



## *Affordable housing – Tough problems, tougher solutions*

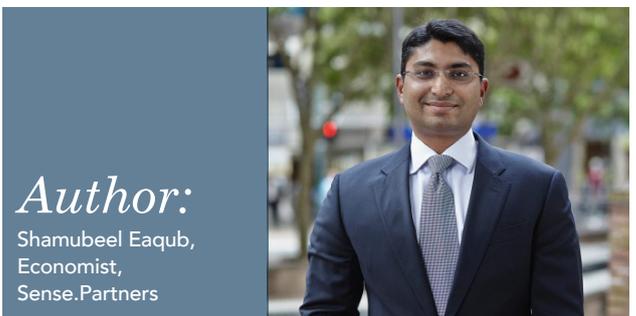
Breaking down New Zealand's housing crisis into bite-size problems and viable, if not easy, solutions, Shamubeel Equb, economist at Sense.Partners, argues that New Zealand is long overdue for a dramatic shift in mind-set.

Unaffordable housing is not a unique problem internationally, nor is it new. The problems have been brewing for decades and many of the solutions have been proposed for an equally long time and widely discussed.

Despite this acknowledgement of the issues, the solutions have either not been implemented or not been implemented well. The United Kingdom, Australia and Canada, the countries we look to for policy direction, have all had successive property booms that have led to severely unaffordable housing. The frustrations in New Zealand are mirrored in other places.

New Zealand and many of the other countries facing severely unaffordable housing have also experienced the challenges of slow housing supply in the past, notably in the post-war period. Back then, the government response was highly interventionist.

The state, either directly or through local authorities, built lots and lots of houses. It also created housing assistance programmes to get more people into ownership. We stopped doing that since the 1980s. In the last four



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decades, we have built at a much slower rate than the previous three decades. If we had maintained the pace of building, we would have built 480,000 more houses – there would be no housing shortage.

Such an interventionist approach is no longer consistent with the dominant political thinking on the workings of an economy, which is based on incentives, competitive forces and a well-functioning market. This belief runs deep, and the ideology has become theology. The response to a housing crisis is to insist that we must just get the incentives right and the market will respond. However, even if this is the case, it will take a long time for this approach to work – as we have seen from the last two and a half decades of slow house building.

We also know from history that a direct intervention, by building a large supply of new housing on poorly used

land or by increasing social housing, would meet many needs. However it would not be a lasting solution as we still need the broader market to be responsive, otherwise the problems we have now will simply repeat in the future.

In New Zealand, as elsewhere, the ultimate difficulty in tackling the housing market lies in finding the political consensus and the persistence needed to push through changes that will adversely affect current property owners (who vote and act as a vocal lobby group), in favour of a more equitable situation for future generations (who do not yet vote and have little representation).

If we are to solve New Zealand's housing crisis, the public must be united in their understanding of the issues, the outcomes we are working towards and the policies that will be needed to bring about this solution.

Without a shared vision and common purpose, fractured politics will lead us down the path of pitting one generation against another. We have to have a mature conversation about what values we favour, what we will do and how we will stick to the work-plan, because the solutions will take a generation to implement. The solutions will also be complex, because they have to simultaneously increase housing affordability over time (because home ownership is important to New Zealanders), while improving rental conditions for those who choose to or are forced to rent long-term.

To expect an easy and quick solution is delusional. Equally, however, to despair of the task, to argue that it is too hard and that we can do nothing, is a road to ruin.

To expect our political leaders to do the right thing is of course ambitious. Since the 1990s, successive governments of various political leanings have presided over a long erosion of housing affordability. Courageous leadership on housing is clearly needed, but absent. Politicians at once want to increase prices for home-owners and reduce prices for renters who want to own. Politicians are also home-owners, like their voter base (parliamentarians on average own two homes each).

Young people, of whom many are not yet voting or are disengaged (just over half of the non-voters (eligible to vote) in the previous election were aged under 40), do not have a strong voice in political discourse and are disadvantaged by New Zealand's housing policies. The interests of future generations, those not yet born or too young to vote, are arguably not represented at all. So, if we

are to expect leadership on housing, those New Zealanders who are engaged will have to understand the issues better and use their political power.

More than half of the country are now renters: that is a powerful constituency for change. Our aim should be to inform that growing desire for change with our understanding of the issues, consequences and solutions.

Since our housing problems have been caused by many different factors, accumulating over time, they cannot be fixed by a single policy change. There will not be "one solution to rule them all". The first set of solutions – palliative in their nature – will be to provide better conditions for Generation Rent – making renting better, in other words.

The second set is about taking the heat out of the market in the current cycle, by using levers to control demand: raising interest rates, reducing credit availability, creating a more responsive construction sector and perhaps restricting migration and limiting foreign buying. But these cyclical measures, though useful, will only buy us time. All through the cyclical "downs" and "ups", prices have steadily trended upwards because of underlying policy errors.

The real fixes, and the hard work, will come from correcting structural problems: slow land supply; expensive infrastructure provision and a broken model for its funding; taxes that favour housing; and policies that encourage banks to lend more for housing.

Picking off these policies in ones and twos, however, will not help. They need to be delivered as a package – only then can we begin to unwind the accumulated pressures of the broken policies of many decades.

*Shamubeel Eaqub presented at RMLA's recent #Liveable2017 conference in Auckland. To view his recorded presentation, please visit: <[www.rmla.org.nz/events/webinars/](http://www.rmla.org.nz/events/webinars/)>.*