

New Zealand's housing affordability crisis worsens

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13 May 2016

The Real Estate Institute of New Zealand (REINZ) released figures on April 12 showing the median Auckland house price rising above \$NZ800,000 for the first time, to \$820,000. Auckland home prices have more than doubled in the past decade and climbed 13.6 percent in the past year alone.

While this housing bubble is focused in Auckland, houses are overpriced throughout New Zealand. The national median price increased by 64 percent in the past decade to \$495,000. With 70 percent of household net wealth held in housing, there are growing warnings from the Reserve Bank and economists that any sudden, significant drop in prices could endanger the economy.

Yet, while it lasts, the bubble is a bonanza for the small minority who own large amounts of property. This includes members of parliament, two-thirds of whom own two or more houses. None of the political parties are proposing substantial measures to address the lack of affordable housing.

The political establishment has instead scapegoated foreign buyers. Last month Prime Minister John Key, in response to pressure from the opposition parties, raised the possibility of imposing a land tax on overseas buyers if data, to be released in coming weeks, shows a significant level of sales to foreigners.

The opposition Labour Party has used the housing crisis to promote anti-Chinese xenophobia. In July 2015, Labour's housing spokesman Phil Twyford told TV3 that a "tsunami of Chinese investment" was looming and called for a total ban on foreign buyers purchasing New Zealand homes. The Maori nationalist Mana Party and the anti-immigrant New Zealand First joined Labour in scapegoating Chinese immigrants and investors.

The claims by Labour and its allies are false. Official

data released this week shows that in the first three months of 2016 only 3 percent of house sales were to overseas tax residents. Less than 1 percent were to Chinese residents. Some of these overseas-based buyers are likely to be New Zealand citizens who live abroad.

A ban on overseas-based buyers would simply reduce competition in favour of local capitalists. Bank lending restrictions on overseas buyers in Australia have done nothing to stop soaring house prices.

The attacks on foreigners are intended to divert legitimate anger over widening social inequality in a reactionary, nationalist direction. The singling out of Chinese investors is also an expression of Labour's strategic alignment with Washington's drive to war with China. The National Party government, while no less supportive of the alliance with US imperialism, has been wary of making direct attacks on China, which is New Zealand's second largest trading partner.

There are more than enough resources to build high quality, affordable housing for all, but this cannot be done under the profit system. In response to the global economic breakdown that began in 2008, the ruling elites in every country have increasingly turned to parasitic means of wealth accumulation, including speculation on property markets.

According to housing researcher Philippa Howden-Chapman, 25 years ago "around 30 percent of new homes coming onto the market were priced in the lowest quartile." Today, that figure is 5 percent. The proportion of households renting a home increased from 26.2 percent in 1991 to 35.2 percent in 2013.

A growing section of society is struggling to afford basic needs. Rents have increased amid a wave of job cuts and austerity measures, including cuts to healthcare and welfare. In the first quarter of 2016, the

Salvation Army reported a 9 percent growth in demand for food parcels, compared with a year ago, which the charity blamed partly on rising housing costs. The charity estimates 300,000 children live in poverty.

The Accommodation Supplement, a welfare benefit paid by the government to around 300,000 people (60 percent of renters) to help meet housing costs, has not been adjusted since 2007, when its level was based on 2005 rents.

The Salvation Army states that in 2015, rents were 15 percent higher in real terms than in 2005. According to property management company Crockers, in the three years from 2012 to 2015 alone, the national median rent for one- and two-bedroom homes rose by 16 percent. In some urban areas the rise was over 20 percent. In Christchurch, both house prices and rents have risen approximately 50 percent since the 2011 earthquakes.

Hundreds of thousands of people live in overcrowded conditions, including 99,030 people in working class South Auckland, and one quarter of all Aucklanders aged 20 to 24, according to the 2013 census.

The quality of many rental homes is extremely poor. An estimated 12 percent of children live in houses with serious cold, damp and mould problems, leading to 40,000 child hospitalisations each year. Tenants are increasingly insecure and vulnerable to landlords' discrimination. The average stay in rental property is reportedly between 11 months and two years, making it impossible for many households to put down roots in a community.

As part of its assault on the working class, the government plans to sell over 1400 state houses in Invercargill and Tauranga this year. In March, 2,800 Auckland state houses were transferred to the Tamaki Regeneration Company. This corporation is jointly owned by Auckland Council and the government, but works in partnership with private "development, investment and housing services partners." Several tenants protested against the transfer, calling it a step toward privatisation.

Housing NZ properties are usually provided to tenants at income-related rents. Their occupants include some of the poorest and most vulnerable families. The latest attack on state housing began in 2014 with the ending of the long-standing "house for life" policy. The government has so far removed 600 state house tenants

who were deemed to be earning enough to pay market rents, and 3,000 more tenancies are being reviewed. In 2014, several Glenn Innes state-house residents, many of whom lived there for decades, were evicted in line with moves to gentrify the harbourside Auckland suburb.

The government's Social Housing Reform Programme aims to transfer up to one-third of Housing NZ houses to government-designated "community housing providers," which can include charities, Maori tribal businesses and other for-profit businesses. While the government claims privatisation will benefit tenants, in reality it will provide a windfall for investors. They will buy state houses at below-market rates, and receive government payouts in the form of the Income Related Rent Subsidy.

The Labour Party claims to oppose the privatisation plan. Successive Labour and National-led governments, however, are responsible for downsizing and under-funding public housing. The 1991–1999 National government sold about 11,000 state houses and introduced higher market-based rents for remaining tenants. The 1999–2008 Labour government re-instated income-related rents, but retained the corporatised structure of Housing NZ, requiring it to operate along business lines and deliver annual dividends to the government.

Labour increased the state housing supply by just 9,000 properties. Today there are only 68,000 houses owned or managed by Housing NZ, compared with 69,928 in 1992, prior to National's sell-off, despite the population increasing from 3.5 to 4.5 million over that period.

The authors also recommend:

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