

Housing Issues in Auckland. David Haigh

Recently, I went to hear Alan Johnson (Salvation Army Policy Analyst) speak on the topic of housing, and how Auckland got itself into this mess. Here are some of my thoughts on the speech. Alan Johnson started by asking how Government is failing Auckland and came up with four key points:

- Making promises that are not real promises.
- Failing to come up with genuine ideas that will work.
- Failing to understand Auckland and the governance of Auckland
- Being guilty of not caring.

The Minister of Housing, Nick Smith promised through laws and policies the speeding up of planning and building consents to create 39,000 new dwellings. So far he has delivered 102 in special housing areas. In addition, by putting pressure on Auckland Council staff to speed up resource management and building consents within the Auckland Housing Accord, it has meant that other consent applications go to the back of the queue – a classic Zero Sum Game.

Policies promoting high migration into Auckland, plus the availability of mortgage finance (through global liquidity) has resulted in increased demand for housing. But government is not building more houses and is reliant on the private sector that has little interest in providing the less profitable affordable housing. Government's finances have benefited due to high migration but the costs have been borne by others such as NGOs and local government through the provision of services, housing, and infrastructure. Migrants are not to blame; rather the blame rests with Government policies that do not consider and deal with the negative consequences.

All this does not mean that houses are more affordable. Affordable housing can be defined as being less than the median house price. But the price of houses in Auckland has risen to \$720,000 (median in 2015). The real measure should link the house price to wages. This measure is now equivalent to 12 years of average wages and rose by 4 years in one year.

The Productivity Commission sees the problem being resolved by

de-regulation. But de-regulation in the past resulted in the 'leaky building' syndrome. A problem that has caused so much trauma and one for which we are still paying. The Productivity Commission fails to see that local government faces enormous costs in the provision of infrastructure such as water, roads, transport, community facilities etc. and needs to raise finances to pay for these services. Increased migration means greater housing demand, which means increased infrastructure costs for local government. In short the externalities are left for someone else to pay, a policy position that is unfair and illogical.

An additional problem is that more and more houses are unaffordable due to the size of houses being built. Marx had this to say on such developments:

“A house may be large or small; as long as the surrounding houses are equally small, it satisfies all social demands for a dwelling. But if a palace rises beside the little house, the little house shrinks into a hut.”

Housing is also a status symbol and the market is fulfilling the market demand for mansions, rather than building ones based on housing affordability.

Alan Johnson maintained “Housing in Auckland is like playing musical chairs – when the music stops someone always misses out”.