Infometrics says millennial first home buyers are signing up for a lifetime of debt and are likely to be much worse off than the baby boomers

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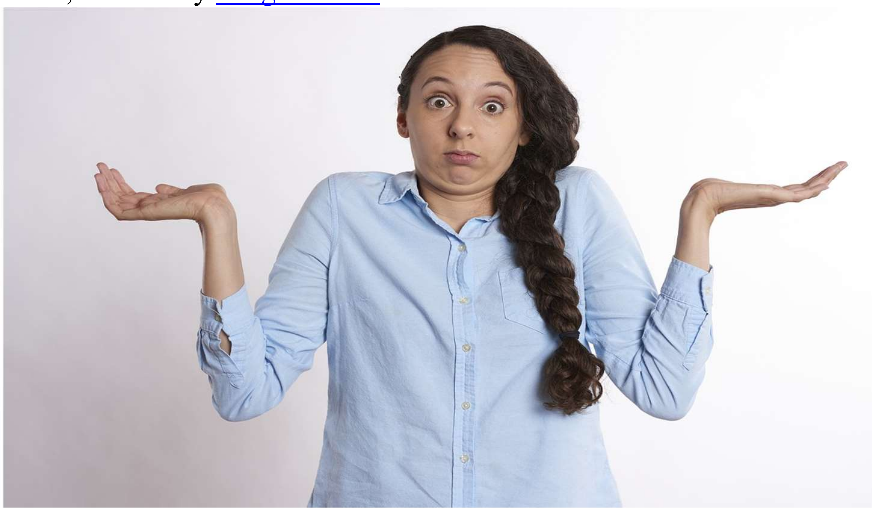

The current outlook for first home buyers is the worst it has been for 65 years, according to economics consultancy Infometrics.

In a new **Housing Update report**, Infometrics' Chief Forecaster Gareth Kiernan concludes that this year is the worst time for potential first home buyers to get into the housing market since 1957.

Kiernan concludes that baby boomers fared much better from the housing market than today's first home buyers are likely to.

"There has been a long-running debate between baby boomers and millennials about who had it tougher when trying to purchase their first home," Kiernan says.

"Our analysis shows that even with mortgage rates below 5%, the average home's million dollar price means that today's first home buyers face much less favourable financial outcomes than a buyer in 1987 did with interest rates of 20%."

The report takes a long term view of the housing market, and estimates the total payments made by homeowners over the full term of their mortgage and compares that with the value of the property once the mortgage has been repaid.

"Our analysis suggests that millennials wanting to enter the market now face the least attractive housing prognosis since their grandparents in the 1950s, if not longer," the report says.

It found that two of the best years to buy a home were 1949 and 1996, when interest rates stayed relatively low throughout the life of the mortgage and there were substantial house price rises as well, providing significant capital gains.

The two worst years for buying a home were 1955 and 1975, with the following 25 years including periods of substantial house price weakness.

This year is almost as bad as 1955, with the report's house price projections for the next 25 years making 2022 one of the worst years ever for buying a home in terms of the financial returns it could ultimately provide.

That's because the extended period of high house price inflation since 2010 makes it more likely that price rises will be more subdued in future, while buyers will need to take on more debt.

"Young people are effectively signing themselves up for a lifetime of debt if they want to get into the housing market, with much less money left over to spend on other things than previous generations enjoyed," Kiernan said.

"Our analysis highlights the generational issues being caused by New Zealand's housing affordability crisis.

"There is a social responsibility for greater political action to ensure that home ownership does not continue to slip out of reach for more and more kiwis," he said.