

Background trends in Rent and Accommodation Support

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Introduction

This document accompanies the analysis in Hyslop and Maré (2022), and provides a brief summary of the longer term trends in weekly rent and accommodation support payments. The trends shown relate to the whole country and some subgroups of consistent geographic areas.

Data description

The trends are derived both from data on Accommodation Supplement (AS) recipients, sourced from Adhoc MSD tables in the IDI; and new tenancies, sourced from MBIE's Tenancy Bonds (TB) tables in the IDI.

The data on AS recipients is sampled at the 15th of each month over the period from September 1997 until May 2021. Because of the size of the resulting extracts, we present trends for (March, June, September, December) quarterly data over the period September 1997 – March 2021. We calculate the number of AS-recipients, and the average rent payment, average AS-receipt payment, average total accommodation support (AS plus Special Benefits and Temporary Additional



Support, TAS), and the fraction of recipients whose AS payment is at the maximum for their AS-area and family size.

The TB data is for all new tenancies lodged during a calendar month over the period from January 2000 until May 2021. We calculate the number of new tenancies, and the average weekly rents, the 25th percentile (P25) of rents, and the average number of bedrooms associated with the new tenancies. There is a strong annual seasonal component apparent in new tenancies. In order to smooth the seasonal effects, we have estimated centred moving-average (MA) series for each outcome. Because of this, and also to synchronise with the AS data trends, we present the smoothed trends over the period September 2000 – September 2020.

The Accommodation Supplement policy changes in 2005 and 2018 rebased AS-areas, resulting in some geographic areas changing AS-area. Given this, we have constructed subsamples based on consistent geographic areas, which we label according to the AS-area (i-j-k) “triple” the area was in over 1997-2005 (i), 2005-18 (j), and 2018-onwards (k) – e.g., the triple for Central Auckland is (1-1-1); for Outer Auckland (1-2-1), etc.¹

Outcome Trends

We present trends in outcomes for all AS-areas (i.e. the whole country) in Figure 1, and for a selection of consistent geographic area sub-groupings in Figure 2 (Central Auckland and Outer Auckland areas), and Figure 3 (for geographic areas classified in AS-area “2”, and the ‘rest of the country’ area throughout the period). In each figure, we graph the trends in average rents of AS-recipients, and average and P25 rents of new tenancies; as well as trends in average AS-payments, total accommodation support, and the fraction of recipients receiving the AS-maximum. In order to describe trends in AS-receipt and new tenancies, and size of tenancy, Figure 1 also shows the trends in the numbers of AS-recipients and new tenancies, and also the average number of bedrooms in new tenancies.

First, the top left panel in Figure 1 shows trends in rents over the period. The average rent of AS-recipients corresponds closely to the P25 (25th percentile) of new tenancy rents until about 2013, after which the P25 rents increase relatively faster. Over the consistent 20 year period (September 2000 – September 2020), the average annual increase in AS-rents was 3.4%, compared to 5.0% in the P25 and 4.7% in the average new tenancy rents. Importantly for the effect of AS-policy changes

¹ Although there were only three AS-areas until 2005, we label the 1997–2005 areas “1”, “2” and “4”, for consistency with area-4 being the rest of the country from 2005 onwards.

on rents, there is no obvious relative increase in rent trends around either the 2005 or 2018 policy change dates. In fact, it appears trend increases in rents started 2-3 years before each of these dates.

Second, the top right panel in Figure 1 shows the trends in the number of AS-recipients and the number of new tenancies over the period. A large drop in AS-recipients occurs in 2000 (from about 200,000 to 150,000), associated with the re-introduction of IRRS for Public Housing tenants. The number of recipients then is relatively stable until the onset of the GFC recession in 2008, peaking around 200,000 in 2011 before declining somewhat until 2018. The number increases somewhat over 2019 before a large increase in 2020 associated with the COVID crisis and lockdowns. The trend in the number of new tenancies is more stable, and shows little obvious trend.

Third, the bottom left panel shows trends in AS-payments, and fraction of recipients at the maximum AS rate. There is relatively little trend increase in average AS payments, other than roughly step-increases are the 2005 and 2018 policy change dates that increased the maximum support available: the effects of these changes are evident in the trend in the fraction at the maximum that displays a strong saw-tooth pattern around the two policy change dates. There is more trend increase in the average total accommodation support reflecting the increasing receipt of TAS as rents increased over the period.

The final (bottom right) panel shows the trend in the average number of bedrooms associated with new tenancies. This was comparatively stable (around 2.5-2.6 bedrooms) until 2009, and then dropped sharply (about 10-15%) to close to 2.2 bedrooms in 2014-15, before increasing again to about 2.5 bedrooms. We don't know what was driving this drop and recovery, but it was perhaps related to a relative increase in the number of apartments becoming available. In any case, we interpret the longer term trends in AS-recipients and new tenancies and the size of tenancies as being comparatively stable.

Figure 2 and Figure 3 repeats the trends in rents and AS-support for consistent geographic areas. We present separate summaries for Central Auckland (1-1-1), Outer Auckland (1-2-1), areas that remained as area 2 (2-2-2: Central Wellington and Nelson), and areas that were consistently in area 4 (4-4-4). The trends are broadly similar to those for all areas, albeit with different level of rents and support. TB Rents and AS support are highest in the Auckland areas and lowest in the 4-4-4 areas, with Wellington/ Nelson in between. AS recipients' rents are below the 25th percentile of TB rents in Central Auckland and in Wellington/ Nelson, and above the TB P25 in the 4-4-4 areas. In outer Auckland, AS rents track the TB P25 closely until around 2009, after which TB rents increased

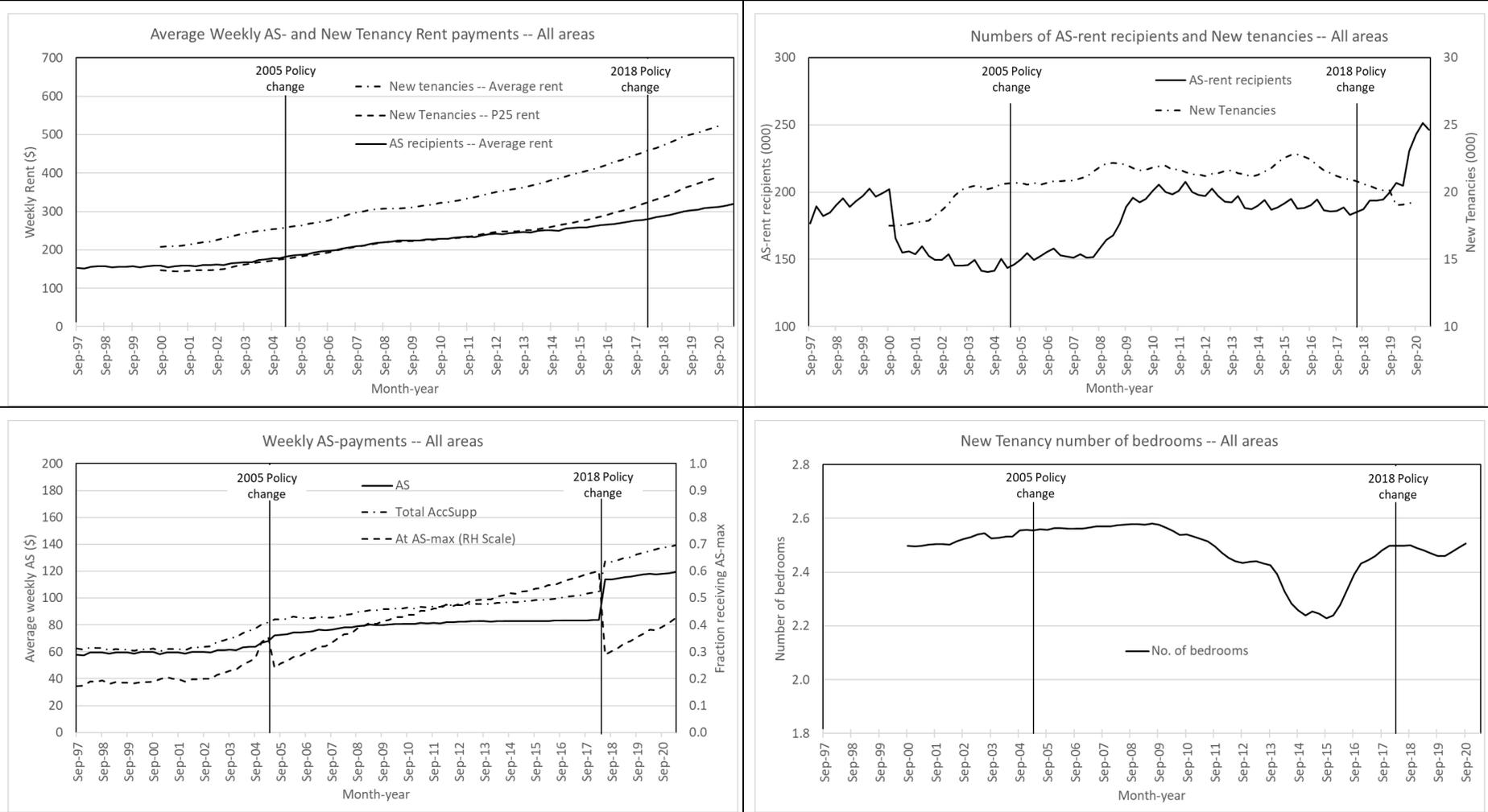
more rapidly. Average rents paid by AS recipients grew more slowly than new tenancy rents in all areas, whether TB rents are measured as the average or at the 25th percentile.

One final difference that we observe across the different areas is that the highest peak in the proportion of AS recipients receiving the maximum AS support was for 4-4-4 areas just prior to the 2018 AS changes - at just below 70%, having been only 30% prior to the 2005 changes. The analogous figures for Outer Auckland are a peak of 60% in 2018, up from below 40% in 2005. For inner Auckland, the 2018 peak was somewhat lower (40%), and similar to the 2005 rate of 35% - a pattern similar to that seen in 2-2-2 areas (from 30% in 2005 to 40% in 2018. Following a marked decline due to the 2018 changes, the percent of AS recipients on the maximum rate in March 2021 was highest for 4-4-4 areas (55%), was between 30% and 35% in the two Auckland areas. The 2021 rate in 2-2-2 areas was a little over 40%. These differences suggest the AS-maxima for the 'rest-of-country' areas are set relatively low compared to the other AS-areas.

References

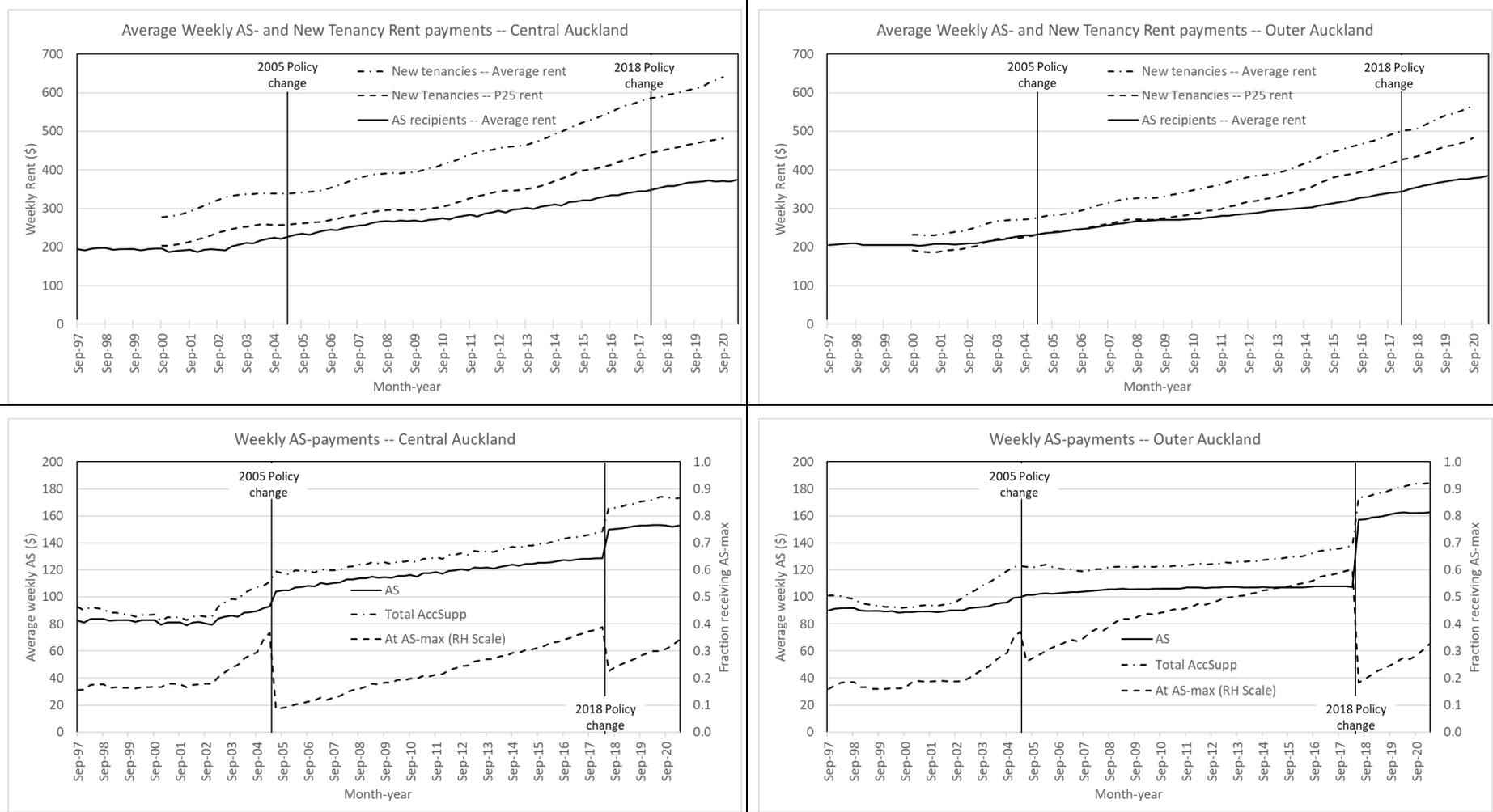
Hyslop, D., & Maré, D. (2022). *The impact of the 2018 Families Package Accommodation Supplement area changes on housing outcomes* [Working Paper 22-01]. Motu Economic & Public Policy Research.

Figure 1: Trends in rent and accommodation support – all areas



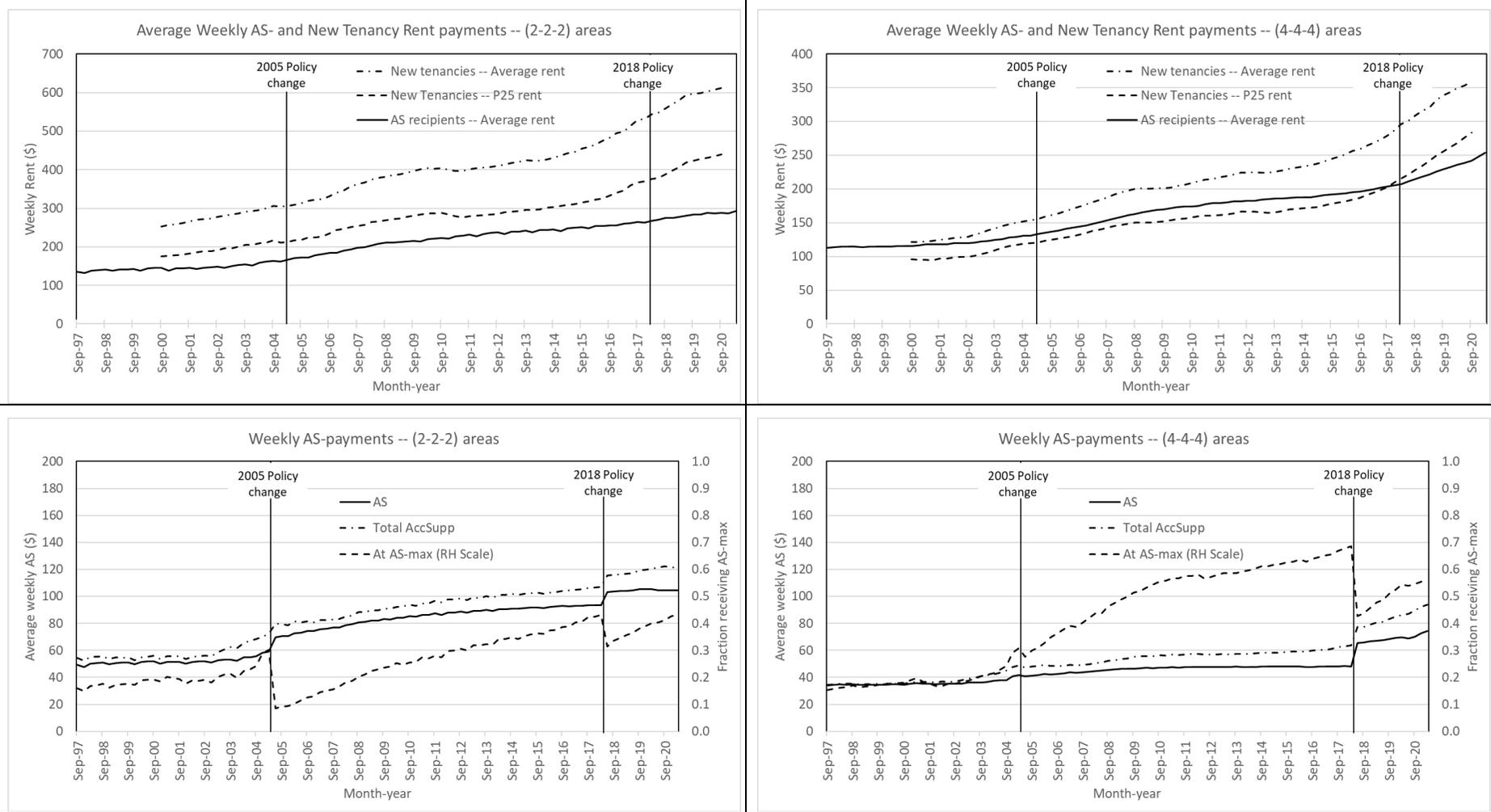
Notes: Accommodation Supplement average rents are calculated based on all AS-rent recipients as-at the 15th of each month. The New Tenancy average and 25th percentile (P25) rents, and average number of bedrooms are calculated from all new tenancies in a calendar month, and have been smoothed to adjust for a strong annual seasonal pattern. Total accommodation support includes AS-payments and Special Benefit or Temporary Additional Support (TAS) payments.

Figure 2: Trends in rent and accommodation support – Central Auckland (1-1-1) and Outer Auckland (1-2-1) areas



Notes: see notes to Figure 1. Central Auckland was classified in AS-area "1" throughout the period 1997 – 2021; Outer Auckland was in AS-area "1" until the 2005 changes, then area "2" until the 2018 changes, and area "1" since 2018.

Figure 3: Trends in rent and accommodation support – (2-2-2) and (4-4-4) areas



Notes: see notes to Figure 1. (2-2-2) refers to those geographic areas in AS-area “2” throughout the period 1997 – 2021; similarly (4-4-4) refers to the “rest of the country” areas throughout (Area-3 before 2005, and Area-4 since 2005).