THE UNIVERSITY OF AUCKLAND
BUSINESS SCHOOL

Retirement Policy and Research Centre

Submission on the 2011 Census Questionnaire

10 July 2008

Background to this submission

The issue of the levels of home ownership in New Zealand has been controversial in recent years. Attached as an appendix is a paper written by Michael Littlewood in November 2004 and that discusses aspects of contemporary claims made about falling home ownership rates.

Concerns about home ownership levels have underpinned major changes in public policy, like the introduction of KiwiSaver, the first home subsidies in that scheme and proposals for helping first home buyers. Yet to date, we have had only a partial picture of what our complete housing stock looks like and who substantively owns it.

The five yearly Census is the only opportunity we have to find out this kind of information and the 2011 Census is the opportunity to settle some of the controversies. Only then can we have confidence in asset-ownership trends in New Zealand and the policies made on those trends.

1 The dwelling form and the issue of family trusts

Attached as Appendix 1 are the questions from the 2006 Census form on ownership status and some comments with specific reference to the issue of ownership by family trusts.

1.1 The story up to the 2006 Census

To recap briefly - the annual Censuses relied upon by many commentators indicate that home ownership dropped from 74% in 1996 to 68% in 2001. However, the data really only showed that the *declared* rate of home ownership had fallen to about the levels of the 1950s to 1970s. Aside from 1986-1996, declared home ownership rates had been reasonably consistent for around 50 years despite significant social changes in New Zealand.

One gap in housing numbers is that it is not known whether dwellings empty on census night were owned by their usual occupiers (such as holiday homes) or even owned by individuals who were not the usual occupiers (such as investment properties). In 2001, empty dwellings were nearly 10% of the total housing stock – and the proportion was probably rising.

Another gap was the rise in ownership levels by family trusts. In such cases, the apparent 'owner' will rent the family home from the trust and will probably pay no actual rent for that. The legal position is that the occupier doesn't own the home. The substantive position is different. It was not known how many homes were owned by family trusts (although the 1996 and 2001 Censuses tried to find out) but the proportion of "not specified" answers to the ownership question had grown from less than 1% in the 65 years to 1981 to about 8% in those two Censuses (1996 and 2001).

The "not specifieds" that were really family trust owners should have been in the "owner occupier" category. The same should have happened to the declared "renters" from family trusts who are really "owner occupiers" for the purposes of this part of the census. This alone would have tended both to increase the number of "owners" (by reducing the number of "not specifieds") and reduce the number of "renters" (and further increase the number of "owners").

1.2 The 2006 Census questions

Unfortunately, the questions in the 2006 Census form did not help to finally resolve the gap created in the data by family trusts. Attached as Appendix 1 are the questions and our comments at the time that identified the gaps in those questions.

In our view, the obvious gaps in the questions asked has left unnecessary doubts inherent in the final results.

The key question 7[1] was legally misleading and also incomplete if it intended to discover definitively whether the home is owned by a family trust. In fact, one person we tested the question on thought that even if there were individual trustees and one of them was an occupier, the answer to question 7 should still be "no". That's because he thought the verb "hold" applied only to the trust, not to the trustee. So, as occupier, he was not in a position to answer that question on behalf of the trust.

In any event, the words "hold in a family trust" are unusual – technically, a "trustee holds legal title **as trustee** on behalf of beneficiaries", or a "property is held **in trust**" by a trustee on behalf of beneficiaries. It would be unusual for anyone who understood the issues to describe the relationship in the way that question 7 framed it.

Most of those who have gone to the trouble of setting up a family trust have done so to minimise tax, maximise potential state-provided benefits and/or provide creditor protection (and sometimes to smooth the transfer of assets between generations). They will therefore be intuitively against saying what the real position is and giving only the information that they have to give. They can therefore be expected to answer only the questions they are forced to answer and only in ways that minimise the amount of information given.

We understand that the questions were tested before being finalised. Again, we suggest that the point of that testing was at least partly frustrated if the final questions could be construed in a way that did not yield the required information.

1.3 2006 Census results

In any event, the 2006 Census showed a further apparent drop in the level of home ownership.

> "In 2006, 66.9 percent of households in private occupied dwellings either owned the dwelling they lived in or held that dwelling in a family trust, with 54.5 percent of households owning the dwelling they lived in, and 12.3 percent of households holding the dwelling in a family trust."[2]

We suggest that this is probably a more accurate number than the previous Censuses but, for the reasons explained in this submission, still not accurate enough. The report from Statistics New Zealand does however note that:

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[1] "Do you, or anyone else who lives here, hold this dwelling in a family trust?"

[2] http://www.stats.govt.nz/census/2006-census-data/quickstats-about-housing/quickstats-about-housing-revised2.htm?page=para006Master

> "Home ownership has been declining since 1991. In the past 20 years, home ownership was highest in the 1991 Census, at 73.8 percent (although caution should be used when comparing home ownership trends with 2006 Census figures, due to the introduction of the new 'family trust' category)."

Whether or not we, as a country, should be concerned about such changes, if confirmed, is an open question but that is not the point of this submission. We cannot even tell whether we should be concerned if we cannot be confident of the data.

1.4 2006 census - Explanatory note

We suggest that the 2006 Census explanatory notes were misleading. In fact, they were legally incomplete. Here is the definition of a "family trust" that was used in the notes:

> **7 What is a family trust?**
>
> A family trust is a special way of owning property such as a home. The home is owned by a group of people, not an individual. The family trust arrangement will be set out in a legal document, usually called a trust deed.

As with question 7 itself, the explanation assumed that the trust property was legally held by individuals (in fact, several individuals). That is not a defining characteristic of a family trust and the respondent could legally answer "no" to whether the home is owned by a "family trust" if it is not owned by "a group of people". In fact, the trustees of a family trust can be individuals or a single company or a mixture of individuals and a company. The company trustee can be owned by the family or could be an arms-length entity such as a trustee corporation. While respondents may have known what the question intended, if they could see a gap in the definition that allowed the respondent not to give unwanted information, the 2006 Census potentially lost its coercive value to insist on accurate information.

1.5 Explanatory note- a re-worded explanation

On the assumption that question 7 had been more accurately worded, here is what the explanatory note should have said:

> **7 What is a family trust?**
> A "**trust**" is established by a legal agreement saying how assets are going to be managed and distributed. Property can legally be transferred into the trust and become owned by the trust. A "**family trust**" is usually for a specific family and the trustee(s) hold family assets on behalf of that family as beneficiaries. Often the family's home is owned by the family trust and the occupiers are tenants from a legal perspective. The occupiers may, but do not usually, pay rent to the family trust.
>
> For this Census, property held in trust (or by a trust) that is associated with one or more of the occupiers is to be recorded as being owned by the trust and not by the trustee(s), settlor(s) or beneficiaries of the trust who may occupy the house. In this case, the answer to Question 7 should be "no" and the answer to Question 8 should be "yes".

1.6 Suggested re-wording of Census form

We recommend that the questions used in the 2006 Census form need to be re-written in order to find out exactly what the ownership status of the family home might be.

Here are some suggestions:

7. Are you, or anyone who lives in this dwelling, the owner or a part-owner (with or without a mortgage)? If a family trust has any connection with this dwelling, please read the notes to this question before answering it. (If 'no', go to question 8 – if 'yes', go to question 10).

Comment: Whether or not the person (and/or someone else living in the house) is an owner is the most important first question. The issue of family trust ownership is subsidiary. Whether or not there is a mortgage is irrelevant to the question of ownership.

8. If you, or anyone else who lives in this dwelling, are <u>not</u> an owner or part-owner, is the dwelling owned (or partly owned) by one or more family trusts associated with one or more occupiers? – for a definition of a "family trust" see the explanatory notes.

Comment: If the economic substance of the house ownership is that the family (and not someone else owns it) that is the next question to establish.

There could be more than one family trust in a family where there are "mirror trusts" (one for each of the principal partners in the economic relationship).

If the respondent answers "no" to both questions 7 and 8 then the economic substance of the family's situation is that someone outside the family is the owner.

9. If nobody who lives here owns or part-owns this dwelling and it is not owned by a family trust associated with one or more occupiers (see question 8), who owns it?
   - private person or business
   - Local Authority (regional, city or district council)
   - Housing New Zealand Corporation
   - other state-owned corporation or state-owned enterprise,
   - or government department or ministry
   - don't know

   After answering question 9, go to question 11.

Comment: "Trust" has been deleted from the first option but it is otherwise unchanged from the 2006 Census form's question 10. There is the potential for confusion leaving "trust" in, given the preceding question 8's focus on family trust ownership.

10. Is there a mortgage on this dwelling on which interest and/or principal amounts are payable to a mortgage lender? If "yes" how much is the regular payment?
    - $
    - a week/fortnight/month/year (circle one).

How much is owed under the mortgage? $.........

Was the money borrowed under the mortgage used to buy and/or improve the dwelling (or for other personal needs)? (Y/N)

If "No", how much of the mortgage was borrowed for business purposes? $ ....

Comment: The 2006 Census question 13 ("Do you or anyone else who lives in this dwelling make mortgage payments for this dwelling?") is virtually meaningless. It does not tell us what the true nature of the "debt" actually is? Even if the answer were "no", that doesn't tell us whether there is a mortgage, only that there are no payments being made.

The suggested replacement question covers both direct and family trust ownership. Often, a transfer of a house to a family trust will be subject to any existing mortgages. These may be maintained by the occupiers directly though they should really be maintained by the new owner(s) – the family trust(s).

According to the 2006 Census results, 47.1% of homes held in a family trust were held subject to "mortgage payments". The fact that the other 52.9% were held "without mortgage payments" is not the same as saying there was no mortgage. It seems reasonable for the Census to test the true nature of that arrangement.

Given that the 2006 Census required rent details, there seems similar justification to ask for mortgage payment details. Apart from anything else, the detail will reveal whether this is an arms-length, third party mortgage or one that is registered on the family home by the family trust or some other intra-family arrangement. That's because sales to a family trust usually involve loans by the previous individual owners to the family trust to finance the purchase (to avoid gift duty). Those loans may be secured by a mortgage. For the Census, this does not affect the substance of economic ownership. We should be interested only in arms-length debt.

Just as it is useful to know how much the mortgage instalments (and rent payments) are, we should also know how much is owing on the mortgage. The answer to that, in combination with the answer to this question 10 will confirm whether the mortgage is arms-length or intra-family. It will also yield very useful information about the household's equity in the house and potential exposure to financial risk as economic conditions of the occupants, the community or the country change.

The questions about the purpose of the mortgage are intended to address the present gap in our knowledge about the amount of household debt that was incurred to finance business investment. The annual Reserve Bank survey[3] is defective in that it counts all borrowings as liabilities of households but does not count business assets that are directly owned by households (other than listed shares). Some suggest that as much as 20% of all household debt is business-related. The answers to these two 'mortgage purpose' questions will shed needed light on the reasons for debt that is secured on the house.

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[3] See http://www.rbnz.govt.nz/statistics/monfin/ - *Household financial liabilities, assets and housing values: annual series 1978 to 2007*

The combination of the answers to questions 7 and 8 and this one also will give a clear indication of the overall ownership position.

11. Does this household, pay rent to the owner (or to the owner's agent)? If "yes", how much does this household pay in rent to the owner (or to the owner's agent) for this dwelling?
    - $
    - a week/fortnight/month/year (circle one)

Comment: There is no change to the 2006 Census form's questions 11 and 12. Again, if the respondent answers questions 7 and 8 accurately, this question will typically yield a "no rent" or very small number where a family trust is involved. Again, this question 11, in combination with question 8 will confirm the economic substance of the family's ownership position. Together, they will provide a cross-check on the answers that indicate some form of economic interest in the house that is owned by the respondent.

2 Homes unoccupied on Census night

The Census misses getting detailed information for about 10% of the housing stock. Given that it obtains considerable amounts of information about houses that were occupied on Census night, it does not seem difficult to discover the ownership status and facilities of unoccupied houses on Census night.

The number of unoccupied houses on Census night in 2006 was 159,276, up from 147,432 in 2001 (+8.0%). In both 2001 and 2006, that was 9.7% of the total housing stock.

It seems wrong for the respondent's usual housing standards to be measured by the accident of where the respondent happened to be on Census night. Someone who was usually in the family home but who happened to be at the bach on Census night would show, unnecessarily, as having a reduced standard of living, Census-on-Census. Because the past Censuses have never captured the 'other' house, a wrong conclusion is therefore drawn about that family. The reverse situation can also apply.

Just as each household is supplied with sufficient Census forms for each person who is expected to be at the address on Census night, so too could each household be asked to complete a separate Dwelling form for each house that is owned by the household but that is unoccupied on Census night. That will cover holiday homes, second homes and also investment properties that are not occupied (awaiting tenants).

Requiring additional forms for unoccupied houses does not require any change to the questions or to the analysis of the Census returns other than their inclusion in a new category of "Unoccupied". That category already exists by default because Census enumerators apparently note houses that are unoccupied as they have to account for the number of completed and uncompleted forms returned. The suggested strategy will provide useful information about that statistically neglected part of our housing stock.

However, there would be some questions on the 2006 Dwelling form that should not be answered for the unoccupied house – these would be:

- Question 3 – number of Individual Forms being completed;

- Question 6 – details about those completing Individual Forms;
- Questions 19-21 – information about those not completing Individual Forms.

It would be useful to obtain the respondent's view as what was the principal place of residence and what was the secondary one. We should also need to be able to distinguish between houses owned for personal use and those, unoccupied on Census night, that are investment properties.

Housing constitutes the largest single class of asset owned by New Zealand households[4]. As a country, we need to know as much as we can about what's really happening to houses and home ownership and what implications, if any, that might have on public policy considerations.

The 2006 Census was an improvement on previous Censuses but still did not provide complete answers to questions of home ownership. We would like to see the 2011 census close the remaining gaps.

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[4] 43% according to the *Net Worth of New Zealanders*, Retirement Commission, 2002.

Appendix 1

2006 Census questions on home tenure

The following are the questions from the 2006 Dwelling Form:

	Comments:
7 Look for the 'go to' instruction after you answer the question. Do you, or anyone else who lives here, hold this dwelling in a family trust? yes → go to 8 no → go to 9 don't know → go to 9 See the Guide Notes if you need more information	**Q7** "Hold" usually means "own" so, if the trustee is a company, the respondent should legally answer "no" to this question. In the current format, the words "who lives here" should be deleted. That would then allow both the legal and "general" meaning of "hold" to be used correctly.
8 Does that trust make mortgage payments for this dwelling? yes → go to 14 no → go to 13	**Q8** The more relevant information is whether the person (or any other occupier) pays rent to the trust owner. If "no" then we could conclude that the occupier is, in substance, the owner. Whether or not mortgage payments are made by the trust owner is not relevant to the ownership "condition"; for example, that depends on there being a mortgage.
9 Do you, or anyone else who lives here, own or partly own this dwelling (with or without a mortgage)? yes → go to 13 no → go to 10	**Q9** If the respondent answered "no" to Q7 (because the family trust's trustee is a company), Q9 does not give any more information about ownership. The respondent can still answer "no" to this.
10 If nobody who lives here owns this dwelling, who owns it? private person, trust or business Local Authority or City Council Housing New Zealand Corporation other state-owned corporation or state-owned enterprise, or government department or ministry don't know	**Q10** Now the respondent can tick the first option because a "trust" owns it. However, that answer says nothing about the relationship between the economic owner in the broad sense (the "family") and the respondent.
11 Does this **household** pay rent to an owner (or to their agent) for this dwelling? yes → go to 12 no → go to 14	**Q11** And the respondent can also answer "no" here so the answers will seem to indicate that the respondent is a tenant living in rent-free accommodation. This is probably how the Census results will classify the respondent.
12 Look for the 'go to' instruction after you answer the question. How much rent does this **household** pay to the owner (or to their agent) for this dwelling? $. 0 0 each week two-week period four-week period calendar month other. Print period: → go to 14 SAMPLE	**Q12** There is no extra information here if the answer to Q11 is "no".
13 Do you, or anyone else who lives here, make mortgage payments for this dwelling? yes no	**Q13** We are unsure what extra information will be gained here over Q8 in the case of a family trust ownership. Q8 should focus on rent, as suggested and the present Q8 question should be amalgamated with this Q13. Alternatively, the question should be expanded as a corollary to Q12 about rent payments.

Appendix 2

On home ownership rates in New Zealand

Michael Littlewood[5]

Originally published in the Independent 17 November 2004; updated 14 December 2004

A recent paper by David Skilling of the New Zealand Institute[6] suggested that declining home ownership rates evidence New Zealanders' worsening saving habits. That is put alongside increasing mortgage debt and seemingly lower superannuation participation rates along with increasing student loans and credit card debt.

In summary, New Zealanders seem not to be doing the things they used to be doing and this could possibly warrant government intervention to reverse worrying trends[7].

What the paper said

Here are two quotes from the paper:

> "Home ownership rates are declining, savings rates are low, and uncertainty remains over the level of national (sic) superannuation in the future. So it is not obvious that we should be relaxed about the level of retirement savings by New Zealanders."
>
> (at page 5)

> "Given that New Zealand's home ownership rates declined sharply between 1991 and 2001 (from 74% to 68%), the increase in housing wealth has benefited a declining share of the New Zealand population."
>
> (at page 6)

So, is David Skilling right about home ownership levels? If he is, should we be worried about this? This paper looks just at the home ownership issue, putting to one side the other saving issues covered in the paper.

On public policy

Before looking at the home ownership numbers, we need to think why having more New Zealanders as homeowners (eventually, presumably, debt-free) is an objective that deserves specific public policy attention. David Skilling described many advantages – both social as well as financial.

The government has a legitimate public policy concern to ensure that people have access to a minimum level of housing services[8] (shelter) as part of its "safety net" role. That same justification extends also to food, clothing and other essential services. The government may provide income support, for instance New Zealand Superannuation, or in-kind assistance such as rental housing.

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[5] Michael Littlewood was on the 1991-92 Task Force on Private Provision for Retirement. Statistics New Zealand helped with data; Greg Dwyer offered helpful comments. The opinions are entirely the author's responsibility.

[6] Discussion Paper 2004/2 *It's Not Just About the Money-The Benefits of Asset Ownership*, David Skilling, New Zealand Institute (October 2004).

[7] The government's recent proposals for a "compulsory opt-out", employer superannuation environment are evidence of its focus on New Zealanders' saving habits.

[8] Note the use of the expression "housing services" to avoid any judgement about the form of tenure.

Beyond that, it could be argued that it is for individuals to weigh up their preferences for more housing services (rented or owned) or more trips abroad and whether to invest in property (say, home ownership) or in shares. Sometimes, home ownership may actually not be desirable – for example, buying or building a house in a depressed area may not be a good idea, particularly if the next or retirement home is likely to be elsewhere. Similarly, the costs of acquiring and then disposing of a home may not be justified in a place where work is for a fixed, limited term.

If the "retirement saving objective" for individuals generally is financial independence (rather than, specifically, home ownership), it should not much matter to the government whether a person has a mortgage-free home or investment income that is sufficient to pay the rent[9]. A public policy judgement of that kind is similar to "telling" savers that they should prefer international shares over bonds. The real risk to the government on the housing issue is where people cannot afford a reasonable standard of living in retirement and then look to the state to improve their position.

While it is true the people who rent in old age are generally poorer, that is often because their lifetime income is relatively modest. Home ownership policies cannot be expected to be effective for the poor if they cannot afford to buy a home in the first place. Increasing the wealth of all, including the poor, seems the preferred policy option here.

So, there is a quite reasonable case to suggest that people should be left to weigh up the benefits of "ownership versus renting" for themselves, perhaps with some good information to help them.

On this basis, why should we be concerned about home ownership rates any more than we are concerned about the ownership of businesses, farms, mines, shares or bonds? What, therefore, might be the justification for the intervention of public policy initiatives? Beyond ensuring that people understand the issues, perhaps we should not be overly concerned about any particular level of ownership. This is on the basis that people may know what is in their own best interests and are certainly more likely to know that than any central authority.

Even if more home ownership were accepted as a desirable objective of public policy, we should be concerned when less than robust numbers are used to support a cause, no matter how seemingly worthy. Home ownership statistics need to be handled with more care than David Skilling showed. This paper tries to explain why.

A problem of definition

You would think that knowing whether a home was owned or not would be straightforward.

Generally, the position is clear but that is changing at the edges for the reasons discussed shortly. Over time, what is measured has also changed so statistics over long periods may not always compare like with like[10].

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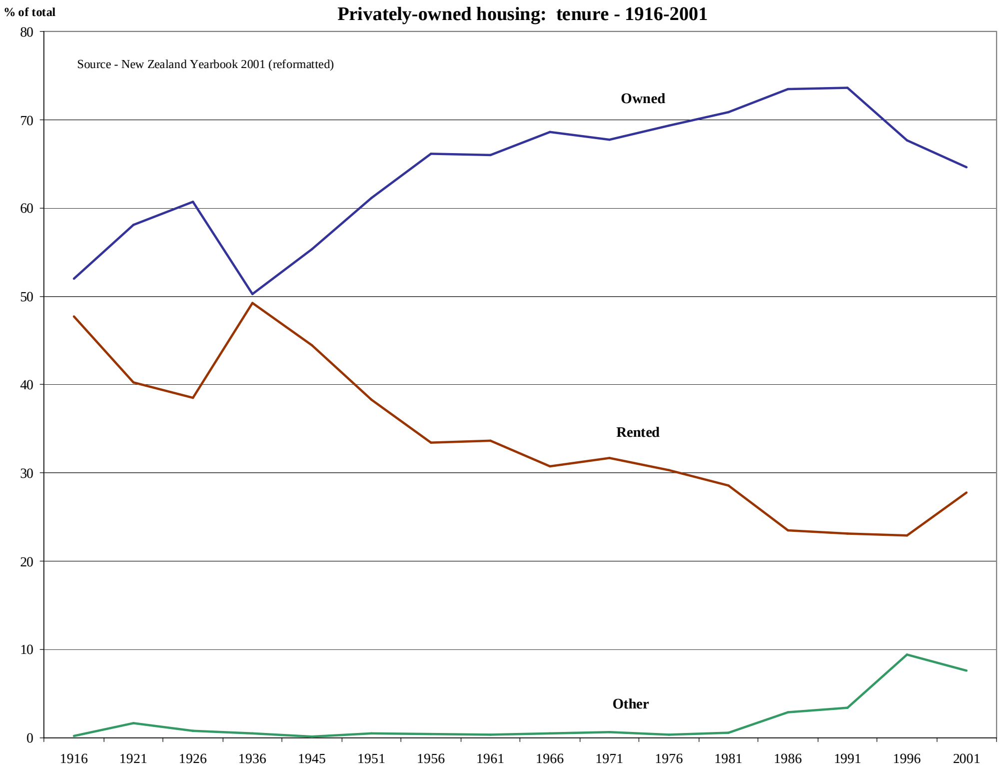
9 Switzerland gives us a nice reality check in this regard. Swiss home ownership levels are only 34% according to a Credit Suisse newsletter *Analysis* of September 2004. That may help to explain Swiss saving rates. Household savings (according to *OECD in Washington*, June 2003) have topped 9% of net household income for most of the last decade. They need to!

10 For example, "households" are now measured for this purpose, rather than "dwellings" as in the past.

With that introduction, the chart on the next page shows what has happened to home ownership levels in New Zealand over the 85 years between 1916 and 2001, as reported in the censuses.



Note: the original table in the 2001 Yearbook has had the 2001 Census results added and has been reformatted to show each category's trend more clearly.

Leaving aside possible statistical issues for the moment, what in summary, does this chart tell us?

- Over 85 years, home ownership rates have increased from about 52% in 1916 to about 65% in 2001[11].
- Renting rates have fallen correspondingly over the same period from about 49% to 28%.
- The fall in home ownership noted by David Skilling has returned ownership rates to roughly what they were from 1956 to 1976. In fact, the results from the 1986 and 1991 censuses seem to be outliers. Explaining them would be speculative but they may have to do with high contemporary inflation rates[12], negative real mortgage interest rates and negative net real rates of return on other investments. On those accounts alone, we may be seeing more "normal" rates of ownership now than in the 1980s.
- While David Skilling's comment (noting the fall from 1991/1996) is correct, it presents a less than complete picture if we look back, even into our recent past.

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[11] In the last 20 years, the proportion of "owned" homes with **no** mortgages has steadily increased from 40.5% of all "owned" homes in 1981 to 48.3% in 2001 (Source – Census data).

[12] CPI inflation was 12.8% p.a. from 1971 to 1981 and 10.0% p.a. from 1981 to 1991. By contrast, the 10 years 1991-2001 saw the inflation rate fall to 2.3% p.a.

Other issues

But there is something else going on here and that's where the definition issues might be important. Here are some of the questions that arise from David Skilling's statements.

1. "Other":

The increase in "other" forms of occupancy shown in the chart (from less than 1% in the 65 years through to 1981 and on up to 8% or so over 1996-2001 is an obvious feature. The short answer to why this might be so is that there was a marked increase in the number of "not specified" responses to the ownership question in the censuses. That could be because the nature of the questions changed on this[13]. It could also be because the standard form is not capturing subtleties of different ways of doing things. We just don't know.

For the reasons covered shortly, there is probably a greater likelihood that "other" means "owned" (by someone) rather than "rented" (in the substantive sense) by the occupier.

2. Retirement villages:

The growth in retirement villages means that we need to be careful about how their numbers are treated. It seems that, regardless of the legal niceties of technical title, the census treats "managed care" occupation as rest homes ("not private") and "self care" as "private" (and therefore either owned or not), even if the "legal" title is not with the occupier. Whether the correct census forms are distributed at retirement villages seems to depend on the village manager's assessment of the ownership issue and so there may be varying standards applied to the raw data here. Apparently, the test of "private" or "not private" depends mainly on whether the resident is able to prepare food in the unit. What that needs these days can be quite modest. Equally, the test of "ownership" depends on the purchase basis. This is a statistical issue that probably needs discussion, now that we have more than 20,000 New Zealanders living in retirement villages[14]. It takes a re-allocation of only about 13,000 tenures from rental to ownership to increase the home ownership ratio by 1 percentage point.

3. Unoccupied houses:

Each census measures in detail only occupied housing on the night of the census (including the ownership issue). All the information about each house is collected only if someone was an occupier on that night. However, census enumerators keep a tally of houses that are not occupied on the night. That is for practical, rather than statistical, purposes. The number of "household" forms originally distributed to enumerators is based on the number of buildings that exist and that is based, in part, on the enumerator's local knowledge. Any "household" forms that were not completed have to be accounted for.

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[13] The question was clearer, in one way, in 1991 (I have not looked at how this question was expressed in the 1986 census and earlier censuses). For example, in the 1991 census form's notes (not on the form itself), the "occupier", if not the "owner", was invited to answer the question as if the occupier were the owner. By contrast, in 1996, the explanation ended with the statement "If nobody who lives here owns the dwelling, fully or partly, tick "no" [not owned] and go to question 5 [who is the "owner"?]. That shift in emphasis may have tended to increase the number of "other" responses. There is also the issue of ownership by family trusts – covered in point 4 below.

[14] Source – Retirement Commissioner's Office.

The number of unoccupied houses is therefore counted and, at least in recent censuses, there were quite a lot of them. Until 1991, "baches or holiday homes" were counted separately – in 1996 and 2001, that distinction was dropped. Perhaps our increasing standards of living at the beach now make the distinction between a "bach" and other types of unoccupied property less obvious than in the past.

The next table summarises the available information for the last four censuses.

Unoccupied houses – 1986-2001 censuses

Census	Residents away	Empty dwelling	Empty bach	Total unoccupied	Proportion of occupied
2001	51,276	96,159	n.a.	147,435	10.8%
1996	63,117	50,251	n.a.	113,388	8.8%
1991	34,326	43,251	45,132	122,712	10.4%
1986	31,128	35,454	40,950	107,532	9.8%

The reason "unoccupied" houses are important in this context is that someone owns them. The owner could be the government (or a local authority) but it is much more likely to be individuals. When we think about saving levels and people's financial preparations for retirement, an unoccupied house is more likely to represent part of an individual's wealth (and, therefore, be a "good" thing) rather than fall into Skilling's more negative "renter" statistic.

We can assume that all unoccupied baches or holiday homes are in the "owned" rather than "rented" category. Based on the 1986 and 1991 numbers, that will be about 35% of all unoccupied houses (about 4% of all occupied houses that were analysed in detail)[15].

Dwellings could be otherwise "empty" for a number of reasons (for sale, waiting for a tenant, under renovation) and there will be a proportion in this category owned by the government or a local authority. "Occupied" houses in this category[16] were 9.4% of all occupied houses in 1981 but only 5.4% by 2001.

We can therefore probably assume that more than 90% of the "empty" houses were owned privately (rather than publicly).

Finally, the "residents away" category may be more likely to include "owners" rather than "renters" than amongst occupied houses – there is, however, no direct evidence on this.

All these houses were "unoccupied" on census night but were all "owned" by someone. They were not part of Skilling's "struggling" renter group but would provide evidence of saving habits and also affect the wealth statistics of New Zealanders. That, after all, was the subject of Skilling's paper.

While this gap in the numbers has always been with us, the increasing wealth of New Zealanders and reducing real cost of all travel, but particularly overseas travel, will probably have increased the proportion of "unoccupied" (but "owned", even "owned" by the usual "occupier") houses over the decades (the picture in the table over just the last 20 years is unclear on this but it is probably on the increase).

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15 Timeshare units are in the "hotels/motels" category which seems reasonable.
16 Owned by the government or local authority and rented by the occupier.

4. Family trusts:

The growth in family trusts for tax and estate-planning purposes also affects the statistics. For the first time, the 1996 Census directly recognised that the "occupier" of the house may not be the "owner" even though external appearances may suggest otherwise.

The census form itself (it was not buried in the accompanying notes) asked, in question 5:

> "If nobody who lives here owns this dwelling, who owns it?
> - a person or a *private trust* ……" (my emphasis - one of six options)

This possibility was not directly raised in the 1991 Census and also, probably, before that. If the home were owned by a family trust, the 1991 answer to the "renting?" question *should* have been the same as in 1996 but that assumes a level of awareness about the true legal position that might not have occurred to the form filler on census night. That is presumably the reason for the change in the question. It may even be that occupiers, not wishing to reveal their estate planning arrangements, put themselves into the "not specified" ownership category rather than reveal their true "renter" status.

We do not know how many homes are now owned by the family trust of the occupier and, therefore, what proportion of "renters" fall into this category[17]. We can, however, reasonably assume that the number is larger than in the past and is probably increasing. From David Skilling's perspective, this group should be in the category of "owners" rather than "renters", this being the economic reality, though not the legal position.

5. Family breakdown:

The final statistical issue arises because of the way in which home ownership is treated for separated families. To illustrate, let us assume that the mother of a separated family occupies the jointly owned family home. The father pays for the outgoings (mortgage, rates and insurance) but he himself lives in rented accommodation. For statistical purposes, however, the mother is treated as living in the home as a tenant, "rent free" despite her ownership interest. The father's ownership interest is also disregarded and he is treated as a renter in the place he occupies on census night. This last is fair enough but disregarding the ownership interest of both in the family home seems to ignore economic reality.

We don't know how many occupied homes on census night 2001 were in this category but we can probably assume that the number has risen in the last 40 years. We do know that about 3% of all occupied houses were provided "free" at the 2001 Census but not what proportion of those might be attributable to this statistical quirk. We need to find out.

Conclusion

So, why does all this matter?

David Skilling painted a relatively bleak picture of New Zealanders' asset owning and saving habits. Exhibit 1 was the declining rate of home ownership.

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[17] One estimate has as many as 120,000 family trusts in 2001, perhaps double the number 10 years earlier. There will be more specific questions on this issue in the 2006 census.

If Skilling were right, it might be a cause for concern but a closer look at the numbers shows that:

- Home ownership rates did fall from 1991/1996 to 2001 but only, apparently, to the levels that we saw in the 1950s to 1970s.

- Statistical issues probably understate the true home ownership levels and, therefore, overstate the proportion of households that were renting, rather than owning, the place where they usually lived (not just on census night). They may also help to explain the relatively modest changes that underpinned David Skilling's analysis.

The relative stability of the rates of declared home ownership over the past 50 years seems remarkable. There have been substantial changes in, for example, demography, household formation, rates of economic growth, inflation, real house costs, interest rates, tax and housing policies. These might all have been expected to affect the rate of home ownership.

Based on the numbers, there seems to be no particular cause for concern on this issue. In this specific respect, David Skilling has not presented any apparent justification for public policy changes.

As with other recent analyses of New Zealanders' saving habits, alarmist talk of allegedly irrational behaviour seems unsupported by the numbers. Despite several recent attempts, there is still no persuasive evidence that New Zealanders are behaving irrationally. At present, the contrary seems more likely.