# doing housing together

*In his third article on housing Patrick Snedden describes how two collectives of first-home buyers were squeezed out by land prices. Undaunted, they look to the future and to what the Tamaki Redevelopment Corporation may offer.*

**Patrick Snedden**

I began this series of three articles in late May with "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 to three bedrooms." I laid out the funding required for a house and land package of $700,000 and described why this was impossible for more than three out of four Aucklanders. As if to underline the point the average house price in Auckland is now $786,000. I have been arguing for a disruption in that market.

### experiment one

In May I invited a group of potential first-home buyers to meet at my house with a number of sympathetic property professionals, to construct a plan to enter the housing market. Our intention was to test the difference that a coherent collective could make to increasing the chances of first-home buyers to be housed.

The "stretch of green" referred to was next door to our house. It was 1700 square metres. We formed a collective to bid for that land and take on the process of end-to-end development from raw land to turnkey. Typically the development process has four elements that drive the cost: the land purchase price, the consenting and subdivision costs related to preparing the land for title issue, actual building cost and finally, profit and risk.

We asked the question: "What might happen if a collective of first-home buyers formed a partnership supported by property professionals and took on the project and devolved the profit and risk element back into a lower purchase price? Could we reduce the final cost of the housing package by the first-home buyers doing it themselves?" Enthusiastically we submitted our tender at $3.2m ($1880 per square metre). The land sold for $4.1m ($2470 per square metre).

### experiment two

We were undaunted. The group had become energised into taking action on its own behalf. A second piece of land became available in West Auckland. It was 7000 sq metres — capable of housing 41 families. We widened the base of those interested and the group doubled in size and we also attracted investors prepared to be back-up in case we didn't get the numbers for the bigger project. We also agreed explicitly to the rules of the collective. In effect nobody would get housed until everybody was housed.

Now the proposition was becoming more refined and it contained a ten per cent social housing component making it attractive to Community Housing Providers and Housing New Zealand as potential investors.

The land we were chasing had been purchased for $3.7m and settled in April 2015. The vendors were now wanting in excess of $7m six months later.

Our limit per household was the Kiwisaver threshold for a house and land package of $550,000 in Auckland. This was the maximum price that a person with Kiwisaver could pay to receive the greatest support from the State. We reworked the sums but with the land at that price we could not make the whole house package work, whereas at under $7m we might have been able to manage with significant downward pressure on other costs.

### profiteering

This experience starkly illustrated the dilemma. The vendor wanted to double his money in six months. Save for capital gains tax there are no market controls that impede this kind of profiteering. Without control over land even a coherent collective forming a partnership with purchasing power and a bankable project with a sound and professional project implementation team in support could not deliver the required outcomes.

The message was clear. In Auckland today all power lies with the landholder. What's more, the only significant competition to the unbridled profiteering of the landholder is the Crown's own land deposits and the regulatory powers that they are extremely reluctant to use.

In the last year the Crown has made two regulatory policy adjustments that impact on housing. The first is to put a two-year minimum time-frame on house ownership lest it attract capital gains tax on sale. The second is for overseas buyers or non-residents to have an IRD number in order that the State can gather data and track taxable activity on who is investing in the market from off-shore.

Neither of these measures addresses the "super profits" demonstrated in the West Auckland example described above. In fact, it is treated as business as usual.

Yet this kind of profiteering represents a financial premium to be extracted for the already well-off that directly reduces the future housing capability of the next generation. It runs counter to the notion of a widespread social stability that has underpinned our nationhood. It is today a dilemma for Auckland but as these prices for land drive out everybody but the privileged from home ownership in our major city the aggregation of financial power to the elites will accelerate.

### experiment three on horizon

There is one encouraging counter-offensive driven by Crown policy. This is the Tamaki Redevelopment Corporation (TRC) that will in April 2016 inherit all the land currently owned by Housing NZ in Point England, Panmure and Glen Innes. In its current form it amounts to 2600 properties. However it will be capable of being built to 7500 or more with changes in rules to density. Here it may be possible for the Crown, through the sheer weight of its own land holdings, to influence the market in favour of the first-home buyer.

The challenge TRC faces is formidable but has been given a wide-ranging mandate to effect positive change. It will of course have to fund the mix of its activities from shrewd management of its capital stock of houses. It won't be able to make available affordable housing unless it also benefits from the proceeds of the sale of more expensive housing. It also will need to experiment with new housing typology that will be new to the area and will provide affordable price and have small footprints. A lot hangs on its success because there is much Crown land distributed throughout Auckland that, if utilised well, could provide real alternatives to the property profiteering which is constraining the market.

Our new collective will certainly be responding to the expression of interest just released by TRC. We will keep you posted as to how we get on. ■

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