

# We Should Follow New Zealand On Housing And Free Up More Land For Growth

Attempts to contain 'urban sprawl' have driven land prices sky-high. It's time to abandon densification strategies.

Published on April 5, 2024 Wendell Cox

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Not so long ago, house prices tended to be around three times household incomes in most housing markets in Canada, the U.S., the U.K., Ireland, Australia and New Zealand. But over the past half-century, many local and provincial governments have tried to stop the expansion of urban areas (so-called "sprawl") by means of urban growth boundaries, greenbelts and other containment strategies.



Though pleasing to planners, the results have been disastrous for middle- and lower-income households, sending housing prices through the roof, lowering living

standards and even increasing poverty. International research has associated urban containment with escalating the underlying price of land, not only on the urban fringe where the city meets rural areas, but also throughout the contained area.

Canada's current housing affordability crisis is centred in "census metropolitan areas" that have tried containment. Vancouver, which routinely places second or third least affordable of 94 major metropolitan areas in the annual Demographia International Housing Affordability report, has experienced a tripling of house prices compared to incomes. In the third quarter of last year, the median house price was 12.3 times median household income. In less than two decades, the Toronto CMA has experienced a doubling of its house price/income ratio, to 9.3.

Not surprisingly, both CMAs are seeing huge net departures, principally to less expensive markets nearby, such as Kitchener-Waterloo, Guelph, London, Nanaimo, Chilliwack and Kelowna. But these areas are also experiencing vanishing affordability as they too impose Vancouver- and Toronto-like policies.

In recent years, Canadian governments have adopted densification strategies — on the assumption that making cities more crowded will restore housing affordability. But evidence of that is limited. Yonah Freemark of the Urban Institute characterizes the literature as indicating "that upzonings offer mixed success in terms of housing production, reduced costs, and social integration in impacted neighborhoods; outcomes depend on market demand, local context, housing types, and timing."

Like Canada, New Zealand has seen its house prices grow much faster than household incomes, also mainly because of urban containment policies. Auckland routinely ranks as one of the world's least affordable markets. But in what may be a watershed moment for housing policy worldwide, New

Zealand's recently elected coalition government is giving up on densification and instead, with its Going for Housing Growth program, is aiming at the heart of the issue by addressing the cost of land.

Under new proposals, local governments will be required to zone enough land for 30 years of projected growth and make it available for immediate development. According to the government, local governments' deliberate decision to restrain growth on their fringes has "driven up the price of land, which has flowed through to house prices," and it cites research indicating that "urban growth boundaries add NZ\$600,000 (C\$500,000) to the cost of land for houses in Auckland's fringes."

The new policy will rely on a 2020 act allowing public agencies and private developers to establish "Special Purpose Vehicles" — corporations established for financing housing-related infrastructure, with the costs to be repaid by homeowners over up to 50 years. This removes the infrastructure burden from governments, as has also been done in "municipal utility districts" (MUDs) in Texas and Colorado. MUDs are independent entities empowered to issue bonds and collect fees to finance and manage local infrastructure for new developments.

New Zealand's government believes guaranteeing plentiful access to land will result in an increased supply "inside and at the edge of our cities ... so that land prices are not inflated by artificial planning restrictions." The same strategy could help here. Unlike most urban planners, most Canadians do not want higher population density. A 2019 survey of younger Canadian households by the Mustel Group and Sotheby's found that on average across four metropolitan areas (Toronto, Montreal, Vancouver and Calgary) 83 per cent of such families preferred detached houses, though only 56 per cent had actually bought one.

Households that move from the big city to Kitchener-

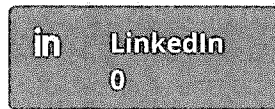
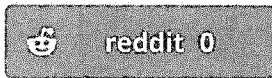
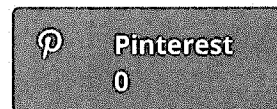
Waterloo, say, or Chilliwack not only want to save money, they also want more house and probably a yard. Detached housing predominates in these affordability sanctuaries, compared to the Vancouver and Toronto CMAs.

Urban planners continue to complain about urban expansion, but that is how organic urban growth occurs. Toronto and Vancouver show that the cost of taming expansion is unacceptably high: inflated house prices, higher rents and, for increasing numbers of people, poverty. It is time to prioritize the well-being of Canadian households, not urban planners.

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