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## WORLD

# This Leader Is Going Further Than Most to Cool Her Nation's Home Prices

New Zealand plans to bar nearly all foreigners from buying existing homes



Home prices in New Zealand have increased by 43% in the five years through September, with an even bigger increase in Auckland. Here, Auckland harbor. PHOTO: BRENDON O'HAGAN/BLOOMBERG NEWS

By *Ben Collins*

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WELLINGTON, New Zealand—With its plan to bar nearly all foreigners from buying existing homes, New Zealand's new government is taking aim at a group of buyers that it blames for a growing housing-affordability crisis.

Graham Wall, an Auckland-based real-estate agent, fears many of his clients are in the crosshairs of the proposed ban.

Mr. Wall recently sold a mansion offering sweeping views of Auckland harbor to a Chinese family, settling the deal just before the Labour-led government was sworn in on Oct. 26. The hammer fell at a price equivalent to US\$8 million, or 22 times the median price for a New Zealand home.

“Most of the foreigners we have done business with lately are American and English,” said Mr. Wall, whose website lists for sale properties including the only privately owned island in the Cavalli Islands in New Zealand's far north.

New Zealand has attracted Asian billionaires, Hollywood filmmakers, and wealthy tech entrepreneurs in recent years with an open-doors immigration policy and light regulation of foreign property deals.

Among them was PayPal founder Peter Thiel, who in 2015 bought a sprawling luxury estate on Lake Wanaka, an idyllic alpine region near Queenstown in the country's South Island, after taking up New Zealand citizenship four years earlier.

Such deals have helped to drive up nationwide home prices in New Zealand by 43% in the five years through September, with an even

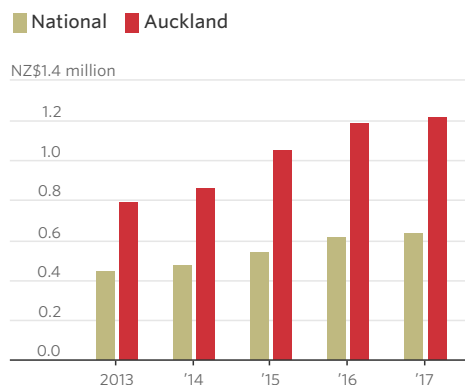
bigger increase in Auckland, according to QV, a unit of property-research firm CoreLogic. Concerns around affordability became a flashpoint in New Zealand's election in late September and contributed to the center-right National government's loss of power after almost a decade.

In recent years, regulators in countries from Canada to Australia have raised taxes on residential real-estate purchases, required banks to demand bigger down

payments and taxed empty homes—to little long-term avail.

### High Rise

Surging home prices have prompted New Zealand to ban foreign purchases.



Note: Average prices ending September of each year; NZ\$1 million = US\$691,155 (Oct. 31)

Source: CoreLogic

THE WALL STREET JOURNAL

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- New Zealand to Ban Most Foreign Investors From Buying Houses (Oct. 31)
- Jacinda Ardern to Lead New Zealand After Deal With Kingmaker (Oct. 19)

New Zealand wants to go further than most. Under an amendment to the country's Overseas Investment Act, foreigners aside from Australians would be banned from buying existing homes unless they became citizens or permanent residents. Labour, which was elevated to power through a coalition deal with the populist New Zealand First party, had campaigned on a pledge to overhaul the law.

“It’s a kind of foreign investment that is not just unproductive but actually damaging,” Housing Minister Phil Twyford said. “There’s no benefit to New Zealand or New Zealanders at all, having people who are not citizens or permanent residents of this country, who don’t have the right to settle here buying and selling houses for capital gains.”

Still, critics say the policy risks damaging New Zealand’s reputation if it is seen as demonizing foreigners, and the policy won’t do much to take the froth off house prices. Even if it does work, New Zealanders who bought at the top of the market face losing money on their homes, posing a political risk to Labour.

“There is little data or evidence that clearly links the role foreign buyers have in allegedly increasing house prices,” said Bindi Norwell,

chief executive of the Real Estate Institute of New Zealand. Referring to the sea separating New Zealand from Australia, she added, "Looking across the Tasman shows that the impact of a similar policy on banning foreign buyers is minimal, with Australia being the third most unaffordable country in the world."



Prime Minister Jacinda Ardern's policies on housing include building 100,000 affordable homes over the next decade. PHOTO: MARK COOTE/BLOOMBERG NEWS

Regardless of whether it has any immediate effect on prices, the decision is a relatively easy sell for the country's new prime minister, Jacinda Ardern, whose policies on housing also include building 100,000 affordable homes over the next decade.

Ultralow interest rates at central banks have spurred investors to hunt globally for returns in tangible assets. Yet some places that have been favorites for foreign investors in recent years—including London, and, most recently, New York—are also rolling out policies that discourage deals.

Canada has tightened housing-financing rules numerous times since mid-2008 to curb excesses. In Canada's hottest market—Vancouver, British Columbia—the government introduced last year a residential-property tax on outsiders and a separate vacancy tax on properties left unoccupied.

In April, Australian regulators ordered banks to limit the flow of interest-only loans, a villain in the U.S. subprime mortgage crisis, to 30% of new loans from about 40% and to restrict loans to people making small down payments.

Data compiled for New Zealand's previous center-right government show that about 3% of property sold in the country was sold to foreign buyers in the year through March. But the data were calculated using the tax residencies of buyers rather than their citizenship status. Mr. Twyford thinks the proportion of foreign-property purchases could be higher than 10%.

The government is concerned that foreign, speculative investors are making properties unaffordable for locals. Mr. Twyford said he knew of families with children living in cars and pensioners living in campgrounds paying the equivalent of US\$240 a night for a one-room cabin.

**“It has really shaken people’s confidence in the ability of our country to ensure that people have at least a decent standard of living with a roof over their heads,” he said.**

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