

# HOUSING AFFORDABILITY 2020

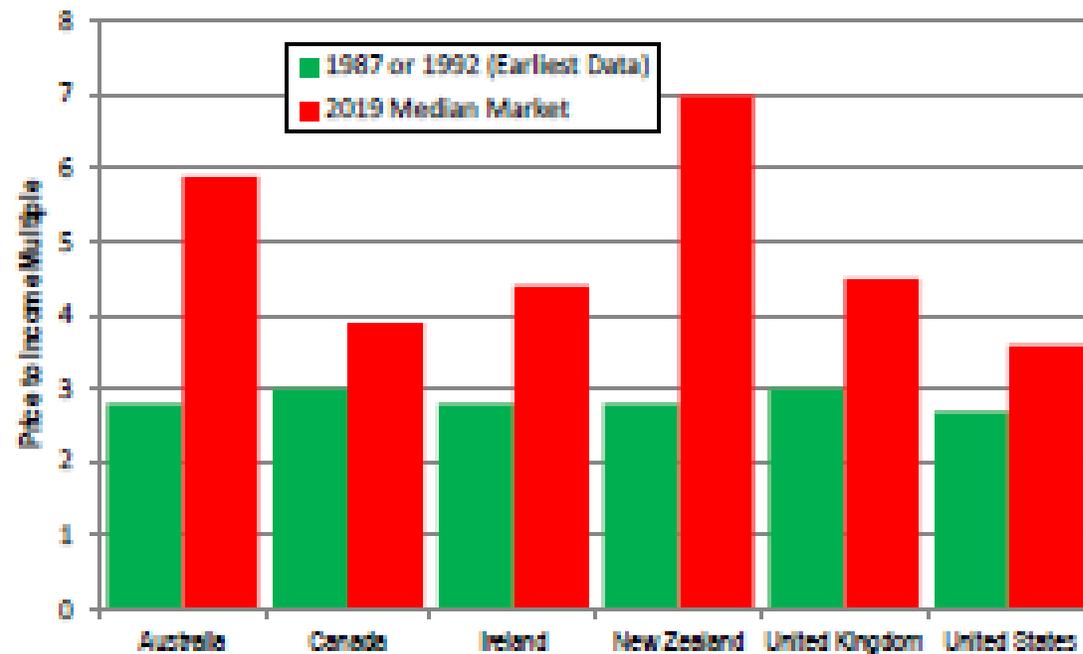
# NZ Housing market is “Severely Unaffordable”

- 16<sup>th</sup> Annual Demographia International Housing Affordability Survey
- Rating middle-income housing affordability – data from Q3 2019
- Sourced from REINZ and Statistics NZ
- Uses ‘Median Multiple’
- Median house price divided by the median household income

**Table 1**  
***Demographia International Housing Affordability Survey***  
**Housing Affordability Ratings**

Housing Affordability Rating	Median Multiple
Affordable	3.0 & Under
Moderately Unaffordable	3.1 to 4.0
Seriously Unaffordable	4.1 to 5.0
Severely Unaffordable	5.1 & Over
Median multiple: Median house price divided by median household income	

## International House Price to Income Ratios 1987/1992 TO 2019



Source: See Notes on Figures

Figure 1

**Table 4**  
**Housing Affordability Ratings by Nation: Major Housing Markets**

Nation	Affordable (3.0 & Under)	Moderately Unaffordable (3.1-4.0)	Seriously Unaffordable (4.1-5.0)	Severely Unaffordable (5.1 & Over)	Total	Median Market
Australia	0	0	0	5	5	6.9
Canada	0	2	2	2	6	4.4
China: Hong Kong	0	0	0	1	1	20.8
Ireland	0	0	1	0	1	4.7
New Zealand	0	0	0	1	1	8.6
Singapore	0	0	1	0	1	4.6
United Kingdom	0	3	10	8	21	4.6
United States	10	23	9	14	56	3.9
<b>TOTAL</b>	<b>10</b>	<b>28</b>	<b>23</b>	<b>31</b>	<b>92</b>	<b>4.3</b>

# Least Affordable Major Housing Markets

	Median Multiple
• Australia	6.9
• New Zealand	8.6
• China/Hong Kong	20.8

# Threat to Middle-Class Living Standards

OECD notes:

“House prices have been growing three times faster than household median income over the last two decades.”

These higher housing costs are a threat to the middle-income lifestyle, because they reduce discretionary income and thus, the standard of living.

# Threat to Middle-Class Living Standards

As a result, adult children can no longer depend on having higher incomes than their parents in New Zealand.

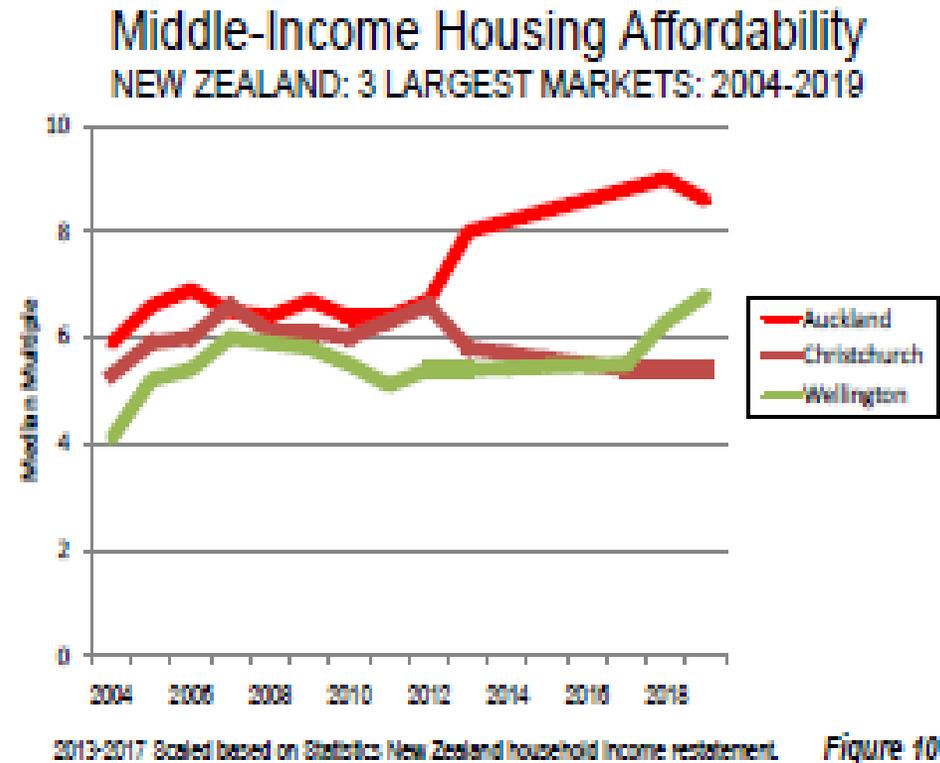
It is not surprising that there is increasing concern about income inequality.

“The current generation is one of the most educated, and yet has lower chances of achieving the same standard of living as its parents”

Millennials will be the first generation to be worse off than their parents since the 1800s

# NZ Largest Housing Markets

- Auckland 8.6 (ex-9 2018)
- Christchurch 5.4 (ex 6.1 2018)
- Wellington 6.8 (ex 5.6 2018)
- NZ early 1990's - sub 3.0



	Population	House price	Income	Median multiple				
				Jul-20	Jun-20	May-20	Jul-19	Jul-18
New Zealand	5,029,300	660,000	\$94,157	7.01	6.80	6.61	6.25	6.18
Wellington metro	487,700	696,000	\$101,528	6.86	6.76	6.71	6.36	5.72
- Kapiti Coast	52,700	695,000	\$88,837	7.82	7.11	7.41	6.72	6.44
- Porirua	56,100	762,000	\$97,214	7.84	7.16	7.22	7.38	6.38
- Upper Hutt	43,200	\$534,150	\$98,736	5.41	5.40	5.38	5.23	5.07
- Lower Hutt	104,700	610,000	\$99,752	6.12	6.73	6.60	6.01	5.55
- Wairarapa	40,800	465,000	\$72,361	6.43	6.16	5.90	5.52	4.08
- Wellington City	212,700	806,000	\$112,950	7.14	7.32	7.42	6.89	6.40

# What is causing rising house price unaffordability?

- Covid19 refugees returning from overseas – sometimes buying sight-unseen
- Low interest rates
- Investing in housing rentals seen as better bet than investing in businesses (which provide jobs for people)
- Inflated land prices & Lack of land released for public housing
- High Council infrastructure levies – ‘Development Contribution’
- Past immigration policies

# My Viewpoint

The next Government must:

- Step in to make Councils free up/acquire land for affordable homes development (both green and brown fields), and reduce costs.
- Re-visit tax policy to put residential housing investment on a level playing field (asset tax?)
- Re-think the tourism & hospitality business model

SO THAT

We can look into our kids and grand-kids eyes and say we left them a better financial future, instead of a nation of renters and hospitality serfs.