

# housing by the numbers

*In this first of two parts Patrick Snedden outlines the reality of our current housing situation in Auckland and suggests that tweaking policies and budgets is not enough. We need a profound disruption creating a fresh approach.*

Patrick Snedden

There's a stretch of green in central Auckland that's for sale. Under the new Unitary Plan it might be possible to build 10 houses on it. Each of these houses might manage a footprint of 150 square metres. They would be two storeys high with 120 square metres of internal living area including two–three bedrooms.

## **\$7,000,000**

The cost of the land and development would be about \$7million. It would house a maximum of 40 adults and children — if the plan could get off the ground in the first instance. The slimmest of profit margins would be built into the project cost to allow for anything unforeseen.

## **need \$140,000 deposit**

To finance this opportunity a prospective group of 10 first-home-owners would need to have the deposit capability in cash (or with their parents) to fund 20 per cent deposit — about \$140,000 per household. That would get your potential foot in the door only.

## **house and land - \$700,000**

Given that \$7 million is the cost of the whole development, the average cost per house and land package would be \$700,000. The funding cost of \$700,000, less the 20 per cent deposit, is about \$850 per week at 6 per cent over 25 years. Today \$700,000 plus is an average house purchase price in Auckland.

The weekly funding costs for the 10 houses is \$8,500. With a maximum of 40 people living in the houses this amounts, at least, to \$212 per person per week — woman, man and child.

## **mortgage \$1135 per week**

At \$850 per week after tax, assuming a tax rate of 25 per cent, this means that the household must earn \$1135 per week to pay the mortgage from their after-tax income. But they also need income to feed themselves and their children, to travel back and forward to work, to pay rates and insurance, to fund education and medical expenses and have some recreational spending if they could afford it.

## **need income of \$131,000**

Assume for a moment that \$1135 per week household income is 45 per cent of your income which is at the high end of viability for a household but you really want to take on this challenge. Then the other 55 per cent of your income would be \$1387 per week. Together the household income would be \$2522 per week, or \$131,000 per year.

## **few earn over \$50,000**

According to *Statistics NZ* in Auckland only one in four people aged over 15 earns \$50,000 or more per year. We would need nearly three of these “high paid” adults living in the same house to fund the house cost. Only one in 12 Aucklanders could fund the purchase of an average priced house on their own, spending just 45 per cent of their total income.

Quite simply the numbers are now clear. Today three out of four adults in Auckland cannot buy an average priced house, either on their own or even in the company of two other earners.

This situation gives a massive transfer of wealth to those in the top 8 per cent of earners who can buy and those who are already housed. This transfer of wealth directly benefits the rich and the elderly at the cost to

young families who remain unable to buy in the housing market.

## **so what is to be done?**

Clearly Governments of all stripes will tread carefully. They do not wish to disrupt dramatically those who benefit by some form of direct dispossession.



## our own home

Jonathan Melville

Homeless. The word might conjure up images of dirty, smelly people sleeping in alleys or under rail bridges. In reality for our family the word homeless described a gnawing knowledge that the place we currently resided in was only temporary. We always had a house to live in, we simply had no home. We rented.

As tenants we couldn't dream about developing the garden, or the children's playground or look forward to building that dream kitchen and guest room. Even more painful was watching the lion's share of our modest income evaporate in rent. Over time the dream of home

Small steps are the order of the day. Tweaks to the interest rate, new tax rules for buying and selling within short time frames are introduced, stricter lending controls are foreshadowed in the anticipation of a massive market correction. Even special housing areas are taking so long to be translated from green fields development to home ownership, that the market moves beyond reach yet again.

All this activity appears sensible on the surface but its actual effect is inconsequential. The policy settings of successive governments have facilitated the wealth transfer we experience today in Auckland and this new ownership state is now in place.

### profound disruption needed

We need a profound disruption to bring a degree of equity back into the housing market. Save for a market-driven collapse of land value, (that might help significantly), we have to play the cards that are being dealt.

We have to decide if we think it is a core value of New Zealanders that an average 21st century household is capable financially of the responsibilities and benefits of home ownership.

Is home ownership for the many as important and core to us now as women getting the vote was to our sense of gender equality, as core to our sense of social decency as the

introduction of social welfare, as expansive to our sense of nationhood as the creation of the Waitangi Tribunal and as economically brave as we needed to be to remove subsidy from our primary industries?

The disruption I describe must derive directly from an appeal to a value we hold dear. It must speak to us of a sense of social inclusiveness where home ownership digs down roots, grows equity and increases societal coherence. ■

*Patrick Snedden is a former chair of Housing New Zealand and works as a company director in Auckland.*

*Devonport Houses by Raymond Jennings www.raymondjennings.com [Used with permission]*



ownership slowly died.

In 2012 my Pastor asked if I had heard of Habitat for Humanity. They were building in the local area and he suggested we take a closer look at it. Contact was made and we went through the application process.

The Habitat selection committee had the task of deciding which of the 20-something families who had applied would get the next home. My wife and I waited, not daring to hope. But our children were adamant about what they thought the outcome should be. This came out in their prayers the night before the committee was due to visit with their decision: “Dear Lord, if there is a family who needs this home more than us please give it to them.”

I will never forget the day members of the selection committee visited to inform us our family had been

chosen. The long suppressed dream was going to become real. We were going to own a home.

The structure is fairly simple: Habitat provides a home upfront, and we purchase it at market value over a long period. Rather than a cash deposit we provide labour (sweat equity) of 500 hours. After 10 years a commercial mortgage is obtained to cover whatever is still to purchase from Habitat.

Our home was recycled from the red-zone in Christchurch and relocated to the new site. Once moved, the house was re-clad, renovated, insulated and double glazing was installed.

The best part was working alongside the teams of volunteers who donate their time to support Habitat’s vision of providing safe, warm, and affordable housing. The 500 hours of sweat equity went by very quickly and the

house had become a home long before we were given the keys. The last few days before the official dedication were a blur of painting, packing, planning, media interviews and disbelief that the impossible dream had come true.

The most noticeable difference is how warm it is in winter, and the children don’t get sick as much. And the confidence of knowing that this is an investment we can pass on to our children.

Our four-year-old son succinctly captured it on the day we moved in. With his big brown eyes wide in wonder he looked into mine and asked: “Can really we keep this house, will this be our home?”

“Yes, Son. We are home.” ■

*Jonathan Melville and family live in Kaiapoi.*