

Housing in Aotearoa

U3A Christchurch Central
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SENSE PARTNERS

DATA LOGIC ACTION

Improving housing



Housing market is broken



Need to fix land supply, infrastructure, supply across continuum



Policies are changing, but we need to do more faster

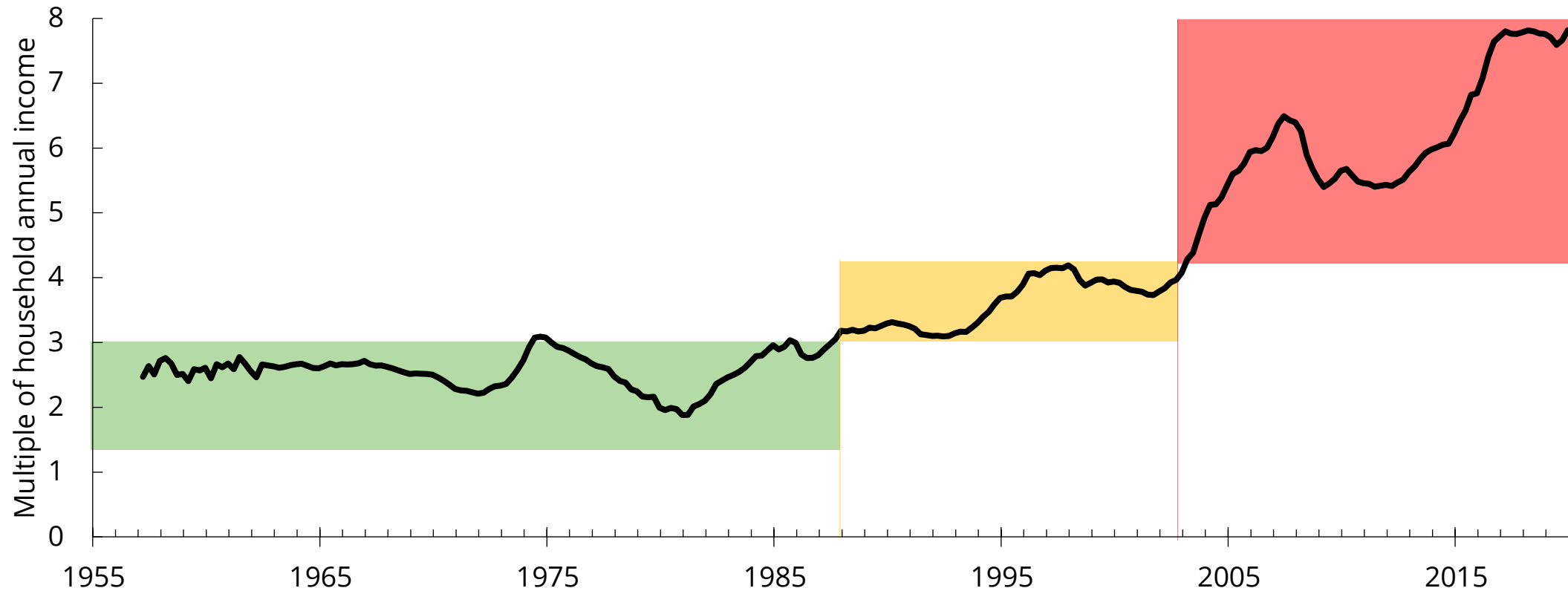


What's needed: Courage and urgency.

Crisis building for decades



House price to income ratio

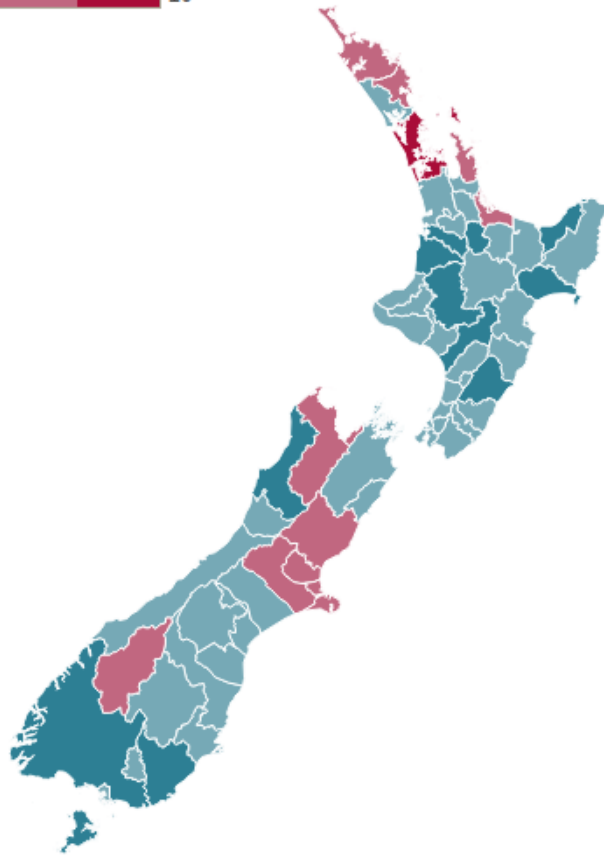


Sources: Eaqub & Eaqub (2015) "Generation Rent" BWB Texts, updated

The infection is spreading

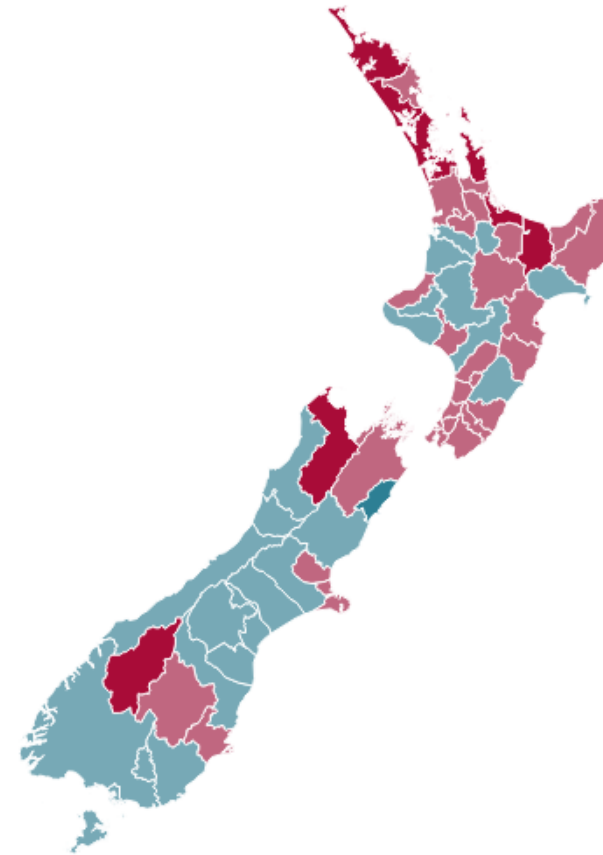


House price to income ratio (2013)



© 2020 Mapbox © OpenStreetMap

House price to income ratio (2018)



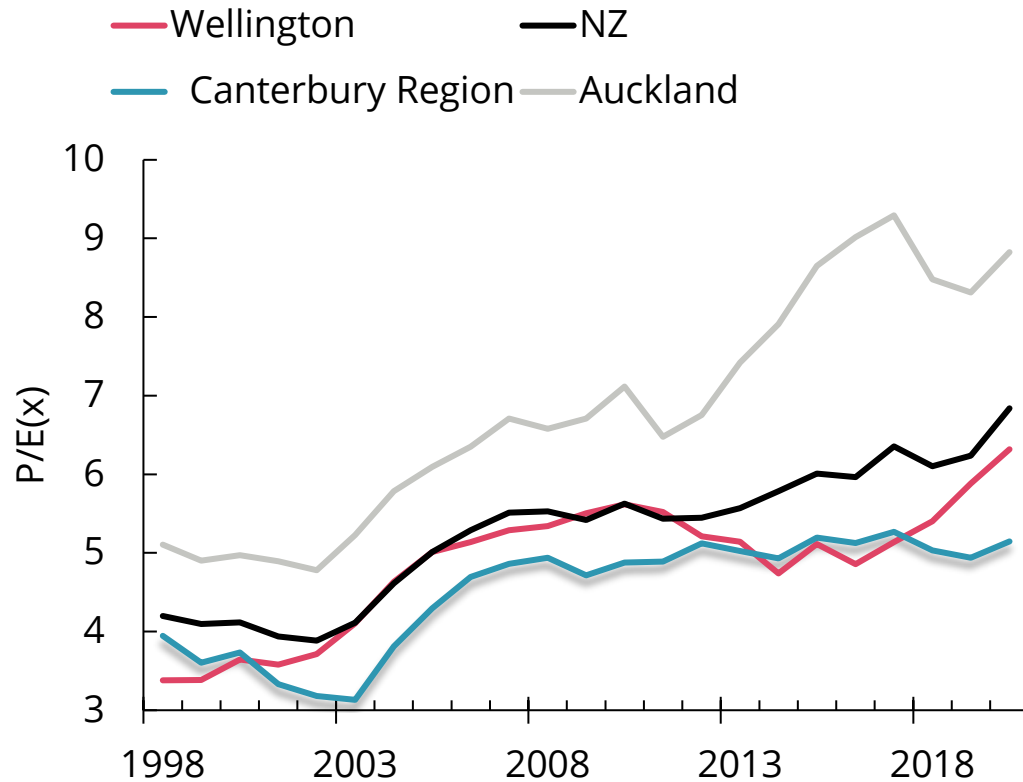
© 2020 Mapbox © OpenStreetMap

Source: REINZ, Statistics NZ, Sense Partners

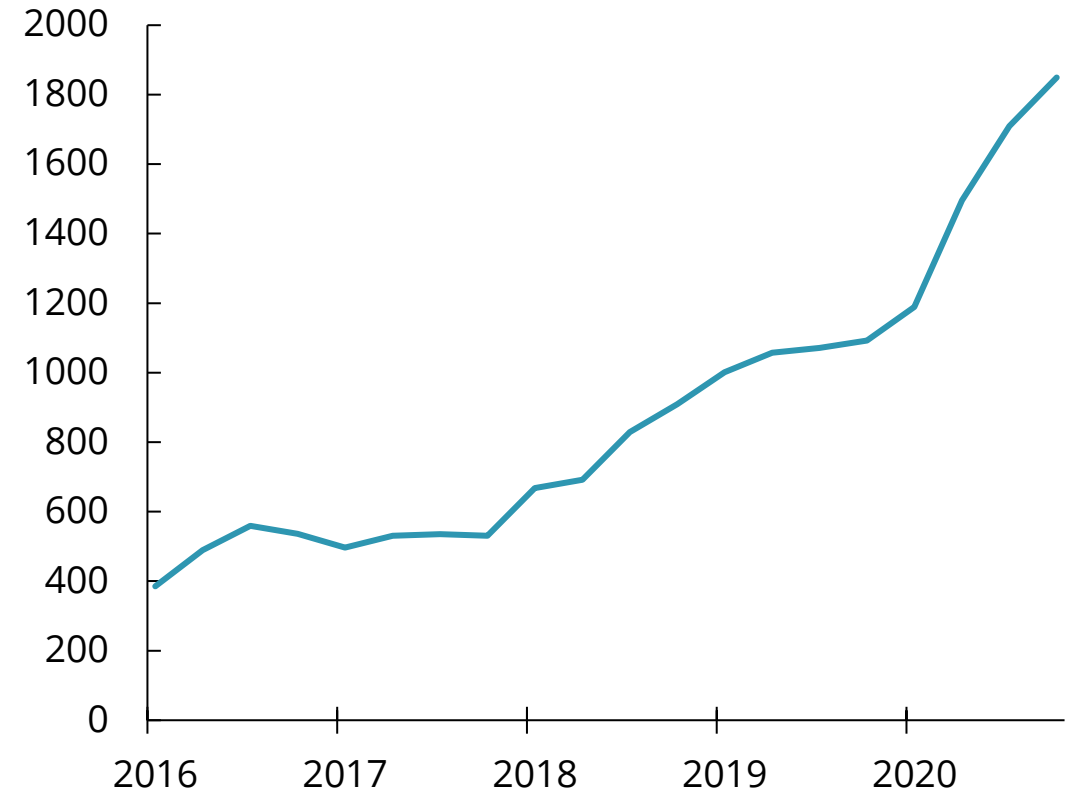
Local: Affordable; but not for everyone



House Price to Income Ratio



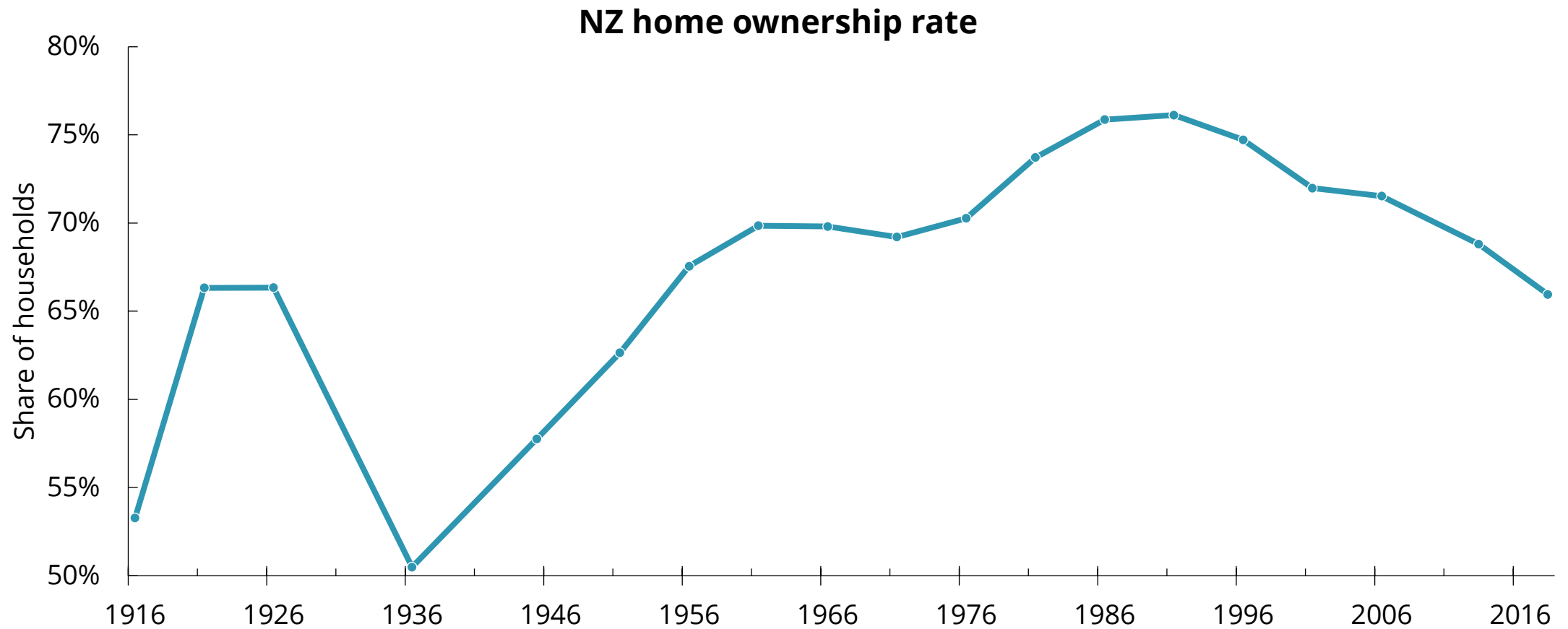
Canterbury Housing Register



Source: REINZ, Statistics NZ, Sense Partners

Source: MSD, Sense Partners

Generation rent

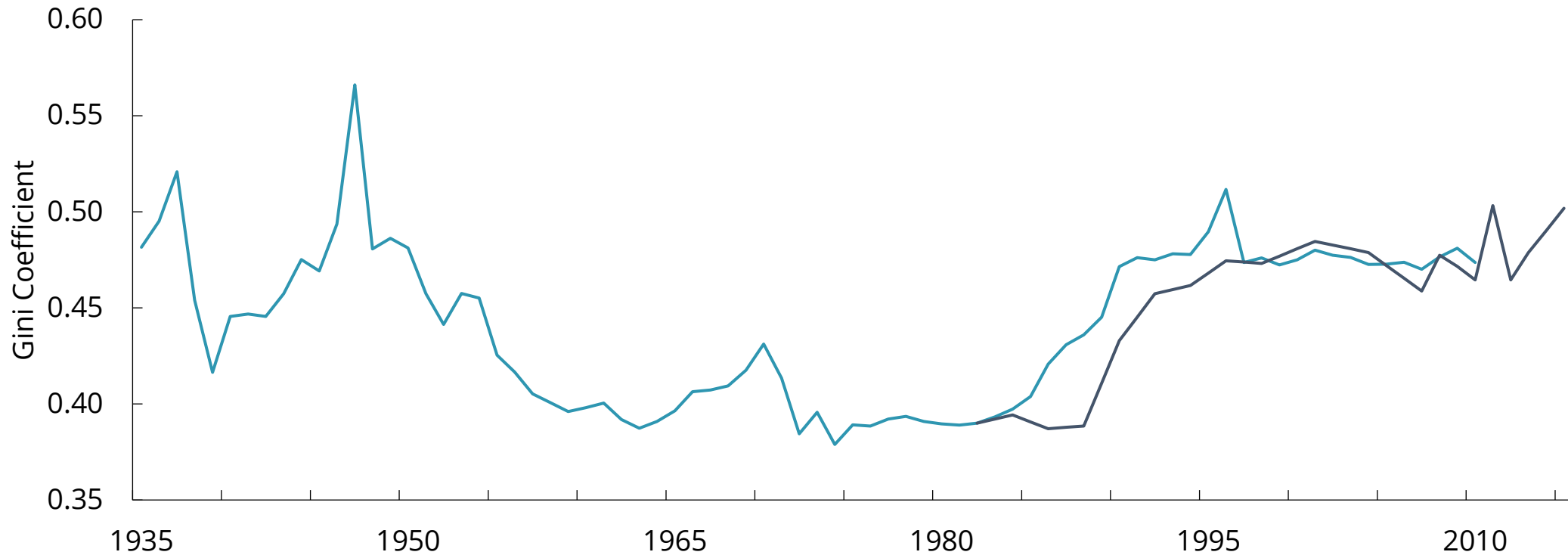


Sources: Eaqub & Eaqub (2015) "Generation Rent" BWB Texts, updated

A story of *returning* inequality



Income Inequality



Source: Creedy J. Gemmill N, Nguyen L (2017), *Income inequality in New Zealand, 1935-2014*, VUW Working Papers in Public Finance
Perry B. (2017), *Household incomes in New Zealand: Trends in indicators of inequality and hardship, 1982-2016*, MSD



Complex causes

Many things are broken

Housing is complex



1. DEMAND

Demographic

Investment for other reasons

2. SUPPLY

Land

Infrastructure

Buildings

3. FINANCE

Price

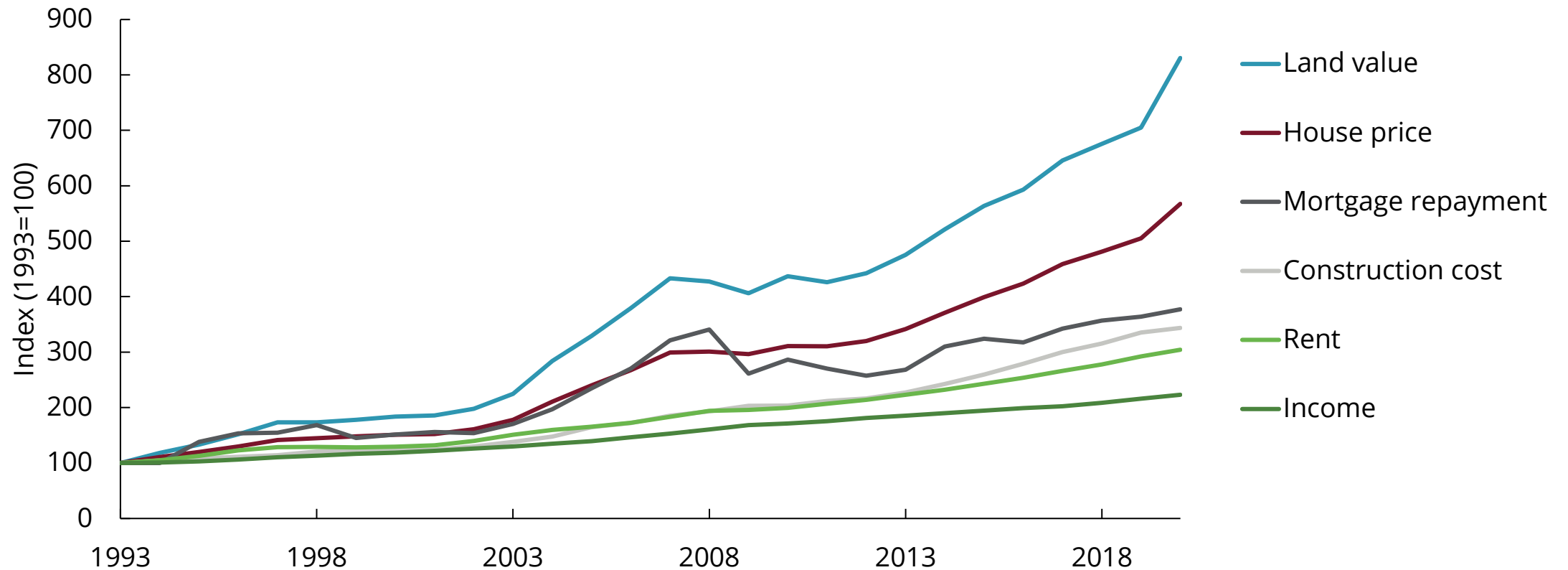
Availability

Legislation/politics

Not equally broken

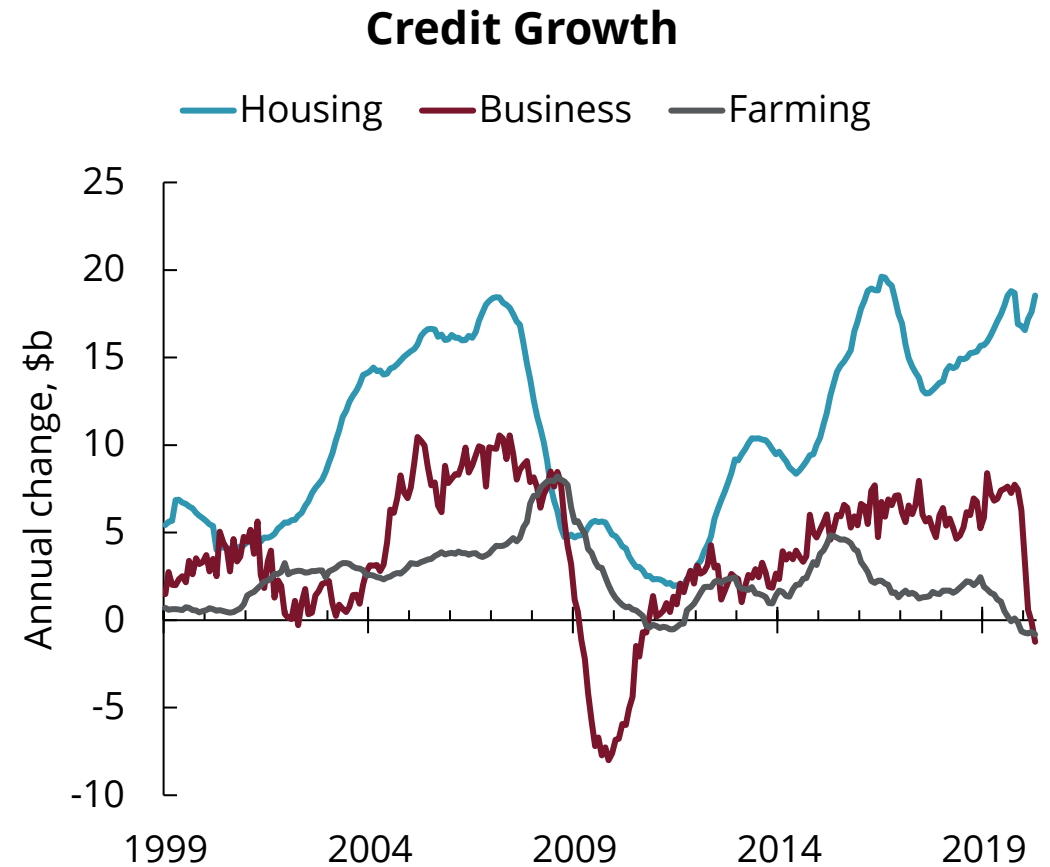
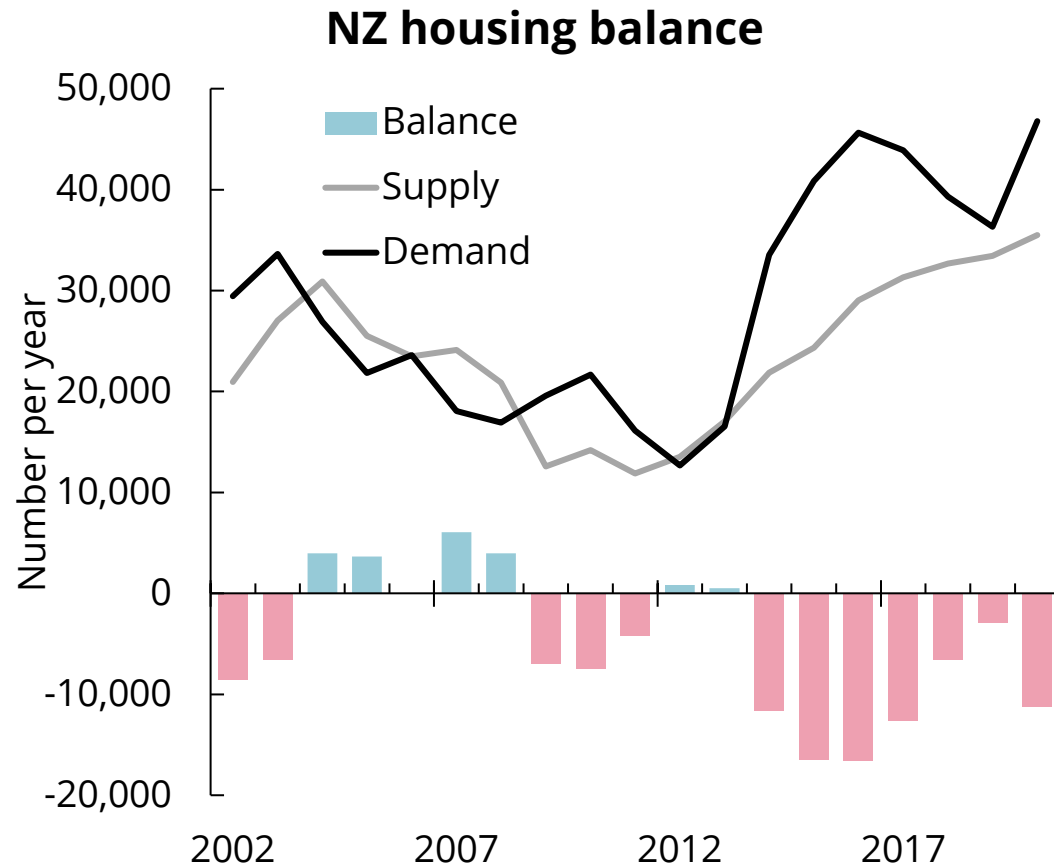


Components of Housing Costs



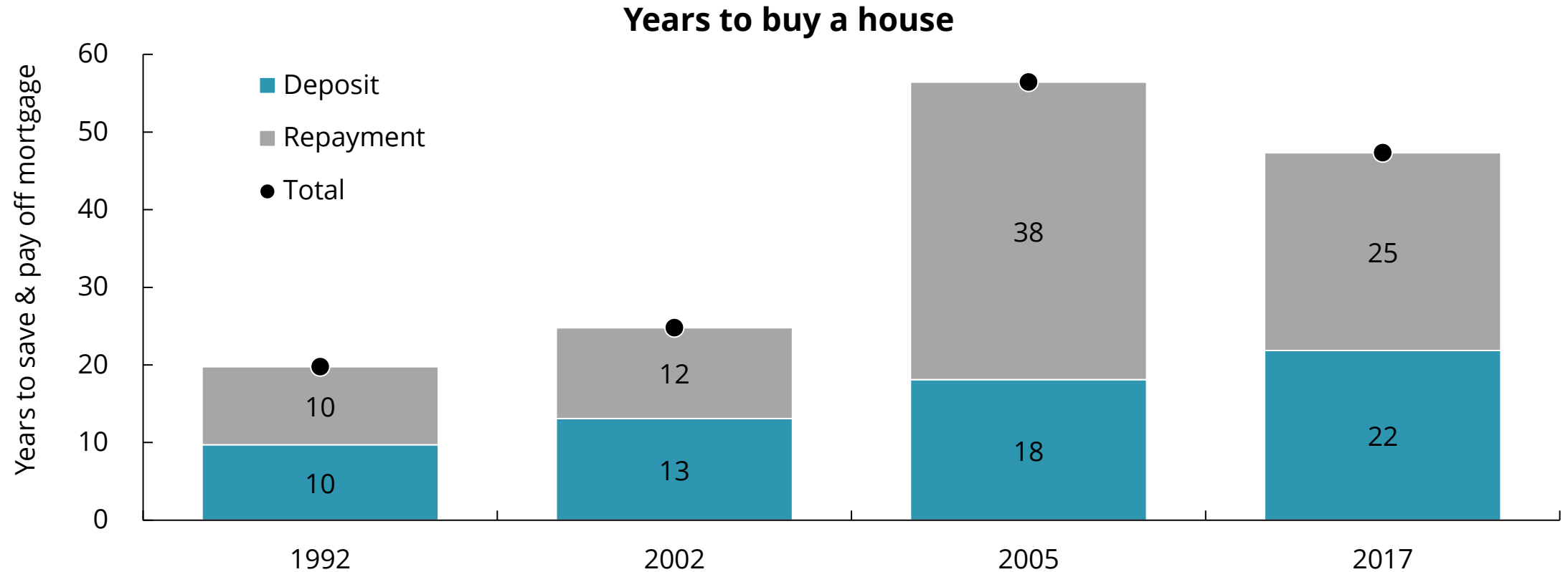
Source: Eaqub & Eaqub (2015) "Generation Rent" BWB Texts, updated

Physical vs investment demand



Source: Statistics NZ, RBNZ, Sense Partners

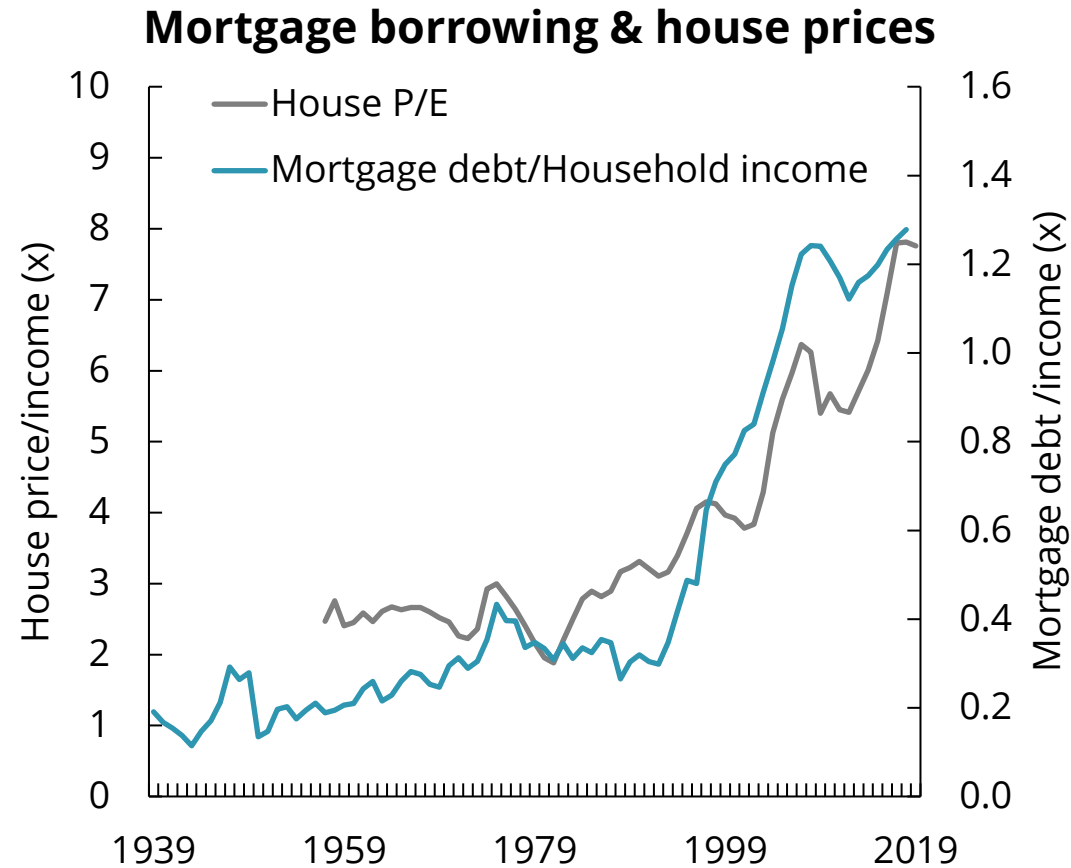
Mortgage slavery; landed gentry



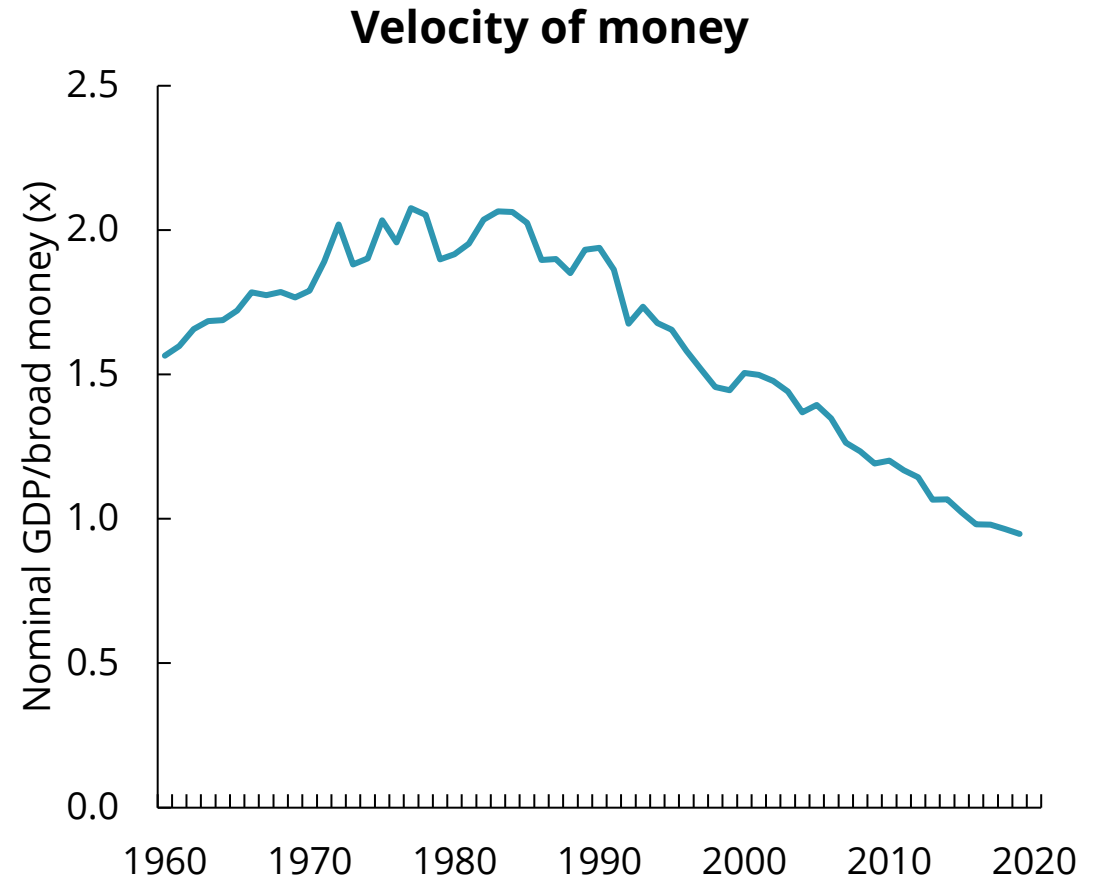
Source: Sense Partners

*Using basic assumptions of saving 5% of income for deposit and repayments at 33% of income. Using spot prices for floating mortgage rate, gross annual household income and median house price with a 20% deposit.

More for housing; but not economy

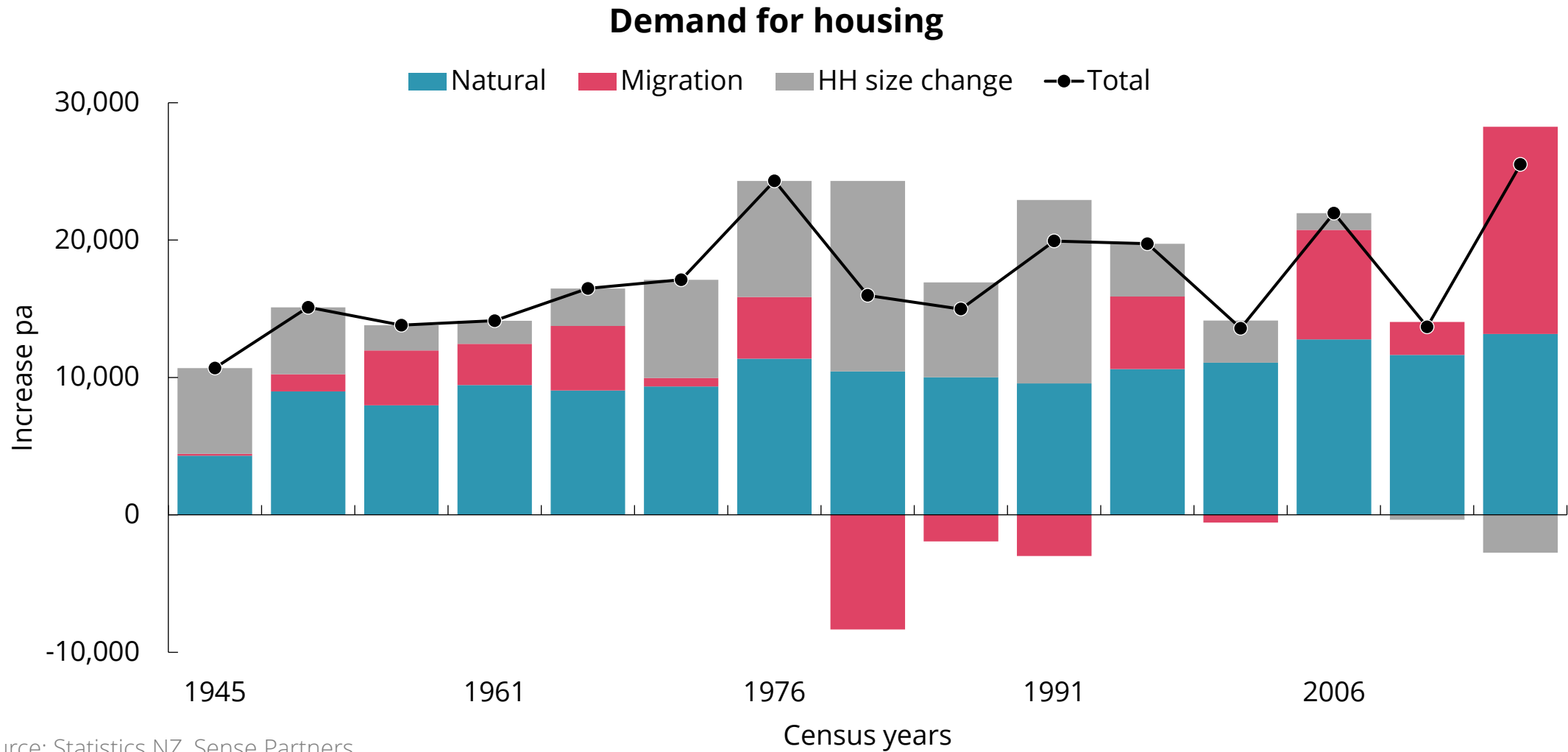


Source: RBNZ, Statistics NZ, Sense Partners



Source: RBNZ, Statistics NZ, Sense Partners

Demand: cyclical & structural

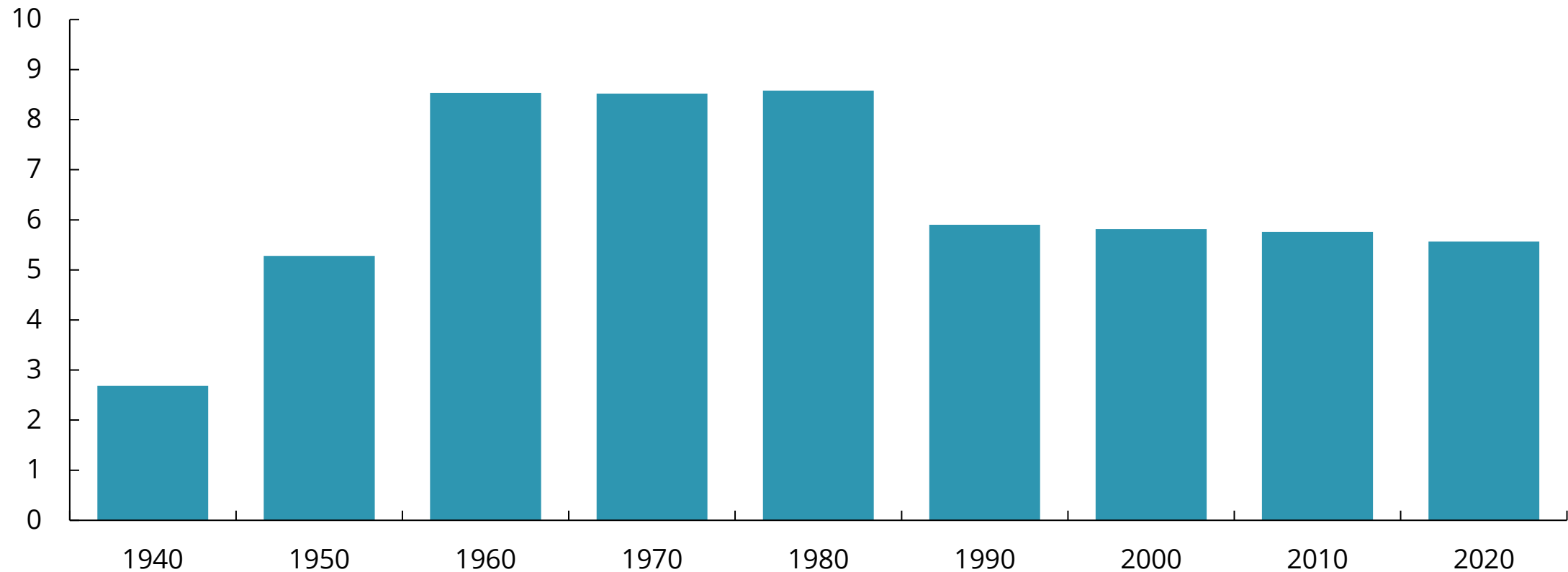


Source: Statistics NZ, Sense Partners.

Not enough houses



Residential Consents Per Capita by Decade

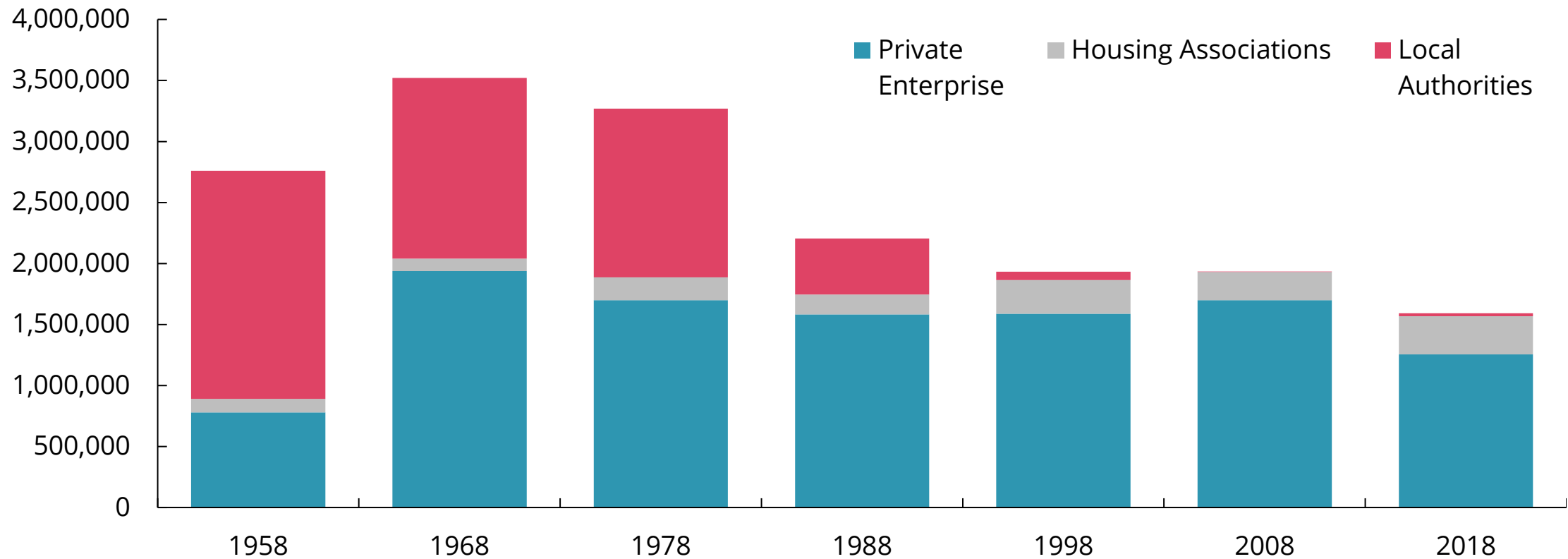


Source: Statistics NZ, Sense Partners.

We aren't alone

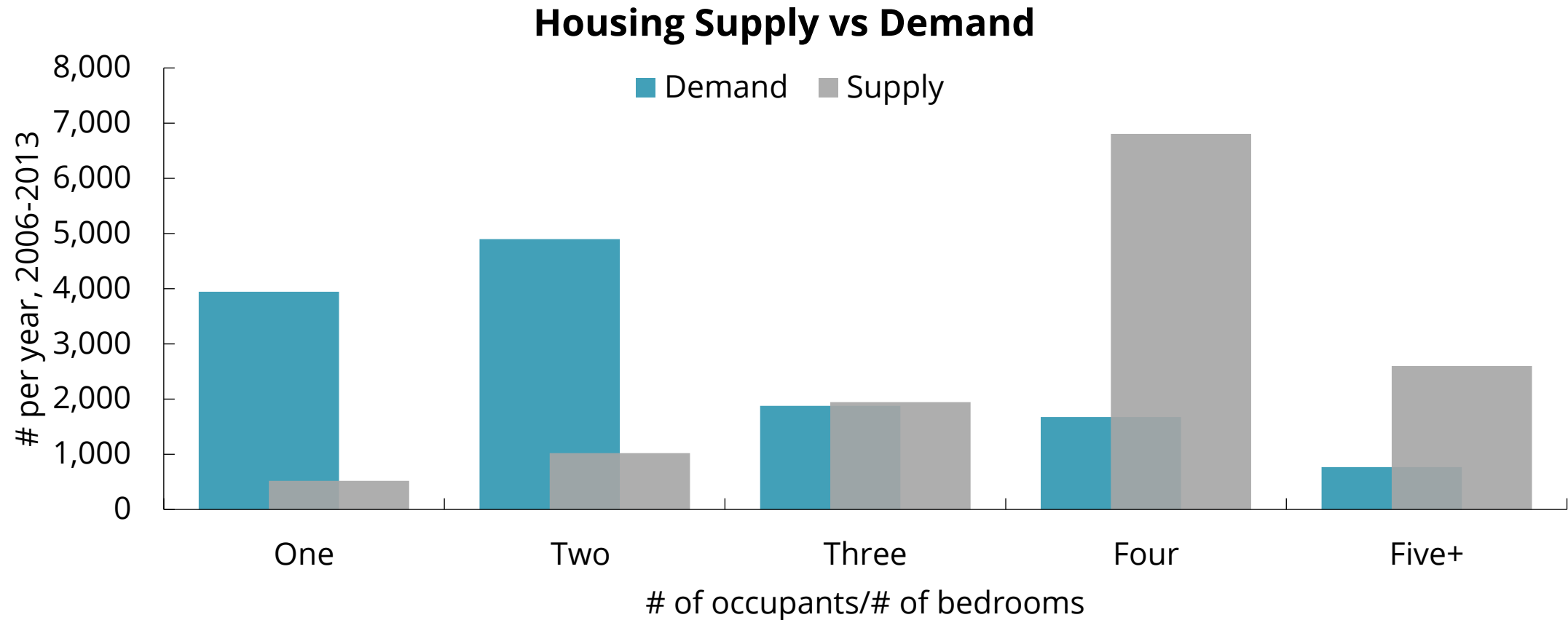


UK Housing Supply by Decade



Source: ONS (DCLG Table 241)

Building the wrong sort

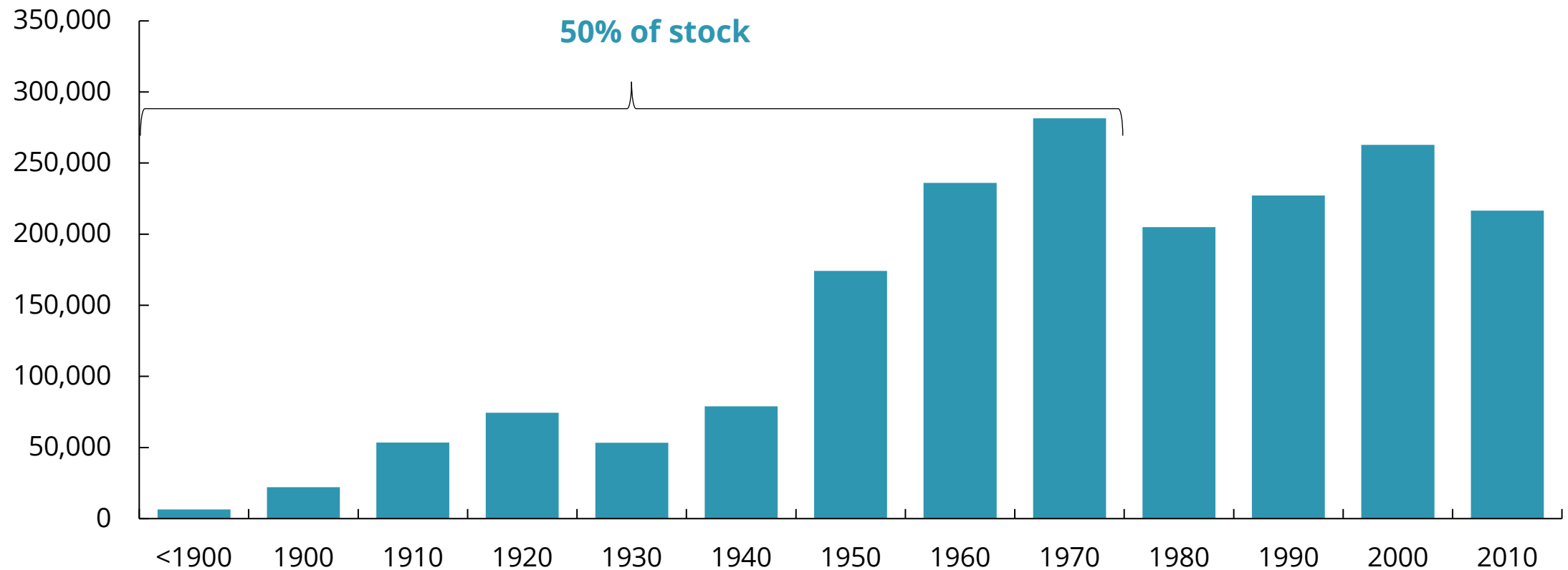


Source: Statistics NZ, Sense Partners.

Long legacy



Housing stock by decade built

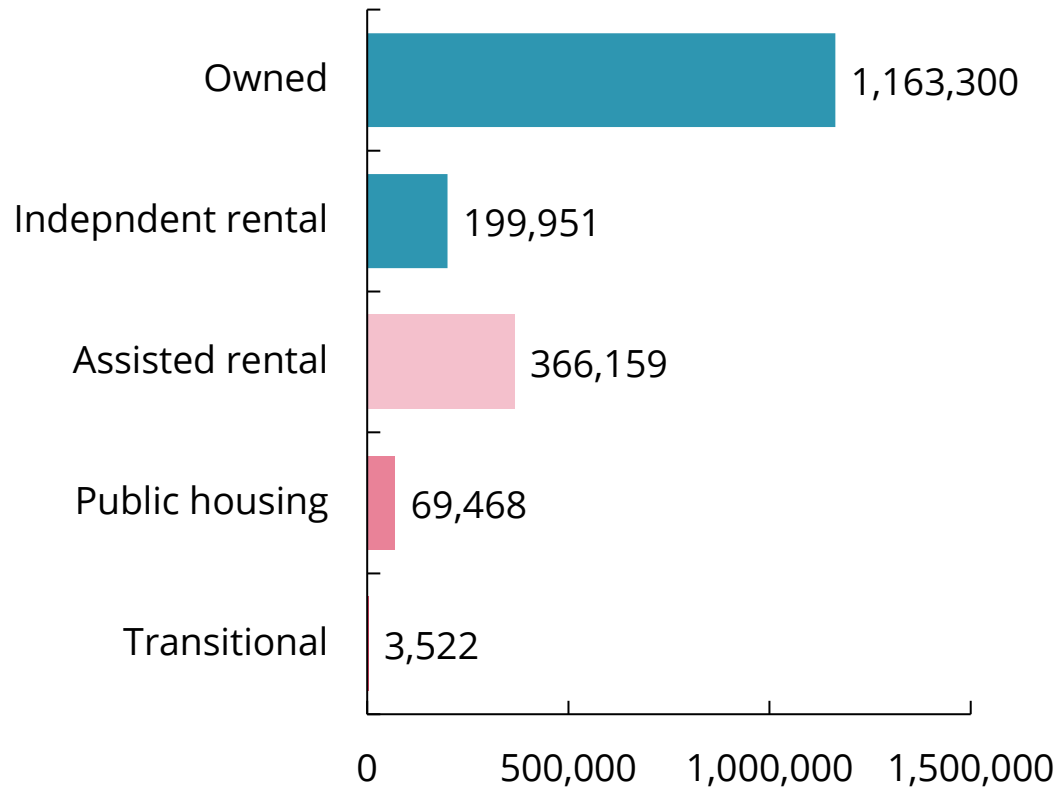


Source: Velocity, Sense Partners

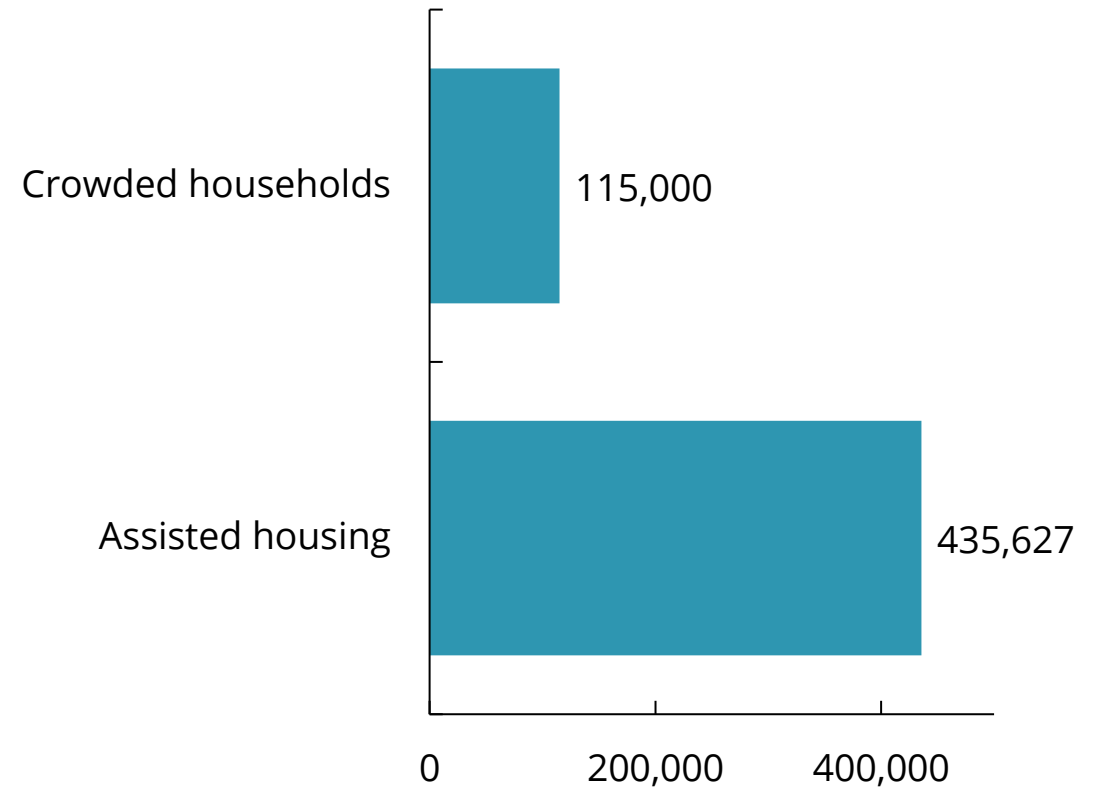
Response needs to be across continuum



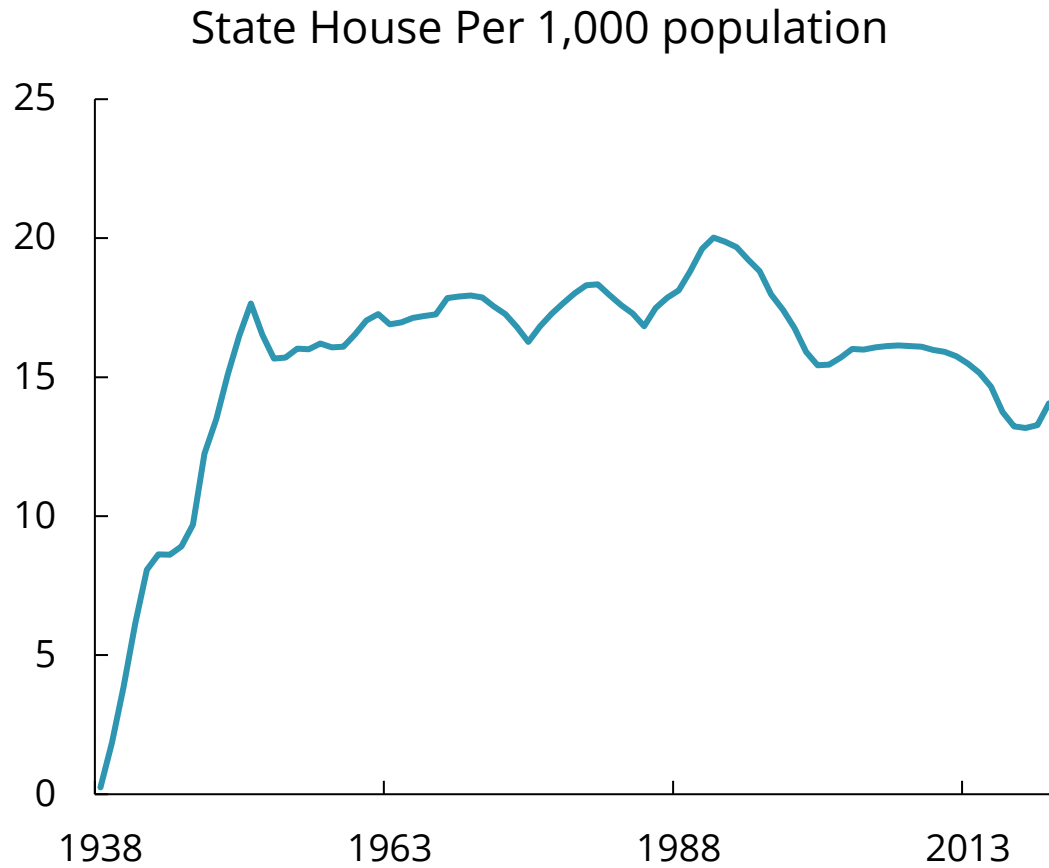
Housing Continuum



Stressed Households

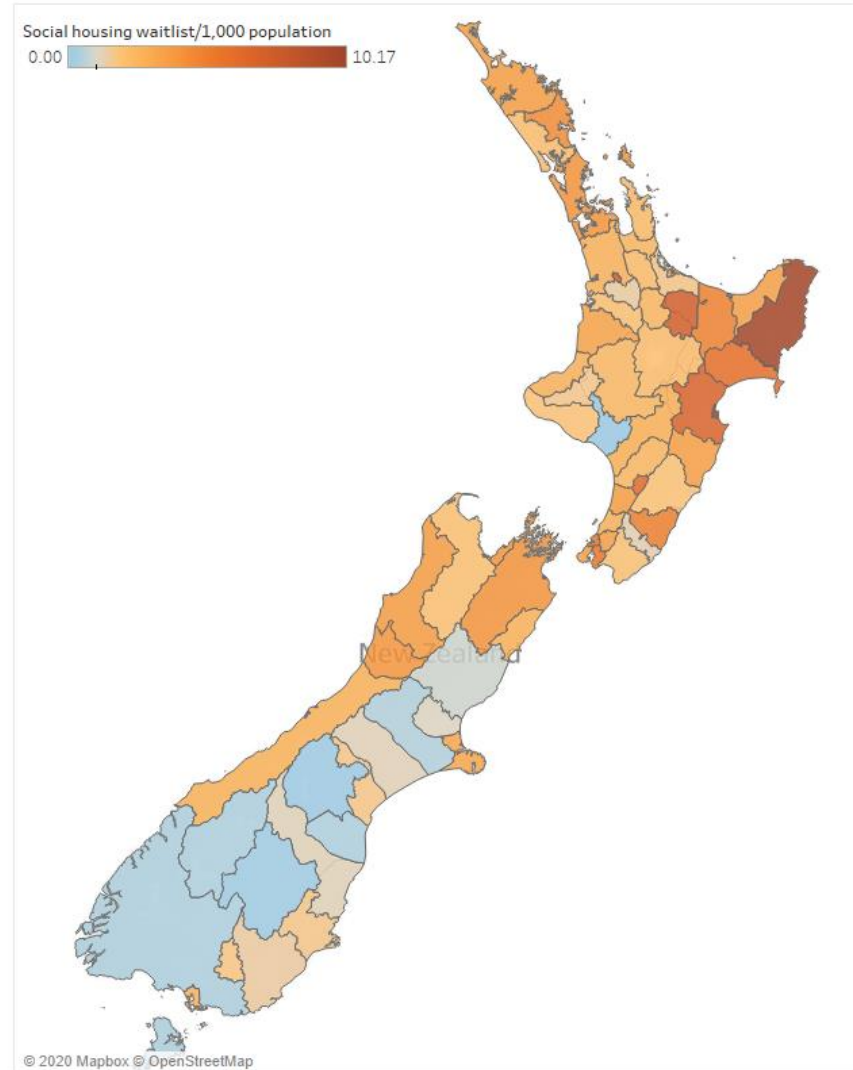


Poor & vulnerable hardest hit



Source: Te Ara, HNZC, Statistics New Zealand, Sense Partners

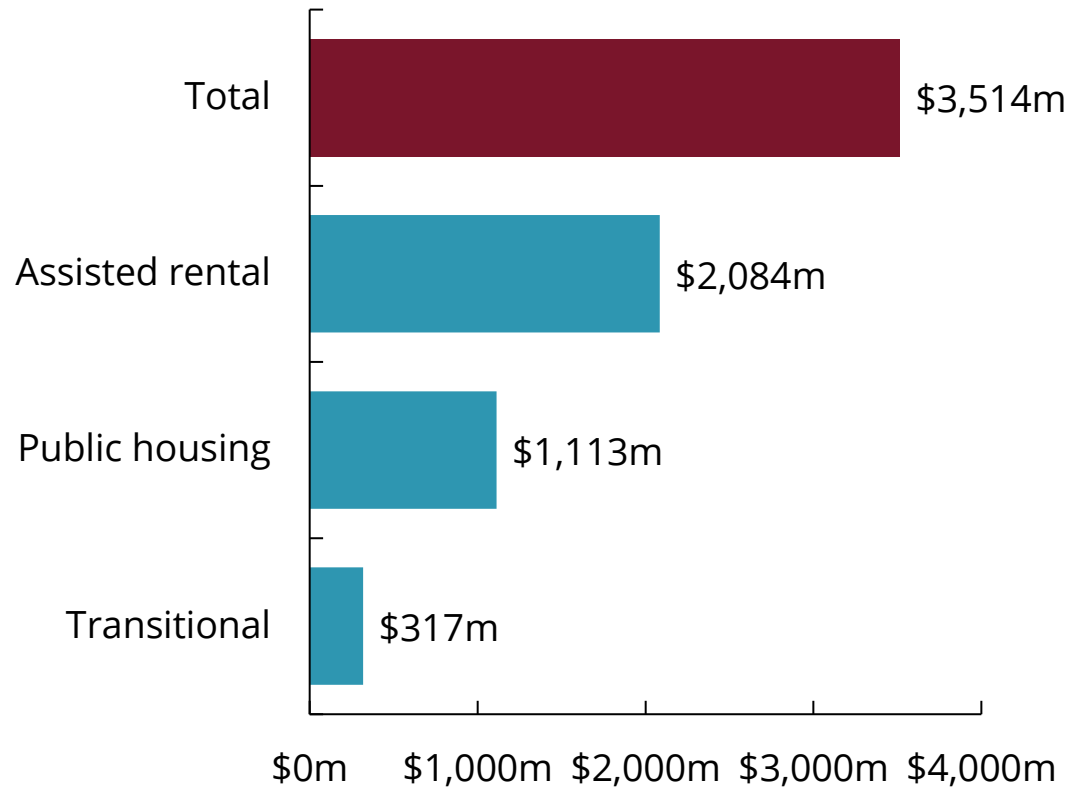
Social Housing Waitlist by TA



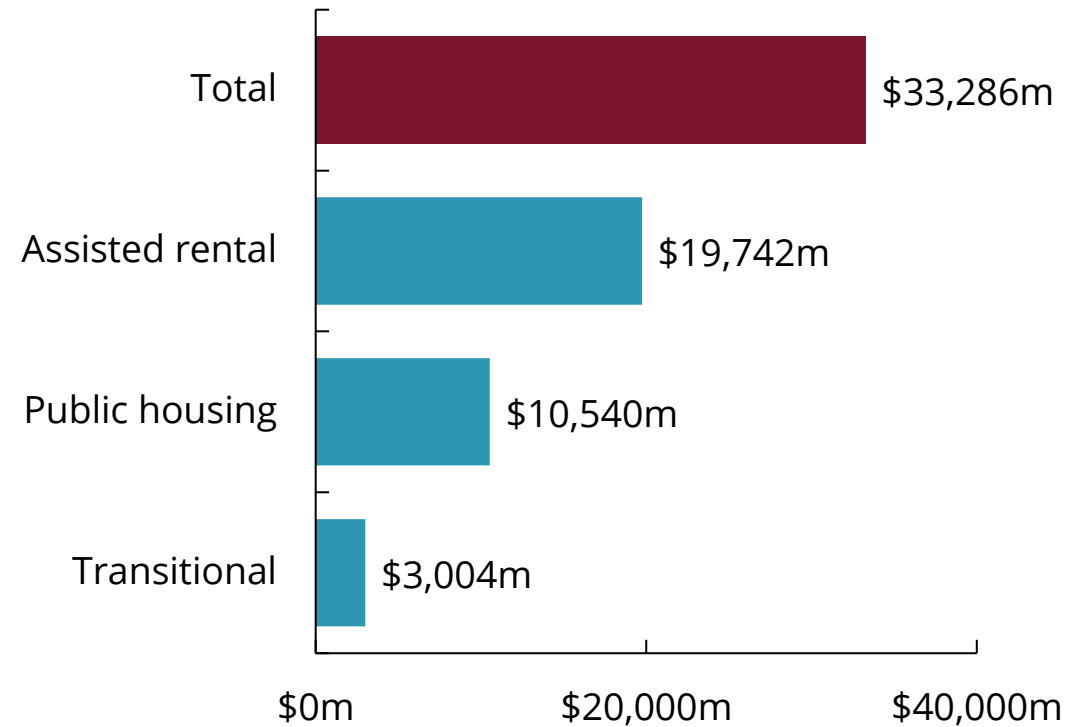
We spend a lot of money on housing



Annualised Spend in June 2020



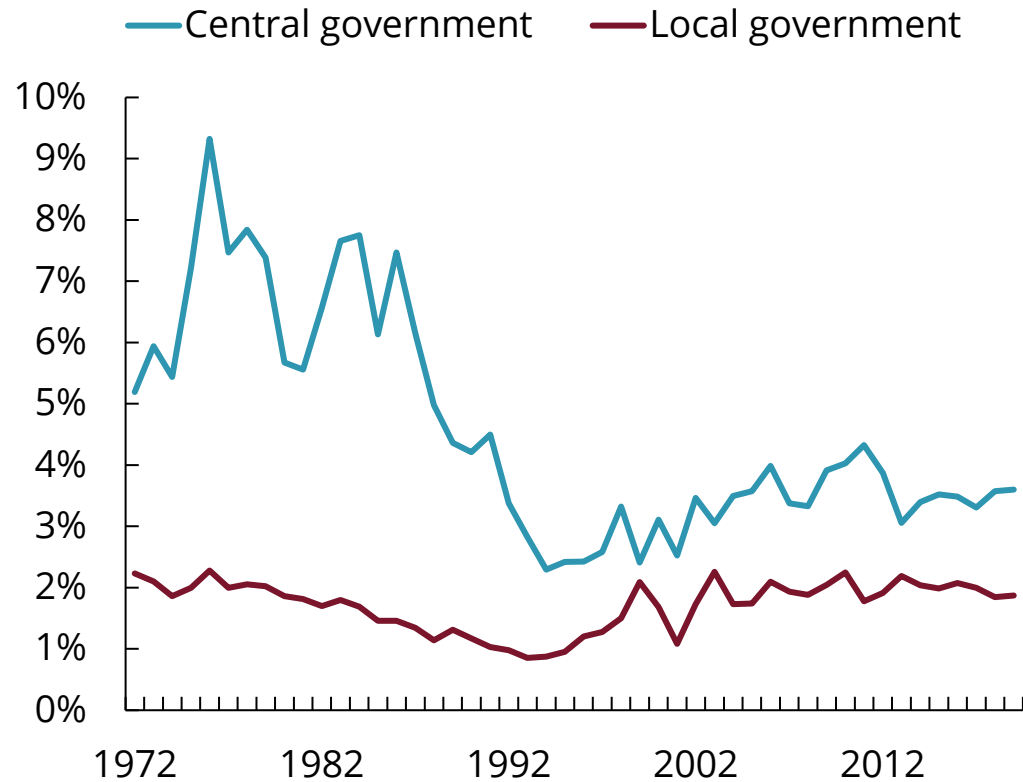
Capitalised Cost, at 1% Coupon repaid over 10 years



Not enough infrastructure

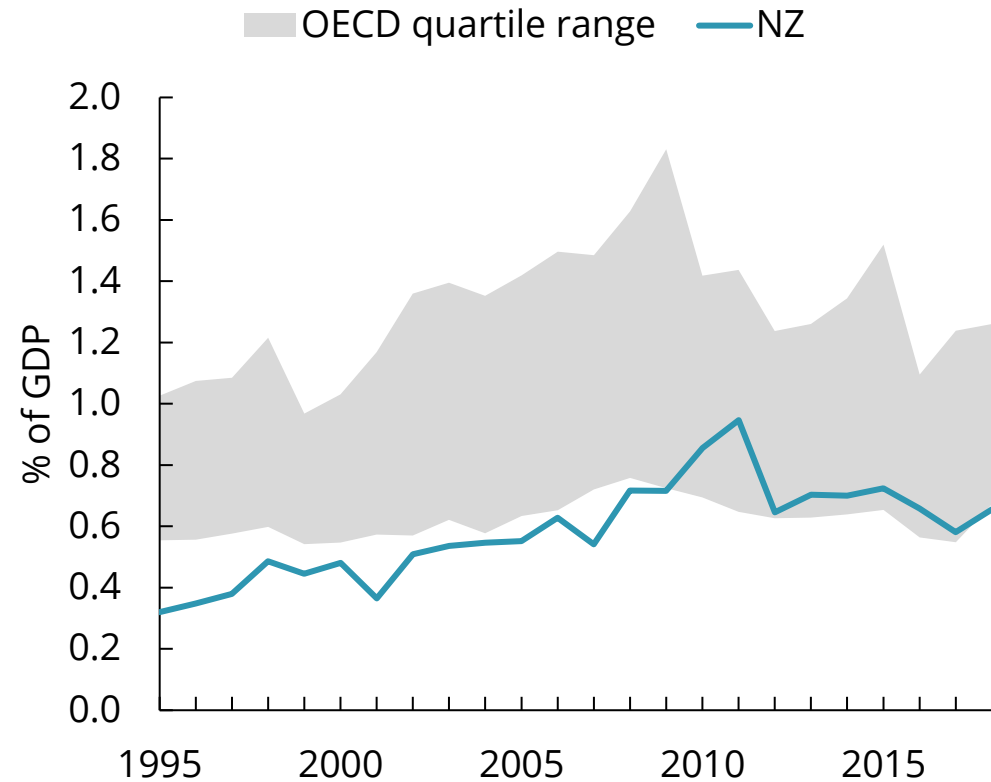


Investment Share of GDP



Source: Statistics NZ, Sense Partners.

Infrastructure Investment

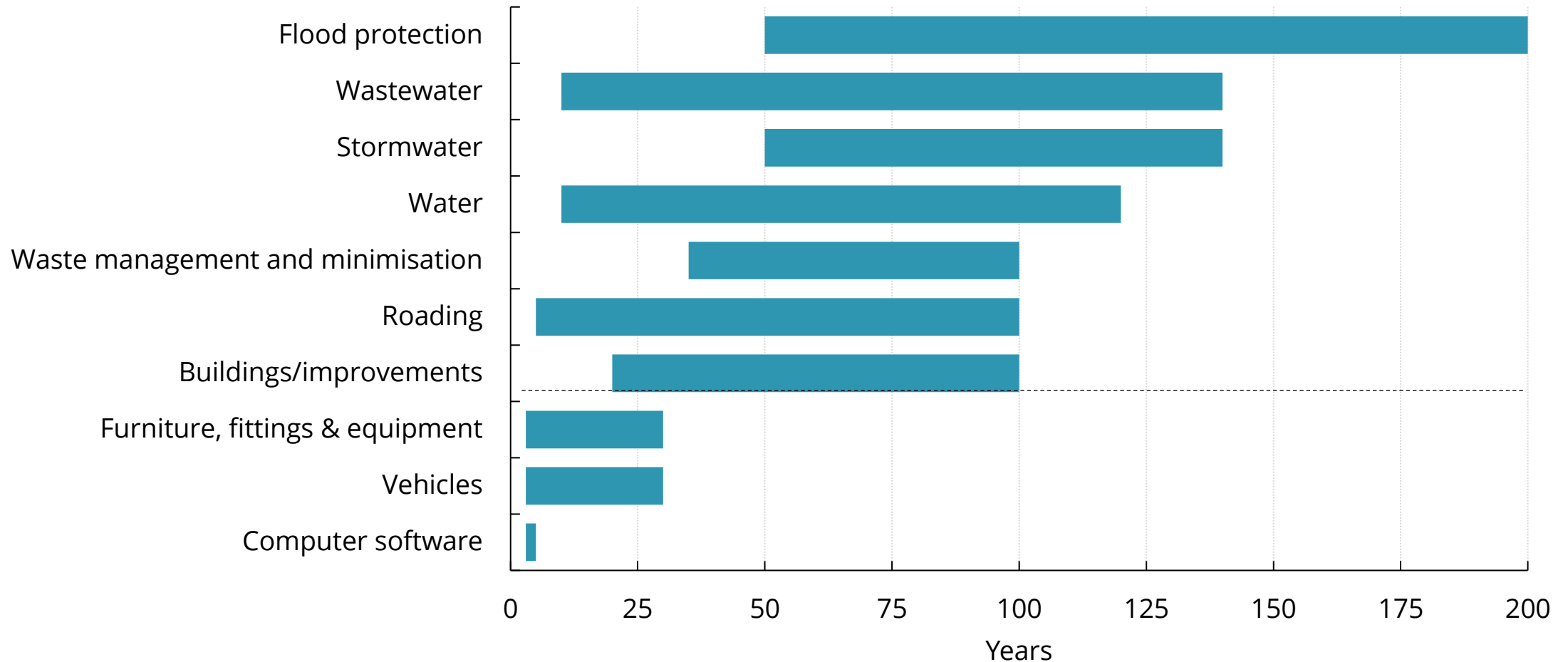


Source: OECD, Statistics NZ, Sense Partners.

Path dependency



Estimate Useful Life of Built Environment Components



Source: New Plymouth District Council, Sense Partners



Making structural change

We know what policies, but how?

Sweden's million homes: grand vision; right values



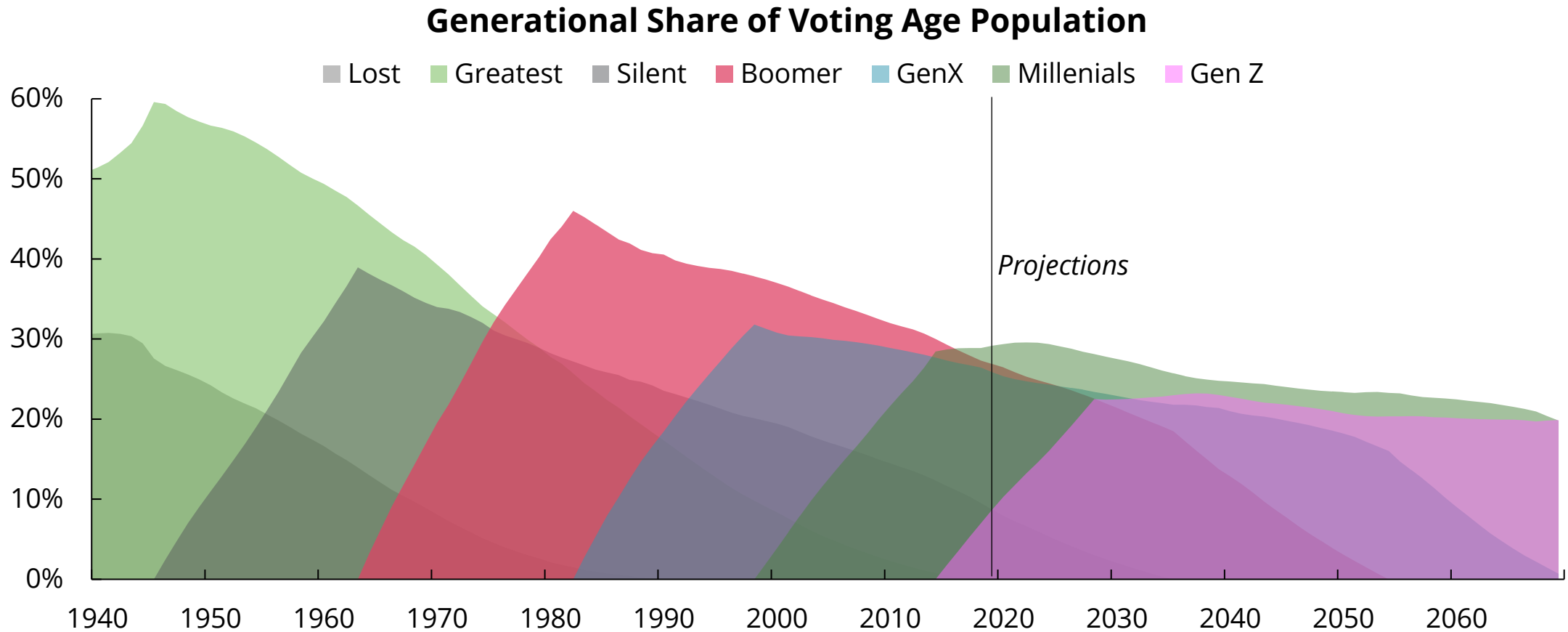
- 1 million homes built; population 8 million
- **Generous state loans** and large-scale **industrialised construction**.
- **Shortage of labour** was a serious obstacle to increased construction volumes and **rising wages** lifted building costs.
- **Standardisation** and **prefabrication** were favoured by state support, prepared through a series of government inquiries.
- Local authorities' **provision of land** for new development was facilitated
- Houses built were of **mixed tenure** and **mixed typology**
- Moved from under-supply to **over-supply**.



What we need to do

- Build more homes
 - State houses
 - Retained affordable houses (IZ)
 - Build to rent
 - Small, close to amenities & good quality
- Sort out planning, infrastructure and finance
- Actively favour prefab
- Sort out banks & taxes
- Ownership a goal for later.

Political economy: 51% of adults rent!



Source: Statistics NZ, Sense Partners



So what do we do?

What

- We know what we need to do
 - Policy tools well understood, but political will lacking
- Ultimate goals:
 - Change social norms
 - Change political view across spectrum
- How? Individual vs collective

How

Individual	Collective
Align your values Change personal behaviour Influence your workplace Influence your MP Influence your industry body Influence minister	Price externalities Regulate Monitor and enforce Incentivise good behaviour Communication & education

Thank You.

