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GOVERNMENTS ARE NOT REAL ESTATE DEVELOPERS: LESSONS FROM NEW ZEALAND

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In the context of the 2025 federal election, the idea of creating a Crown corporation to act as a real estate developer was raised, with a proposal to create Build Canada Homes.¹ The new Liberal government wants to play an active role in the construction of affordable housing in this country. The function of real estate developer, however, has historically been carried out by the private sector, not by government. The case of New Zealand illustrates the lack of efficiency and expertise of public authorities in the construction of housing, and the need for Canada's federal government to abandon this plan.

NEW ZEALAND'S EXPERIENCE

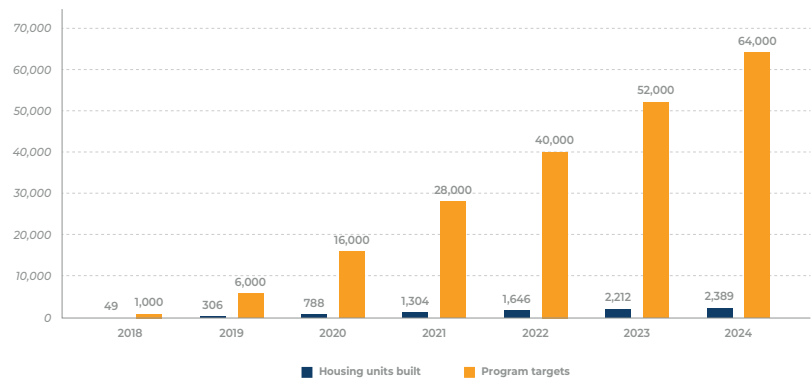
Faced with rising prices for residential properties, the New Zealand government launched a program in 2018, KiwiBuild, to respond to the demand from first-time buyers.² With NZ\$2 billion (around C\$1.7 billion) of initial capital, its goal was to build 100,000 affordable housing units in a decade by allowing the government to act as a real estate developer.³

By 2024 however, the cumulative housing built under KiwiBuild represented only a tiny proportion of the units built in the country.⁴ Local media indicated that it would have taken 436 years to achieve the program's original target at its initial pace.⁵

From the start of the program through to the end of 2024, only 2,389 housing units were built,⁶ including 177 during its last full year of activity, in 2024 (see Figure 1). If we include

Figure 1

New housing units built vs. planned under the KiwiBuild program (cumulative figures)



Note: The targets for the first years were more modest, but rose to 12,000 housing units per year as of 2021, in order to reach 100,000 in ten years. Authors' calculations.

Source: Ariana Stuart and Joe Bergin, "Prefab growing pains," *Building Magazine*, June-July 2018; New Zealand Ministry of Housing and Urban Development, Home, Stats and Insights, The Housing Dashboard, Home Building, consulted on May 29, 2025.

units currently under construction, just 3,071 will have been completed since the start of the program.⁷

The failure of this attempt to increase the government's role in the construction of housing is obvious: in nearly seven years, the New Zealand government had barely built 3% of its ten-year target. This is an eloquent example of the limits of government interventionism in this sector. Indeed, just one year after the adoption of the program, the government had already renounced its goal of building 100,000 new affordable housing units. The failure of KiwiBuild led the subsequent government to end the program in October 2024.⁸

WHY THE KIWIBUILD PROGRAM FAILED

An unrealistic target

First of all, the goal of building 100,000 new housing units seems to have been selected without any rigorous process, rather than following an in-depth consultation with players in the construction sector. This undermined the achievement of the program's objectives from the very start: only 49 units were built in 2018, the first year of the program, instead of the projected 1,000. The gap between KiwiBuild's targets and the number of units built grew dramatically in the following years.

The prefab illusion

Moreover, the housing units proposed were not priced very competitively, given their quality and construction type (prefabricated). This attempt to partially replace private developers with a public initiative proved inefficient, in that the prices set were well above the lower quartile selling price in many districts across the country. This meant that many first-time buyers were inclined to look for better options on offer from the private sector.⁹

Uninteresting for banks

Finally, despite the goals of the New Zealand government, banks were reluctant to finance the KiwiBuild program's prefab houses. Indeed, they often refused to give people mortgages,¹⁰ prefab houses not constituting a sufficient guarantee as long as the modules are not installed on the plot of land, which increases the risk in the event of non-payment.¹¹

CONCLUSION

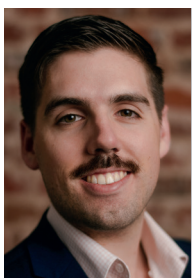
New Zealand's experience highlights the limits of government intervention in the real estate market, especially in terms of resource allocation. Contrary to real estate developers, for whom the housing market is at the core of their activities, governments do not have the

capacity to carry out such a mandate, due to their multiple missions and budgetary constraints.

The Carney government, which is promising a greater role for the federal government in housing construction in Canada, should draw the appropriate lessons from this failure. Instead of creating Build Canada Homes, it should set up a framework that is favourable to the construction of new housing units, by reducing both superfluous regulation and the tax burden. A stable and predictable regulatory environment would allow private developers to operate effectively to build housing for Canadians, with no need for a new bureaucratic agency.

REFERENCES

1. Liberal Party of Canada, Canada Strong, Build, 2025.
2. Government of New Zealand, "KiwiBuild Fact Sheet," March 2018.
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5. This pace was 19 houses built per month, from 2018 to the first month of 2020. Thomas Coughlan, "KiwiBuild will take more than 400 years to reach original target," *Stuff*, May 27, 2020.
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11. Ariana Stuart and Joe Bergin, "Prefab growing pains," *Building Magazine*, June-July 2018.



This Viewpoint was prepared by **Gabriel Giguère**, Senior Policy Analyst at the MEI, in collaboration with **Yassine Benabid**, research intern at the MEI, and **Renaud Brossard**, Vice President, Communications at the MEI. The MEI's Regulation Series aims to examine the often unintended consequences for individuals and businesses of various laws and rules, in contrast with their stated goals.

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