New Zealand housing crisis intensifies under Labour government

John Braddock
15 February 2019

Fifteen months into the New Zealand Labour Party-led government's term in office, the country's housing crisis is worsening, affecting wide sections of the population.

Last month Prime Minister Jacinda Ardern was forced to admit that initial targets for her government's flagship KiwiBuild housing program could not be met, with just 47 of 1,000 homes promised by July built so far.

Housing minister Phil Twyford said there would be a "recalibration" of the policy, but he expects to have 300 new homes built under the scheme by July.

After four decades of market liberalisation under successive Labour and National Party-led governments, and a deepening assault on jobs and living standards, tens of thousands of people are being denied the basic social right to decent, affordable housing.

According to the latest Demographia International housing affordability survey, New Zealand house prices rank among the most unaffordable in the world. Auckland, the country's main city, has the world's seventh most expensive houses and all other NZ cities are defined as "severely unaffordable." Property is priced out of reach for a greater percentage of the population than in the United States, Britain and Australia, with only Hong Kong less affordable than New Zealand.

The problem has worsened under Labour. The annual report, which compared median house prices with median incomes across cities in seven wealthy countries and Hong Kong, found that New Zealand's median house price last year was 6.5 times the median income, up from 5.8 a year earlier.

Auckland house prices have almost doubled since 2009 amid the global frenzy of property speculation following the 2008 international financial crisis. In December 2015, Auckland, a city of just 1.6 million people, had 62 suburbs, a third of the total, where houses cost more than $NZ1 million on average, including the $2 million suburb of Herne Bay.

Meanwhile, according to figures based on the 2013 census, around 40,000 people, or nearly 1 percent of the population, live without adequate housing. A 2017 Yale University study found this was the highest level of homelessness in the OECD.

Private sector investors have driven housing costs to grotesquely unaffordable levels for the vast majority of workers, as wages have fallen and living standards deteriorated. Home ownership has become impossible for many workers and rents have skyrocketed, fuelling widespread social distress. Young couples are unable to purchase homes and many families live in garages, vehicles and unhealthy overcrowded conditions.

The crisis of unaffordable housing has become a factor in driving workers' struggles, including a wave of strikes over the past 12 months.

According to a housing stocktake commissioned by the government last year, rents for a three-bedroom house rose 25 percent between 2012 and 2017, while wages rose just 14 percent. In the capital city, Wellington, property values in working-class suburbs leapt more than 50 percent in the past three years.

Students needing accommodation have been hard hit in Wellington, where 30,000 students are competing with young professionals and families priced out of the property market. The median asking rent for a Wellington house increased 8.2 percent in the past year, reaching $565 a week in January 2019. Labour's increase in student allowances and the amount students can borrow for living costs—amounting to just $50 extra per week—prompted many landlords to immediately hike rents by the same amount.

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Labour's 2017 election manifesto heavily promoted KiwiBuild as a policy that would tackle the housing crisis by working with private developers to build 100,000 "affordable" homes in 10 years. The houses were purportedly designed for first-time home buyers who earn below $120,000 for singles and $180,000 for couples. Workers earn nothing close to those incomes.

The promise was always a hollow fraud. Far from being a public housing program backed and organised by government, KiwiBuild is based on the assumption that the "market" will provide the solution. There is no state subsidy for families to buy KiwiBuild houses. The government simply acts as a guarantor to facilitate properties built by the private sector. Local governments have been pressured to open up new tracts of land while regulatory measures have been eased.

Even the government's latest much-reduced goal remains doubtful. The country is half a million housing units short of demand. The gap between housing demand and completed new builds has grown every year since 2013. Shamubeel Eaqub, a housing economist, said the scale of the problem is such that it would take decades to fix, regardless of whether the government could accelerate KiwiBuild.

Many of the KiwiBuild homes are already languishing on the market, with working class people finding $525,000 for a two-bedroom home unaffordable. The Demographia survey classes a house as affordable if the median price is up to three times the median wage—making KiwiBuild houses "severely unaffordable" for most.

Housing Minister Twyford told reporters: "No government in the last 40 years has seriously tried what we are trying to do, and that's change a failed market." In fact, Labour has no intention of "changing the market." As Shamubeel Equab explained: "It is not profitable to build houses for poor people… The government is telling builders to use exactly the same processes we have in place now, but build cheaper houses." This is why "very few" builders have participated in the scheme.

Twyford claims that the government has built 1,000 new public housing units, separate from the KiwiBuild initiative, to cater for poor people. These have, however, housed only 1,800 low income tenants, while more than 11,600 people and families still languish on public housing waiting lists.

Like governments in the US, Europe, Australia and throughout the world, the Labour-led coalition meanwhile is seeking to divert working class anger over social inequality, including the lack of affordable housing, into the most reactionary channels.

Last August, in a policy aimed particularly at Chinese investors, the government, which includes the Green Party and NZ First, banned purchases of houses by non-citizens and non-residents. Finance Minister David Parker declared that New Zealanders "should not be tenants in our own land." House prices should be "set by local buyers, not by the wealthy 1 percent from international markets." Foreign buyers in fact account for only around 4 percent of house sales.

The KiwiBuild fraud is a further demonstration that the working class cannot give any credence to Labour's rhetoric of "transformation" and "kindness." There is an urgent need to spend billions of dollars to create genuinely affordable housing. The fight must be taken up, in opposition to the Labour Party and its allies, for high-quality housing for all as a fundamental social right. This requires the reorganisation of society along socialist lines, including the nationalisation of the banks and investment giants that have profited from the housing boom.

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