

Auckland Housing: What's in a Name?

Keith Rankin, 21 July 2015

What would economic historians 50 years' hence think of the Auckland housing market in the 2010s? Possibly not much; there may be bigger issues to investigate. But how would they deal with the lack of official data about property ownership? They would do what they always do, look for *proxy* data, and useful *markers* in the information that is available, and try to make inferences from that data.

For example, as proxies, the heights of prisoners and soldiers in the 18th century have been used to estimate countries' GDP. The theory is that nutrition is a major determinant of height and of living standards in general, and that GDP per capita is highly correlated with other measures of living standards.

Examples of markers include particular genes, especially mutations, which can be used to trace a population's history. Other important markers are languages, through words like "waka", traced back through words such as "vaka" and "va'a".

Another marker is surnames. I have traced my paternal family history to Banffshire in the northeastern lowlands of Scotland, as far back as the late 18th century. To get a sense of family history further back, I entered the name 'Rankin' in the birth records for 1855, contained in the Scotland's People website. (1855 was the first year of official records.) Most of the entries were not from the northeast; they were from the Highlands or from Glasgow, which is much more closely associated with the Highlands than, say, Edinburgh.

In the absence of official information about who is buying real estate in Auckland, the use of markers such as surnames is an entirely appropriate way of using statistical information; data which may support or contradict the anecdotal sources. Indeed, through the use of scientific reasoning, this information can be used to reject or support hypotheses.

The Labour Party has a 'research hypothesis' that non-resident buyers of residential land in Auckland are, through foreign-sourced finance, contributing substantially and significantly to house price inflation in Auckland. This is the 'foreign speculation' hypothesis. There is an interesting research question, though not in my view the most important question about the Auckland housing market. The hypothesis recognises the likely fact that, if it is valid, then a substantial proportion of this fuelling of house prices originates in China. This reasoning has nothing to do with race, but may have something to do with culture. Most of all it has to do with China's rapid economic growth since the 1990s, China's position in this time as possibly the world's largest creditor nation, and the strengthening economic relationship that exists between China and New Zealand. New Zealand is on China's radar in a way that it is not on, say, Russia's investment radar.

It is only right that, if a representative data source that can throw light on Chinese 'investment' as a proxy for 'foreign investment' is publicly available, then that data source should be made use of to address this research question. The leaked sales data from Barfoot and Thomson has become such a data source.

Before further investigating Labour's hypothesis, we might also note that the National Party has its own 'supply' hypothesis, which is that too much land within the Auckland super-city does not have a house sitting on it. A shortage of actual houses is, they say, the sole significant cause of accelerating real estate inflation in Auckland. We might also note that the concerns are most about rising prices of family houses. The National Party story supposes that Auckland's rising population of around 2% per year this decade represents a substantial and accelerating increase in the numbers of families coming to Auckland. Yet the increase in the numbers of children (to June 2014) is only around 0.7% per year and the rate of increase in 40-65 year-olds in Auckland is dropping. Auckland's recent influx is due to 15-39 year-olds, who are the prime demanders of rental accommodation. Yet Auckland rents are rising much less quickly than the prices of all dwellings, let alone family homes. The National hypothesis looks very weak.

The analysis of the Barfoot and Thomson data shows, from February to April, that 39.5% of residential real estate purchases were made by people with Chinese family names. This is accurate information that suggests that more than 40% of purchasers were of some Chinese ethnicity. The name 'Yang' is as Chinese as the name Rankin is Scottish. (Due to marriage and anglicisation – eg 'Young' – there will be many more

people of some Chinese ethnicity without Chinese names, than there will be people with Chinese names and no trace of Chinese ethnicity. While many Maori have Scottish names, few Scots have Maori names.)

So, what can we conclude from this data? First, it does lend weight to Labour's 'foreign speculator' argument, but it may no means proves that hypothesis. (Actually, in the scientific method of reasoning, hypotheses cannot be proven, only ruled out.) We must reiterate here that Labour's hypothesis is about 'foreign' speculation, not Chinese speculation. Chinese are a useful proxy, given that if foreign speculation is a problem then, for reasons already given, some of those speculators will be Chinese.

Before continuing, we should note that information about the ethnicity of our population is widely seen, today, as very important. It is important in the Household Labour Force Survey, for example, and is an important variable in the statistics of educational achievement. We understand that we collect information about ethnicity today for quite different reasons from those that motivated our curiosity about 'race' 100 years ago. Though knowledge is unambiguously good, it can be used in intentionally deceptive ways.

My sense is that we have to divide the Chinese house-buying population into three sub-groups. The first is those who are unambiguously New Zealand residents. The second is those who have interests in both New Zealand and China (and maybe other countries as well). The third is those who are unambiguously Chinese residents. Most of the commentators are conflating the first and second-mentioned groups. If anything, the second group has more in common with the third.

As someone who's lived in at least my share of rented properties in Auckland, my experience of ethnic Chinese landlords has been more than favourable. Indeed it is widely understood that property ownership is an important part of Chinese culture, and this cultural propensity is certainly and unsurprisingly present in Auckland's Chinese community. Indeed this is shown by the overrepresentation of local Chinese in the real estate profession. I would not be at all surprised if half (or more) of the 40% house sales to people with Chinese names were to professional or semi-professional landlords in the local community; people who supply the rental properties that Auckland needs, and who, for the most part, are good landlords and who neither evade nor avoid their taxes.

In the end, it's what use the properties are put to that matters. Through hiring reputable property managers, many foreign-resident 'investors' may be better landlords than home-grown land-bankers.

We need every house to become somebody's home. Family houses should be family homes. Whether they are owner-occupied or tenanted homes is secondary. The principal harm that most likely exists – and for which data remains hopelessly inadequate – is the extent of withdrawal of houses from their prime function as homes. Politicians know that this happens, because they say things like "if we have warrants of fitness for rental housing then such properties may be withdrawn from the market", presumably to sit empty. (It would hardly be a problem if rental houses were sold to family owner occupiers.)

What seems likely is that perhaps 15% of the Barfoot and Thomson sales were to people of Chinese ethnicity who are either principally foreign-resident, some who may be using purchases of real estate in New Zealand ('as if' it was investment; refer [Gordon Campbell](#)) as a means of supporting their applications for permanent residence. This may suggest that maybe 25% of all sales in Auckland are to people of many ethnicities (including Asian and European) whose principal residence is not New Zealand.

When raised, the issue of increasing numbers of empty houses in Auckland is rarely refuted. The tactic of the National politicians and the spokespeople for the real estate industry is to divert the discussion. On TVNZ's [Q+A](#) (19 July) Josie Pagani twice tried to raise the topic of speculators buying properties and **leaving them empty**. But the interviewer and other panellists would not (or at least did not) pick up that issue.

The least costly way of increasing the supply of homes may be to find policies that restore empty and underoccupied properties into family homes and apartments where residents of all shades may live, rented or owner-occupied. We should work with our Chinese-resident community – a number of whom are professional landlords or real estate agents who will tell us stuff if we ask the right questions – to find solutions to this problem.