

# New Zealand government policies worsen housing crisis

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28 February 2021

On February 25, New Zealand's finance minister Grant Robertson took the unusual step of instructing the Reserve Bank to "take into account the government's objective to support more sustainable house prices" and affordability when setting monetary policy.

The statement directed to the central bank is an empty gesture, which will do nothing to halt out-of-control housing prices and rents. It indicates growing alarm in ruling circles about anger in the working class over the escalating housing crisis.

Robertson was warned in early 2020 that the Reserve Bank's policies of ultra-low interest rates and quantitative easing, which the government fully supports, would push up house prices and worsen social inequality. Since March the central bank has been printing up to \$100 billion dollars to buy bonds from commercial banks, in order to protect their profits during the economic crisis.

Since the Labour Party-led coalition was formed in 2017, every measure supposedly aimed at making housing more affordable has proven to be a fraud. Labour initially promised that its KiwiBuild scheme would deliver 100,000 "affordable houses," in partnership with private developers. By October 2020, however, it had built only about 600 houses. These were typically priced at over \$600,000, well beyond the means of most working people.

The Organisation for Economic Co-operation and Development's housing affordability report in January, based on data from 2019, said that over half of the poorest 20 percent of NZ workers "spend more than 40 percent of their disposable income on rent or mortgage payments."

Just 64.5 percent of households own the house they live in, the lowest level since 1951. Quotable Value, a

state-owned property valuer, reported the average house in Auckland was worth \$1.2 million at the end of January. The national average was \$815,898, up 12.96 percent from a year ago.

Trade Me Property, the main property-listing website, reported that in January Auckland rents reached an all-time high of \$590 a week. In the working-class area of Porirua, near Wellington, median rents were \$680, a sharp increase from \$595 just two months earlier.

Last month, over 2,000 families joined New Zealand's public housing waiting list, bringing the total to almost 22,500. More than 8,000 households in need of a home joined the list in 2020.

The government's new "Public Housing Plan 2021-2024" states that it will fund 6,000 extra state houses, mainly in the North Island. In total, including promises made in 2018 and 2019, the government says it will increase the public housing supply from 67,200 in 2018 to 81,300 in 2024, and fund 6,641 "transitional" units for short-term occupation. Even if these numbers were to be achieved they would not be enough to meet the present level of need, let alone provide for the thousands more families joining the wait-list every year.

The government has not embarked on a major program of house building. On February 24, *Stuff* reported that only half of the 6,850 "new" public housing places added in the three years to June 2021 were newly-built houses. The rest were existing houses that the state has "leased, bought in the private market, or sourced from councils and community providers."

Monte Cecilia Housing Trust chief executive Bernie Smith told *Stuff* the public housing plan will create 4,323 housing places by 2024 in Auckland, despite there being 7,823 applicants in the city. People would continue "being pushed into homelessness and

poverty” if nothing was done to “subdue the rapidly increasing house prices and rents.”

There are increasing reports of people living in desperate conditions. On February 23, *Newshub* reported the shocking case of a sole mother in Gisborne “living in a tent with her six children,” the youngest just three months old. “There’s nowhere to cook, their laundry is piled into bags—to say life is tough is an understatement,” the report said.

In September last year, the most recent figures available, there were more than 4,000 households with at least one child living in motels, which the government is using as “temporary” housing. Hundreds of families have been in motels for longer than a year.

A few minor policy adjustments will do nothing to alleviate the financial burden on tenants. The Residential Tenancies Amendment Act came into force this month, described by *Stuff* as “the biggest overhaul of tenancy laws in thirty-five years.” The main change is that landlords can no longer end tenancy agreements before the lease expires without showing cause, unless they want to sell the property or a family member wants to live there.

Privacy Commissioner John Edwards has also announced a crackdown on landlords and property managers sharing information such as tenants’ bank statements to see how they spend their money, and circulating “bad tenant” blacklists on Facebook.

Landlords and property managers are still able to push up rents every year, including for run-down properties. Tenancy Services recently reported it was investigating a “windowless room” with two beds advertised in Auckland for \$160 per bed per week. Wellington City Council is reportedly investigating “a glorified garden shed” listed on Trade Me for \$390 a week. Such cases are increasingly common.

Green Party co-leader and associate housing minister Marama Davidson continues to posture about the need for a “fairer tax system” to discourage speculation in housing. The Greens, however, are a coalition partner in the Labour-led government which has ruled out any tax on capital gains or any significant wealth tax.

Many investment properties are sitting empty, creating artificial scarcity and further pushing up rents. According to Statistics NZ, the ratio of houses to people has remained the same for the last three decades: one house for every 2.7 people. Yet there are

nearly 200,000 unoccupied houses nationwide and 40,000 in Auckland alone, 7.3 percent of the city’s total. Since 1990, meanwhile, the median house price has risen from around \$200,000 to \$730,000.

For years the Labour Party, the right-wing nationalist NZ First Party and Maori nationalist Mana Party falsely blamed the housing crisis on immigrants and foreigners, especially Chinese people. This xenophobic propaganda was aimed at diverting class tensions and aligning New Zealand with US war preparations against China.

Following the 2017 election, the coalition of Labour, NZ First and the Greens banned foreigners from buying houses. Since then, speculation and profiteering in the housing market has only intensified, driven by NZ-based investors. The crisis is the product of capitalism, which is defended by every party in parliament.



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