<u>Kiwisaver First Home Grant Flaws</u>

<u>How the current criteria is unfair outdated and adds to the Housing Crisis</u>

*'The **KiwiSaver** scheme, a New Zealand savings scheme, came into operation from Monday, 2 July 2007. Participants can normally access their KiwiSaver funds only after the age of 65, but can also use them as a deposit for a first home. When buying your first home you may be able to make a one-off withdrawal of most of your KiwiSaver savings – as long as you've been a KiwiSaver member for at least three years. You also may even qualify if you have owned property previously. '*

In addition to a KiwiSaver savings withdrawal, there's also the KiwiSaver First Home Grant. If eligible, the government may also give you up to <u>$5,000 towards buying an older, existing home</u>, or up to <u>$10,000 towards buying a new home or land to build a new home on.</u>

However the criteria are floored.

<u>KiwiSaver First Home Grant -</u> *How it works. You can apply for either:*

- *a pre-approval before you start looking for a property to buy – this gives you certainty around eligiblity and how much you may qualify for or;*
- *a grant approval if you've found a property and have a signed sale and purchase agreement.*

If you buy an existing home, you can get $1,000 for each of the 3 (or more) years you've paid into the scheme. The most you can get is $5,000 for 5 or more years.

If you buy a new home or land to build on, you can get $2,000 for each of the 3 (or more) years you've paid into the scheme. The most you can get is $10,000 for 5 or more years.

People who prefer older homes or those that can only afford an older home are disadvantaged.

In some areas new builds are not available, if families want to remain in the same area that they have been renting for school and community.

There should not be a difference between buying a new build and land to buying an older home. The argument put forward is to encourage new builds, which is not necessary in this market, nor should it be a considered criteria in any market.

Why is choice removed for first home buyers.

Funnelling first home buyers into the same favoured market as investors (especially STRA investors and overseas investors), increases demand in that market and higher prices.

SUGGESTED SOLUTION: Do not differentiate between new builds and existing homes with respect to the amount of the grant.

https://kaingaora.govt.nz/home-ownership/first-home-grant/check-property-criteria/

The First Home Grant *can be used to help purchase new builds or existing properties up to the value of the price caps in your region.*

House price caps

Region	*Existing/older properties*	*New properties*
Auckland, Queenstown Lakes District	***$600,000***	***$650,000***
Hamilton City, Tauranga City, Western Bay of Plenty District, Kāpiti Coast District, Porirua City, Upper Hutt City, Hutt City, Wellington City, Tasman District, Nelson City, Waimakariri District, Christchurch City, Selwyn District	***$500,000***	***$550,000***
Rest of New Zealand	***$400,000***	***$500,000***

Again why are we differentiating between New properties and Existing properties. Some character properties are more expensive than new builds. First home buyers may want an older style house so they can afford a larger home for their family and to be near schools or in zone.

This restriction disadvantages the very people it is supposed to help. It is dictatorial and removes individual choice, it funnels people into the same housing market therefore in effect driving up price.

It also makes it more beneficial to buy a new build in a development which is also the property of choice for Airbnb investors.

The property price caps are static and in some areas too low. A prime example is in Dunedin where in 2019 saw the house prices outstrip Christchurch for first time in 30 years. Yet the price cap is $100,000 less than Christchurch and most of New Zealand. This trend continuing for Dunedin **https://blog.homes.co.nz/property-homeowners/homes-co-nz-monthly-property-update-november-2020/?fbclid=IwAR3t-w-iADztOOSAbtLk7ZRfLIVnO3Ltiv-j9zHTK8RIpufBqCq3Y9sB-pE**

ADDIT(Nov 2020): *Naturally with the current House Prices the house price caps for the Grant would make it almost impossible for anyone to receive the grant but in the present climate one would have to be very careful making any change.*

SUGGESTED SOLUTION: Do not differentiate between new builds and existing homes with respect to price caps. Have regular price cap assessments…. That can go up or down.

*One of the criteria the First Home Grant is that they are to be **used as your primary place of residence for at least 6 months from the settlement date.***

This enables people to purchase for Short term rental accommodation and to beat the system. It is not specific enough.

Some Real Estate agents have in the past stated in property information or promotional material such things as……' 'take advantage of the possible $20,000 First Home Grant for couples looking to buy together. Live in the property for 6 months then rent the property out as Airbnb. In the same property description stating the property was a " Airbnb cash cow". A crack down on this appears to have had some effect as to what agents are now stating in the listing information.

The above investment driven purchase enables more and more properties to be used for STRA (Short term rental Accommodation) adding to the reduction in affordable housing and in turn adding to the number of homeless. In effect the government is part funding the growth of STRA and in effect aiding the housing crisis.

This clause also restricts people/couples who say grew up in an area and want to move back there when they are married to be near family etc. They may have moved to another city for work and cannot afford to buy in that city eg Auckland or Wellington but would like to get on the housing ladder. They fit all the other criteria except they would not be living in the property initially. So these people are disadvantaged.

SUGGESTED SOLUTION IDEAS: Consider adding to the existing criteria of *'used as your primary place of residence for at least 6 months from the settlement date'* something to encompass the above scenario. eg

…. if the property is not in the purchasers city of employment then the property can be rented for long term Tenancy up to a maximum period of three years at which time you are to reside in the property for a minimum of 6 months.

Additional to this

…. that the property is not to be used for entire house STRA for a period of three years after settlement date.

Add a caveat to the effect that if it either of the above criteria is not adhered to then the First Home grant is to be repaid in Full.

This would still allow anyone to rent out a room to flatmates or operate as a hosted STRA, but not take property away from the housing market.

This should ensure that properties that have been purchased with government funding actually house people.