

Squeak goddam you - Housing issues through a local government lens

Patrick Mulligan

26 June 2015

"Local governments' challenge is to give voice to Gen-Rent and ensure the squeaky wheels don't get all the oil."

While owning Auckland property is thrilling at the moment, the dizzying pace of the market does make one feel slightly queasy sometimes.

Recently economists Shamubeel and Selena Eaquab have highlighted how hot inflation will mean more of our young will be life-long renters. They fret this will mean larger sections of society will not be as plugged into the community as their property owning forbearers were/are. If that is right, one key aspect of disconnection will be with local government, one of the sectors best placed to help them.

The Eaquabs' thesis emphasises the generational game, whereby Boomers and older Gen-Xers have bought relatively cheap property and then sat back while a conveyor-belt of sky rocketing prices delivers their prizes. I would also observe that at a local government level, the inflationary effect of supply constraint can be intensified by planning controls which protect less intense housing in inner city residential suburbs. A recent *Economist* article described how in expanding cities protections on less intense incumbent land-use can create economic rents, super-profits.

Where supply is the solution, we can either provide this by spreading at our edges or by intensification. Because intensification is more efficient Auckland Council and its predecessors have for many years tried to limit sprawl and intensify. The intensification part has been politically difficult though, particularly in locations where Auckland's natural amenities might balance out the effects of living in smaller digs; near but not in the CBD and close to the coast or with views. When Council has tried to push intensification in areas like this incumbent land-owners have often strongly resisted. Councils find these reactions particularly difficult to ignore. They come from older property owners and this group has a disturbing tendency to vote.

In our last national election, voter turnout amongst the young continued its downward spiral. This is a long-term and world-wide trend. You'd bet the house (sorry) that under 35s' participation in the next local government elections will be disappointing. Over time this trend creates a perverse cycle. Those, like me, who are receiving super-profits from tightly controlled land-use, have a disproportionate say in electing those creating the controls. Worse, the more the price goes up the more I have riding on restricting my neighbours' rights to intensify. Conversely, for those daily seeing their dream of property ownership slip further and further away, the connection with their community becomes more tenuous. With it goes the connection with local government, a sector which could help push some of the property spoils their way.

While these trends aren't new they are gathering pace. Local governments' challenge is to give voice to Gen-Rent and ensure the squeaky wheels don't get all the oil. That Gen-Rent appears less and less inclined to want a voice only makes the challenge all the more herculean.

This article was written by Patrick Mulligan, partner in our local government and resource management teams, for the National Business Review (NBR) on 19 June 2015.

Auckland

PwC Tower
188 Quay Street
Auckland 1010

PO Box 1433
Auckland 1140
New Zealand

P: +64 9 358 2555
F: +64 9 358 2055

Wellington

Aon Centre
1 Willis Street
Wellington 6011

PO Box 2694
Wellington 6140
New Zealand

P: +64 4 499 4242
F: +64 4 499 4141

Christchurch

83 Victoria Street
Christchurch 8013

PO Box 322
Christchurch 8140
New Zealand

P: +64 3 379 1747
F: +64 3 379 5659

