

# Progressive Home Ownership product design research

Topline results – 31 August, 2020

PREPARED  
FOR:



**MINISTRY OF HOUSING  
AND URBAN DEVELOPMENT**

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# OBJECTIVES

The Ministry of Housing and Urban Development commissioned Colmar Brunton to undertake research to inform the product design for the Progressive Home Ownership (PHO) fund. The specific objectives of the research are to understand:

- Awareness and knowledge of the concept.
- Current barriers to home ownership – to identify the pain points that might lead people to choose a PHO product.
- The level of support households require.
- Likely demand for the product including peoples' preferred pathway (direct or using a homeownership scheme provider).
- The appeal of the different features of the product to assist with optimisation.

The research has two stages – an initial quantitative stage to understand broad perceptions, which will then be followed by a qualitative (focus group) stage to provide detailed feedback on the design of the product to help optimise it. This document contains the results from the initial quantitative stage.

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## METHOD

- An online survey of **1,024** New Zealanders aged 18 to 64 who don't currently own their own home, think they are unlikely to be able to afford one in the next year, and live in areas where there is greatest challenges with housing affordability (a housing 'hot zone')\*.
- Within the total of 1,024 completed surveys, 210 were completed by Māori, 113 were completed by Pacific peoples, and 386 were completed by people with children.
- Maximum margin of error on a sample size of 1,024 is **+/-3.1%**.
- Fieldwork was conducted from **31 July to 13 August, 2020**.
- Data has been weighted by age, region and ethnicity to be representative of the target audience. The weights were calculated using counts from the 2018 census and the survey qualification incidence by region, ethnicity, and age.

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The PHO fund targets two different cohorts, these are:

- **Cohort A:** Those with lower to median household incomes that are unlikely to buy a home without a reasonable level of financial and non-financial support.
- **Cohort B:** At or above median income households that cannot get a large enough deposit together to buy a home and/or have insufficient income to service a low deposit mortgage at current house prices in their area.

In this report people have been assigned to Cohort A or B based on their household income compared to the median household income of the region they're currently living in.



# SURVEY SAMPLE PROFILE

	Population profile of the target audience** (based on the 2018 census and % qualification rate for the survey – see Appendix 2)	Survey sample – unweighted numbers of participants	Survey sample – weighted number of participants
18 to 29 years	48%	374	493
30 to 39 years	21%	246	219
40 to 64 years	31%	404	312
Auckland	58%	607	590
Waikato*	7%	71	73
Bay of Plenty*	5%	58	53
Hawke's Bay*	2%	17	17
Manawatu-Whanganui*	4%	46	43
Wellington*	16%	160	161
Tasman / Nelson	2%	15	23
Otago*	6%	50	65
Māori	19%	210	180
Pacific peoples	16%	113	153
NZ European / European	66%	634	637
Asian	17%	164	163

\*Waikato only includes the: Hamilton City, Waipa, and Matamata-Piako districts. Bay of Plenty only includes the Tauranga City and Western Bay of Plenty districts. Hawke's Bay only includes Napier City. Manawatu-Whanganui only includes the Palmerston North City and Manawatu districts. Wellington includes the: Wellington City, Lower Hutt City, Upper Hutt City, Porirua City, and Kapiti Coast districts. Otago only includes the: Dunedin City and Queenstown-Lakes districts. \*\*People 18 to 64 who live in a housing 'hot zone', don't own their home, are unlikely to be able to afford one in the next 12 months, and have a household income under \$130,000 (unless they would buy a home as a multi-generational household).



# Barriers to home ownership



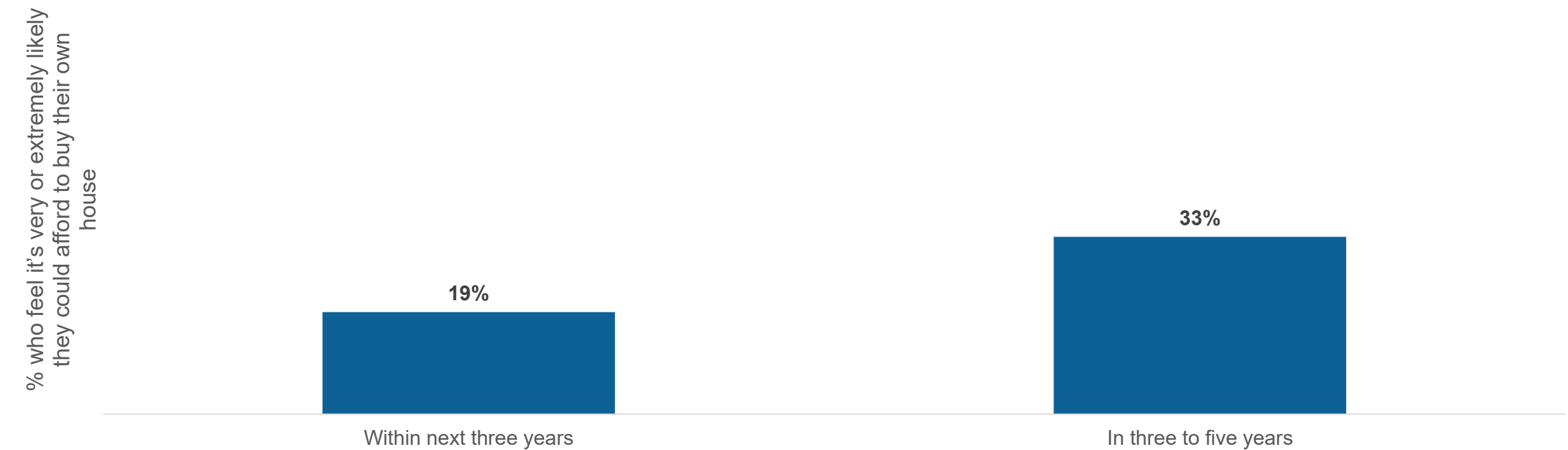
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One in five respondents think they will be able to afford a house within the next three years.

Likelihood of being able to afford a house in the next ...

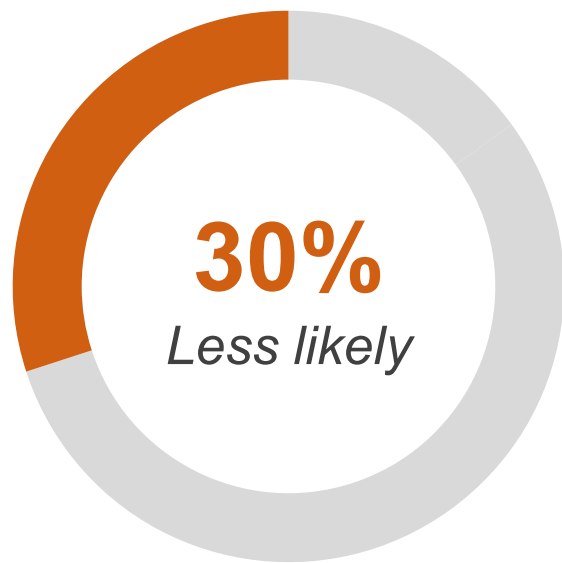
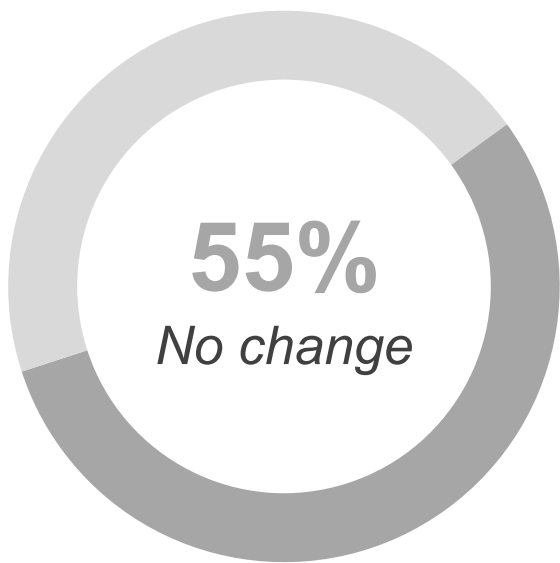
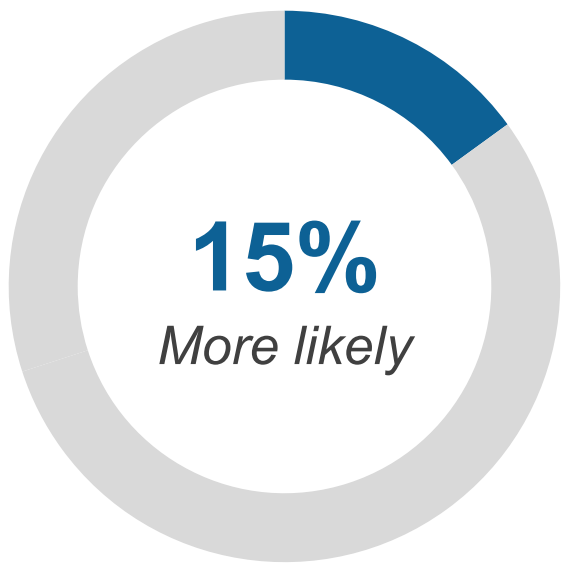


Base: Total (n=1,024) | Source: S7. Based on your current situation, how likely or unlikely is that you and [ ... responses from S6 ... ] could afford to buy your own home in the next 12 months? | Q1. How likely or unlikely is it that you, [ ... and your partner / and the other adults you said you'd co-own and live with / your partner, and the other adults you said you'd co-own and live with ... ] could afford to buy your own home you will be able to afford a house ...

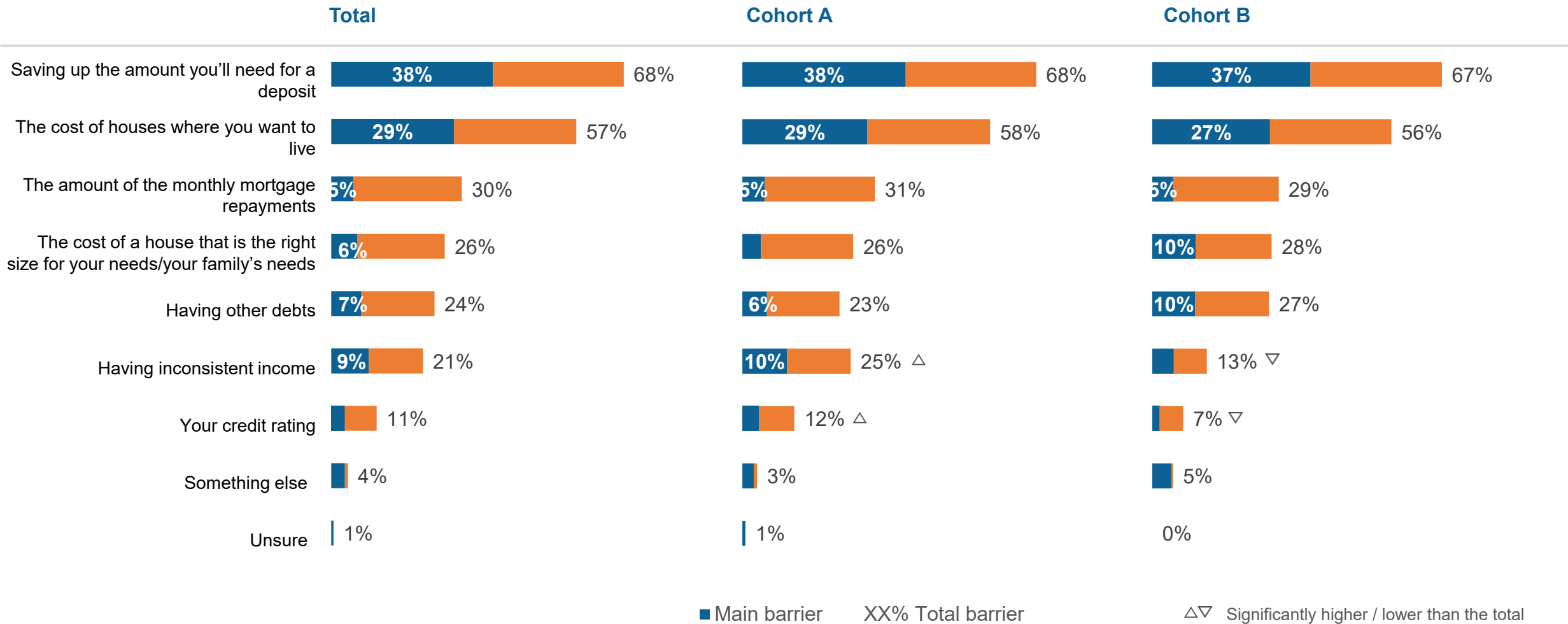


Three in ten respondents feel the COVID-19 crisis has negatively impacted their ability to afford a house in the next 12 months. On the flip side, 15% think it has improved their chances – these people may believe that house prices will decline as a result of the economic fall-out from COVID-19.

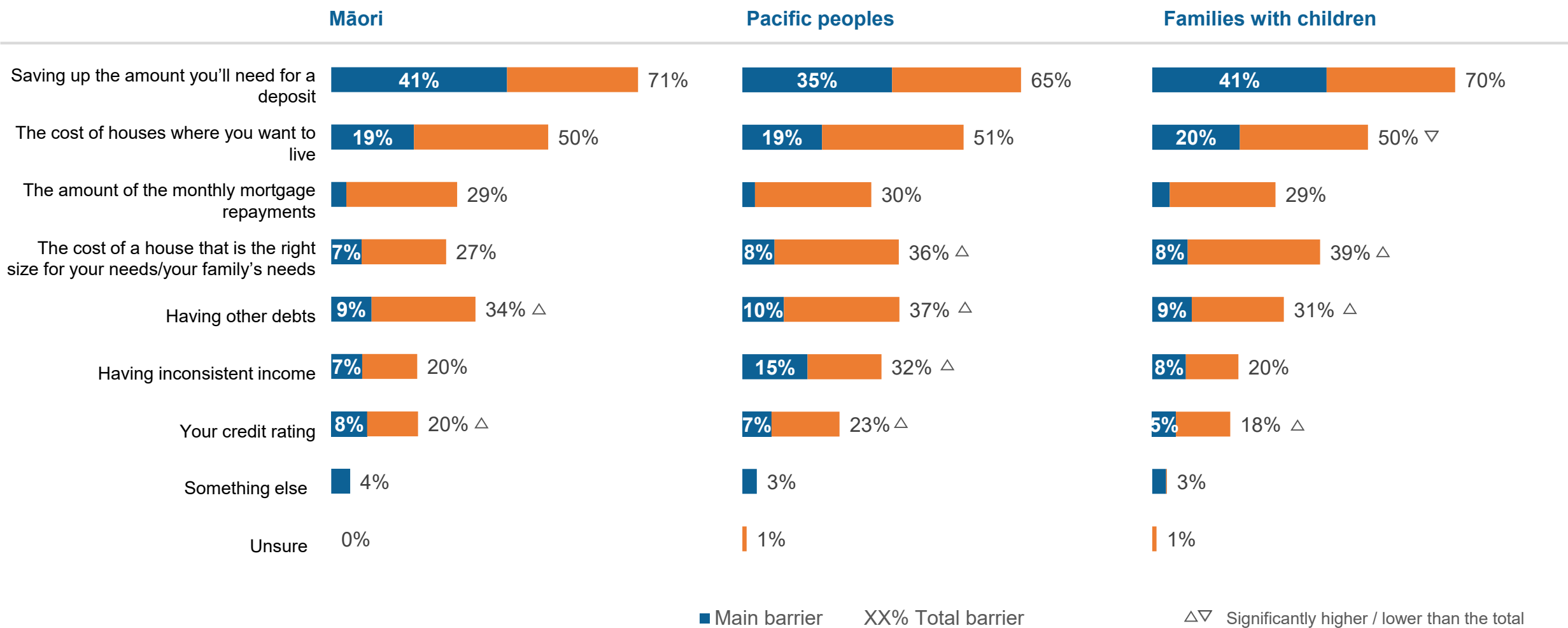
Whether people think they are more or less likely to be able to afford their own home in the next 12 months due to COVID-19



Saving up the amount needed for a deposit and the cost of houses are the top two barriers stopping people from affording a home. Credit ratings and inconsistent income is less of a problem for Cohort B.



Māori, Pacific peoples and families with children are more likely than average to say that their other debts and credit ratings prevent them from being able to afford a house. Additionally, Pacific peoples and families are more likely to say that finding an affordable home large enough for their needs is problematic.







# Knowledge of schemes



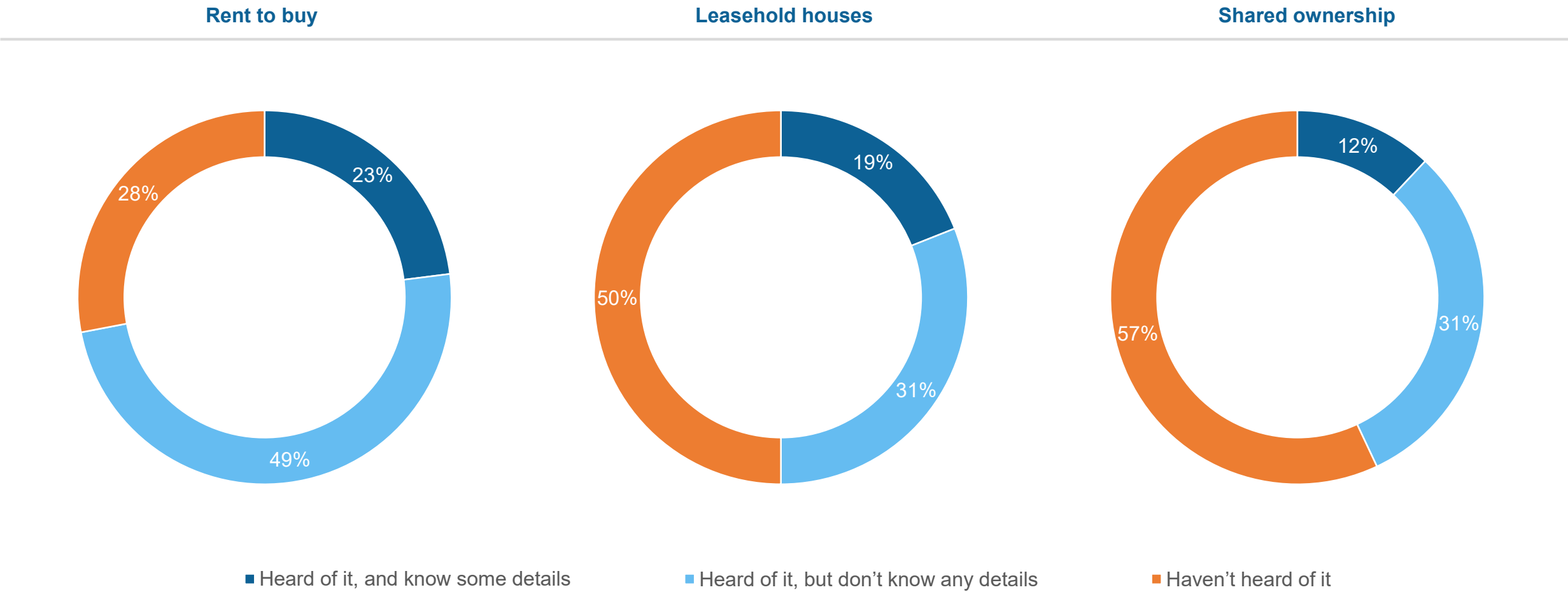
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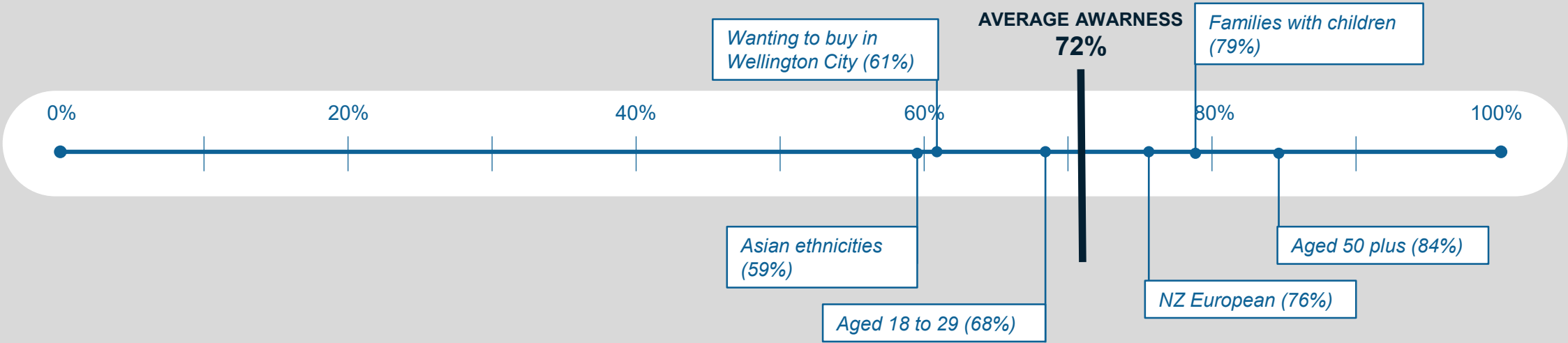
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There is greatest awareness of, and knowledge about, rent to buy schemes - 72% have heard of this type of scheme and 23% know some details. Shared ownership is least well known of the three.



Older people, families with children and New Zealand Europeans are more likely than average to be aware of rent to buy schemes. On the other hand, Asian ethnicities, and those wanting to buy in Wellington City are less likely to be aware.

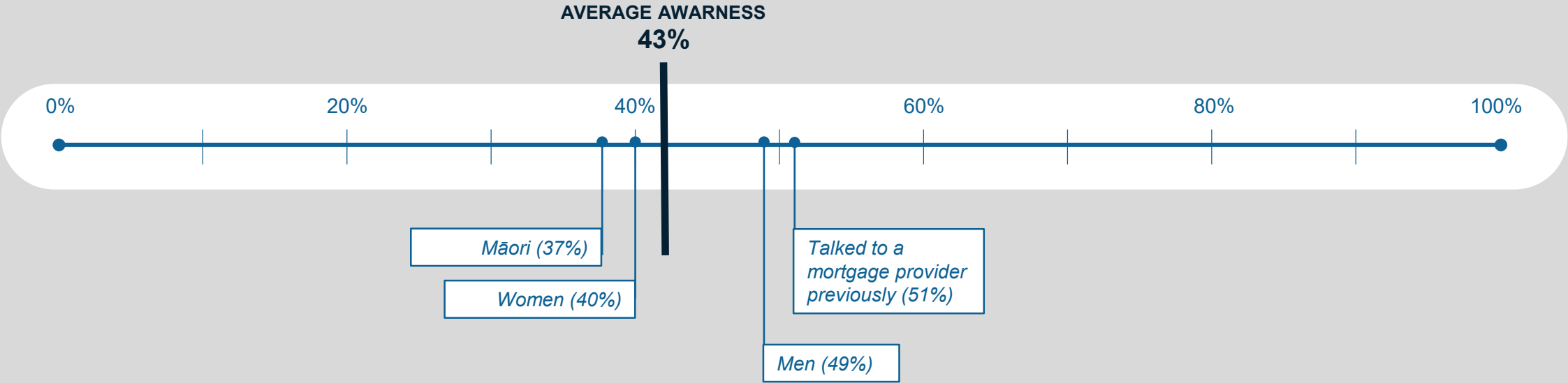
Subgroup significant differences in awareness of rent to buy (total awareness)





Men and those who have talked to a mortgage provider are more likely to be aware of shared ownership schemes. Māori are less likely to have heard of shared ownership.

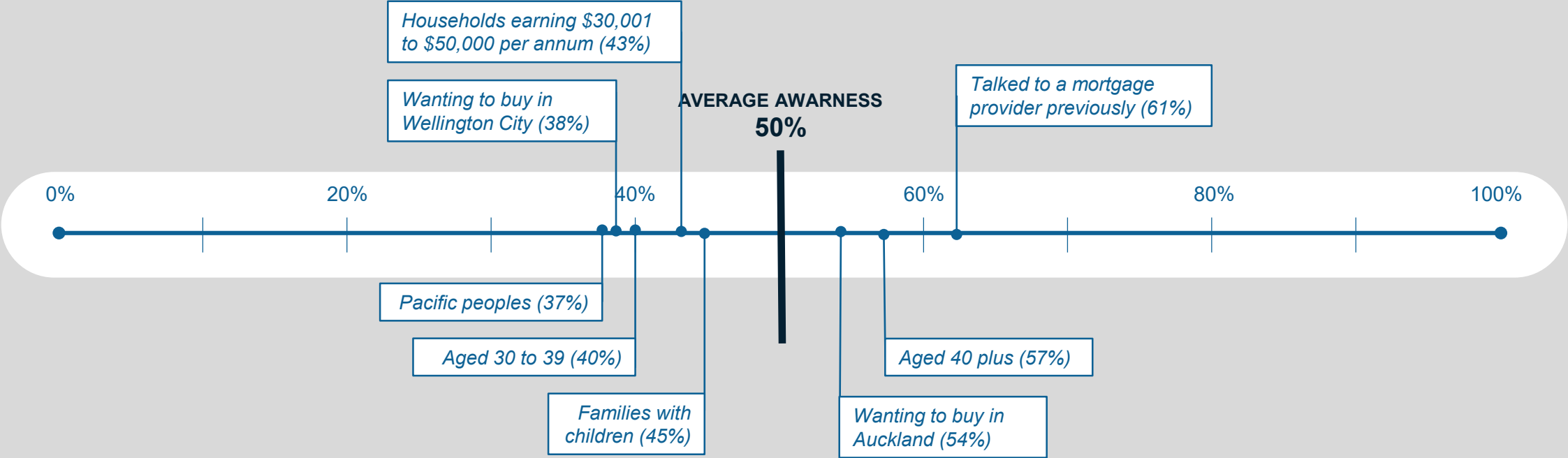
Subgroup significant differences in awareness of shared ownership (total awareness)



Base: Subgroup sizes range between 210 and 636  
Source: Q4a. There are a few different schemes available to help people buy their first home. Before starting the survey today, how much did you know about each of these?

Those who have talked to a mortgage provider are also more likely to be aware of leasehold houses, as are people aged over 40 and those wanting to buy in Auckland. Pacific people, those wanting to buy in Wellington City, low income households, and families with children are less likely to know of this scheme.

Subgroup significant differences in awareness of leasehold houses (total awareness)



Base: Subgroup sizes range between 78 and 465  
Source: Q4a. There are a few different schemes available to help people buy their first home. Before starting the survey today, how much did you know about each of these?



# Appeal of schemes



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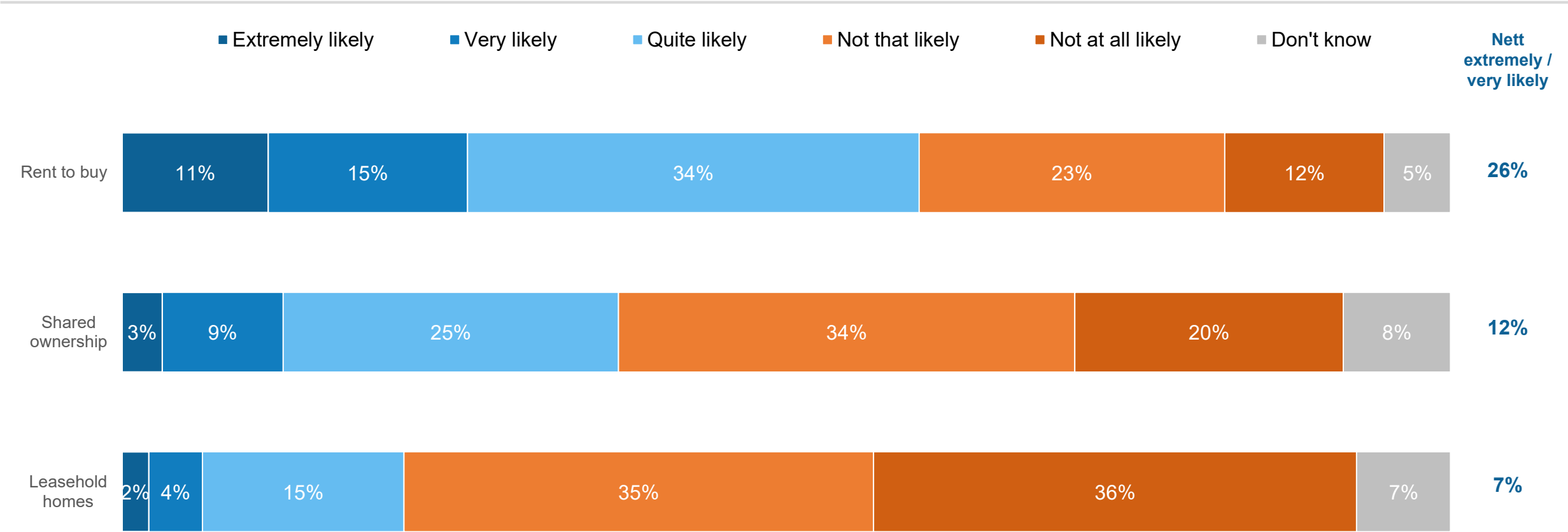


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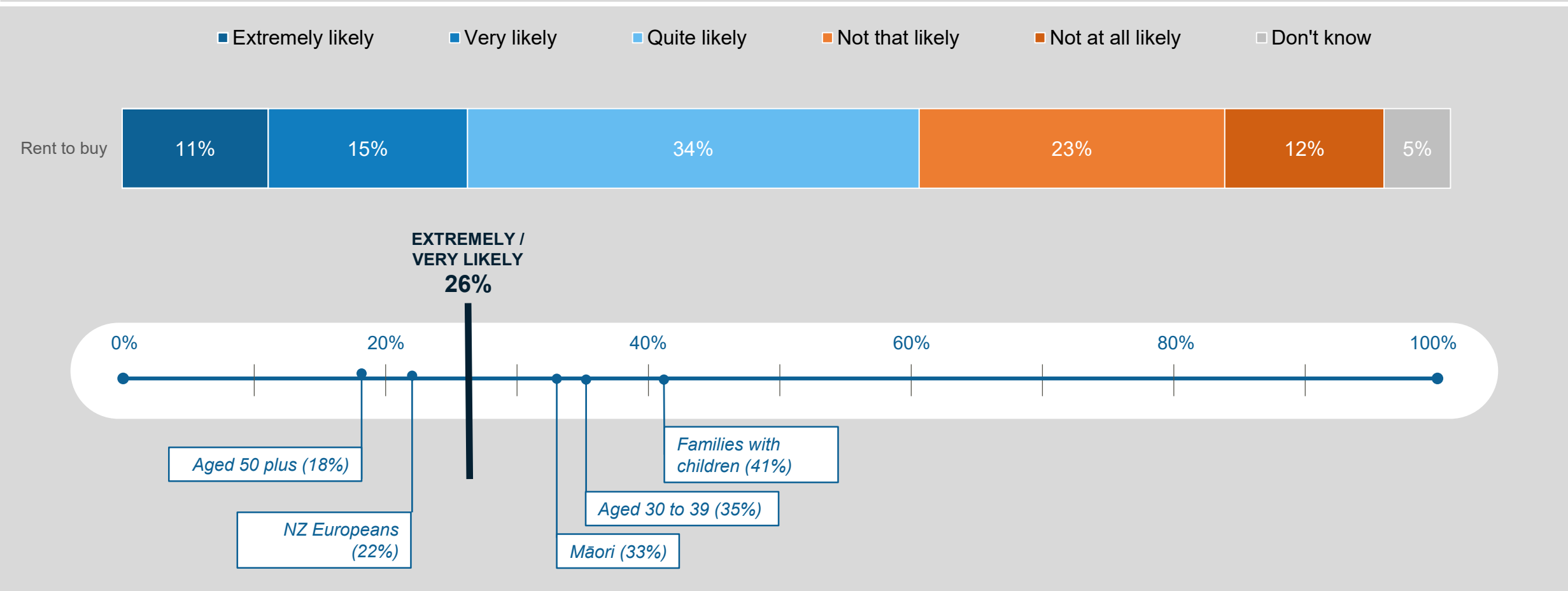
Respondents are most likely to use the rent to buy scheme - a quarter say they are extremely or very likely to use this. Leasehold homes is the least popular of the three schemes.

Likelihood of using each scheme in the next five years



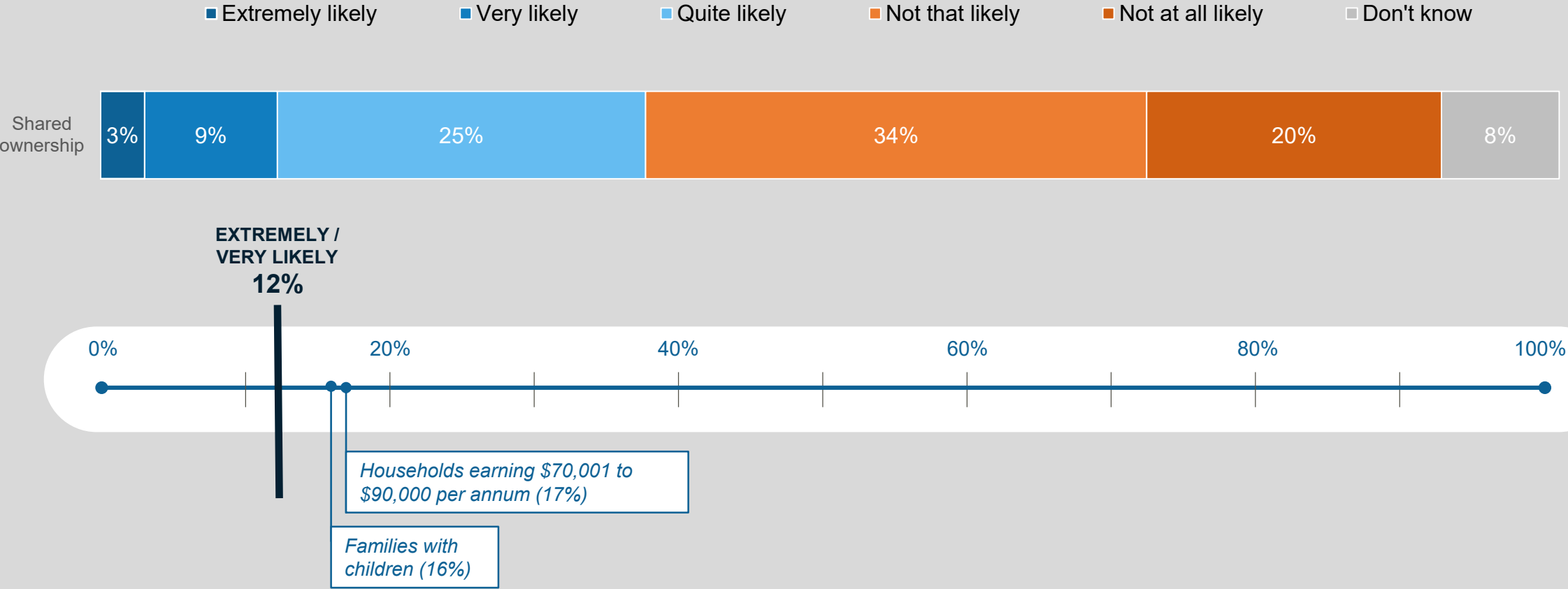
Families with children and Māori are more likely than average to indicate they would use a rent to buy scheme. New Zealand Europeans and those aged 50 plus are less likely.

Likelihood of using rent to buy scheme – subgroup differences



Households earning \$70,001 to \$90,000 per year and families with children are more likely than average to indicate they would use a shared ownership scheme.

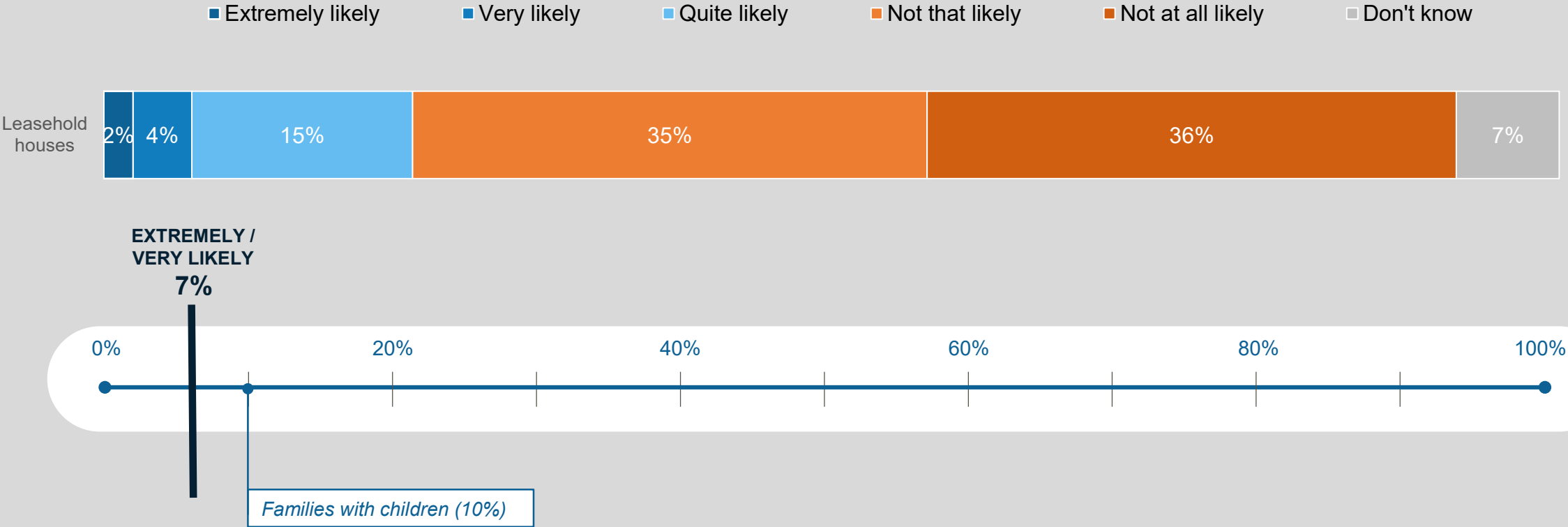
Likelihood of using shared ownership scheme – subgroup differences



Base: Subgroup sizes range between 217 and 386  
Source: Q4b. If the schemes described in the previous question were available to you, how likely do you think you would be to use each to buy a home in the next five years?

Families with children are also more likely to indicate they would use a leasehold houses scheme.

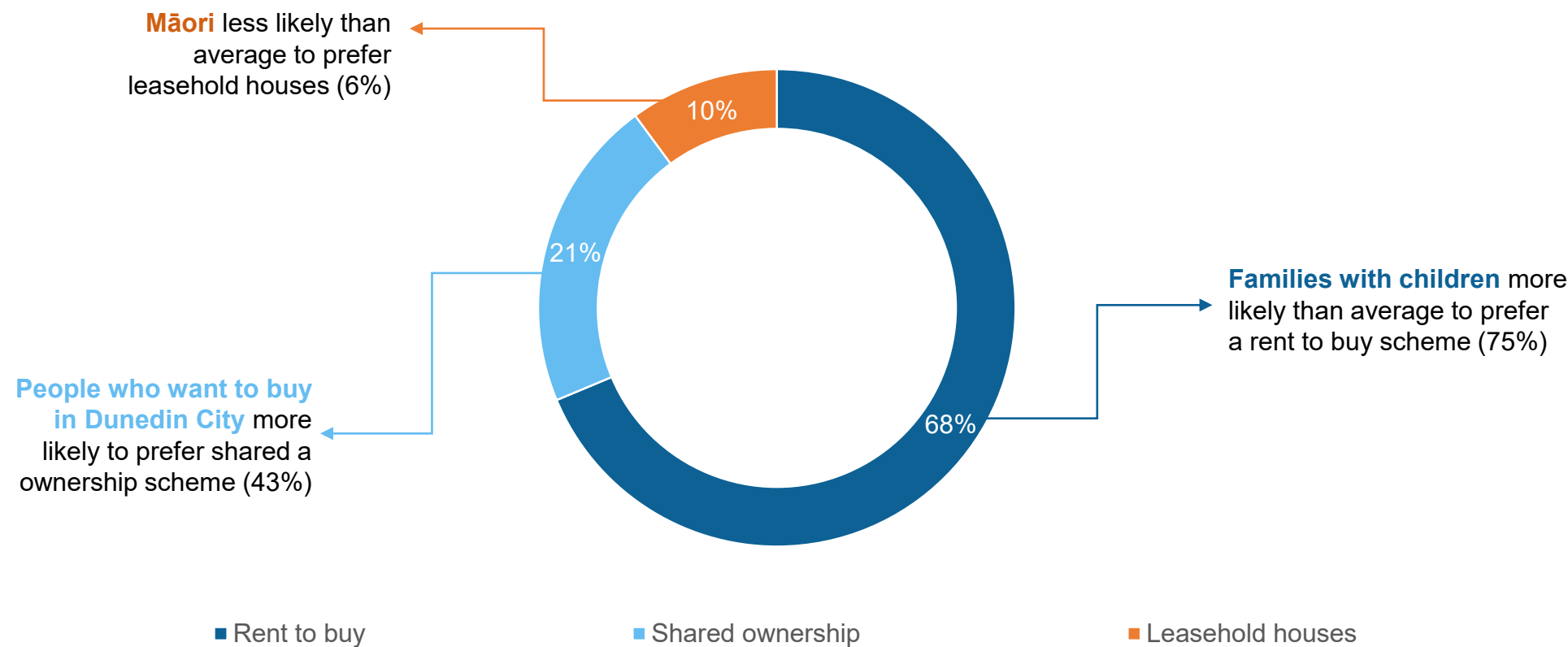
Likelihood of using leasehold houses scheme – subgroup differences



Base: Families with children, (n=386)  
Source: Q4b. If the schemes described in the previous question were available to you, how likely do you think you would be to use each to buy a home in the next five years?

People are more interested in rent to buy schemes than shared ownership and leasehold houses.

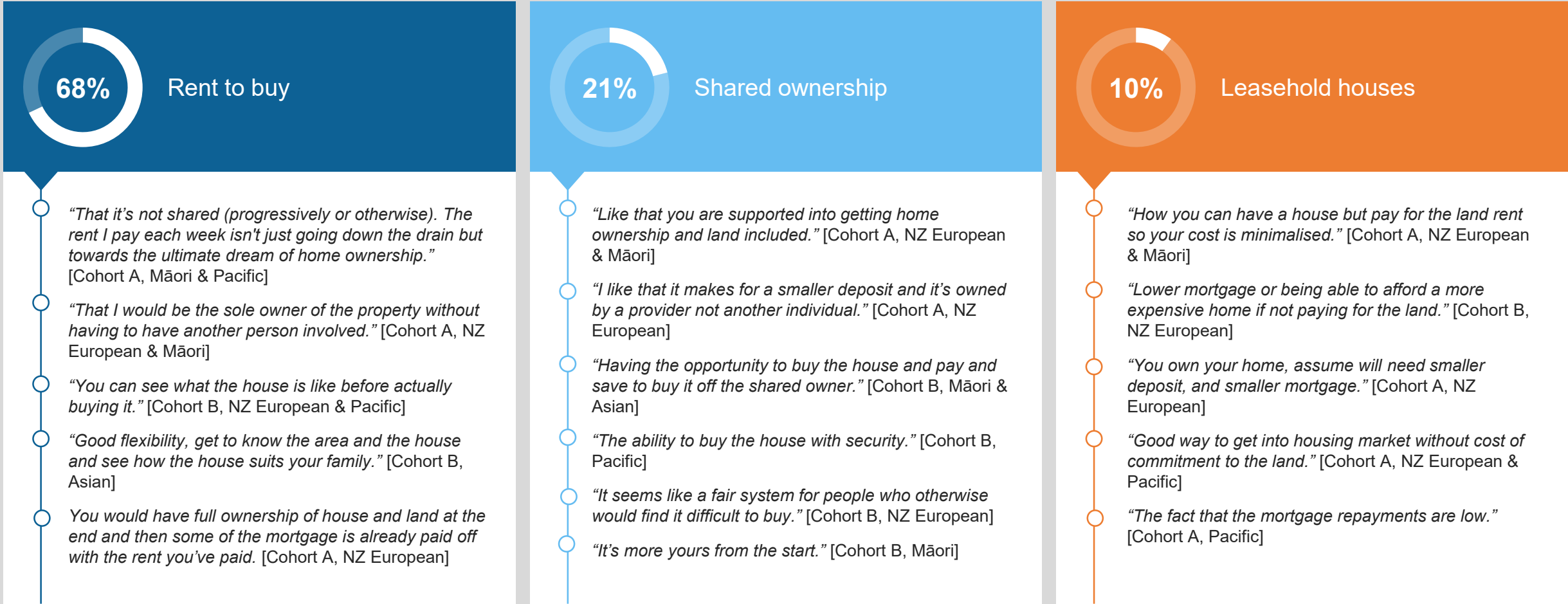
Schemes most likely to use



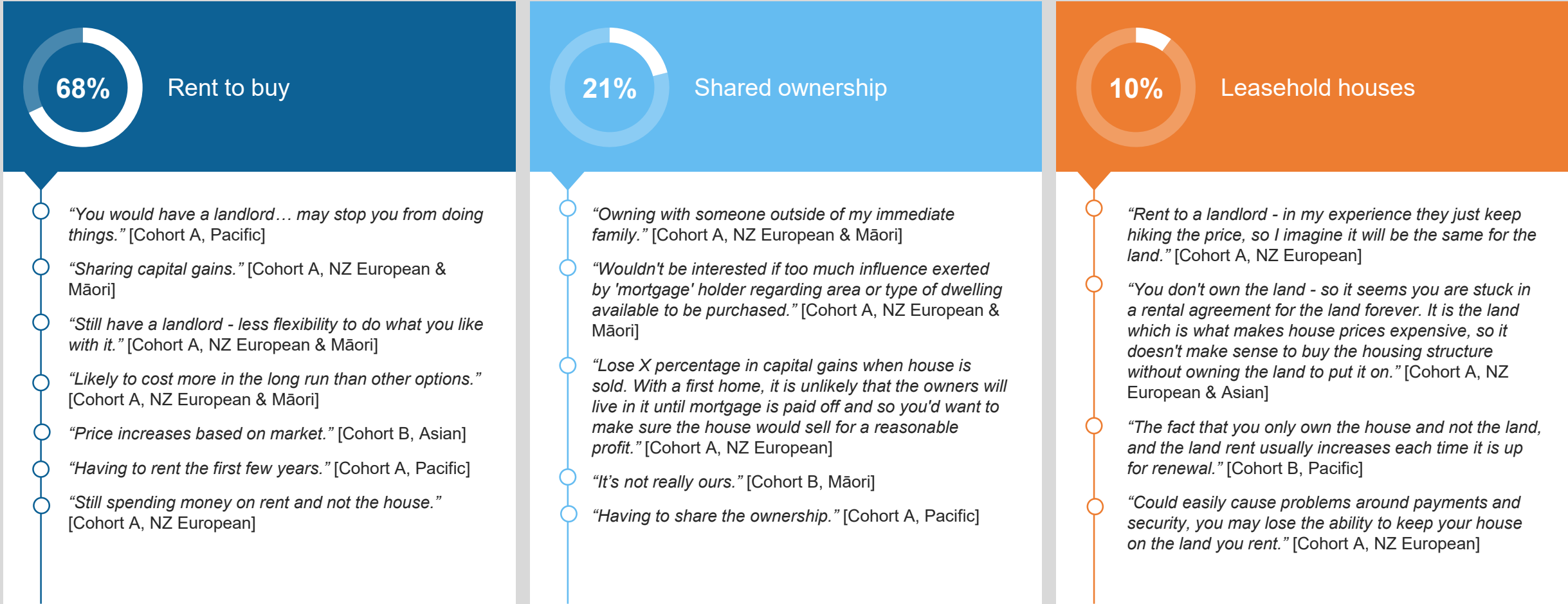
△▽ Significantly higher / lower than the total



Below are some examples of what people like about each of the three schemes.



Below are some examples about what people don't like about each of the three schemes.





# Appeal of providers



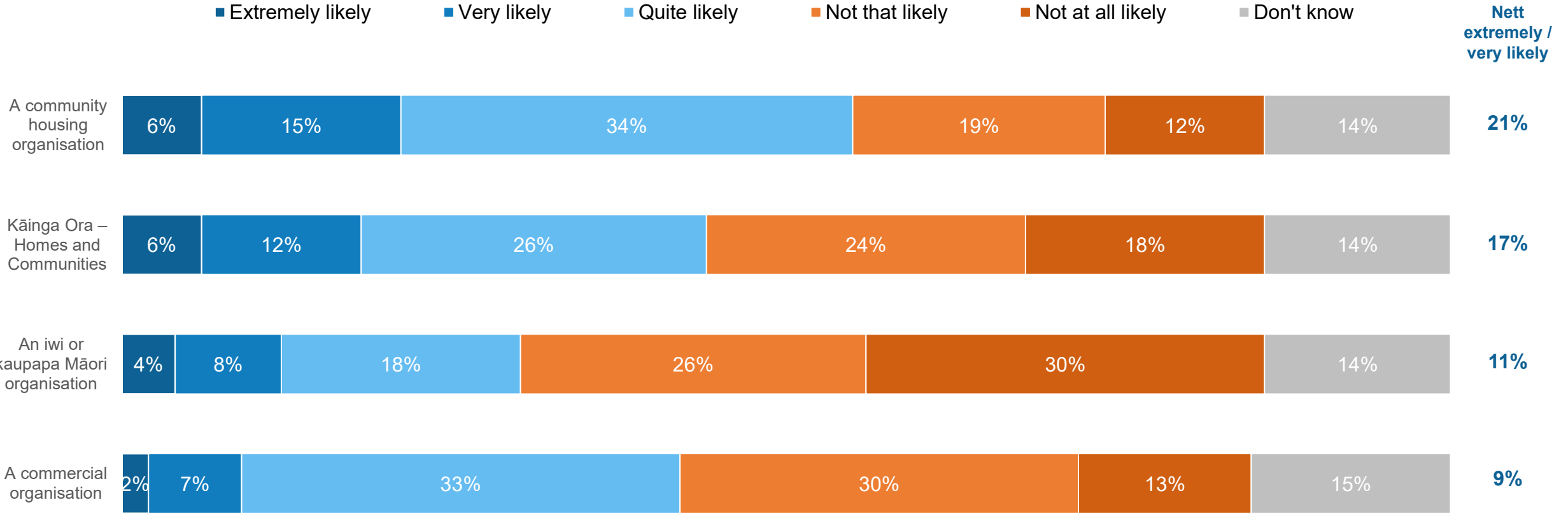
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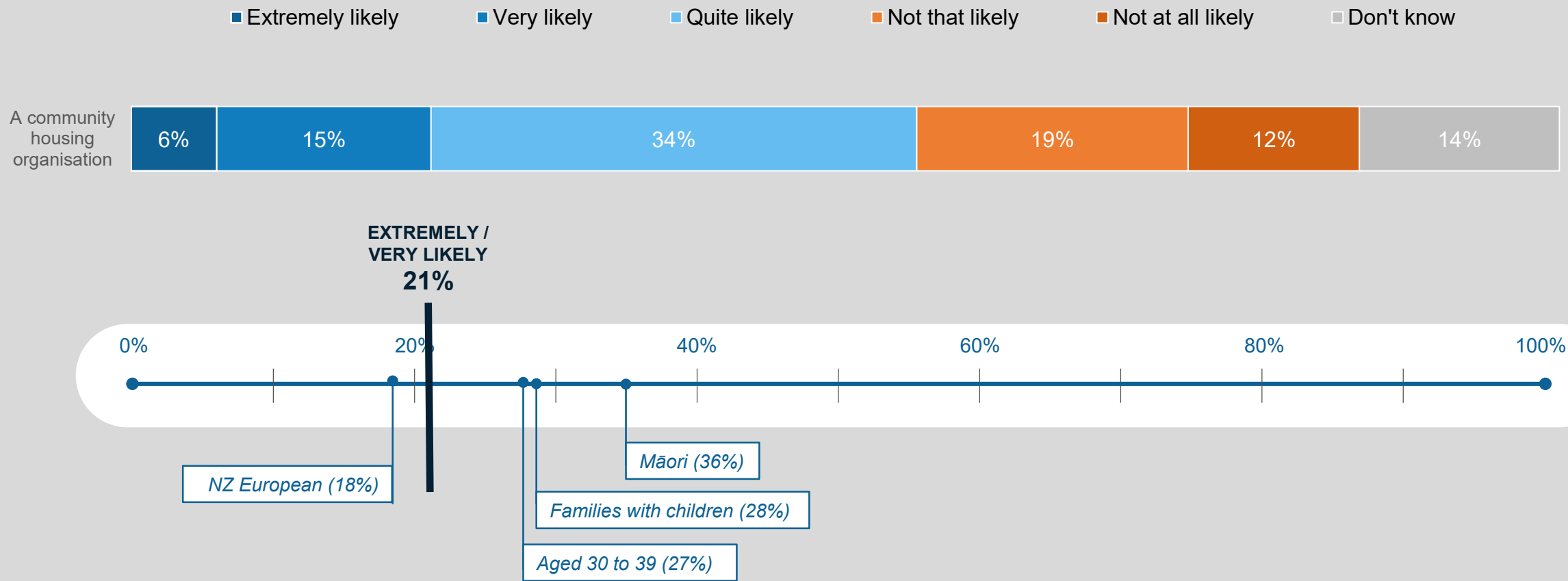
Twenty-one percent of respondents say they are extremely or very likely to use a community housing organisation as their provider, making this the most popular of the four options.

Likelihood of using each provider



# Māori and families with children are more willing to use a community housing provider than average.

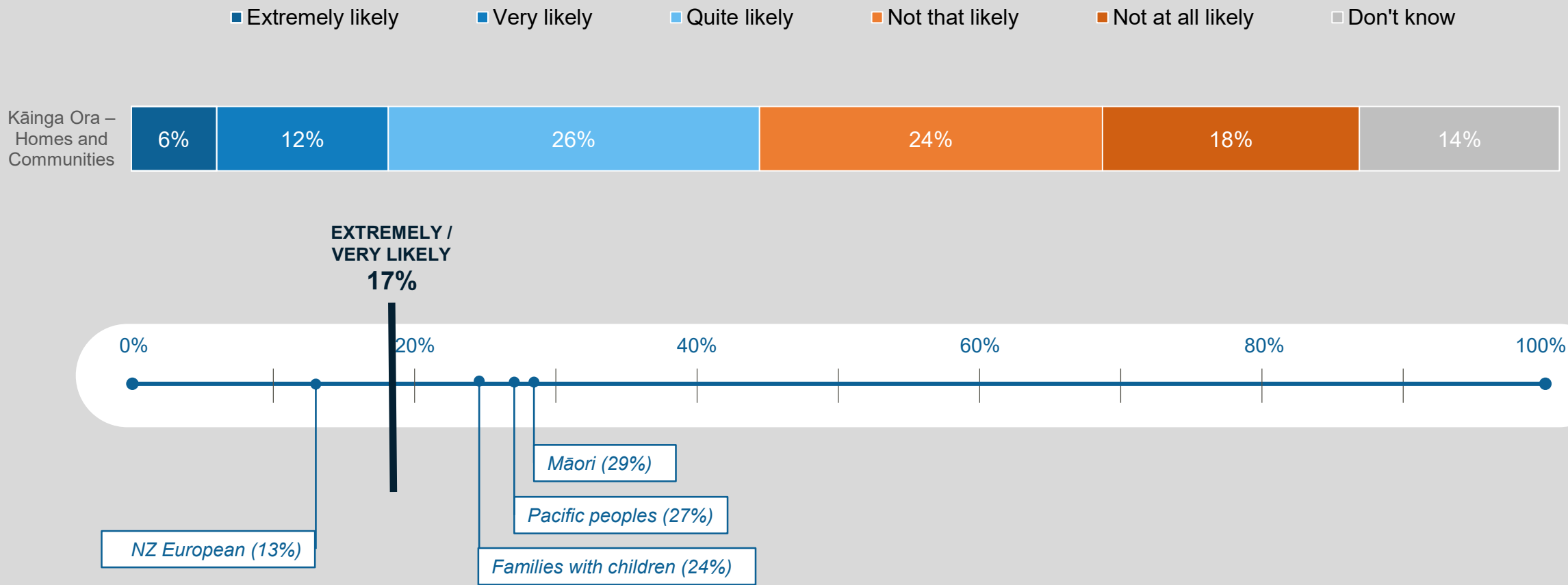
## Likelihood of using a community housing organisation as a provider – subgroup differences





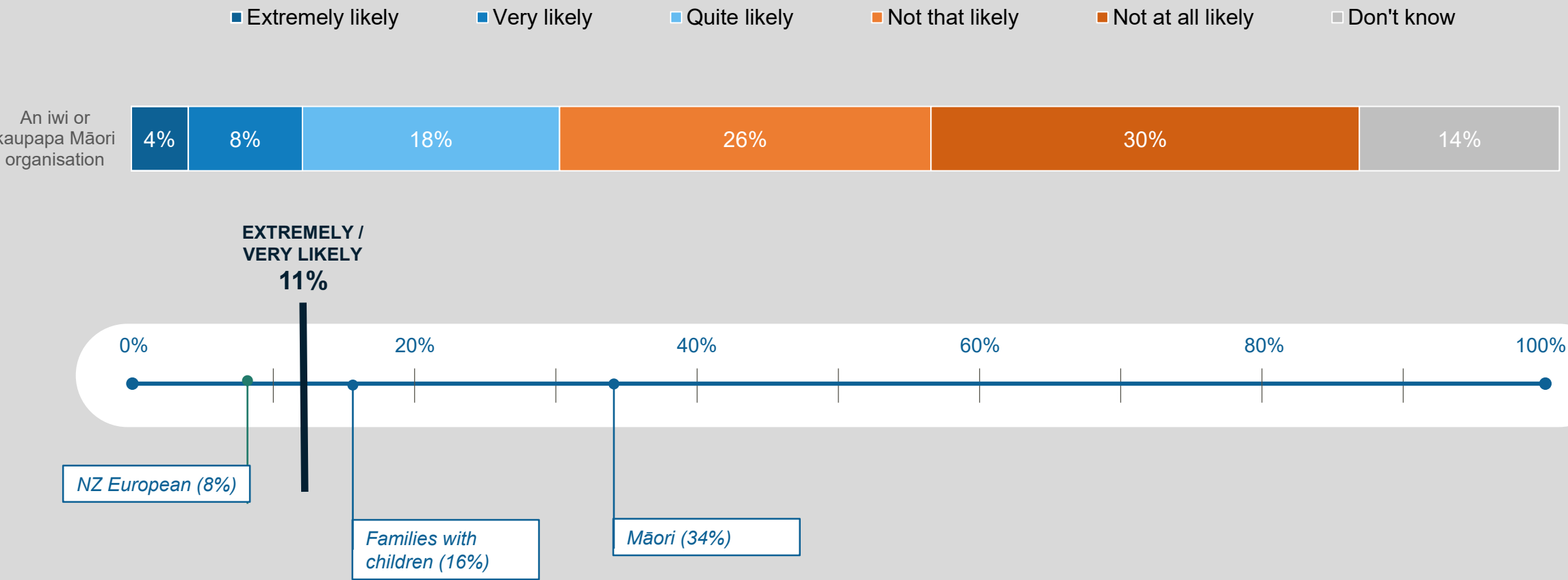
Māori, Pacific peoples and families with children are more likely than average to indicate they would use Kāinga Ora as a provider.

Likelihood of using Kāinga Ora as a provider – subgroup differences



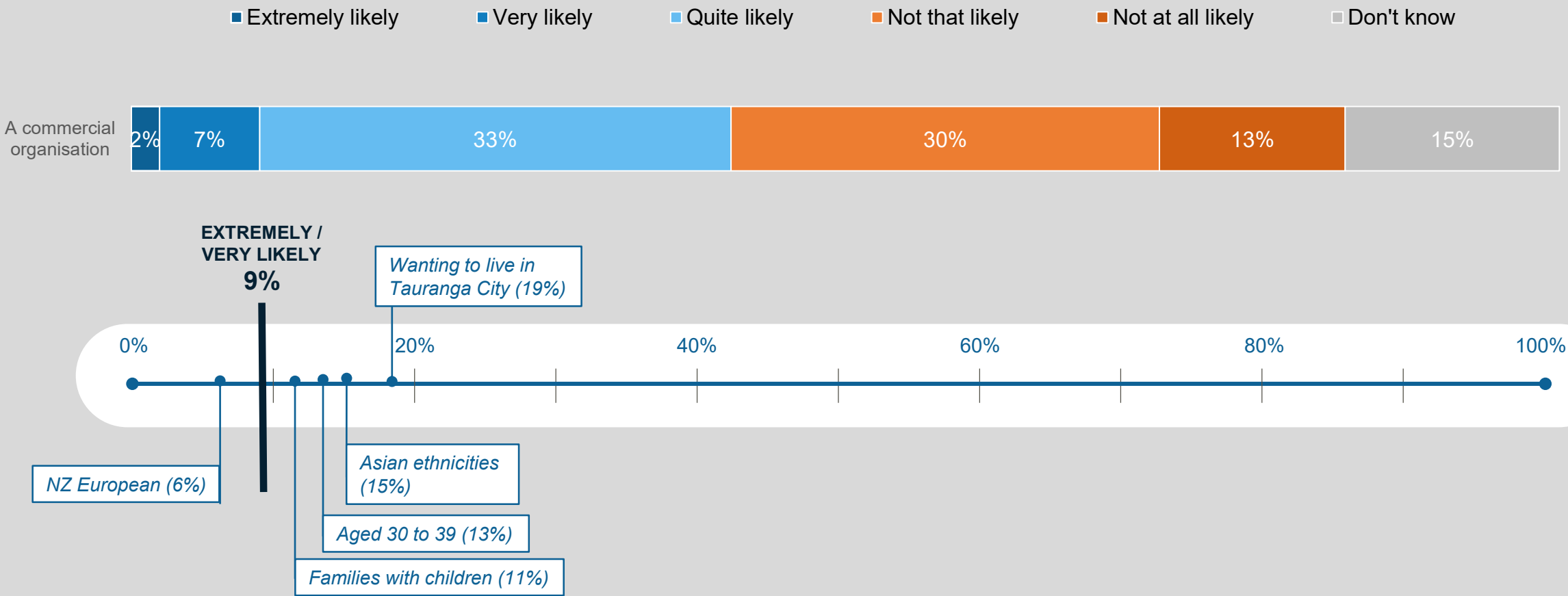
Māori are three times more likely than average to say they are very or extremely likely to use an iwi or kaupapa Māori organisation as a provider.

Likelihood of using an iwi or kaupapa Māori organisation as a provider – subgroup differences



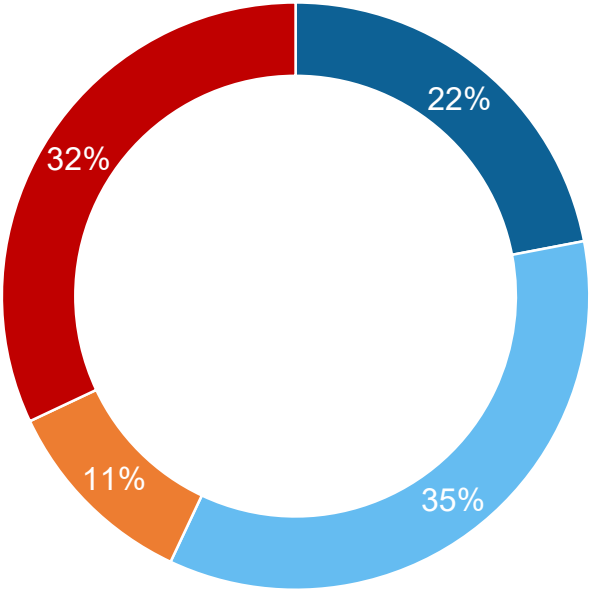
People wanting to buy in Tauranga City, Asian ethnicities, and families with children are more likely to indicate they would use a commercial organisation than average.

Likelihood of using a commercial organisation as a provider – subgroup differences



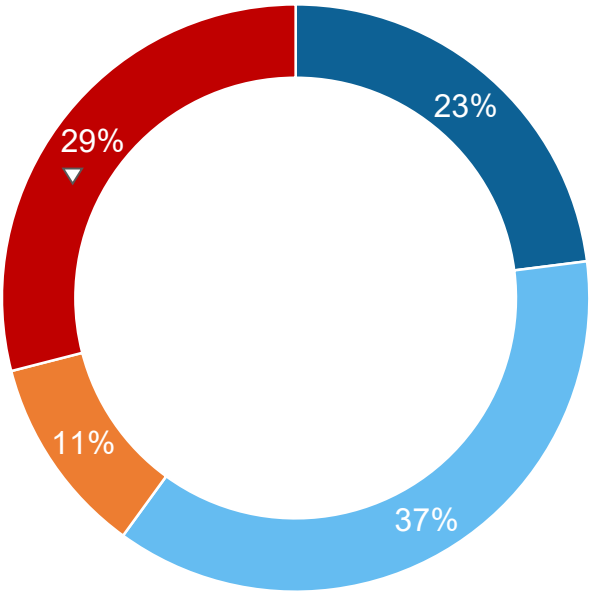
Cohort B are more likely to express a preference for using a commercial organisation than average.

Total



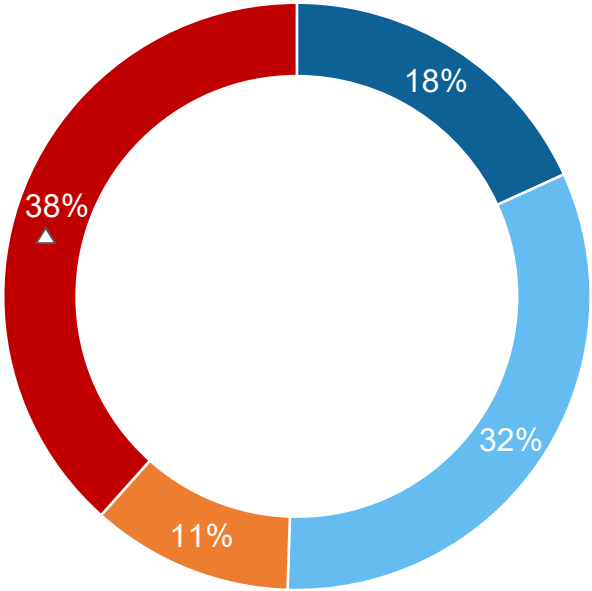
■ Kāinga Ora – Homes and Communities  
■ An iwi or kaupapa Māori organisation

Cohort A



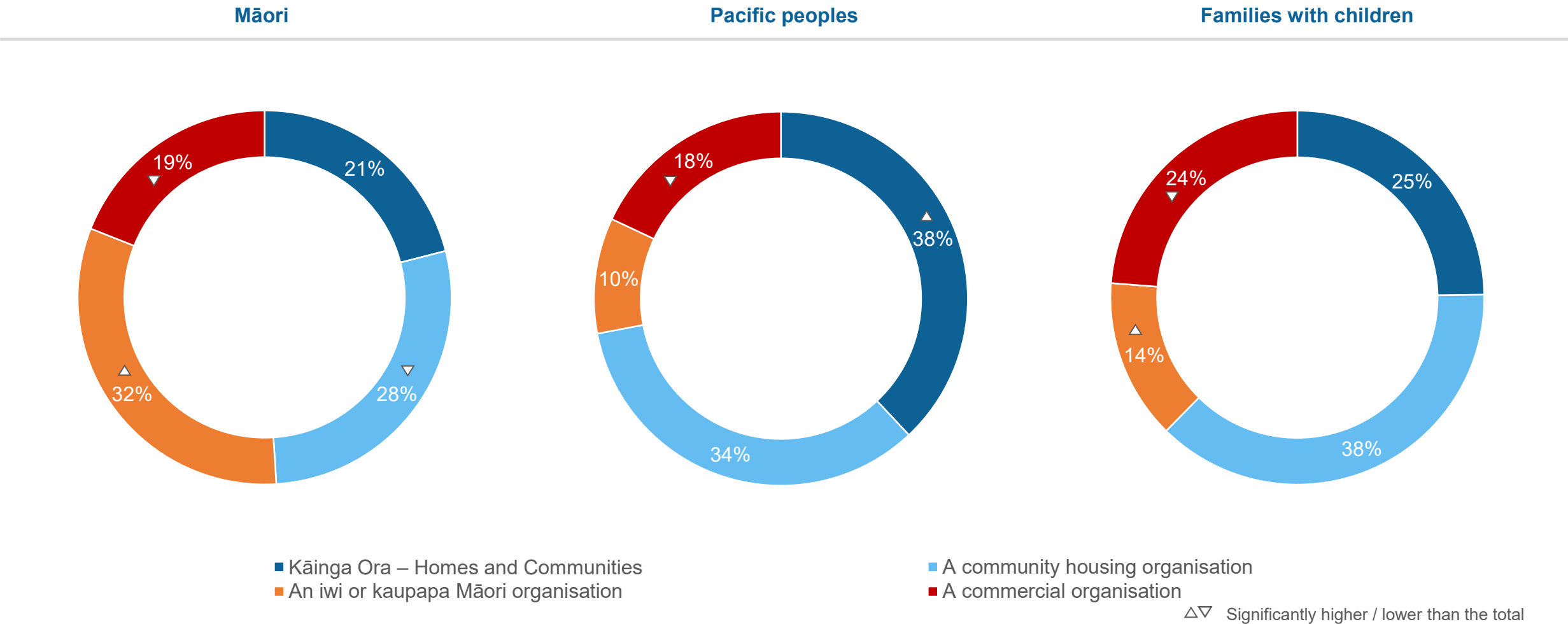
■ A community housing organisation  
■ A commercial organisation

Cohort B



△▽ Significantly higher / lower than the total

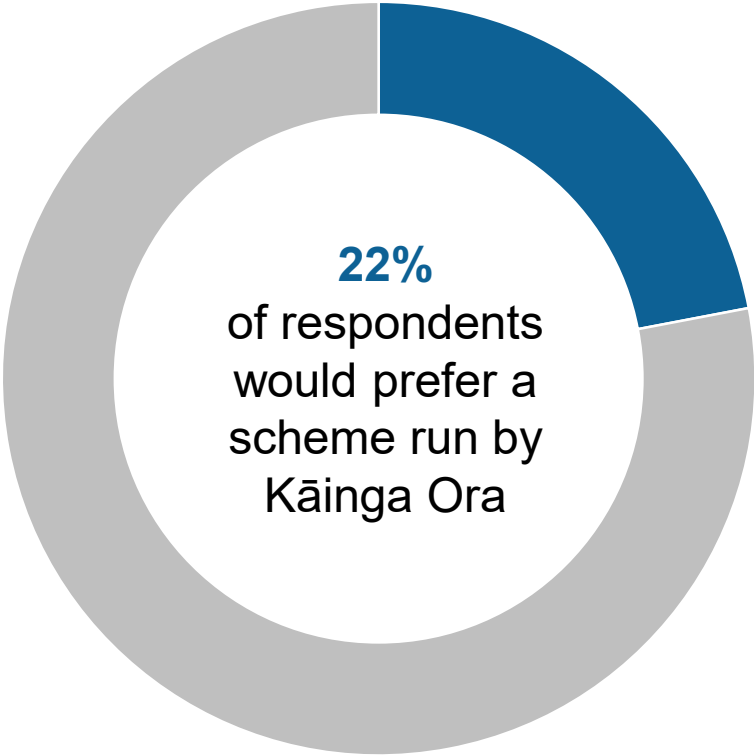
Māori are more likely to say they would choose to use an iwi or kaupapa Māori organisation than average, and Pacific peoples are more likely to want to use Kāinga ora.





One in five respondents would prefer a scheme run by Kāinga Ora. Pacific peoples, people aged 30 to 39 and those looking to buy in the Auckland region are more likely than average to express a preference for a government scheme.

Who prefers non-government schemes



More likely than average (22%) to prefer a scheme run by Kāinga Ora	Less likely than average (22%) to prefer a scheme run by Kāinga Ora
<ul style="list-style-type: none"><li>Pacific peoples (38%)</li><li>Aged 30 to 39 (28%)</li><li>People looking to buy in Auckland region (27%)</li></ul>	<ul style="list-style-type: none"><li>NZ European (17%)</li></ul>



# Need for support services

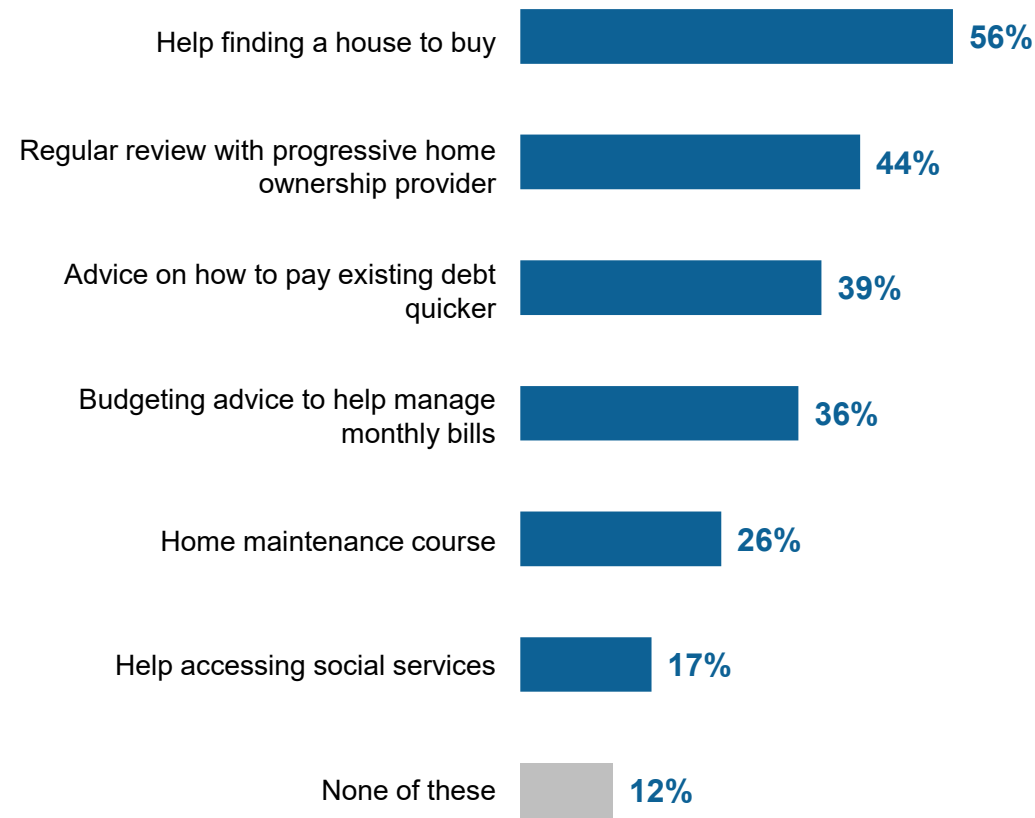


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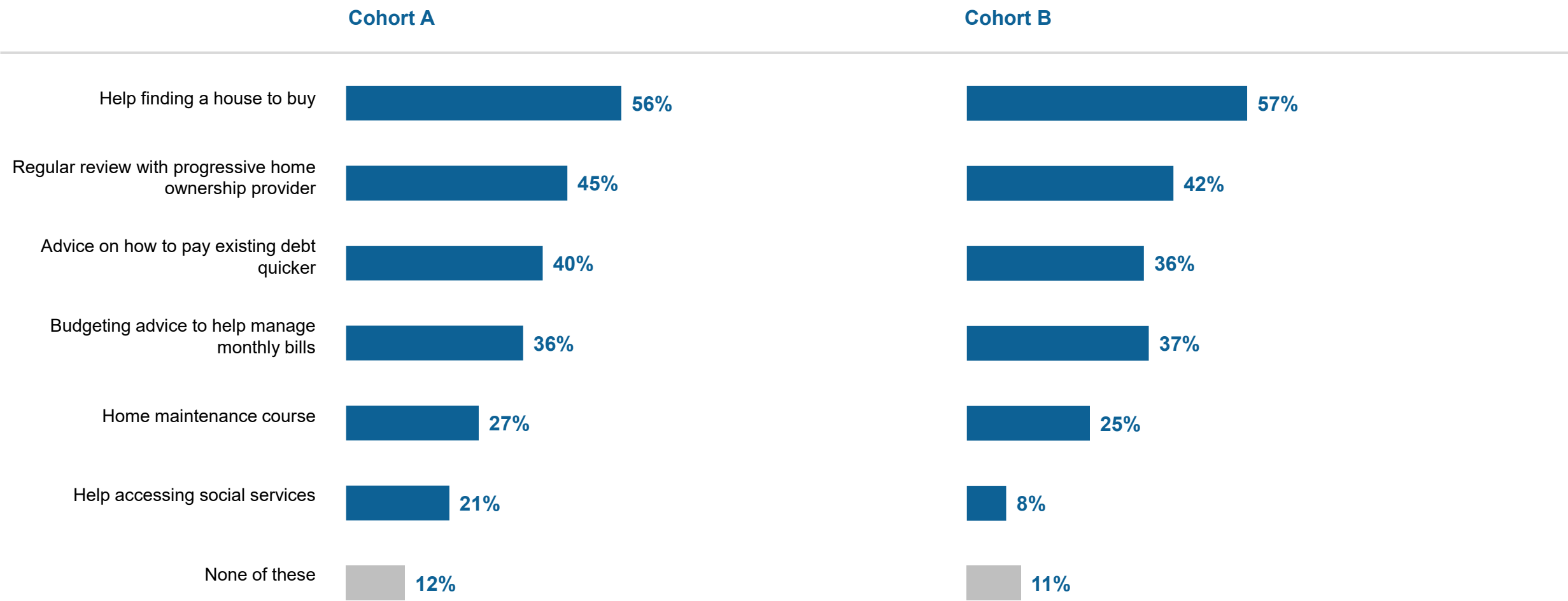
More than half of respondents think they would use a service to help them to find a house to buy, and 44% would like a regular review with their home ownership provider.

Types of support services people would like access to



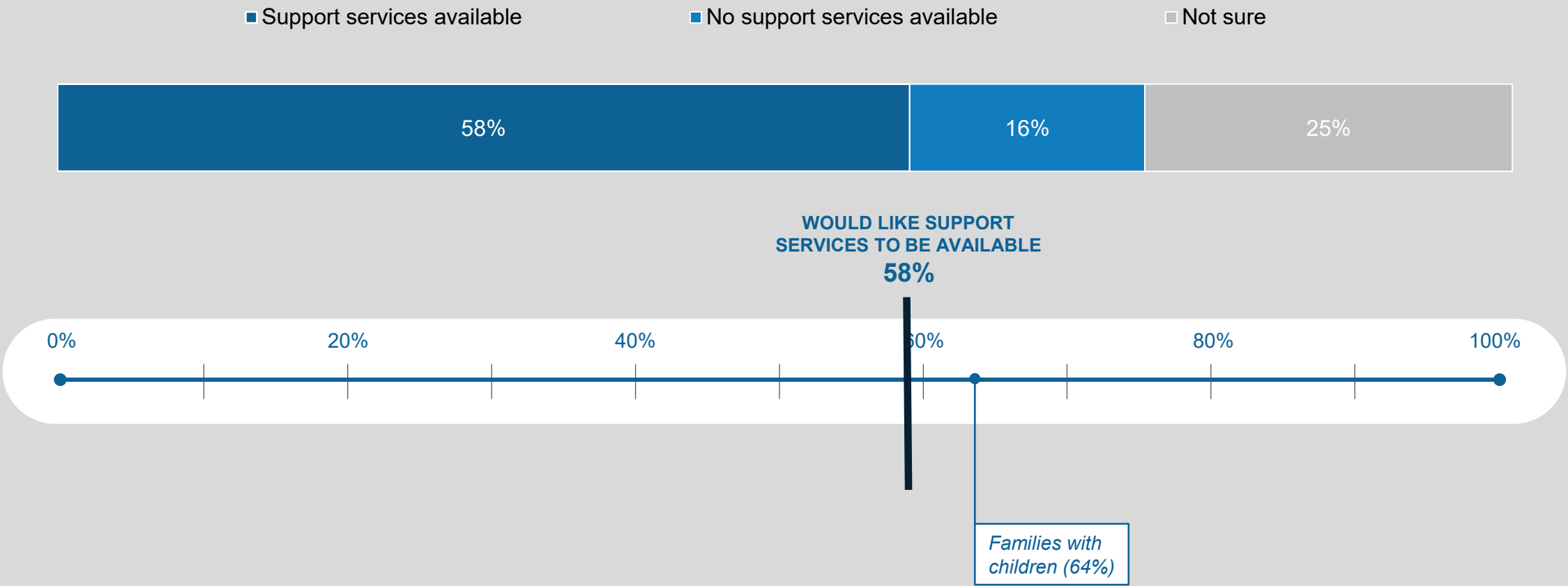
	More likely to need this type of help	Less likely to need this type of help
Help finding a house to buy	-	NZ Europeans (53%) Aged 50 plus (43%)
Regular review with progressive home ownership provider	-	-
Advice on how to pay existing debt quicker	Pacific peoples (49%) Māori (47%) Families with children (44%)	-
Budgeting advice to help manage monthly bills	Māori (44%) Aged 18 to 29 (43%) Women (39%)	Men (31%) Aged 40 plus (25%)
Home maintenance course	Māori (34%)	Aged 50 plus (19%)
Help accessing social services	Households earning \$30,001 to \$50,000 per annum (27%) Māori (25%) Pacific peoples (25%) Families with children (23%) Cohort A (21%)	NZ Europeans (15%) Cohort B (8%) Households earning more than \$90,000 per annum (6%)

# Cohort A and Cohort B want similar levels of support.



Fifty-eight percent of respondents would like a scheme which has access to some or all of the support services outlined on the previous page. Families with children are more likely to want access to support services.

Preference for support services – subgroup differences







# Likelihood of using home ownership schemes



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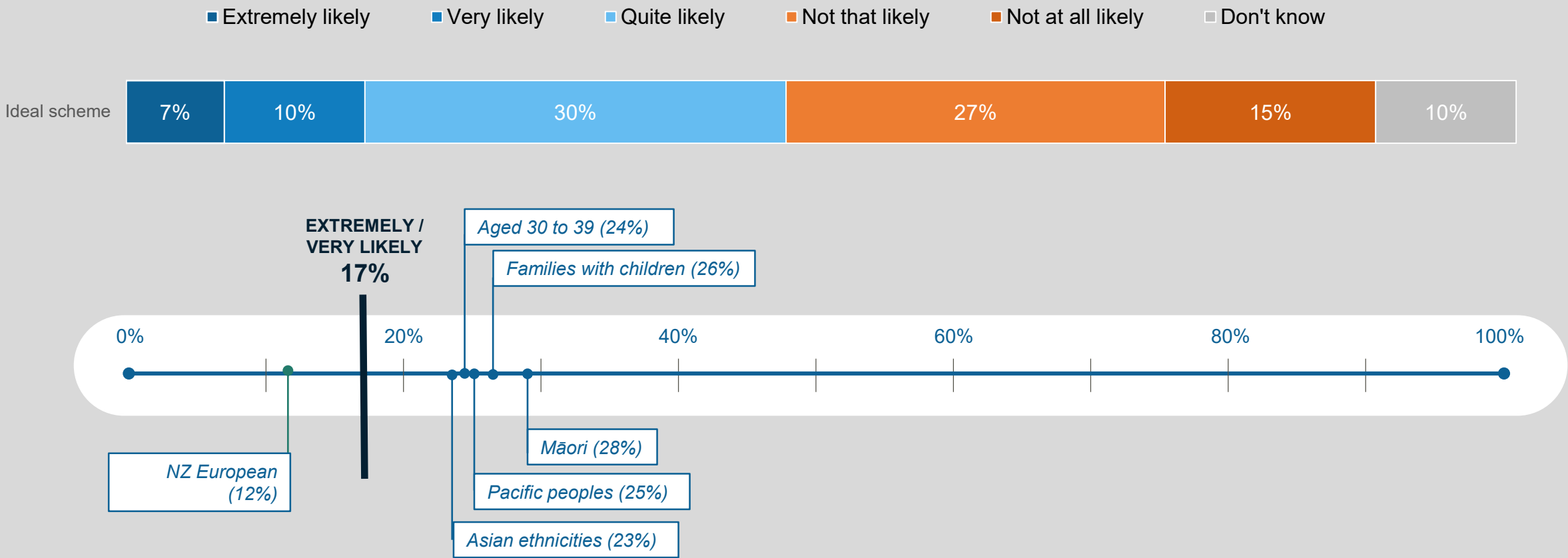


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When presented with their ideal home ownership scheme, 17% of participants said they would use it within the next three years. Māori, Pacific peoples, Asian ethnicities and families with children were more likely to say they would do so.

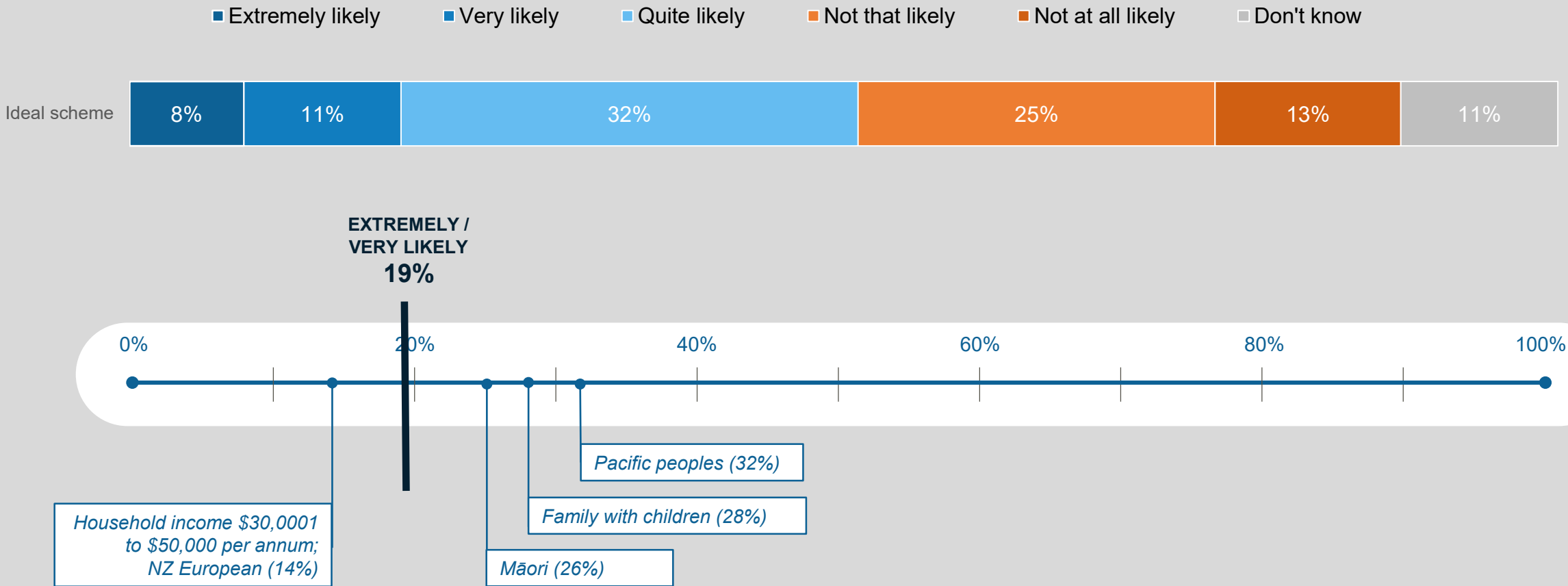
Within the next three years



Base: Total (n=1,024); Subgroup sizes range between 113 and 634  
Source: Q9a. How likely are you to use the following home ownership scheme within the next three years?

Only an additional two percent said they would use it in the next three to five years.

In next three to five years



We asked respondents why they might not use the scheme. Below are the three most common themes...

Not enough income / savings

- *"The problem is salary. I just don't think ill ever earn enough to be able to afford my own home, as well as have it paid off by the time I retire."* [Cohort A, unspecified ethnicity]
- *"The inconsistent income and heath status I currently have makes this difficult."* [Cohort A, NZ European]
- *"Maximum income levels for qualification are way too low compared for average incomes and house prices."* [Cohort B, NZ European]
- *"Lack of money and job insecurity."* [Cohort A, NZ European]
- *"Current debt and lack of budgeting skills."* [Cohort A, NZ European & Māori]
- *"I'm poor and my partner has jobs on-and-off, so no steady income."* [Cohort A, Māori]

Want to do it on their own

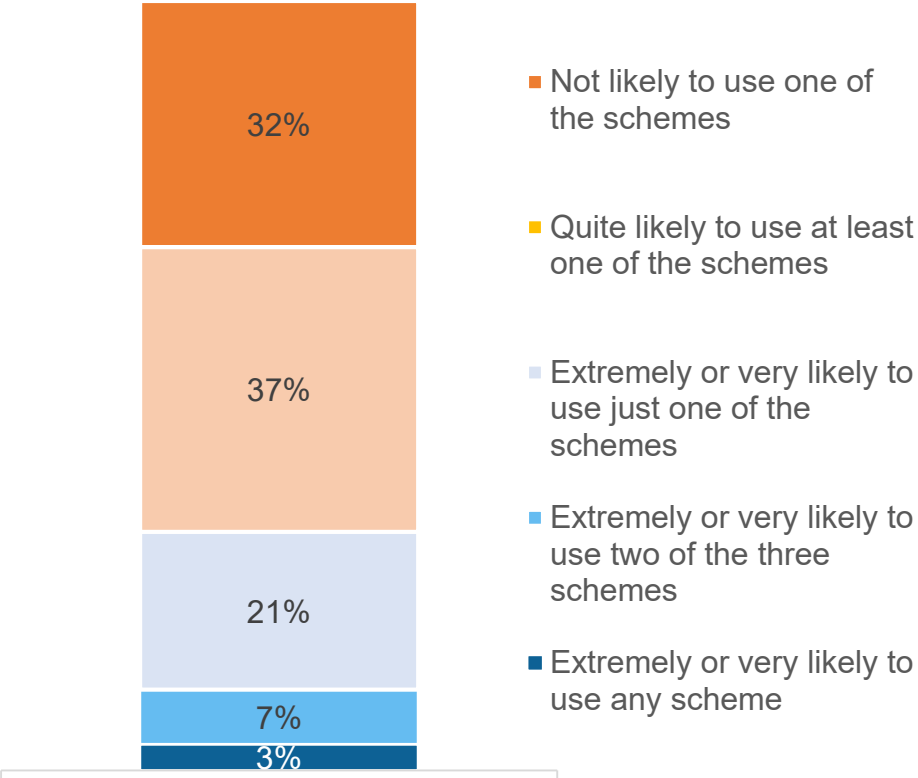
- *"Would just rather buy it from the beginning."* [Cohort A, Māori]
- *"Prefer to try and buy our own property."* [Cohort B, Pacific]
- *"If I could get a house on my own without using the scheme."* [Cohort B, Pacific]
- *"I want to own my own home outright, the only people I want to owe money to are the bank."* [Cohort A, NZ European]
- *"I would prefer to have my own mortgage and not have to rely on others."* [Cohort B, NZ European]
- *"I would rather buy a home outright and wait longer to save up for that."* [Cohort A, NZ European]

Don't have enough information / understanding of the schemes

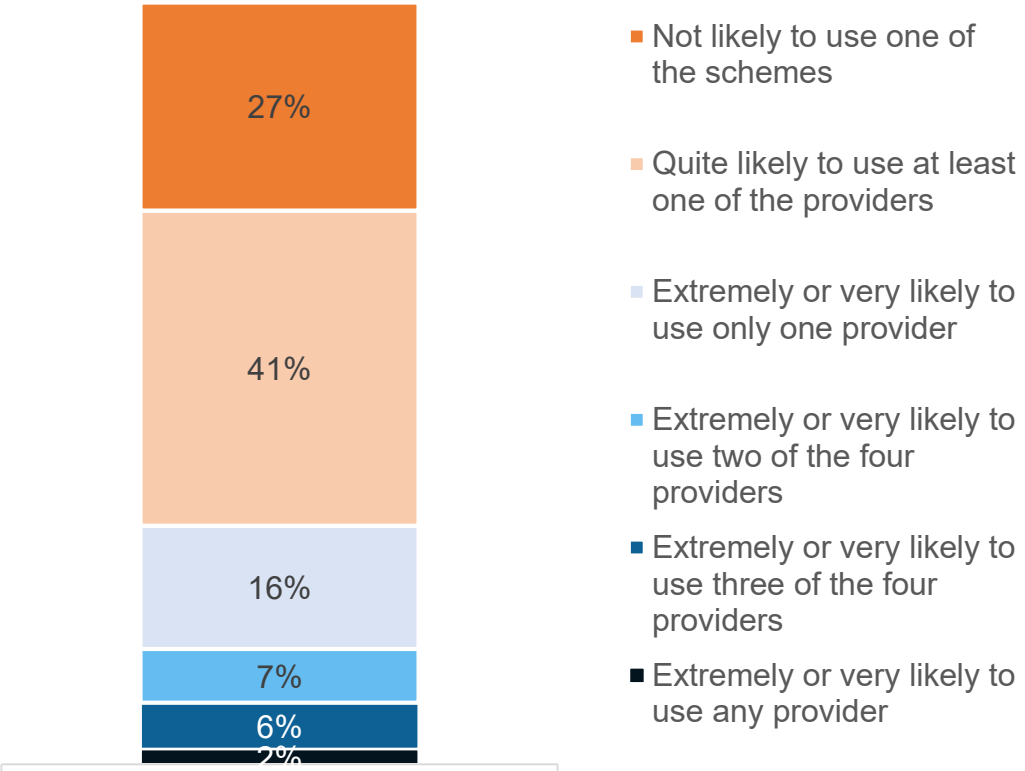
- *"Don't know what requirements I have to fulfil to be eligible for such an arrangement."* [Cohort A, NZ European]
- *"Familiarity or knowledge about who they are and how they operate. Nobody I know has used this provider/s."* [Cohort B, NZ European]
- *"I am wary of clauses and legal matters in the contract as I have little understanding of how it all works."* [Cohort A, NZ European]
- *"I do not know how to find out about it."* [Cohort A, NZ Māori]
- *"I don't know enough about it say 100% yes. I have concerns that it might not work or I might be left with a fat bill if the govt crew make changes to the policy."* [Cohort B, NZ European & Pacific]

People tend to be interested in just one of three schemes, rather than being open to all of them.

Number of PHO schemes that appeal



Number of providers that appeal



Please note. Very few people who say they are quite likely to do something, actually go on to do it.

Base: Total (n=1,024). Source: Q4b. If the schemes described in the previous question were available to you, how likely do you think you would be to use each to buy a home in the next five years?  
Q6a. The three schemes described earlier (rent to buy, shared ownership, and leasehold houses) are available through different 'progressive home ownership' providers. Please indicate how likely you would be to go to each type of provider, if you had decided to buy a house through one of the schemes.

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- b. Marketing research proposals, discussion papers and quotations, unless these have been paid for by the client, remain the property of the Researcher.
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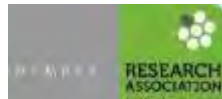
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- b. Publish the appropriate details of the project
- c. Correct any misleading aspects of the published presentation of the findings

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# Appendix 1 – Additional survey results



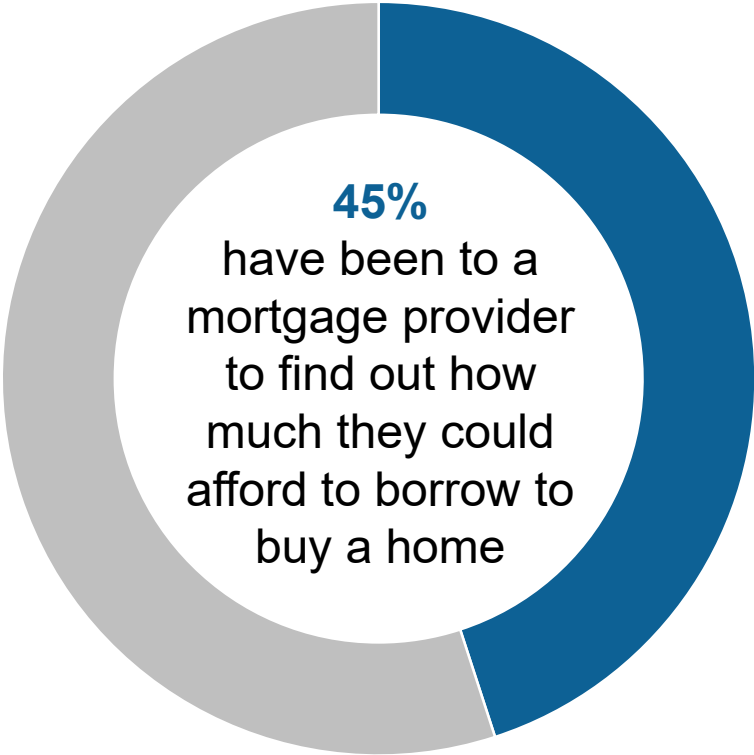
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Just under half of participants have been to a mortgage provider.

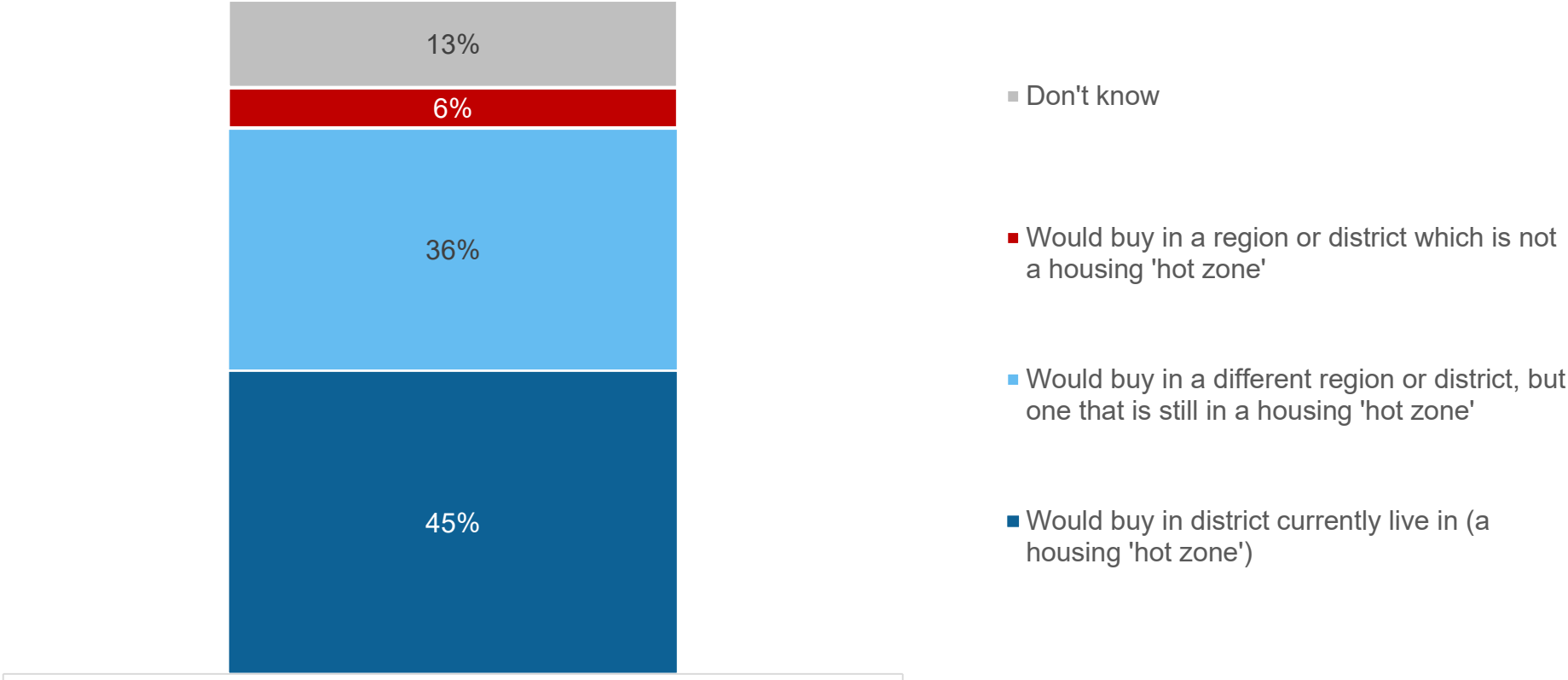
Proportion who have been to a mortgage provider



More likely than average (45%) to have been to a mortgage provider	Less likely than average (45%) to have been to a mortgage provide
<ul style="list-style-type: none"><li>Cohort B (52%)</li><li>Aged 50 plus (52%)</li><li>Household earning over \$70,000 per annum (51%)</li><li>Men (51%)</li><li>NZ Europeans (48%)</li></ul>	<ul style="list-style-type: none"><li>Cohort A (41%)</li><li>Women (41%)</li><li>Pacific peoples (35%)</li><li>Māori (29%)</li></ul>

Most people currently living in a housing ‘hot zone’, would look to buy in a ‘hot zone’.

Intended location if bought a home







## Appendix 2 – Incidence of survey target audience in the population



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# INCIDENCE OF SURVEY TARGET AUDIENCE IN THE POPULATION

	Distribution of the 18 to 64 year old population across the housing 'hot zones' (based on the 2018 census)	Incidence of survey target audience** amongst each demographic group (based on survey screening data)
18 to 29 years	29%	42%
30 to 39 years	22%	25%
40 to 64 years	49%	16%
Auckland	55%	24%
Waikato*	8%	20%
Bay of Plenty*	6%	21%
Hawke's Bay*	2%	20%
Manawatu-Whanganui*	4%	26%
Wellington*	16%	22%
Tasman / Nelson	3%	15%
Otago*	6%	23%
Māori	13%	32%
Pacific peoples	10%	34%
NZ European / European	69%	22%
Asian	24%	21%

This column should be read as follows: “55% of 18 to 64 years olds who live in a housing ‘hot zone’ live in Auckland”.

This column should be read as follows: “24% of the 18 to 64 year olds in Auckland say: they do not own their home at the moment, are unlikely to be able to afford one in the next year, and have a household income under \$130,000.”

\*Waikato only includes the: Hamilton City, Waipa, and Matamata-Piako districts. Bay of Plenty only includes the Tauranga City and Western Bay of Plenty districts. Hawke's Bay only includes Napier City. Manawatu-Whanganui only includes the Palmerston North City and Manawatu districts. Wellington includes the: Wellington City, Lower Hutt City, Upper Hutt City, Porirua City, and Kapiti Coast districts. Otago only includes the: Dunedin City and Queenstown-Lakes districts. \*\*People who don't own their home, are unlikely to be able to afford one in the next 12 months, and have a household income under \$130,000 (unless they would buy a home as a multi-generational household).





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# Progressive Home Ownership product research

FINAL qualitative research report from Cohort A

October 2020

PREPARED  
FOR:



**MINISTRY OF HOUSING  
AND URBAN DEVELOPMENT**



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# Objectives



The Ministry of Housing and Urban Development commissioned Colmar Brunton to undertake research to inform the product design for the Progressive Home Ownership (PHO) fund.

The research has two stages – an initial quantitative stage to understand broad perceptions, followed by a qualitative (focus group) stage to provide detailed feedback on the design and communication of the product to help optimise it. There were two sub-stages to the qualitative component. The first stage was conducted with Cohort B, and the second stage with Cohort A (see overleaf for definitions).

This document summarises the findings from the qualitative stage with Cohort A. The specific objectives are to:

- Clarify findings from the quantitative survey, e.g. the apparent negative perception of the term ‘Shared Ownership’, and the apparent preference for Rent To Buy over Shared Ownership.
- Understand how to best communicate the product to encourage uptake.
- Provide Cohort As input into the design considerations of the PHO product, including:
  - Reasons Cohort A would/wouldn’t use a particular product
  - Reasons Cohort A would/wouldn’t go to each type of provider
  - Whether likely uptake would change if they know more about an actual product.



# Method



## The PHO fund targets two different cohorts, these are:

- A Cohort A:** Those with lower to median household incomes that are unlikely to buy a home without a reasonable level of financial and non-financial support.
- B Cohort B:** At or above median income households that cannot get a large enough deposit together to buy a home and/or have insufficient income to service a low deposit mortgage at current house prices in their area.

This stage of the qualitative research is amongst Cohort A.

- Two mini group discussions with residents from Wellington and Auckland.
- The groups took place via Zoom and were each two hours long.
- We recruited participants from those who took part in the previous quantitative survey.
- Across the sample were people from a range of ages, gender and ethnicities. We also included a mix of people who would be more or less likely to use a PHO scheme to buy a home.
- Fieldwork was conducted on 22 and 23 September 2020.



# Overview



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# Overview

Underlying Cohort A's views and experiences is their sense that owning their home is just a dream, an unrealistic dream.

They are less certain than Cohort B that Progressive Homeownership (PHO) schemes will enable them to achieve this dream.

With the help of a PHO scheme, Cohort A hope home ownership will be achievable, but are unsure to what extent it would be affordable for them. Even a small deposit is a major hurdle for some, and they have some reservations that they would have sufficient income to service a mortgage, afford rates and insurances, and carry out ongoing maintenance.

**The name** of the Shared Ownership product needs to **better convey what it is**. Many assume from the name it involves sharing ownership with other individuals. This could be alleviated by incorporating the provider's name – e.g. Shared Ownership from Kāinga Ora.

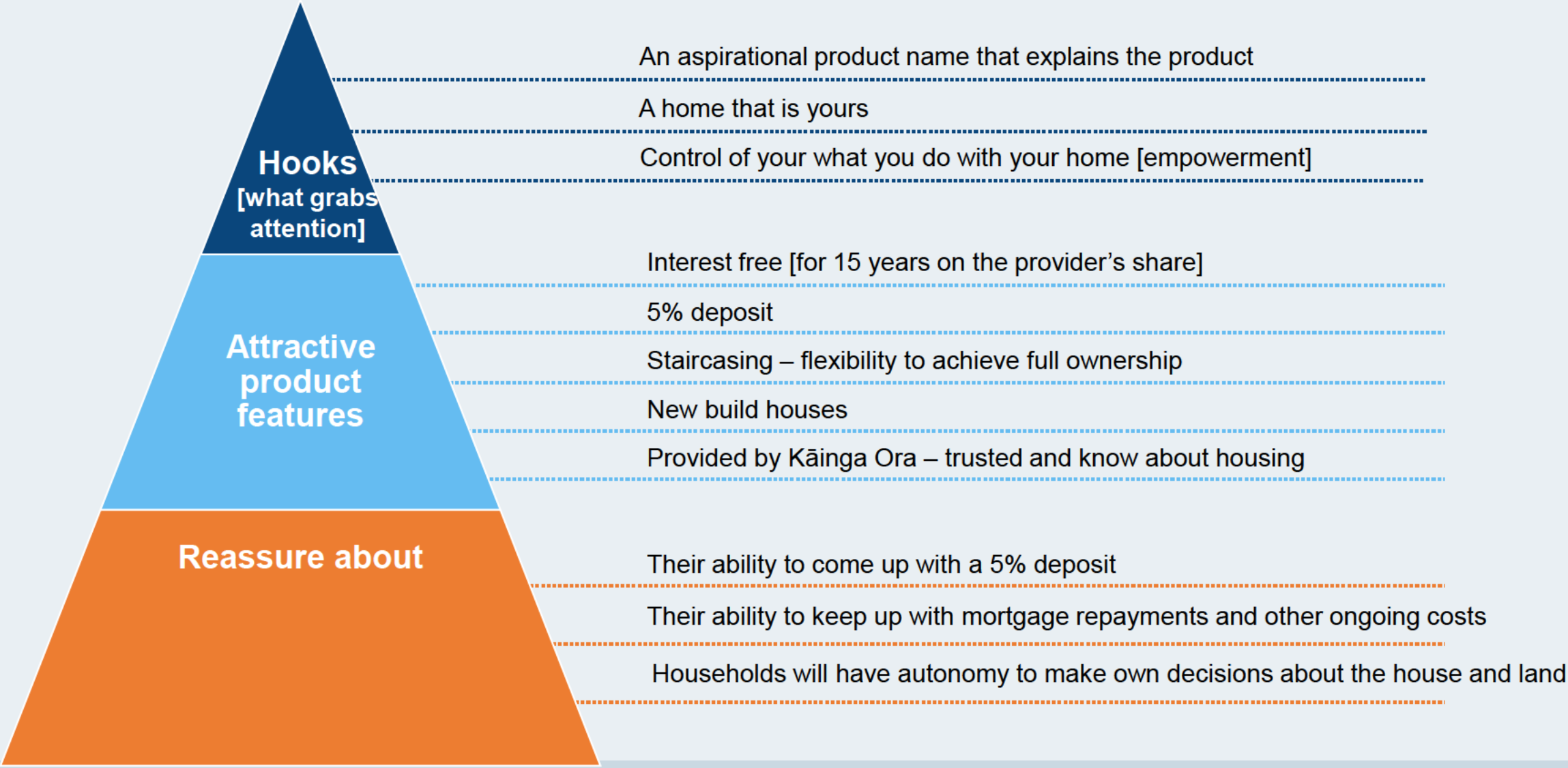
The **Shared Ownership** product appeals because it **would make their home feel more like their own** (relative to renting).

However, unlike Cohort B, Cohort A don't feel the Shared Ownership idea will necessarily fast track homeownership or make it more feasible. This is due to their uncertainty around affordability.

Similar to Cohort B, **a government agency's involvement (such as Kāinga Ora) as a provider is integral** to the idea as it would engender trust. Its involvement is seen to have the right intentions – positive social outcomes, not financial gain. There are however some concerns that the fit out might be 'cheap' and prone to repairs and maintenance if provided by a government department.

Provision of **support services** shows the provider cares, but is also seen as integral to idea for Cohort A as this will provide much needed reassurance and safety nets. Cohort A feel less confident and the provision of additional supports services provides some comfort.

# Encouraging uptake of the shared ownership scheme: Cohort A need more reassurance than Cohort B







# The desire to own



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Cohort A would like to own their home. Ownership would provide empowerment and autonomy.

Cohort A are acutely aware of the limitations of renting. It simply doesn't feel like 'home' – there is always a sense the place is someone else's. They lack control and autonomy. The rent can increase at any point, making it difficult to budget the little they do have. They are restricted in terms of any changes they wish to make to the property (e.g. landscaping).

Owning their own home is a goal to reach. It would mean Cohort A could invest in their own property, e.g. gardening, make modifications. Moreover, it would mean the money they pay in rent would go to them rather than their landlord.

“

*“It feels like someone else's house.”*  
[Wellington residents]

*“I'm keen to own. It's a badge. Something you earn. A goal to reach.”*  
[Wellington residents]

*“I hate the inspections. They tell you it's not a judgement on the way you live, but I always feel judged.”*  
[Auckland residents]

”



## But, Cohort A are less optimistic than Cohort B about realising the ownership dream

- While Cohort A have a strong desire to own their own home, many have given up on this idea and see it as only a 'dream'. The main issue is affordability of the ongoing costs:
  - They doubt they will be able to pay off the mortgage by the time they retire and will be forever in debt
  - Similarly, some have left it too late and are coming to the end of their working life
  - Uncertainty about Covid-19 and job security is another consideration, leaving them to question their ongoing ability to service a mortgage
  - Apprehension about the ongoing maintenance costs
  - They have other debts or priorities, e.g. saving for retirement, student loan.
- Given their circumstances, they have limited options to be able to own. Some are looking at creative options, such as a tiny home situated on the property of family members. Otherwise, they would have to move out of urban areas to the regions, and this isn't always realistic given work needs.

“

*“House prices are unfathomable. I’m unlikely to pay off a mortgage by the time I retire.”*  
[Wellington residents]

*“I’m 62, so I’ll be retiring in a few years. Who is going to give me a loan? I’d be paying it off until I was 90.”*  
[Auckland residents]

”





# What's in a name?



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Just based on the name (and no further information), Rent To Buy is mostly self explanatory. Most have not heard of Leasehold Houses, and Shared Ownership creates the most confusion.

#### THE NAME

### ‘Rent To Buy’

- Most appealing.
- Most easily understood.
- Some misinterpretation that 100% of rent payments goes into the mortgage.

#### THE NAME

### ‘Leasehold Houses’

- Least appealing.
- Not heard of before.
- Understand (from the name and own knowledge) the household doesn’t own the land.
- Non-land ownership does not appeal.

#### THE NAME

### ‘Shared Ownership’

- Confusing.
- Assume sharing ownership with other individuals who would live in the house too - and with it concerns that the house won’t feel like it’s ‘fully yours’.
- Concern about relationships turning sour, creating a high risk, low security scenario.





# High level impressions of the PHO schemes



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After explaining each scheme, shared ownership **is appealing, but not necessarily affordable.**

Rent to buy **continues to be the most attractive option,**  
and

Leasehold houses **is still least appealing.**

“

*“Rent to buy is a really straight forward idea. I’m not good with numbers so this seems really easy. I have five years to save for a deposit.”*  
[Auckland residents]

*“[Shared ownership]: I’d need make sure I could pay the mortgage part and the provider part. I would probably have to prioritise paying the mortgage.”*  
[Auckland residents]

”





EXPLAINED

## Rent To Buy scheme

Under a Rent To Buy scheme the provider purchases a house outright. The provider then enters into an agreement with a household that allows the household to rent the property and gives it the right to buy the property at any point within a set amount of time (e.g. five years).

The rent that a household pays is often set at below market rent. This provides the household with some financial headroom to save for a deposit, which it can use when it exercises its right to buy the property. Alternatively, a standard market rent could be charged with the provider setting aside a portion of that rent as a deposit on behalf of the homeowner.



Rent To Buy mostly appeals for its low market rent and exclusive rights to buy. Its biggest drawback is the uncertainty they would be able to own in five years.

## The good...

- Low market rent.
- Exclusive rights to buy the property.
- For some, the five years to save for a deposit seems like a fair time period.
- Like the idea of paying a provider extra to help them save for the deposit.

## The bad...

- Perception they have five years to buy the property and doubt whether this is realistic.
- Does the rent stay the same?

## The questions...

- Is there a definite agreement the household will buy the house?
- What happens if household can't afford to buy it in timeframe?
- Who is responsible for repair and maintenance costs?
- Do you still pay bond?
- Are there still house inspections?
- After I get the deposit, do I buy the house at current market value or at the value it was when I first took up the scheme?

# Leasehold Houses scheme



## Making home ownership affordable

How can a family on a moderate income of \$85,000 afford to purchase their first home?



### Leasehold example:

The household purchases the leasehold property, which is set at the cost of house construction.

The household has a 100 year lease set well below market rates, which only ever increases with annual inflation.

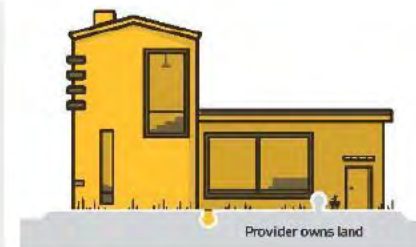
House price is \$650,000

Family buys house at cost to construct (\$350,000)

Family provides a minimum of 5% deposit (\$17,500)

Family takes out a mortgage for rest of house cost (\$332,500)

Provider owns the land and the household pays a ground rent that is set at 1.5% of the land value.



Family pays weekly mortgage payments and rates, insurance and ground rent.

The household has guaranteed security of tenure and affordability for 100 years.

When the family decides to leave the home, it sells the house back to the provider at original purchase price plus inflation.

Find out more information at <https://www.hud.govt.nz/residential-housing/progressive-home-ownership>



Leasehold Houses hold the least appeal mainly for reasons of lack of control and autonomy.

## The good...

- A sense the mortgage would be low, making it more affordable.
- 5% deposit feels reasonable.

## The bad...

- It's not really "my house".
- Unable to leave as inheritance.
- Selling back the house at the original price plus inflation would mean no capital gains to help you buy another house. Inflation has been low for years, so not gaining much when sell.
- Still need to find a deposit, it doesn't help with this.
- The land is owned by someone else – what if they decided to build a complex on the property or next door?
- Wouldn't be able to do modifications on the house, e.g. put on an extra room.

## The questions...

- How much will 1.5% of the land value be?
- Can the household work on or modify the land (e.g. gardening and landscaping)?

# Shared Ownership scheme



## Making home ownership affordable

How can a family on a moderate income of \$85,000 afford to purchase their first home?

### Shared ownership example:

The family owns a majority share of a home, and a provider owns the remaining share.

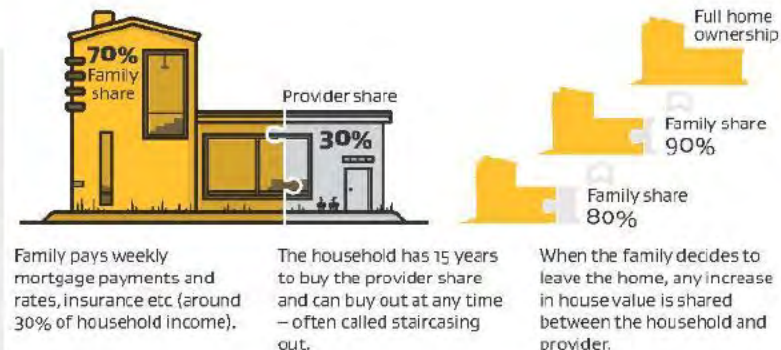
The household can buy the provider share out over time.

House price is \$650,000

Family provides a minimum of 5% deposit (\$30,000)

Family takes out a mortgage for a 65% share of the house (\$425,000)

Provider takes a 30% share of the house (\$195,000)



*Note: In talking with people, we noticed this visual diagram helped people understand and digest the concept.*



Shared Ownership appeals as it is the closest to true ownership. However, Cohort A don't necessarily feel it makes home ownership more achievable for them.

## The good...

- Your money goes to your property. It's not dead money like renting.
- Staircasing appeals as long as you can afford to progressively buy the provider's share.

## The bad...

- Issues if you have a weak or untrustworthy relationship with the provider.
- Some doubt as to whether they would be able to raise the deposit and repay the mortgage.
- Perception exists that Shared Ownership is for couples and families (rather than individuals), as they would be more likely to afford this idea.

## The questions...

- If improvements or repairs are made, who pays for this?
- What happens if the provider wants to sell?
- Who covers rates, insurance (and any associated increases in these)? Are they shared out between provider and household?
- What happens if they can't pay out the provider?
- Can the provider on sell their share to someone else?



# **Digging deeper into the Shared Ownership scheme**



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## EXPLAINED

# Shared Ownership eligibility criteria explained



Who is this for?	First home buyers who aspire to owning their own home in areas of New Zealand where it is difficult for them to get loans and financial assistance from organisations such as banks and other financial lending institutions. This can include families who are either having trouble saving enough for a deposit or are not able to afford the ongoing costs of a mortgage at current house prices.
What type of properties?	Ideally for new build houses where the code of compliance has been issued within the last two months.
Household income criteria?	For households with an income of up to \$130,000 per year. Although exceptions will be considered for multi-generation households (e.g. owned with parents, grandparents, aunty or uncle).
What is the maximum price of the house?	<div>s 9(2)(f)(iv)</div>
What is the maximum amount of the loan?	<u>By the primary lender/Bank</u> This likely to be about of 70 – 80% of the house price.
Who funds the balance of house price, and buy what amount?	<u>The borrower/household</u> The household will be able contribute a reasonable amount from their own sources (e.g. cash, investments, KiwiSaver). This would be a minimum of 5% of the house price. <u>The provider</u> Would make up the balance needed after the contributions from the Bank and the borrower/household. This balance would be the proportion the provider owns.
What would be the maximum term of the loan with the bank?	This would be agreed with the Bank, but is usually up to 25 to 30 years. The borrower would be responsible for paying back the loan and interest.
What would be the maximum term of the provider's share of the house?	A maximum of 15 years and it would be interest free. The household can repay the provider's share by any one or a combination of: – A lump sum payment made for the whole amount that is outstanding on or before loan expiry date; – Progressive repayments from borrowers'/households' own resources; – Sale of the house at any time before the end of the 15 years. Where the borrower/household makes progressive repayments, the proportion owned by the borrower/household and the provider will be adjusted accordingly.
Who owns what?	The borrower/household and the provider will own the proportion of the house they bought.



## Three key product features that particularly appeal to Cohort A

### 1 Interest free for 15 years on the provider's share:

Saves the household money and potentially enables them to put the interest saved towards buying the provider's share.

Fifteen years feels like a short time when compared to the length of a mortgage. The benefits of the reduced time frame will need explanation (e.g. less to pay in terms of interest, a smaller principle amount when compared to mortgage).

### 2 New builds

Will meet earthquake requirements.

There will be minimal maintenance and repair costs.

The household will have a warm, dry home (unlike many rental properties).

There is a strong emotional appeal – first person in the house.

### 3 Staircasing

Ability to repay progressively appeals (although some doubt they could afford to do this).

“

*“New builds appeal because I would know I was the first one living there, which would create an attachment.”*

[Wellington residents]

*“Fifteen years feels a bit short to me. I'd like to have it the same as the mortgage, they give you 30 years.”*

[Auckland residents]

*“I like the regular payments and increasing your share of the house. It feels like you are working toward the full ownership of the house.”*

[Auckland residents]

”



## Proportion owned criteria: Even though Cohort A are concerned about affordability, a 70/30 split feels about right.

- Cohort A want to own a majority share. Feeling that the property is theirs (through majority ownership) is a key positive differentiator to the other PHO ideas.
- The smaller proportion owned by the provider helps to make progression to full ownership feel more achievable as there is a less to buy off the provider.
- Some question who pays what when it comes to repairs and maintenance, and whether this is related to the proportion owned.

“

*“It’s the simplest one to understand of the lot.  
It’s easy to understand how much you own and  
how much the provider owns.”*  
[Auckland residents]

*“If you do have maintenance, like plumbing or  
something like that for example, are you  
responsible for that or do you pay 70 percent of  
that and they pay 30?”*  
[Wellington residents]

”

Cohort A are comfortable with the maximum house price the household can buy and the maximum they can borrow criteria.

- Cohort A are mostly relaxed about a maximum house price criteria. They feel this would safeguard against them buying a house beyond their means.
- Most interpret the maximum they can borrow as the amount the bank calculates it will lend them based on their income.

Cohort A are mostly comfortable with this criteria, as long as the mortgage repayments aren't unaffordable.

“

*“I would need to put aside payments for the mortgage and for the provider, this could be a bit of a stretch.”*

[Auckland residents]

”



15 year term criteria: While some uncertainty exists about whether this allows sufficient time for them to be able to afford the providers share, generally Cohort A are comfortable with this time period.

- The 15 year time period feels reasonable.
- Relative to Cohort B, Cohort A are more concerned about their ability to buy the provider's share in this timeframe.
- However, they would simply sell the property if they were unable to buy the provider's share over 15 years.

“

*“Good if it means you ultimately buy something on your own. Fifteen years is quite a short time to raise that kind of money.”*

[Wellington residents]

*“Probably just sell it to pay the mortgage. That's probably the easy thing to do to, just sell it.”*

[Wellington residents]

”



## But, some uncertainties exist....

- Does it only apply to houses and not apartments?
- Provider could still be too involved (don't have full autonomy).
- Not only is the provider involved, also the bank is involved. Cohort A question how much independence they would have.
- What happens if I can't meet my mortgage repayments?
- There isn't land available in the suburbs I'd want to live in.

“

*“Would I have to move way out of the city?”*  
[Wellington residents]

*““With Shared Ownership, you are tied to the bank and also tied to Kāinga Ora.”*  
[Wellington residents]

”



# Provider preferences



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# Who provides the scheme is critical to uptake



Similar to the quantitative findings, people are more likely to use Kāinga Ora and community housing organisations, and least likely to go with a commercial provider.



## Kāinga Ora makes sense as a provider, as providing housing is seen as its mandate

- Kāinga Ora are trusted, have the right intentions, and are not in it to make money – all of which make the concept more appealing.
- They are empathetic. Their goal is to help and work with people's situations.
- Housing is Kāinga Ora's business – people trust that it generally knows how to get housing right, and they wouldn't be 'caught out'.
- However, there are some concerns about neighbours and noise. Cohort A assume these houses are together or in some kind of complex. This creates concern there would be increased noise and traffic. Their preference is for a quiet, family centred environment.
- There are also some questions around the quality of the appliances, chattels and materials. They assume Kāinga Ora will always go for the cheapest, meaning greater likelihood of maintenance costs.

“

*“It makes sense they would come up with a scheme like this. They want more homes available to people, they want more people owning.”*

[Wellington residents]

.....

*“I would trust an organisation when it's goal is to house people.”*

[Wellington residents]

.....

*“They would order the cheapest stuff for the house to save costs, which means that it's more likely that things would break and not last.”*

[Auckland residents]

”



Community housing organisations, iwi and kaupapa Māori organisations are considered in a similar way to Kāinga Ora, but Cohort A would distrust a Progressive Home Ownership scheme from commercial providers.

- Community housing organisations:
  - In the housing area, so makes sense.
  - Trusted.
- Iwi and kaupapa Māori organisations:
  - A good option for Māori but likely to exclude non-Māori.
  - Understand Māori as a population have a greater need.
- There is a lack of trust in commercial providers. Cohort A assume these providers are motivated by financial gain and are sceptical of the intentions and motivations for any commercial entity's involvement.

“

*“I would trust an organisation where their goal is to house people. If an organisation's main purpose is to give everyone a home, I would trust it.”*

[Wellington residents]

*“A developer is in it for the money. And you don't know what they have planned for the area. What if they decide to sell your part?”*

[Auckland residents]

”



# The need for support services



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A Kantar Company



- Cohort A like the idea of having various support services available. It's comforting to know support is available, and would alleviate the stress of owning and everything that comes with owning.
- This group are looking for as much support as they can get. They assume these services would be provided without charges.

“

*“I like all these ideas. I want as much help as I can get.”*

[Wellington residents]

*“Ideally, I'd just like to be able to talk to someone who can discuss these things in layman's terms. A lot of big adult decisions are described in big adult ways.”*

[Wellington residents]

*“Pretty much I find any course that will improve my living situation, I'm all for you. Any advice that will make me more comfortable and help pay things off quicker, I'm definitely for that. Especially if it's free advice.”*

[Wellington residents]

## Reaction to specific services: Cohort A see potential in all services suggested

### Regular review with your PHO provider to discuss how it is going financially and any problems you're having

---

- Good communication builds trustworthy relationships.
- Regular check in shows the provider cares.
- Like to look back on progress made and where to from here.

### Budgeting advice to help manage your monthly bills

---

- Valuable for those who need this kind of assistance.

### Help finding a house to buy

---

- See real value given current climate and how difficult it is to find a property.
- Like the idea because the service provider could know of available properties the household doesn't know about.
- Particularly appeals if it is help to find a house in the area and community they are currently.

### A home maintenance course

---

- Some in favour of taking a course. See value in being able to do own maintenance to save money.
- Home maintenance can be daunting, so a course would give confidence to give things a go.
- A sense they may not be able to put faith in the quality of house, so they want to know the small things they could do to improve the house.

### Advice on how to pay your existing debt down quicker so you can afford a house sooner

---

- Appeals to help get out of debt quickly as possible.

### Help accessing social services

---

- Useful to be informed about what services are available. Sometimes it is difficult to find out what can be accessed.
- Not many people know what support services are available, so they see this would be helpful.





FOR FURTHER INFORMATION  
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# **Progressive Home Ownership product research**

FINAL qualitative research report from Cohort B

September 2020

PREPARED  
FOR:



**MINISTRY OF HOUSING  
AND URBAN DEVELOPMENT**

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# Objectives



The Ministry of Housing and Urban Development commissioned Colmar Brunton to undertake research to inform the product design for the Progressive Home Ownership (PHO) fund. The research has two stages – an initial quantitative stage to understand broad perceptions, followed by a qualitative (focus group) stage to provide detailed feedback on the design and communication of the product to help optimise it. This document contains the results from the qualitative stage.

The specific objectives of the qualitative research are to:

- Clarify findings from the quantitative survey, e.g. the apparent negative perception of the term ‘Shared Ownership’, and the apparent preference for Rent To Buy over Shared Ownership.
- Understand how to best communicate the product to encourage uptake.
- Provide Cohort B’s input into the design considerations of the PHO product, including:
  - Reasons Cohort B would/wouldn’t use a particular product
  - Reasons Cohort B would/wouldn’t go to each type of provider
  - Cohort B’s need versus interest in support services and the type of support services desired
  - Whether likely uptake would change if they know more about an actual product.



# Method



## The PHO fund targets two different cohorts, these are:

- A Cohort A:** Those with lower to median household incomes that are unlikely to buy a home without a reasonable level of financial and non-financial support.
- B Cohort B:** At or above median income households that cannot get a large enough deposit together to buy a home and/or have insufficient income to service a low deposit mortgage at current house prices in their area.

This stage of the qualitative research is amongst Cohort B.

- Six focus group discussions with residents from Wellington, Auckland, North Island and South Island provincial locations\*.
- The Wellington group was conducted in-person and the remaining groups took place via Zoom and were each two hours long.
- We recruited some participants from those who took part in the previous quantitative survey. This was supplemented with participants from our research panel.
- Across the sample were people from a range of ages, gender and ethnicities. We also included a mix of people who would be more or less likely to use a PHO scheme to buy a home.
- Fieldwork was conducted from 31 August to 9 September 2020.

\* The provincial locations included Tauranga, Napier City, Hamilton, Kapiti Coast, Nelson and Dunedin.



# Overview



**MINISTRY OF HOUSING  
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# Overview

The name of the Progressive Homeownership (PHO) product is **essential to get right**. It forms the first associations, impressions and understanding. Shared Ownership isn't particularly aspirational and is misleading as a name. We saw over and over again in the discussions we had with people that the Shared Ownership name causes people to make mistaken assumptions about what was on offer, and to dismiss the entire concept based on these assumptions. It incorrectly conjures up sharing the home with other individuals or leveraging someone else's equity, and misses the point of what motivates people to own their own homes.

**It was only after seeing the detail of the Shared Ownership product that opinions changed and those who initially dismiss the product become positive about the idea.**

Rent To Buy is appealing as a concept, but **once the Shared Ownership concept is explained**, Cohort B are more likely to **choose it to help them own their homes**. The Shared Ownership concept appeals because it:

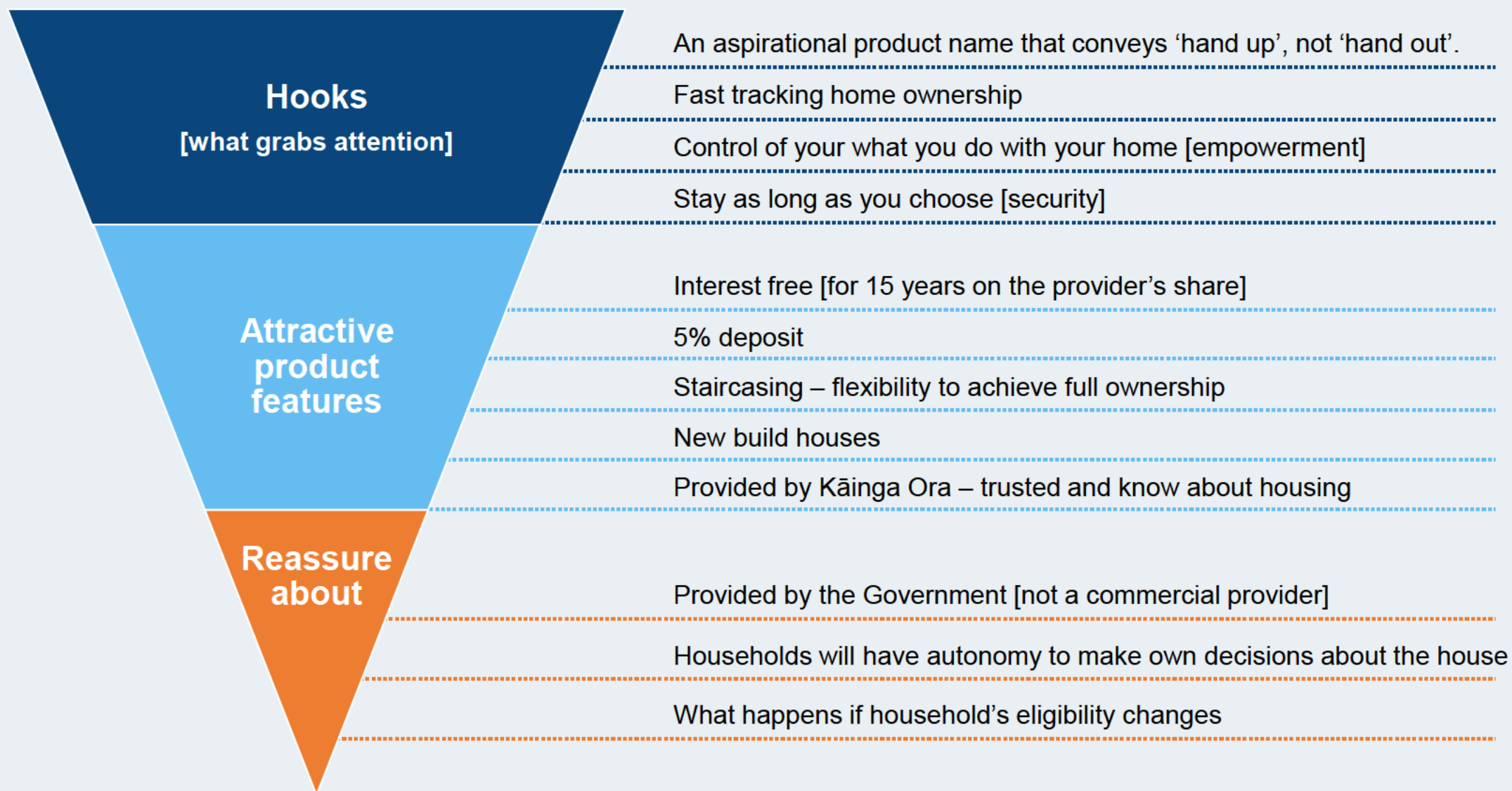
- *Feels* like home ownership – in comparison to other PHO concepts, which can still feel like renting or being in/on someone else's house or land
- Provides a **clear pathway** to full ownership – providing an extra layer of motivation
- **Fast tracks** home ownership – getting onto the property ladder sooner and paying it off faster
- Makes home ownership **feel more feasible** through its interest free, 5% deposit, and staircasing features.

**A government agency's involvement as a provider is integral to the idea as it would engender trust.** Its involvement is seen to have the right intentions – positive social outcomes, not financial gain. It is also seen to be more accountable as it is in the public limelight. Kāinga Ora in particular is considered the agency that fits best because housing is its main focus and people relate positively to the organisation.

Provision of **support services** shows the provider cares, and it wants the household to succeed. Cohort B sees value in offering these services, but on a 'as needed' basis.



## Encouraging uptake of the shared ownership scheme





# The desire to own



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Cohort B have a strong desire to own their own home. Ownership would provide empowerment and security.

Cohort B are painfully aware of the limitations of renting. They have a strong desire to own a home that is ‘theirs’.

They are searching for more **empowerment and security** through home ownership. It will be key to promote these elements in communication about PHO products to encourage uptake.

- Empowerment to make their own choices about what they can and can't do with the property. The ability to knock down walls or paint a wall without the landlord's permission.
- Security to be able to stay in their home if they so choose. Not feeling at the whim of a landlord and their plans.

“

*“You can do what you want. You can treat home as your own.”*

[North Island provincial, likely to use PHO schemes]

*“I don't like the uncertainty of renting. You don't know if you can remain in your home. Landlords can say they're buying a property for the long term, but then change their minds. And then there is the stress of finding somewhere else as there is not much around.”*

[North Island provincial, less likely to use PHO schemes]

*“I want to do work to the property. I could build a deck out the back, but why would I? What's the point? It would just benefit the owner.”*

[Auckland residents, less likely to use PHO schemes]

”



## But, Cohort B are unlikely to be able to afford to buy their home

- Echoing the findings from the quantitative research\*, affordability is a key barrier to home ownership. Affordability can be about the deposit and/or the mortgage repayments:
  - Some are struggling to get a deposit together.
  - Others might have a small deposit but wouldn't be able to afford the mortgage repayments.
  - And others struggle with both the deposit and the mortgage repayments.
- Rising house prices mean that most are unable to get enough to jump into the property market – some are no closer than they were previously despite continued savings.
- Cohort B feel the PHO concepts would be of real help to achieve home ownership. In turn, creating empowerment and security for themselves and their whānau.
- They see it as an 'acceleration'. It takes the prospect of home ownership from something in the distant future to something that is possible now.

“

*“House prices in Dunedin have just gone crazy.  
I moved back with my parents to save for a  
deposit but the prices are going up and up and I  
need to save more and more.”*

[South Island provincial, likely to use PHO schemes]

”





# What's in a name?



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**COLMAR BRUNTON**

A Kantar Company





**A fair bit is in a name.**

**It's the first piece of information. It creates the first impression.**

**We form associations and judgements on this first piece of information.**

**It's the clue to what the concept actually is.**

**It risks confusion if poorly named.**

**Or worse, it can mislead if misunderstood.**



Just based on the name (and no further information), Rent To Buy and Leasehold Houses are mostly self explanatory. Yet, Shared Ownership creates the most confusion.

This is largely because Rent To Buy and Leasehold are more common concepts that Cohort B are familiar with.

#### THE NAME

### ‘Rent To Buy’

- Most appealing.
- Most easily understood.
- Will eventually own, and ‘we pay rent anyway’.
- Some misinterpretation that 100% of rent payments goes into the mortgage.

#### THE NAME

### ‘Leasehold Houses’

- Least appealing.
- Easily understood and many have heard of this before.
- Understand (from the name and own knowledge) the household doesn’t own the land.
- Non-land ownership does not appeal.

#### THE NAME

### ‘Shared Ownership’

- Confusing.
- Who owns what?
- Assume sharing ownership with other individuals who would live in the house too - and with it concerns that the house won’t feel like it’s ‘fully yours’.
- Implies 50/50 ownership.



# High level impressions of the PHO schemes



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After explaining each scheme, shared ownership  
becomes more appealing.

Rent to buy continues to be attractive, and

Leasehold houses is still least appealing.

“

*“I’d consider using both the Shared Ownership and Rent To Buy. Both are good ideas.”*

[North Island provincial, likely to use PHO schemes]

*“For me, this time last year when I was single [Shared Ownership] would certainly make it seem a lot more achievable. Now that I’m with somebody, it certainly makes it definitely achievable.”*

[Wellington residents, likely to use PHO schemes]

*“I’ve always been told that leasehold is something to stay away from. The land has the real value.”*

[Auckland residents, likely to use PHO schemes]

*“Shared Ownership is a win-win. I get into a house and a get to pay off part of it interest free.”*

[South Island provincial, likely to use PHO schemes]

”





EXPLAINED

## Rent To Buy scheme

Under a Rent To Buy scheme the provider purchases a house outright. The provider then enters into an agreement with a household that allows the household to rent the property and gives it the right to buy the property at any point within a set amount of time (e.g. five years).

The rent that a household pays is often set at below market rent. This provides the household with some financial headroom to save for a deposit, which it can use when it exercises its right to buy the property. Alternatively, a standard market rent could be charged with the provider setting aside a portion of that rent as a deposit on behalf of the homeowner.

Rent To Buy mostly appeals for its low market rent, helping households to achieve a deposit. Its biggest drawback is that it still feels like renting (with the many pitfalls of renting).

## The good...

- Low market rent.
- Allows room to save for a deposit.
- Could be a way to get into a desirable suburb.
- A forced savings scheme for those who struggle to save.

## The bad...

- Uncertainty about why a provider would get involved in a scheme like this – what's in it for them?
- When explained it is characterised as essentially 'cheap rent.'
- It still feels like a rental.

## The questions...

- Would I buy the house at the current market rate or the value when I entered the agreement?
- Would I be able to make changes and do renovations or would I need permission?
- What happens to the deposit if I decide not to buy? Are you stuck in a contract?
- How much lower than market rate would rent be?
- At what point does it become yours – when it's 50/50?



# Leasehold Houses scheme



## Making home ownership affordable

How can a family on a moderate income of \$85,000 afford to purchase their first home?



### Leasehold example:

The household purchases the leasehold property, which is set at the cost of house construction.

The household has a 100 year lease set well below market rates, which only ever increases with annual inflation.

House price is \$650,000

Family buys house at cost to construct (\$350,000)

Family provides a minimum of 5% deposit (\$17,500)

Family takes out a mortgage for rest of house cost (\$332,500)

Provider owns the land and the household pays a ground rent that is set at 1.5% of the land value.



Family pays weekly mortgage payments and rates, insurance and ground rent.

The household has guaranteed security of tenure and affordability for 100 years.

When the family decides to leave the home, it sells the house back to the provider at original purchase price plus inflation.

Find out more information at <https://www.hud.govt.nz/residential-housing/progressive-home-ownership>



Leasehold Houses hold the least appeal mainly for reasons of lack of control and autonomy.

## The good...

- A stepping stone to full ownership.
- Wouldn't be my 'forever home', but would be a step towards it.

## The bad...

- Not full ownership – still have empowerment and security issues as with renting.
- Paying for the land anyway through ground rent.
- Ground rent could increase and become unaffordable.
- Unable to leave as inheritance.
- Māori households are connected to the land, and the household doesn't own this land they are connected to.
- If it's someone else's land, they have control.
- Selling back the house at original price would mean no capital gains to help you buy another house.

## The questions...

- There are few questions about this – people understand the concept yet generally dismiss it as not for them.

# Shared Ownership scheme



## Making home ownership affordable

How can a family on a moderate income of \$85,000 afford to purchase their first home?

### Shared ownership example:

The family owns a majority share of a home, and a provider owns the remaining share.

The household can buy the provider share out over time.

House price is \$650,000

Family provides a minimum of 5% deposit (\$30,000)

Family takes out a mortgage for a 65% share of the house (\$425,000)

Provider takes a 30% share of the house (\$195,000)



Family pays weekly mortgage payments and rates, insurance etc (around 30% of household income).

The household has 15 years to buy the provider share and can buy out at any time – often called staircasing out.

When the family decides to leave the home, any increase in house value is shared between the household and provider.

*Note: In talking with people, we noticed this visual diagram helped people understand and digest the concept.*



While there are questions about the Shared Ownership product, it has strong appeal. There is a greater sense of control and a clear way to achieve full ownership.

## The good...

- Makes home ownership manageable.
  - 5% deposit feels achievable.
- Household owns majority share – a greater sense of control than renting.
- Opportunity to fully own the home in 15 years.
- A sense of control – as long as the provider was a ‘silent partner’.
- Feeling of progression towards home ownership with staircasing feature.

## The bad...

- Cohort B don't see any real downsides, but have some questions...

## The questions...

- Do I also pay rent to the provider?
- What happens if I can't afford to buy out the provider's share after 15 years?
- If improvements or repairs are made, who pays for this?
- Will banks lend for this given there is only part ownership?
- If I sell, what proportion does the provider get? Is this based on their original input, or the value of the house now?





# **Digging deeper into the Shared Ownership scheme**



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## EXPLAINED

# Shared Ownership eligibility criteria explained



Who is this for?	First home buyers who aspire to owning their own home in areas of New Zealand where it is difficult for them to get loans and financial assistance from organisations such as banks and other financial lending institutions. This can include families who are either having trouble saving enough for a deposit or are not able to afford the ongoing costs of a mortgage at current house prices.
What type of properties?	Ideally for new build houses where the code of compliance has been issued within the last two months.
Household income criteria?	For households with an income of up to \$130,000 per year. Although exceptions will be considered for multi-generation households (e.g. owned with parents, grandparents, aunty or uncle).
What is the maximum price of the house?	<div>s 9(2)(f)(iv)</div>
What is the maximum amount of the loan?	<u>By the primary lender/Bank</u> This likely to be about of 70 – 80% of the house price.
Who funds the balance of house price, and buy what amount?	<u>The borrower/household</u> The household will be able contribute a reasonable amount from their own sources (e.g. cash, investments, KiwiSaver). This would be a minimum of 5% of the house price. <u>The provider</u> Would make up the balance needed after the contributions from the Bank and the borrower/household. This balance would be the proportion the provider owns.
What would be the maximum term of the loan with the bank?	This would be agreed with the Bank, but is usually up to 25 to 30 years. The borrower would be responsible for paying back the loan and interest.
What would be the maximum term of the provider's share of the house?	A maximum of 15 years and it would be interest free. The household can repay the provider's share by any one or a combination of: – A lump sum payment made for the whole amount that is outstanding on or before loan expiry date; – Progressive repayments from borrowers'/households' own resources; – Sale of the house at any time before the end of the 15 years. Where the borrower/household makes progressive repayments, the proportion owned by the borrower/household and the provider will be adjusted accordingly.
Who owns what?	The borrower/household and the provider will own the proportion of the house they bought.



## Four key product features that particularly appeal to Cohort B

### 1 Interest free for 15 years on the provider's share:

Saves the household money and potentially able to put the interest saved towards buying the provider's share.

### 2 New builds

Complies with building requirements.

Minimal maintenance and repair costs.

Will have a warm, dry home (unlike many rental properties).

### 3 5% deposit

A deposit of this size is achievable – many have already started saving for a deposit and is something they can manage.

In some cases this means that people are in a position to take part in the scheme immediately.

### 4 Staircasing

Ability to repay progressively makes full ownership more achievable.

15 years seems a reasonable time to pay off the provider share.

“The interest free stands out for me. Not paying interest on 30% for 15 years really appeals.”

[North Island provincial, less likely to use PHO schemes]

“New builds means it will be up to scratch, it will meet the building requirements. With old houses, there is a lot of stuff that needs to be looked at.”

[Wellington residents, likely to use PHO schemes]

“New builds means I wouldn't have any concerns about insulation or double glazing. It will be a warm home.”

[North Island provincial, less likely to use PHO schemes]

“That would mean I would have to access my KiwiSaver. I'd be able to get straight into the property ladder without having to wait.”

[South Island provincial, likely to use PHO schemes]

“I'd try and pay it off over time. It would be motivating because I'd feel like I was owning more and more of the house.”

[Auckland residents, likely to use PHO schemes]



Proportion owned criteria: A 70/30 split feels about right as there is a desire to maximise the proportion that is interest free while still wanting to own a majority share

- There is a balance to be achieved in the proportion owned by the household and that owned by the provider.
- On the one hand, Cohort B want to own a majority share. This would mean the property feels more like their own. It also makes progression to full ownership feel more achievable as there is a smaller proportion to buy off the provider.
- But at the same time, Cohort B want to make the most of the interest free feature.
- Balancing out these two tensions means a 70/30 split feels right for Cohort B.

“

*“Definitely want a larger proportion than the provider. It makes us the main shareholder in the house. We own the majority and there is less to buy out at the end.”*

[North Island provincial, less likely to use PHO schemes]

*“If I could have 55% and the provider 45% that would be ideal because it still feels like my home but I get a larger interest free portion. But 70/30 still feels fair.”*

[Auckland residents, less likely to use PHO schemes]

”



## Maximum can borrow criteria: This raises concerns for Cohort B that they could end up overstretching and overshooting

- Most interpret this as the maximum the bank will lend you, while others assume that the buyer decides how much they are willing to borrow as part of the scheme.
- Some uneasiness exists with this as Cohort B would like a buffer, a safety net. They don't want to be overstretched and there is some concern that they would still be at the maximum they could handle week to week.
- Cohort B also express concern that borrowing the maximum could mean they 'overshoot' – they end up in a situation with a house that is beyond their needs or in a 'nicer' suburb than necessary.

“

*“I certainly wouldn't be keen on that [borrowing the maximum] because I just like to have a buffer generally with things. And not necessarily expecting anything to happen, but just in case it did.”*

[Wellington residents, likely to use PHO schemes]

*“I feel like it could lead to people buying houses they don't necessarily need or even want. Or buying in areas that they've got no real interest in being because it seems like a nice area or because it's going to get your kids into a really fancy school.”*

[Wellington residents, likely to use PHO schemes]

”



## Maximum house price the household can buy criteria: Cohort B are comfortable with setting a maximum house price as long as it is reasonable for the area

- Cohort B are mostly relaxed about a maximum house price criteria.
- Their biggest concern is that it is set at a price that is reasonable for the area they are buying in. If it was too low for the area, they wouldn't be able to find a place and would be priced out of the market.
- However, if the maximum is set too high it risks encouraging people to become overstretched and buy beyond their means or need. Others doubt this would be an issue as the product's aim is to achieve affordable housing, so the maximum house price is unlikely to be too high.
- There is a sense that \$650k feels too low given rising house prices. Some assume that to get a house at this price they would need to live on the outskirts of town, which is less appealing.
- In addition to location, Cohort B believe the maximum house price threshold should be determined by features such as the size of house, number of bedrooms and bathrooms, and proximity to amenities.

“

*“As long as it fits the area that you're buying in. I feel like a lot of the usage of this thing [scheme] would be in your major cities, because if you're buying a house in one of your regional areas, they tend to not to be anywhere near the prices of cities, and they are a lot more accessible.”*

[Wellington residents, likely to use PHO schemes]

*“I'm not so comfortable with this. It seems risky. In the current climate there is a lack of job security. What if your circumstances change, like you lose your job?”*

[North Island provincial, less likely to use PHO schemes]

*“I don't really see it affects things much because I gather it [the scheme] is about affordability. So, I wouldn't expect to see this with a property above or even around the cap.”*

[Wellington residents, likely to use PHO schemes]

”



## 15 year term criteria: Cohort B are comfortable with this time period

- The 15 year time period feels very reasonable and achievable. Cohort B like the shorter timeframe (when compared to the length of a mortgage) because it feels like they would own their home sooner.
- There are no concerns about being able to pay it off in this timeframe. The option to sell if there was a short fall gives some added security.
- Some state that they would prioritise paying the provider first and make the minimum mortgage repayments, as they would be more motivated to own the house outright.

“

*“Certainly, you do need that kind of solid fifteen years to make it a workable arrangement.”*  
[Wellington residents, likely to use PHO schemes]

*“15 years is actually pretty motivating. I’d own the house a lot quicker than I would if I was just paying down the mortgage.”*  
[Auckland residents, less likely to use PHO schemes]

”



## But, some uncertainties exist....

- Still have to wait for full ownership.
- Provider could still be too involved (don't have full autonomy).
- What happens if my eligibility changes [e.g. I earn more than \$130k]?
- What happens if I can't meet my mortgage repayments?
- Doesn't solve the housing supply issue, so it will still be difficult to find a property.
- There isn't land available in the suburbs I'd want to live in.
- What happens if the Government brings in capital gains tax? Who pays what?

“

*“It's still shared. I want total control. It's still not 100% mine.”*

[Wellington residents, likely to use PHO schemes]

*“Our household income is pretty close to that. What happens if we go over the threshold?”*

[North Island provincial, less likely to use PHO schemes]

*“Who pays for repairs and maintenance? Would we pay a proportional share?”*

[Auckland residents, likely to use PHO scheme]

*“I wouldn't like it if I had to go back to the provider every time I wanted to put a nail in the wall. Do I always need their permission to say ‘yes you can?’ It wouldn't feel like my home.”*

[Auckland residents, less likely to use PHO scheme]

”





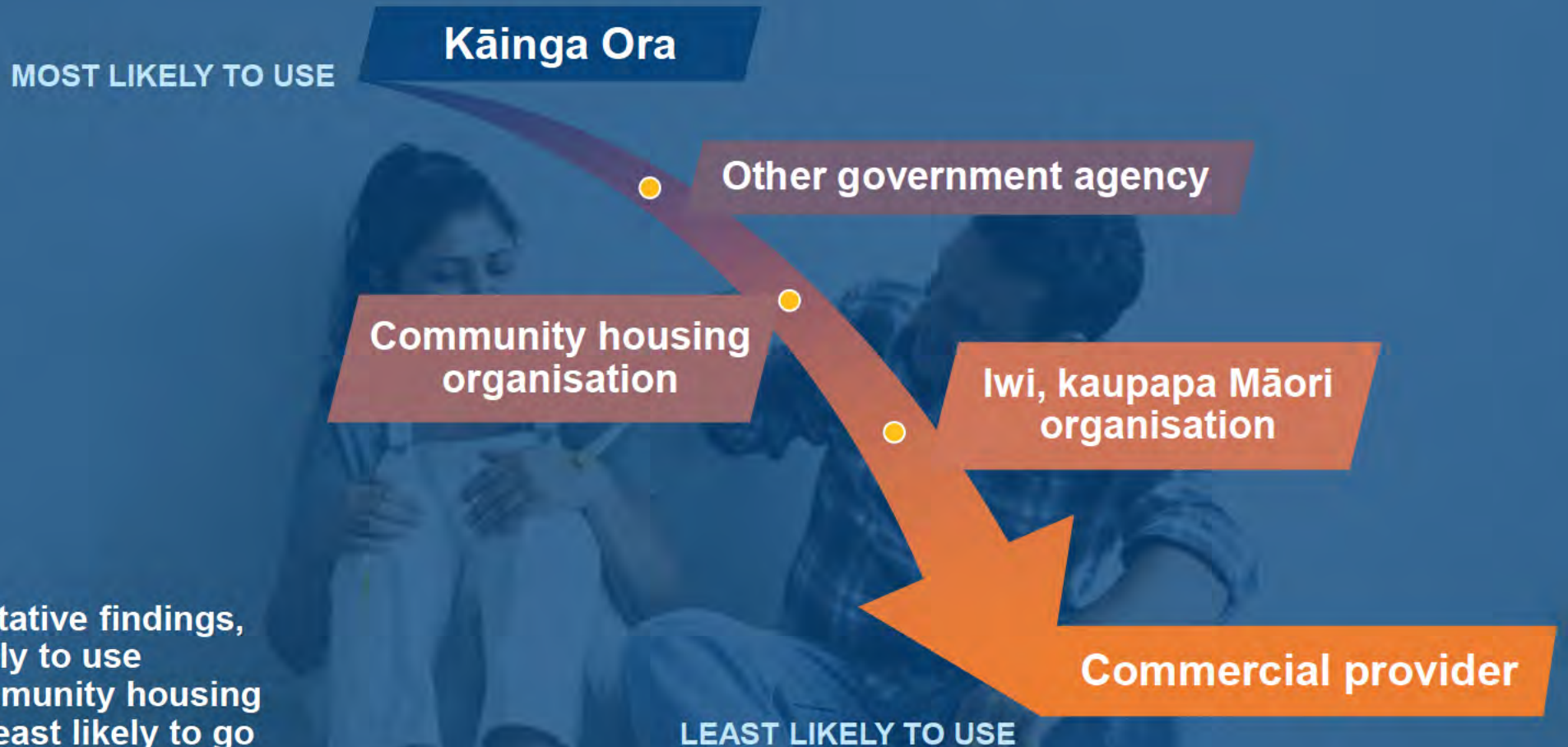
# Provider preferences



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# Who provides the scheme is critical to uptake



Similar to the quantitative findings, people are more likely to use Kāinga Ora and community housing organisations, and least likely to go with a commercial provider.



Kāinga Ora and other Government agencies are trusted, seen to have the right intentions, and likely to be held to account

- The penny drops when people hear that Kāinga Ora is behind the scheme. Cohort B feel government agencies and Kāinga Ora are motivated by good social outcomes (rather than financial gain), which gives a sense of comfort and answers many of the initial scepticism that Cohort B had.
- Kāinga Ora are trusted, have the right intentions, and are not in it to make money – all of which make the concept more appealing.
- Housing is Kāinga Ora business – people trust that it generally knows how to get housing right, and they wouldn't be 'caught out'.
- There is a greater sense of accountability and feeling that an organisation like Kāinga Ora would work with Cohort B's best interests at heart (compared to a commercial provider).

“

*“When you say it's Kāinga Ora it all makes sense now. The interest free part of it makes sense. I was trying to work out why anyone would offer this, there must be something in it for them, but now I understand why.”*

[Auckland residents, less likely to use PHO schemes]

*“I would feel more comfortable. Because they are a government agency they've got to stick by certain rules, and if they mess you around, you can go to the media, you have a little bit of control.”*

[Wellington residents, likely to use PHO schemes]

”



## Community housing organisations, iwi and kaupapa Māori organisations are seen as reasonable options

- Community housing organisations:
  - In the housing area, so makes sense
  - Would need to be reputable and have a proven track record
  - Who holds the organisation to account?
- Iwi and kaupapa Māori organisations:
  - A good option for Māori but likely to exclude non-Māori.

“

*“I think it would depend on who they were and what their reputation was.”*  
[Wellington residents, likely to use PHO schemes]

*“I’d consider this because I know there are some good community organisations out there. But if I had the choice, it would be Kāinga Ora.”*  
[South Island provincial, likely to use PHO schemes]

”



Cohort B would steer away from a Progressive Home Ownership scheme from commercial providers.

- There is a lack of trust in commercial providers – Cohort B assume these providers are motivated by financial gain and are sceptical of the intentions and motivations for any commercial entity's involvement.
- There is more risk that a commercial provider may 'fall over', which may mean losing their homes.
- Most dismiss the concept if a commercial provider is behind it – there are too many uncertainties and a lack of trust.

“

*“The problem is even worse with commercial operations because as much as they’re like ‘look at this great thing we’re doing in the community’, it’s basically just corporate social responsibility and they don’t give a crap. They just want to make money.”*

[Wellington residents, likely to use PHO schemes]

*“They might go out of business and then what happens? Building companies go out of business all the time.”*

[South Island provincial, likely to use PHO schemes]

”



# The need for support services



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- Cohort B like the idea of having various support services available. It's comforting to know support is available.
- However, there is a sense that while these services would be 'nice to have', they feel others could be more in need of these services. Cohort B tend to feel they are relatively self-sufficient.
- Cohort B also assume there would be a fee attached for this support. They wouldn't expect to receive these services for free, but would expect them to be offered at a reasonable rate.

“

*“I think it's important to have services like these for those people who need them. It's really important for people with no control over their finances or struggle to understand this stuff.”*

[Wellington residents, likely to use PHO schemes]

*“It's important to offer additional services to support first homeowners more holistically, turning the experience of buying a first home to a whole supported journey.”*

[North Island provincial, less likely to use PHO schemes]

*“I guess it would have to be affordable as well. I assume that it would be user pays because it seems to be only fair way. I don't think every New Zealander should pay for me to get advice on how to budget my money. But at the same time, I also don't think that it should be at the point where I'm spending so much money that I might as well be hiring an accountant. It has to be that balance of making it affordable and accessible without being ridiculous.”*

[Wellington residents, likely to use PHO schemes]



## Reaction to specific services: Cohort B see most potential in regular reviews, as well as advice about budgeting and finding a house

### Regular review with your PHO provider to discuss how it is going financially and any problems you're having

- Helpful if you find you are struggling, but could be intrusive if you are doing okay.
- A good way of pre-empting any issues before it becomes a problem, e.g. falling behind on repayments.
- Having a service available (even if they don't use it) gives the sense that the provider cares and won't just ditch you once the sale goes through.

### Budgeting advice to help manage your monthly bills

- Valuable for those who need this kind of assistance.
- Especially valuable if it helps with working out how to purchase/afford the provider's share of the house.
- Appeals if this service provides a sense of how attainable home ownership is for an individual using a PHO scheme.

### Help finding a house to buy

- See real value given current climate and how difficult it is to find a property.
- Would value an understanding of how to go about the process.
- Like the idea of someone to talk through the processes in terms of conveyancing, lawyers, relators, etc.
- A few don't understand why this would be offered as they assume Kāinga Ora would also build and supply housing specifically for this scheme.

### A home maintenance course

- Some in favour of taking a course. See value in being able to do own maintenance to save money.
- Others feel it would be 'a nice to have' as the information can be found elsewhere (e.g. YouTube videos teaching home maintenance).
- Also doubt if this service would be needed given houses are new builds.

### Advice on how to pay your existing debt down quicker so you can afford a house sooner

- Tools available elsewhere to help with this (e.g. [sorted.org.nz](https://sorted.org.nz)).

### Help accessing social services

- Limited interest amongst Cohort B.





FOR FURTHER INFORMATION  
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