



# Finding the Best Fit: House Prices and Equity Release

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**Dr. Michael Rehm – University of Auckland**

**Dr. Kay Saville-Smith – CRESA**

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# Equity Release

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- Commentators often connect downsizing with equity release
- Belief that high house prices mean asset rich older people through equity realisation can:
  - Improve their living standards
  - Access more suitable dwellings
  - Fund better access to health care
  - Remove the burden of care from state and family

# Equity Release is not that simple

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- Older people generally do not seek equity release when moving – 17%-23% older movers
- Older people like intergenerational transfers
- The two main pathways are fraught with difficulty:
  - Reverse equity lending
  - Movement to a lower cost dwelling
- High house prices do not inherently deliver opportunities for equity release

# Releasing Housing Wealth?



RBNZ 2016 (<http://www.rbnz.govt.nz/statistics/key-graphs/key-graph-house-price-values>)

1990= \$123bn  
2000= \$229bn  
2010= \$609bn  
2013= \$719bn  
2014= \$768bn  
2015= \$873bn  
2016= \$905bn

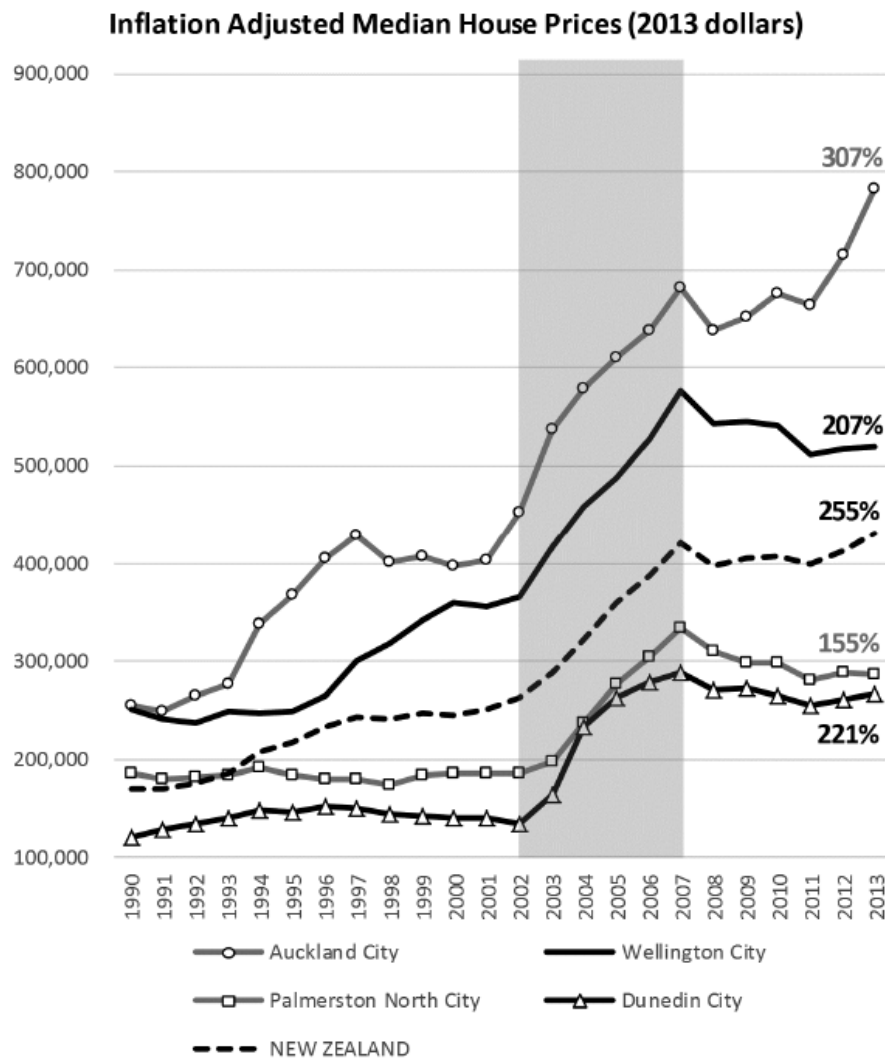


Figure 3.3 House prices in New Zealand (source: specially commissioned data set of stand-alone house prices from CoreLogic).

## Spatial and Temporal dimensions of housing markets

### Broad Trends

2016 MURPHY, L. and REHM, M. Homeownership, Asset-based Welfare and the Actuarial Subject: Exploring the Dynamics of Ageing and Homeownership in New Zealand. In Cook, N, Davison, A. and Crabtree, L. (eds) Housing and Home Unbound: Intersections in economics, environment and politics in Australia, Routledge/Taylor and Francis, London.



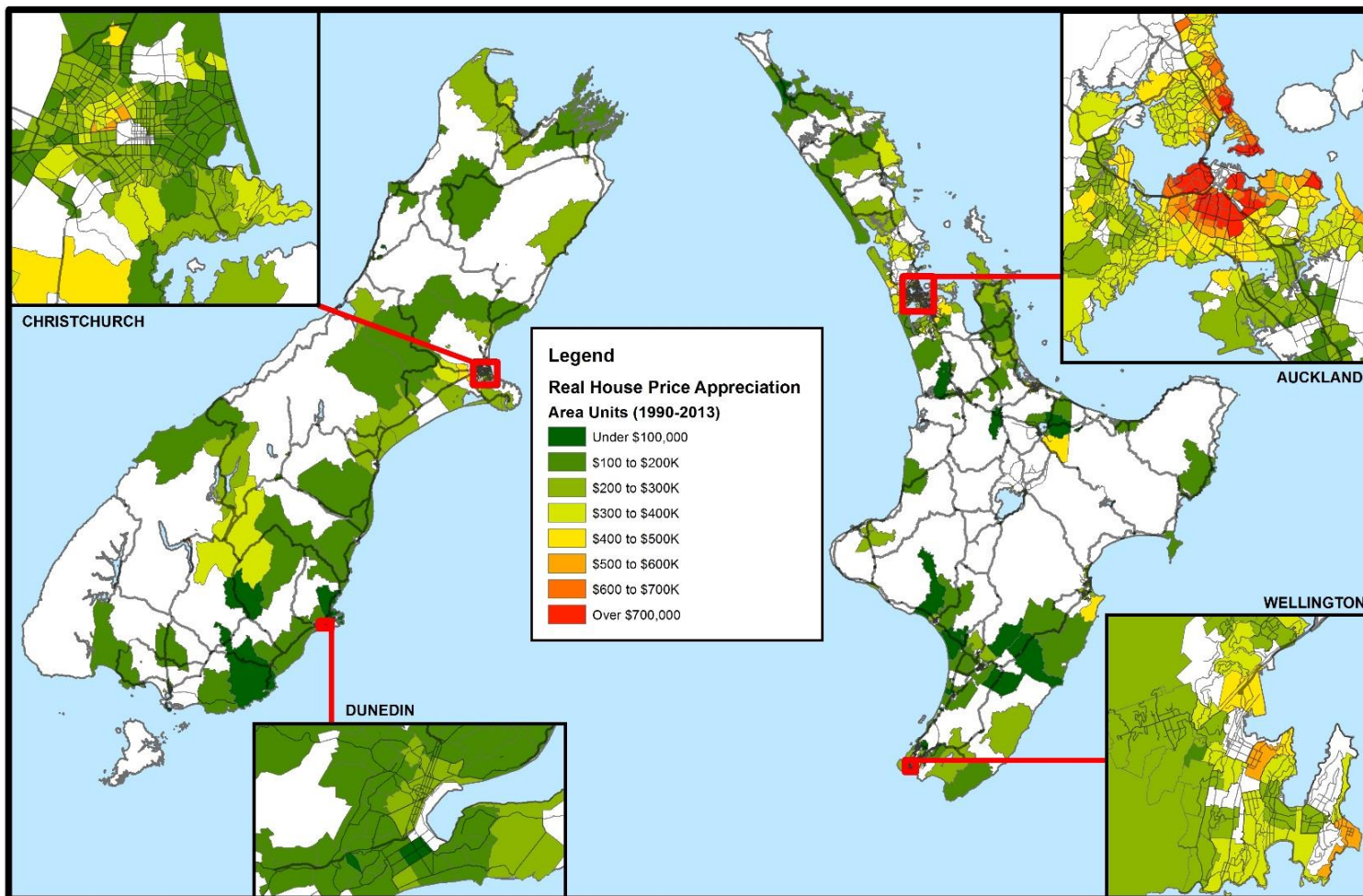
National House Price Appreciation  
Spatial Patterns

Regional Housing  
Typologies

Submarket Case  
Studies

# First Cut: Median House Prices

## Real House Price Appreciation



Low capital  
growth  
widespread

High growth  
concentrated  
in key  
markets



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# Regional House Price Typologies

Prices graphically depicted to identify patterns

Median house price data 1990-2013

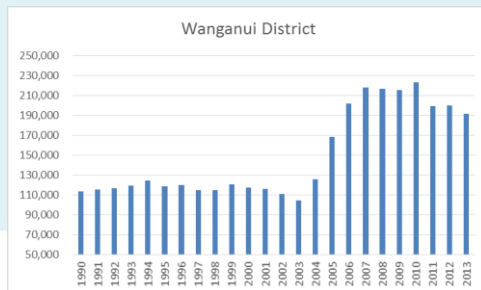
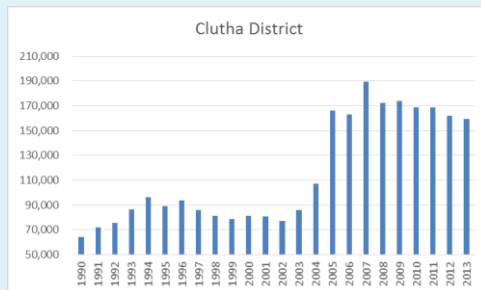
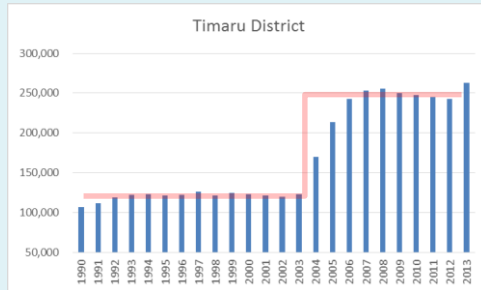
Purchase prices expressed in 2013 dollars (real)



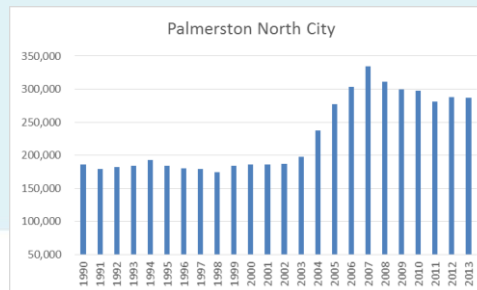
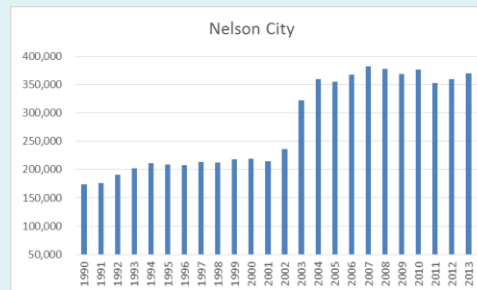
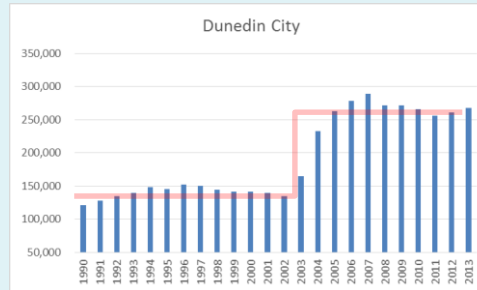
# Housing Market Typologies

## Step-Change

### Rural Areas

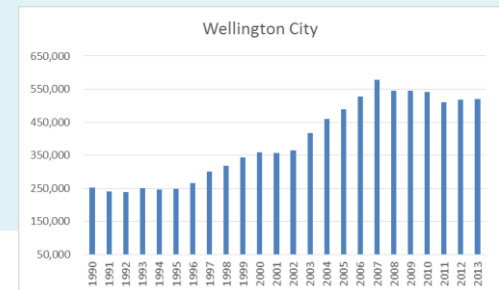
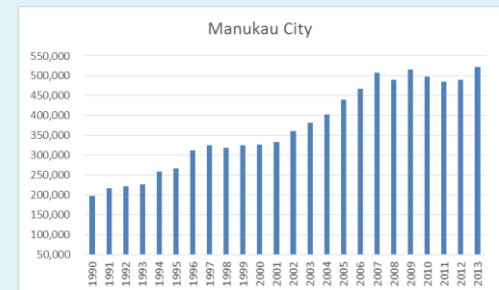
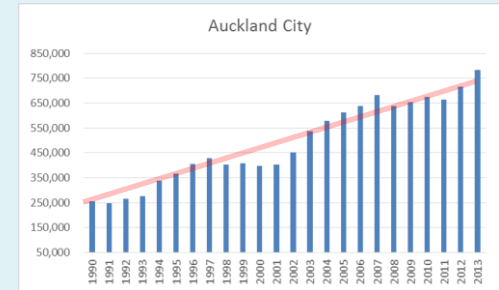


### Small Cities



## Steady Appreciation

### Large Cities





National House Price Appreciation

Spatial Patterns

Regional Housing  
Typologies

Submarket Case  
Studies

# Submarket-level Price Appreciation

Capital gains determined at individual property level

Paired house price data 1997-1999 & 2011-2013

Purchase prices expressed in 2013 dollars (real gain)




1998

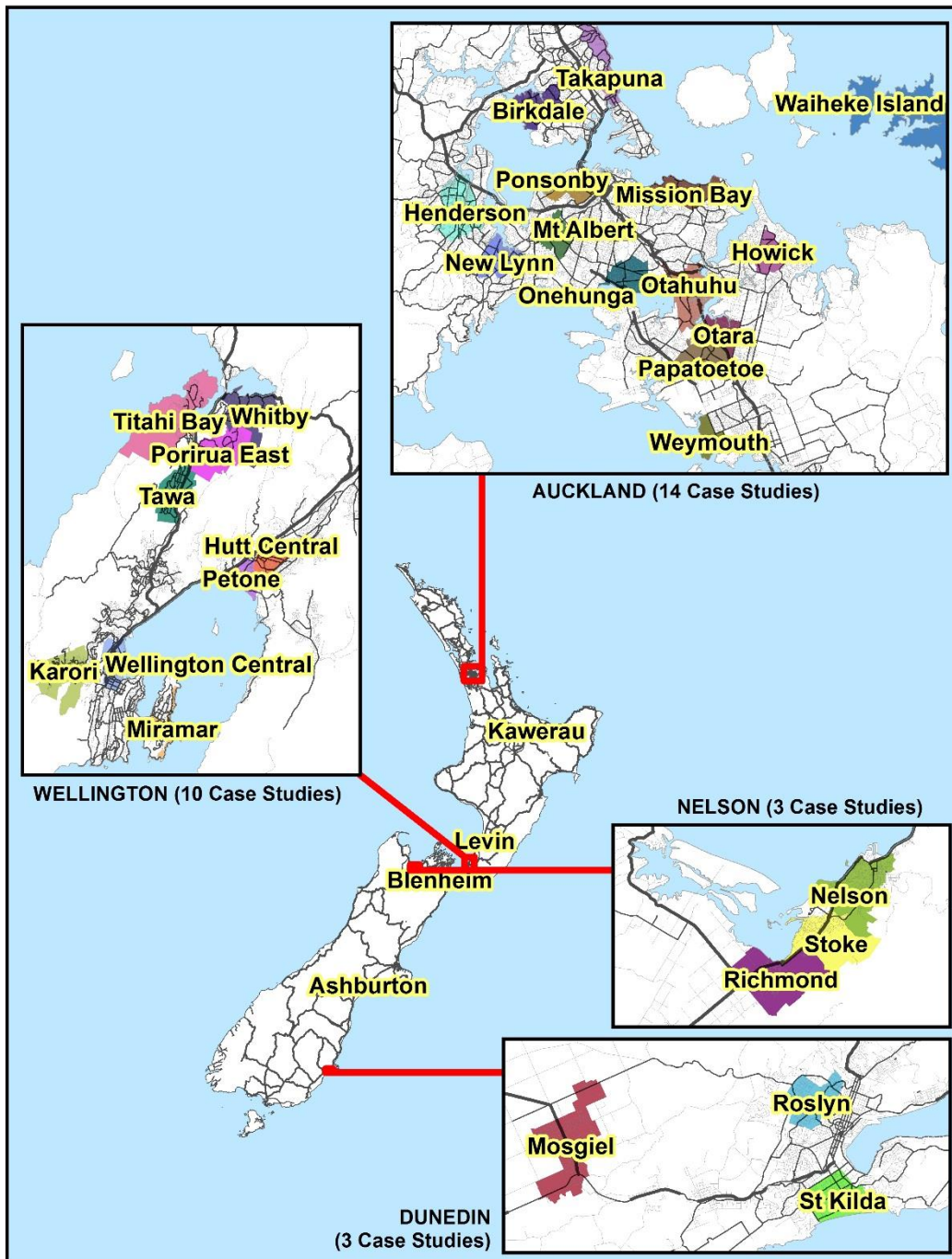
Real  
Capital  
Gain/Loss



2011

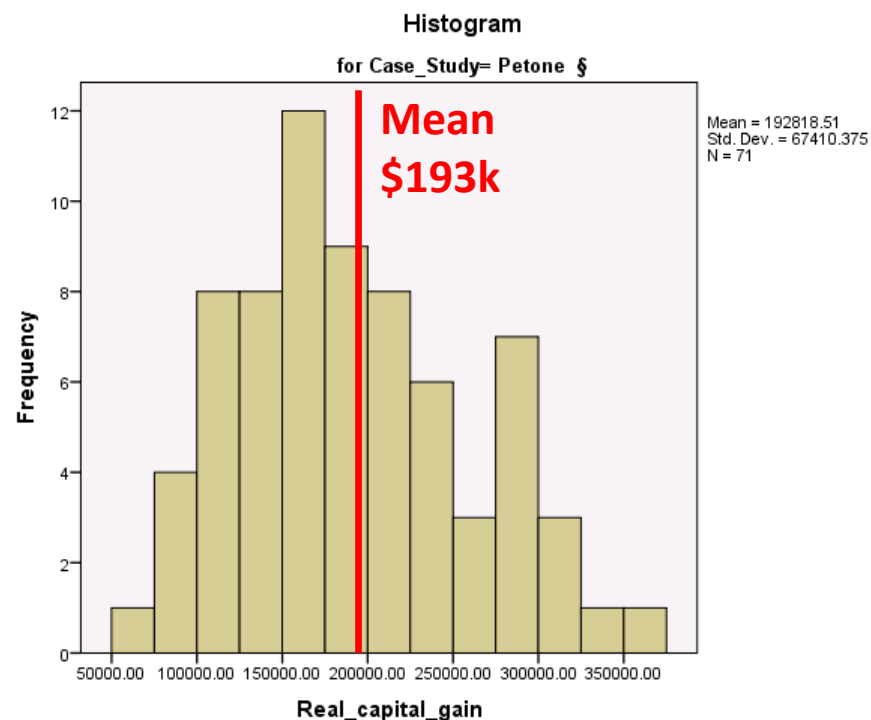
	Address	Floor area	Land area
	Cladding	Condition	Vintage

# Submarket case studies identified (33 in total)

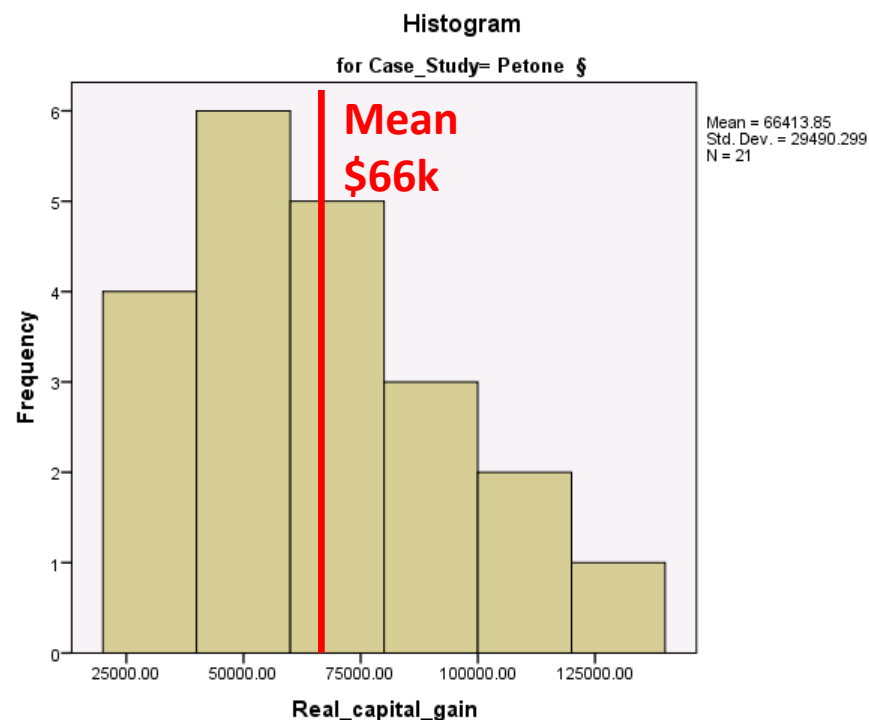


# Capital gains experienced by individual properties

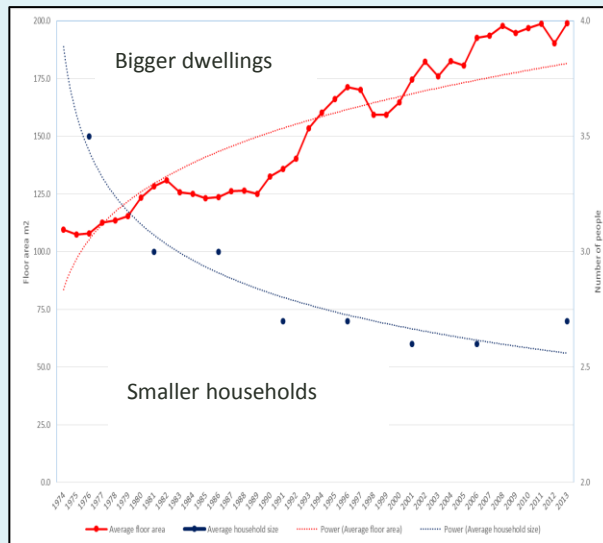
Petone  
'Residential Dwellings'



Petone  
'Residential Flats/Apts'



# Lower Cost, Smaller Homes - Mmmmm

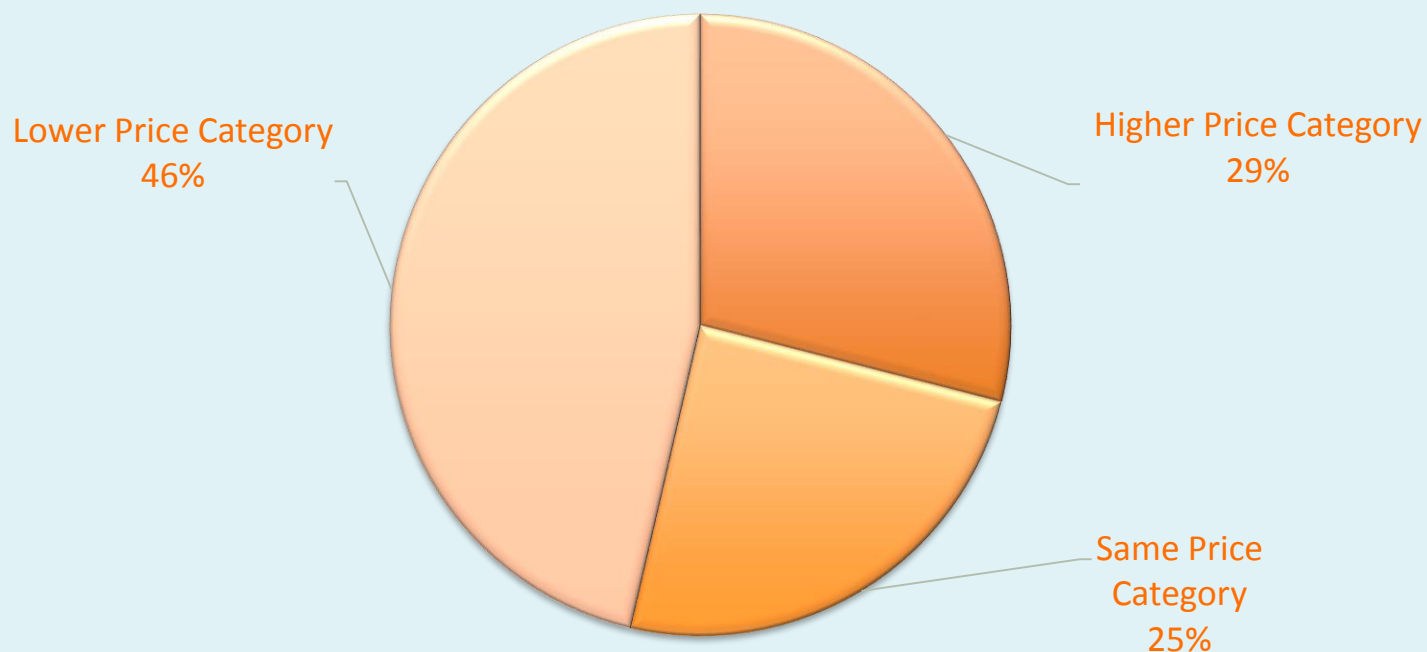


Falling Household Sizes and Larger New Builds



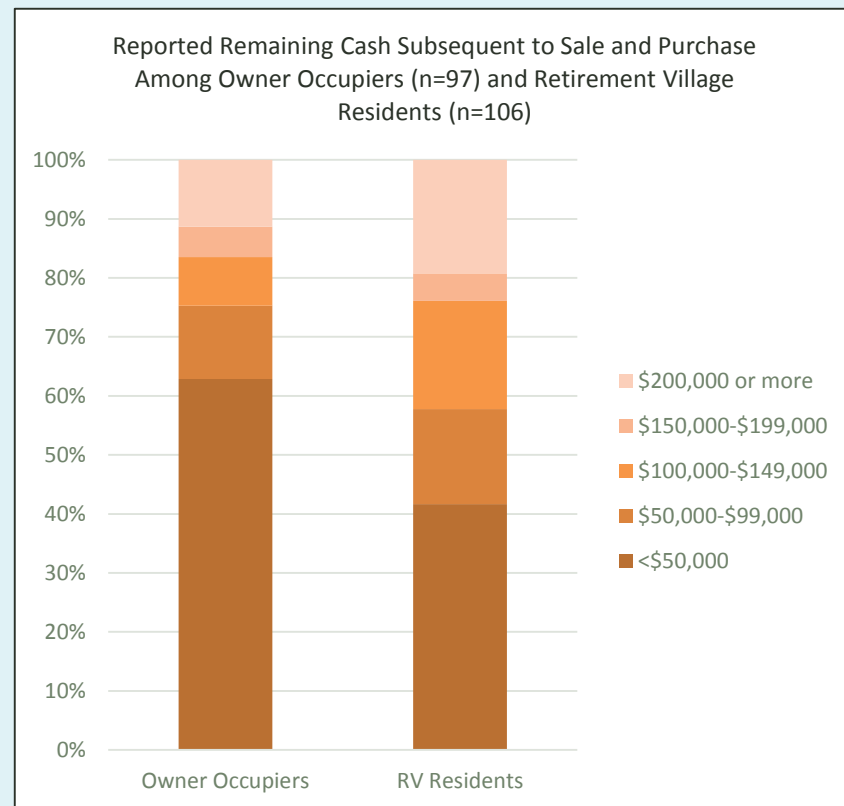
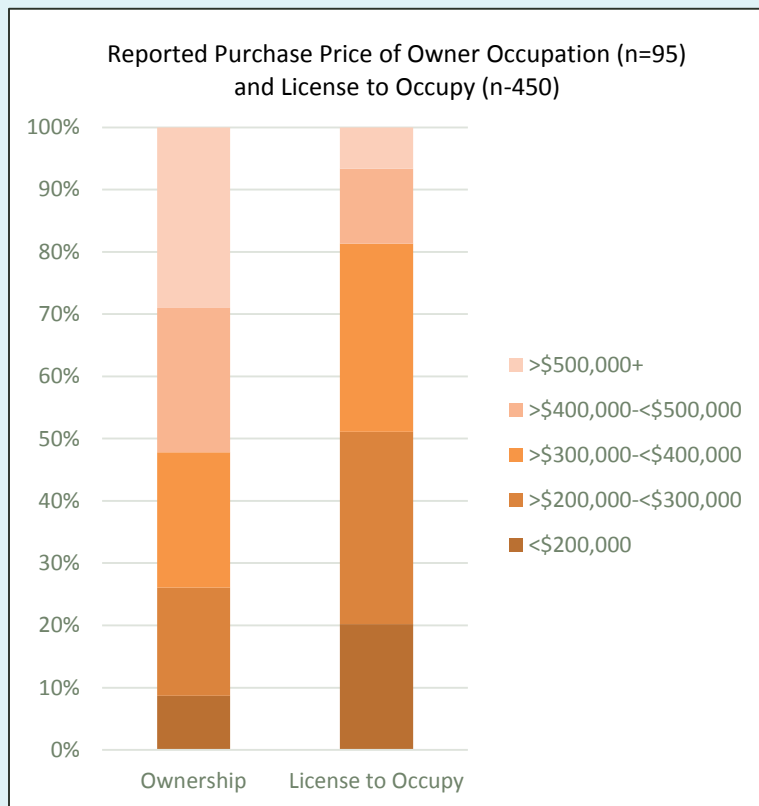
Retirement Village Stock compared to the NZ Dwelling Stock

## Older Movers (n=69) – Purchase Price Relative to Sale Price

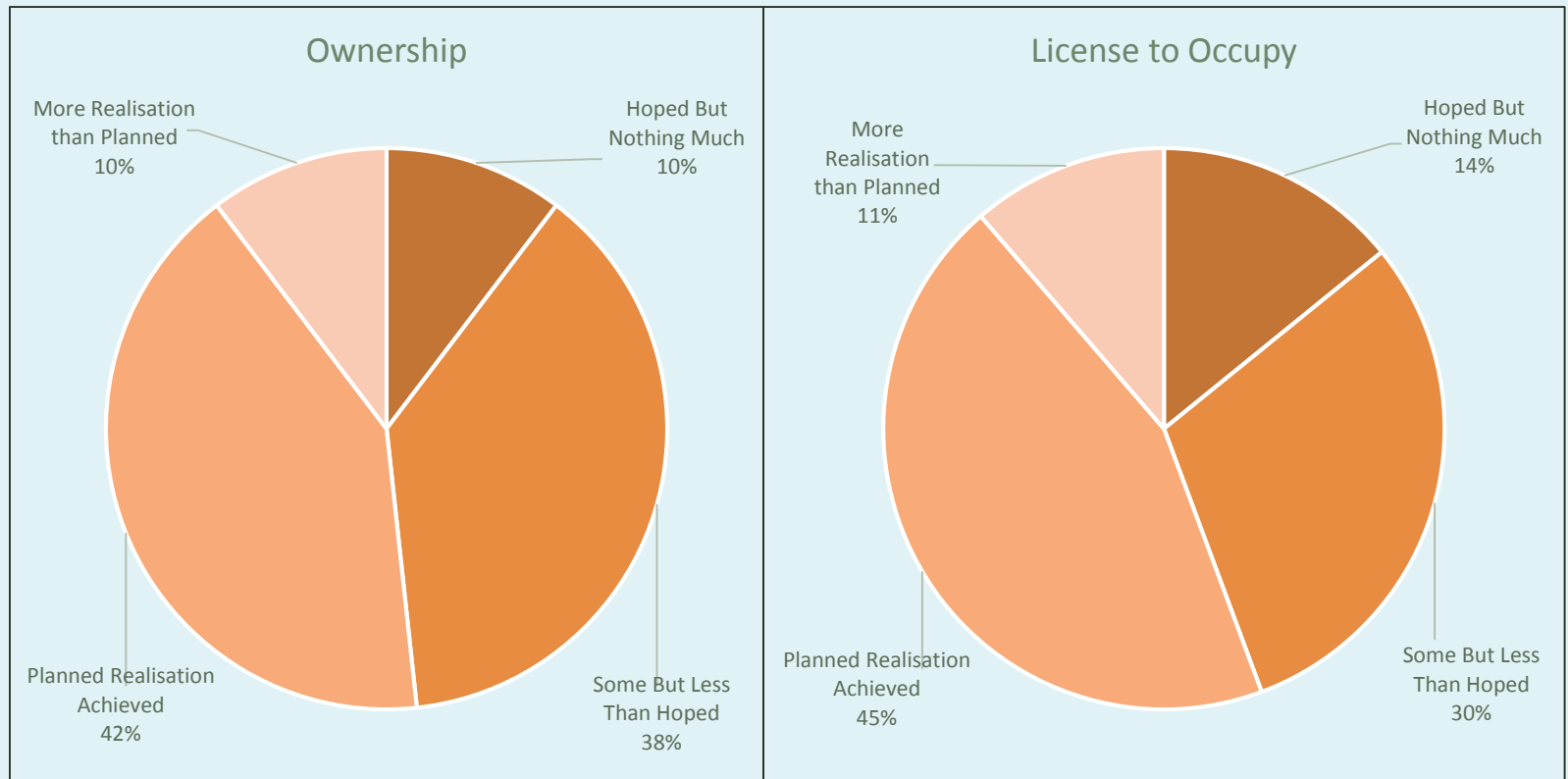


■ Higher Price Category   ■ Same Price Category   ■ Lower Price Category

# Older Movers Owning and Older RV Residents Purchasing LTOs



# Expectations and Realisations – Ownership and License to Occupy



## Where Does Realised Equity Go?

Use of Equity Released	% Cashed Up Older Mover (n=63)	% Cashed Up RV Resident (n=546)
Investments	37%	32%
Supporting/helping your children or other family members	32%	26%
Special recreational or fun activities	30%	30%
Day to day living costs	19%	45%
Banked/Rainy Day Reserves	14%	3%
Health costs	11%	23%
Renovations	11%	0%
Reduced mortgage/debt	5%	<1%
Funded Rental Property	3%	0%
Replaced car	3%	0%
Charities	2%	<1%
Household items	0%	2%

# Conclusions

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- Even in the best of times equity release is difficult
- Equity use differs between owners and license to occupy residents
- Equity release is relatively small – 11-22% generated \$130 interest at 3%
- Realising housing wealth is contingent on place, timing and factors often beyond the control of individuals
- Shocks can have a significant impact on even those not seen as vulnerable