

# Sporadic

## Auckland Housing Shortage Is How Big?

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All but a few people now accept that there is a housing shortage in Auckland. How big is that shortage? There have been a number of estimates made and the ones we could find from a quick trawl through the publications are these.

The Ministry of Business Innovation and Employment in their post-election briefing to the Minister Dr Smith last year estimated the shortage to be 18,000 dwellings. Page 7.

<http://www.mbie.govt.nz/about-us/publications/BIMs/2014-bims/building-housing.pdf>

The Salvation Army in their 2015 State of the Nation report estimated the shortage to be between 12,000 and 13,000. Page 75.

<http://www.salvationarmy.org.nz/sites/default/files/uploads/20150211SOTN2015%20update%20WEB.pdf>

The Auckland Council state "There is no definitive estimate of the housing shortage in Auckland, but it's likely to be between 1 and 2 years worth of supply at the current levels of consent activity." That adds up to between 7,500 and 15,000. The Council were previously frequently cited as estimating the shortage to be between 20,000 and 30,000 houses, but this was cut when the 2013 Census revealed less population growth in Auckland than estimated between 2006 and 2013.

<http://www.aucklandcouncil.govt.nz/EN/AboutCouncil/businessandconomy/Documents/housingmattersdecember2013.pdf>

The work which we highlighted in February 2011 when trying to raise awareness of the property shortage was the New Zealand Housing Report 2009/10 put out by the Department of Building and Housing. They estimated a shortage of dwellings in Auckland at the end of 2011 of 27,112 then an increase in that shortage by the end of the 2011-16 period of 22,179, then another 22,068 from 2016 -21 and so on out to 2031. Start reading at page 63.

<http://www.dbh.govt.nz/UserFiles/File/Publications/Sector/pdf/2009-2010-nz-housing-report.pdf>

But what is it one defines exactly by a shortage? Sufficient to keep people out of garages, tents, caravans and sleepouts? Sufficient to have one family per house and not two or three? Sufficient to have one bedroom per child? Sufficient to give a level of price which allows young people to buy at the same age as in some comparable location of reference? Take your pick.

Usually the calculation involves picking a starting point in time, assuming no or minimal change in the average number of people per dwelling, then comparing subsequent construction with recorded population growth while allowing for some houses being pulled down, and assuming no change in the normal proportion of houses sitting unoccupied. The exercise is not straightforward.

What if it was something as simple as this. To deliver the same number of people per household on average as somewhere else? In that case we can note from the 2013 census that average house occupancy outside of Auckland was 2.58 people. The Auckland occupancy rate was 3. How many extra houses would you need to get Auckland's ratio down to the rest of the country? The answer is 76,000.

No-one uses a figure near this, but hopefully what we have illustrated is that a simple restating of what shortage means can lead to an estimate well away from other numbers. And hopefully we have illustrated too that unless one were to see a massive building surge adding 76,000 dwellings on top of normal supply, it is completely unreasonable to expect any great convergence of Auckland and rest of NZ dwelling prices in the future.

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	<b>2001</b>	<b>2006</b>	<b>2013</b>
Northland	2.7	2.6	2.5
Auckland	2.9	2.9	3
Waikato	2.7	2.7	2.6
Bay of Plenty	2.6	2.6	2.6
Gisborne	2.8	2.8	2.7
Hawke's Bay	2.6	2.6	2.5
Taranaki	2.5	2.5	2.5
Manawatu-Wanganui	2.6	2.5	2.5
Wellington	2.6	2.6	2.6
Tasman	2.6	2.6	2.5
Nelson	2.5	2.4	2.4
Marlborough	2.5	2.4	2.4
West Coast	2.4	2.3	2.3
Canterbury	2.5	2.5	2.5
Otago	2.5	2.5	2.4
Southland	2.5	2.5	2.4
Total, Regional Council Areas	2.7	2.7	2.7

### Sporadic Library

5. NZ Business Culture. <http://tonyalexander.co.nz/wp-content/uploads/2015/04/Sporadic-5-April-23-2015.pdf>
4. A Capital Gains Tax on Housing? <http://tonyalexander.co.nz/wp-content/uploads/2015/04/Sporadic-4-April-16-2015.pdf>
3. China is Important to us. <http://tonyalexander.co.nz/wp-content/uploads/2015/04/Sporadic-3-April-13-2015.pdf>
2. Kiwi/AUD parity – mainly a function of AUD weakness. <http://tonyalexander.co.nz/wp-content/uploads/2015/04/Sporadic-April-8-2015.pdf>
1. Implications of interest rates staying low for a long time. <http://tonyalexander.co.nz/wp-content/uploads/2015/04/Sporadic-April-7-2015.pdf>

Sporadic is written by Tony Alexander, Chief Economist at the Bank of New Zealand. The views expressed are my own and do not purport to represent the views of the BNZ. It is a supplement to the monthly NZ Observer. Please sign up at [www.tonyalexander.co.nz](http://www.tonyalexander.co.nz)  
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