the rental stock.<sup>52</sup> CBRE notes that in the first quarter of 2022, somewhere in the region of 40,000 BtR stock units for the rented stock were under construction. According to CBRE (Figure 4.5), there was steady but limited growth from a low baseline in 2013 until 2019. Growth acceleration was then high, peaking in 2021. Falling institutional investment combined with deteriorating development economics and increasing building and debt costs as well as labour shortages were cited by CBRE when reporting that 2023 BtR starts in 2023 were less than half those in 2022. Despite construction decline, CBRE claimed significant investment opportunities to meet unmet demand.<sup>53</sup> The pattern of significant expansion in BtR dwellings is also evident in the United States, a market often characterised as mature with an embedded BtR segment (Figure 4.5).

**Figure 4.5: The growth, peaking and fall of BtR construction in the United States**



Despite some stuttering BtR development in the size of investment and the quantum of builds in recent years, CBRE and others in the global property investment industry note the critical fundamentals of demand in North America, Australasia and the United Kingdom. These include aggregate national housing shortages, family formation and child-bearing among those born in the later 1980s and into the 1990s affected by price barriers to owner-occupation, and increased proportions of late baby boomers in rent seeking more secure rentals with better amenities. Under those conditions, promoters of BtR tend to argue that supply barriers typically arise from issues around construction finance, planning barriers and costs associated with the construction of multi-units.

<sup>52</sup> CBRE. (2023) *UK Real Estate Market Outlook 2024*, CBRE Research <https://mediaassets.cbre.com/-/media/project/cbre/shared-site/insights/books/uk-real-estate-market-outlook-2024/united-kingdom-real-estate-market-outlook-2024.pdf?rev=dc71dfe796fa44e49effb6bb66d73d61>

<sup>53</sup> CBRE. (2024) *Build-to-Rent Residential Market Overview – Report Figures: Evolving Renter Preferences Create New Investment Opportunities*, CBRE Research Sept. 2024.



The range of barriers to BtR delivery claimed by commercial stakeholders are often generalised or universalised. Researchers note, however, that the regulatory, tax and finance settings in which BtRs are delivered vary considerably. Consequently, care must be taken in transferring claims around investment barriers in one jurisdiction into other jurisdictions.

What is less variable are the populations targeted by BtRs, the types of locations in which BtR developments tend to be delivered, and the building typologies delivered by way of BtRs. Unless entering into specific partnerships with central and local government funders, in which case the terminology of BtR should not be applied, BtRs are directed to middle-income households who, despite their incomes, struggle to find acceptable rental housing. Those middle-income households are frequently: younger households attracting incomes that would provide comfortable living standards if not burdened by heated housing costs; households wanting owner-occupation but unable to enter home ownership; and households that find the stock they want in the place that they want it is simply limited in availability. Within the latter, there are households requiring accessible housing.

Typically BtR developments have targeted couples, individuals and households made up of un-related individuals. This is in part a reflection of the multi-unit typology of typical of BtRs. It also reflects the targeting of more affluent households with more disposable income in expanding cities in which housing costs for even young professionals can be prohibitive. That targeting is manifest in the United Kingdom, where BtRs flourished in London before extending out to cities such as Manchester. BtR developments in Ireland have been centred on Dublin. In the United States, BtRs are in significant residential growth areas, particularly those attracting ‘sunshine’ immigration. As such New York BtR presence is low, while the biggest stocks are in Arizona (Phoenix) and Dallas-Fort Worth in Texas. Among the top twenty BtR stocks, San Antonio, Houston and Austin also feature. In California BtRs tend to be in suburban settlements in Central Valley and San Bernardino. In the mid-west, Columbus, Kansas City and Detroit feature among the top ten BtR inventories in the United States. Cities in North and South Carolina, Florida and Georgia also have comparatively high BtR stocks.

The BtR sector is also increasingly presenting itself as an option for high asset older households in owner-occupation seeking to downsize. For some, downsizing is seen as an opportunity to realise their equity in their current residence, for others it is presented as a way of “elevating the rental experience to a fully managed lifestyle offering.”<sup>54</sup> That includes a desire to substitute large and older homes by newer, smaller, better performing homes with less demanding grounds. Notably, the latter is implicitly, and sometimes explicitly, the experience that retirement villages in New Zealand present themselves as filling for their residents.

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<sup>54</sup> Jones, A. (2025) ‘Residentiality’ and ‘hotelification’ will define future suburban BtR, *Estate Agent Today*, 3 May 2025, <https://www.estateagenttoday.co.uk/features/2025/05/residentiality-and-hotelification-will-define-future-suburban-btr/#:~:text=Instead%20of%20dealing%20with%20the,that%20enhance%20quality%20of%20life.>



The trajectory of retirement villages in New Zealand has been to actively reduce rental tenancies. The very small number of tenancies that do exist in retirement villages are often provided as a transition during the sale and purchase of an equity-based occupation right agreement.<sup>55</sup> It is claimed that 6% of tenants in British BtRs are downsizers.<sup>56</sup> The notion of senior downsizers moving from suburban owner-occupation into BtRs is, like the targeting of middle-income households seeking to bear and rear children, one of the drivers of the increasing interest by the industry, both from central cities to suburbs and from multi-unit dwellings to single family rentals (SFRs).

The impact on household rents for those households taking up BtR provided units is not entirely clear. There are claims and counter claims between BtR providers, activists and researchers. In 2018 it was argued that BtR developments in London showed rents in the region of 11% higher compared to nearby rental dwellings. There are complexities that arise from comparing rents in BtRs with rents for surrounding rental stock, and even more complexity around establishing whether BtR supply has impacted on local rents through increasing supply. Typically, real estate investment proponents argue that premium rents in BtRs reflect premium product and rental services. Independent modelling has suggested that in Australia that due to not only regulatory barriers at the time but also market conditions, BtRs will not deliver affordable housing. The authors argue that “providing free land alone cannot help to make build-to-rent affordable... significant public subsidy and tax concessions, particularly on Goods and Services Tax (GST) on construction-related costs.”<sup>57</sup>

What does tend to be agreed, is that medium term certainty of both rent and tenure tends to be higher in BtRs, primarily through the use of long-term lease arrangements. In some jurisdictions where finance has been sought from central or local government there tends to be requirements on providers around the length of time applied to tenant leases. It is, however, questionable whether the latter arrangements should be categorised as BtRs or should be defined as government partnership products.

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<sup>55</sup> Unfortunately, in its analysis of the 2023 New Zealand Census of Population and Dwellings, StatsNZ has chosen to categorise retirement village residents as renters. This inflates the number of tenancies among older people and obscures the very different experience and conditions faced by seniors owning a license to occupy in a retirement village relative to insecurity and costs for seniors of renting.

<sup>56</sup> Jones, A. (2025) The Later Living Sector: Opportunities for BTR suburban communities, *Boyer Planning News*, <https://www.boyerplanning.co.uk/news/later-living-sector-opportunities-btr-suburban-communities>

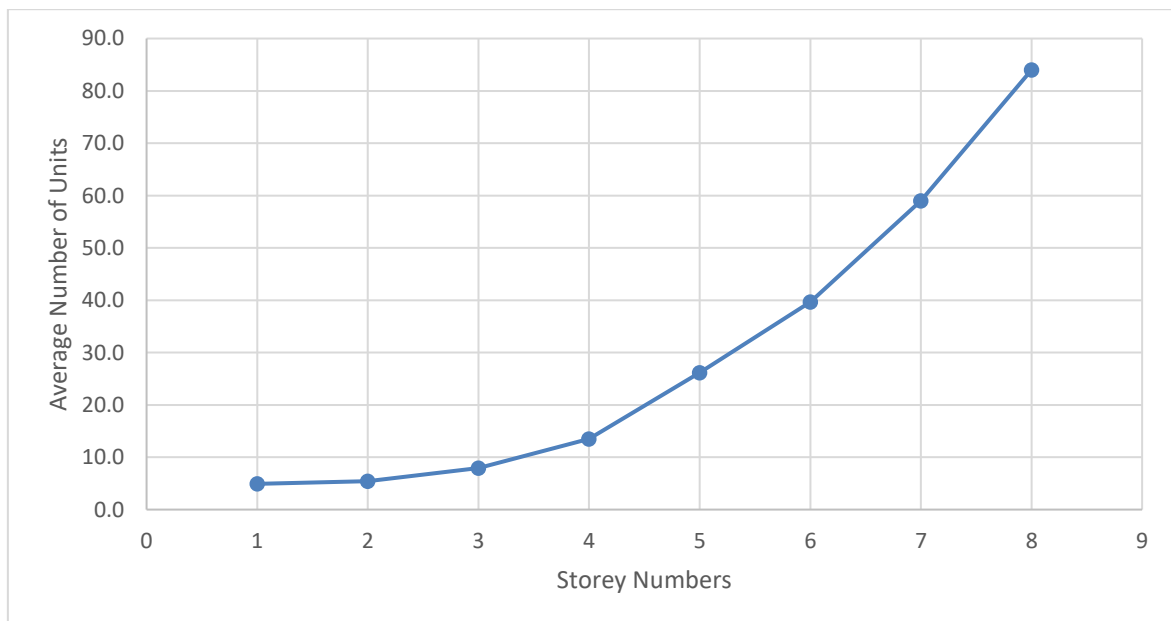
<sup>57</sup> Acheampong, P., & G. Earl. (2020) Can Build-to-Rent Generate Affordable Housing Outcomes? A Whole-Life Costing Approach to Investment Analysis, *Accounting and Finance Research* 9(4)



It is clear that BtRs provide new built stock on the margins of stock increase. It is also clear that BtRs by and large serve middle- and higher- income households. In doing so, the BtR sector is seeking to deliver both better performing and amenity dwellings, improved services and amenities relative to the traditional private rental sector, and more security. In relation to better dwelling performance and amenity, these outcomes appear not to have been evaluated systematically. Three points need to be emphasised, however:

- First, new-built dwellings in New Zealand and in similar jurisdictions, can be expected to deliver better performance and amenities than older dwellings. By definition, then, it would be expected that BtR dwellings will exceed performance relative to the older stock, which tends to be acquired in New Zealand and elsewhere under the traditional approach to acquiring dwellings to rent.
- Second, multi-unit buildings, particularly medium- and high- rise buildings tend to require both building and tenant management which, if undertaken systematically, will both deliver better performance and better condition than often seen in typical single-dwelling rentals.
- Third, multi-dwelling new builds are assumed to have favourable development economics, in part because of their dwelling yields. BRANZ analysis of dwelling units by building storeys shows that relationship clearly (Figure 4.6).

**Figure 4.6 Average number of units per consented residential multi-unit builds by story numbers Jan 2023-Oct 2024 (BRANZ)**



It has already been noted that CBRE cited high construction costs and labour shortages as factors in the fall in BtR construction starts in the United Kingdom in 2023 compared to 2022. This resonates with some of the fundamental challenges with building multi-dwelling buildings, particularly those in vertically arranged typologies often referred to as medium- or high- rise blocks.



Although the at-build per unit costs can seem initially low, life-cycle costs are rarely accounted for in purchase prices or rent settings. There are long-term costs associated with repairs, maintenance and refurbishment, which are very much higher for multi-units and can be very high if maintenance and repairs are not dealt with in a timely manner. Multi-units are complex buildings and even predictable maintenance and refurbishment can be demanding. For developers, the complexities of medium- and high- rise buildings can generate risks through longer consenting and build times, increased risk of disruption from weather or labour shortages, and potential problems with delayed revenues. These, and ensuing costs to households around management fees or rent rises, have been well documented. Indeed, in the context of social housing provision, densely populated multi-units have shown themselves to be so problematic, that some countries have progressively demolished them. There are, too, issues regarding the acceptability of multi-units to residents in surrounding neighbourhoods. Furthermore, there is an emerging concern around safety, including building failure with associated problems with insurance, and the suitability for and acceptability of multi-unit buildings to the very household segments targeted by BtRs.

The issues, including development, build and management costs, associated with vertical multi-unit buildings have combined with the desire to expand the range of middle- and higher- income households attracted by BtRs, has seen what can be described as both the suburbanisation of BtRs and a desire to extend into build stock catering for single family rentals. That development builds on the already established penetration of suburban stock by property investors, including institutional investors.<sup>58</sup> In the United States, recent investment analysis reported that single family rentals in BtR communities are the fastest growing asset segment of institutional rental investment.<sup>59</sup> While this has been welcomed by some as a mechanism for better and more rentals, one researcher questions the merits of BtR further penetrating the suburban stock in the United States, arguing that the proliferation of BtRs risks generating even further pressure on the rental sector by pressing down on the low cost owner-occupation builds and increasing the proportion of households caught up in the IHM and dependent on the rental market.<sup>60</sup> Certainly, BtR developments are not directed to low- or moderate- income household seeking affordable housing. The opportunity presented to institutional investors lies in rents reported as averaging 20-25% higher than rentals in multifamily communities.<sup>61</sup>

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<sup>58</sup> See for instance the suburbanisation of renting in California reported Inglis, A. and Smith, R. M. (2015) *The New Single-Family Home Renters of California*, California: Tenants Together <https://www.tenantstogether.org/sites/tenantstogether.org/files/The%20New%20Single-Family%20Home%20Renters%20of%20California.pdf>;

<sup>59</sup> Bodin, J., R. Gutierrez, and J. Padovani. (2025) *The Rise of the Single-Family Rental & Build-to-Rent Asset Class*, *Beyond Insights Quarterly Market Update 2025 August*, Berkadia [https://www.berkadia.com/wp-content/uploads/2025/08/Berkadia-Beyond-Insights-Quarterly Market-Update-August-2025.pdf](https://www.berkadia.com/wp-content/uploads/2025/08/Berkadia-Beyond-Insights-Quarterly-Market-Update-August-2025.pdf)

<sup>60</sup> Muoneke, C. T. (2024) *The Dangerous Rise of Build to Rent Communities in the USA* *International Journal of Latest Research in Humanities and Social Science*, 7(1).

<sup>61</sup> Bodin, J., R. Gutierrez, and J. Padovani. (2025) *op cit*.



#### 4.5 Potential and promise for the private rental sector

The liberalisation of ADUs in the 21<sup>st</sup> century and BtRs are a manifestation of, and contribute to, what has become described as the financialisation of housing. As supply-side mechanisms to address problems of rental affordability in the private rental market for low- and moderate- income households, the financialisation of housing cannot be ignored. Whatever the language, whether surpluses, profits, or returns, financialisation involves extraction from tenants. The issue is not the extraction but the affordability of costs for tenants and the extent to which tenants receive secure and acceptable housing.

In some ways it is difficult to compare the performance of ADUs with BtRs. The research shows that ADUs are inevitably less implicated in the globalisation of housing investment than BtRs. ADUs are typically, and policies and local and central government rules and financing packages are designed to simulate, utilising more effectively existing residential landholdings. BtRs tend to draw in those with investment finance, while ADUs draw in landholders. Research and data to date show that in amenable environments both BtRs and ADUs increase dwelling units. The research is not clear, however, as to the extent to which new supply through either mechanism sees significant downward pressure on rental prices across local or national markets.

What is evident from the research is that ADUs and BtRs target very different households and deliver very different build typologies. Unlike BtRs, the research shows that some ADUs do not deliver housing at all. Those that do fall into three broad categories – either kin, friend, or carers assisting the owner, or niche tenants such as single professionals who are able to pay market rents, or households that are very marginal to and vulnerable in the local housing market. Those householders are effectively product and price-takers. The liberalisation of regulation around ADUs was in some jurisdictions prompted by a desire to protect these low-income and very vulnerable households from having to rely on illegal or poor condition dwellings. Research in the United States and Sydney Australia suggests that this has not been achieved and in some cases the exposure to such dwellings may have increased.

Like ADU liberalisation, BtRs have demonstrably generated new builds, albeit on the margins of new build supply. Those new builds are not targeted to delivering affordable rents to low-income households. Rather, BtRs target a niche of households who have found themselves priced out of owner-occupation. They seek rental accommodation with housing cost security, tenure security and dwelling performance or amenities that they cannot access due to under-supply in that market segment. BtRs, unlike ADUs, have tended to be multi-units, including apartments. Initially, BtRs proliferated in heated, inner city housing markets associated with an under-supply of housing for middle-income employees. For that reason, like ADUs, BtRs were seen by planners as a model of housing that would help to intensify cities. More recently, however, the industry, especially in the United States, has seen its opportunities as resting in single-family-rentals (SfRs) situated in suburban developments.



There is a tendency for stakeholders to treat both BtRs and ADUs as being restrained from reaching their potential by regulatory factors, issues around tax, and issues around land-use planning. There is no doubt that in some jurisdictions those factors are pressing. In general terms, for instance, the real estate and finance industries have been concerned to have BtRs recognised as an accepted asset class.<sup>62</sup> This has significant benefits. It positions BtR more positively within some of the financial regulatory framings found in many jurisdictions. It can, consequently, attract further private investment and acceptance that residential build and on-going management is a safe place in which to place funds arising from, for instance, retirement and pension schemes. It also provides a platform for the BtR sector to present themselves to governments as prudent partners that could be financially supported by governments attempting to address problems of affordability and availability of rental stock for low- and modest- income households. It has been argued that sheer increase in supply at any rental price point will reduce housing stress. In a number of countries, BtR providers have sought to reduce rental protections in regulation. Similarly, the liberalisation of ADU development in New Zealand has been supported by modelling around savings on development and building consent costs.

However, what research around both sets of initiatives show is that neither initiative inherently, inevitably, nor primarily will act to remedy the pervasive housing affordability stress embedded in the private rental market. For New Zealand, in the context of its tenure revolution from an owner-occupier society to one increasingly dependent on the rental sector, particularly private rental sector, these ADUs and BtRs offer potential benefits through stock growth. They alone will not resolve the precarity of housing or transform the outcomes for tenants reflected in the structure of the private rental sector in New Zealand.

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<sup>62</sup> Bleby, M. (2023). Build to rent is a capital story, not just a change in housing, *Australian Financial Review*, 30 March.



## 5. Summary

New Zealand's housing market increased by 512,400 households or 40% between 1996 and 2023. Over the same time period, the number of private renter households grew by 278,000 or 140%. This research project focused on whether, along with this growth there has been structural changes in the private rental market and any impact on low to moderate income households affordability outcomes. Our research concludes structural change has occurred with proportionally fewer lower quintile<sup>63</sup> renter properties available in 2023 compared to 1996 and affordability outcomes for private renter households have deteriorated. Despite significant government support for private renters via the accommodation supplement, by 2023, 202,100 private renter households were paying more than 30% of their gross household income in rent, 137,800 were paying more than 40% and of those 99,100 were paying over half. In addition, the level of private renter household crowding increased to 48,700 households<sup>64</sup>. In total in 2023, 53% of private renter households were either living in crowded dwelling or paying more than 30% of their gross household income in rent or both.

It would appear the current housing system settings, combined with the government support available to the private rental market has resulted in a set of extreme outcomes. Although the accommodation supplement does provide some relief to individual households, it is insufficient to address the affordability outcomes experienced by low to moderate income renter households particularly with the under supply of affordable rentals.

A number of policy responses have emerged in response to the growing pressures within the housing market and for private renter households in particular. These have included promoting the use of accessory dwelling units (granny flats) and increased investment in build to rent dwellings (BtR). Both have potential to increase the supply of dwellings to the private rental market although our review of overseas research suggests in terms of overall market outcomes, under the current housing system settings, these will be around the margins. At this stage, BtR rental dwellings are a small niche sector which has predominately focused on renters with moderate to higher household incomes. Although growth in the sector will add to the overall supply of dwellings, at this stage, they are unlikely to have a significant impact on overall market outcomes. In addition, under current housing system settings it is not financially feasible for BtR developers to target affordable dwellings for low to moderate income private renters.<sup>65</sup>

This research has identified long term structural change in the private rental market and a deterioration in the affordability of low to moderate income private renter households. There is an urgent need for supply solutions to address the needs for household income quintiles 1 and 2 private renter households. Under current housing system settings these households are not able to afford private rental dwellings with the current assistance available and face potential homelessness. The lack of adequate support for these renters is a significant gap in our housing support framework.

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<sup>63</sup> Rental quintiles 1 and 2

<sup>64</sup> 15,150 private renter households were crowded and paying more than 30% of their gross household income in rent.

<sup>65</sup> Livingston and Associates et al (2025) ER107 Housing solutions for low to moderate income" A report funded by BRANZ via the building research levy.



The under supply of affordable dwellings for low income quintile private renter households has taken decades to emerge. Strategies and policies to reverse these outcomes will also take time to have an impact. To meet the needs of current and future private renter households long term transformative change is required. A coordinated bipartisan response is required. Current government policy focused on enabling urban development capacity and providing the supporting infrastructure to make it development ready helps, but from an affordable rental perspective, any new stock needs to be financially feasible for developers and at a price households can afford. Current migration settings from the current coalition government of not wanting growth driven by strong net migration gains is likely to have assisted in the softening of the housing market and reducing rental growth.

These housing market outcomes raise a number of questions which include:

- What does a good housing system look like?
- How can we make the transition from where we are today to where we would like to be?
- Is it possible to set targets and monitor process?
- What governance structures would be most effective in achieving these targets/goals?

These longer policy goals will assist in planning the most efficient way to help these households in the short to medium term with a number of potential options are available. These include continuing current policy initiatives to improve the supply of development ready land and reduce impediments associated with their development. Potential impediments include community resistance to the redevelopment of existing residential areas including overly protection “character suburbs”, increasing the supply of social housing reducing the pressure for affordable housing from low income households in the private rental market, review current forms of housing assistance payments to ensure they are targeted to the most needy private renter households, review the regulations (for example charge commercial council rates rather than residential) associated with short stay accommodation to encourage shifting stock to medium to long term rental.

The development of affordable rental market for low to moderate income households will require a significant subsidy to bridge the gap between what private renters can afford to pay relative to the returns developers/investors require. The significant number of households unable to affordably access rental properties demonstrates indicates that significant investment will be required. Solutions which draw together a number of participants including central and local government, private sector institutional developers/investors and affordable housing providers will be required to access the capital and skill sets required.

Finally failure to address the deterioration in private renter household outcomes particularly for low to moderate income renters are likely to result in a broader range of undesirable social outcomes in addition to financial housing stress.



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