



Affordable housing is
urban infrastructure.

A lifestyle company.

Watson Group is a residential and commercial property investment and development company in New Zealand.

At Watson Group, we gather inspiration from global cities and deliver world-class design with a focus on beautiful design, health and well being. Understanding how residents aspire to live is critical to our vision.

We build beautiful places for current and future generations to live their best life.



Structure of this presentation

- 1** Making the case for affordable housing
- 2** Government and the challenges
- 3** Solutions in design



Affordable housing is urban infrastructure.

New Zealand has some of the least affordable housing in the developed world.*



Roads



Rail



Hospitals



Parks



Schools



**Social
Housing**



**Affordable
Housing**

Affordability is:

*Percentage of median income in the area,
or rent is a percentage less than market
(e.g. 10%).*

Not social housing - well below market rates.
Not BTR – above market rates.

It is affordable over time:

*Must account for changes over time,
ensuring that housing remains affordable in
the long term.*

Fast growing cities create substandard housing.

Underinvestment is deterioration, wrong landlord, wrong outcome.



Los Angeles, public (council) housing.



These Star Flats (so named because of their shape) were constructed in the 1960s on the Talbot Park block in Glen Innes, Auckland

“Economic rationality wins the day”.



Rent eats first.

10% of New Zealanders live in a crowded home.



- Families with disposable income spend it on food, children's education, and health
- When families have less, these necessities are first to be cut

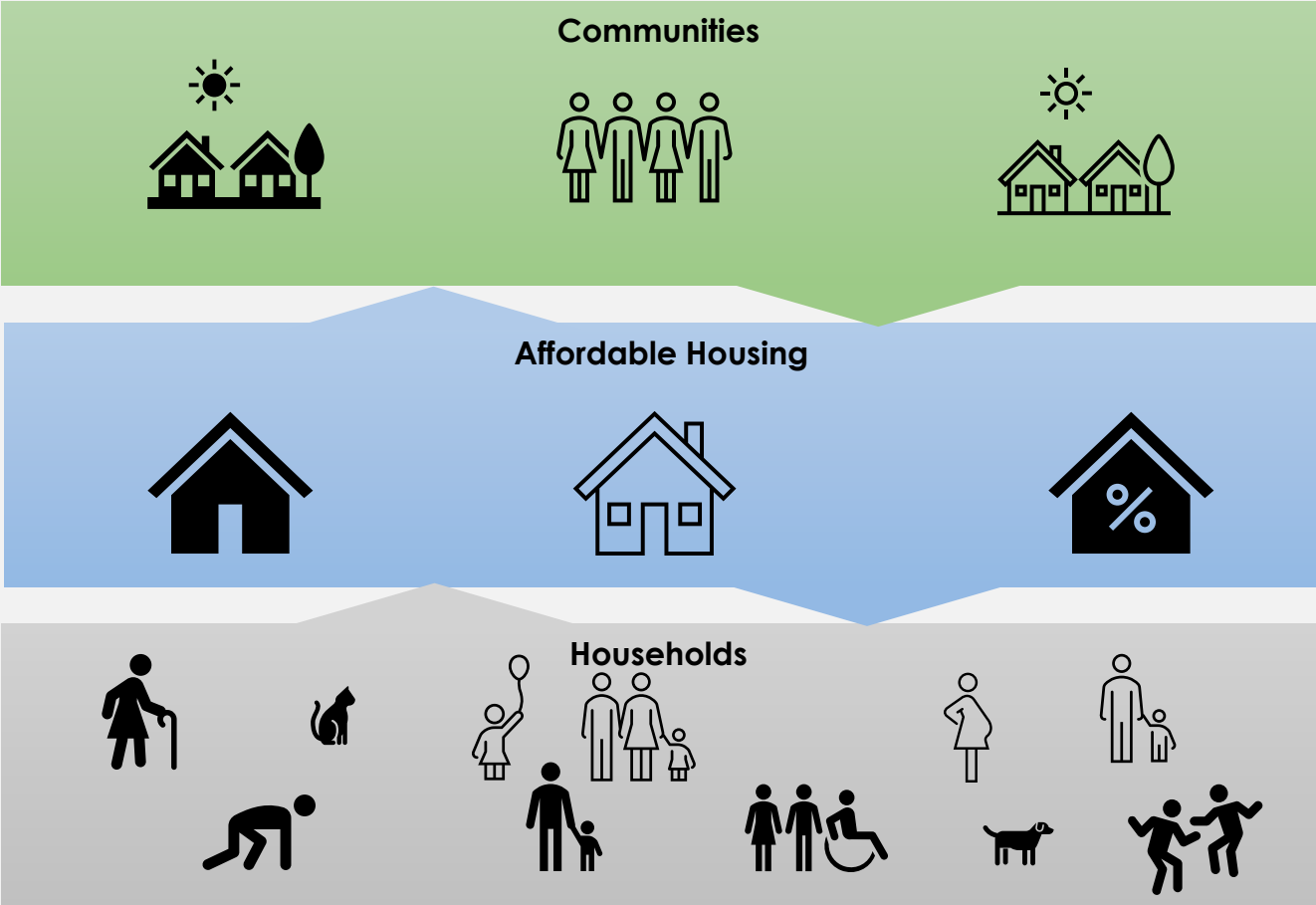
“People who make the city work, should live in the city they work”



Source: The Social Report – Ministry of Social Development



Affordable housing is part of our community.



“A multipurpose woven fabric that holds mixed-income cities together”



Leisure is the apposable thumb.

Wholesome activities for all. Keep children active, safe, independent.

“What is a community without a bit of fun?”



Growth in key sectors:



“Idle hands do the devils work”



Government's challenge – one of them...

Communities require a local focus

Programs and ideas are implemented top-down

- National ideas, emphasise scale
- Scale implies standardisation
- Standardization de-emphasises local touch
- Touch means customisation

Touch require localised counterparties

- Counterparties need to be experts across the whole value chain
- They need to put purpose before profit, whilst still being economically rational

Further – touch means human focus

- Right product, right place, right human
- Customisation requires local focus



“Investment horizon is the next election”



Government is a factory.

That produces only two products.

Law



Do this, don't do that.

Only works if complied with.

Money



If you do this, I'll pay you that.

Only works if right amount, at the right point in the value chain.

BUT

The Government needs delivery partners to turn laws and money into outcomes.

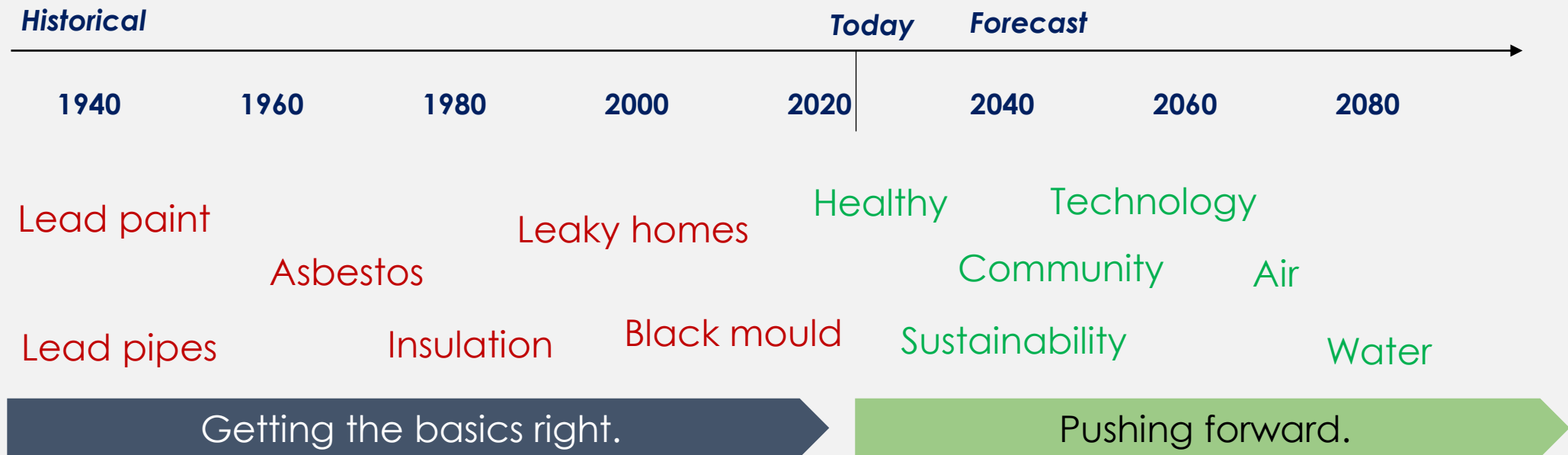
“Requires government to think like entrepreneurs, hot air is the byproduct ”



Housing is social progress.

Shelter is a fundamental need. But today 'shelter' is safe, healthy, affordable and well-designed housing.

Housing – health and sustainability timeline



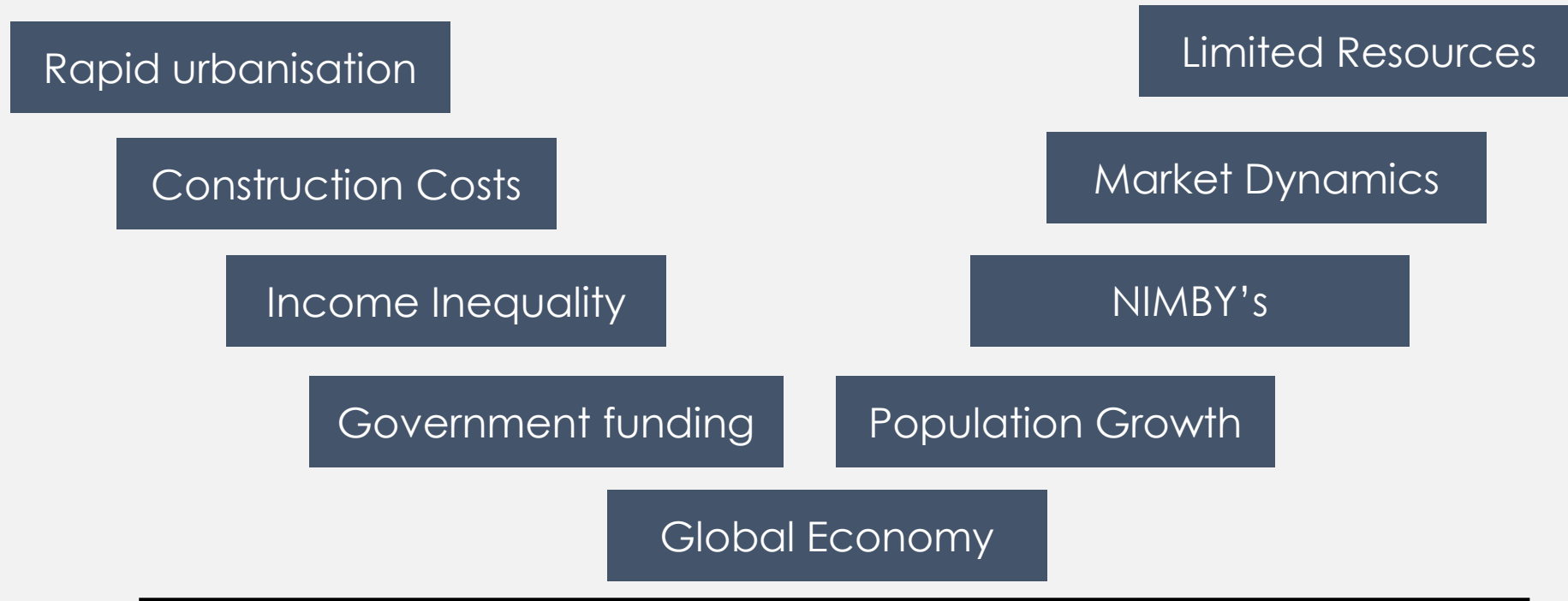
Change is driven by four things: laws, lawsuits, insurance costs and customer behaviour.

“Slow policy, long lead time”



There will never be enough affordable housing.

And the balancing of multiple variables never stops.



Affordable Housing

“Concern only with the controllables.”



Design is everything.

Get the ugly right and the beauty will follow.



Design is often closely associated with an emphasis on form and aesthetics, while *affordable housing* has a focus on implementation and process.

“Delayed gratification is the goal”



Solutions need to be considered end-to-end.

Consider the total cost of ownership over the useful life.



"It takes a village to..."



Closing remarks.

How much have I missed!?

1. The barriers to entry are both intellectual and financial

- Vision, confidence, credibility, risk tolerance
- Design well

2. Affordable housing is not a single deal; it is an enduring business model

- First deal costs are high, need scale in New Zealand – 200 + houses
- Must be commercially viable
- Public and Private Partnerships

3. Affordable housing will always be needed, and always need innovators

- Good enough today is substandard tomorrow
- The city does not exist that will have an enduring surplus of affordable housing
- Local delivery partners deliver to locals

4. Better housing is a morally worthwhile endeavour

- Done right, you make money and feel good
- Purpose over profit

“The home is a treasure chest of human lifestyle; deserving for all.”



David Loveridge
Managing Director

david@watsongroup.co.nz
+64 27 636 9303
Watsongroup.co.nz

Thank you.