



First Home Buyer Report

New Zealand

May 2021



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About CoreLogic



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Executive Summary

Based on the CoreLogic Buyer Classification series, we've long provided figures on the share of property purchases being made by first home buyers (FHBs) in each part of the country. The second edition of this more detailed report, however, takes a deeper look at the figures and covers what types of properties FHBs have been buying lately, the prices they've been paying and their average age. For clarity, we define a first home buyer purchase to be where all parties involved haven't owned property in NZ before and are using a mortgage to make the deal.

Some key insights from this report include:



The share of purchases being made by FHBs has eased down over the past 3-6 months. They are still active in terms of numbers of purchases, but a declining market share hints at 'fatigue' and a growing struggle to keep up with other buyer groups and also the ever-rising deposit requirements (on the back of rapidly rising property values).



Possible reasons for the average age of FHBs staying steady (despite growing affordability pressures) include earlier access to larger KiwiSaver pots, a willingness to move further afield or look at different/cheaper property types, as well as help from parents/family. FHBs may also have begun to save earlier than in the past.



Nationally, FHBs' market share in Q1 2021 was 21.5%, down from 24.8% six months ago and also the lowest since Q1 2018 (i.e. three years ago). The latest reading was also back down at around its long term average. From that perspective, the Government would probably say that their tax policy changes to discourage leveraged investors from buying existing properties (and help FHBs) have been well-timed.



These never-before-seen figures also show that average FHB age generally tends to be higher in larger centres than 'provincial' areas. For example, it's 35 in Auckland, 34 in Tauranga, and 34 in Wellington, versus 31 in areas like Manawatu, Masterton, Rangitikei, and Timaru. One factor for this is that property values are generally lower outside the main centres and affordability measures less stretched.



Clearly, investors/landlords are vital to a well-functioning property market, but we certainly agree that accessibility for FHBs is also critical. On that point, new data developed by Equifax and CoreLogic shows that – perhaps contrary to popular belief – the average age of FHBs has not risen markedly in recent years. Indeed, after dipping from 35 to 34 in 2017, the national average has held steady at that figure ever since.



Across NZ, houses accounted for 75% of FHB purchases in Q1 2021, down from 77% in the calendar year 2020, but still higher than the latest figure for all buyers of 72%. Flats¹ account for 16% of FHB purchases, versus 13% for all buyers, while lifestyle for all buyers (7%) outweighs that category for FHBs (3%).



In Q1 2021, FHBs paid a median price of \$650,000, higher than the 2020 calendar year figure of \$576,500, but less than the Q1 2021 all-buyer figure of \$725,000. That said, the FHB median in Q1 2021 of \$650,000 was still well above the all-buyer lower quartile (\$510,000), illustrating that FHBs don't always start at the bottom and work their way up.

¹ Often a property with shared wall that isn't an apartment



As was the case at the national level, each of the main centres saw FHBs pay a median price in Q1 2021 that was lower than for all buyers. Reflecting the fact that it has the highest prices to start with, the gap was largest in Auckland, with FHBs paying a median in Q1 2021 of \$877,000, \$133,000 less than the figure for all buyers (\$1,010,000). The gap was also more than \$100,000 in Tauranga, although the median price actually paid by FHBs was higher in Wellington (\$770,000 versus \$699,000 in Tauranga). Christchurch's FHB median price paid is still below \$500,000.



Digging deeper into the next 12 key centres around New Zealand, it's a mixed bag in terms of FHB presence relative to normal. In Gisborne (22%), Rotorua (23%), and Queenstown (14%), the share of property purchases in Q1 2021 made by FHBs was pretty close to the long term average. But in New Plymouth (25% vs 20%), and to a lesser extent Nelson, Kapiti Coast, Hastings, and Napier, the FHB share was above average. By contrast, FHBs found it harder going than normal in Q1 2021 in Whangarei, Whanganui, Palmerston North, and Invercargill.

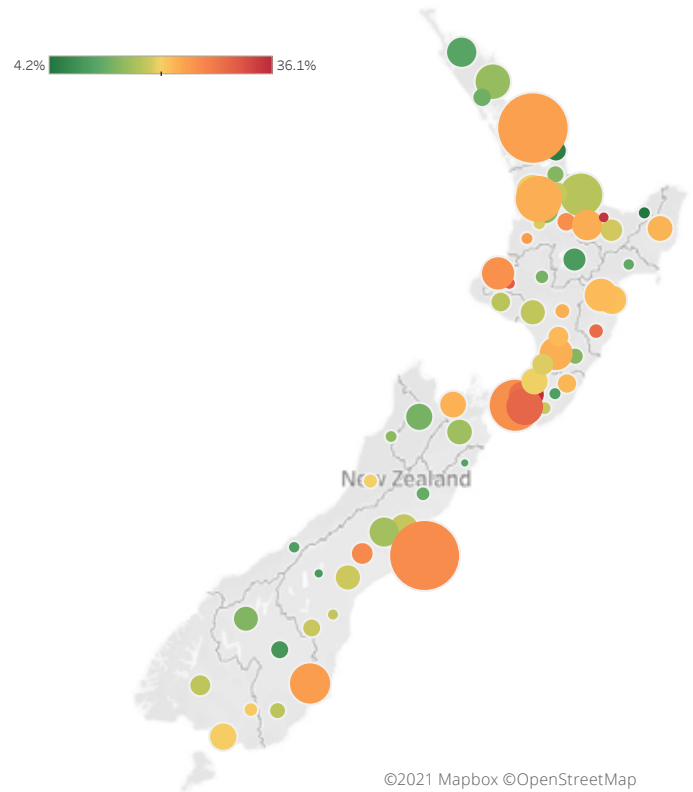


Around the provincial areas, the highest median price paid by FHBs in Q1 2021 was in Waipa (\$705,000), and the lowest in Wairoa (\$239,000). Tasman, Thames-Coromandel, Central Otago, Western Bay of Plenty, and South Wairarapa also saw FHBs pay a median price of \$600,000 or above, while Grey and Buller joined Wairoa in the sub-\$300,000 group.

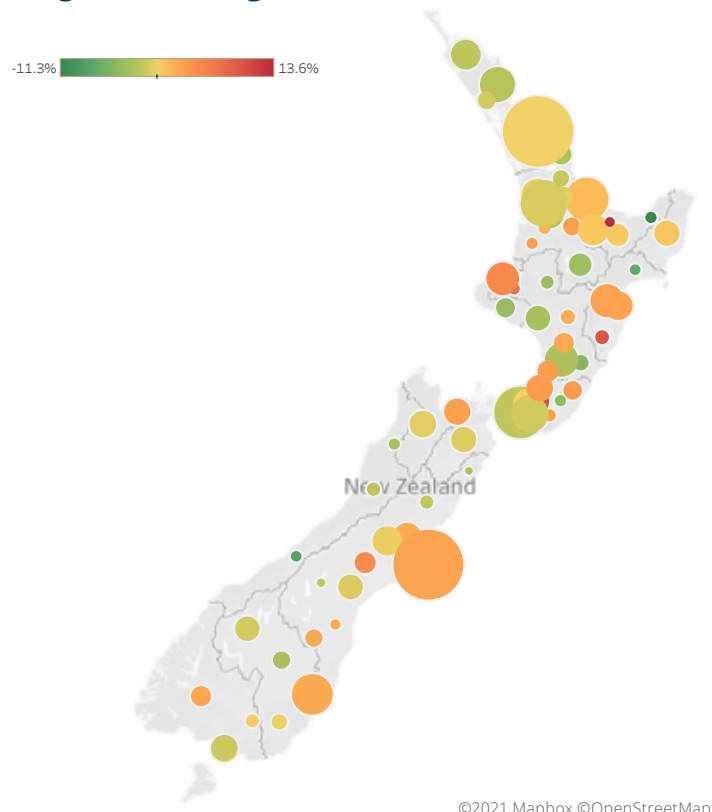


Overall, there are signs that FHBs are struggling to keep up with market prices and/or other groups. But the Government has of course stepped in to try and help – potentially freeing up opportunities for FHBs to access existing properties with less competition from leveraged investors than before. At the same time, however, they may face more competition for new-builds, a segment they've recently been pretty keen on.

FHB % market share in Q1 2021



FHB % market share in Q1 2021 versus long term average





Based on the median price paid by FHBs in Q1 2021, and assuming an 80% loan to value ratio mortgage (and a 2.5% mortgage rate), we've calculated the fortnightly loan repayments nationally and for each of the main centres in the table below. We've then compared that figure to the typical fortnightly rent in each area.



As can be seen, it's currently cheaper for a FHB to pay the mortgage (excluding other ownership costs such as rates and insurance) than to rent in Christchurch, with only a +\$44 gap in Dunedin. Nationally, it costs \$101 more per fortnight for a FHB to pay their typical mortgage than to rent.



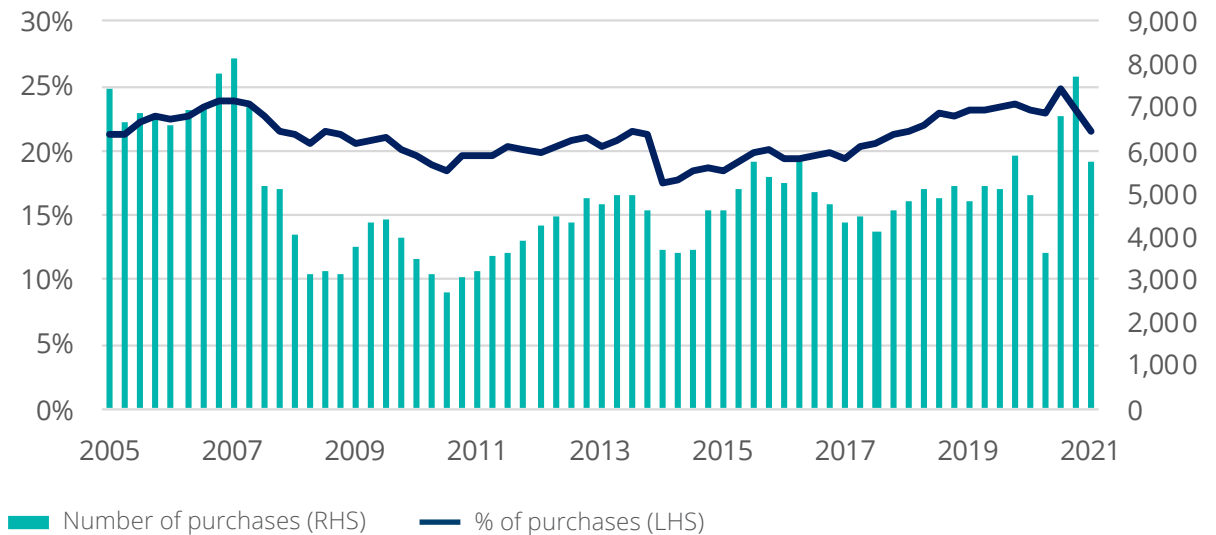
Of course, it's important to point out that in this table we are comparing the median price paid by a FHB to an average rent across all properties/renters, not just the rent previously paid by a recent FHB. And if the recent FHB was previously paying a below average rent, this would change the sums, potentially making Christchurch (for example) not look as favourable for buying versus renting.

	Fortnightly mortgage payment	Fortnightly rent payment	Mortgage minus rent
Auckland	\$1,452	\$1,122	\$330
Hamilton	\$1,043	\$883	\$160
Tauranga	\$1,157	\$1,056	\$101
Wellington	\$1,275	\$1,093	\$181
Christchurch	\$811	\$838	-\$27
Dunedin	\$867	\$823	\$44
NZ	\$1,076	\$975	\$101

The National Picture



National FHB activity



We had dubbed 2019 the ‘year of the first home buyer’ (FHB), and 2020 the ‘year of the investor’, but that didn’t detract from FHBs still faring pretty well last year – indeed, their % share of purchases rose to a record high of 24.8% in Q3. Since then, however, the sheer weight of investor demand in the market that has continued into 2021 has seen FHBs’ market share dip back to 21.5%.

Admittedly, the number of purchases being made by FHBs is still relatively high – the total of almost 5,800 in Q1 2021 was the highest for that quarter of the year since 2007. Even so, the sense that some FHBs are starting to experience a bit of fatigue in keeping pace with those mortgaged investors and the ever-rising deposit requirements is evidenced by the fact that at 21.5% their market share is the lowest since Q1 2018 (i.e. three years ago) and also back down to around its long term average.

Of course, FHBs’ % share of purchases in the market is still well above previous lows, such as the trough of 17.6% in Q1 2014. That low point for FHBs came in the aftermath of the first round of loan to value ratio (LVR) restrictions, which allowed no more than 10% of new lending to be advanced with less than a 20% deposit.

It’s worth noting that FHBs are currently required to have a 20% deposit, although the banks can of course make use of the Reserve Bank-mandated speed limit and allow up to 20% of owner-occupier loans to be made at less than a 20% deposit. Indeed, although the overall figure for low-deposit owner-occupier lending is currently running well below the speed limit, ‘other’ owner occupiers are keeping the figure down, while about one-third of FHB loans in March were done at less than a 20% deposit (the figure was almost 45% in the middle of last year).

First home buyer % share of purchases



By property type, 77% of FHB purchases in 2020 were houses, and 14% flats (with smaller figures for apartments, lifestyle, and 'other', e.g. home & income). For the first three months of 2021, however, FHBs focused a little less on houses, with that figure falling to 75%, with flats rising to 16%. That could indicate they've been keen to find lower price points, given the strong growth in property values in the past 3-6 months and the unaffordability pressures still clear in the housing market.

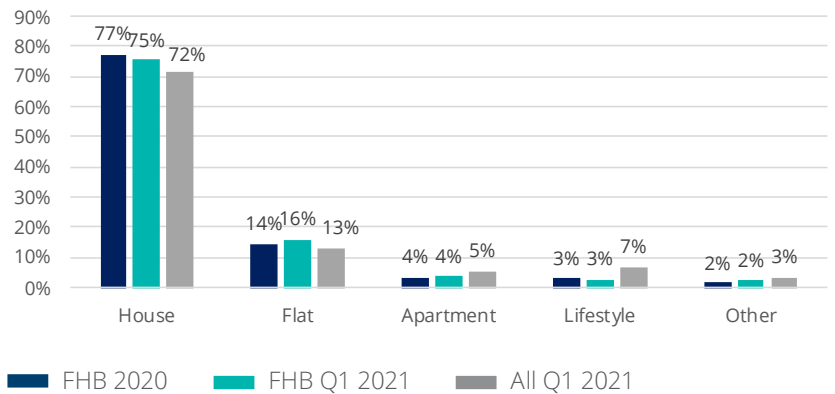
To put the FHB numbers into perspective, across all buyers in the first three months of 2021, houses accounted for 72% of purchases (lower than FHBs), with flats at 13% (also lower), but lifestyle at 7% (higher than the share for FHBs of 3%).

In terms of prices paid, the median for FHBs in the first quarter of 2021 was \$650,000, a clear step up from the figure across the full 2020 of \$576,500. However, Q1's figure was lower than the median price paid across all buyers of \$725,000, and in fact was 'only' about 90% of the all-buyer figure – in 2020, FHBs paid a median price that was 92% of the all-buyer figure, with the drop in that percentage so far in 2021 also hinting at the increased strains being placed on FHBs and their willingness to look a bit further down the value tiers and/or at cheaper property types.

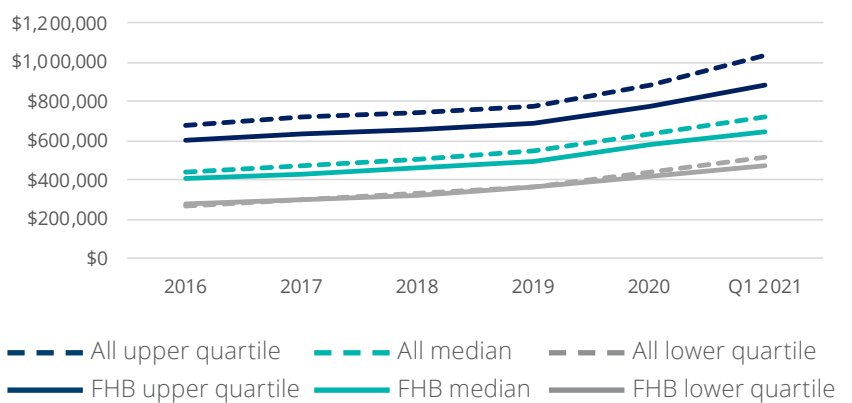
For context, note that the median value across all properties in March 2021 was \$723,000, so the price paid figure of \$725,000 was very close to that mark – in other words, the mix of recent sales activity has been representative of the existing housing stock.

As we emphasised in the previous First Home Buyer Report, it's also worth noting that the median price paid by FHBs in Q1 2021 of \$650,000 was well above the lower quartile price across all transactions of \$510,000. That is, the 'average' FHB doesn't always buy in the lower tiers of the market, which undermines the perception that FHBs generally enter at the bottom and work up.

Property type % of purchases 2020 to date



Purchase prices paid



Median price paid by



The Main Centres

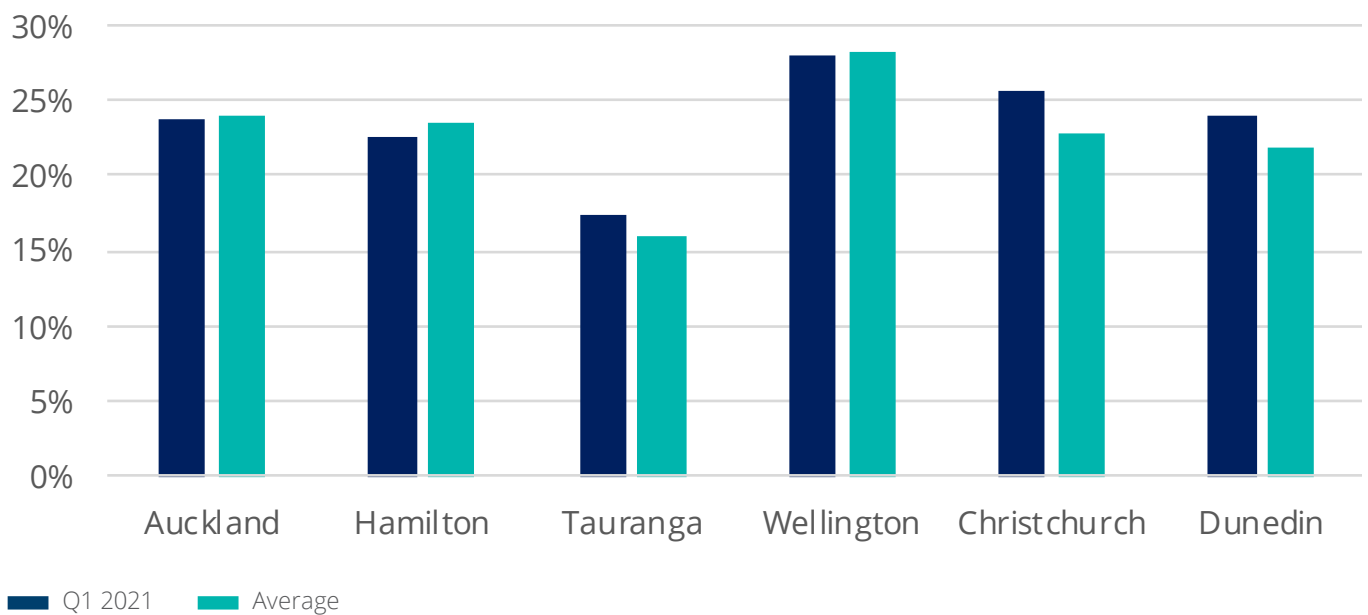


Looking at the data across Auckland, Hamilton, Tauranga, wider Wellington (i.e. combined City, Lower Hutt, Upper Hutt, Porirua), Christchurch, and Dunedin, the patterns for FHBs are a little more mixed. In Wellington, for example, the share of purchases in Q1 2021 made by FHBs was relatively high at 28% – above the other main centres (especially Tauranga at 17%), but only in line with what’s normal for that market (i.e. the long term average for FHBs in Wellington is 28% too).

Auckland’s figure of 24% was also in line with average, while Hamilton actually had a slightly smaller share of FHBs in Q1 2021 (23%) than is normally the case (24%). Meanwhile, even though Tauranga isn’t really a ‘first home buyer’s market’, the figure there of 17% was a touch above average (16%).

Dunedin had a 24% share of purchases going to FHBs in Q1 2021, 2%-points above average, while Christchurch’s figure of 26% was 3%-points above average. This supports other evidence that Christchurch is still the most affordable main centre, especially for those starting on the ladder.

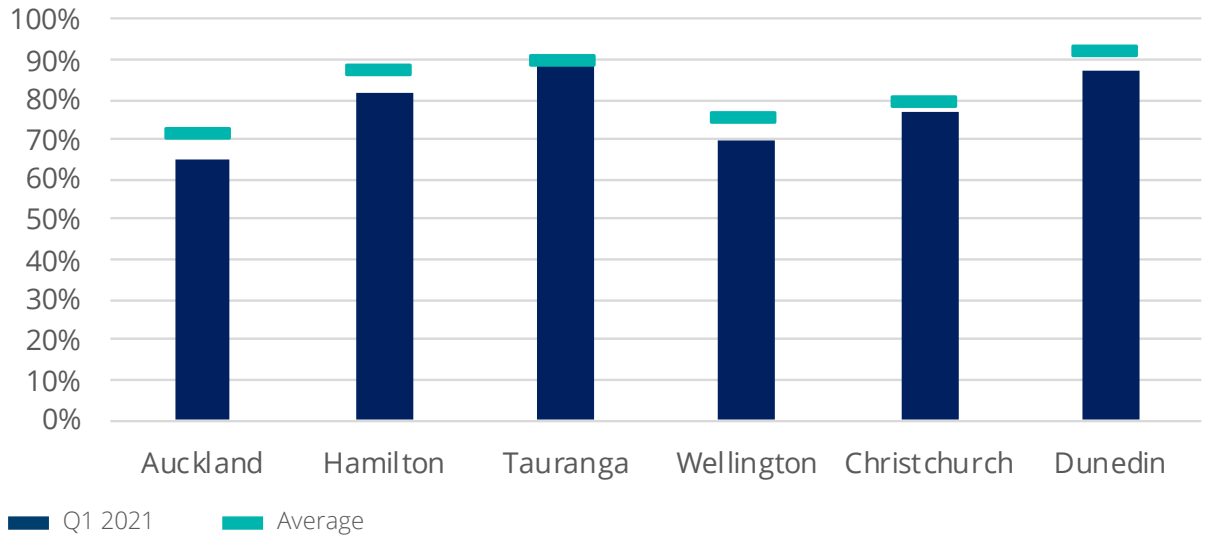
FHB % share of purchases



By property type, houses accounted for at least 65% of FHB purchases in each of the main centres in Q1 2021, with Tauranga the highest (92%) and Auckland lowest (65%). Wellington is the only other main centre where houses had a lower share of FHB purchases (70%) in Q1 2021 than the national average (75%). Christchurch was 77%, with Hamilton and Dunedin above 80%.

Of course, this lower share of purchases being houses partly reflects the composition of the overall housing stock in Wellington (especially City) and Auckland, with smaller dwellings such as apartments and flats more important than elsewhere. But that’s the not the full story – indeed, houses accounted for a lower than average share of FHB purchases in Q1 2021 in all main centres other than Tauranga (and not by much in Christchurch). In other words, there are signs here of FHBs compromising on property type, and not buying (more expensive) houses as often, instead shifting towards smaller and cheaper dwelling types in areas like Auckland, Wellington, and Hamilton.

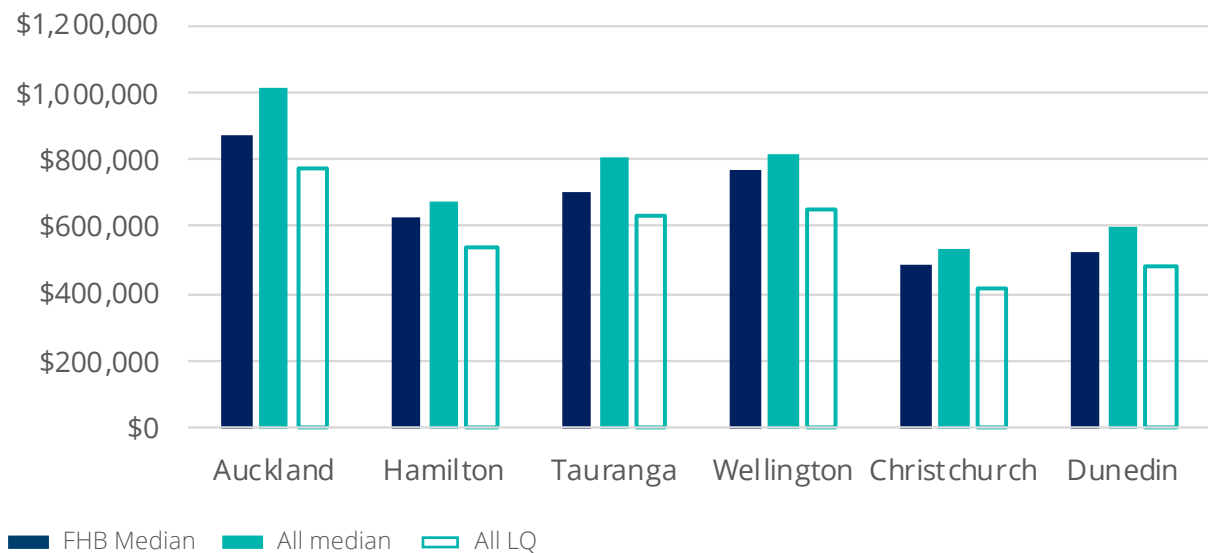
House % share of FHB purchases 2020 to date



As was the case at the national level, each of the main centres saw FHBs pay a median price in Q1 2021 that was lower than for all buyers. Reflecting the fact that it has the highest prices to start with, the gap was largest in Auckland, with FHBs paying a median in Q1 2021 of \$877,000, \$133,000 less than the figure for all buyers (\$1,010,000). The gap was also more than \$100,000 in Tauranga, although the median price actually paid by FHBs was higher in Wellington (\$770,000 versus \$699,000 in Tauranga). Christchurch's FHB median price paid is still below \$500,000.

Once again, it's also interesting to see that the FHB median price across each of the main centres is higher than the lower quartile price for all buyers. In other words, that again undermines the popular perception that FHBs always start at the bottom and work their way up.

Purchase price paid Q1 2021

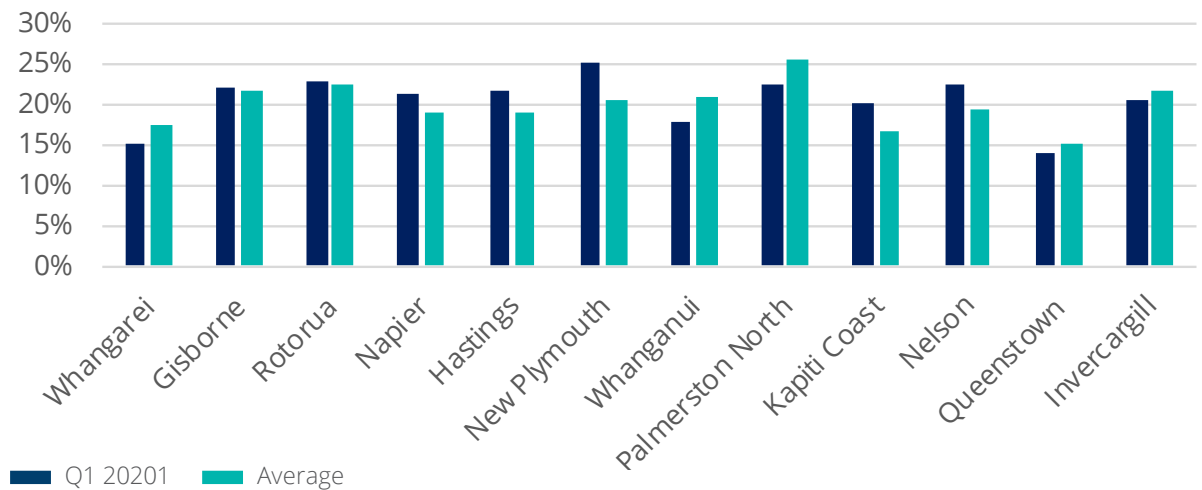


The Main Urban Areas



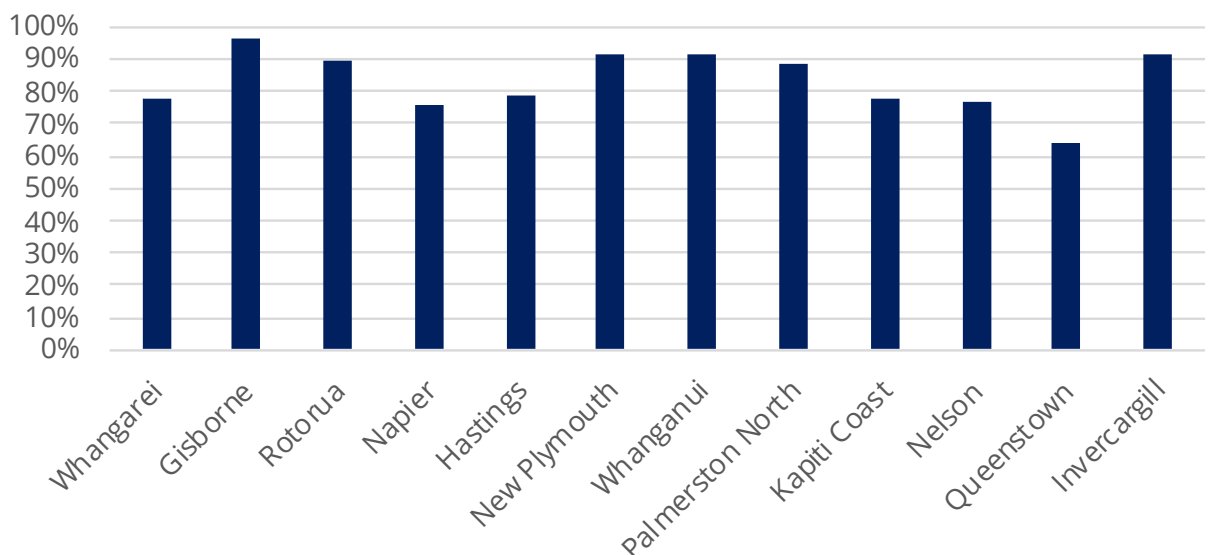
Digging deeper into the next 12 key centres around New Zealand, it's a mixed bag in terms of FHB presence relative to normal. In Gisborne (22%), Rotorua (23%), and Queenstown (14%), the share of property purchases in Q1 2021 made by FHBs was pretty close to the long term average. But in New Plymouth (25% vs 20%), and to a lesser extent Nelson, Kapiti Coast, Hastings, and Napier, the FHB share was above average. By contrast, FHBs found it harder going than normal in Q1 2021 in Whangarei, Whanganui, Palmerston North, and Invercargill.

FHB % share of purchases



In these 12 'main urban areas', houses tend to be the dominant type of property being purchased by FHBs, with perhaps the exception of Queenstown (where houses 'only' accounted for 64% of FHB purchases in Q1 2021). Elsewhere, the house share ranged from 75% in Napier up to 96% in Gisborne, and also 90% or more in Rotorua, New Plymouth, Whanganui, and Invercargill.

House % share of FHB purchases Q1 2021

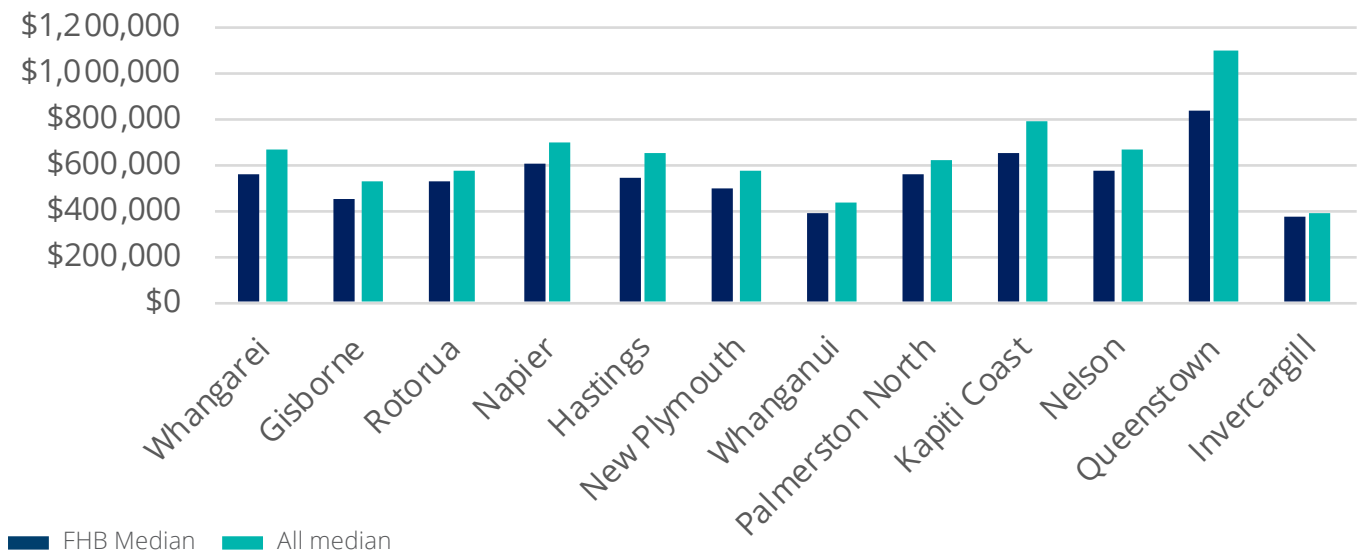


The median price paid by FHBs in Q1 2021 was lower than the median for all buyers in each of the 12 main urban areas, but the gap was 'only' \$20,000 in Invercargill, and about \$40,000 in Whanganui and Rotorua. The gap was largest in Queenstown (\$260,000), with FHBs paying a median of \$840,000 and all buyers \$1,100,000.

Aside from Queenstown, the highest FHB median price paid in the main urban areas in Q1 2021 was \$625,000 in Kapiti Coast, and the lowest was \$370,000 in Invercargill – albeit not far off was Whanganui at \$390,000.

Also note that in 11 of the 12 main urban areas (aside from Queenstown), the median price paid by FHBs in Q1 2021 was higher than the lower quartile for all buyers. Again, this just reinforces the point that FHBs don't necessarily always start at the bottom of the market, although that does seem to be the case in Queenstown, where of course property is very expensive.

Purchase price paid Q1 2021



Median FHB price paid Q1 2021



The Provincial Areas



Generally speaking, the presence of FHBs around NZ's provincial property markets has eased a bit lately, although there are still a number of hotspots – for example, in the first three months of the year, FHBs had at least a 25% market share in Kawerau, Stratford, Central Hawkes Bay, Ashburton, and South Waikato. In addition, other than South Waikato, each of those areas also saw FHBs' share running at least 5%-points higher than the long term average – in other words, FHBs were strong both in absolute and relative terms. Other areas that had a high FHB presence in Q1 2021 relative to their own average included Masterton, Horowhenua, and Waitomo.

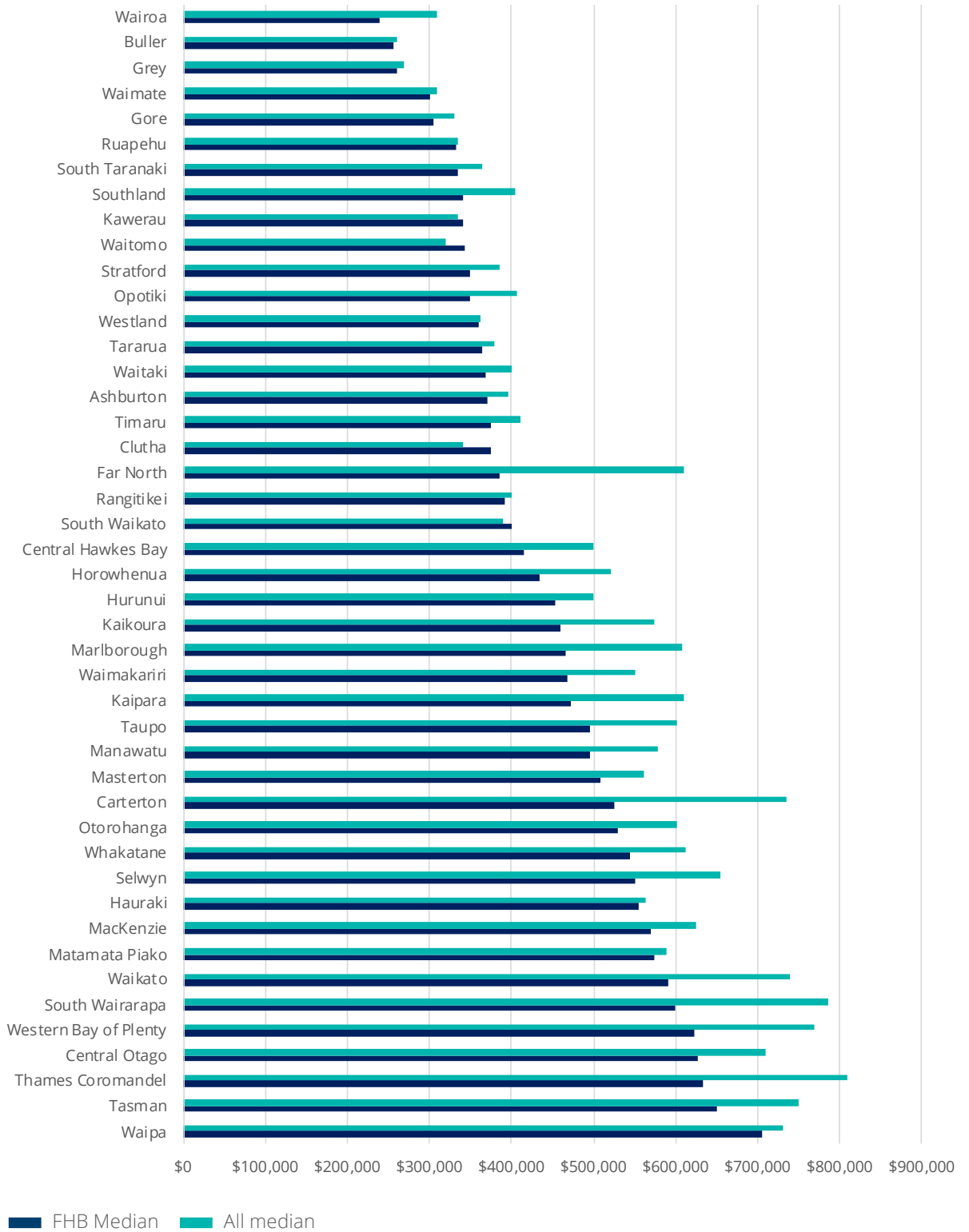
By contrast, FHBs had low shares of activity (<10%) in Q1 2021 in Westland, Taupo, MacKenzie, Central Otago, Thames-Coromandel, and Opotiki. To be fair, FHBs always tend to have lower shares of purchases in Thames-Coromandel and Mackenzie, but that also left Central Otago, Taupo, Westland, and Opotiki looking low relative to normal too.

Around these provincial areas, the highest median price paid by FHBs in Q1 2021 was in Waipa (\$705,000), and the lowest in Wairoa (\$239,000). Tasman, Thames-Coromandel, Central Otago, Western Bay of Plenty, and South Wairarapa also saw FHBs pay a median price of \$600,000 or above, while Grey and Buller joined Wairoa in the sub-\$300,000 group.

Generally speaking, the FHB median price paid around the provinces is lower than the median for all buyers, except for Clutha, Waitomo, Kawerau, and South Waikato. Areas such as Far North and Carterton stand out for having a median FHB price paid significantly below the median for all buyers.



Purchase price paid Q1 2021



CoreLogic Data and Analytics

Suburb Scorecard

Detailed housing market indicators down to the suburb level, with data in time series or snapshot and segmented in most cases across houses, flats and apartments. The Suburb Scorecard data includes key housing market metrics such as median prices, median values, transaction volumes, rental statistics and vendor metrics such as median selling time.

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