

# THE BENEFITS OF HOME OWNERSHIP.

What are the benefits of owning a home, and how can owning impact your wellbeing?



1 Mental wellbeing

2 Financial wellbeing

3 community wellbeing

4 legal wellbeing

In piece four of our Mortgage Mates Information series we look at the many benefits home ownership can have for our Mates, whether you are a first time buyer or a buyer re-entering the market, there are a number of positive aspects to not only owning a home, but co-owning a home too.

We know that 92% of renters aspire to own but only 49% feel that will ever be able to achieve this.

By pooling resources with another person we can reduce the cost of owning whilst increasing social connection. We believe both these things are not just useful for potential homebuyers, but beneficial for individuals from a wellbeing perspective too.

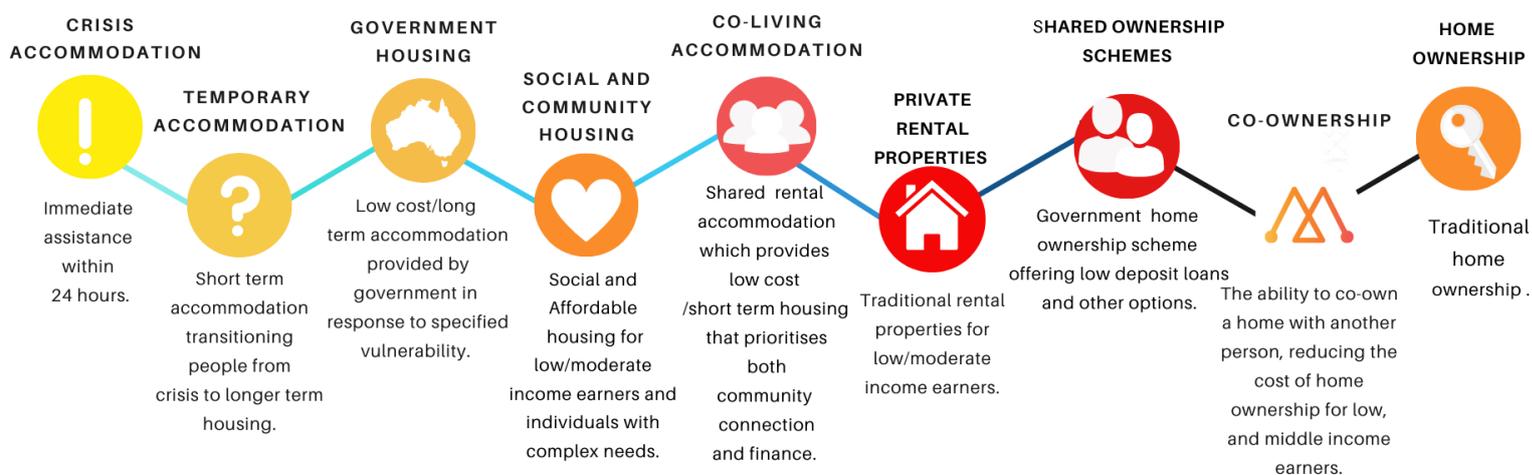
The *Australian Institute for Health and Wellbeing* states 'access to adequate housing has long been viewed as a basic human right and is considered to be an integral factor in the enjoyment of other economic, social and cultural rights'.

### The preference for home ownership:

'Despite recent declines in the proportion of Australians who own or are buying their home, home ownership continues to hold a special place in the Australian psyche. In surveys conducted in 1997 and 2000, 54 per cent of respondents indicated that buying their own home was an important goal for them to achieve within the next three years. Those with dual incomes or high incomes 'do not express any stronger preference for home ownership than low income households', suggesting that home ownership is a universal dream in Australia, regardless of economic circumstances.

The purchase of a home is the largest investment that most people will make. Australians frequently view a mortgage as 'good debt', as purchasing a home allows people to avoid paying 'dead rent', provides for a form of enforced saving and is seen as a prudent investment, which will appreciate over time.'\*

## AUSTRALIA'S HOUSING CONTINUUM



## 1

## MENTAL WELLBEING

One of the biggest impacts of owning an affordable home is the effect this has on our own mental health wellbeing.

Owning your own home provides positive mental health because of the security that comes with obtaining a long term housing. Research tells us that buying a place to call home can have both short term and long term benefits over renting, making it an important factor in your decision making process when it comes to house hunting.

Due to the instability alternative options to home ownership can cause (such as entering the private rental market or applying for government housing), individuals can feel increased anxiety about the future. Home ownership makes individuals feel safe and secure and whilst decreasing anxiety in the short term, is likely to have a significantly positive outcome at retirement too.

As *Domain* highlights, the insecurity of a private rental often stems from external factors outside the tenants control, 'tenants can be asked to vacate the property for various reasons, such as the property being sold, the owners wanting to move back in themselves or if the property is in need of major repair works.

The costs of finding a new home and moving into it can quickly add up, especially if you have to move repeatedly. Owning your own home eliminates this instability, allowing you to set down permanent roots.'

Although owning a home comes with additional costs and may need to be your long term goal, by co-owning a home this cost and time can be halved or quartered. This means you can enter the property market as a buyer in less than half the time.\*

## 2

# FINANCIAL WELLBEING

Owning your own home also enables you to improve your financial wellbeing in both the short and long term.

In the short term, co-owning with one or more Mates reduces the cost of a mortgage payment by 50 to 75% (the amount decreases based on the number of Mates who buy together and can be as many or as few as you would like). This is often cheaper than the cost of paying rent in a standard private rental property. By paying a lower weekly amount on not only the cost of the property, but also incidental costs like bills, over time a substantial saving can be made and will assist you if and when you transition to owning a home independently.

In addition to these savings, when owning a home, you can also build equity in the property. The ability to create wealth means that you can have long term intergenerational impact on finances that stretch well beyond the time that you co-own with other individuals.

*Pepper* explains 'while it might not always feel like it, your mortgage repayments are a way of saving money. Most repayments include principal as well as interest, which means you're putting some money towards owning more of your home. While renting seems to be cheaper when properties are affordable, you won't get any of that value back in the future.'

When it comes to equity, there is also capacity to work towards building this further-creating longer term intergenerational wealth by developing and improving your property over time.

'When you own a property, you can change and update it as you like. As well as creating a more comfortable home for your family, you can add significant value to your home through renovations and improvements, which can be used as equity to redraw or as profit when it comes time to sell.\* The ability to modify a home is usually not possible in a private rental. nor would spending money on modifications be financially beneficial for a home you do not own.'

# 3

## COMMUNITY WELLBEING

Co-owning a home means you are able to buy where you want to live not where you can afford to buy. This also means that you are able to develop and create community wellbeing in an area you wish to be in.

Once you own a home and are able to set down roots in your community you can create and maintain genuine relationships with neighbours and other residents close to home- investing in local relationships and community activities.

The *Australian Institute of Health and Welfare* states 'the appeal of home ownership is about more than just financial security. Home ownership provides people with a sense of physical and emotional security and safety. It is a personal space in which they can be themselves'.

**Hugh Mackay** describes home ownership in Australia as 'the most culturally obvious and accessible symbol of personal power, achievement and control over the environment'. He adds that as 'people feel that they are losing control over so many aspects of their lives, so the need grows for the sense of control and authority which home-ownership brings'.

Home ownership also provides a sense of social belonging and acceptance. As one witness from the *Urban Development Institute of Australia* stated:

'Home ownership offers many distinct advantages for individuals and the wider community by enhancing our sense of place, our sense of self and our connections with the broader community. We believe homeownership provides tangible benefits, as well as many intangible benefits, beyond the simple provision of shelter. It can provide social stability, economic reliability and community assurance and can impact dramatically on an individual's aspirations for independence and security.'\*

As well as external community factors, important consideration can be made when it comes to co-owning with some one who has similar preferences to you, so you can create a community within your own home.

For example, if two lone parents chose to co-own a home, the sharing of responsibility can sit across finances, parenting and friendship, meaning you get to share the load, as well as the cost.

The same can also be said for other cohorts who share additional needs alongside financial considerations. E.G. If two co-owners require building modifications due to disability needs, the additional cost of implementing these and other care needs can be shared- meaning potential expenses are halved, but also co-owners get to live with other people who understand their situation and additional requirements, in an area that hopefully meets any social and health focused needs.

## 4 LEGAL WELLBEING

By buying with a stranger (or using Mortgage Mates to co-own with a partner or friend) you can ensure your legal wellbeing is secured (and often better prepared than if you bought in a more traditional method).

When buying with other owners such as a partner or family member (without any assistance) you may shy away from difficult conversations that protect you/your assets.

However if you buy with a 'Stranger' you are more likely to have difficult conversations about your legal rights and responsibilities and also ask for your co-owner to validate their legal situation and financial capacity.

This can all be captured in a co-ownership agreement and can be supported with requests for additional documents including police checks and credit scores.

'Establishing a legal agreement between the co-owners provides clarity about the rights and obligations of each person and protects everyone in the case of disputes.'<sup>\*</sup>

You can also include information on how you will co-live or co-invest together. These requirements can be very high level (how long you will own the property for) or very specific (who will wash the dishes each night). The best part is it can be tailored to your individual needs and aspirations and can either remain high level (e.g. what are your exit strategies, or how long do you own for), or very detailed (e.g. which day does each owner wash the dishes or water the garden), again these decisions are ones which you can make to best meet your needs.



### WHY CO-OWNERSHIP?

- 1 Quicker access to the housing market
- 2 Safer and more flexible investment options
- 3 Additional checks including legal protection
- 4 Increased social connection
- 5 Reduced pressure on infrastructure and environment

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