



Housing and politics

Political parties are announcing their housing policies in an environment that's becoming increasingly grave.

This week a Goldman Sachs report said New Zealand's housing market is the 'most over-valued' among developed nations and risks a severe correction.

Housing is a big issue for us, not least because of increasing evidence that housing inflation is now the main reason for poverty and inequality.

How to afford a home of your own amid heavy price escalation is a pressing concern for many New Zealanders.

Inflated house prices don't just affect home owners and house-hunters. They affect businesses too, increasing costs of business accommodation and making it harder for employees to live near their place of work. Higher accommodation costs take resources away from productive enterprises, making business itself less productive and efficient. They incentivise investors to put capital into non-productive assets, worsening the situation.

We need a housing market that can respond rapidly to increased demand, allowing more houses to be built quickly.

Would the housing policies of the two main parties help ease the supply constraints that are causing an overheated market?

National's housing policies tend to focus on the supply side - an Auckland housing plan to increase density, special housing zones, an infrastructure fund, first-home buyer grants, authorities with the power to override district plans and a programme of government-supplied housing. These are worthwhile supply policies but can take a long time to bear fruit.

Labour's policies focus on both supply and demand. Labour would build 100,000 houses over 10 years, ban house purchases by foreigners, remove negative gearing for rentals, enlarge the bright line test for house sales, set up an affordable housing authority, and in Auckland remove the urban boundary limit. Again, some worthwhile suggestions but with some questions about deliverability.

I don't believe demand side measures are particularly effective and when poorly designed can create other problems - for example the Reserve Bank's loan to value restrictions on investors unnecessarily pushed Auckland's challenges into other parts of the country and reduced the availability of funding to build more.

While we all understand the pressing need to "do something", most of the policies from both parties probably won't fix the housing shortage. The reality is that there are no easy or quick fixes to the housing problems we're currently facing. They are the result of decades of under-investment and a long run of strong economic growth in New Zealand (not a bad thing!). They will take time and money to fix.

What would make a considerable difference though is a broader political consensus for changing our planning laws to make them responsive and fit for purpose for urban development, while ensuring our iconic rural landscapes remain as pristine as possible.

This was the key recommendation of collaborative research undertaken by EMA, the Environmental Defence Society and others recently.

Changing the Resource Management Act – which currently allows councils to write overly restrictive planning requirements in their district plans – is needed to prevent the kind of over-regulation that has caused Auckland's housing shortage.

And changing the Local Government Act – which allows councils to undertake a wide range of activities without clearly requiring them to prioritise provision of infrastructure – is needed to provide roads, water connections and other infrastructure needed for new housing development.

Getting consensus on planning laws among political parties would require them to forgo politics in favour of progress and ensure New Zealanders get the housing, communities and economic growth they deserve.

That might be a bit much to ask for in an election year, but voters should be demanding it anyway.

Kirk Hope khope@businessnz.org.nz