

KIWIS LOCKED OUT OF PROPERTY MARKET AS COST OF LIVING BITES

New research reveals Kiwi perceptions on housing affordability and how it has reshaped the Kiwi dream

Auckland, June 30, 2022 - Most Kiwis feel they have been priced out of the housing market. While the cost of living soars, the Kiwi dream of owning a home becomes increasingly unattainable.

New research released today by OneChoice reveals that 90 per cent of Kiwi first home buyers feel locked out of the property market, despite recent predictions of a correction from economists such as Tony Alexander, who claim pressure is rising on vendors to adjust their expectations to meet the market.

According to The OneChoice Housing Trends Report, three-quarters (77%) of Kiwis say home ownership in New Zealand is unaffordable, with nearly all (90%) who are actively searching for a home admitting prices have delayed their prospects of buying.

The rising cost of living is another key driver behind the shifting attitudes of Kiwis towards buying a home, with almost all (95%) agreeing that hiking prices of everyday expenses such as food, energy and transport are making it tough to get ahead.

Further, as many as three in five Kiwis expect housing affordability to worsen in the next decade (61%), and as living costs continue to surge, most Kiwis looking to buy a home (77%) are losing hope of ever affording one.

Sandy Foster, Chair of the Board of Trustees at New Zealand Housing Foundation, commented on the market mechanisms causing property prices to soar: “Rising prices in the property market over the past few years have been caused by a number of conflating factors from both the demand and supply side. Interestingly, housing affordability in New Zealand has been impacted by sentiment as much as physical factors. For instance, easy access to cheap borrowing since 2020 has increased demand by giving many Kiwis the capability to pay more for homes than they otherwise would. Likewise, a fear of missing out and being permanently locked out of the property market has accelerated demand and exacerbated prices. Meanwhile, the increased cost of building, as regulatory authorities crack-down on construction standards, has also played a significant role, particularly for multi-level buildings such as apartments.”

Housing affordability in New Zealand has, in turn, reshaped perceptions of the ‘Kiwi dream’ of home ownership, with over four in five agreeing the ideal has changed over time (81%). Interestingly, more than two-thirds (69%) believe the ‘Kiwi dream’ is becoming less traditional, suggesting the market will change completely in years to come.

In fact, over half (53%) of Gen Z Kiwis surveyed admitted they have felt pressure from their parents’ generation to aspire to more traditional versions of the ‘Kiwi dream’. And while Gen Z are most likely to cite owning any kind of home as their dream outcome (66%), they are least likely to describe the ‘Kiwi dream’ as owning a free-standing house on a quarter-acre block (28%). Importantly, though, not all is lost, with most Kiwis (87%) across generations still believing that buying a home is an achievement every adult should strive for.

Sandy Foster reflects on how the Kiwi Dream has changed over time: “For the past 60 years, we’ve lived with the notion of a quarter acre lot with a house and a lawn. This worked well while land was relatively cheap, private transport was cheap and we had plenty of time on our hands, but now we live in a different world. People are working more, spending more

time commuting and we have so many more demands on our time. I think younger people may still aspire to the idea of a family home as a means of building wealth, but they don't necessarily want the maintenance and drudgery that goes with owning a quarter acre. The other change that is happening is that people will increasingly look to other forms of investment to create wealth rather than seeing their home as their major asset. A combination of the increasing unaffordability of homes and the increasing ease of access to regulated investments in shares could reshape the Kiwi Dream."

Further findings from the research

The top attitudes of first home buyers to get on the property ladder in New Zealand

- Younger Kiwis (94 percent) are having to adapt and make the best of a bad situation.
- Younger Kiwis (86 percent) are getting locked out of the property market.
- Instability of decent job opportunities is making it hard to get into the market (63%).
- For renters who are looking to buy a home, 2 in 5 expect to be renting for at least 6 years or more or are unsure when they can ever expect to buy a home (38%).
- When we asked renters to cast their minds back 5-10 years, 3 in 5 did not expect then to still be renting now (61%).
- The average amount spent on rent each month is \$1,405, although many are paying much more than this; especially Gen Y and Gen X renters who are paying an average of \$2,513 and \$2,385 respectively per month on average.
- 4 in 5 FHB feel their expectations for the type of property they can purchase has changed in the last 5 years due to housing affordability, the COVID-19 pandemic or rising cost of living (82%).
- 3 in 10 expect to be waiting 6 or more years before they can purchase their first home (30%).
- Close to 7 in 10 are feeling unable to keep up with rising property prices (68%), over 1 in 2 feel anxious day-to-day about buying their first home (55%), and close to 1 in 2 even feeling their chances of buying are hopeless (46%).
- First home buyers also revealed their top tips on saving for their first home, with over half cutting back on lifestyle expenses (e.g., dining out, subscriptions etc.), waiting for property prices to drop further, and nearly half looking to buy in a more affordable area and avoiding travel and holiday costs. 40 percent are looking to buy jointly with partner/family/friends and working overtime.
- Thirty one percent applying for government grants. 25 percent saying they are delaying having a family. Twenty four percent are taking on a second job (e.g., Uber driving, Airtasker), asking parents/family for financial assistance or to act as guarantor and are moving in/continuing to live with parents/family/friends to save money.

Renting vs. Buying

- Almost all Kiwi renters (95%) feel the cost of rent these days is overpriced (2 in 3 very overpriced).
- 2 in 3 are not happy about renting rather than buying a property (67%). 3 in 4 prefer not to rent but don't feel they have a choice (76%).
- However, over 1 in 3 say they are determined to buy a home as soon as possible regardless of current housing market prices (36%).
- 9 in 10 are worried about their ability to afford a home given property prices in New Zealand (89%).
- 4 in 5 renters feel the amount spent on rent per month has increased significantly in the past 10 years (83%). 7 in 10 renters feel the COVID-19 pandemic has made it harder to find suitable rental properties (72%), and 3 in 4 say it has made suitable rental properties less affordable (75%).

- Interestingly, 2 in 5 renters actively looking to buy a home would even consider 'buying shares' in a home through a cooperative apartment scheme (39%), with a further 3 in 10 needing to find out more rather than rejecting the idea (30%).

Investment properties

- While only 1 in 5 Kiwis have already bought an investment property, less than 1 in 2 have no plans or desire to do so (46%), suggesting this is a relatively common ambition.
- Nearly half (46%) of Kiwis have no desire to buy an investment property.
- Close to 1 in 2 are using (or planning to use) investment properties as full-time lease outs.

Use (or planned use) of investment properties

- Lease out all the time 48%
- Eventually move in as primary residence 12%
- Resell as soon as possible to make profit 10%
- Lease out sometimes and stay there sometimes 10%
- These are seen as relatively lucrative and reliable investments, although dealing with tenants and maintenance are widely reported downsides.

Property Living Preferences

- 3 in 10 Kiwis feel the pandemic impacted their expectations or preferences around their preferred living arrangements (27%) both in terms of preferred style and who they live with.

Top 5 key considerations when deciding what type of property to live in

1. Cost effective to maintain* 71%
2. Easy to maintain* 64%
3. Good value property (i.e. good cost to quality ratio)** 61%
4. Enough space for the whole family to be comfortable** 58%
5. Sufficient insulation (e.g. double glazing)* 52%

Top 5 preferred property types

1. Town house** 22%
2. Bungalow* 16%
3. Farmhouse/rural property/wop wops 14%
4. Villa or Cottage 14%
5. Weatherboard house (The '70s' house) 10%

*More important for older generations **More important for older generations preferred locations Outer suburban area 37% Inner suburban area* 36% A coastal area 25% Rural/remote countryside 18% Regional area 15% Inner city area* 12% *More preferred for younger generations.

High-rise living

- Close to 3 in 4 think that high-rise living is a growing trend in New Zealand (73%), of which only 1 in 5 seeing this as generally a good thing (21%).
- Close to 3 in 5 seeing this growing trend have mixed feelings (57%) and 13% think it's a bad thing.

Top expected growth areas for high-rise living

1. Auckland 94%
2. Wellington 68%
3. Canterbury 31%
4. Bay of Plenty 19%

- 1 in 5 (19%) of Kiwis have previously lived in a high-rise apartment. 17% of those not currently living high-rise would consider it.
- However only 1 in 3 of those currently living high-rise or that would consider it see it as the preference (32%).

Top 5 perceived benefits of high-rise living

1. Close to city/urban amenities 43%
2. Inner city lifestyle 40%
3. Easier to maintain 40%
4. Great views 38%
5. Amenities such as shared gym, pool, or rooftop etc. 34%

Top 5 perceived disadvantages of high-rise living

1. No private garden 68%
2. Too many people living close by 68%
3. Not enough space 63%
4. Pet issues 51%
5. Difficulty in dealing with some medical concerns (e.g., using fire stairs in an emergency) 35%

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— ENDS —

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