

NELSON PROPERTY INVESTORS ASSOCIATION
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Our second meeting of the year at the Honest Lawyer Point Road, Monaco is on Tuesday 8th April

Speaker Kirsty Jones (nee Thompson)

Kirsty is a Principal at Hamish Fletcher Lawyers and leads their Property Team. She provides clients with advice on residential and commercial property matters.

**IS THE GOVERNMENT WASTING TOO MUCH MONEY
HELPING PRIVATE LANDLORDS?**

We all live in a world swamped with media releases and articles written by people usually with a particular agenda (like this one).

Society and the share of wealth / benefits is never the same for everyone and we all have an opinion. People have always blamed greed, parents, governments, education, health, religion, discrimination, and what ever for the uneven distribution of wealth and wellbeing. Without a doubt good housing is one really important factor. Governments and labour laws have an important role to help those who are unable to access housing. Blaming landlords, builders, banks, employers, local government, and rich land bankers is a hobby horse for many people. The same politics being played out in New Zealand is repeated in other similar democracies like Australia and UK. Like it is unfair that some people have better or more houses than others. We have all heard the statement "Clearly the government in New Zealand is paying rich private landlords to become richer". Like \$2.495 million is given to rich private landlords in NZ compared with just \$1.619 million to those in social housing owned by either the state or privately owned social housing.

Recently published figures by Statistics NZ indicate that in the 2023 census there were 604,785 private rentals compared with 57,000 social houses. The number of private rentals compared with the total number of dwellings is gradely increasing. The even gradual movement of those figures rather than a sudden bump up makes these figures look realistic. The number of private tenancies and by implication rental properties reported by Tenancy Services is lower because they only count the number of bonds lodged thus missing many rentals without lodged bonds that might be provided by employers, or for other reasons such as family and friends.

So, using very simple mathematics by dividing total government funding by the number of rentals one can see tenants in social housing get \$28,403 PA help and those in private dwellings get \$4,125 per rental. Accommodation Assistance is also granted to low income mortgage payers so that money does not only go to tenants thus reducing their share. Of course not all tenants be they private or social receive AS. A small number of my tenants have shared with me how much they receive and my calculation of an average of \$80 per week is reasonable bearing in mind the maximum AS is \$160 PW. My guess is about 50% of private tenants receive AS.

To summarise. Social housing tenants receive 6.8 times more Government housing money than privately housed tenants. This does not of course take into account the direct payments the government makes for maintenance and

development of social housing. Goodness knows where all that money goes. For instance looking at Nelson Housing trust (in my opinion a fine organisation) they are assisted with capital grants, exempt many local council development costs, and it looks like they receive partial rates relief. They of course pay no tax because they are a charitable trust which is exempt from paying tax. According to their annual report the majority of their tenants are on full IRRS the same as the government tenants.

Now we all know governments change from time to time and the current one is reducing the money / development of government housing and has reversed the interest deductibility of mortgage costs for tax purposes. They might also have something to do with reduced interest rates the banks charge. But they have not swallowed the frog. Social housing only accounts for 11% of all rentals but social housing providers (not their tenants) receive 7 times more help without even considering the income tax and other charges local government collect off private landlords. If society and government want to ensure there is sufficient housing for people they need to let experts like us get on and do it. Thank goodness the government is not in the business of food production like they are in some countries. We would all be starving if they were. I know I visited North Korea in 2019 and most people there are not getting enough to eat. In their capital city people live in uncompleted multi story buildings that do not have windows and doors. I was able to see candles flickering at night inside those government owned properties. The world is surprisingly similar in many aspects. I have not visited any country where the government does a better job of providing houses or basic commodities than the private sector does, without using force, tax, or laws to prevent competition. Back 40 years ago I used to work for the Government in the communications industry. I used regulations, installed loss making systems and undercut the competition in order to prevent private operators getting a toe hold into our market thus ensuring market dominance. The same applied a few decades earlier with Radio Hauraki in the broadcasting industry.

I am not suggesting Roger Douglas style privatisation that caused me to lose my interesting career in 1993. That caused massive assets of the state falling into private hands. It is not about level playing fields or supply and demand driving prices down. I am suggesting that New Zealand can do a far better and cheaper job of housing people by getting more people working on the problem.

Regards

Glenn