

# A Home I Could Own

The housing aspirations of low-income clients of The Salvation Army

Dr Leanne Smith  
Senior Economist

Bonnie Robinson  
Deputy Director/Senior Analyst

The Salvation Army Social Policy and Parliamentary Unit

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## Executive Summary

### HOMEOWNERSHIP IS DECLINING

Recent data suggests that the ability to move through housing tenure states into homeownership is becoming more difficult, especially for low and modest income households.

This research asked the clients of Salvation Army Community and Family Services about their housing aspirations, and in particular their attitude to, and experience of, moving into homeownership.

The survey respondents were mostly renting and on low incomes from benefits and/or wages

There were 802 respondents to the survey from 24 Community and Family Social Service Centres around New Zealand. The majority (73%) were female and aged between 30 and 39 years. Most received a government benefit, but one quarter were either on wages or salaries, or a combination of benefit and wages. The households represented in the survey included 1335 children, 357 young people and 1408 adults.

The majority of survey respondents were renting, either from the state (37%) or from a private landlord (40%). Only a small percentage (8%) lived in their own home, with or without a mortgage.<sup>1</sup>

### LOW INCOME HOUSEHOLDS DO ASPIRE TO HOMEOWNERSHIP

The majority (90%)<sup>2</sup> of survey respondents aspired to homeownership. This was more than just an unthinking reaction to the question. Comments showed that respondents had thought about why homeownership would be good for them and aspired to it because it would provide security, an asset, set a good example for their children, and that it was preferable to the 'dead money' they paid on rent.

Four key barriers to homeownership were identified: low income, inability to save and to sustain the costs of homeownership, bad credit rating and existing debts, and a lack of knowledge

Survey respondents overwhelmingly cited low incomes as the primary barrier to homeownership. Their low incomes meant that they were not able to save a deposit, or to save a sufficient deposit. They were also concerned that once they got into homeownership they would not be able to sustain the costs of the mortgage, rates, insurance and repairs. Most recognised that they required a 'well paying job' if they were to realise their aspiration of homeownership.

A bad credit rating and/or existing debts were also viewed as a barrier to homeownership by many survey respondents. Many respondents were in debt, and some indicated that because of their credit rating they did not think any bank would lend money to them. A few respondents questioned whether anyone would give them a 'second chance' because of a past bad credit record and/or bankruptcy.

A lack of knowledge about mortgages and purchasing a home was also a barrier for some respondents. Comments showed that respondents felt they did not know much about the whole process of getting a mortgage and purchasing a house, or about any of the assistance that might be available to them.

### HOMEOWNERSHIP AND STATE HOUSING ARE THE MOST SECURE FORMS OF HOUSING TENURE

Survey respondents who were homeowners or renting from the state had a significantly greater security of tenure than those who were in private rental accommodation. The median tenure length for private rental was 8 months, compared to 2 years for state rental and 8 years for homeowners. Comments from respondents suggested that the reason for the short tenure length amongst private renters was the cost of private rental.

<sup>1</sup> The remaining 15% of respondents were boarding, renting from another organisation, renting from a city council, living in a caravan or camping ground, sharing a house/flat owned by relatives or friends, or had no place to live.

<sup>2</sup> Ninety percent of the respondents aspired to own their own home (this included the 67 respondents out of the 802 who currently owned their own home with (or without) a mortgage).

## Executive Summary

### THE QUALITY OF THE HOUSE THAT SOME LOW INCOME RENTERS OCCUPY IS POOR

Questions regarding satisfaction with current housing revealed that the quality of the housing many respondents lived in was perceived to be poor. Respondents complained about a lack of wallpaper, lack of fencing (especially where the household contained young children), living in an area with gangs, drugs and other crime, broken run-down interiors, dampness, cold and draught, mould and mildew. Respondents also noted that it was difficult to get landlords to fix things in a timely manner or even at all. This problem was most commonly found amongst private renters, but there was also some dissatisfaction with Housing New Zealand (HNZ).

### IMPLICATIONS FOR HOUSING POLICY

This study suggests that five policy issues need to be further studied and addressed in relation to low income households:

#### 1. Homeownership housing policy needs to include low income households.

This survey suggests that low income households do aspire to homeownership and its associated tenure and financial security. Housing policy surrounding homeownership therefore needs to take these aspirations into account and explore programmes that can assist some low income households into homeownership.

#### 2. Low income homeownership policy needs to address issues of entry and sustainability.

This survey has found that low income households perceive both saving for a deposit, and sustaining the costs of homeownership to be primary barriers to homeownership. Any homeownership programme must be able to assist with both access and sustainability. In our report *From Housing to Homes: strategies to assist low and modest income households into homeownership*,<sup>3</sup> we outline a range of, what we consider to be, affordable and implementable programmes that can achieve these goals.

#### 3. Low income households lack knowledge of home purchasing, mortgages and the banking system.

The findings of this survey suggest that low income households do not have access to, or have not accessed, suitable information about saving for, and purchasing a home. This limits the ability of low income households to realistically plan for the future. Housing policy needs to examine the appropriateness and accessibility of information about the financial side of homeownership.

#### 4. Second chance lending is required for those with a poor credit history.

The frequency with which respondents cited debt and a poor credit history as a barrier to homeownership suggests that if homeownership is to be a reality for some low income households, second chance lending opportunities need to be developed. Households and individuals with previous poor credit ratings, but who have improved their financial circumstances, require opportunities to re-enter the mainstream banking and finance sector.

#### 5. The instability and poor quality of private rental housing needs to be addressed.

Given the low levels of income among respondents it is unlikely that homeownership will be an option for many, even with increased government assistance. Housing New Zealand houses will resolve tenure insecurity for some, but many low income households represented in this survey would not be regarded as a high priority for HNZ housing. It is therefore critical that housing policy address the issue of private rental accommodation. Private rental accommodation needs to become a positive tenure option. Housing policy needs to address issues of supply, security of tenure, cost and quality, and explore the development of a third rental form (such as large housing associations that operate overseas), if rental housing is to become a viable long-term housing option for low income households.

<sup>3</sup> Smith and Robinson (2005) *From Housing to Homes: strategies to assist low and modest income households into homeownership*. The Salvation Army Social Policy and Parliamentary Unit.

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# 1. Background

Housing is a key determinant of well-being. Households that have stable, secure, affordable housing do better across a range of socio-economic indicators. Historically New Zealand has focused on two tenure types to provide stable, secure, affordable housing; state rental housing and homeownership. State housing has traditionally been viewed as a ‘house for life,’ but many thousands of households started out in a state house and then moved into homeownership. Subsidised mortgages, capitalisation of the family benefit, and the ability to purchase the state house you were living in were policies that enabled many households to move on from either state or private sector renting.

Recent data suggests that this ability to move through housing tenure states into homeownership is becoming more difficult for some households, particularly low and modest income households. Rates of homeownership are declining and expected to continue to fall, especially in younger age groups.<sup>4</sup>

In our report *From Housing to Homes: strategies to assist low and modest income households into homeownership*,<sup>5</sup> we developed some options to reverse this decline in homeownership. As part of the research undertaken to develop these options, we conducted a survey of the clients of the Community and Family Services of The Salvation Army about their housing aspirations. We wanted to know whether low income households aspired to homeownership. If not, what kind of housing did they want? If so, what stood in the way of them starting on the road to homeownership? The primary purpose of this survey was to inform our work on homeownership options. The findings of the survey are of value in their own right because they give us a unique and useful insight into the real aspirations of some of New Zealand’s poorest households. This helps us to know whether policies to advance homeownership should be a priority and how they are likely to be received by low income households.

The publishing of these findings also respects the respondents who, often in the midst of crises around food, money, housing or family (the main reasons respondents attend Salvation Army Community and Family Services), took the time to tell us their plans and hopes in terms of their housing.



<sup>4</sup> See for example Skilling and Waldegrave, (2004) *The Wealth of a Nation*, New Zealand Institute.

<sup>5</sup> Smith and Robinson (2005) *From Housing to Homes: strategies to assist low and modest income households into homeownership*. The Salvation Army Social Policy and Parliamentary Unit.

## 2. Methodology

The survey involved a paper-based questionnaire that was distributed to 24 Community and Family Services throughout New Zealand. The survey form was tested for two weeks at Manukau Community and Family Services and revised. Salvation Army Community and Family Service staff handed out the survey to all clients attending their centres during the month of November 2004. Participation was voluntary.

There were 802 respondents to the survey. The responses were analysed on a national basis. Geographic specific analysis was undertaken for centres that returned 40 or more completed surveys; this was done for seven centres.<sup>6</sup>

Due to the circumstances in which the survey was likely to be completed, usually while the respondent was waiting for an appointment with a Salvation Army staff member, and the likely high rate of English as a second language amongst respondents, the survey form was designed to be as easy and quick to complete as possible and required little writing on the part of the respondents. Room was left for respondents to comment and many chose to do so. These comments added greatly to the depth and breadth of the information gained.

Income questions were restricted to sources of income. This was done for the purposes of brevity, and because it would be difficult to assess the accuracy of any numeric answers. This means we are not able to provide income levels in dollar terms. The majority of clients of Salvation Army Community and Family Services are either on benefits or, very low wages if employed. Therefore we can assume that most of those who responded to the survey would have household incomes falling within the bottom quintile (lowest 20%) for New Zealand.

A copy of the survey form is attached as Appendix I.

<sup>6</sup> These seven centres (Christchurch, Waitakere, Dunedin, Hamilton, Lower Hutt, Manukau, Porirua) represented just over 77% of the total respondents to the survey.

### 3. Findings

#### DEMOGRAPHICS - WHO ANSWERED THE SURVEY?

Fifteen Salvation Army Community and Family Service Centres in the North Island and 9 Centres in the South Island participated in the survey.

Of the 802 individuals who completed the questionnaire, 565 (70%) were from the North Island and 237 (30%) were from the South Island. The majority (73%) of respondents were women. The largest age cohort was 30 to 39 years, representing 43% of the respondent group. The majority received a government benefit, although one quarter were receiving wages or salaries. Many received a combination of benefit and wages.

Age	Number	Percentage
Under 20 years	34	4.24
21-29 years	162	20.20
30-39 years	347	43.27
40-49 years	173	21.57
50-59 years	61	7.60
60+ years	25	3.12

  

Income Source*	Number
Wages and Salaries	210
Work and Income Benefit/Superannuation	651
ACC	18
Self-employed	16
Other	40

\* Note: respondents in a number of cases indicated more than one income source.

The 802 respondents to the survey represented households with the following populations:

- 1408 adults (those 18 and above)
- 1335 children (those under 13)
- 357 young people (those aged 13 to 17)



### CURRENT HOUSING: WHERE PEOPLE LIVE NOW

The majority of survey respondents were renting, either from the state (293 respondents or 37%), or from a private landlord (320 respondents or 40%). A small number of respondents owned their own home, with or without a mortgage. A very small number (11) of the 802 respondents stated that they were homeless.

Table 2: Where are you living?

	Number	Percentage
Rented Housing New Zealand house/flat	293	36.53
Private landlord rental house/flat	320	39.90
City Council house/flat	13	1.62
Rental house/flat from some other organisation	32	3.99
House/flat with a mortgage	56	6.98
House/flat without a mortgage	11	1.37
Boarding	34	4.24
Caravan or camping ground	17	2.11
Sharing a house/flat rented or owned by relatives or friends	15	1.87
No place to live right now	11	1.37
Total	802	



### 3. Findings

The regional breakdowns showed that tenure type was close to the national average in most areas.

Exceptions included:

- Dunedin had higher than the national average of respondent households in private rental (60% compared to 40%), lower numbers of state house renters (15% compared to a national average of 37%), and a higher number of households who owned their own house with a mortgage (11% compared to 7%).
- Waitakere had a higher proportion of households living in a caravan park or camping ground (9% compared to the average of 2%).
- Lower Hutt had 67% of respondent households living in state houses, compared to the national average of 37%.
- Porirua had a very low percentage of respondents living in private rental (16% compared to 40%), and a high percentage of households living in state housing (59% compared to 37%).

Table 3: 'Where Are You Living?' Comparing Centre Percentages with the Aggregated National Percentage

	National Average	Christchurch	Waitakere	Dunedin	Hamilton	Lower Hutt	Manukau	Porirua
HNZC	36.53	36.36	29.55	14.89	29.81	66.67	40.60	58.93
Private Rental	39.90	44.06	40.91	59.57	44.72	22.22	39.85	16.07
City Council	1.62	2.80	–	4.26	1.24	–	3.76	1.78
Rent Other	3.99	2.10	–	2.13	7.45	–	3.76	1.78
House Mortgage	6.98	4.90	9.09	10.64	8.07	6.67	2.25	5.36
House Without Mortgage	1.37	1.40	–	2.13	2.48	–	0.72	3.57
Boarding	4.24	2.10	6.82	2.13	3.11	2.22	8.27	5.36
Caravan Park	2.11	1.40	9.09	4.26	0.62	–	3.01	–
Sharing	1.87	4.20	2.27	–	1.24	2.22	0.72	5.36
No Place	1.37	0.70	2.27	–	1.24	–	–	1.78

#### Tenure length

The length of time respondents had lived in their current residence ranged widely from 1 day to 41 years. The median for all forms of housing was 1 year. When tenure length is analysed by housing type, the reason for this relatively short median tenure becomes clear. The majority of survey respondents lived in rented accommodation, and tenure for rented accommodation, both state and private, was considerably shorter than for those respondents in their own home.



The median tenure time for state house rentals was 2 years, although a significant number of respondents in state houses (52%) had lived in their current house for up to 5 years. Respondents living in private rental accommodation had the shortest median tenure time, 8 months. Private renters also had a narrower range of tenure periods, with no private renter having tenure of longer than 14 years, compared to 41 years for both state rentals and homeownership.

Homeowners had the longest tenure times, with the median for homeowners being 8 years.

Table 4: How long have you lived there?

	Percentage of HNZ Rental	Percentage of Private Rental	Percentage of Own Home
1-4 days	2.58	2.48	–
1-3 weeks	1.48	6.38	1.61
1-6 months	20.29	35.11	8.07
7-10 months	7.38	10.64	3.23
1-5 years	52.77	40.43	25.81
6-10 years	9.59	4.61	29.03
11-19 years	5.17	0.35	19.35
20-23 years	0.37	–	4.84
25 years	–	–	3.23
30 years	–	–	1.61
35 years	–	–	1.61
41 years	0.37	–	1.61
Total	100	100	100
Range	1 day to 41 years	1 day to 14 years	1 week to 41 years
Median	2 years	8 months	8 years

### 3. Findings

#### SATISFACTION WITH CURRENT HOUSING

Questions 7 and 8 of the survey asked respondents to tick as many options as were relevant to them about their satisfaction and dissatisfaction toward their current housing. Those survey respondents who expressed satisfaction with their current housing were most satisfied with its location and price. Sixty-two percent of those who were satisfied with their housing felt it was close to the things they needed, 56% felt they could afford it, and 52% said it was in an area that they wanted to live in. Forty-seven percent felt that their housing was already in good condition. Respondents were also satisfied with their security of tenure, with 49% of those expressing satisfaction indicating that they felt they would be able to stay as long as they wanted to. Those who responded to these questions were least likely to be satisfied with landlord responsiveness to requests for repairs, with only 36% of respondents to this question choosing this option.

Table 5: What do you like about your current housing?

	Number	Percentage of those who answered the question 'What do you like about your current housing?'
I/we can afford it	401	55.54
It is in good condition	345	47.78
It is in an area that we want to live in	373	51.66
It is close to things we need like schools, work, transport, shops	445	61.63
I/we know we can stay as long as we want to	355	49.17
It is the right size for all of us who usually live there	326	45.15
The landlord repairs things when we ask	259	35.87





### DISSATISFACTION WITH CURRENT HOUSING

Respondents also expressed dissatisfaction with their current housing. Of those who expressed dissatisfaction the most common problems were cost and size. Twenty-one percent indicated that their current housing was ‘too expensive,’ and 21% considered their housing ‘too small.’ Location (in terms of area), maintenance, and condition of the housing were the next most common problems.

Table 6: What do you not like about your current housing?

	Number	Percentage of those who answered the question ‘What do you not like about your current housing?’
It is too expensive for me/us	209	21.22
It is in a bad condition	109	11.06
It is not in an area we want to live in	136	13.81
It is not close to the things we need like schools, work, transport, shops	78	7.92
We are not sure how long we will be able to stay	106	10.76
It is too small	204	20.71
It is too big	21	2.13
The landlord does not repair things when we ask	122	12.38

### 3. Findings

#### HOUSING ASPIRATIONS

When asked where they would like to be living in five years time, the majority of respondents (58%) wanted to be living in their own home.<sup>7</sup> The next most desired housing options were a state house (12%), or to remain in their current housing (13%). A small percentage wanted to be in the same housing type but in a different house to their current residence, and 4% wanted to live in private rental housing.

Table 7: In 5 years time what kind of housing would you like to be living in?

	Number	Percentage
Where I am now	98	13.48
In a Housing Corporation rented house/flat	86	11.83
In a Housing Corporation rented house/flat but in a different place to where I am now	38	5.23
In a private landlord rental house/flat	32	4.40
In a private landlord rental house/flat but in a different place to where I am now	16	2.20
In my own home	420	57.77
In another home of my own – different from the one I own now	37	5.09

The following variations from the national figures were found when geographic analysis was undertaken:

- Christchurch and Porirua had a higher percentage than nationally of respondents who wanted to continue in their current housing. Christchurch had a higher percentage of households who wanted to be in private rental, and a lower percentage (36% compared to 58%) of households wanting to live in their own home.
- Waitakere was different to the aggregated national figures in all categories. Waitakere respondents were less likely to want to live where they were now, live in a different state house, or own their own home, but were more likely to want to move to a state house, rent privately, or move to a different private rental.
- Dunedin had lower percentages of respondents wanting to live where they were, or to move to another state house. It had higher percentages of respondents who wanted to move into private rental, or to move to a different home of their own.
- In Hamilton the figures were close to the aggregated national figures.
- Lower Hutt had more respondents who wanted to be in private rental in five years time, or in another home of their own, but fewer who wanted to own their own home or move to a different state house.



- In Manukau the figures closely followed the national figures, however, it had a greater proportion of respondents whose aspiration was to move into state housing, and a lower rate of wanting to be in private rental.
- For three centres, Lower Hutt, Christchurch and Waitakere, those who said they wanted to live in their own home in 5 years was much lower than the national average. In Lower Hutt there was a preference for private rental housing, for Christchurch to stay where they currently were living, and for Waitakere to live in HNZ rental.

Table 8: 'In 5 years time what kind of housing would you like to be living in?'  
Comparing Centre Percentages with the Aggregated National Percentage

	National Average	Christchurch	Waitakere	Dunedin	Hamilton	Lower Hutt	Manukau	Porirua
Where I am now	13.48	21.68	9.09	9.37	19.25	17.78	15.04	23.21
HNZ Rental	11.83	19.58	25.00	15.62	16.15	15.55	22.56	19.64
HNZ Rental but a different one to where I am now	5.23	6.99	2.27	3.12	4.97	2.22	6.01	5.36
Private Rental	4.40	9.79	13.64	12.50	4.97	11.11	3.01	3.57
Private Rental but a different one to where I am now	2.20	1.40	11.36	3.12	2.48	11.11	0.75	–
In My Own Home	57.27	36.36	38.64	46.87	48.45	35.55	51.88	48.21
In another home of my own but different from where I am now	5.09	4.20	–	9.37	3.73	6.67	0.75	–

### 3. Findings

#### HOMEOWNERSHIP ASPIRATIONS

When respondents<sup>8</sup> were asked whether they would like to own their own home, 90% stated ‘yes.’<sup>9</sup> These percentages were found to be fairly consistent when the responses were broken down by region, with only respondents from Lower Hutt being somewhat different. In Lower Hutt almost 20% of respondents did not want to own their own home.

Table 9: ‘Would you like to own your own home?’  
Comparing Centre Percentages with the Aggregated National Percentage

	Yes	No
National Average	89.71	10.29
Christchurch	86.51	13.49
Waitakere	92.31	7.69
Dunedin	94.59	5.41
Hamilton	87.68	12.32
Lower Hutt	80.55	19.45
Manukau	92.17	7.83
Porirua	95.74	4.26

Of the percentage of respondents who did not want to purchase their own home, the primary reasons given were that they liked living where they were now (31% of ‘No’ respondents), and that it was too expensive to buy (30% of ‘No’ respondents). A smaller percentage of respondents (14%) felt that lack of knowledge about buying a home was a barrier to homeownership. Not wanting the responsibility of repairs or wanting to spend money on other things were cited by 12% of respondents.

Table 10: If NO why do you not want to own your own home?

	Number	Percentage
I like where I am living now	63	31.19
Too expensive to buy	60	29.70
I don’t want to have to repair it ñ I would rather have a landlord do that	25	12.38
I want to spend my money on other things	25	12.38
I don’t know much about buying and owning a house	29	14.36

<sup>8</sup> This included the 67 respondents out of the 802 who currently owned their own home with (or without) a mortgage.

<sup>9</sup> The difference in figures between Table 7 and Table 9 for those desiring homeownership is due to the different nature of the questions. The question for Table 7 gave a specific time period and a range of options. Table 9 offered only a yes/no response. When faced with a timeframe, in which most respondents would realistically be unable to enter homeownership, fewer chose this option. When faced with a simple yes/no question, respondents were able to express their aspiration.



There were some regional differences in responses from those who did not want to purchase a home.

- In Christchurch, Waitakere, and Lower Hutt respondents were more likely to say they did not want to purchase because they liked living where they were and less likely to consider it too expensive to buy.
- Respondents in Dunedin were more likely to say that it was too expensive to buy and less likely to prefer their current residence.
- In Manukau respondents were more likely than the national aggregate figures to prefer their current residence and considered it too expensive to purchase. Manukau and Lower Hutt respondents had the lowest rate of not knowing much about buying and owning a house.
- In Porirua a lack of knowledge about purchasing a house was the most common barrier to homeownership, but respondents were also more likely to state that they did not want the responsibility of repairs, and wanted to spend their money on other things. Fewer respondents also considered the cost of housing a reason for their lack of interest in homeownership.

Table 11: 'If NO, why do you not want to own your own home?'  
Comparing Centre Percentages with the Aggregated National Percentage

	I like where I am living now	Too expensive to buy	I don't want to have to repair it – I would rather have a landlord do that	I want to spend my money on other things	I don't know much about buying and owning a house
National Average	31.19	29.70	12.38	12.38	14.36
Christchurch	38.89	16.67	19.44	11.11	13.89
Waitakere	42.86	14.28	14.28	14.28	14.28
Dunedin	16.67	66.66	–	–	16.67
Hamilton	23.64	34.55	12.73	14.55	14.55
Lower Hutt	47.62	23.81	9.52	14.28	4.76
Manukau	50	40.91	–	4.54	4.54
Porirua	23.53	11.76	17.65	17.65	29.41



### 3. Findings

#### BARRIERS TO HOMEOWNERSHIP

Respondents who did not, but wanted to, own their own home were asked to identify the reasons why they were unable to get into homeownership. Financial issues were the most significant barrier to homeownership, with 31% of respondents indicating that they could not save for a deposit and 25% stating that they did not think a bank would lend them the money. A related issue was the ongoing costs of homeownership such as rates, maintenance and insurance, 16% of respondents indicated that they did not think they would be able to manage this cost. Affording a suitable house in terms of location or size was considered a problem by 12% of respondents. A very small percentage of respondents (4%) had already tried and failed to obtain a mortgage from a bank.

Table 12: If YES, what gets in the way of you buying a house?

	Number	Percentage
I/we can't save a deposit	503	30.95
I/we don't think a bank would lend us the money	413	25.42
A bank has already turned us down for a mortgage	61	3.75
I/we don't think we could afford a house in an area that we would want to live in	197	12.12
I/we don't think we could afford a house this is the right size for me/us	195	12.00
I/we don't think we could afford the costs of a house such as rates, insurance and repairs	256	15.75



Regional variations were found in the responses from those who did want to own their own home.

- Respondents from Dunedin were more likely to say that saving for a deposit was a barrier compared to respondents from other centres.
- In Lower Hutt respondents reported that affording a house in the right location and of the right size was less of a barrier when compared with the national average. These respondents were also more likely to indicate that they did not believe the bank would lend them money for a house, than respondents from the other six centres.
- The Manukau and Porirua centres respondents indicated that finding a house in an area they would want to live was a major barrier. Respondents in Porirua and Christchurch were also more likely than the average to consider that they would have difficulty affording a house of the right size.

All centres reported saving for a deposit as the key barrier to owning their own home.

Table 13: 'If YES what gets in the way of you buying a house?'  
Comparing Centre Percentages with the Aggregated National Percentage

	I/We can't save a deposit	I/We don't think a bank would lend us the money	A bank has already turned us down for a mortgage	I/We don't think we could afford a house in an area that we would want to live in	I/We don't think we could afford a house that is the right size for me/us	I/We don't think we could afford the costs of a house such as rates, insurance and repairs
National Average	30.95	25.42	3.75	12.12	12.00	15.75
Christchurch	31.05	26.47	2.61	12.42	13.07	14.38
Waitakere	32.97	24.17	5.49	10.99	10.99	15.38
Dunedin	34.88	23.25	4.65	10.46	12.79	13.95
Hamilton	29.75	24.85	4.60	11.96	12.88	15.95
Lower Hutt	32.39	30.98	5.63	9.86	8.45	12.68
Manukau	31.90	26.72	3.45	13.36	12.07	12.50
Porirua	27.69	25.38	3.85	13.08	13.08	16.92

## 4. Discussion

Four issues relevant to housing policy arise from this study:

1. Low income households do aspire to homeownership.
2. The primary barriers to homeownership for low income households are low income levels resulting in debt, poor credit ratings, an inability to save a deposit, inability to attract a mortgage, and inability to sustain homeownership in terms of the ongoing costs of rates, repairs and mortgage repayments. The lack of knowledge about mortgages and purchasing a home is also a barrier.
3. Homeownership is the most secure form of housing tenure, followed by state housing. Private rental is comparatively insecure.
4. The quality of housing some low income households occupy is perceived to be poor.

### 1. LOW INCOME HOUSEHOLDS ASPIRE TO HOMEOWNERSHIP

This research found that respondents overwhelmingly aspired to homeownership. This response was more than just an unthinking reaction to the question. Comments showed that respondents had thought about why homeownership would be good for them. Respondents noted that homeownership would provide security, an asset, be a good example or security for their children, and that it was preferable to the ‘dead money’ they paid on rent. Typical comments from respondents were:

*‘I’m tired of renting, I have spent thousands on rent and could have had two homes if given the opportunity to get one. I just want to pay for a house that I could one day own.’<sup>10</sup>*

*‘I would love to spend money on my own home instead of paying dead money on rent so that my children would have their own home to live in when I’m gone.’*

*‘I have 7 children and am worried because it’s hard to get a house with this many children. That is one of the reasons I would like to own my own home and it won’t be money wasted going to someone else.’*

*‘When renting you are never sure how long you can stay for.’*



## 2. BARRIERS TO HOMEOWNERSHIP

The findings of this survey suggest that there are four main barriers to homeownership experienced by low income households: the fact they receive a low income, inability to save a deposit or sustain mortgage payments, bad credit and debt, and lack of knowledge about purchasing a home.

### i) Low income

*'If you are a solo parent you cannot afford a mortgage, insurance, rates, repairs.'*

Survey respondents overwhelmingly cited their lack of income as the primary barrier to homeownership. Respondents commented that a lack of income meant that saving a deposit was beyond them or, that even if they got into a house, they wouldn't be able to meet all the costs:

*'Haven't got the finance to buy a home of my own.'*

*'I have too many bills going out.'*

*'No money spare to save.'*

*'Don't make enough money to cover all expenses. Barely keeping head above water as it is.'*

Low income as the primary barrier was also expressed through the comments respondents made regarding what needed to happen for them to be able get into homeownership. The majority of respondents who commented on this issue stated that getting employment or better employment was the main requirement.

*'I need a good job.'*

*'Waiting on a position, that is soon, job and house go together ...'*

*'Get a job and save money.'*

*'Need a permanent job with good income as I am only on unemployment benefit but still try to save weekly.'*

*'We need full time employment that pays good money.'*

*'Currently on a benefit which does not allow for saving for a home. However I am studying so hopefully in 5 years will have finished a degree and have a full time job.'*

*'Job would be a good start for me.'*

*'Need full time employment with good wages.'*

### ii) Inability to save a deposit or sustain the costs of homeownership

Some respondents recognised that even if they could save, it would be hard to save enough to both get into and sustain homeownership:

*'Although it would be cheaper in the long run to buy a house than to rent, not being able to save for a deposit limits me from buying my own house.'*

*'Unexpected bills sometimes which make it hard when trying to save a bit every week.'*

*'Need to be able to make a larger deposit so the mortgage is not too big, at least 20% deposit'*

The primary cause of the low income and an inability to save amongst respondents was the fact that the majority were on benefits as their main source of income.

*'Don't get enough money to save on a benefit.'*

*'You can't save on a benefit you get just enough to live.'*

## 4. Discussion

Around a quarter of the respondents were receiving income from full or part-time employment, however, these households were also on low incomes and felt unable to save, or save sufficiently to get into homeownership.

*'Income too insecure in NZ. Can't guarantee job position in 5 years time. Wages too low.'*

*'Too many bills already and low wages.'*

*'Only have husbands low income.'*

*'You work your ass off all week, time you pay the bills and other things you've got little money to save a deposit, poor hourly rate.'*

*'Only working part time [because of] my 2 children.'*

*'Only have part time job, it is difficult to make ends meet and save for a deposit.'*

*'Economy is going up but the pay doesn't seem to be following suit. I'm studying to better my life for my kids but I feel that I won't be better off on a nurses' salary.'*

### iii) Bad credit rating and existing debts

After the inability to save a deposit, the view that banks would be unlikely to lend to them was the next most common barrier cited by respondents who wanted to own their own house. When the comments were analysed, the reason for this became clear, with many respondents noting that they had a bad credit rating or were in debt. Typical comments were:

*'Bad credit, no assets, existing debts.'*

*'Because of my past credit history, will prevent me from buying a house.'*

*'Huge student debt.'*

*'Past debts.'*

*'Bankruptcy knocking on the door.'*

*'Bankrupt bad past credit.'*

*'I don't really think my credit is good enough to get a loan.'*

*'Bad credit still paying off debt.'*

### iv) Lack of knowledge about mortgages and purchasing a home

While low income and existing debts/poor credit rating were the primary barriers to homeownership, a lack of financial literacy regarding mortgages was also a problem. Among those who did not aspire to homeownership, the third most common reason was a lack of knowledge about purchasing a home.

Comments from respondents who stated that they did want to own their own home revealed that a lack of knowledge about what is involved, and as a result, anxiety or fear of getting into debt, was a barrier to some households getting into homeownership. Respondents noted:

*'Have never looked into it.'*

*'Lack of knowledge about buying a house ...'*

*'My husband could be too old to get a mortgage?'*

*'I don't want to get into debt.'*

*'I don't know how to go about making enquiries.'*

*'The prices on the houses are too scary.'*

*'I would like to own my own home but I get nervous when I think how much I would owe the bank.'*

Some respondents recognised their lack of knowledge and actively wanted or were already trying to do something about it:

*'We need more understanding about houses we could afford, a plan etc'*

*'Recently I have become aware of a Kiwibank scheme and I'll enquire about it. A scheme that takes people through the saving and buying process is what would suit me.'*

### 3. HOMEOWNERSHIP AND STATE HOUSING ARE THE MOST SECURE FORMS OF HOUSING TENURE

If security of tenure is an important factor in housing then this survey suggests that for low income households homeownership or state housing are the tenure forms most likely to provide it. This study found that respondents who were homeowners or renting from the state had significantly greater security of tenure than those in private rental accommodation. Those in private accommodation had very short periods of tenure, with a median of 8 months. The study did not seek to discover why this short tenure in private rental occurs; however, comments from respondents suggest that the cost of private rental compared to income levels is likely to be a significant factor. Many respondents commented on the perceived high cost of their rent:

*'The rental is too expensive.'*

*'Is too much rent to pay.'*

*'Rents too high in Auckland.'*

*'Totally over priced for what we get.'*

*'The rent is just too expensive these days and can't afford it.'*

*'It [house] would be ideal if it were much cheaper.'*

*'It would be great at half the price.'*

*'Rents are very expensive.'*

*'Even though it is expensive for us it is cheap on the market scale.'*

*'We are very happy where we are but it is a little too expensive.'*

*'The rent is too high here in Christchurch.'*

*'Renting is so overpriced it is absolutely ridiculous.'*

*'Landlord asks too much for accommodation and little maintenance is kept up with.'*

*'It is a nice place but it is very expensive when there is only 1 income.'*

*'We want to stay in housing more cheaper.'*

## 4. Discussion

Given the frequency of these unprompted comments, it is highly likely that the cost of renting is one of the reasons why respondents in private rental accommodation move frequently. Some respondents recognised that the rental was too expensive but they felt they had to stay where they were for a variety of reasons.

*'It is too expensive where I am living at the moment but it is close to the children's school. Very important.'*

*'I have just moved from Northland to better myself and my situation but it seems increasingly harder because of the high rent and living expenses to survive in the city life.'*

*'I'm happy where I am, it caters for my family but we are paying a lot of money for our weekly living.'*

### 4. THE QUALITY OF THE HOUSING THAT SOME LOW INCOME HOUSEHOLDS OCCUPY IS POOR.

Despite paying what they perceived to be 'expensive' (relative to income) rent, many respondents also felt that their housing was in poor condition or of poor quality. Respondent's comments revealed that they often find it difficult to get maintenance done, the housing they were in is in an unsafe area, or that it is not really suitable for their household. Respondents complained about lack of wallpaper, lack of fencing (especially where the household has young children), living in an area with gangs, drugs or other crime, and broken run-down interiors. Typical comments about the quality and condition of their housing were:

*'It is not safe for my four children.'*

*'It would be nice if wallpaper would be possible.'*

*'Not safe for my little one, it's a dead end street and we have a tiny house about 3 houses away from us. So a bit unsafe but we stay because of our circumstances at the moment.'*

*'The landlord just neglects the house so it is in bad condition and most of the house when I moved in was not good.'*

*'The house I moved into had no latches on the windows, broken stove, back door, two boarded up windows and the Real Estate took 3-8 months to complete repairs due to incompetent house owner.'*

*'Its an old home, it is very damp, the kitchen is very small and the washhouse is in the kitchen. The vanity in the bathroom is broken and have told landlord but hasn't done anything about it.'*

*'The area that I live in is not a good area. The [neighbours] down the back driveway are drunk and it can be scary for me...'*

*'Very cold in winter. Looses heat in cold weather. Block construction – condensation on walls if gas heaters. Two story but no fire escape.'*



Some of the quality and condition issues noted were causing, or had the potential to cause health problems for the respondents:

*'In several houses we have lived in mould and mildew has been a real problem and people need to know ways of how to build houses to prevent this.'*

*'The house I live in now has no carpet and its cold. Can't use the fireplace. I only have a gas heater but it affects my asthma. The paths are all cracked and uneven and I can't use my walker properly on it.'*

*'I've been there 6 years and they haven't done any renovations at all, which is in a poor state at the moment and I visit doctors once a month – I suffer from a lot of allergies.'*

*'Its wet and cold inside. We are getting sick all the time.'*

*'My house is in an industrial area, very noisy, dusty and cold. Not good for asthma. Winter use \$80 pw just to keep house warm and dry so my kids don't get sick.'*

While the problem of housing being in a poor condition appears to be primarily located within the private rental market, some respondents in HNZ housing also complained about the lack of maintenance, or the time taken to get repairs done.

*'We were put in a house that had no front gate, and on a busy road where my children would be in an accident. Damp house. Roofing is mouldy and the wind blows through freely.'*

*'Our house is OK but Mum has been asking for years for it to be painted and wall-papers and HNZ still have not done anything. There's even a hole in the wall where the wall is rotten.'*

*'Takes forever for Housing to do repairs.'*

*'We moved into our HNZ house 4 years ago and are still waiting for them to do the repairs from when we moved in. Also all the other houses in our area have been fixed up and given garages and driveways but we missed out.'*

*'We asked for a transfer because the kids were getting sick. They needed a doctors form but when that given to them they say need specialist. That's why we shifted to private [rental].'*



## 5. Implications for Housing Policy

This study suggests that with respect to low income households the following policy issues need to be further studied and addressed:

### 1. Homeownership housing policy needs to include low income households.

This survey suggests that low income households do aspire to homeownership and its associated tenure and financial security. Housing policy surrounding homeownership therefore needs to take these aspirations into account and explore programmes that can assist some low income households into homeownership.

### 2. Low income homeownership policy needs to address issues of entry and sustainability.

This survey has found that low income households perceive both saving for a deposit, and sustaining the costs of homeownership to be primary barriers to homeownership. Any homeownership programme must be able to assist with both access and sustainability. In our report *From Housing to Homes* we outline a range of what we consider to be affordable and implementable programmes that can achieve these goals.

### 3. Low income households lack knowledge of home purchasing, mortgages and the banking system.

The findings of this survey suggest that low income households do not have access to, or have not accessed suitable information about saving for, and purchasing a home. This limits the ability of low income households to realistically plan for the future. Housing policy needs to examine the appropriateness and accessibility of information about the financial side of homeownership.

### 4. Second chance lending is required for those with a poor credit history.

The frequency with which respondents cited debt and a poor credit history as a barrier to homeownership suggests that if homeownership is to be a reality for some low income households, second chance lending opportunities need to be developed. Households and individuals with previous poor credit ratings, but who have improved their financial circumstances, require opportunities to re-enter the mainstream banking and finance sector.

### 5. The instability and poor quality of private rental housing needs to be addressed.

Given the low levels of income among respondents it is unlikely that homeownership will be an option for many, even with increased government assistance. HNZ houses will resolve tenure insecurity for some, but many low income households represented in this survey would not be regarded as high priority for HNZ housing. It is therefore critical that housing policy address the issue of private rental accommodation. Private rental accommodation needs to become a positive tenure option. Housing policy needs to address issues of supply, security of tenure, cost and quality, and explore the development of a third rental form (such as large housing associations that operate overseas), if rental housing is to become a viable long-term housing option for low income households.

## CONCLUSION

This survey has found that low income households do aspire to homeownership and that they are realistic about what needs to change for them to be able to realise this aspiration. Given the insecure nature and, in many cases, poor quality of the housing low income households in this survey currently occupy, there is an urgent need for housing policy to take these aspirations and needs seriously. New Zealand requires creative, implementable ideas that will ensure all households are appropriately, affordably and sustainably housed.

# Appendix 1: Survey Form

## HOUSING QUESTIONNAIRE

The Salvation Army is looking into the issue of housing. We want to know if people have the kind of housing they want and if not, what housing they would like to have. We would like your help with this work. We want to know what sort of housing you are currently living in, whether it suits your needs, and what sort of housing you would like to live in.

Everything you write on this form will remain confidential to The Salvation Army. The questions do not ask for your name, so no one will know who you are.

If you have any questions please talk to a staff person. Thanks for your help.

1. Your age: Are you:

Under 20 years       21 to 29 years       30 to 39 years       40 to 49 years   
50 to 59 years       60 and over

2. Are you male  female

3. How many of the following kinds of people live in your house/flat most of the time. Remember to count yourself in the number:

Adults (aged 18 years and over) \_\_\_\_\_

Children under the age of 13 \_\_\_\_\_

Young people aged 13 to 17 years \_\_\_\_\_

4. Where do the adults living in your house get their income from – tick all that apply to the adults in your household:

Wages/salaries       WINZ/benefits       ACC       Self employed       Other

5. Where are you living? – tick the box that applies to you.

A rented Housing New Zealand house/flat

A private landlord rental house/flat

A City Council rental house/flat

A rental house/flat from some other organisation

A house/flat – with a mortgage

A house/flat – without a mortgage

Boarding

Caravan or camping ground

Sharing a house/flat rented or owned by relatives or friends

No place to live right now

6. How long have you lived there? \_\_\_\_\_

7. What do you like about your current housing – tick all the boxes that you agree with.

I/we can afford it

It is in good condition

It is in an area that we want to live in

- It is close to things we need like schools, work, transport, shops
- I/we know we can stay as long as we want to
- It is the right size for all of us who usually live there
- The landlord repairs things when we ask

Other: please tell us anything else that you like about your current housing.

8. What don't you like about your current housing – tick all the boxes that you agree with.

- It is too expensive for me/us
- It is in a bad condition
- It is not in an area we want to live in
- It is not close to the things we need like schools, work, transport, shops
- We are not sure how long we will be able to stay
- It is too small
- It is too big
- The landlord does not repair things when we ask

Other: please tell us anything else that you don't like about your current housing.

9. In 5 years time what kind of housing would you like to be living in?:

- Where I am now
- In a Housing Corporation rented house/flat
- In a Housing Corporation rented house/flat but in a different place to where I am now
- In a private landlord rental house/flat
- In a private landlord rental house/flat but in a different place to where I am now
- In my own home
- In another home of my own – different from the one I own now

Other: please tell us where you would prefer to be living

If you own your own home you do not need to answer any more questions. If you do NOT own your own home please answer the following questions.

10. Would you like to own your own home? YES  NO

If YES go to question 12

11. If NO why do you not want to own your own home – tick all the boxes that you agree with.

- I like where I am living now
- Too expensive to buy
- I don't want to have to repair it – I would rather have a landlord do that
- I want to spend my money on other things
- I don't know much about buying and owning a house

Other: please tell us other reasons why you are not interested in buying your own home

12. If YES – what gets in the way of you buying a house – tick all the boxes that you agree with.

- I/we can't save a deposit
- I/we don't think a bank would lend us the money
- A bank has already turned us down for a mortgage
- I/we don't think we could afford a house in an area that we would want to live in
- I/we don't think we could afford a house that is the right size for me/us
- I/we don't think we could afford the costs of a house such as rates, insurance and repairs

Other: please tell us any other things that get in the way of you buying a house

13. Any other comments on your housing: Please tell us anything else you want to say about your housing.

Thanks for your help. Please give this back to a Salvation Army staff person.

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## About the Authors

### BONNIE ROBINSON BA, BD, DIP MIN.

Bonnie Robinson is the Deputy Director/Senior Analyst of The Salvation Army Social Policy and Parliamentary Unit. Ms Robinson has more than 13 years experience working in social service and social policy roles, including; Manager of Policy for Age Concern NZ, Executive Officer of the NZ Council of Christian Social Services, and National Executive Officer of Presbyterian Support NZ. Ms Robinson has also worked as a policy consultant to government and participated in a range of government committees and reference groups.

### LEANNE SMITH BA, MA (HONS), PHD

Dr Smith is the Senior Economist for The Salvation Army Social Policy and Parliamentary Unit. Dr Smith joined the Unit from Massey University where she lectured in economics. Her research interests include labour economics, education, political economy, housing, employment and qualitative research. She is the author of a book on the New Zealand macroeconomy as well as a range of other academic articles and book chapters.