

New Zealand housing crisis worsens under Labour government

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Nearly two years into its term in office, and ten months after Prime Minister Jacinda Ardern declared that 2019 would be her Labour Party-led government's "year of delivery," one of New Zealand's major social issues—housing—is embroiled in an escalating crisis.

New Zealand and Canada are two countries with the most unsustainable housing markets in the world, according to Bloomberg. They have the highest cost of housing compared with wages, beating Australia, the UK, Norway and Sweden (which are all vulnerable), and the highest house price to rent ratio. Housing costs have soared due to rampant speculation, overwhelmingly by wealthy NZ-based investors.

The biggest city, Auckland, population 1.65 million, is the focus of the housing bubble, with average prices over \$900,000. Between 2013 and 2018 Auckland's population expanded by 11 percent, while the number of private dwellings increased just 6.5 percent. In 2017, the Ministry of Business Innovation and Employment put Auckland's housing shortfall at 44,738 homes.

Meanwhile, tens of thousands of investment properties sit empty, with their value steadily increasing. Census figures show last year there were 33,360 unoccupied houses in Auckland alone, an increase of 6,000 (18 percent) compared with 2013.

Due largely to the construction of apartment blocks, rental supply is far outstripping new owner-occupier dwellings. Nevertheless, there is still a desperate shortage of rental properties in the major cities.

The number of rentals increased 25 percent over the past decade while home ownership went up just 5 percent. Every year since 2013 the gap has grown, with 9,725 completed homes in 2017 compared to an estimated increase in demand of 18,007.

In a country where home ownership has, since the 1930s depression, been considered essential to

maintaining decent living standards, 35 percent of households now live in rented accommodation. The number of those renting under 65-years-old doubled between 2013 and 2018. Statistics NZ data indicates that owner-occupiers now come almost exclusively from the upper salary bands, above \$84,500 per annum.

In the capital, Wellington, the demand for rental properties has this year pushed median weekly rents up by \$60 to \$540 per week. The \$60-a-week increase equates to \$3,120 more over 12 months. The inner city, where students are largely concentrated, has the highest median weekly rent at \$575, up 15 percent on last year.

Working-class areas are equally squeezed. The *Dominion Post* reported in July that a two-bedroom property in Lower Hutt, "priced in the low \$400s," was one of the Wellington region's most in-demand rental listings: it attracted 76 enquiries in its first two days.

Nationwide, median weekly rents hit \$500 in April for the first time, a 5.3 percent increase over the previous year. Last month, the number of people waiting for public housing grew to more than 13,000, a record number, despite a \$50 million increase in government emergency accommodation funding.

This increase in funding has proven totally inadequate to addressing the worsening crisis. At least 40,000 people, one in 100, are homeless, but the May budget only provided funding for just over 1,000 new emergency housing places. While the state's Housing NZ remains the largest residential landlord, with 60,000 properties, successive governments have not only failed to maintain an adequate supply of decent social housing, much of it has been sold off.

The *New Zealand Herald* reported last month that many Auckland landlords are charging the government exorbitant amounts of money, often \$300 a night, to temporarily accommodate homeless people.

Beneficiary advocates told Radio NZ that landlords are “profiting” off the homeless while offering none of the support that proper public housing needs. One owner was charging \$2,100 per week for a three-bedroom suburban house in South Auckland.

Another temporary government scheme to place homeless people in motels, introduced three years ago by the previous National Party government, has seen thousands of families stuck in makeshift accommodation for up to a year. Last month 3,000 homeless families were staying in motels.

Radio NZ reported on October 4 that 80 percent of transitional homeless are from households affected by job losses and redundancy, family breakdowns and other ballooning social issues.

While in opposition, Labour and its right-wing coalition partner NZ First repeatedly scapegoated foreigners, especially Chinese immigrants, who make up just 4 percent of the population, for the housing crisis, low wages and other social problems. They vowed to cut migrant and foreign student numbers by up to 30,000 a year, or 40 percent. The first item on Labour’s legislative agenda was to ban foreigners buying houses, which had nothing to do with addressing the overall crisis, but was calculated to stoke anti-Chinese xenophobia.

The government’s main response to the escalating housing shortage was its Kiwibuild scheme, which promised to build 100,000 “affordable” new homes in 10 years. The plan did no more than underwrite private developers to build houses and sell them for profit, quickly proving to be a debacle.

By mid-2019, only 79 new homes had been built, most of them priced at \$500,000 or more—well beyond the reach of ordinary families. Housing Minister Phil Twyford was sacked and his replacement, Megan Woods, recently announced the “overly ambitious” targets will be dropped. The government will now focus, she said, on “building as many houses as we can, as fast as we can, in the right places.” A new \$400 million fund was established for “alternative” home ownership schemes such as rent-to-buy.

To appease big business, Ardern announced in April that the government would ditch another major election promise to implement a modest Capital Gains Tax on property sales. New Zealand, Turkey and Switzerland remain the only OECD countries to not tax capital

gains in some form. Income earned from share speculation and the inflation of property prices remains exempted from tax, while wages are not.

Asset rich shareholders, landlords and speculators have exploited the crisis, and the government’s pro-business policies, for their own gain. The top 10 percent of the population owns 70 percent of assets while the bottom 70 percent have only 10 percent. The bottom 30 percent of income earners have just 1 percent. Property investors are prominent in a recent *National Business Review* “Rich List,” which shows the country’s richest people have a combined \$90 billion in total wealth, up from \$81 billion in 2018.

The response of New Zealand workers has been to launch a series of strikes against austerity and rising living costs over the past year, propelled in no small part by the housing question. Voicing widespread demands for pay increases of 18 percent or more, tens of thousands of nurses, teachers, health workers and others have taken strike action. These struggles have been betrayed by the trade unions that have enforced settlements of 3 percent or less, only serving to exacerbate the growing social catastrophe.



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