

The Decline of Housing Supply in New Zealand

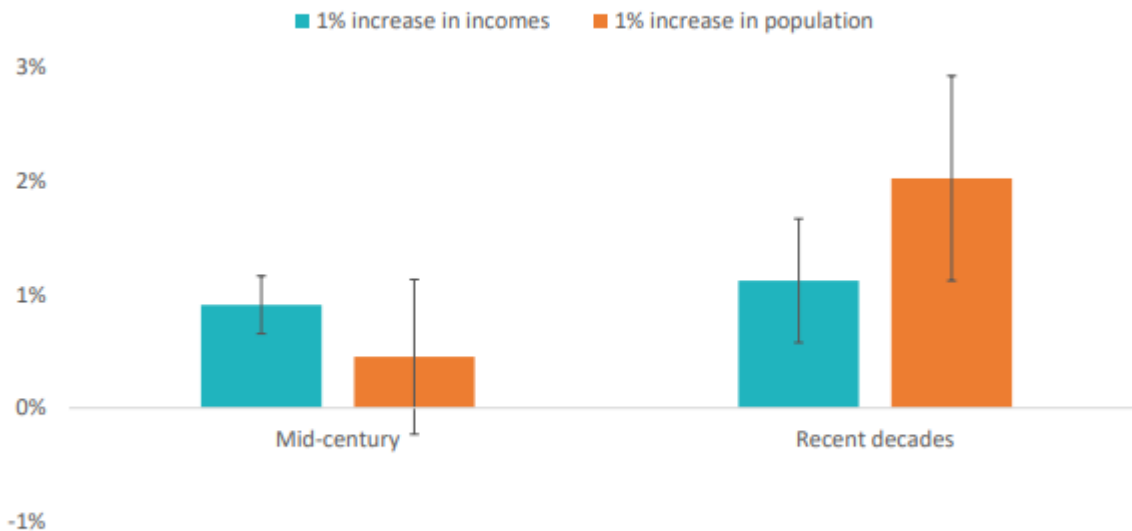
Te Waihanga
25 September 2022



The problem is slowing supply rather than accelerating demand...

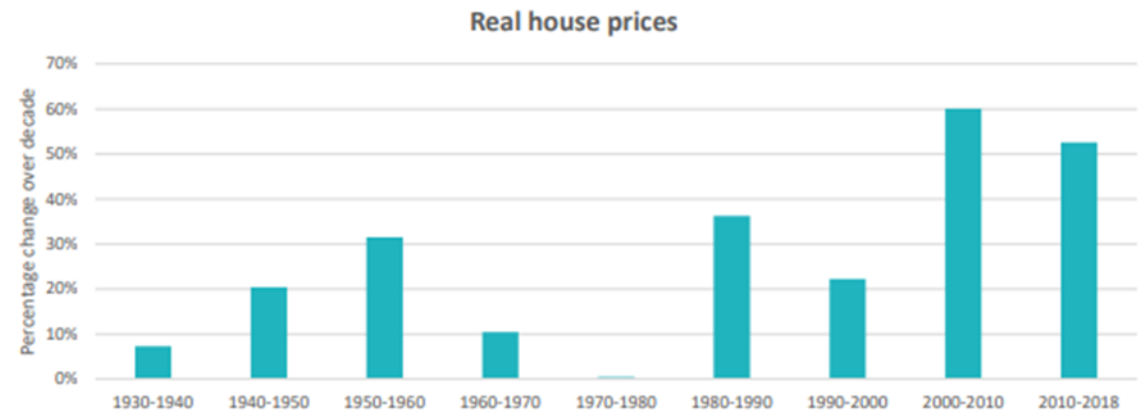
- Prices now rise more rapidly because housing supply is slower to respond to demand.
- Te Waihanga estimates that when demand for housing increases, we now build one-quarter to one-third fewer homes than our grandparents did.

How much do house prices increase in response to a 1% increase in housing demand?



Source: Te Waihanga analysis. Bars indicate estimated model coefficients, and black lines indicate one standard error ranges around estimated coefficients.

Changes in real house prices, 1930-2018

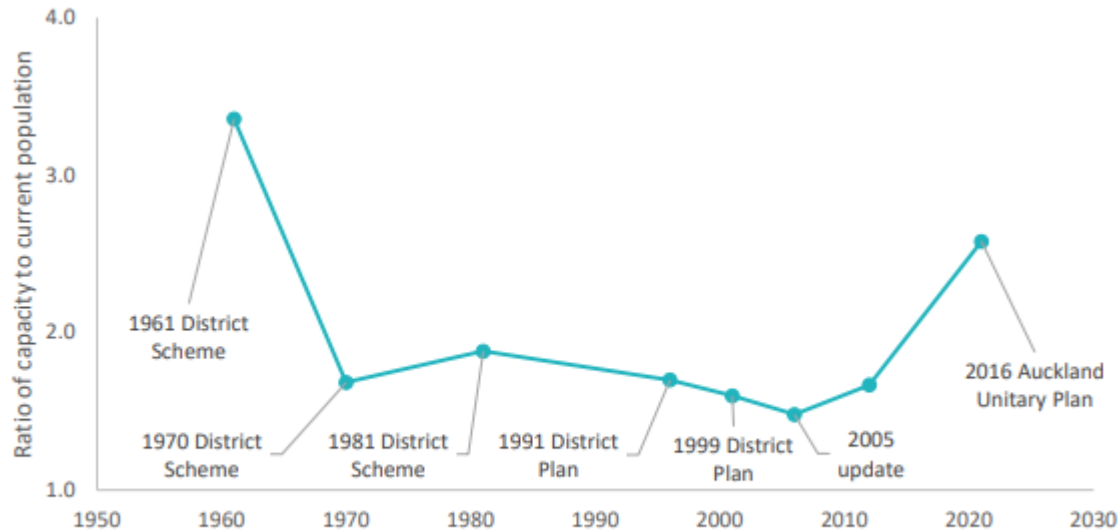


Source: Te Waihanga analysis.

...And we can explain the decline

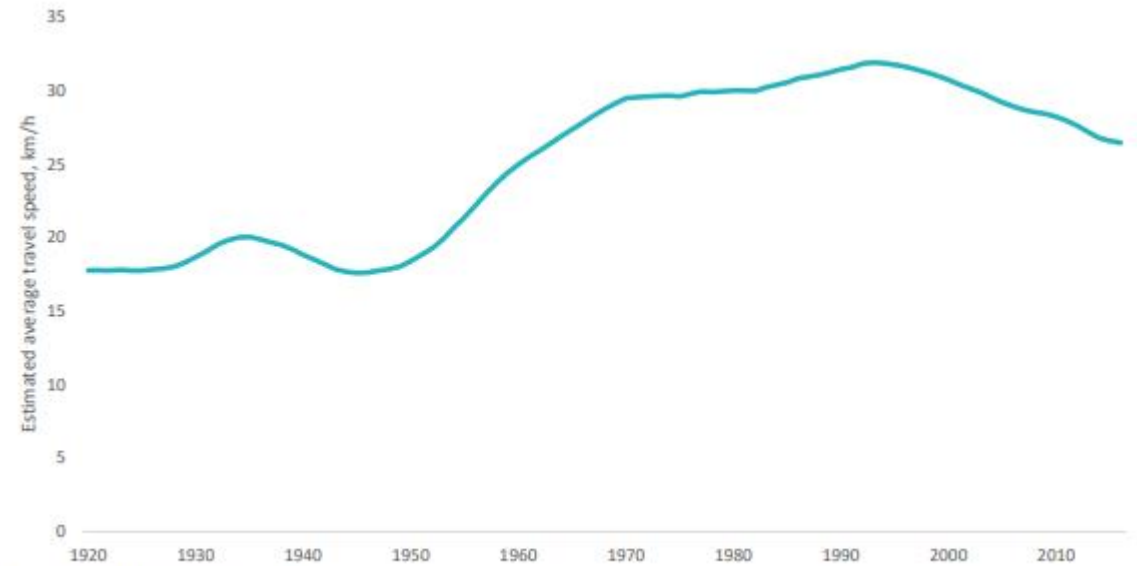
- Urban planning policies and urban transport speeds can explain most, if not all, of the acceleration in house prices and decline in recent decades.

Ratio of estimated zoning capacity to current population in central Auckland



Source: Te Waihanga analysis

Urban travel speeds increased from the 1940s to the early 1990s and then declined



Source: Te Waihanga analysis