



# Impacts of Leaky Buildings on Older People

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# Leaky Home Case Study

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- Case study of the effects of owning a leaky building, and leaky building syndrome on older people's housing futures, assets and wellbeing
- Interviews with 12 older people affected by a leaky home
- Analysis of reduced capital gains due to stigma linked to monolithic-cladding

# Leaky Buildings

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- Pervasive and sustained water ingress
- Signs of leaks and damage may not be apparent
- Health risks caused by damp living conditions
- Estimated range of failures – 22,000-89,000 (PWC 2009)
- Estimated 75% of homes under claim are in Auckland region, but homes nationwide affected
- 3,500 homes known to be repaired (MBIE)

# Capital Gains (monolithic vs not)

Capital gains determined at individual property level

Paired house price data 1997-1999 & 2011-2013

Purchase prices expressed in 2013 dollars (real gain)




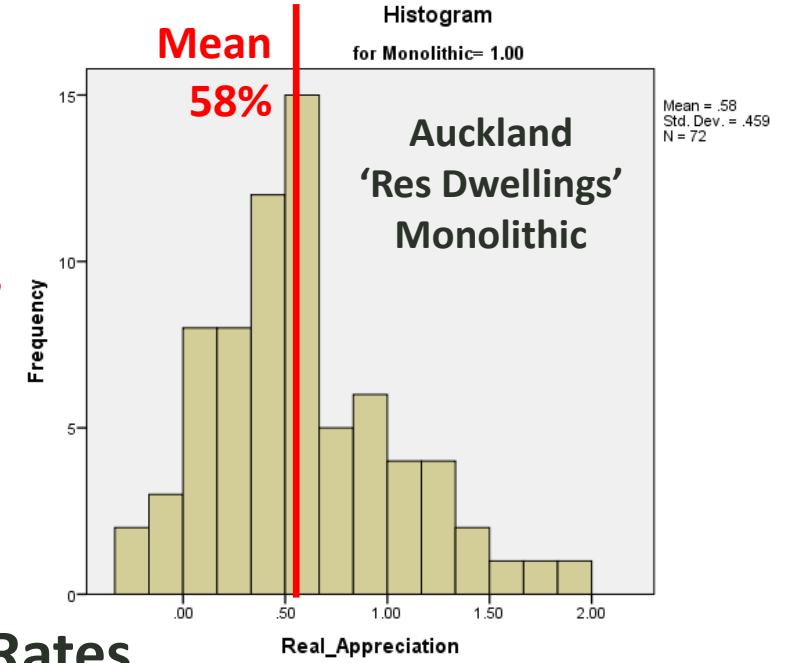
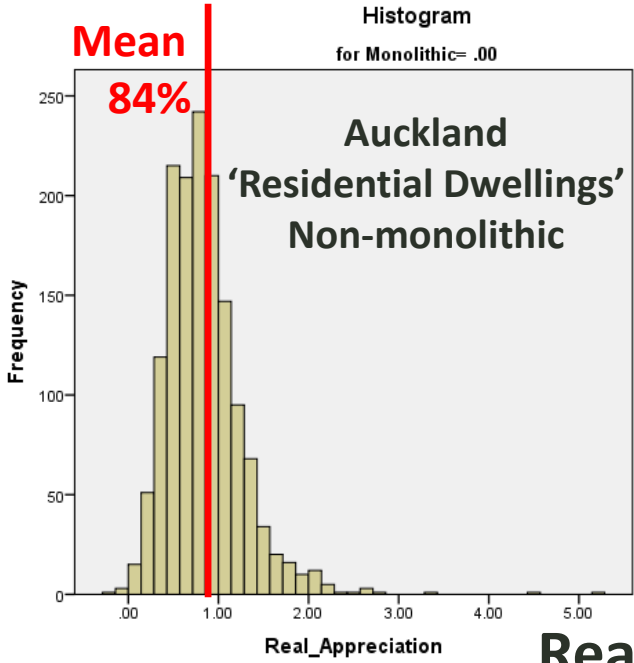
1998

Real  
Capital  
Gain/Loss



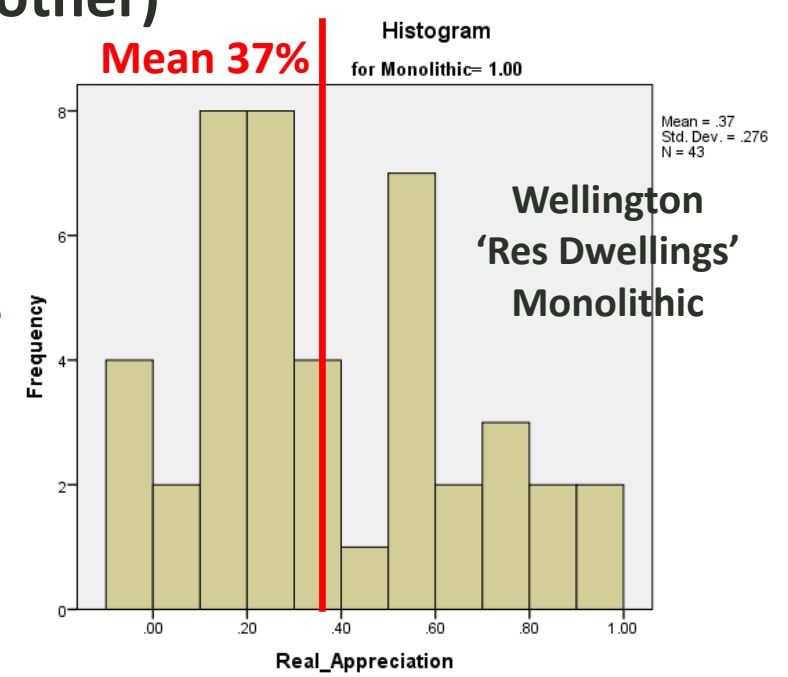
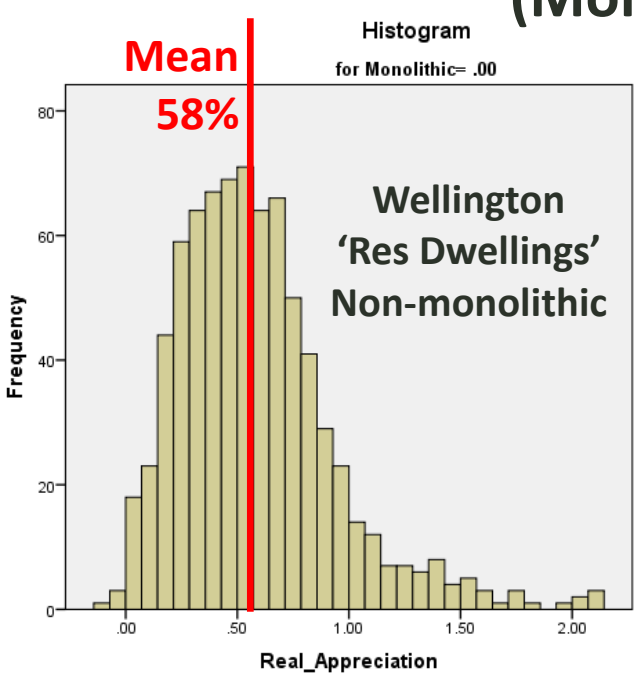
2011

	Address	Floor area	Land area
	Cladding	Condition	Vintage

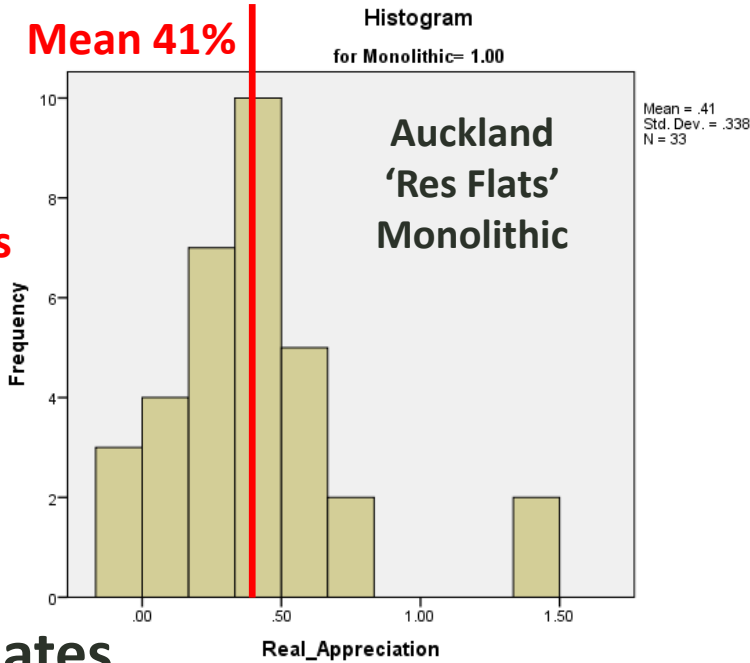
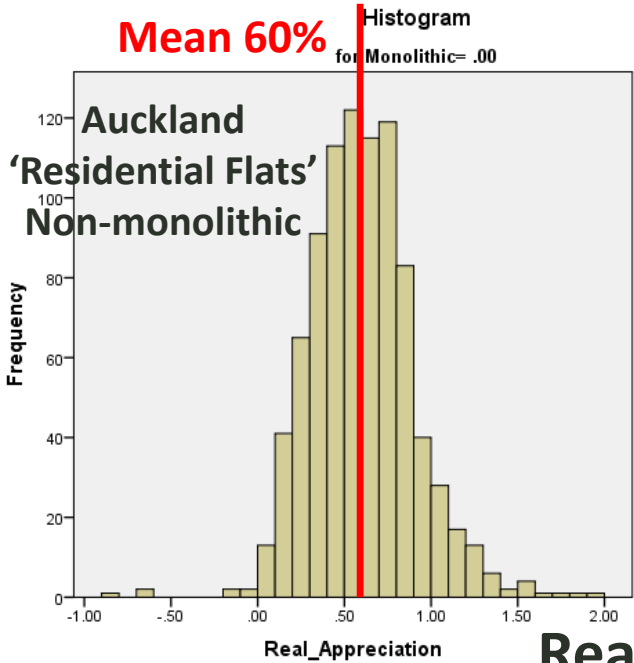


**AUCKLAND  
Monolithic Houses  
Appreciated  
26% less**

**Real Appreciation Rates  
(Monolithic-clad vs other)**

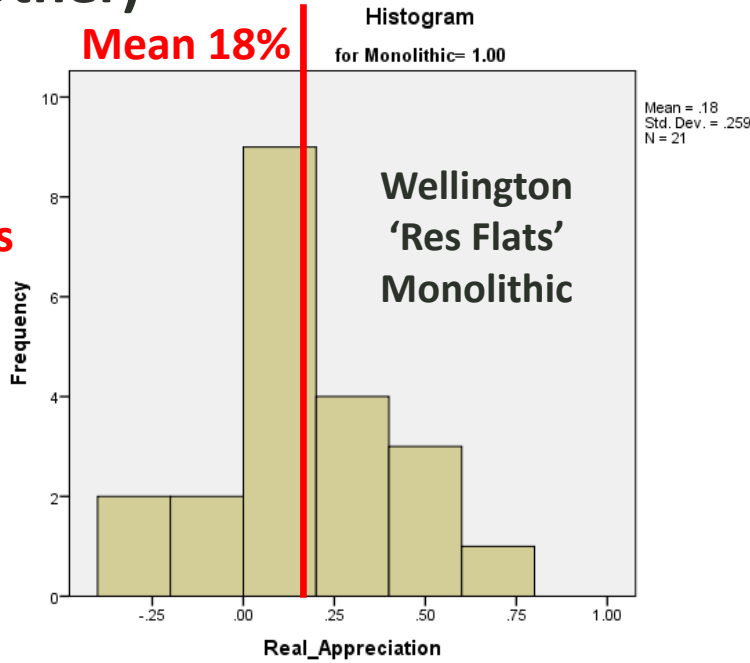
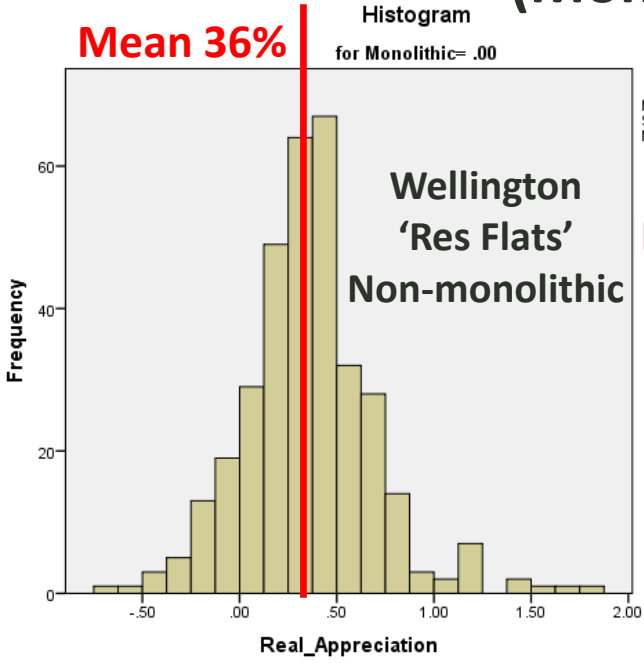


**WELLINGTON  
Monolithic Houses  
Appreciated  
21% less**



**AUCKLAND  
Monolithic Flats/Apts  
Appreciated  
21% less**

**Real Appreciation Rates  
(Monolithic-clad vs other)**

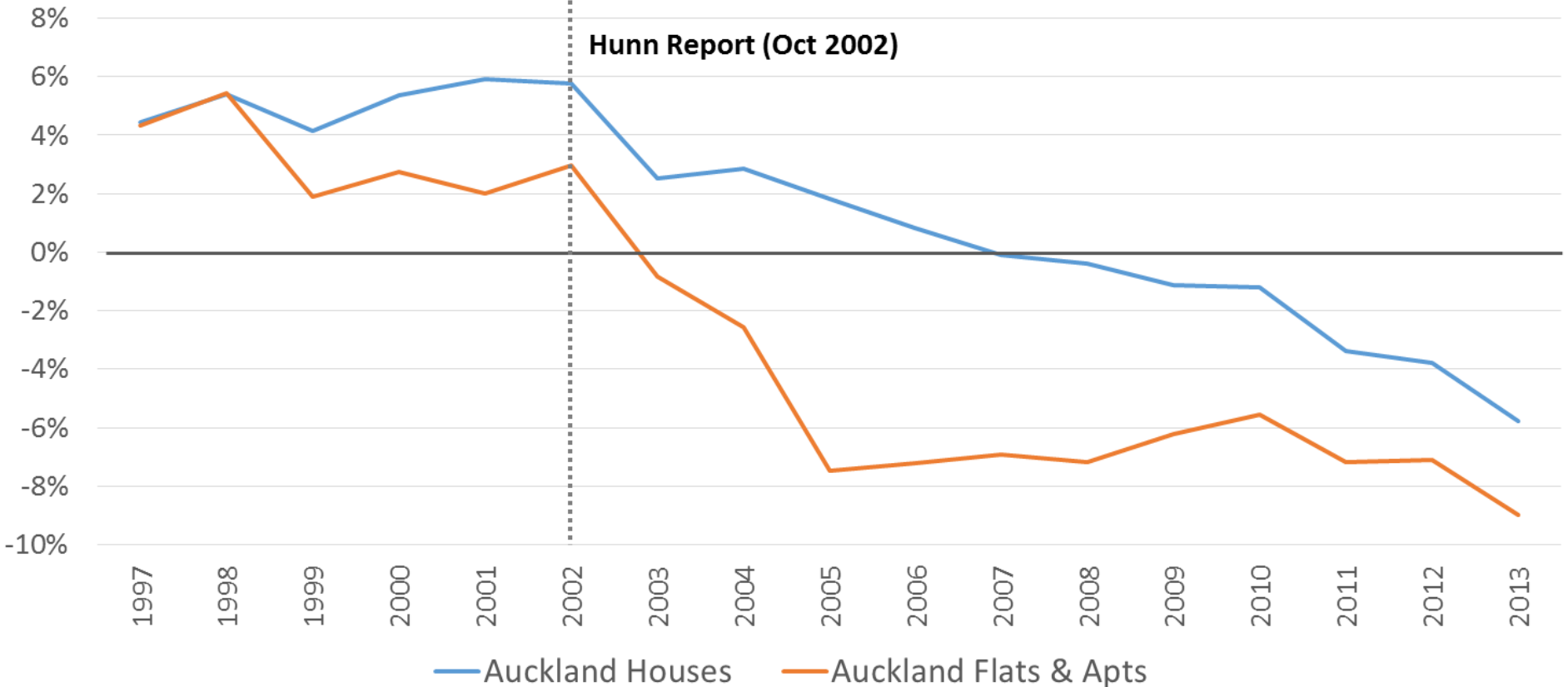


**WELLINGTON  
Monolithic Flats/Apts  
Appreciated  
18% less**

# Monolithic Cladding House Price Effects

Auckland Region  
Monolithic Cladding Premiums/Discounts

Hunn Report (Oct 2002)



# Leaky Building Syndrome

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- Certain buildings are stigmatised as leaky homes even where no actual leakiness exists
- Impact on dwelling prices – even under a regime of over-heated house prices
- Stigma discounts (2013):
  - Monolithic-clad stand-alone houses 11%
  - Multi-unit dwellings 14%
- Impact on ability of older householders to release equity



# Older People Managing Exposure

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- Variety and complexity of leaky building issues:
  - Financial
  - Technical
  - Legal
- Difficulties in accessing information
- Lack of knowledge among some professionals
- Dealing with repairs failures

# Information and Process

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“We could not have managed on our own. Didn't have that legal or accounting/business knowledge among the owners. Decided if we're to make the right decisions we needed help from someone with more experience”.

“Humungously difficult because we didn't know where to start. People didn't understand the FAP. We didn't understand whether products being touted would help or not. Trying to work out what was correct or whether to go the legal way, or the tribunal way”.

# Impacts of Owning a Leaky Home

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- Loss of retirement savings and investment
- Debt
- Reduced spending impacts on standard of living & lifestyle
- Loss of equity is inevitable
  - Selling a leaky home
  - Selling a remediated home

# Impacts of Owning a Leaky Home

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- Disruption of repairs
- Mental health problems
- Increased isolation
- Strain on relationships
- Financial stress
- 'Temporary' homelessness
- Movement to high dependency living
- Effects drag on for years

# Future Changing

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“It’s changed my whole retirement. You've worked hard, saved hard and now just struggle to meet costs”.

“Had a significant impact on my lifestyle for 10 years, because I put myself on the committee to see it through ... We don't have a secure retirement fund ... Significant mental and psychological impact”.

# Older People

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- Are:
  - Critical of building industry
  - Critical of councils
- Fear:
  - The unknown and their helplessness
  - Challenge of financial recovery
- Have developed:
  - Views on the assistance people need
  - Coping strategies
  - Knowledge – lessons learned

# Assistance Needed

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- Diagnostic:
  - What's the problem
- Identifying options:
  - Repairing and making good vs rebuild
  - Processes
  - Conflict resolution
  - The future
- Practical assistance
- Dealing with multiple owners
- Independent ombudsman

# Coping strategies

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- 'learning to live with it'
- Talk about it
- Assertiveness
- Getting information and advice
- Meticulous record keeping
- Networking among leaky home owners



# Lessons Learned

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- Buyer beware
- Keep records
- Different challenges associated with different housing tenures and types
  - Body corp
  - License to occupy
  - Multi-unit dwelling
  - Semi-detached

# Policy & Regulatory Frameworks

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- Confusing and complex landscape of liabilities and obligations
- Inadequate processes to support due diligence and disclosure
- Implications for residential care subsidy
- Poor remediation rate – degradation of stock