

THE ROLE OF THE COMMUNITY HOUSING SECTOR IN A NEW NEW ZEALAND HOUSING MARKET

PRESENTATION BY ALAN JOHNSON AHI CONFERENCE DECEMBER 2009



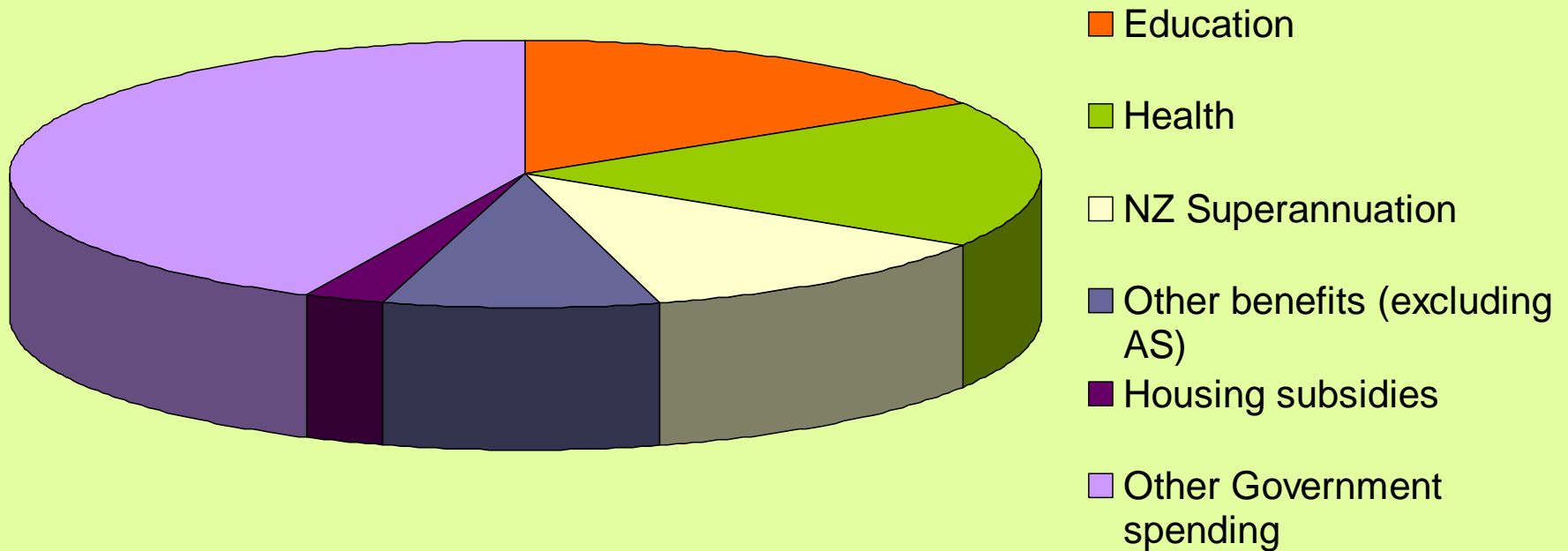
- ① A FORGOTTEN MILESTONE**
- ② THE AFFORDABILITY GAP**
- ③ THE WAY FORWARD FOR
COMMUNITY HOUSING**

COWARDICE UNDER FIRE



① A FORGOTTEN MILESTONE

THE UNIMPORTANCE OF HOUSING



① A FORGOTTEN MILESTONE

SINCE 2002

House prices doubled

House price to Household income ratio - 3.6 to 4.9

Household debt from 107% of disposable income to 153%

Debt servicing from 8.4% of household income to 12.2%

① A FORGOTTEN MILESTONE

SINCE 2002

Household indebtedness \$82B to \$179B

Household financial assets \$130B to \$190B

→ Net household financial wealth \$48B to \$17B

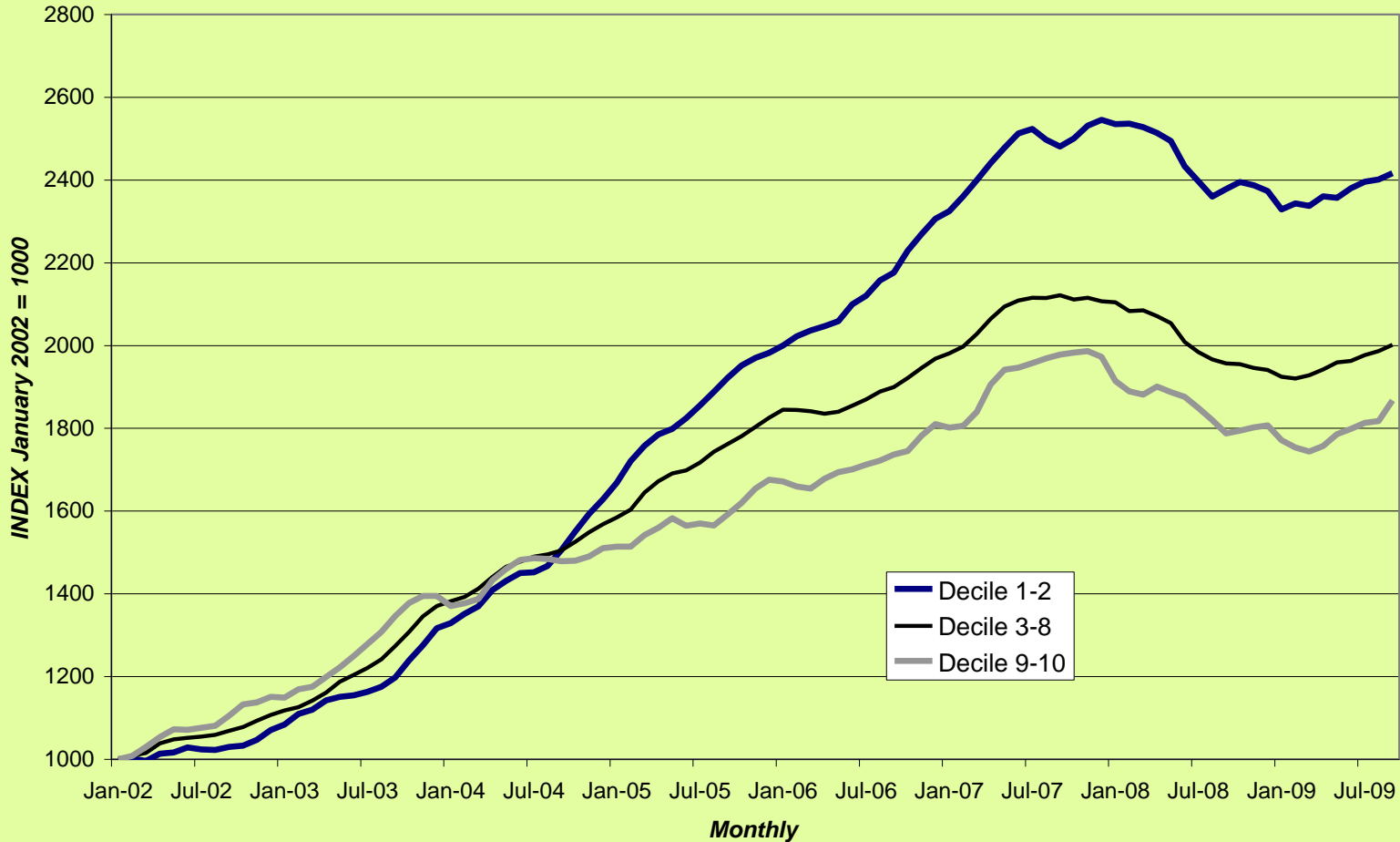
Value of bank mortgage debt \$71B to \$162B

NZ's net international liabilities 77% of GDP to 95%

Stock market capitalisation 36% of GDP to 22%

① A FORGOTTEN MILESTONE

LOWER VALUED HOUSES HAVE RISEN FASTER

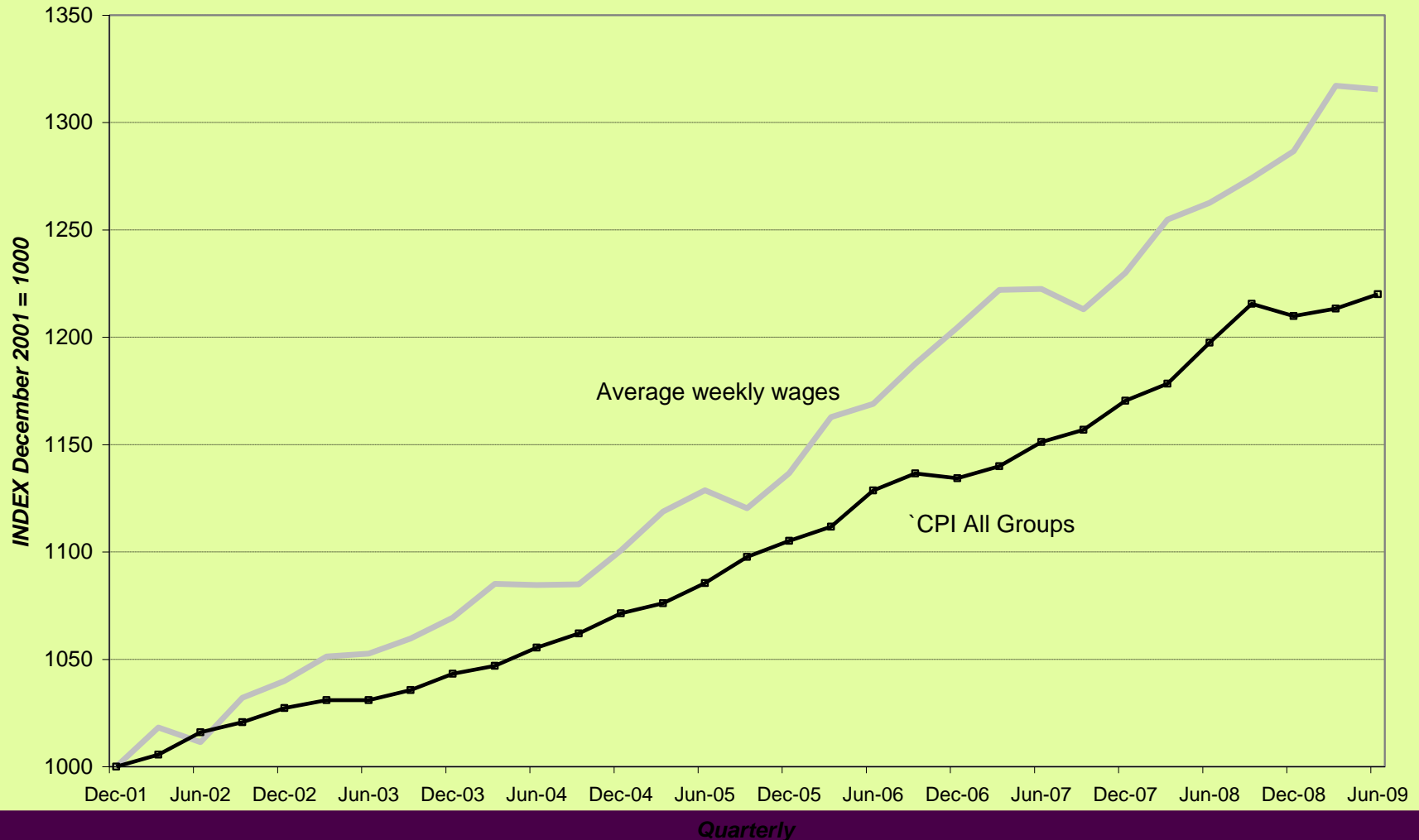


SOURCE Reserve Bank of NZ Financial Stability Report November 2009 Figure D1

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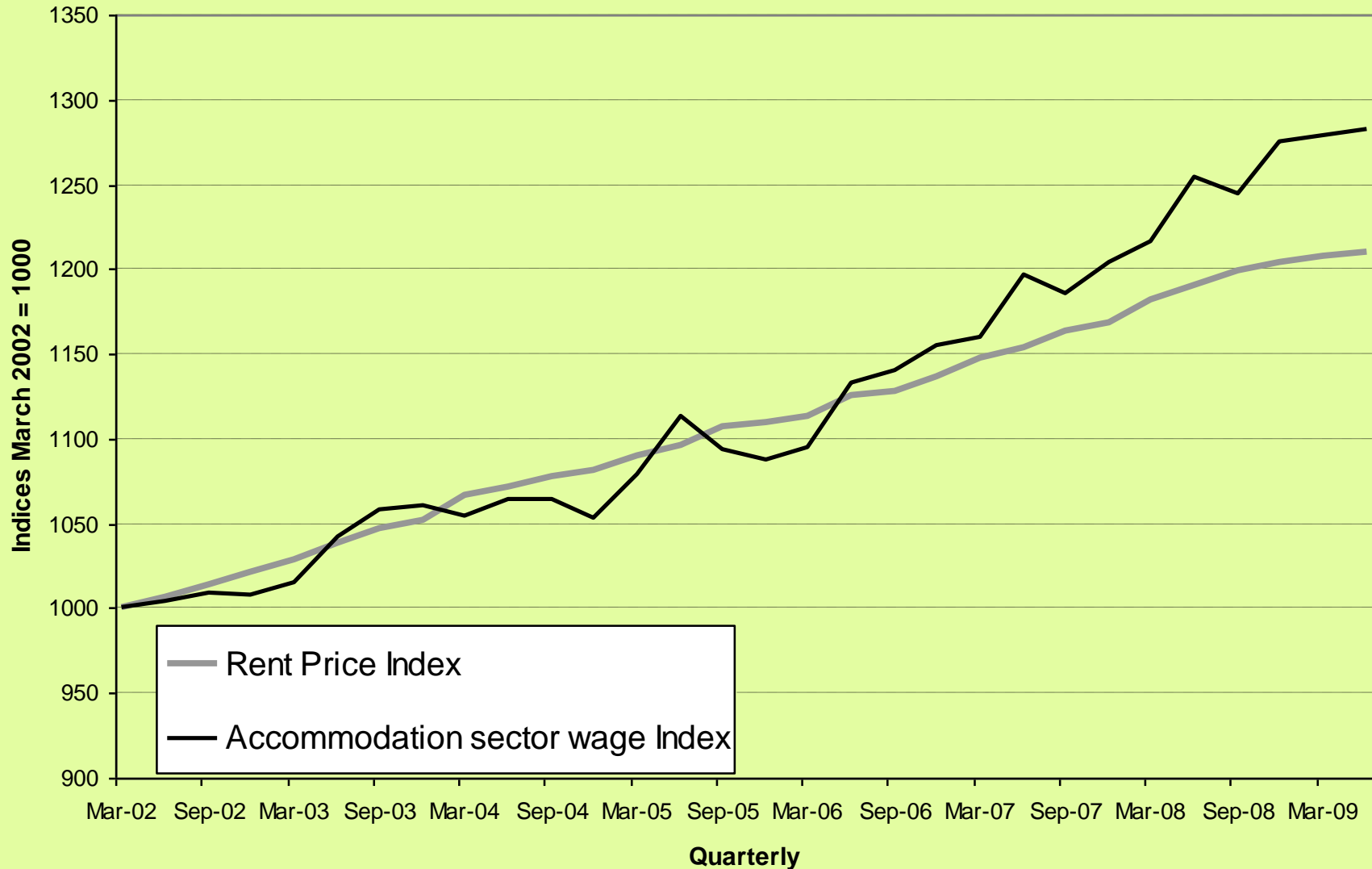
THE AFFORDABILITY GAP

REAL WAGE GROWTH BUT BENEFICIARIES LEFT BEHIND



2 THE AFFORDABILITY GAP

RENTS HAVE KEPT PACE WITH WAGES

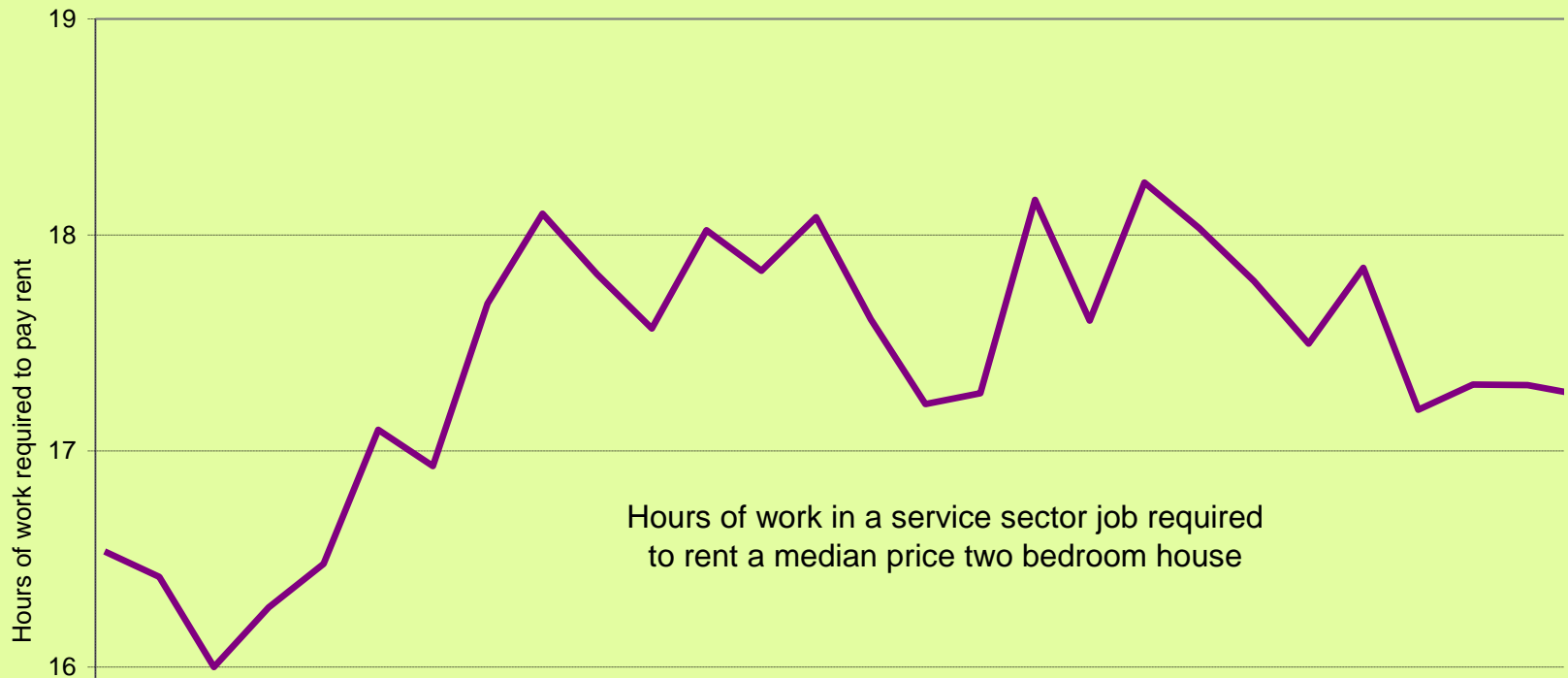


SOURCE: Statistics New Zealand - Consumer Price Survey & Quarterly Employment

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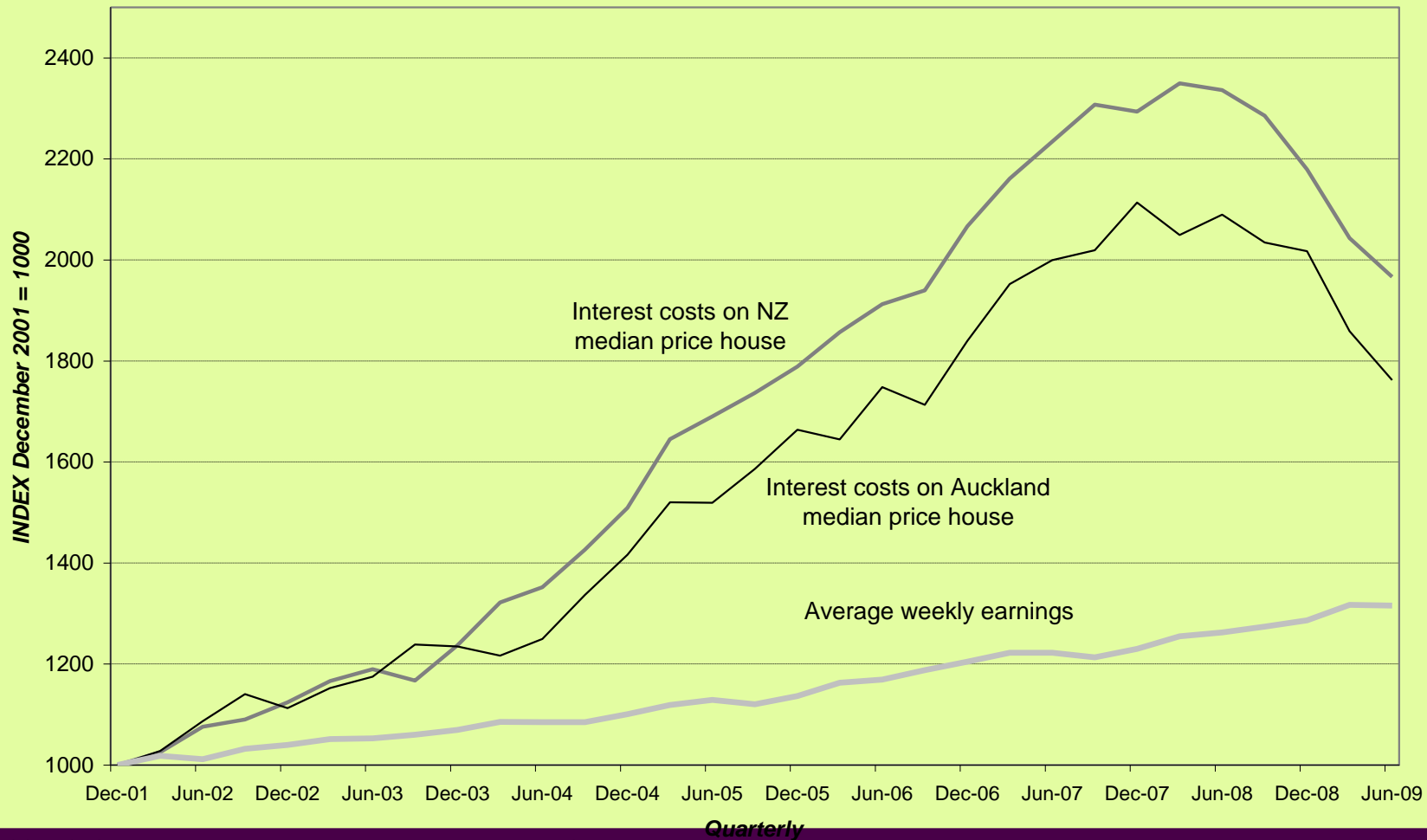
THE AFFORDABILITY GAP

RENT AFFORDABILITY HASN'T CHANGED



2 THE AFFORDABILITY GAP

IMPOSSIBLE SUMS FOR COMMUNITY HOUSING PROVIDERS



Quarterly

SOURCES: Reserve Bank of NZ, Real Estate Institute of NZ & Statistics NZ

2 THE AFFORDABILITY GAP

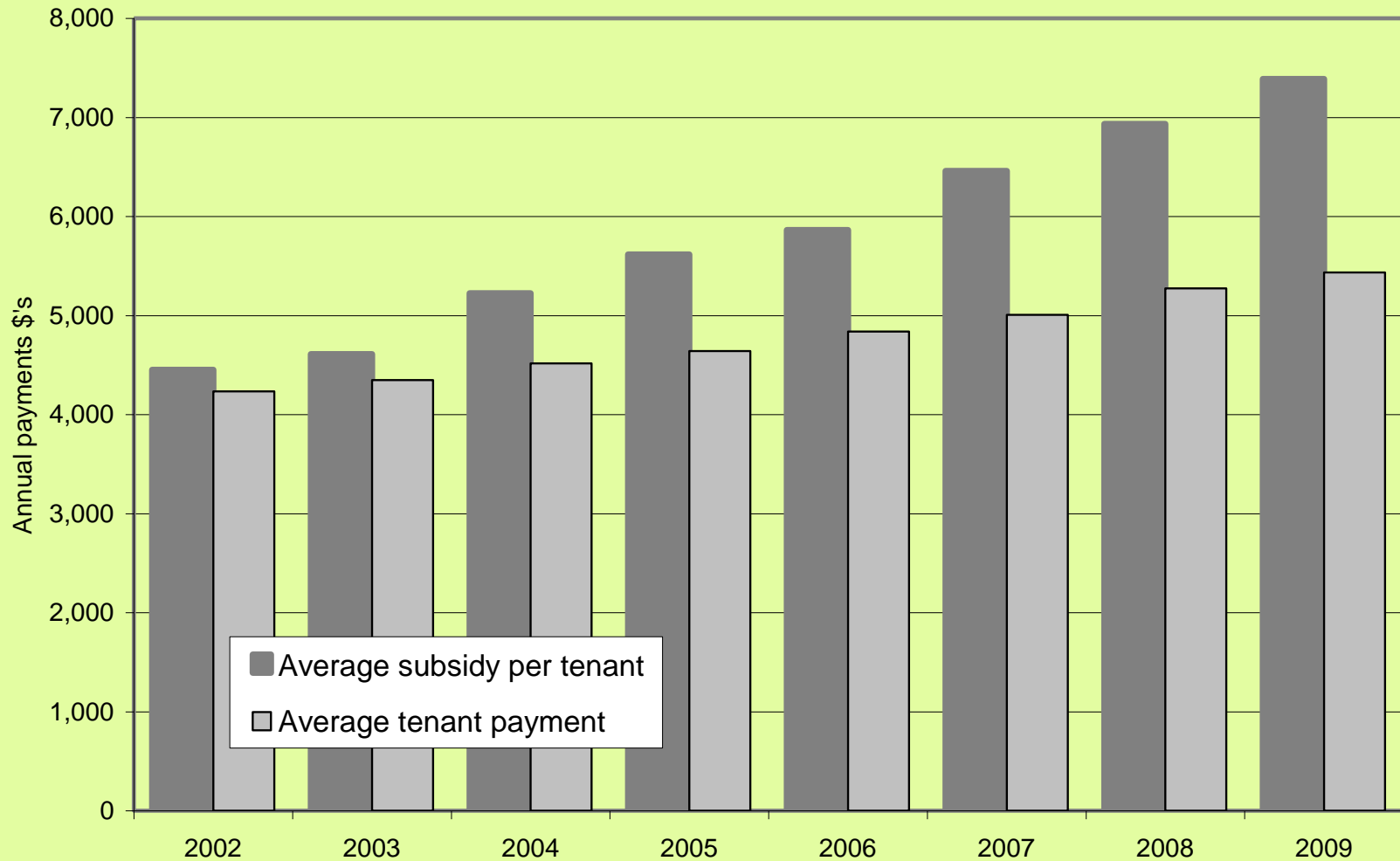
IMPOSSIBLE SUMS FOR COMMUNITY HOUSING PROVIDERS

Slim margins and little surplus = no disposable income to cover cash-flow deficits

No tax deductabilities to offset cash losses

Long-term investment focus limits appeal of medium term capital gains

RISING HOUSING SUBSIDIES

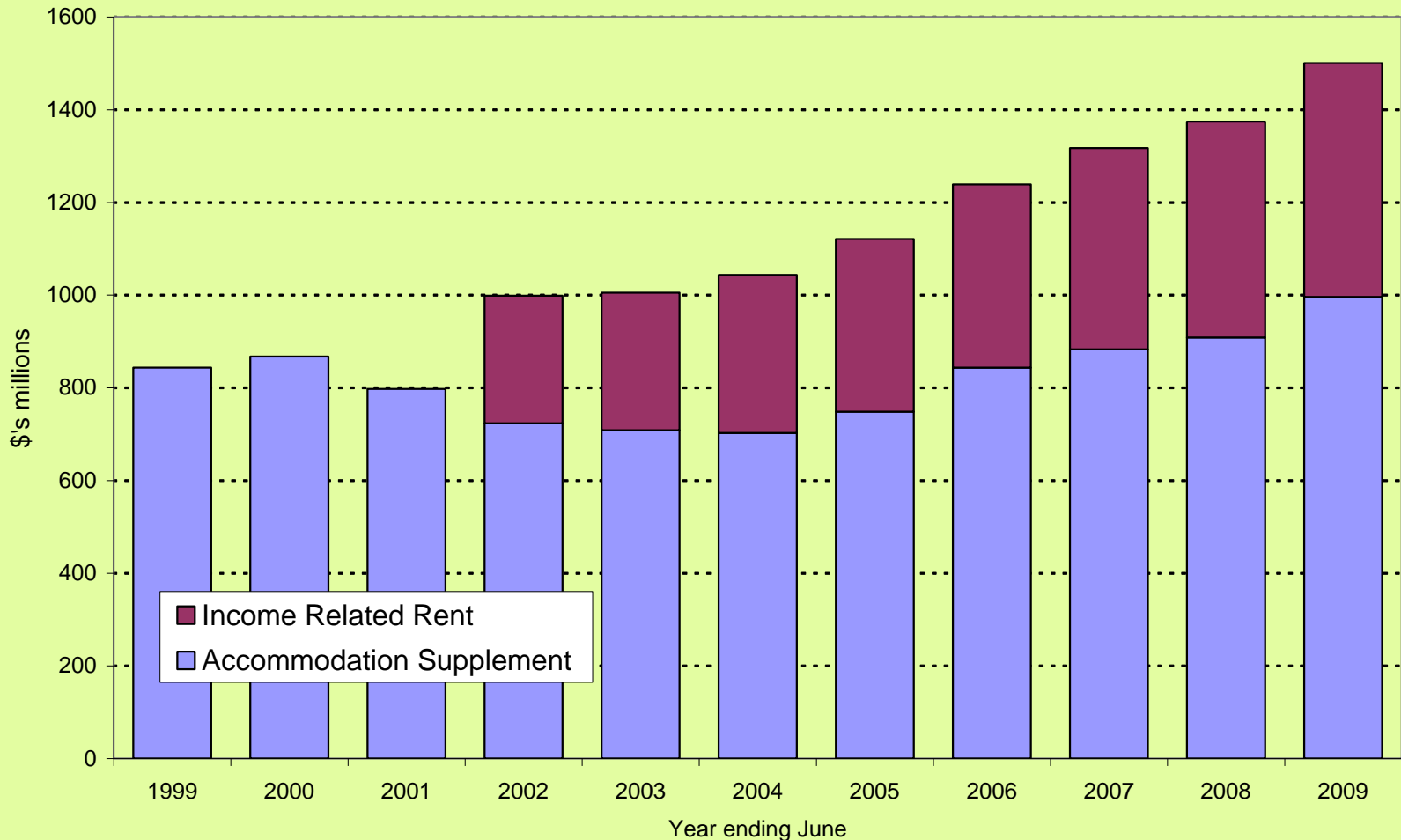


SOURCE: Housing New Zealand Annual Reports

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THE WAY FORWARD

RISING HOUSING SUBSIDIES



SOURCE: New Zealand Government Budgets & Estimates of Appropriations

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THE WAY FORWARD

FUTURE VIABILITY & VALUE FOR MONEY

Increasing costs of existing policies + fiscal pressure on the State may make change inevitable & acceptable

NO LIGHT @ THE END OF THE TUNNEL

Market fundamentals are not likely to correct sufficiently to make community housing models viable without public subsidies

BROADER FUNDING FOCUS

Future funding is not about chicken capital grants but access to income related rent subsidies
Need to address “feast or famine” allocations

BROADER POLICY FOCUS

Need to challenge the policy dominance of HNZC
Social housing ≠ welfare housing
Correct distortions of “default policies” of last 25 years