Housing a losing game for many

It could be a billion-dollar industry by 2025 – unless a brutal housing crisis intervenes, writes **Ethan Te Ora.**

Game developer Brandon Grimshaw will be going back to Australia once borders reopen. "I can't see a future in Wellington." JERICHO ROCK-ARCHER/STUFF

Wellington's brutal housing crisis could be about to claim its next scalp: the game development industry.

Workers and studio heads within the industry – projected to become a billion-dollar sector by 2025 – say lethal house prices and rental costs are driving talent offshore. A new tax incentive scheme offered by the Australian Government compounds those problems, with studios across the ditch potentially able to offer salaries that are 30 per cent higher.

Game developer Brandon Grimshaw moved to Wellington from Australia at the beginning of last year, accepting a "dream job" at a small indie studio. But extortionate costs for even mould-infested houses meant he was moving back to Australia as soon as he could.

"Wellington's a great city, but I can't see a future here. Even if I did get a higher paying job, the amount I would need to save to buy even a modest house is outrageous," the 28-year-old game developer said.

There was also a "health drain due to unhealthy homes", Grimshaw said.

He already had one foot out the door, currently working remotely for a Melbourne-based games studio until borders reopened. "Why would I stay here when I can go to Australia, make more money, and pay less for a house?"

Wellington has the third-priciest property market in the world, as well as the highest rental costs in the country, and the fewest houses for sale. Those combined evils were the bane of numerous industries, contributing to a recent exodus of emergency department nurses.

The game development industry grew by 42 per cent, in 2019, to $203.4 million, according to a survey by the New Zealand Game Developers Association (NZGDA), which also projected video gaming would grow into a billion-dollar sector by 2025.

And, in spite of the pandemic, the industry had continued to grow its workforce by almost 30 per cent over the last year, from 748 workers to 969 workers. Wellington was a main nexus for that work base: more than 300 workers, with 14 out of 63 studios found in the region.

Mario Wynands is the founder and chief executive of Pikpok, one of the country's largest games studios. He said half a dozen workers had left the company in recent years with "housing as a major factor".

"For some people, that [housing costs] was the only reason they left. We run a good company here ... but that was outweighed by the weight of needing to get on the property ladder."

Wynands, however, worried that closed borders were a handbrake on that exodus, and a greater outflux of staff was possible once they reopened.

At the same time, border closures stymied growth in the industry, as it relied on hiring staff from overseas in order to "train up local staff, and help ratchet the industry up".

Studio Mayday director Joshua Boggs said his studio paid staff well, but was "constantly up against" exorbitant housing costs in Wellington. "They can ... go somewhere else and have a massive amount more discretionary income – which they can choose to save for a house."

Three games developers – who didn't wish to be named while still employed in New Zealand – said they would strongly consider moving overseas once borders reopened, with Australia as the most likely destination.

"I can't even do basic things like own a pet at my rental – let alone afford a deposit on a house," one of them said. "I'm not even on a low salary, but I can't afford a house here," another worker said.

New Zealand Game Developers Association chairperson Chelsea Rapp said the industry paid "above the average median salary", though exact figures weren't available. Housing was one piece of the puzzle, she said – the Government needed to introduce tax incentives similar to those in Australia. "It's ultimately just a symptom of a larger issue. It's very challenging for studios to be able to offer salaries that enable people to buy houses in this market."

Rapp said workers in Australia could hope to earn 30 per cent more for doing the same thing. The NZGDA had urged the Government to adopt a similar tax incentive scheme in order to compete with Australia.

Minister for Economic and Regional Development Stuart Nash and Minister for the Digital Economy David Clark had met representatives from the NZGDA just before lockdown. Nash said the Government was "committed to looking at ways to further develop" the game development industry.

Tech tensions lead to lost opportunities

Analysis
Laura Walters

Wellington has long prided itself on its tech sector, but the capital is now staring down the barrel of a techxodus.

If industry leaders don't do a better job of communicating the key role tech will play in New Zealand's economic future, the capital will continue to lose opportunities to grow and innovate.

The likes of Weta Digital and Xero put Wellington's world-class innovation on display. Others have followed in their footsteps, setting up fast-growing companies, like PikPok and A44, which employ hundreds of people, and bring in tens of millions of dollars in a sustainable way.

But the inability to get staff into New Zealand, and the gap in numbers and the level of skills coming through the pipeline domestically, is squeezing the industry.

Sick of treading water, leaders in the tech sector are speaking publicly about the challenges they're facing, and why they're being forced to move parts of their business overseas.

Some, like Xero managing director Craig Hudson, and Anna Kominik – the New Zealand head of US aerospace company Wisk – have aired their frustrations on LinkedIn.

And this week, *Stuff* spoke to more than half a dozen industry leaders, who are feeling hamstrung by the Government's lack of understanding around the challenges they're facing.

New Zealand companies, like Weta Digital, Vista Group, Pikpok and A44 are setting up offices overseas. Others are hiring staff offshore.

They know that will have a direct impact on the local economy – both in terms of income tax and lifestyle spending, but also in the longer term.

Without those leaders here, junior staff and students won't be able to upskill, and New Zealand risks losing its position as a world-leading tech innovation hub.

Tech investor and board member Serge van Dam says this will cast a long shadow.

WellingtonNZ chief executive John Allen describes the industry as "the most exciting growth opportunity for the city".

Allen also knows that without progressively reopening the borders and coming up with a better strategy to nurture domestic talent, the capital is facing a significant lost opportunity.

But these profitable businesses say they're being suffocated, and looking elsewhere for talent and growth is the only choice they have left.

Perhaps the crux of the problem is that the Government doesn't fully understand what's happening at the coalface. Central and local government say the right things, but the rhetoric doesn't match the reality. Talk about not only the opportunities created by the sector; about the essential nature of digitising services, improving security, and driving economic growth through weightless exports.

Meanwhile, Cabinet is working on a suite of strategies that aim to support growth in the sector, and build a plan around artificial intelligence and cybersecurity. That's been coupled with a $44 million budget investment.

At the same time, companies can't get workers in, due to restrictive visa criteria, a lack of a domestic talent pipeline, and the closed borders.

This has led to a skills shortage.

Currently, the sector is short about 4000 people. While tech creates between 4500 and 5500 jobs a year, fewer than 2000 students are leaving school to take up study in this area. At first glance, the graduate numbers don't look too bad, but once international students numbers are stripped away, the number of people gaining a tech qualification is declining 3 per cent, year-on-year.

According to a TechNZ survey from July, most applications under the "other critical worker" category were rejected. Further analysis by the industry group shows visas granted under this category sat below the average for other industries: 40 per cent versus 56 per cent.

Van Dam says some of the blame needs to sit on the shoulders of industry leaders.

Rather than being frustrated, they need to do a better job of communicating why tech is so important to New Zealand's future.

This isn't about privileged, well-paid, well-educated people whinging because they aren't getting special treatment. It is about understanding this could be a lost opportunity for New Zealand to become a high-income country, he says.