



## PLAYING FOR HOME RUNS

There's an urban myth that practically all New Zealanders own their own homes. Back in early 1992, three out of four people did. Most of the rest were tenants, three per cent in state housing.

Today, just two-thirds of people own their own homes. Three per cent live in state housing, which leaves about 30 per cent who rent – up from 23 per cent in 1992.

That's close to a one in three ratio.

Reasons for renting include the burden of student loans, or the increased age at which people are marrying and having children – six years later than their parents did. Flexibility is king, and a mortgage may be unattainable or a millstone.

A new book by Paul and Stella Winstanley, *Buying a Home Isn't Everything: How renting can work for you* (New Holland, \$24.99), offers sound, well-considered advice and encourages readers to

think about whether ownership is the best option. Owning a home offers a sense of financial security and potential for capital gain, plus the freedom to create the living space you want, but it has its downsides, too.

Affordability is a big issue. Many can't afford a first home without parental help or a 90 per cent (or even a 100 per cent) mortgage. This equals huge exposure to debt. Extending a mortgage over 25 or 30 years to make the payments lower can double the house price.

The authors suggest renting is attractive because of the range of properties available, from simple dwellings to upmarket apartments. It also offers flexibility. For the young on a fast career path, the time, energy and expense of buying and selling are not worth it if they intend to move or travel. Instead of borrowing from the bank, why not rent and invest the rest?

Renting can also make financial sense for those working towards buying. It provides a chance to maximise your income, build up a larger deposit and wait for a better moment in the property cycle, which is overheated. ■



## MONEY TALKS

Susanna Stuart weighs home ownership against renting – with surprising results

### MAKING CENTS

Send your questions to [next@acpmagazines.co.nz](mailto:next@acpmagazines.co.nz)

**Q** I live in Auckland, and buying a property just isn't feasible on what I earn. Is this likely to change in the future?

**Zoe, Auckland**

**A** No. Home affordability is declining, according to a recent Massey University study, and has done so every quarter for the past four-and-a-half years because median house prices are rising faster than the average weekly wage. And this is despite low

unemployment and a healthy job market. Over the past year, the decline in affordability was 7.3 per cent, with an increase in house prices of 10 per cent. Interest rates are pretty moderate but, even so, housing is less affordable now than it was in early 1989 when mortgage rates were 15.5 per cent. If you want a house, then going in with a partner is the best solution. Or consider moving to another city.



### tenants need protection, too

**Landlords have many stories about careless tenants, but tenants also need to protect themselves in the housing market.**

- ✱ It pays to know your rights and obligations as a tenant. Valuable information about this can be obtained from the Department of Building and Housing's helpful website ([www.dbh.govt.nz/tenancy-index](http://www.dbh.govt.nz/tenancy-index)).
- ✱ Take out contents insurance to protect your own property against theft.
- ✱ Consider taking out personal liability insurance to protect yourself against any damage that may be caused while you're the tenant. Imagine you left a tap on and flooded the carpet, or your dodgy old toaster caught fire. You'd be liable to pay for damages. Insurance is vital.