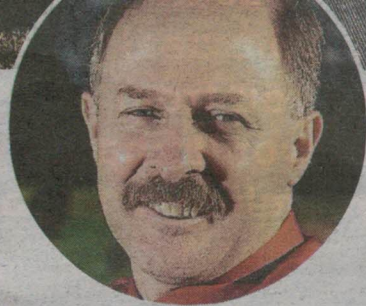


Hamilton City Council disputes Urban Economics' report into the affordability of Hamilton housing and says prices in the city could outstrip Auckland's. Inset, University of Waikato's Professor of Economics and head of the School of Accounting, Finance and Economics, Frank Scrimgeour.



Housing report: Who's right and wrong



Housing

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It was a report that was supposed to shine a light on rising housing unaffordability in Hamilton.

Written by Auckland-based company Urban Economics, it warned the city could face a triple threat of house prices outstripping Auckland's, a fall in council revenue due to lower than expected developer contributions and higher rates. Instead, it evoked a furious response from the Hamilton City Council, which slammed it as inaccurate.

Hamilton City Council chief executive Richard Briggs said it promoted a viewpoint rather than a fact-based analysis of Hamilton's growth.

"It adds nothing useful to our city's growth discussions and has fundamental inaccuracies."

Briggs said it drew conclusions which appeared to be based on some assumptions or statements which were blatantly wrong.

Chief among HCC's criticisms was that the report's affordability index was wrong. This is calculated by dividing average house prices by the average household income.

The report's author, economist Adam Thompson said he calculated this using different data to that used by HCC. He based his \$62,900 figure of household incomes on Statistics New Zealand data.

"The 6.8, 9.3 and 9.8 household income to house price multiples we have reported were all calculated using mean annual earnings. This is calculated from

the quarterly Linked Employer Employee Data published by Statistics New Zealand. This series may include full time and part time jobs."

This is why his affordability index is different to HCC's.

"That additional income came from benefits such as Working For Families. It's just a different source of data and this type of analysis in terms of creating a housing affordability index is not intended to be a robust, analytical assessment of housing affordability. It's intended to be a simple metric to understand the relative affordability between cities and the affordability between a city over time."

Either figure could be used to illustrate housing affordability, he said.

He said it was a debate with no winners because there was no established methodology or ratio that was considered affordable or not affordable.

"It's a basis for comparing cities and it's a basis for evaluating cities over time. It's all just done on the basis of providing a general indication rather than giving a scientific basis for that figure."

So which is better? Mean or median?

Figure.NZ chief data officer Andrea Carboni said median sale prices of the sort used by council tend to be a better statistical measure because they are less likely to be skewed by very high or very low sales.

"It is a more realistic indicator of where the majority of buyers will gravitate towards."

While mean values existed, they represented a different thing because they include all properties regardless of whether



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Hamilton City Council chief executive Richard Briggs

they are on the market or not. Carboni said the affordability ratio must be calculated by using the same measure and the report had an error in its affordability ratio because it was a calculation using median personal PAYE earnings, not median household incomes.

He said the current median household income in Hamilton was more likely to be around \$90,000.

Hamilton property agent and consultant Colin Jones – who commissioned Thompson to write the report – said he stood by it.

"I've said to HCC if you think the figures aren't correct, then get another economist to do the same exercise and see if you get the same answer. It's no good [HCC chief executive] Richard Briggs saying they have had staff and outside experts rubbishing it – produce the evidence."

That call for greater transparency was echoed by Frank Scrimgeour, the University of Waikato's Professor of Economics and head of the School of Accounting, Finance and Economics.

He gave the report a B+.

"It's not a rubbish report. It's a useful report which raises important questions which haven't been addressed elsewhere which need to be addressed."

"It's not an 'A', there are some deficiencies, but you don't fail the student because they haven't perfected everything and just because the messenger hasn't got all of the details right, you don't say the messenger is useless, you say 'What can we learn from this messenger', and you provide the accurate information back to the community."