

# The truth behind that 'dramatic drop' in home-ownership

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For years we've been talking about the dramatic drop in Kiwi home ownership rates. The problem is — it isn't true.

We boast that New Zealand once led the world in home-ownership, but New Zealand never had the world's highest rate of home ownership — nor anything even approaching it. The story the numbers do tell, though, is fascinating.

In 1916, 52 per cent of Kiwi homes were owned by the occupier. Ten years later, in 1926, that figure had increased to 61 per cent — and there it stayed for 25 years, until 1951. From there, it progressively increased between 1951 and 1991 until it reached 73.8 per cent, the highest level in our history.

By 2013 home ownership had dropped back to 66.2 per cent — and now sits at around 63.2 per cent, just marginally ahead of where it was in 1951. This means that we currently rank at 44 in the table of 50 nations with the highest rates of home ownership — well behind first-ranked Romania (96.4 per cent) and second-place Singapore (90.7 per cent), and in the same ballpark as Australia (65.5 per cent), the US (64.5 per cent) and the UK (63.5 per cent).

This invites a couple of observations. Firstly, despite at least four property cycles since 1980 — each leading to a doubling of house prices over the previous cycle — the current rate of 63.2 per cent home ownership is not far shy of the 93-year

average of around 65 per cent — which means successive generations of Kiwis appear to have adapted to, and overcome, the reality of higher house prices.

Secondly, something changed in the years leading up to 1991, giving rise to a big increase in home ownership, before numbers fell back to the long run average. While it would be easy to blame that drop on spiralling house prices — probably with some validity — it would be well worth going back and reviewing the overall mix of policies which were in place, at the time, and which may have contributed to that increase.

From memory, the Government promoted a ‘Home Ownership Account’ scheme in the 1970s and 1980s, in which first-home buyers were encouraged to save in return for a Government contribution toward their first home. While this type of scheme has partly been replaced by the first home buyer provisions of KiwiSaver, it would be worth revisiting the program to see if there are lessons for us in 2019.

This all begs the obvious question: does any of this really matter? Indeed, there are a growing number of Kiwis who hold the view that the pursuit of home-ownership is a pointless exercise and that the choice to rent frees us up to enjoy life, now, rather than struggling to pay off a mortgage throughout our working lives.

The superficial appeal of this position is obvious in the short term — but it misses the longer term benefits of home ownership.

After a few early years of hard slog paying the mortgage two things happen for most of us; our income increases and our house gains in value — and the combined power of these two things gives us the ability to make choices which we would be much more difficult if we did not own property. It enables us to go into business, contribute to the education of our kids, travel, renovate our homes, invest in additional property, and purchase consumer goods. But perhaps even more importantly — it provides us with retirement choices which enhance our quality of life and reduce our burden on the State.

These things matter. Indeed, the extent to which home ownership underpins and fuels the New Zealand economy cannot be underestimated — and protecting this relationship should be a primary consideration for policy makers regardless of political ideology.

The good news is that our rate of home ownership has stayed remarkably stable for almost 100 years — let’s not now do anything to mess that up.

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