Housing - New Zealand's Tenure Revolution and Implications for Retirement Incomes
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<u>Summary by CFFC</u>

NZ retirement income settings have assumed that older people come to retirement as owner occupiers and, subsequently:

- That superannuitants have no rent expenditure, and have discretion around housing-related costs such as maintenance
- That the liquidation of superannuitants' housing wealth can be used to sustain their living standards

The authors challenge these assumptions because:

- The rate of owner occupation among pre-retirement cohorts is declining
- The exposure of older age groups to debt is increasing (some older owner-occupiers sell and move to rental accommodation to clear debt)
- Instruments to release home equity such as reverse mortgages are costly and have low take-up
- There is variation in house prices and capital gains – high capital gains apply to a minority of houses
- House prices are subject to unpredictable risks such as natural disasters and the effects of climate change
- There is limited stock of smaller dwellings for those who would like to downsize; some retirement village residents chose to live in a village only because they could not find a suitable dwelling on the market
- Downsizing to a retirement village exposes residents to ongoing fees and restrains the extent of future equity release
- Downsizing via moving to renting exposes the renter to additional non-discretionary housing costs

The authors conclude that resolving New Zealand's crisis of supply and affordability of housing is critical for ensuring adequacy of retirement incomes.