

Benefits of Home Ownership Not Just Economic

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The debate on home ownership has tended to come from a fiscal perspective – whether the cost of owning a home is out of reach for many middle- to low-income families. Since 1991, home ownership rates in New Zealand have fallen from 74% to 67%, and most notably for the twenty and thirty-year-old age groups – the young kiwi families.

But is there also a societal cost of making home ownership a diminishing prospect? Does it really matter whether we own or rent the house – as long as we have a shelter over our head?

Ex-Labour Prime Minister Mike Moore once quipped to me “nobody has ever cleaned a rental car!” I’m sure there are exceptions to this rule, but there’s an inherent truth to his statement. Ownership does affect our attitude. A recent survey of NZ Salvation Army staff noted that a lack of home ownership can bring a “sense of disenfranchisement from the community.... They have no stake in the area in which they live and know it is likely that they will soon be moving.”

The New Zealand Institute in their 2004 Report “*It’s Not Just About The Money*” highlights research which shows links between asset ownership and reduced depression, alcohol abuse, and domestic violence, and increased marital stability and educational attainment in children.

Even the government has acknowledged, in the NZ Housing Strategy (2005), that homeownership brings non-fiscal benefits; including a degree of tenure security, and a stable environment providing continuity of education and healthcare opportunities.

Former Australian Prime Minister Robert Menzies, in his ‘Forgotten People’ address in 1942, said “...one of the best instincts in us is that which induces us to have one little piece of earth with a house and a garden which is ours, to which we can withdraw, in which we can be among our friends, into which no stranger may come against our will.”

Menzies was fully aware of the generational and societal benefits of home ownership. He said “The home is the foundation of sanity and sobriety; it is the indispensable condition of continuity; its health determines the health of society.”

1920’s US president Herbert Hoover labeled home ownership “a more wholesome, healthful, and happy atmosphere in which to raise children.” 1960’s president Lyndon Johnson declared that “owning a home can increase responsibility and stake out a man’s place in his community....The man who owns a home has something to be proud of and reason to protect and preserve it.”

During President Clinton’s term, the US Department of Housing and Urban Development (HUD) released a Policy Brief examining homeownership and its benefits.

According to the report, the benefits included:

- * Better Self-esteem – for example, ownership as an indicator of personal success
- * Control – increasing the homeowner's sense of control over their life by offering greater privacy and protection against involuntary displacement
- * Life satisfaction - Chicago based research found that children of homeowners are significantly less likely to drop out of school, to have children while a teenager, or to be arrested before age 18. The differences were largest among low-income households
- * Upkeep - Duke University research found that owners spent more on maintenance, were less likely to defer repairs, and reported fewer housing problems. Again, the contrast was "especially strong when comparing low-income households," suggesting that increasing ownership among such families could have a marked effect on neighborhood housing conditions
- * Crime Prevention - stable neighborhoods seem to deter crime. Strangers are recognisable and residents, by the everyday acts of watching and using their surroundings, discourage illegal activity
- * Social Activism – owners seem more willing to commit time and resources to organisations and activities that promote and address local issues

As already mentioned, children benefit from home ownership. A 2002 study by Ohio State University found that owning a home compared with renting led to greater cognitive ability and fewer child behavior problems. Math achievement was up to 9% higher, reading achievement up to 7% higher, and children's behavioral problems were 1 to 3% lower.

However, the HUD report did warn that there were some downsides to owning a home. Mobility could be limited when searching for better employment opportunities (which would be true in the more rural areas of NZ but not in the larger cities), and low-income households which experienced a long-term job loss or unexpected medical or family-related cost were at risk of defaulting on the mortgage payments – argued to be more traumatic than missing a rent payment.

Perhaps one organisation who has understood the benefits of home ownership is Habitat for Humanity NZ, a Christian not-for-profit organisation that builds and sells simple, decent homes with affordable payments.

As explained on its website, “through volunteer labour, management expertise, and tax-deductible donations of money and materials, Habitat builds and rehabilitates homes with the help of the homeowners. Each homeowner family is required to invest 500 hours of "sweat equity" into the construction of their home or the Habitat programme. This allows homeowners to work alongside other volunteers, increasing the pride of ownership among family members and fostering the development of positive relationships within the community.”

If a charitable organisation with volunteer labour, discounted materials and donations can put almost 300 families into the position of owning their own home in NZ, surely the government with its huge resources and willpower can achieve far greater.

It's an investment that will reap dividends to both the homeowners and the community.