



# Ebbing Wave of Housing Wealth – Welfare implications

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# Owner Occupation, Housing Wealth and Welfare

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- Three regimes of owner occupation have been associated with welfare
  - INCOME SMOOTHING (and the social project of home ownership)
  - INVESTMENT AND ACCUMULATION (and the neo-liberalisation of the housing economy)
  - EQUITY EXTRACTION (positioning asset based welfare as a buffer against the effects of austerity and the costs of older age)
- But what if housing wealth was a wave now on the ebb?

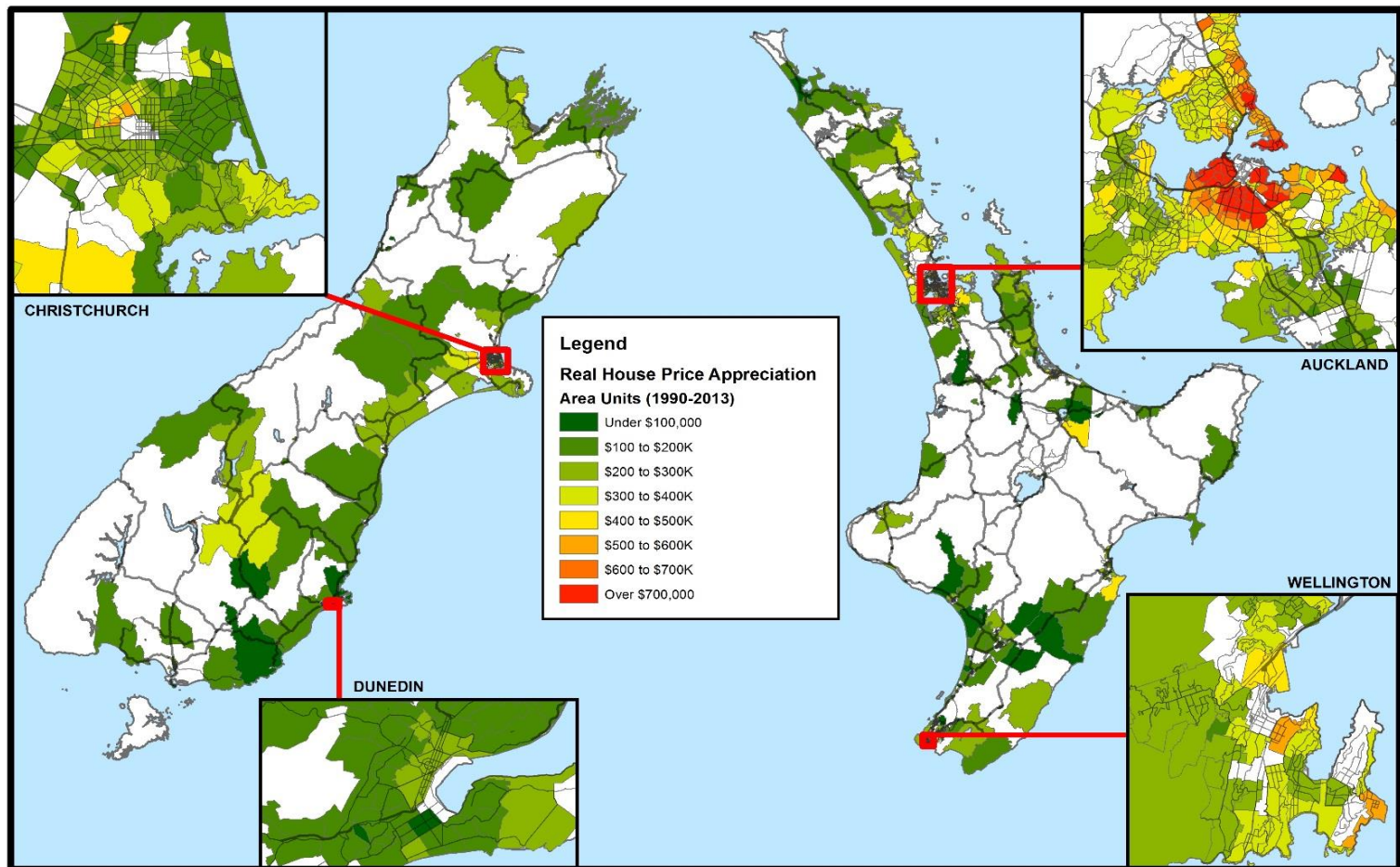
# The Wealth Wave in New Zealand



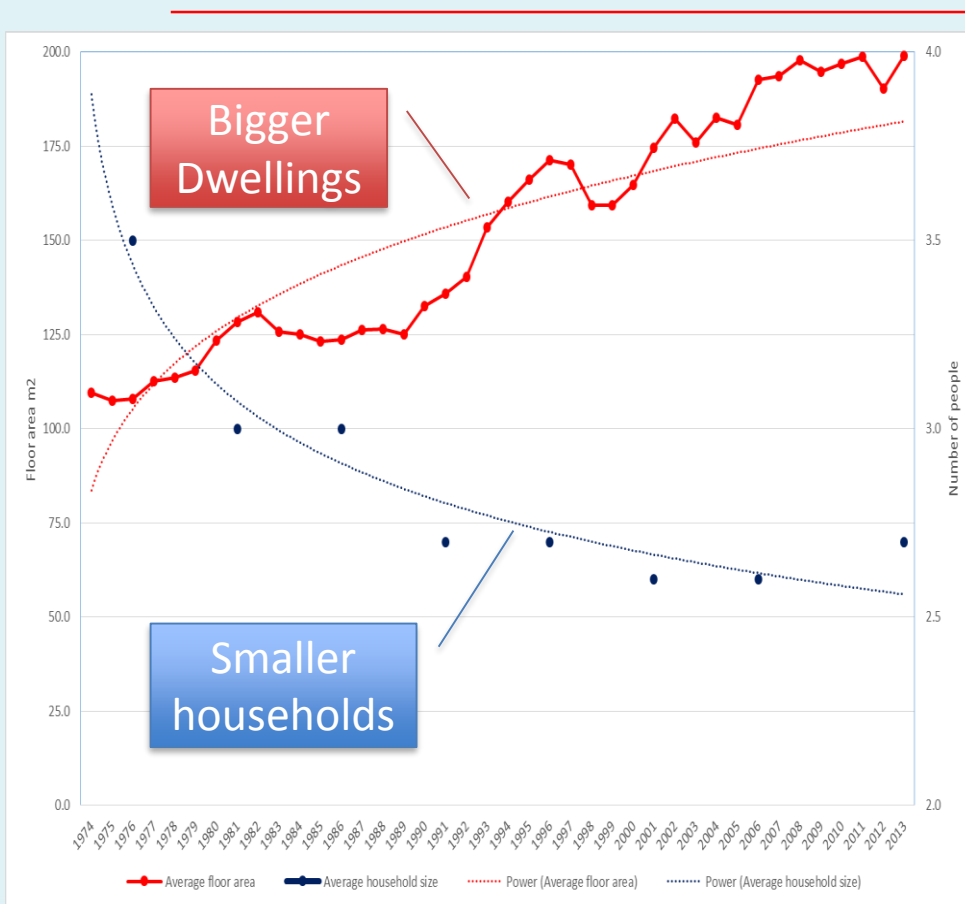
RBNZ (2016) Key Graphs 1990=2015 (Qtr3)

1990= \$123bn  
2000= \$229bn  
2010= \$609bn  
2015= \$862bn

# But not everyone is riding the wave – low capital growth is widespread



# Older Home Owners Can't Always Extract Equity - 54% downsizing older owner occupiers pay more for their downsized dwelling



Older Movers Equity Release	Number	Percent
Less than \$25k	48	54.5%
\$25k - < \$50k	10	11.4%
\$50k - < \$75k	5	5.7%
\$75k - < \$100k	5	5.7%
\$100k or more	20	22.7%

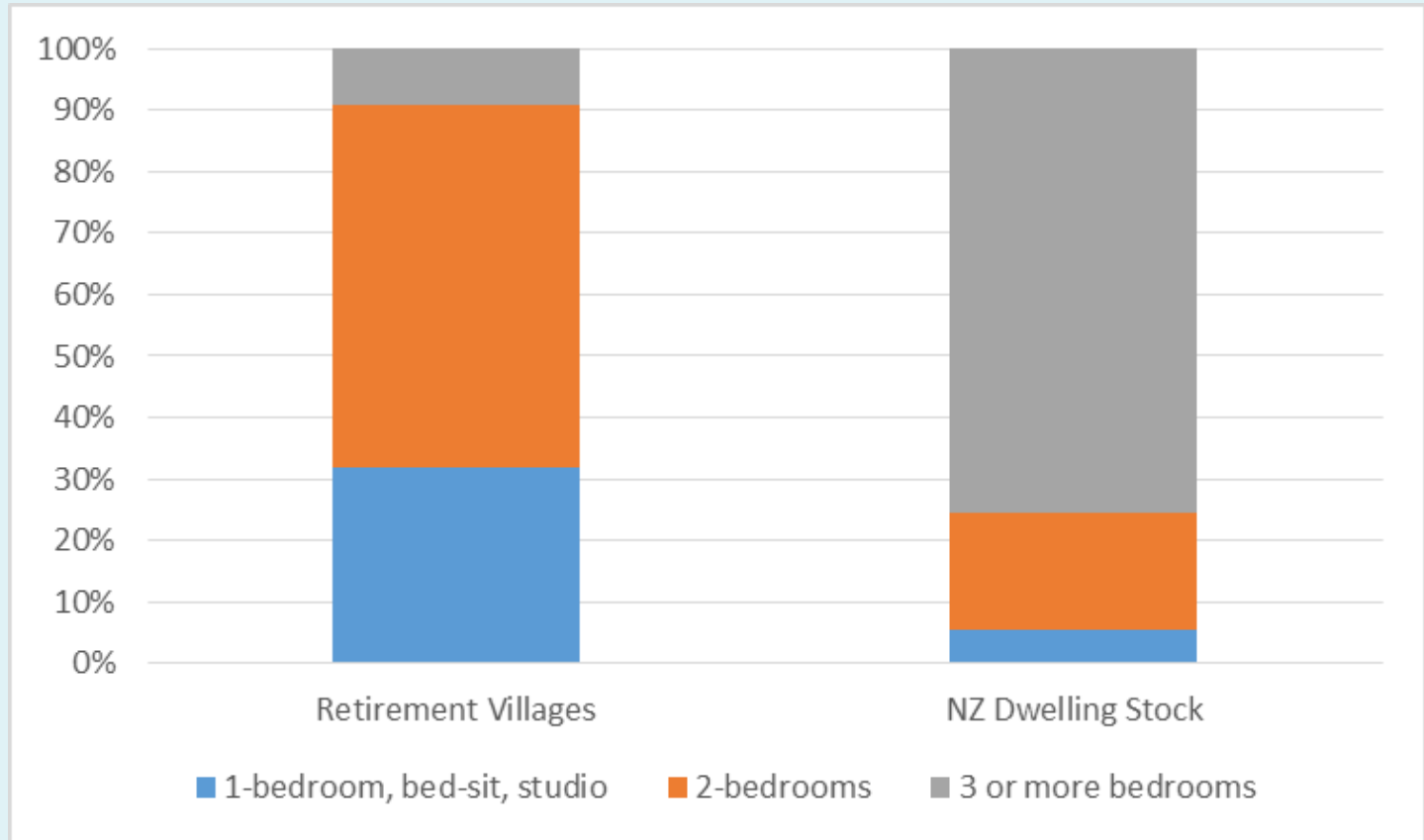
RV Movers Equity	Number	Percent
Less than \$25k	144	30.2%
\$25k - < \$50k	80	16.8%
\$50k - < \$75k	49	10.3%
\$75k - < \$100k	38	7.9%
\$100k or more	166	34.8%

# Retirement Villages - Corporate Sector Housing Wealth Extraction

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- Intermediate tenure – license to occupy (LtO)
- Typically no capital gain but exposure to capital loss
- Deferred management fees (vary 20-30% may include a refurbishment fee)
- Attractive because of stock, although monthly fees make most retirement villages unaffordable for about 80% of older people

# Stock Profiles – RVs versus NZ Housing Stock



# Avid Consumption of Housing Wealth by RVs

	Case 1 – 6yr Turnover	Case 2 – 6yr Turnover	Case 3 – 10 yr Turnover
LtO Purchase	\$450,000	\$300,000	\$279,000
RV Resells	\$560,000	\$250,000	\$600,000
Older Person's Asset- Related Costs	\$155,300	\$138,586	
Older Person's Retained Wealth	\$294,700	\$161,414	\$200,000
Foregone Capital Gain	\$90,000		\$321,000



# Beginning and End of a Long Wave?

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- INCOME SMOOTHING (and the social project of home ownership):
  - Limited to older outright owners who are ageing in place
- INVESTMENT AND ACCUMULATION (neo-liberalisation of the housing economy):
  - Benefits baby boomers who retire early on the proceeds
- EQUITY EXTRACTION (asset based welfare to buffer effects of austerity and older age):
  - Equity leakage across the life course
  - Asset stripping at the end
- If housing wealth is welfare, then:
  - How long will housing wealth last?
  - If wealth is ebbing away, is there another wave on the horizon?
  - Has Generation Rent been left high and dry?