



RESEARCH BULLETIN  
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# From social renting to housing independence – the social and economic impacts of housing tenure



The Housing Foundation led the commissioning of this research in the interests of deepening and broadening the debate, decisions and action, for improving housing for all low and moderate income New Zealanders.

The objective of this report is to summarise new research findings and contribute to housing policy development by examining the benefits and costs of different forms of tenure and calculating the long term advantages of moving those in private and social renting towards home ownership.

## Housing Foundation

The Housing Foundation is a registered NZ charity and community Housing Provider.

- It exists to relieve poverty through the provision of affordable housing for low income households in New Zealand.
- It does this by delivering new, safe, stable, secure houses through its affordable rental and affordable equity products.
- It works with families to help them get their finances and other matters in order to set them up for successful tenancy and pathways towards partial or full home ownership and out of the rental poverty trap.
- To date Housing Foundation has built over 630 homes and housed households in 34 distinct communities.

The heart of the work that Housing Foundation does underpins building sustainable thriving communities where people are connected, mutually responsible and enjoy the benefits of improved quality of life.

## Background research

This research was commissioned and funded by the New Zealand Housing Foundation. BERL (Business Economic Research Ltd), the FCSPRU (Family Centre Social Policy Research Unit) and NEXUS Research carried out three independent research studies.

FCSPRU undertook a literature review which drew together more than a hundred and twenty international studies that explored the associations between housing tenure and social, economic and health outcomes. In particular, the review highlighted the results of studies that measured the effects of housing tenure and security on health, employment, crime, welfare, wealth and education outcomes.

The second study involved BERL analysing the associations between housing tenure and fiscal costs for health, crime, welfare benefits and tax paid in New Zealand, using Statistics New Zealand's Integrated Data Infrastructure (IDI).

Per capita costs for people residing in Auckland were estimated under the three tenure groups of social renting, renting, and owner-occupancy. These per capita costs were based on statistics including hospitalisations, corrections, benefits, and PAYE.

The third study by NEXUS was a survey of residents in a new community about their experiences of moving from predominantly rental circumstances through a range of rental and ownership tenure options, towards independent home ownership.

## Overview

Housing tenure in New Zealand has undergone radical change in last twenty-five years:

- Between 1991 and 2015, the proportion of households who owned their dwellings reduced from 74 percent to 64 percent.
- Renters on the other hand, increased over the same period from 23 to 32 percent (Statistics New Zealand 2015).
- More recently, the cost of housing has risen sharply, particularly in Auckland.

Housing policy is a difficult area for governments particularly because of high capital costs and steep market fluctuations.

As a consequence housing policy often takes the form of short term pragmatic reactions rather than a considered strategic response to the the long-term requirements of housing security.

### WORLDVIEW

The Global Housing Watch Survey (Ahir et. al. 2016), published by the International Monetary Fund (IMF), shows New Zealand had the second highest growth in house prices during 2015, and the highest price increases relative to income of any country. The reduction in home ownership and the increasing proportion of housing costs on household budgets has led to a growing number of reports of housing hardship and unaffordability (Boston and Chapple 2014, Child Poverty Monitor 2015, Perry, B. 2016). Housing insecurity is frequently reported in the New Zealand media and it has become the focus of considerable political attention.

Having my own home means I have the freedom to do what I want.

—Community Resident

## Study 01: FCSPRU

This research looked at relevant international literature and the social and economic impacts of housing tenure.

### FINDINGS

The research concludes that housing tenure is a significant factor for positive social and economic outcomes.

Homeownership, as opposed to renting, is often significantly associated with positive health, crime, and educational outcomes in studies, usually even after controlling for a range of variables including socio-economic status and income. This means that the findings pertaining to better outcomes as a result of greater security of tenure, either through rental or ownership, cannot simply be discounted on the basis of the wealth of the household.

The majority of studies find significant positive effects of homeownership under each of the six categories: health, employment, crime, welfare, wealth and education.

- Objectively assessed health conditions and self-assessed health status are improved in the areas of both physical and mental health.
- The labour market studies demonstrated the most varied results. Most studies though, show ownership to be beneficial, not only for protecting against unemployment, but also for faster exits out of unemployment when it occurs.
- There are fewer studies relating to crime, welfare and wealth, but the majority show homeownership is significantly associated with lower crime rates, less welfare dependency and offer a greater chance for low income families to create asset wealth, albeit at a lower rate than higher income groups.
- The children of homeowners also showed significantly higher educational attainment levels than those of renters in most of the educational studies.
- No studies demonstrated significantly negative health, crime, welfare or educational outcomes associated with homeownership. However, owners were found in a minority of studies to be less mobile and therefore less able to pick up jobs in non-local labour markets.

Many of the studies in the literature review came out of European countries where the tenancy protection laws are substantially stronger than those in New Zealand. This would suggest the negative effects of renting in New Zealand may well be under-estimated in the international literature.

## Study 02: BERL

This research took the work of study 1 and identified a relevant and applicable framework to apply to the New Zealand context using New Zealand data.

### FINDINGS

Using Statistics New Zealand's IDI data over the four-year period July 2011 to June 2015, the study of fiscal costs, found that per capita costs to government of corrections, health (hospitalisations) and benefit payments were higher for renters than homeowners.

In addition renters paid less per capita PAYE revenue than homeowners.

The modelled costs of:

- Transitioning 1,000 private renters to owner occupier status over fifteen years, made a potential net fiscal saving of \$4 million.
- Transitioning 1,000 social renters made a net fiscal saving of \$11.1million.

BERL says that: "the results of this simple model strongly indicate that homeownership in New Zealand offers significant long term fiscal savings for government."

These results were validated in a third study which is a survey of a broad range of families who are in the process of moving along the housing continuum from rental towards home ownership.

A key study in the literature review was replicated using the same New Zealand data sets, this time controlling for age, income, tenure and financial hardship. The simulation modelling supported the earlier results. They demonstrated the relationship between government expenditure on health and tenure type, and showed that owner-occupation yielded lower fiscal health costs compared to renters overall.

Together, all parts of the study on fiscal costs demonstrated the significant and worthwhile benefits to households and government of moving renters over time into owner occupancy.

### VALIDATION

**Housing Foundation's on the ground NZ experience strongly validates these research findings**

**As a registered charity and Community Housing Provider, the Housing Foundation has found that its every day experience goes hand in hand with these findings.**

**Over the past 10 years the Housing Foundation has housed hundreds of families, in 34 distinct communities, all across Aotearoa. During that time they have witnessed first-hand, significant positive changes to the lives and wellbeing of those people who bought/moved into new affordable houses in developments.**

## Study 03: NEXUS Research

This study is a survey of residents in the newly created community of Waimahia Inlet in South Auckland. It is an area that when complete will house 295 households. To date just over 200 families have moved in.

### FINDINGS

- Residents have experienced a significant improvement in their quality of life since moving in to their new homes.
- Residents have noted that enhanced enjoyment of, and participation in community life as the biggest driver to improving quality of life.

### COMMUNITY LIFE

**Community life within the developments is delivering strong positive experiences for residents:**

**Two thirds (65%) of residents rate the community as excellent or very good, an improvement from only 34% in their previous residences. 80% feel a sense of community has been established; only 19% felt the same when living in their previous home.**

**Creation of strong communities (sometimes called placemaking) is a core objective of this form of housing development.**

- Quality of life goes up dramatically. More than 95% of residents rate their quality of life as extremely good or good in their present home, compared with just 59% in their previous home.
- Residents say their health has improved in their new home. The majority (80%) of them rate their health as excellent or very good. Only 29% felt this to be true in their previous home. Families report that crowding (over occupation of the house) has dropped from 52% previously, to 6% at Waimahia.
- The sunny, well insulated, dry homes have been extremely positive in helping keep winter and respiratory illnesses at bay. 80% say that their new home is far more effective at keeping winter and respiratory illnesses to a minimum. Only 21% said their previous houses were similarly effective.
- The location of a number of the developments, with nearby access to walkways and cycle ways, has improved resident's opportunity to exercise, thus improving overall health.
- This improved health is likely to have resulted in a reduction in absenteeism for the school aged children and less demand for healthcare services. Therefore, improved health within families brings with it an economic benefit.

- Parents are more positive about their children's achievement at school and believe greater security of tenure and locations have allowed their children to maintain or improve their educational prospects.

Families report that school attendance and achievement have improved for all three age groups of school age children in the community. "We are living in a nice warm house and it is not overcrowded. Everyone has their own space and the children are getting less coughs and colds, they are at school more and if your child is there they are learning better."

"Children don't miss school as often as they used to as the home is warmer and drier. They are hardly ever sick."

- Since moving in to the development people's lives have become less transient and people feel more secure. Residents feel the security of their tenure has improved. 85% rate their security of tenure as very good or excellent. This is benefitting families in a number of ways, including better education outcomes and great willingness to invest time and effort in building strong community.
- Realising the goal of home ownership provides a sense of wellbeing. People are more positive, they feel they have a better future and a greater sense of security.

Many of the benefits the Housing Foundation sees on a daily basis go beyond the three studies outlined above. Housing Foundation has seen that the positive impacts of moving households from welfare dependency to increased housing choices, security of tenure and independence are in fact significantly greater than previously thought. Measuring these impacts is complex.

The positive impact of the work done in these communities is significantly influenced by applying the principles of place making and community building, and the high quality of the new houses that households moving into.

# I love knowing my neighbours and the sense of belonging that is here.

—Community Resident

## The implications

Strangely, a full discussion on the advantages of secure independent living and homeownership seldom features in the frequent reports of New Zealand's housing dilemma, although its benefits are proven time and time again.

Homeownership for low and low-middle income households has simply not been a major focus of policy making in recent years.

From time to time, a few small schemes have been floated, but none of sufficient size to arrest the decrease in homeownership.

It seems clear that given the volatilities of the market and the large-scale investment in rental housing, many more New Zealanders can be expected to experience the negative social, economic and health outcomes associated with insecure tenure that are outlined above.

FCSPRU argues that our alternative is to actively support the development of affordable homeownership and/or equity schemes that are made accessible to low and low-middle income families.

- The government can currently borrow at rates of three percent or less.
- If this money was used to purchase modest houses or apartments in New Zealand, it would create weekly payments for buyers that equal the weekly payments of renters in poor suburbs now.
- This borrowing could provide less well-off families with a vital avenue into ownership with minimal costs to government.
- The Accommodation Supplement for the families involved could be diverted more usefully for this purpose, and such households could be supported by community based housing organisations.

## It has given me and my family an investment for life.

—Community Resident

## Final words

This work is intended to support, deepen and broaden the debate relating to home ownership and the central role it plays in building better communities. We know that people who own things, especially their homes, even if it is a portion of the house on a pathway towards ownership, feel and behave differently: no-one washes a rental car before they return it.

They engage in community more, they have stronger affiliations, different, and higher, expectations and better quality of life and outcomes. Allowing more people to fall into the rental poverty trap makes no sense! It is not fiscally, politically or socially effective for NZ inc. And when we look at the effects on the individuals and families who are caught in the trap, nor is it morally right.

Market-tested, affordable rental, rent to buy and shared equity schemes are an important part of the solution to New Zealand's housing crisis. These pathway products and services can provide greater security of tenure and deliver hope and an opportunity for families to lift themselves up, out of poverty, towards a better future.

We believe in empowering communities and building for the future through innovative housing solutions. If you want to know more about what we do and the results it delivers please contact us or visit [housingfoundation.co.nz](http://housingfoundation.co.nz)

## Further information

The full studies are available from the Housing Foundation website [www.nzHousingFoundation.org/about/research](http://www.nzHousingFoundation.org/about/research)

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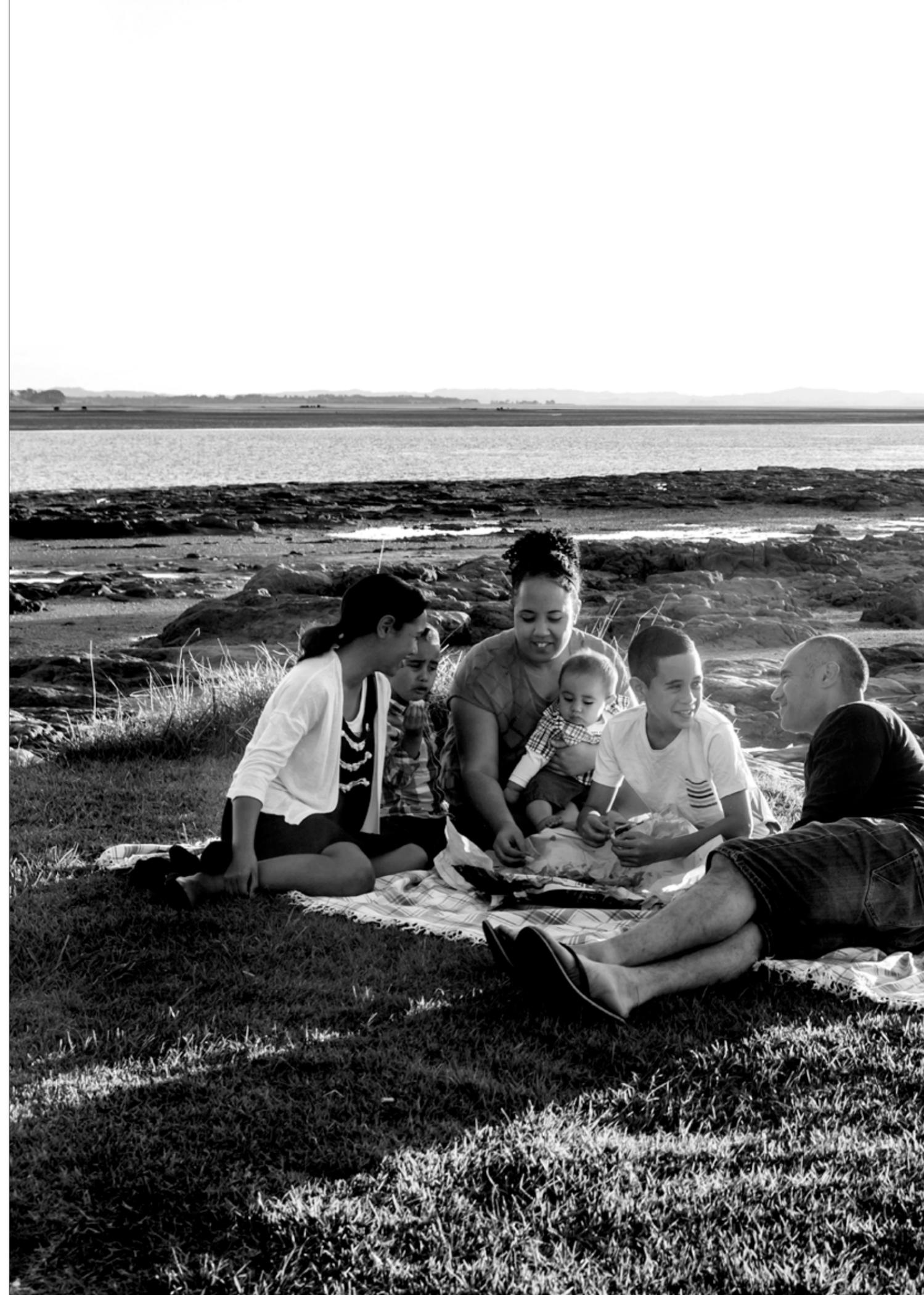
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PO Box 44018, Point Chevalier, Auckland 1246  
0800 4 Housing (0800 446 874) • [info@housingfoundation.co.nz](mailto:info@housingfoundation.co.nz)  
[www.housingfoundation.co.nz](http://www.housingfoundation.co.nz)

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