



WON'T The Issues Politicians Talk About ... but that need **our voices** and **our vote!**

The unfolding housing crisis

There is an unfolding social disaster in the New Zealand's fastest growing cities scarcely being acknowledged by the media or politicians. This social disaster is the growing housing shortage, especially in Auckland, and lingering issues around leaky homes. On top of these problems, New Zealand households struggle with a legacy of high housing-related debt and overpriced houses.

Auckland accounts for nearly half of all New Zealand's population growth, but just one quarter of the new homes being built. Over the past three years, Auckland's population has grown by over 63,000 people, yet just over 10,000 new dwellings have been built—meaning that the city is short over 10,000 houses.

Experts estimate around 42,000 leaking buildings in New Zealand, but there may be as many as 110,000.^[1] One estimate of the total cost of the repairs of leaky buildings is around \$11 billion. Perhaps as much as half this cost will fall on taxpayers and ratepayers, and it is also possible that many leaky homes will remain unrepaired and slowly deteriorate into unhealthy slums.

New Zealanders owe over \$170 billion in mortgages on their houses which is 86 per cent of the total economy or our GDP. Ten years ago we owed \$68 billion, or just 57 per cent of our GDP. Much of this borrowing came from overseas, and as a result, New Zealand's overseas debt rose nearly \$120 billion over the past decade.

This deluge of debt has simply fuelled house prices, with the median house price more than doubling over the past decade. As a consequence, housing has become more and more expensive for first-time home buyers and home-ownership rates have fallen. This fall has been aided by tax policies that favour existing property owners, and easily available debt that allows those who already own property to buy up lower-valued houses as rental investments. To some extent, this rental investment has been propped up by Government housing subsidies to low-income households that have now grown to \$1.8 billion annually.

We, therefore, have the worst of all worlds when it comes to housing. Housing is too expensive for up to a quarter of all households to afford without Government assistance. Much of the housing is poorly-built and now needs further public subsidies to repair. The country is massively indebted because of the mountain of debt households have accumulated over the past decade in order to buy houses, and the global recession is creating housing shortages in high-growth cities.

Recently the Government has acknowledged there is a crisis and has undertaken some restructuring of the way it delivers affordable housing. Increased involvement by community housing organisations is seen as part of the solution. Progress, however, is slow, and it is uncertain whether the solutions proposed will be sufficiently comprehensive to provide real solutions for those in need. These problems have been a decade or more in their creation so it is not likely that we will see quick solutions. It may even take a generation to re-balance the scales so that housing is affordable and available to lower-income New Zealanders. The first step to resolving these problems is an appreciation by all politicians of the extent of the problem and a willingness to begin debating solutions.

¹ *Price Waterhouse Cooper (2009) Watertightness—estimating the costs*

Questions to think about before you vote:

- What were the main contributors to New Zealand's present housing crises?
- Who benefited and who lost from the changes around housing over the past decade?
- Should The Salvation Army be more involved in partnering with Governments to provide housing?
- What are the implications of the current housing crisis for the generations aged under-30?

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