

Peter Thompson: Status quo not among Auckland's options

Peter Thompson, Managing Director, Barfoot & Thompson Posted 7 December 2015



Those who hold the view that the blame for the rapid rise in Auckland house prices can be placed at the feet of foreign buyers and speculators have had their position dealt yet another blow.

The Productivity Commission's report on *Using Land For Housing* released in early November pulls no punches as to what is the fundamental problem. It is the '*insufficient supply of land that is ready for housing*'.

The report makes the telling point that land makes up 60% of the value of all Auckland properties, compared to 45% for the rest of New Zealand.

SEE ALSO: Reserve Bank report challenges Auckland housing urban myths

If we apply that split to a home bought at October's average price of \$840,000 it means the house itself was valued at \$336,000 and the land \$504,000. The 15% margin we pay for land in Auckland over the national average of 45% would have added more than \$100,000 to the cost of the home.

Reports such as the *Using Land For Housing* are important if we are to have an informed debate as to the 'why' Auckland prices have reached the level they have, and the realistic and workable policies that need to be implemented to achieve change.

The Commission's report is naturally a weighty one (some 374 pages) and took more than 12 months to prepare. Only the most committed will read it. Fortunately, the Commission has produced a four-page *Cutting To The Chase* summary that is far more manageable. (See www.productivity.govt.nz)

The report's summary is hard hitting

It talks of high land prices and restrictive planning rules encouraging developers to build expensive homes and of inadequate land supply leading to landowners seeing more benefit in holding undeveloped land to earn capital gain.

It also makes clear its answers for meeting the demand for land for housing. None of them are short-term fixes, and all relate to rules and procedures around planning, and the provision of infrastructure.

While the report did receive a little publicity when it was released at the start of November, there has been limited public discussion on it.

Hopefully decision makers at both central and local government level will review its recommendations carefully as they move to solve the Auckland housing supply shortage. Aucklanders certainly deserve it being treated as more than 'just another report'.

A debate which has attracted far more publicity is the Council's discussions around the position it intends to take concerning 'intensification', which it will then put to the independent hearing considering the Unitary Plan.

The Council needs to resolve just how strong its views are on the issues of infill housing, and going up and going out.

It is a challenging path the Councilors are treading. While most of us accept that some change is inevitable, it is the extent of the changes that will affect our own neighbourhood that cause people the most concern.

Intensification may change the character of what are currently called 'the leafy suburbs'; school zones may be altered, affecting property values; views and site lines may be compromised; traffic congestion may intensify; and off street parking may become more difficult. They are all outcomes current homeowners don't want to see.

At the same time we need to remember that many of the major developments that have taken place around the City in recent years such as Stonefields, the Wynyard Quarter and Hobsonville Point to name a few all had their supporters and detractors. Yet today these locations are an accepted part of the fabric of our City. All were desperately needed.

A recent EY and Cameron Partners report estimated the Region's (not the City's) population grew by 44,000 people in the year ending June 2014, bringing the total population to 1.57 million people. They forecast the Region's population will increase to 2 million by 2033 (in 18 years) and to 2.2 million by 2043 (in 28 years).

While Auckland faces many options, with the level of growth predicted, the status quo is not one of them.

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