Next step forward

Westpac NZ Shared Home Ownership Report

July 2024

Contents

Executive summary

The home ownership dream is increasingly out of reach for some New Zealanders

For decades New Zealanders have had strong home ownership aspirations that boil down to two key factors: the enduring quarter-acre dream, and the promise of big returns.

For generations, high home ownership rates have contributed to a range of social and financial benefits for owners. These include stable schooling and communities, building savings through paying down a mortgage, and having the option of a rent-free retirement.

However, since the 1980s, house prices have outstripped income growth, putting affordability out of reach for a growing group of aspiring homeowners.

As a result, fewer than 60% of New Zealand households now live in their own home, compared to almost 75% in 1991.[1] At current declining rates, national home ownership is projected to drop below 50% by 2048.

This trend will have large implications for New Zealanders in the years to come.

Against this backdrop, Westpac engaged Deloitte to look at the system challenges and impacts of New Zealand's declining home ownership rates, and to explore the potential of shared home ownership solutions to make a positive difference.

Reversing the trend of the past 40 years requires action on a wide range of fronts. Shared home ownership is currently a small part of that solution, but for the families and households it helps, the impact is large.

For this report we have looked at a variety of 'shared home ownership' pathways such as shared equity, leasehold and rent-to-own models – all of which can reduce the time needed to save a deposit and loan servicing costs.

This includes, but is not limited to, the Progressive Home Ownership Fund (PHO Fund), administered by the Ministry of Housing and Urban Development (MHUD), and shared home ownership pathways provided by government, Iwi Māori and non-government organisations, like Community Housing Providers (CHPs).

For the growing group of New Zealanders struggling to get on the housing ladder, we have tested whether shared home ownership solutions could be the helping hand they need to get across the line, and to what extent these solutions could be scaled up.

We spoke to 15 housing sector participants, including those providing shared home ownership pathways, to discuss the barriers and opportunities to scaling up provision. Although these pathways are relatively small in the context of all housing development in New Zealand, they have accelerated rapidly since the introduction of the PHO Fund in July 2020.

Since that time, more than 1,700 shared home ownership homes have been delivered, compared to roughly 1,000 between 2007 and July 2020.

Those we spoke to in the sector had ambition and enthusiasm to scale up, but were constrained by the availability of funding, credit conditions and the cost of debt, land and construction costs, and the absence of a national affordable housing strategy.

Other system barriers included the financial capability of prospective homeowners, limited awareness of shared home ownership solutions, and central government policy uncertainty.

These challenges are not unique to New Zealand. Housing unaffordability and the need for shared home ownership solutions are felt keenly in overseas markets such as Australia and the United Kingdom. While neither of those countries have yet fully cracked the code to shared home ownership, they are moving in the right direction, and lessons can be drawn from their practices to scale up effective, sustainable, and fair programmes in New Zealand.

Those we spoke to believed if immediate barriers to scaling up were removed, they would likely be able to shift the dial on shared home ownership housing significantly. Our analysis shows current provision could be scaled up by around 300%, from a small base of under 1,000 homes per year.

On the other side of the equation, our analysis showed large potential demand for such growth in the shared home ownership market.

Based on a customised Statistics New Zealand data set, and by applying a range of criteria, we found 53,000 households could be both eligible and sufficiently aware of shared home ownership pathways to take advantage of them. Unconstrained by the awareness factor, that figure could rise by a further 100,000 households.

If New Zealand can address some of the more immediate barriers to growth and build greater awareness and momentum for shared home ownership providers, around 10,000 more households could be on a pathway to ownership over the next few years.

Homeowners, providers, the banking sector and the Government all have roles to play in funding, normalising and scaling up such pathways for aspiring homeowners.

We identified a set of actions those groups could take to immediately bolster the uptake of shared home ownership.

Mindset

We encourage aspiring homeowners and New Zealanders more generally to think more openly about innovative ways of owning a home, such as shared home ownership, which in most cases will provide much greater financial and social benefits than renting. All players in the shared home ownership system can assist this by promoting awareness.

Funding and risk settings

All stakeholders should work together to establish a greater range of reasonably priced longer-term funding streams to support the sector to expand. This would likely involve a mix of funding from government, charities and not for profit, impact investment, finance from banks and new capital market investment instruments. The banking sector could also review its risk settings for community housing development loans to reduce the cost of bank funding more reliably.

Certainty

The Government could provide greater stability for the sector through a long-term national affordable housing strategy and greater certainty of long-term funding for shared home ownership housing. It could also provide clearer guidance and rules for local authorities to make it easier for community housing development and management.

Simplicity and standardisation

Buying a house is daunting enough, but shared home ownership models can add a layer of complexity that can be a barrier – both for aspiring homeowners and providers. As much as possible participants in the sector should simplify and standardise structures and documentation, whether for financing a housing development, seeking government funding, or for seeking a mortgage.

A full list of recommendations is included in Chaper 6.

Home ownership remains one of the single biggest drivers of long-term financial wellbeing in New Zealand. Stabilising or improving home ownership rates will help drive better social and financial outcomes for individuals, families, and the country.

In this report we shine a light on shared home ownership, and ask the question – can it play a greater role?

Chapter 1
What is contributing to lower home ownership in NZ?

Home ownership – the national aspiration

For a great number of New Zealanders, achieving home ownership is one of the biggest milestones in their life. It will likely be the most valuable asset a person will own, representing financial security and, in many cases, a legacy for future generations.

Home ownership is the bricks-and-mortar representation of a range of more intangible values: emotional security for families, and 'belonging' to a community.

"The social norms are, as a good Kiwi, you should own your own house. It's a cultural phenomenon which will take a long time to change," says Massey University senior lecturer, Dr Alexandra Ganglmair-Wooliscroft.[2]

While home ownership is a Kiwi cultural touchstone, it is also shorthand for owning a fee simple title. Other forms of home ownership – particularly those broadly grouped as 'shared home ownership' models – don't get much of a look-in. But with declining home ownership rates, now seems an appropriate time to examine the viability of other home ownership pathways.

Home ownership has many benefits

Home ownership confers a variety of financial and social benefits to individuals, households, and communities, including strengthening communities, promoting intergenerational wealth, and contributing to overall societal welfare.

Financial Benefits:[3]

- Home equity is a significant component of family wealth, contributing to financial security and stability.
- Owning a home provides a potential return on investment, and can serve as a form of financial security.
- The process of saving for a home deposit encourages individuals and households to develop better savings habits and financial discipline.
- Home ownership can have positive effects on job market participation and income, as it may provide incentives for individuals to enter the workforce and contribute to long-term financial stability.
- Home ownership can offer financial security in retirement through equity accumulation and potential options like downsizing to free up equity or reverse mortgages, reducing dependence on government support.
- Home ownership often provides the asset security needed to borrow against to build a small business.

Social Benefits:[4]

- Home ownership is associated with improved mental and physical wellbeing, leading to greater life satisfaction and better access to healthcare services.
- Owning a home can contribute to family stability and the overall wellbeing of children, fostering a sense of security and belonging.
- Homeowners are more likely to be actively engaged in local activities, contributing to community development and social cohesion.

- Home ownership can contribute to safer neighbourhoods, as homeowners often invest in the security and upkeep of their local areas.
- Homeowners may invest more to make their house more energy efficient and environmentally friendly.

The home ownership dream is becoming increasingly out of reach for some New Zealanders

This study focuses on the growing group of New Zealanders whose dream of owning a home is slipping away. This includes people who can't purchase a home through a traditional mortgage, are ineligible for housing support, do not have the ability to rely on family help, and are unable to access unassisted market ownership. Declining affordability is just part of the story. An array of factors have contributed to New Zealand having the highest housing cost to disposable income ratio in the OECD.[5]

Some of these factors are system-wide and the result of decisions going back decades, like restrictive land supply policies, deregulation of the country's financial system, the decrease in the state's social housing provision, and declining use of controls, like land protection.[6]

The battle to control inflation in the 1990s led to interest rates dipping and rising house prices as people could borrow more, and property became a favoured investment vehicle. The growth of housing as an investment vehicle, along with chronic supply constraints and inefficiencies, tax-free capital gains, and an increasing population, have distorted the housing market. This has resulted in New Zealand house prices increasing by more than any other OECD country over the past 30 years.[7]

Put together, all these factors mean that simply affording a place to live is a struggle – never mind salting away savings to amass a home deposit.

Nearly half of all renters spend more than 30% of their disposable income on rent, reducing their ability to save for a deposit.[8] 2018 Census estimates show more than two-thirds of New Zealand tenants were in periodic or rolling tenancies, equating to more than 400,000 households facing long-term housing uncertainty and insecurity.[9]

We also know there is a correlation of housing affordability, population growth, net migration and inflexible supply. Some indicators suggest a 10% increase in local area population can be associated with a 4%-6.5% increase in house prices.[10]

These disparities also perpetuate a wealth divide and lead to differences in health, education, and overall wellbeing outcomes.[11]

A distorted housing market

As of February 2024, the median house price was 6.8 times the median income, compared to 5.4 times in 2004 and roughly 2.3 times in 1984.[12] Figure 1 illustrates how we got here. Between 1998 and 2022, house price growth (as measured by the National House Price Index (HPI)) rose dramatically faster than incomes.

Between 1994 and 2023, the national median rent increased 53% faster than the average income but grew more slowly than the national median house price. The HPI increased 40% faster than the national median rent and over 230% faster than the average income between 1994 and 2023.[13]

Correspondingly, as houses have become less affordable, fewer families have been able to live in a home of their own. As shown in Figure 2, fewer than 60% of New Zealanders now live in their own home, compared to almost 75% in 1991.[14] At current declining rates, national home ownership is projected to drop below 50% by 2048.[15]

The outlook is worse for Māori and Pacific peoples, where the home ownership rate is lower, at 47% and 35%, respectively, as of 2023.[16]

Figure 1: National median income, rent and house price index (HP) in New Zealand, 1998-2022

Source: See endnote for references[17]

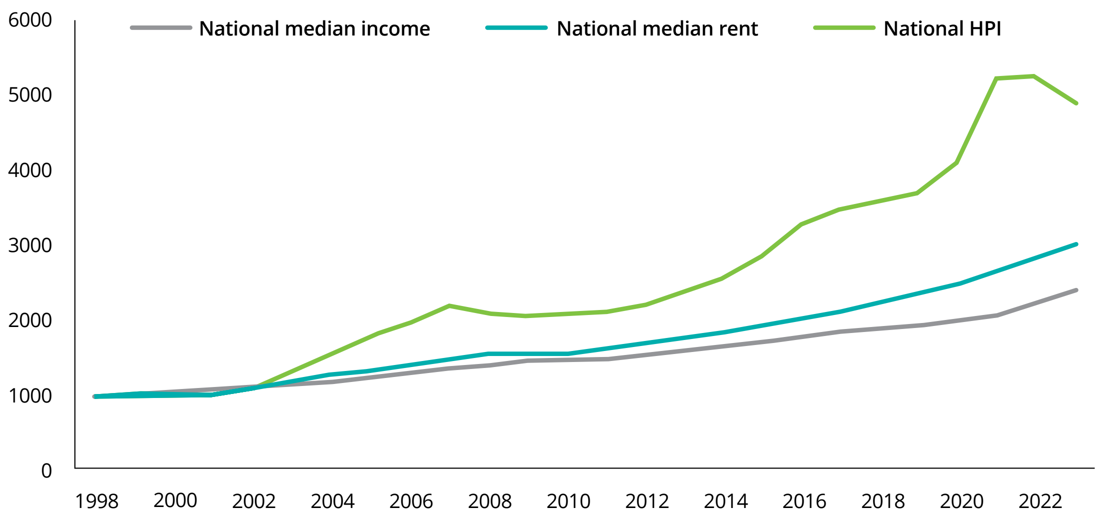
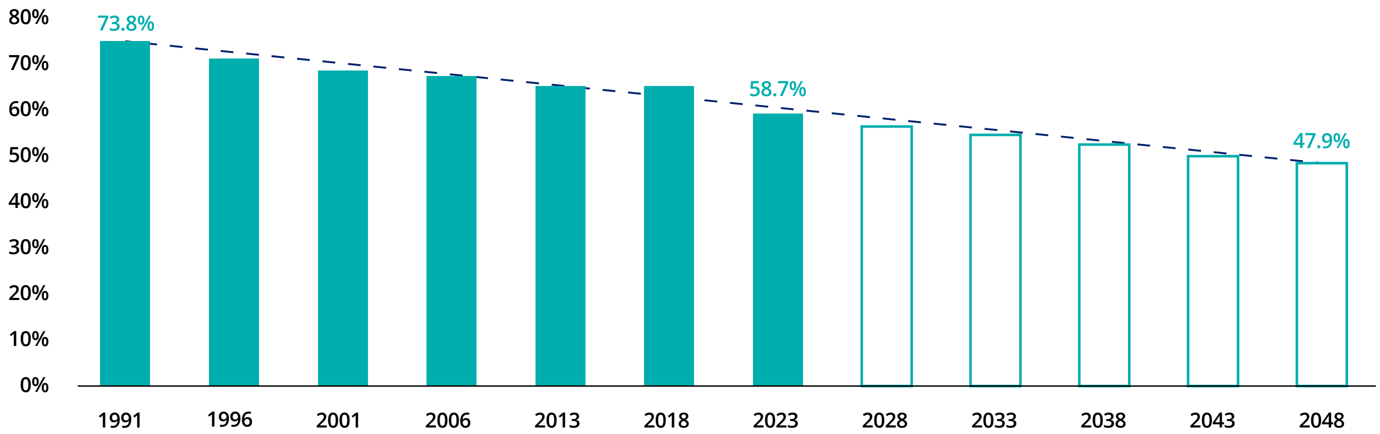


Figure 2: New Zealand home ownership rates, 1991-2023, projected to 2048



Source: See endnote for references[18]

Note: Figures from 1991 to 2018 are sourced from the New Zealand Census. To account for the delay in the 2023 Census data, this report has used the home ownership rates calculated from our custom data request using the Household Economic Survey. No 2011 Census due to Canterbury earthquake disruption.

Most New Zealanders would probably agree that arresting this decline is in the interest of communities around the country. If so, what is the ability and appetite of society and the housing sector to explore alternatives to traditional pathways of home ownership as part of the solution?

System challenges

A number of housing sector challenges are contributing to lower home ownership rates.

Successive governments have acknowledged New Zealand's affordability problems, and work is on-going to change policy and regulatory settings to support more housing development. These challenges cannot be resolved by individual parties alone, as they have become deeply rooted in an inefficient and unresponsive system.[19]

Supply side challenges

The supply side is underperforming in response to sustained demand. A number of factors contribute to this underperformance, including:

- A highly distributed housing sector.
- Restrictive planning rules.
- Strong competition for resources and a limited supply chain.
- Short-term political and economic policies.
- Fragmented construction sector.
- Increasing cost of land and construction.
- Information asymmetry between buyers and sellers.

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Demand side challenges contributing to lower home ownership

The demand-side challenges – which influence, and are influenced by, the supply-side – are also structural and cultural.

There are two drivers of demand for houses: as homes and as investments.

Houses: as investments

A distorted market

The rise and rise of houses as an investment – or betting on big returns – isn't unique to New Zealand and has been an enduring situation in many countries.

Interest in housing as an investment asset grew as supply was slow to respond to increasing demand due to the aforementioned issues of fragmentation, drawn out consents and high construction costs. As a result, demand has continued to outstrip supply and drive rapid increases in houses prices.

More recently, loan-to-value ratio (LVR) restrictions have placed limits on the volume of low-deposit loans banks can provide.[20] This has led to many first home buyers requiring a higher deposit to purchase a house, further impacting their ability to purchase.

Houses: as homes

Significant unmet demand

The increasing disconnect between housing supply and market need has resulted in a significant unmet demand from a growing cohort of lower- and middle-earning households which, in today's market, cannot purchase a home through a traditional mortgage, are ineligible for housing support, and are unable to access unassisted market ownership.

BRANZ, in its *Enablers and barriers impacting on the development of affordable housing tenures in New Zealand* report, refers to this as the intermediate market group, which is defined as households that:[21]

- Are currently market renters.
- Have at least one member of the household in paid employment.
- Cannot afford to buy a house at the lower quartile house price under standard bank lending criteria.

The number of households in the intermediate housing market has increased over the past 31 years by approximately 247% nationally (or a compounded annual growth rate of 4.1%) and 277% in the Auckland region (or an annual compounded growth rate of 4.4%).[22] As of June 2022, there were 289,300 intermediate households nationally and 108,500 of these are in Auckland.[23]

This swathe of unmet potential demand is not being adequately served by current home ownership pathways, meaning people within this group find it increasingly difficult to purchase a home and, consequently, miss out on the associated benefits.

Lastly, there are social and cultural demand-side issues.

The rise in intermediate households means some New Zealanders do not have a homeowner role model in their family. For a long time, most New Zealanders enjoyed broadly stable assumptions about becoming homeowners, not least because people around them could achieve just that.

For some communities, those role models are now scarce, and families of intergenerational renters are increasing in number. This can have negative impacts when the inability to purchase a home leads to people believing that, not only can they not afford to buy a home, but that owning a home will never be a possibility for them.

This alienation can lead to hesitation around interacting with banks, and limited understanding of concepts like interest rates and mortgages. The social and cultural factors at the lower end of the socioeconomic spectrum are complex and self-perpetuating, exemplified by individuals and families resorting to short-term and predatory lending due to a lack of trust in the system and limited financial capability.[24]

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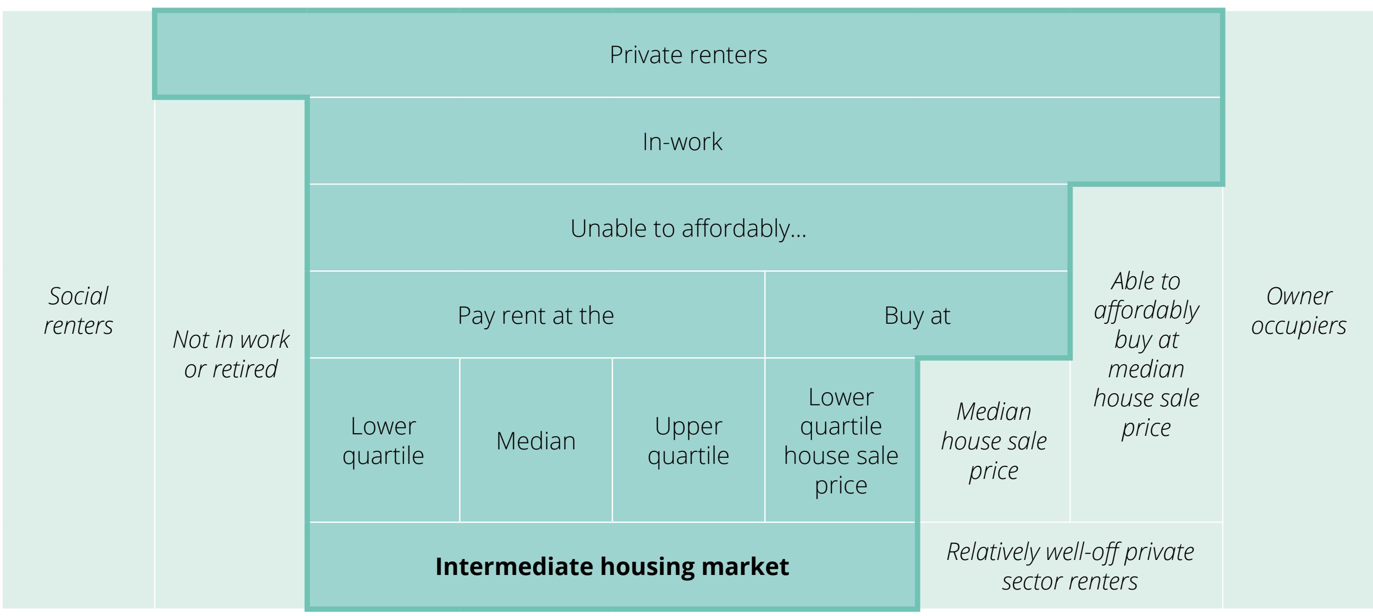
Figure 3: Intermediate Market Group



Source: (BRANZ, 2023)

Figure 4: an illustrative view of the supply and demand factors driving housing unaffordability

	Demand side challenges		Supply side challenges	
Intermediate market group	**Behavioural factors**	**Market factors**	**Productivity factors**	**Fiscal factors**
Lower quartile renters	A culture of intergenerational renters, no "role model" Lack of trust in system Aversion to leasehold	Limited prospects outside of urban centres Predatory lending and high debt Land availability in urban centres		
Lower quartile aspirant home buyers	Low financial capability Quarter-acre culture Stuck in one model: fee-simple title	High market rents LVR restrictions and access to finance Income not keeping pace with interest rates and inflation Uphill battle to save for a deposit	Lack of national affordable housing strategy Lack of public infrastructure in locations with affordable land Competition for resources Changing policy and regulatory settings	High land and development costs Access to patient/impact capital Inability to secure economies of scale High cost of regulatory compliance
Unable to affordably buy	Houses as an asset class	Distorted market Competition for housing in urban centres drive up costs	Capacity and capability constraints Fragmented construction sector	Risk-averse lending models Cost of finance

Is there another way?

As home ownership has become less attainable, assisted home ownership models are emerging as a way for lower income buyers to bridge the gap between market renting and fee simple ownership. However, most housing sector participants have a limited knowledge of these pathways.[25]

A 2020 market study by Colmar Brunton found that, while New Zealanders had some awareness and knowledge of rent-to-buy programmes, there was considerably lower awareness of alternatives such as leasehold or shared equity.[26]

Taken together, these factors may suggest there is likely a knowledge deficit around shared home ownership schemes in general, resulting in a lower uptake and a higher hesitancy to explore such models.

Assisted shared ownership solutions are not new. However, if scaled up, they could offer a solution to help many of those currently locked out of the housing market.

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"Anyone can do this, at any age"
A message of hope for first home buyers

Corlene Greenwood
NZ Housing Foundation customer, Manukau

> New homeowner Corlene Greenwood with son, Lyric outside their new home in Manukau, Auckland.

"It was just my year, it was a wonderful year," says Corlene Greenwood, a secondary school robotics and technology teacher, about 2022.

For 18 months, Corlene and her 19-year-old son Lyric have lived in their very own three-bedroom townhouse in Manukau City, Auckland, after Corlene successfully applied to be part of a shared home ownership scheme with the NZ Housing Foundation in 2022.

Corlene had become tired of renting and wished for the financial and emotional security that owning a home brought, for her and her son.

"I wanted to have something where I knew I could control my expenditure, to know I wasn't going to have my rent raised by an extra $100 every three months."

Her journey to home ownership has been varied and included moving to Dubai to save for a deposit – a trip that didn't turn out as planned and ended early.

On returning to New Zealand, Corlene purchased a tiny house, and with Lyric, moved from place to place until they finally felt settled on land in Kumeu. It was here that Corlene

received a call from the NZ Housing Foundation saying they had a three-bedroom house with her name on it.

“You end up in a place where you’re really happy and settled but then along came the news we actually had a house lined up for us, so it kind of seemed unbelievable,” she says.

“There were so many different levels of excitement and elation.”

The NZ Housing Foundation helps New Zealanders into homes with alternative arrangements. Their shared equity model supports potential buyers by providing a percentage of the deposit for a share in the home, with the intention of the owner buying out the Foundation’s share over time. Westpac has worked closely with the NZ Housing Foundation to standardise this process.

Corlene contributed a 5% deposit, Te Tumu Kāinga charitable trust provided an equity contribution of 40% and NZ Housing Foundation provided her home. Corlene covered the remainder of the purchase price with a standard Westpac mortgage. As time has gone by she’s been slowly increasing her equity share, and will eventually own her home entirely.

Corlene believes having the right people onside to cheer you on makes all the difference.

“It was scary, I was a solo mother going through this process and it was frightening.”

“But I had an amazing Westpac Home Loan Expert who not only communicated with me on my level, she felt like family.”

Corlene believes the best part about owning her home is the security and freedom it provides to really make the place your own.

“Just knowing that this house is going to be here for my son and my grandchildren is amazing. I have my foot in the door. I am an owner.”

“That freedom of having your pets, putting a cat door in, having a spa. These things are really luxurious to me that I could never have before, these are things I only dreamed of.”

Corlene understands what it’s like to believe she would never own a home.

“When I was younger my father told me don’t ever enter into a mortgage, don’t do this. So for me it was a no go zone. I kind of wish I never listened to my dad.”

Now she’s advocating for friends and whānau who are losing hope of achieving home ownership.

“I’m speaking from experience. I came from a position where I was in [consumer] debt, I had nothing, so anyone can do this, at any age. I’m 53 this year, and at this stage in my life, I did it. I actually did it.”

“Set yourselves a goal. You have to stick to your goal. Set targets and believe in it.”

“Just knowing that this house is going to be here for my son and my grandchildren is amazing. I have my foot in the door. I am an owner.

Chapter 2
What does shared home ownership look like?

What is shared home ownership?

Central and local government, non-government organisations (NGOs), charitable trusts, Iwi Māori, communities and banks are already offering shared home ownership pathways.

Shared home ownership pathways differ from the traditional ownership structures. These pathways may involve lower deposit requirements, shared equity ownership, rent-to-own arrangements, and leasehold models.

We have used the term 'shared home ownership' as an umbrella term for all forms of home ownership involving households purchasing, renting with a right to purchase in the future, or leasing a home with a provider which contributes equity or land. This includes but is not limited to homes procured under the Progressive Home Ownership Fund (PHO Fund), administered by the Ministry of Housing and Urban Development (MHUD), and shared home ownership pathways provided by government, Iwi Māori organisations and NGOs.

Shared home ownership models are not new or unique. However, in New Zealand, the shared home ownership sector is small and developing, and providers are limited in their ability to scale due to several challenges, which we explore in more detail in Chapter 3. Firstly, this chapter provides clarity on the various local shared home ownership structures.

How does shared home ownership work?

Put simply, shared home ownership involves a housing provider investing its equity, or providing land, alongside a first home buyer to make purchasing the home more affordable. This equity is usually sourced from local and/or central government, financial institutions, charitable organisations and philanthropic investors.

The mechanisms by which participants attain home ownership vary between models.

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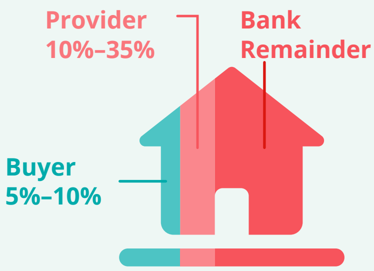
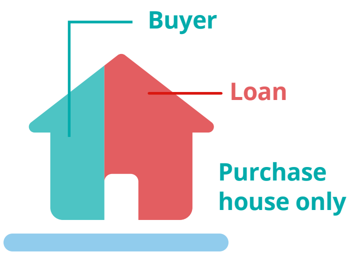
Figure 5: Shared home ownership model illustrations

Shared equity

This structure differs to a 'traditional' mortgage structure, where the buyer contributes at least a 20% deposit and gets finance for the remainder of the purchase price. Shared equity supports buyers who have insufficient equity and borrowing capacity to purchase a home outright. A third-party housing provider, normally government, charitable or Iwi Māori, will contribute the equity shortfall, usually between 10% - 35% of the purchase price. As a result, the buyer can purchase with a lower deposit, commonly between 5% - 10%, with the remainder covered by bank finance. The buyer and equity provider then own the home together, with the buyer enjoying exclusive enjoyment of the home, and sharing the capital gain proportionately. The buyer then gradually repurchases the equity held by the equity provider until owning the home outright at some future date.





Leasehold

This is when purchasers buy the house only and not the land, keeping the size of the deposit and the home loan payment requirement at a more manageable sum. Some providers offer leasehold as a single product, which is a common practice on whenua Māori and community-owned land, and is the structure often used for papakāinga. Others offer leasehold as a 'stepping stone' to house and land ownership. This is a form of property ownership where the buyer owns the house (or right to live in the house) but leases the land it sits on from a third party. Typically there is a ground lease paid to the landowner for use of the land.

Rent-to-own

Alongside shared equity and leasehold models where the purchaser can contribute equity from the outset, this model allows a household to rent for a period of time. During this period they may enter an agreement that offers assistance to clear debt and accumulate a deposit. A standard agreement term for rent-to-own can vary. The tenant can apply to purchase their rental home at an agreed price.

Papakāinga

Papakāinga is a term describing developments of a communal nature on ancestral land owned by Māori. Papakāinga can include housing and other communal spaces associated with its nature, including marae, shared gardens, kōhanga reo and medical centres. The choice of tenure models are determined between the owners of the whenua and those looking to build and can include leasehold, shared equity and rent-to-own. If required, permission from the Māori Land Court may be needed if the land comes under the Te Ture Whenua Māori Act.

Co-housing

This model allows multiple families to live in a shared space and pool their resources to share expenses. In most cases each family will have their own dwelling within a wider complex but will share certain facilities such as laundry space, vehicles, gardens etc.

Co-ownership

Generally, two or more people (normally friends) will purchase the home by pooling their resources. The group of owners will own the property as tenants in common and share costs and gains in proportion to their ownership share. In most cases all parties will have rights to reside in the home.

Community land trust

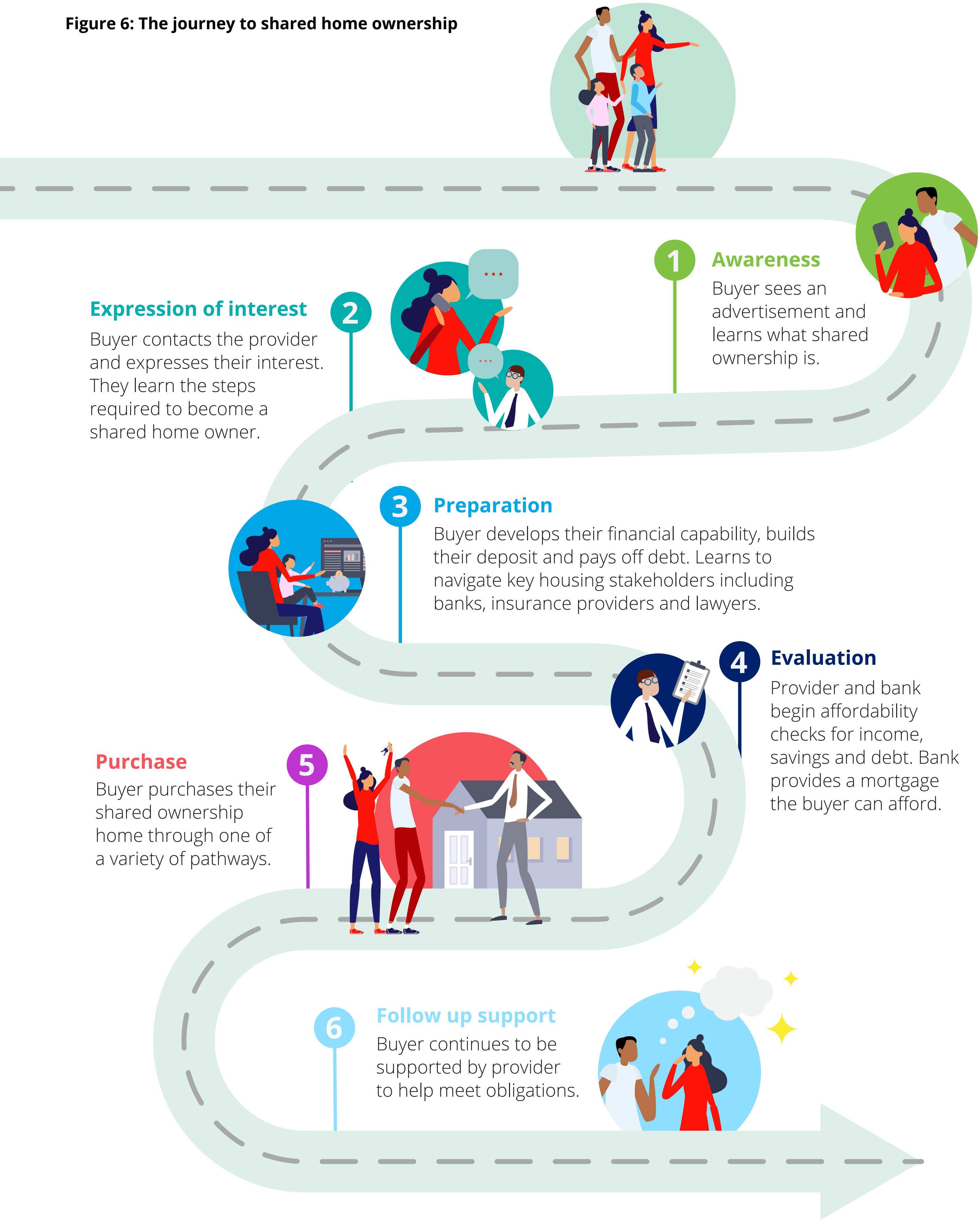
These are non-profit organisations which purchase and hold land, then sell homes (or leasehold interests in homes) on the land to low-income families at an affordable price.

Deed-restricting housing and affordable rental

Units are sold or provided to eligible households at a price determined by a formula designed to keep the housing affordable. On resale, dwellings must be sold to households meeting the eligibility criteria using the same formula.

Source: Westpac and Deloitte Analysis[27]

Figure 6: The journey to shared home ownership



The shared home ownership landscape

Many shared home ownership providers are affiliated with peak bodies including Community Housing Aotearoa and Te Matapihi. 85 CHPs are full members of Community Housing Aotearoa, but not every member provides shared home ownership pathways.

There are 21 providers registered to access MHUD's PHO Fund. While the PHO Fund is not the only vehicle for shared home ownership funding, it is well-known due its nationwide reach and government support. Philanthropists are also an important source of seed funding in shared home ownership initiatives.[28]

Table 1: Interview participants and role in the housing sector

Provider	Shared Equity	Leasehold	Rent-to-own	Affordable Rental	Community Land Trust	Papakāinga	Other
New Zealand Housing Foundation	Yes	-	Yes	-	-	-	-
Ōtautahi Community Housing Trust	-	Yes	-	Yes	-	-	-
Queenstown Lakes Community Housing Trust	-	Yes	Yes	Yes	Yes	-	Yes (Senior Housing)
Tāmaki Regeneration Company	Yes	-	Yes	-	-	-	Yes (Build-to-Rent)
Waikato-Tainui	Yes	-	Yes	Yes	-	-	-
Tauhara North No.2 Trust	-	-	-	Yes	-	Yes	-
Government Agency							
Kāinga Ora – Homes and Communities (Provider)	Kāinga Ora provides tenancy services to nearly 200,000 customers and their whānau and owns and maintains nearly 69,000 public houses. It provides shared equity homes through the First Home Partnership programme funded through the PHO Fund.						
Ministry of Housing and Urban Development (MHUD)	MHUD manages the PHO Fund, which provides interest-free funding to approved PHO providers. It also shapes the strategies and work programmes for housing and urban development.						
Industry / Peak Body							
Community Housing Aotearoa (CHA)	CHA is a peak body for Aotearoa's community housing sector. Its 85 members provide a range of shared home ownership solutions, in addition to providing social and emergency housing.						
Te Matapihi He Tirohanga Mo Te Iwi Trust (Te Matapihi)	Te Matapihi is the independent national peak body for Māori housing. It supports Māori community housing providers working with shared home ownership solutions, in addition to papakāinga, Māori, and rental housing.						
Academic / Research Organisation							
Building Research Association of New Zealand (BRANZ)	BRANZ is a multi-faceted, science-led organisation that uses independent research, system knowledge and its broad networks to identify practical solutions to improve New Zealand's building system performance. It has conducted extensive research on shared home ownership.						
Distinguished Professor, Philippa Howden-Chapman	Philippa Howden-Chapman is a public health professor at the University of Otago, Wellington, New Zealand. She's known for her research on housing, urban policy, and health, especially in reducing health disparities.						

Source: See endnote for references[29]

It is difficult at a glance to get an exact handle on the number of providers and the services they offer under the umbrella term of shared home ownership. There are several reasons for this: there is no one peak body or group representing all in-scope providers, and many organisations provide a range of housing services, including emergency and social housing, and long-term affordable rentals.

What we can do, however, is provide an estimate of the scale of what is being delivered under the shared home ownership umbrella using the data below as a guide. While this is not intended to be exhaustive, it does provide a conservative estimate of shared home ownership homes delivered to date.

Table 2: Estimated Number of Shared home ownership Homes Settled or Under Contract between 2007 – 29 March 2024

Shared home ownership Homes This table provides an estimate of the total number of homes either settled between 2007 and March 2024, or under contract to be built by the end of 2024.	**2007 – June 2020** (Pre-PHO Fund period)	**July 2020 – current** (PHO Fund period)	**Total**
Community Housing Aotearoa (CHA) members and non-members total	1,000	-	1,000
PHO Fund total	-	1,737	1,737
Other (Estimated number of shared home ownership homes outside of the PHO Fund)	-	-	203
Papakāinga - Whai Kāinga Whai Oranga	-	-	248
Total			**3,188**

Source: See references in endnote[30]

Note: this table was developed using a combination of survey results collected by CHA, MHUD's Housing Dashboard as of 9 May 2024, Te Puni Kōkiri's Whai Kāinga Whai Oranga webpage, and Tāmaki Regeneration Company's annual report. The survey estimated the total number of shared home ownership homes delivered by CHA members and non-members prior to the establishment of the PHO Fund. The survey enumerated a total of 984 homes, which has been rounded to 1,000 to account for a conservative estimate on a small number of homes delivered outside of those surveyed.

The PHO Fund has dramatically increased the number of shared home ownership homes available

The Fund was established in 2020 and offers approved housing providers interest-free funding to deliver more shared home ownership solutions to individuals, couples, and families looking to purchase their first home (or second chancers). They are either New Zealand citizens or residents, with combined incomes below $150,000 or a single income of $90,000 or less and are typically aged between 22 and 55.

The estimates above have been informed by data supplied by Community Housing Aotearoa (CHA), MHUD and Te Puni Kōkiri (TPK). These figures combined represent the number of shared home ownership homes already settled (occupied) or currently under contract (still being built). The numbers cover a period prior to the PHO Fund's inception (2007-2020) and after (2020-2024).

CHA estimated approximately 1,000 shared home ownership homes were built and sold between 2007 and 2020, based on a survey of its members and non-members.[31]

Jen Deben, Rental Housing & Home ownership Manager from Te Matapihi, also emphasised that shared home ownership homes delivered by Iwi and Māori organisations may not be captured in the current PHO Fund official figures, as many are either completed outside of the programme or awaiting the outcome of allocation for Te Au Taketake.[32]

Additionally, 248 papakāinga homes have been delivered between 2017 and 2022 through the Whai Kāinga Whai Ora programme, administered by TPK.

A significant proportion of funded homes have come from Kāinga Ora's First Home Partner programme - 1,184 out of a total of 1,737 homes – which was closed to new applicants in October 2023 due to funding constraints.

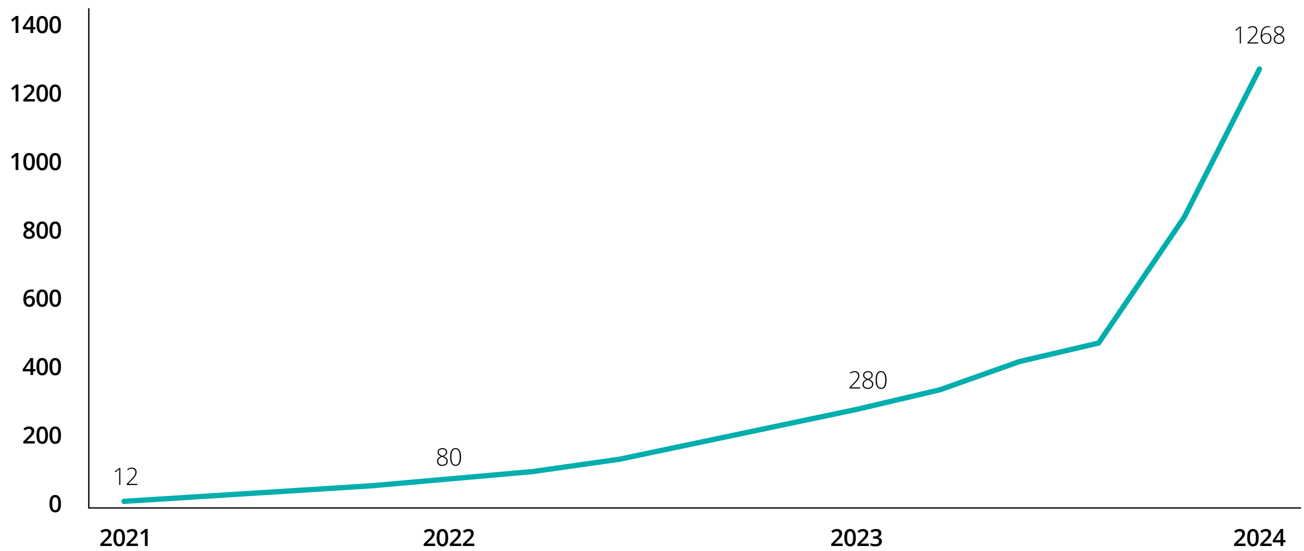
A conservative estimate

While the exact number of homes delivered per year pre-PHO Fund is not clear, the average rate at which shared home ownership homes have been delivered has increased significantly since its inception. An estimated average of 76 homes per year were delivered up until July 2020, compared to 386 homes per year since July 2020 – an increase of 402%.[33]

Figure 7 shows that while overall delivery of shared home ownership homes is small (relative to all first home sales in New Zealand) the establishment of the PHO Fund has led to a significant increase in scale in just over three years – as of March 2024, 1,268 homes have been delivered out of the 1,737 contracted.[34] The number of shared home ownership homes has increased five-fold following the introduction of the Fund.[35] The transformative impact equity funding has had on the shared home ownership sector in New Zealand demonstrates the pressing need for increased passive funding in the space.

While the exact number of homes delivered per year pre-PHO Fund is not clear, the average rate at which shared home ownership homes have been delivered has increased significantly since its inception. An estimated average of 76 homes per year were delivered compared to 386 homes per year since July 2020 – an increase of 402%

Figure 7: Cumulative Shared Home Ownership Homes Delivered under the PHO Fund, July 2020 – March 2024



Source: See endnote for reference[36]

Solutions for a soaring property market
Queenstown Lakes Community Housing Trust

Board member Richard Thomas and Chief Executive Julie Scott celebrating a 15-year milestone for the Trust, and a winner of the Leading Innovation Award at the Australasian Housing Institute's annual Brighter Future Awards (August 2022).

Since its formation in 2007, chief executive Julie Scott has seen the Queenstown Lakes Community Housing Trust grow and change as dramatically as the town itself.

"We've progressed from having around $2 million in assets to around $67 million now, and we've helped nearly 200 households into home ownership, in addition to other supported housing programmes."

"I've been there since the start – since ground zero. Historically, there was very little need for social housing in Queenstown, as unemployment has generally been low, and few people were eligible for public housing through the Government. But this is changing rapidly as the housing market has exploded, the population has grown, and there is a need for a range of housing solutions."

"We're seeing the gap between the haves and the have-nots widening, and it's alarming. Having the financial capability to enter the free market holds most people back. Assisted ownership overrides this constraint."

Julie says the benefits are both tangible and intangible.

"When they're part of our programme, people feel they're more equal members of society, where previously they felt shut out as non-homeowners. People are able to put down roots and see a viable long-term future in the district."

"The security of tenure that assisted ownership provides cannot be underestimated. Alongside this, most are in a better financial position in the programme than they were renting on the free market."

The Trust started out by helping key workers into homes through a shared home ownership model. Over time, though, Julie says the philosophy has changed, largely due to community views around shared home ownership delivering windfall gains to a small number of households.

Taking this on board, the Trust developed Secure Home, a leasehold system to ensure the community retains the land in perpetuity, while those in the scheme have the right to occupy their home under a 100-year lease, and financial gains when the Trust re-purchases the lease.

Julie says despite the social and financial benefits of home ownership, she often encounters hesitancy about Secure Home.

"Leasehold is not an attractive word for Kiwis. So we do a lot of work around ensuring the Trust's brand and reputation is well-regarded, and help people understand the benefits of the programme."

"We give the full cycle of pastoral support. So we help people commit to a savings goal, build up their KiwiSaver, repay and consolidate debt, and get into a position to transition into Secure Home. They buy the improvements and a 100-year ground lease and can stay there as long as they need – this could be for a lifetime, or until they are in a position to move out of Secure Home into full property ownership."

There is no typical Secure Home owner. Julie sees young families, first home buyers and, increasingly, people reaching retirement age, with no income other than the pension, few personal assets, but with a real need for assistance to stay in the district they call home.

Just as she finds informing households about the benefits of Secure Home is needed, Julie says the same equally applies to banks.

"What we do is bespoke, so not all banks have the same understanding about our work. Also, there are different levels of appetite, because traditional mortgages are just easier – so getting on board with what is really social impact investing often depends on one-on-one relationships with individuals at banks."

"I would like to see banks look at home ownership differently – not just as a linear path but seeing different types of ownership as stepping-stones towards other opportunities."

We're seeing the gap between the haves and the have-nots widening, and it's alarming. Having the financial capability to enter the free market holds most people back. Assisted ownership overrides this constraint.

Chapter 3
What is constraining sector growth?

Shared home ownership is a pathway for an increasing number of households who need support

A strong and dedicated community of not-for-profit housing providers are the stalwarts of shared home ownership. These providers focus on the intermediate housing market, bridging the gap for aspiring homeowners currently renting on the private market, who aren't eligible for social housing but, without support, cannot afford to purchase their own home. These providers ensure aspiring homeowners can access the following benefits:

- Wrap-around support in financial capability pre- and post-purchase.
- Navigation of the buying process and access to finance.
- Mitigation of intergenerational barriers to home ownership.
- Education around the potential benefits of alternative housing tenures.

What more can be done to support aspiring homeowners into a home of their own?

The starting hypothesis for this study was that shared home ownership solutions have unrealised potential, particularly options like shared equity and leasehold models. To test this hypothesis, we interviewed and surveyed 15 housing sector participants to understand:

- How shared home ownership pathways can help households in the intermediate market into their first home.
- What barriers or constraints may be limiting this small and developing sector from growing, and what needs to be done to overcome these.
- What capacity and capability the sector has to support more households through these pathways if the immediate barriers were removed.

In short, the interviews and survey identified that while shared home ownership offers benefits for aspiring homeowners, there are also limitations constraining the sector from doing more, including:

- Lack of government funding and policy certainty.
- Capital constraints at the provider level.
- Cultural aversion to leasehold.

Figure 8 provides a summary of the constraints commonly raised from the 15 participants and the estimated potential uplift in supply if these constraints were removed.

Figure 8: Barriers and constraints for shared home ownership providers

8 respondents said that availability of funding was a **major limitation,** with **5** further **constrained** by cost of debt and credit conditions.

7 respondents were **held back** by the **lack** of a consistent and coordinated national affordable housing strategy.

High land and construction costs were a **limiting factor** for **5** respondents.

If these constraints were **removed,** surveyed providers could deliver a combined **725** more homes per year, **an uplift of 314%.**

So, what are the constraints and what more can be done to address these?

There a number of areas housing sector participants are already working to address. The following section highlights constraints where, if removed, more homes could be provided or services improved.

Wrap-around support

A significant part of the services shared home ownership providers deliver is wrap-around support throughout the end-to-end process. Getting households buy-ready requires a holistic approach that can range from a few months to several years. This type of care is critical to ensure households continue to keep up with their repayments once successfully placed into a home.

The subject of financial capability was a consistent theme in our interviews, with providers noting some customers they speak to have little to no capability.

And financial capability – or lack thereof – did not discriminate on age, gender or ethnicity.

The wrap-around support needed to get households buy-ready often requires a co-ordinated effort across several teams to bring the right skills and expertise to bear.

Martha Williams and Catherine Semisi of Kāinga Ora bring together licenced financial advisory services, budget experts and mortgage brokers to provide assistance to families in South Auckland.[37] These sessions help families work through their financial questions, including what's required to reach their goal of home ownership.

Post-purchase support

Pre-occupancy support is a requirement for approved PHO providers and paid for through the PHO Fund; however, this does not always extend to post-occupancy support. The result is a reliance on a dedicated few delivering this support in their own time, in the interest of the greater good.

Those interviewees at the coalface of shared home ownership said even though funding for post-purchase support is available, it is not always approved, despite it being crucial to ensuring households stay on top of their payments. However, many providers are resource-constrained and, as a result, are not always able to ensure the end-to-end support is available.

Addressing this barrier will require increased support across the broader system.

Demystifying the process for home buyers and providers

Many of those interviewed described how the current bank and lending environment, including complex terminology, jargon and documentation was extremely difficult for first home buyers to navigate. For providers themselves, the information requirements governing the distribution of MHUD grants could also be complex to understand and time-consuming to complete, depending on the in-house knowledge of each provider organisation.

Providers felt reducing friction in the funding application process would make each government dollar more effective in the shared home ownership market.

Te Matapihi, Queenstown Lakes Community Housing Trust and Community Housing Aotearoa, among others, have been making efforts to distribute standardised documentation for the application processes for MHUD grants and shared home ownership mortgages.[38] This works at two levels – one, between providers and MHUD, so there was a shared understanding of the approved provider application process.

The second was between providers and banks, resulting in a joint effort to improve efficiency and transparency of operating procedures across the system. This helped banks to have a common understanding of shared home ownership arrangements, reducing providers' reliance on finding the right person at a bank to work through a shared home ownership application.

Māori and Pacific representation in the banking sector

Some of those interviewed believed Māori and Pacific peoples navigating shared home ownership would benefit from there being greater diversity of representation in the financial sector. This would help people who are nervous or unwilling to engage become more familiar with banks and help build financial capability.

"Whānau are much more likely to be receptive and resonate with the information if they are working with a mentor who not only looks like them, but has or resonates with the same lived experiences," say Paul McElwee, Afoa Tevita Malolo and Fleur Rabanal from the Tāmaki Regeneration Company.

"We work closely with Māori and Pacific financial mentors in Tāmaki who understand the cultural obligations and dynamics of whānau and can understand the need to provide more intensive support or hand-holding."[39]

Providers and banks can work together to remove these barriers and ensure the diverse needs of all aspiring homeowners are met.

Could providers do more to mitigate intergenerational barriers?

Tāmaki Regeneration Company aims to build 1500 homes in Auckland over the next decade, many of which are earmarked for shared home ownership. As many of the aspirant homeowners they assist are the first in their family to buy a home, there are some complexities around home ownership to unpack.

The younger Pacific Aucklanders they worked with were excited about buying a home of their own and did not always want to live in a multi-generational household. However, for their older relatives, intergenerational living was a given.

While these barriers are real, shared home ownership can play a role in shifting the dial on intergenerational home ownership and providers are able to support intergenerational renters into home ownership. Janice Thompson, now a Senior Advisor at Kāinga Ora, stands as a prime example, having moved from "raising my family in state homes to now owning my own home."[40]

The hook for Janice was understanding rent-to-own was a path to housing independence, and that one day the home they rented could be theirs to own.

Today, Janice and her family are focused on, "using equities collectively to help the rest of our whānau with their kāinga; that includes purchasing and renovating property and units."[41]

Supporting buyers into shared home ownership requires intensive support to arm aspiring homeowners with the right knowledge and to connect them with individuals at their own pace and level of understanding. Providers and banks can do more to raise awareness, educate and communicate locally where shared home ownership solutions are available, and through social media.

Sharing more stories about people in shared home ownership and examples where taking the first step into shared home ownership is just the beginning of a path to owning a forever home is an effective way of building awareness and interest in shared home ownership pathways and their benefits. Providers and banks can work together to provide targeted support and education where it is needed most, through trusted channels and partnerships in communities.

Addressing this barrier will need an increased effort across multiple parties including providers, banks, intermediaries and the Government to improve the promotion and education of shared home ownership pathways.

Many of those interviewed described how the current bank and lending environment, including complex terminology, jargon and documentation was extremely difficult for first home buyers to navigate.

Overcoming attitudes to leasehold tenure

Many New Zealanders have negative attitudes towards the idea of leasehold housing, viewing it as not real ownership, partly due to the reduced capacity for capital gains.

While leasehold ownership provides fewer benefits than freehold ownership, the leasehold model is considerably less expensive while still enabling a level of financial gain. The model is often cheaper than renting while providing superior security of tenure, often for periods ranging from 50 to 100 years.

However, providers we spoke to who partner with Iwi Māori, or are Iwi Māori-owned, said there was a common theme around rent-to-own and shared equity being more attractive.

Using leasehold tenures allowed Iwi Māori organisations to build at much greater scale. Leasehold can be an effective solution on whenua Māori as it supports whānau to affordably access finance and purchase a home on their ancestral land and in their community of choice.

Mixed tenure models offered by CHPs have also been providing broader benefits for Māori. Ōtautahi Community Trust will deliver 25% of its first tranche of new leasehold homes to Ngāi Tahu members and will train rangatahi to manage the properties.

However, providers we spoke to also said they had mixed experiences with retail banks' attitudes towards, and understanding of, financing development of leasehold land. A concerted effort from the broader system – in particular banks – is required to address this.

Policy and funding certainty

Shared home ownership providers believed there were a range of central government factors hindering the growth of their models. All acknowledged, though, that regulatory and policy settings constraining land supply, and making consenting processes protracted, were expensive endeavours and could not be changed overnight.

"Certainty" was the overriding theme – of both policy and funding. As one provider put it, "Government funding is irregular, erratic, lumpy and is turned off fast." The same provider said a long-term strategy was required, to enable consistent progress in getting more people on the housing ladder.

The region-by-region approach to inclusionary housing was also discussed as an enabler. Its positive influence on shared home ownership in Queenstown was noted though, as a voluntary scheme, it also lacked the certainty a District Plan change could enable.

Overall, many providers felt it was difficult to adapt and adopt exemplar models in an environment of near-constant change. Just as providers were getting used to settings, momentum was interrupted, and time and money was wasted while people first waited for clarity, and then shifted gear.

Funding constraints at the provider level

Access to capital was a major handbrake for many providers, inhibiting their ability to fund the purchase of land and subsequent construction. In most cases capital for providers came from a mix of philanthropic, government and bank funding. All providers felt improving access to affordable capital was fundamental to scaling up.

Many felt that, due to their non-profit status, bank lending often involved protracted negotiation – if banks were in fact willing to lend at all.

There was also discussion of inconsistency regarding interest rates, with some settling for commercial rates, while others could negotiate more favourable residential interest rates.

Providers interviewed felt banks had a social obligation to "invest in getting people into homes long term," and "review risk settings for registered CHPs and PHO providers - the current risk profile is all wrong."[42]

Certainty around the PHO Fund was also a real concern, as it is currently the primary source of low interest capital in the sector.

"We just need continued support from central government in order to keep enabling us to roll out these different programmes," says Julie Scott, Chief Executive, Queenstown Lakes Community Housing Trust.[43]

Providers have sent a clear message: they would like the government's equity funding to continue, or increase, in order for the sector to continue to grow. Dominic Foote of New Zealand Housing Foundation called equity funding the "missing piece of the puzzle" for the shared home ownership sector. Further equity funding could be found through the government and investors wanting to make an impact.

Shared home ownership providers are filling a crucial role: extending the health and wellbeing benefits of secure tenure to households which would be otherwise locked out of home ownership. There is significant unmet demand for their services, which could be satisfied if a consistent and significant stream of debt and equity funding can be secured from the government, financial institutions and charities.

> "Certainty" was the overriding theme – of both policy and funding. As one provider put it, "Government funding is irregular, erratic, lumpy and is turned off fast."

Chapter 4
Are we alone?

Housing trends in New Zealand, Australia and the UK

Decreasing housing affordability is not unique to New Zealand. Australia and the United Kingdom (UK) are both culturally and institutionally similar to New Zealand and are experiencing similar challenges.

Across the three jurisdictions, and the OECD in general, the supply of housing has not kept pace with demand, and house prices have risen faster than incomes.[44] Broadly speaking, this has been driven by increasing populations, high costs of debt and multifaceted supply limits across the housing value chain.

This chapter compares the three jurisdictions on the points below:

- Drivers of decreasing home ownership.
- Use of government policy levers to increase the supply of affordable housing.
- The popularity of alternative tenure models, such as leasehold.
- The structure and function of assisted ownership schemes.

The rate of home ownership in New Zealand declined from 70% to 58% between 2006 and 2023, Australia declined from 70% to 67% between 2006 and 2021,[45] and the UK dropped from 71% to 65% between 2003 and 2020.[46]

Table 3: Features of decreasing home ownership in New Zealand, Australia and the UK

Drivers, by Jurisdiction	New Zealand	Australia	United Kingdom (UK)
Populations are increasing	2.7% increase in 2023 (138,100 people)	2.5% increase in 2023 (659,800 people)	1% increase in 2022 (570,000 people)
Home ownership is lower than the national average in urban centres	53% in Auckland	61% in Sydney	47% in London
House price to income ratios (median multiples) are high	6.8	8.5	8.3
Ethnic minorities are disproportionately less likely to own homes	31% of Māori and 21% of Pacific peoples own homes.	38% of Aboriginal or Torres Strait Islander people own homes.	20% of people of African descent own homes, and 17% of those of Middle Eastern descent.
Lending restrictions	Rising interest rates have made costs of debt more difficult to service for first home buyers.		Banks reluctant to lend >4.5x household income, well below the median multiple.

Source: See endnote for references[47]

Government support for shared home ownership

Governments in all three countries have made significant funding commitments with a broadly similar goal: to provide a major boost to the supply of housing.

New Zealand's Government Policy Statement on Housing and Urban Development committed to implementing a 30-year vision to increase the supply of housing.[48] The PHO Fund was established in 2020 and committed $400 million to funding shared home ownership initiatives.

The Australian Government has committed to building 1.2 milllion homes between 2021 and 2026, amounting to 60,000 homes per quarter, and aims to deliver up to 40,000 shared home ownership homes through Help to Buy.[49] The Australian Government aims to provide 40,000 first home buyers an equity contribution of 40% on new homes, or 30% for existing homes.

Homes England has committed £11.5 billion to deliver up to 90,000 affordable homes outside of London between 2021 and 2026, 45,000 of which will be shared home ownership homes.[50]

Operational differences

Table 4: Government housing support for low- and middle-income earners.

Point of comparison	New Zealand	Australia	United Kingdom
Government-backed mortgage guarantee schemes	4,648 homes	150,000 homes	41,000 homes
Place-based income caps	No	No	Yes (£90,000/year in London, vs £80,000/year in the rest of England)
Place-based house price caps	Yes	Yes	No
Leasehold tenures	17,000 units	No accurate estimate of the number of leasehold properties in Australia is available. However, all of the Australian Capital Territory is leasehold (peppercorn ground rent)	202,000 units

Source: See the endnote for references[51]

The three countries' shared home ownership systems operate differently. In the UK shared home ownership properties are exclusively leasehold, while New Zealand and Australia also offer assisted home ownership as a pathway to freehold title. In the UK some schemes also involve shared equity arrangements on the leasehold house.

Government-backed mortgage guarantee schemes are not constrained to shared home ownership. They are designed to lower the cost of debt for home buyers through sharing of credit risk between a bank and the government.

Income caps vs House price caps

All three countries use some type of cost-capping regime for their shared home ownership initiatives, to ensure shared home ownership funding is targeted towards the purchase of lower quartile homes by those most in need. However, the way these caps are enforced varies between jurisdictions, and seemingly small differences in the limits on the administration of funding can have significant impacts on the number of eligible households.

Both New Zealand and Australia account for regional variance in house prices with different house price caps between regions.[52] House price caps under Australia's Help to Buy and First Home Guarantee schemes are $150,000 higher than the state baseline for capital cities and regional centres.[53] The baseline price cap also varies by state, with the highest being $750,000 for New South Wales and the lowest being $400,000 for Christmas Island.[54]

The UK uses place-based income caps in its shared equity initiatives to account for higher incomes and costs in urban centres, which New Zealand and Australia are yet to adopt. For example, in the UK the household income cap is higher in London (£90,000 per year) than the rest of England (£80,000 per year).[55]

Leasehold tenure in shared home ownership

Leasehold tenure

In New Zealand, the leasehold model in the affordable shared home ownership landscape has some presence and is predominantly offered through community housing trusts and Iwi Māori housing providers. However, there are just 17,000 leasehold homes in New Zealand.

In Australia, although a very small component of the tenure system, leasehold is predominantly used as a way to retain central government control over urban planning with limited application elsewhere. All land in the Australian Capital Territory is leasehold, with a 99-year term between the leaseholder and the Commonwealth.[56] However, these Crown Leases are functionally similar to freehold: ground rents for residential leases in this area are set at 5 cents "if and when demanded" and no demand has yet occurred.[57]

In both countries, some apartments are leasehold, but this is not prolific.[58]

In contrast, leasehold is a longstanding and pervasive fixture of the UK's housing market: 94% of owner-occupied flats and around 8% of standalone homes are leasehold. The Shared Home Ownership programme in the UK is largely publicly administered but private providers are also present.[59] Shared home ownership properties in the UK are always leasehold, with 202,000 shared home ownership properties in England, comprising around 4% of the leasehold market.[60]

Aversion to leasehold is true for all three nations

Leasehold is viewed as an inferior tenure model to fee simple title across all three nations, but the degree of aversion varies. New Zealand's ability to scale this model is heavily constrained by cultural aversion to leasehold in favour of a fee simple title. Neither Australia nor the UK appear to face cultural aversion to leasehold to the same extent.

Although accepted, the practice is unpopular among British leaseholders, in both public and private leasehold arrangements, due to perceived unfairness and is considered by many to be a less than ideal tenure that is nevertheless their only option to get on to the property ladder.[61]

Some shared home ownership providers in New Zealand are focused on changing leasehold's perception and increasing uptake. New Zealand already has legislative measures in place to safeguard leaseholders from the risks of profiteering in leasehold tenure, and promote fair and equitable treatment within the property market. However problems can still arise – usually under commercial arrangements – if ground rents linked to land values increase rapidly. In most leasehold models used by community housing providers there are additional controls in place. For example ground rent increases are limited to increases in the Consumer Price Index or are set at a generally low level. Increased education on the mitigations already in place should support the sector in presenting leasehold as a more attractive offering.

The UK: moving to regulate leasehold

Many British leaseholders have been targeted by perceived unfair practices in the private sector in recent years and are more likely than not to regret their leasehold purchase.[62] Leasehold is seen as the only route to home ownership for many, but profiteering in the private sector has made it unpopular.[63] Difficulties include but are not limited to:

- Claims of mis-selling: leaseholders often did not fully understand the bundle of rights that they were purchasing.
- Escalating ground rents.
- High service charges for limited / no services rendered.
- Poorly maintained properties.
- Lack of information transparency.
- Difficulties in bringing action to assert their rights in relation to issues above.

The UK is undergoing extensive reform to the leasehold (and by extension shared home ownership) system. Recent reforms to the leasehold tenure system include:

- Banning the charging of ground rents for all new residential long leases (tenures over 21 years) signed after June 2022, through the Leasehold Reform (ground Rent) Act 2022.[64]
- Staircasing - the purchase of additional shares in a shared home ownership home by the occupier was previously restricted to lump sum purchases of 10%, making it difficult for owners to purchase extra shares in their home. This provision has been repealed and replaced by one allowing shared owners to staircase in 1% increments per year, making it easier to slowly work towards full ownership.[65]
- Shared owners being able to terminate landlords' exclusive marketing rights period for home sales at the four-week mark if they desire a market sale, increasing their autonomy over the transaction.

The second stage of the UK's reform of the leasehold system has received House of Commons assent and is with the House of Lords as of April 2024, and purports to:

Make it cheaper and easier for leaseholders to extend their lease or purchase a freehold interest in their property.[66]

Introduce a broad range of rights for leaseholders to challenge unfair rental practices, receive more information about their property and limit excessive service charges:[67]

Leasehold is viewed as an inferior tenure model to fee simple title across all three nations, but the degree of aversion varies. New Zealand's ability to scale this model is heavily constrained by cultural aversion to leasehold in favour of a fee simple title. Neither Australia nor the UK appear to face cultural aversion to leasehold to the same extent.

Similar barriers to scaling up shared home ownership initiatives can be observed across jurisdictions.

The following barriers are consistent across all three nations:

Table 5: Summary of barriers to scaling up shared home ownership in New Zealand, Australia and the United Kingdom

Barrier	New Zealand	Australia	United Kingdom
Access to finance	High cost of finance with some banks assessing shared home ownership providers risk the same as commercial providers	Banks hesitant to offer high LVR lending, high thresholds for loan approval. Mitigated by the provision of cost-effective finance through the National Housing, Finance and Investment Corporation and the Housing Australia Future Fund.	Banks hesitant to offer high LVR lending
Cost of land	Zoning restrictions artificially constrain land availability	Zoning restrictions artificially constrain land availability	Severe land affordability constraints
Cost of mortgage (average 1 year fixed rate)	7.08%	6.67%	5.41%
Lack of predictability in government funding	Private sector hesitant to invest heavily in shared home ownership due to lack of certainty of funding	Private sector hesitant to invest heavily in shared home ownership due to lack of certainty of funding	Private sector hesitant to invest heavily in shared home ownership due to lack of certainty of funding
Cost of construction	Low efficiency and highly fragmented sector. ~50% more expensive to build a home in NZ than Australia	High cost of construction, but Australia is impacted less than the other two jurisdictions	Highly fragmented sector. Limited capacity to adopt new technologies and leverage economies of scale

Source: See endnotes for references[68]

No – we are not alone.

New Zealand, Australia, and the UK, among other nations, are aware of and responding to the growing understanding of the critical role that secure housing tenure plays in financial and social benefits. None of the three nations have cracked the code to shared home ownership as yet, but they are moving in the right direction.

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Chapter 5
Scaling the opportunity

The purpose of this chapter is to determine the cohort of eligible New Zealand households which do not currently own a home, and could benefit from a shared ownership pathway.

It then examines the potential for the country's shared home ownership providers to scale up, if the immediate barriers to growth, as canvassed in Chapter 3, are addressed and how that might close the gap to meet the number of eligible households.

Key findings:

- **Our high-level analysis indicates there is a scaling opportunity, and providers could deliver 10,000 shared home ownership homes over three years, if immediate barriers were removed.**
- **Up to 53,200 households are both eligible and aware. If there were full awareness of shared home ownership, around a further 100,000 households are estimated to be eligible for such pathways.**

About the data used

This report draws on a customised dataset provided by Statistics New Zealand (Stats NZ). The underlying data was based on the 2020 to 2023 New Zealand Household Economic Survey (HES).

- Households by location.
- Ethnicity.
- Household income bracket.
- Ownership status.
- Housing stress.
- Gross and disposable income.
- Expenditure on housing costs.

More information about the dataset and the underlying analysis can be found in the Appendix.

Who can be eligible for shared home ownership homes in New Zealand?

Figure 9: Criteria applied to estimate the potential number of households eligible for shared home ownership

1,239,000
households are either New Zealand citizens or residents

511,900
don't own a home

34%

422,100
households earn a gross income between $80k - $150k

15%

185,000
households are either first home buyers or second chancers

12%

152,000
households are able to service a mortgage without spending more than 40% of their gross annual income, based on current home values (lower quartile) and interest rates

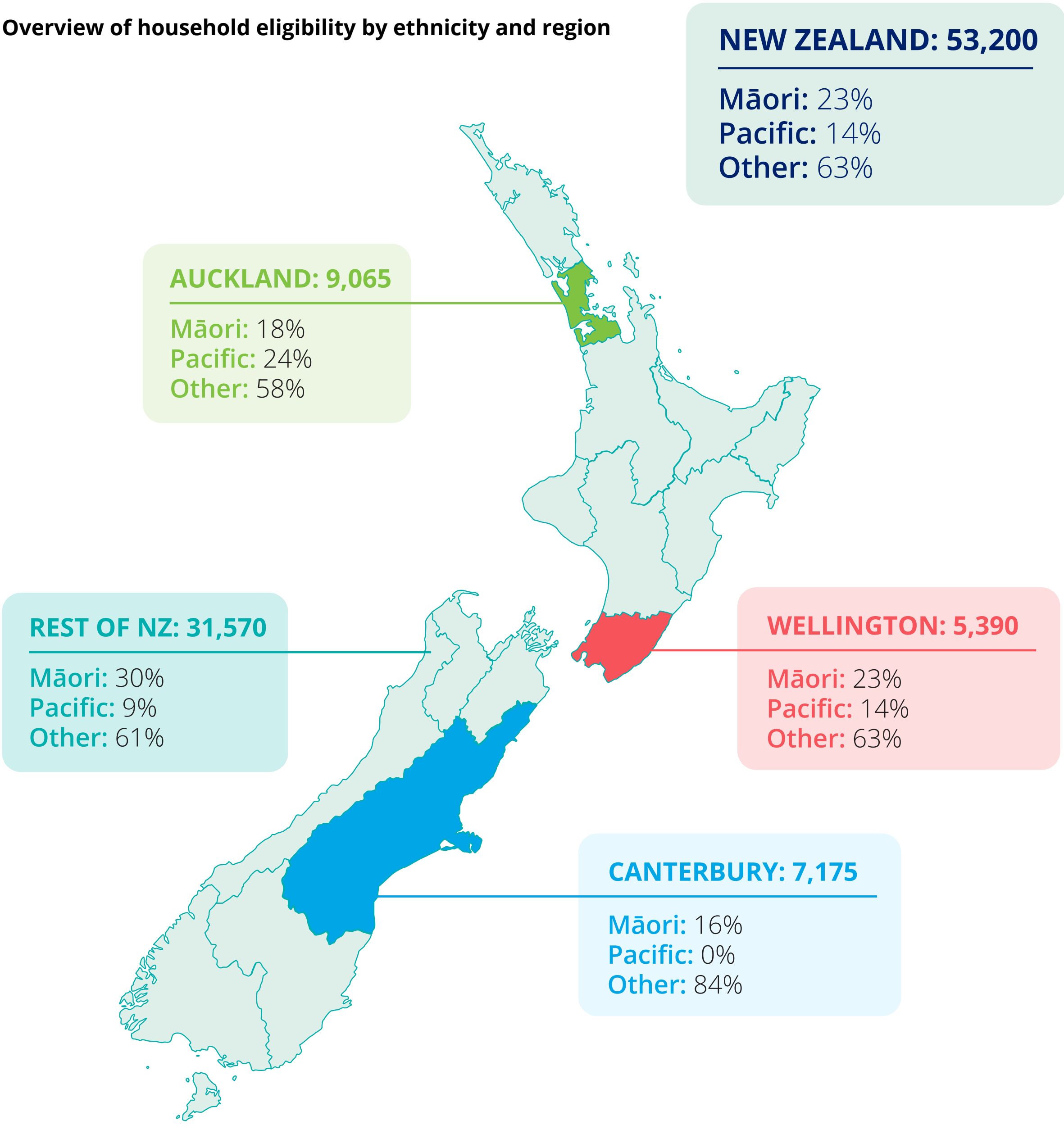
53,200
households are aware and eligible for shared home ownership opportunities, assuming 35% awareness

This equates to **4.3%** of total households that are New Zealand citizens / residents

Though 152,000 households have been identified as being eligible for a shared home ownership pathway, not all households are likely to be aware of such pathways, consider them as an option, or be interested in home ownership. To reflect this, a 35% awareness factor was applied to eligible households meeting the criteria above, to account for households not aware of alternative home ownership pathways.

Flexing the public awareness factor to, for example, 40% (a 5% increase) of eligible households would see the number of potential households increase 14% to 60,800. Informing the New Zealand public of shared home ownership opportunities may increase the number of households looking to utilise assisted home ownership pathways. Based on the 53,200 eligible households, Figure 10 summarises the households eligible for shared home ownership by region and ethnicity.

Figure 10: Overview of household eligibility by ethnicity and region



Source: Statistics New Zealand, based on a customised data request, Deloitte analysis.

Note:

- *The percentages above refer to the proportion of aware and eligible households relative to the total number of households for that ethnic group. For example, 18% of Māori households in Auckland are eligible and aware of shared home ownership pathways.*
- *A small proportion of Pacific peoples households in Canterbury were identified in the data set, and 700 Pacific peoples households met the income eligibility criteria. Of these, none were first home buyers / second chancers, which meant no Pacific peoples households were eligible in the Canterbury region.*

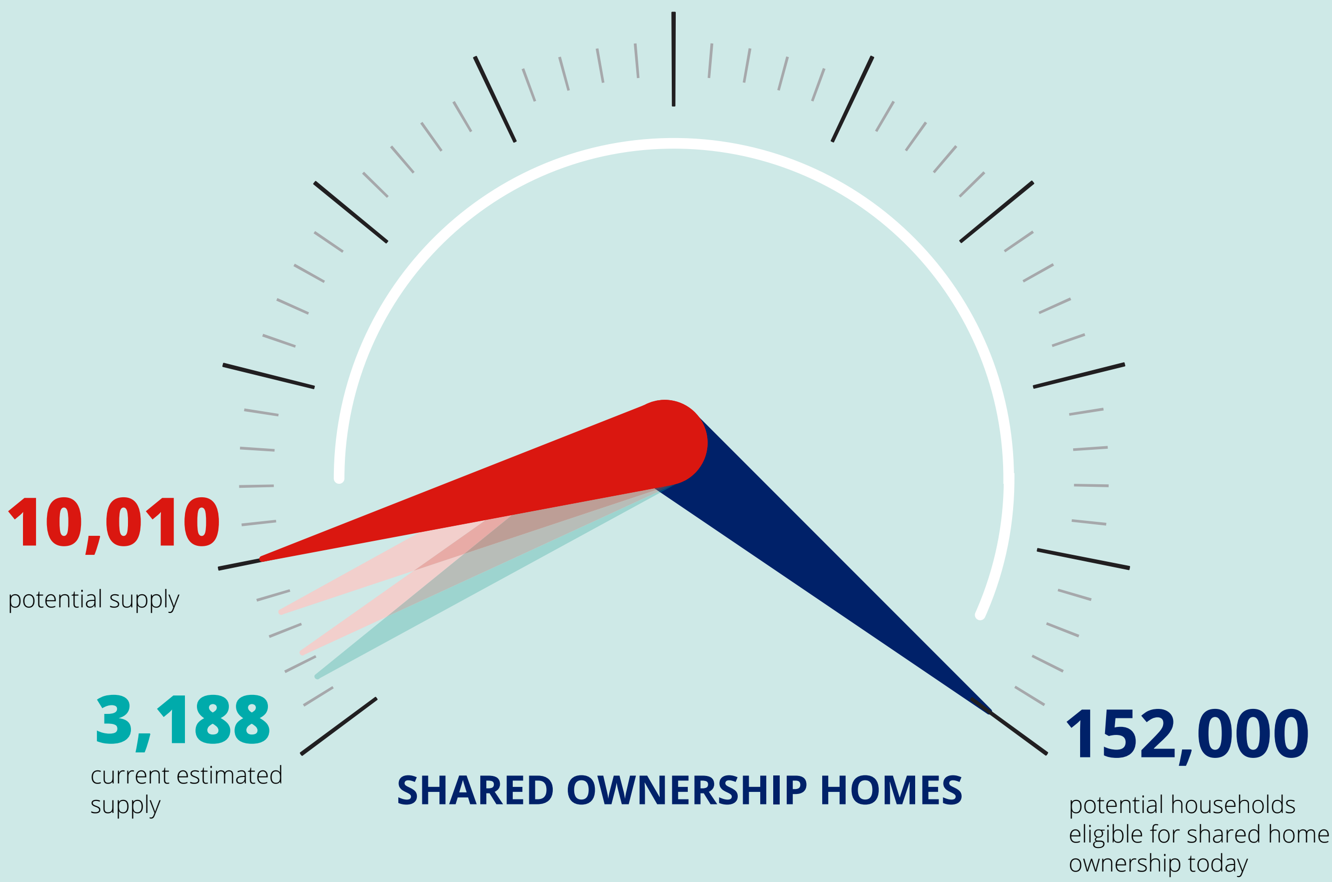
The scaling opportunity

As shown in Chapter 2, the current supply of shared home ownership homes is estimated at 3,188. This represents less than 0.13% of New Zealand's current housing stock. [69]

There is an opportunity to scale up supply:

- To understand what the supply potential could look like, we asked survey participants what the potential growth of shared home ownership delivery for their organisation could be if all immediate barriers were removed. Based on these responses, we estimate that an uplift of 314% is possible.
- This implies the current annual supply of 988 homes (the number of homes delivered under the PHO Fund between 2023 and 2024, as shown in Figure 7), could be scaled up to 3,102 homes per year. This represents a conservative estimate, and is likely to be greater when accounting for other suppliers (i.e. outside of the PHO Fund) delivering shared home ownership housing.
- With scaled-up supply, 10,000 shared home ownership homes could be delivered within approximately three years.

Figure 11: Potential increase in supply if immediate barriers were removed



However, there is further progress required to fully meet potential demand for shared home ownership, based on the number of households that are eligible today. Figure 11 above shows the potential uplift.

So the key questions become "how do we move from the 3,000 shared home ownership homes to 10,000?", and then "how do we capitalise on momentum to deliver more?"

> "How do we move from the 3,000 shared home ownership homes to 10,000, and how do we capitalise on momentum to deliver more?"

Chapter 6
A call to action

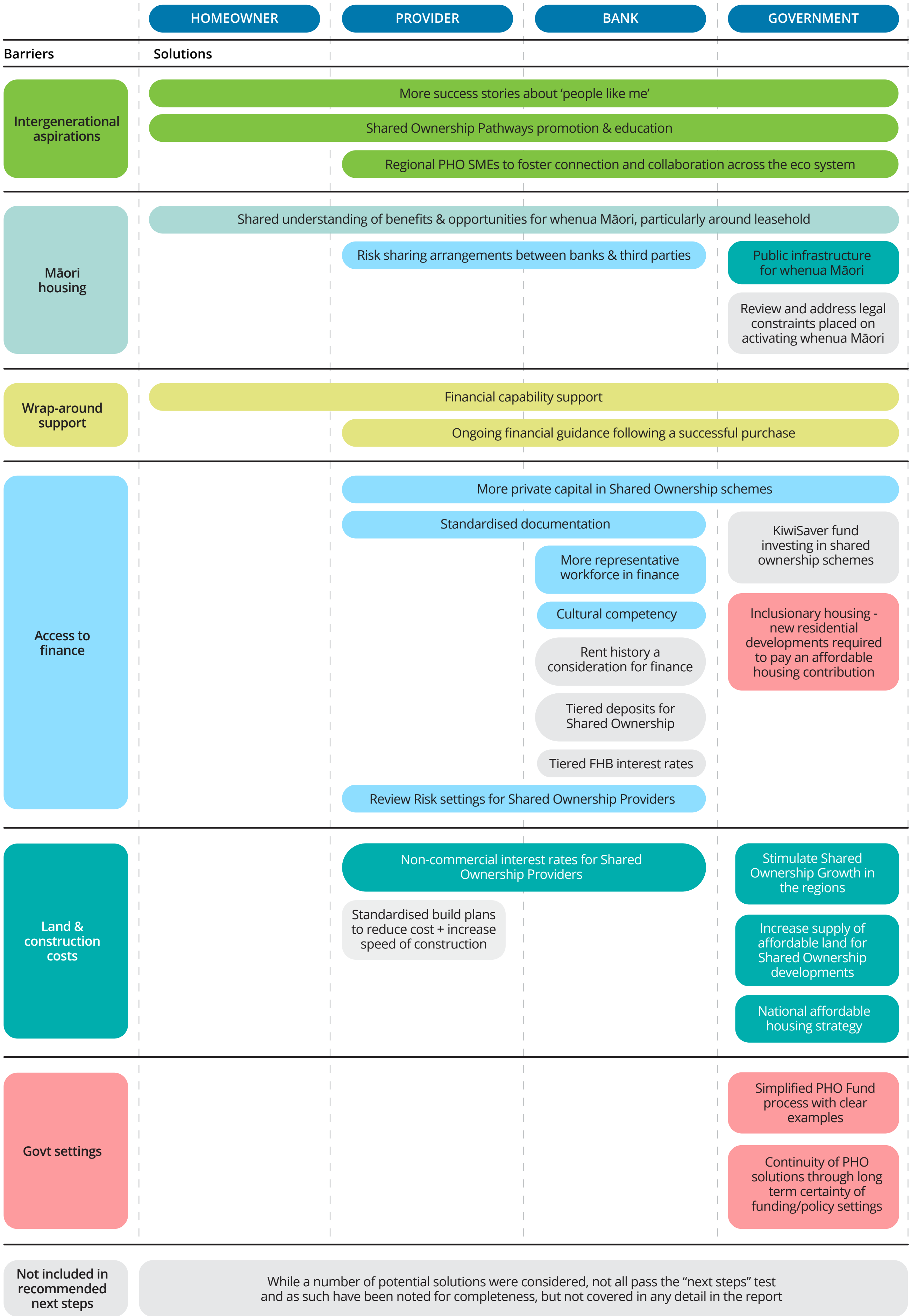
> Closing the gap between the current estimated supply of 3,188 homes and the potential unmet demand of 152,000 households will take time.

As a start, there are a number of steps households, providers, the banking sector, and the Government can take to support the growth of shared home ownership in New Zealand. These are described in more detail in the following pages, but can be summarised as:

- Increasing awareness and supply of shared home ownership pathways to meet the demand.
- Shifting the mindset around home ownership success to include shared home ownership models.
- Strengthening financial capability programmes to help households become financially prepared for home ownership.
- Improving collaboration between providers, the banking sector and communities to support shared home ownership initiatives.
- Establishing stable and long-term funding options for shared home ownership schemes.
- Attracting more private capital to shared home ownership developments.
- Developing a national affordable housing strategy to address housing supply and affordability across New Zealand.

The housing sector's interconnected nature means the efforts required to deliver on these recommendations by households and providers needs to be bolstered by the actions of the financial and government sectors. A simplified view of this is captured in Figure 12 overleaf.

Figure 12: Illustrative view of potential solutions to remove the immediate barriers to shared home ownership



Next steps

The potential solutions discussed in this report were informed by the barriers to scaling, as captured through provider interviews. We further tested and evolved these with participants as the report progressed. Not all of the potential solutions raised by participants have been outlined in the recommended next steps for one of the following reasons:

- They are already in play to some degree but on a case-by-case basis (as is appropriate).
- They are considered longer-term solutions requiring more work to refine.
- The players in the system don't have the mandate to move them forward.

A childhood vision coming alive
Ashlei McMahon

Manawa Community Housing Trust Customer, Papamoa

When Ashlei McMahon was growing up, she would draw plans of her bedroom, rearranging the furniture to see if she could make the space more exciting and interesting.

Now, she's doing it for real.

"It's really cool starting the building process, because you get all these different plans of different houses, different layouts and what-not, and you get an idea of what you like and what you don't like. You understand where the sun is, where it sets, and how it affects the lighting and heating in your home. It's really interesting."

Leaning against the framing of her new-build Manawa Community Housing Trust home in Papamoa, Ashlei can't quite believe she'll be moving in this year.

"Hopefully it will be a beautiful day. And before we move in, I get to come through and paint the walls, because I want colour. I want to feel alive, and for this to feel like a home."

"Before I found out about this option, I didn't think I'd end up owning a home at all. But I put myself on the waiting list, and then I got the phone call to say I'd been accepted.

"It was life-changing."

The Ngā Pōtiki Long Term Lease programme is a joint initiative between Manawa Community Housing Trust - a registered Community Housing Provider and the housing provider for Nga Pōtiki - and the Whai Kāinga Whai Oranga Government programme, established to speed up the delivery of Māori-led housing.

Ngā Pōtiki provides a cash subsidy and the land via a perpetual lease to assist whānau like Ashlei's into home ownership. She owns the house and pays ground rent, set at an affordable level.

She found out about Manawa through social media, registered online, and attended workshops to understand how the programme worked, and the obligations on her as a homeowner.

"It has been a massive learning journey. I asked a lot of questions – and I would recommend everyone ask lots of questions, because there are no dumb ones. If you're going to make a lifetime commitment like this, you should really do your research."

While Ashlei considers herself lucky to be stepping onto the housing ladder, she worries others will never get the chance to do so, saying the concepts of mortgages, home ownership and dealing with banks can make people feel overwhelmed.

"The information needs to be put out there in a way that's easy to understand. If things are explained in a way that suits people, it builds people's confidence. Lots of people think home ownership is impossible – but I know it's possible now."

Ashlei sees her Manawa home as a stepping-stone towards her ideal future, and would encourage others to think about it similarly, saying it's not always possible to buy a forever home the first time around.

In the future, she would like to move to a larger property in the country, and have a more sustainable lifestyle for herself, her son and nephew.

"This is the only way I could have done it, though. This is life-changing for both of them. We can now be secure in our own home, and we don't have to worry about the house being sold or having to move. Yes, there is financial pressure as well, but I can provide them both with a sense of security for their futures – not just my own."

> It has been a massive learning journey. I asked a lot of questions – and I would recommend everyone ask lots of questions, because there are no dumb ones. If you're going to make a lifetime commitment like this, you should really do your research.

Providers

Shared home ownership is one way to increase home ownership, but it is not well understood or widely known. The ownership structures can be challenging for even an astute investor to understand, let alone an aspiring homeowner with lower financial capability. Providers we spoke to want the resources required to continue to deliver high-quality financial capability support to customers.

They also wanted to work towards a more strongly networked regional approach to delivering shared home ownership options, with more mature providers working with and providing advice to those which may be smaller, or just starting to offer shared home ownership solutions. Established providers have spoken of the hurdles they had to overcome at the start of their journey, but through strengthened connections across agencies and intermediaries, they were able to utilise the resources and expertise of each to accelerate progress.

To increase momentum and scale, providers will need to:

- Attract more government and private funding (from philanthropic, impact investment, or other sources) that can be used for upfront development capital and equity to support shared home ownership as a viable long-term proposition.
- Collaborate across the sector to establish regional subject matter expertise to expand shared home ownership initiatives beyond urban centres.
- Advocate for standardising documentation and simplified loan processes to improve access to finance.
- Strengthen relationships with banks to review risk sharing arrangements for whenua Māori or communally owned land developments.
- Advocate for a review of risk settings across the banking sector to recognise shared home ownership providers as social good enterprises.
- Continue to offer wrap-around support in financial capability, educate households and communities about shared home ownership pathways and share more success stories that resonate across a diverse customer base.
- Do more to dispel the myths associated with leasehold properties and promote the benefits and opportunities for this pathway, particularly for whenua Māori.

Banking sector

The banking sector can work with shared home ownership providers to boost financial capability and demystify shared home ownership through support to providers and aspiring homeowners. Specifically, providers told us there was limited consistency between banks on how they approached shared home ownership, and different levels of willingness to engage in, and promote, shared home ownership products. This could be addressed by agreeing to standardised documentation for shared home ownership programmes, promoting greater understanding between banks and providers.

There was also a view that a more diverse and inclusive banking sector would go some way to help.

Jen Deben, of Te Matapihi, says that while shared home ownership has the potential to open up opportunities for Māori and Pacific communities, it is still a novel concept in our cultural context - success depends on the credibility and authenticity of those delivering the message around shared home ownership programmes. [70]

The banking sector can do more to support the efficient and effective scalability of shared home ownership:

- Review risk settings for development loans agreed with shared home ownership providers.
- Explore the capital market instruments that could support and expand funding to shared home ownership schemes.
- Help with more integration, coordination and access to financial capability programmes across New Zealand including in schools and communities.
- Increase cultural competency and representation of Māori and Pacific peoples in the financial sector.
- Standardise documentation across the financial sector to simplify the loan process for homeowners and providers.
- Build strong relationships with shared home ownership and Māori housing providers to establish robust risk sharing arrangements for whenua Māori or communally owned land developments.
- Promote shared home ownership as an option to customers and impact investors.

Risk setting is a key point where the ball is largely in the banking sector's court when it comes to making some fundamental changes on how it treats and interacts with shared home ownership providers.

Review risk setting for shared home ownership providers

Providers continue to face financing challenges. Although they are delivering a service for the greater social good, some report they are treated variably in the retail banking sector and often as a commercial risk.

Cate Kearney, Chief Executive of the Ōtautahi Community Housing Trust, implores the banks to re-evaluate the way they consider development loans to providers: "you've got the risk profile all wrong." [71]

Registered CHPs or approved PHO providers have gone through a rigorous vetting process, and some, like New Zealand Housing Foundation and Queenstown Lakes Community Housing Trust, have already delivered hundreds of homes. These organisations are social good enterprises, and banks could consider how they structure development financing to reflect the non-commercial nature of their business. This might mean a lower risk setting in some instances. For example, for an approved and established provider, attracting government equity capital, and evidence of equity pay back, the risk of foreclosure (with mitigations in place) may be assessed as highly unlikely.

A change in risk settings would be a welcome stimulus to the system, potentially lowering the cost of interest and making shared home ownership providers a more attractive proposition for impact investors.

Aspiring homeowners

There are basic steps households can start putting in place, in terms of getting match-fit financially. But so much of being able to do so comes down to an individual's or household's belief that they really can attain home ownership.

To effect the change we want to see, we would encourage aspiring homeowners to:

- Shift away from a traditional deposit-and-loan mindset and open their minds to assisted pathways, through increased awareness and understanding of the opportunities these can open up.
- Focus on improving financial fitness.
- Be aware of and supported to sign up for financial capability programmes and home ownership seminars on offer through many providers in the financial sector, and Government programmes like Sorted in Schools and Sorted in Communities.
- See shared home ownership role models in their families and communities.

Government

While the PHO Fund is now fully committed, it would be heartening to see further funding certainty for the sector through government financial support for shared home ownership programmes.

The Independent Review into Kāinga Ora has also recommended increasing choice, diversity and innovation in the sector through implementing alternative delivery models.[72] Further consideration to this recommendation among others is being given over the rest of 2024.

There are several system settings the Government could adjust to ensure greater stability and security for providers:

- Expand on the National Policy Statement on Housing and Urban Development and lay down a national affordable housing strategy to:
  - Guide the development and maturity of shared home ownership.
  - Address system drivers of affordable housing supply in high demand areas.
  - Stimulate shared home ownership growth in regions outside of urban centres.
- Simplified processes for shared home ownership initiatives where government funding is involved.
- Work with the banking sector to review risk sharing arrangements for whenua Māori or communally owned land developments.
- Work with regulators and banking sector to review risk settings around community housing more generally.

A national affordable housing strategy

While there is a National Policy Statement on Housing and Urban Development, a clear statement and underlying strategy for a sustainable shared home ownership sector is largely absent, or at least not articulated to the degree the sector can act on. A national affordable housing strategy would identify the regions and infrastructure that need investment, the shift required to bridge the gap between supply and demand in the areas of high need and what affordability mechanisms (if any), like inclusionary housing, and loan guarantees the Government could influence.

A clear long-term strategy that survives multiple governments and takes a nationwide approach to addressing affordable housing supply in high-demand areas, not just our largest cities, is needed to push the sector forward and help to allocate each dollar of funding more efficiently and equitably. Australian literature has concluded a stable and robust policy framework for affordable housing increases the availability of private funding and gives providers confidence to invest in business continuity.

Long-term certainty of funding and simplified processes to increase equitable access

The slow-moving nature of residential housing development necessitates planning years in advance for major works. In a sector currently dependent on equity funding from the Government, this requires consistent availability of funding. This could be achieved through an extension of the PHO Fund or the establishment of a new Fund or bond scheme.

Gibb and Hayton (2017) also found that developing organisational structures encouraging knowledge exchange is critical for the provision of affordable housing.[73] In practice, this could involve increasing information-sharing between stakeholders such as Kāinga Ora and the Ministry of Housing and Urban Development. Eliminating information silos could boost efficiency and reduce cost in the funding application process. The simpler the process becomes, the more effective it will be, and the further each dollar will go.

Stimulate shared home ownership growth in the regions

Currently, registered PHO providers are notably concentrated in Auckland, but there is pressing need for assisted home ownership support in the regions. Dominic Foote of the New Zealand Housing Foundation identified Wellington, Christchurch, Dunedin, Tauranga, Hamilton and Whangārei as areas crying out for an increased assisted home ownership presence. Small providers targeting each region could deliver great outcomes for families across New Zealand, and this would be most efficient if united under a central government initiative. "If we had a national affordable housing strategy, you'd know exactly where to go."[74]

Foote believes 10 to 15 years of consistent investment could result in New Zealand boasting a mature shared home ownership sector akin to that of the UK's.

A call to action

We know that shared home ownership models can deliver real benefits to New Zealand communities.

Since 2020, New Zealand has more than doubled the amount of shared home ownership homes delivered on average each year, and this report finds it could be tripled if these immediate barriers are addressed.

It is clear for the most part, the players in the system have the ability needed to make a bigger difference for the greater good.

It's time to move the conversation on, and we hope this study is one vehicle that can help the sector in doing just that.

Since 2020, New Zealand has more than doubled the amount of shared home ownership homes delivered on average each year, and this report finds it could be tripled if these immediate barriers are addressed.

Appendix
Estimating eligibility

We estimated the number of households that could potentially be eligible for shared home ownership homes in New Zealand. This involved applying eligibility criteria to a customised Statistics New Zealand (Stats NZ) dataset and filtering out the ineligible households.

Overview of the data

To determine the potential number of households that could be eligible for a shared home ownership pathway, a customised dataset was requested from Stats NZ. The underlying data was based on the 2020 - 2023 New Zealand Household Economic Survey (HES), and provided a breakdown of households by location, ethnicity, income group, and home ownership.

Table 6: Overview of the data set

Variable	Explanation
Year	Data for each year from 2020 to 2023 was supplied. Analysis was completed using the latest data available (2023) with prior year data.
Ethnicity	Data was provided for three ethnic groups: Māori, Pacific, Other.
Tenure	Data was provided on ownership status; households either own owned or not owned.
Gross annual income bracket	Data was provided on the gross income level of households. As part of the customised request, gross income was broken into two brackets:
Under $80,000, between $80,000 - $150,000 (broken down into $10,000 intervals), and over $150,000.	Rising interest rates have made costs of debt more difficult to service for first home buyers.
Housing stress	A gross income stress point, which counts the number of households which spend more than 30%, 40%, and 50% of income on housing costs.
Number of households	The number of households identified, based on their ethnicity, income bracket, tenure, and housing stress.
Average annual gross income	The average annual gross income for households, based on ethnicity, income bracket, tenure and housing stress.
Average annual disposable income	The average annual disposable income (income after taxes and transfer payments) for households.
Average annual housing expenditure	The average annual expenditure for households.

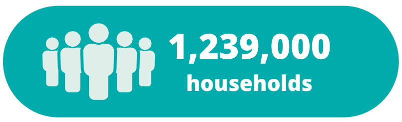
Table 7: Overview of eligibility criteria

Criteria	Criteria to meet
Custom StatsNZ HES Dataset	The customised database provided the starting point, representing the number of households in New Zealand.
NZ households eligible to purchase a home in New Zealand	Households with income earners aged between 22 and 55, and New Zealand residents / citizens, are eligible for inclusion.
Households which meet the income threshold for PHO pathways	Households with a gross yearly income between $80,000 - $150,000 are eligible for inclusion.
Households are First Home Buyers or 'Second Chancers'	Only households that do not currently own a house are eligible for shared home ownership pathways.
Households that meet a financial affordability metric	A high-level affordability metric was developed: The mortgage should not exceed more than 40% of a household's gross income. The 40% affordability limited was selected as it approximately represents the mid-point between the 33% rule of thumb (should not spend more than 33% of gross income on a mortgage), and 49%, the current proportion of gross income an average New Zealand household is spending on a mortgage.
Households which take up shared home ownership today	Not all households eligible are aware of shared home ownership opportunities, or will take it up, due to cultural norms, supply constraints, and other factors. As such, a 35% 'awareness factor' was applied to the number of households, based on average awareness statistics identified in the 2020 Colmar Brunton / MHUD survey into PHO product design research.
Eligible households	The number of eligible households is identified based on the assumptions and criteria applied above.

Breaking down who is eligible for shared home ownership.

How many households qualify as New Zealand citizens or residents?

The dataset provided by Stats NZ only included households meeting the New Zealand residency / citizenship status. As such, total number of households reported in 2023 as including New Zealand residents / citizens is 1,239,000. Around 41%, or 511,900 are not homeowners.



How many households earn an annual gross income of between $80k and $150k?

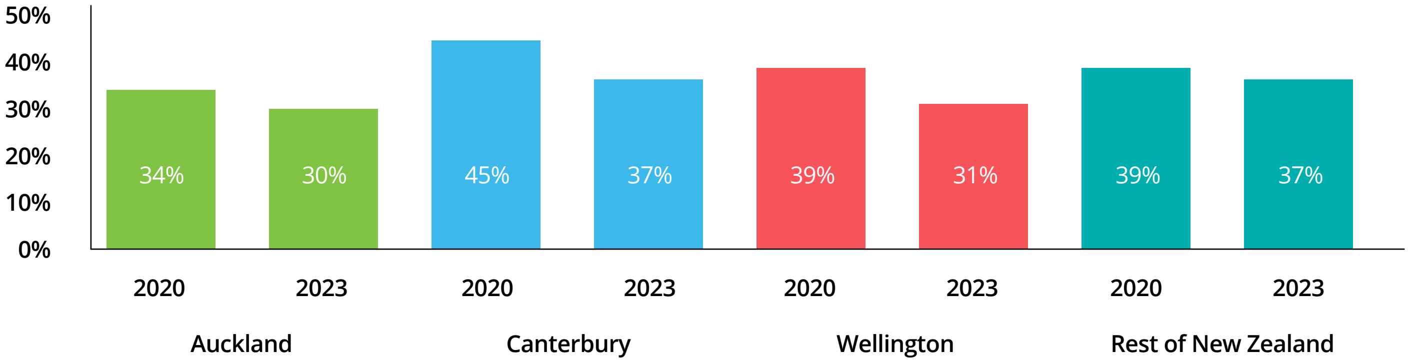
The total number of households meeting the residency / citizenship status was then filtered to identify only those households earning an annual gross (before tax) income of between $80,000 and $150,000. This income range was selected as it broadly represents the thresholds currently applied by most shared home ownership providers in New Zealand. The upper limit of $150,000 is also currently set by Kāinga Ora to access additional help, such as the First Home Loan[75] assistance scheme. The total number of households meeting this income threshold is 422,100.

When looking at the income criteria from a regional perspective, the number of households earning an income meeting the criterion has declined over the 2020 – 2023 period. For example, as shown in Figure 13 below, in Auckland the number of households reduced from 34% in 2020 to 30% in 2023; in Canterbury the change was 45% to 37%; in Wellington the change was from 39% to 31%; and Rest of New Zealand changed from 39% to 37%.

The data suggests household incomes have increased, with a growing number of households earning more than $150,000, therefore reducing the number of those eligible. In 2023, around 40% of households earned an income over $150,000, up from 30% in 2020.

Māori and Pacific peoples households also saw growth in those earning above $150,000, up 12% and 15% respectively. Overall, 106,100 (35%) of Māori households, and 48,700 (36%) of Pacific peoples households, meet this criterion.

Figure 13: Percent of households earning a gross income within the eligible income bracket



Source: Stats NZ, based on a customised data request; Deloitte analysis.

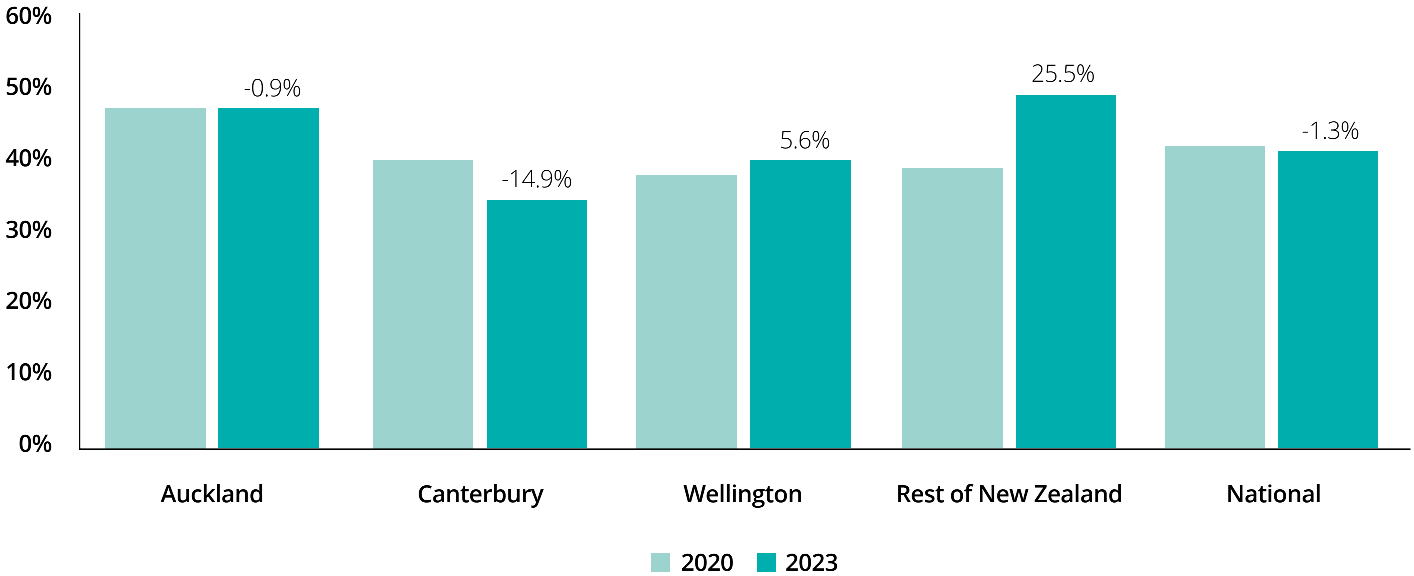
When applying the income thresholds, 422,100 or 34% of households remain eligible for shared home ownership pathways on a national basis.

How many households are first home buyers or second chancers?

Shared home ownership is targeted at households that don't own a home – that is, first home buyers and second chancers (those who owned a house previously, but currently do not). As shown in Figure 14 below, the number of first home buyers or second chancers varies by region. For example, 47% of households in Auckland, 34% in Canterbury, 40% in Wellington and 49% across the Rest of New Zealand are first home buyers / second chancers.

Since the COVID-19 pandemic, the data suggests there has been an increase in the number of first home buyer / second chance households in Wellington and the Rest of New Zealand, while Auckland and Canterbury saw more households transition into home ownership.

Figure 14: Breakdown of first home buyers or second chancers by region



Note: Percentages above show the change in first home buyers / second chancers from 2020 to 2023.

Source: Stats NZ, based on a customised data request, Deloitte analysis.

The data shows home ownership rates for Māori and Pacific peoples fell between 2020 and 2023.

Outside of the main centres, non-ownership rates in 2023 are 49% for Māori households and 57% for Pacific peoples households.

422,100 → **185,000 households**

Overall, within the eligible income threshold for shared home ownership homes 185,000 or 15% of households are either first home buyers or second chancers.

How many households can service a mortgage?

The next criterion for a household to be eligible for shared home ownership is the ability to service the mortgage required after accounting for the deposit and equity stake.

To estimate a household's expenditure on a mortgage relative to gross income, we first identified what a household would be buying. A lower quartile purchase price of a property for each region was used as an estimate for the house price under a shared home ownership pathway. The figures used were reported by REINZ[76] for the period ending March 2024.

In determining a household's initial mortgage requirement and repayments, the following assumptions were applied:

- **Initial deposit requirement**: 10% of the lower quartile purchase price for a property for each region.
- **Shared home ownership equity stake**: 35% of the purchase price.
- **Mortgage for first home buyer**: Purchase price net of deposit and shared home ownership equity stake.
- **Interest rate on initial mortgage**: 7% based on the average interest rate for 1-year fixed home loan products.

A mortgage was deemed serviceable for households provided the mortgage repayment (principal and interest) did not exceed 40% of a household's gross income. The 40% affordability limit was selected as it approximately represents the mid-point between the 33% rule of thumb[77] (should not spend more than 33% of gross income on a mortgage), and 49%, the current proportion (Q4, 2023)[78] of gross income an average New Zealand household is spending on a mortgage.

An overview of what households could expect to pay for a shared home ownership house in their respective region, as well as the potential mortgage requirement, is summarised in Figure 15 below.

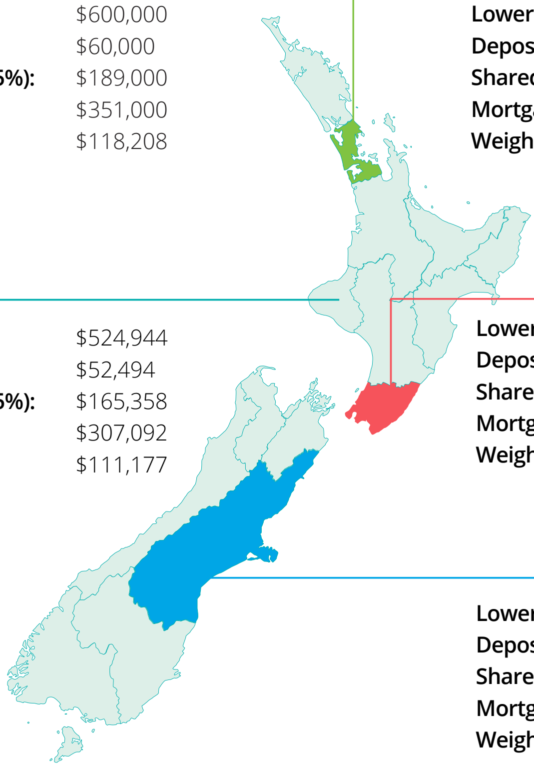
Figure 15: Summary of household prices and mortgage requirements by region

NEW ZEALAND

Lower quartile house price:	$600,000
Deposit (10%):	$60,000
Shared ownership equity stake (35%):	$189,000
Mortgage:	$351,000
Weighted average income:	$118,208

AUCKLAND

Lower quartile house price:	$810,000
Deposit (10%):	$81,000
Shared ownership equity stake (35%):	$255,150
Mortgage:	$473,850
Weighted average income:	$133,767



REST OF NZ:

Lower quartile house price:	$524,944
Deposit (10%):	$52,494
Shared ownership equity stake (35%):	$165,358
Mortgage:	$307,092
Weighted average income:	$111,177

WELLINGTON

Lower quartile house price:	$660,000
Deposit (10%):	$66,000
Shared ownership equity stake (35%):	$207,900
Mortgage:	$386,100
Weighted average income:	$125,808

CANTERBURY

Lower quartile house price:	$550,000
Deposit (10%):	$55,000
Shared ownership equity stake (35%):	$173,250
Mortgage:	$321,750
Weighted average income:	$114,548

Source: REINZ, Interest.co.nz and Stats NZ, based on a customised data request, Deloitte analysis.

185,000 → **152,000 households**

Overall, when factoring in the ability to service a mortgage, we estimate 152,000, or 12% of households, could be eligible for shared home ownership pathways.

What about deposit requirements?

Households need to be able to be able to provide a deposit, which is assumed to be 10% of the lower quartile house price for the region. Deposit requirements range from $50,450 outside of the three main centres, to $81,000 in Auckland.

Due to availability of data, analysis of eligible households has not factored in a household's current savings, or savings habits. As such, deposit requirements were not factored into the eligibility criteria. Canstar's 2024[79] Consumer Pulse Report identifies that households are now saving less, with more households eating into their savings or taking on debt to meet the needs of everyday life. 42% of New Zealanders have now taken on debt outside of mortgages, with average personal debt sitting at $9,522 (approximately $12,000 for individuals under 30).

The survey notes that approximately 75% of households regularly save, on average, $342 per month. This is a decline on the average monthly savings from the prior year ($500 per month) and is largely driven by the current economic climate.

Assuming the average savings rate of $342 per month, it would take an eligible household between 13 and 20 years to save for a 10% deposit, depending on where a household is located within the country. Table 8 below provides an overview of the key housing requirements.

Table 8: Overview of key housing requirements

Region	Lower quartile house price	Amount required for a 10% deposit	Years required to save deposit	Shared home ownership equity stake	First home buyer mortgage	Weekly mortgage payments
Auckland	$810,000	$81,000	19.74	$255,150	$473,860	$1,325
Canterbury	$550,000	$55,000	13.40	$173,250	$321,750	$900
Wellington	$660,000	$66,000	15.60	$207,900	$386,100	$1,080
Rest of NZ	$504,500	$50,450	12.29	$158,917	$307,093	$891
National	$600,000	$60,000	14.62	$189,000	$351,000	$982

Note: Rest of New Zealand is equal to New Zealand excluding Auckland, Canterbury and Wellington.

Is there any help for first home buyers with deposit requirements?

First home buyers can use their KiwiSaver funds towards (or as) the deposit for a first home. In 2022, Te Ara Ahunga Ora Retirement Commission (Retirement Commission) commissioned research to collect data on KiwiSaver funds, which found the average KiwiSaver balance as of 31 December 2022 was $27,379.[80]

A household that has two income earners contributing to KiwiSaver for a minimum of five years could have up to $52,758 towards a deposit, which is 65% of the deposit required for a lower quartile priced house in Auckland, 80% of the deposit requirement in Wellington, and 96% of the deposit requirement in Christchurch.

For a lower quartile priced house outside of the main centres, (i.e. rest of New Zealand), the average KiwiSaver balance of a dual income household would fully fund the deposit. Table 9 below summarises the impact of households using KiwiSaver towards a deposit.

Table 9: The impact of KiwiSaver on meeting deposit requirements

Region	Lower Quartile house price	Amount required for a 10% deposit	KiwiSaver balance required	Savings required	Years required to save for deposit
Single income household					
Auckland	$810,000	$81,000	$26,379	$54,621	13.31
Canterbury	$550,000	$55,000	$26,379	$28,621	6.97
Wellington	$660,000	$66,000	$26,379	$39,621	9.65
Rest of NZ	$504,500	$50,450	$26,379	$26,115	6.36
National	$600,000	$60,000	$26,379	$33,621	8.19
Dual income household					
Auckland	$810,000	$80,500	$52,758	$28,242	6.88
Canterbury	$550,000	$55,000	$52,758	$2,242	0.55
Wellington	$660,000	$64,025	$52,758	$13,242	3.23
Rest of NZ	$524,944	$50,450	$50,450	N/A KiwiSaver meets deposit requirements	
National	$600,000	$60,000	$52,758	$7,242	1.76

Note: Rest of New Zealand is equal to New Zealand excluding Auckland, Canterbury and Wellington

How many eligible households are aware of shared home ownership pathways?

A 35% awareness factor was applied to account for households that are not aware or may not have an interest in pursuing alternative home ownership pathways. The 35% awareness factor applied represents a conservative estimate of overall awareness of shared home ownership pathways, with the Colmar Brunton report outlining up to 43%[81] of respondents have heard of shared home ownership pathways.

152,000 → **53,200 households**

Applying this awareness factor, the number of eligible households reduces to 53,200 or 4.29% of households, which reflects the number of households aware of and eligible for shared home ownership pathways.

When looking at different ethnic groups in Table 10 below, the percentage of both Māori and Pacific peoples households eligible for a shared home ownership pathway are higher than other ethnicities, which could be explained by these groups having a higher proportion of first home buyers (relative to other).

Table 10: Percentage of households by ethnicity that meet assessment criteria and are aware, by location

Region	% of eligible Māori households	% of eligible Pacific households	% of eligible Other households
Auckland	3.16%	3.58%	1.90%
Canterbury	5.23%	0.00%	4.17%
Wellington	4.56%	7.00%	3.60%
Rest of New Zealand	6.03%	9.12%	4.57%
National	5.34%	7.25%	4.03%

When breaking down the number of households eligible into the income brackets, over 70% of eligible households have an income of $120,000 or more. When looking at the different ethnic groups, around 50% of all eligible Māori and Pacific peoples households also have an income of $120,000 or more.

Table 11: Percentage of households by income bracket that meet assessment criteria and are aware, by location

Income bracket	Auckland	Canterbury	Wellington	Rest of NZ	National
$80,001 - $90,000	0%	16%	0%	21%	0%
$90,001 - $100,000	0%	14%	0%	15%	20%
$100,001 - $110,000	0%	11%	18%	14%	17%
$110,001 - $120,000	0%	16%	18%	15%	18%
$120,001 - $130,000	44%	16%	18%	13%	17%
$130,001 - $140,000	24%	16%	28%	10%	14%
$140,001 - $150,000	32%	12%	18%	12%	15%

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Table 12: Acknowledgements

Organisation	Interviewees
BRANZ	Angela Gray (System Transformation Lead), Dr Chris Litten (General Manager – Research), Dr Daniel Du Plessis (Senior Research Economist), Matthew Curtis (Senior Research Analyst)[82]
Community Housing Aotearoa	Chris Glaudel (Deputy Chief Executive)[83]
Distinguished Professor	Distinguished Professor Philippa Howden-Chapman[84]
Kāinga Ora	Catherine Semisi (Team Lead, Home Ownership Products), Martha Williams (Product Manager)[85]
Kāinga Ora, Tāmaki Makaurau and Tai Tokerau	Janice Thompson (Senior Advisor)[86]
Ministry of Housing and Urban Development	Alex Gunn (System Intelligence Manager), David Montgomerie (Progressive Home Ownership Manager), Debbie Bean (Te Au Taketake Pathway Lead), Lee Wright (Provider and Government Direct Pathway Lead), Nigel Hewitson (Lead Commercial Advisor), Richard Deakin (System Intelligence Principal Advisor).[87]
New Zealand Housing Foundation	Dominic Foote (Chief Executive)[88]
Ōtautahi Community Housing Trust	Cate Kearney (Chief Executive), Cedreece Tamagushiku (General Manager of Finance and Business Development), Robert Hardie (General Manager of Tenancy)[89]
Queenstown Lakes Community Housing Trust	Julie Scott (Chief Executive)[90]
Tāmaki Regeneration Company	Afoa Tevita Malolo (General Manager Social Transformation and Partnerships), Fleur Rabanal (Affordable Housing Manager), Paul McElwee (Chief Financial Officer)[91]
Tauhara North No.2 Trust	Robert MacBeth (General Manager, Kaiarahi Kāinga, Head of Housing)[92]
Te Matapihi	Jen Deben (Rental Housing & Home ownership Manager)[93]
Waikato-Tainui	Celeste Maile (Housing Lead)[94]

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85 Martha Williams and Catherine Semisi. (2024, March). Kāinga Ora Interview. (Deloitte, Interviewer).

86 Janice Thompson. (2024, March 22). Senior Advisor, Kāinga Ora, (Deloitte, Interviewer).

87 Alex Gunn, David Montgomerie, Debbie Bean, Lee Wright, Nigel Hewitson and Richard Deakin. (2024, March 25). Te Kurapapa Kāinga Ministry of Housing and Urban Development Interview. (Deloitte, Interviewer).

88 Dominic Foote. (2024, March 28). Chief Executive, New Zealand Housing Foundation. (Deloitte, Interviewer).

89 Cate Kearney, Cedreece Tamagushiku and Robert Hardie. (2024, March). Otautahi Community Housing Trust Interviewe. (Deloitte, Interviewer).

90 Julie Scott. (2024, March 15). Chief Executive, Queenstown Lakes Community Housing Trust. (Deloitte, Interviewer).

91 Paul McElwee, Afoa Tevita Malolo and Fleur Rabanal. (2024, March 28). Tāmaki Regeneration Company Interview. (Deloitte, Interviewer).

92 Robert MacBeth. (2024, May 7). Kaiarahi Kāinga, Tauhara North No 2 Trust. (Deloitte, Interviewer).

93 Jen Deben. (2024, March 22). Manager, Rental Housing and Home Ownership – Te Matapihi, (Deloitte, Interviewer).

94 Celeste Maile. (2024, March 28). Housing Lead, Waikato-Tainui. (Deloitte, Interviewer).