CoreLogic Market Pulse

15th Mahuru (September) 2021

First home buyers solid for now, but outlook's hazier

The latest lockdown has distorted the Buyer Classification raraunga (data) for Here-turi-kōkā (August) a little, but the more general trend is still downwards for mortgaged investors' market share and stronger for first home buyers (FHBs). But the kēmu (game) may be about to change again for FHBs, as a probable reduction in the availability of low deposit finance from 1st Whiringa-ā-nuku (October) makes things harder for them. Recent buyers with higher debts will also feel the sting from rising mōkete (mortgage) rates more strongly too, which could play into the hands of other groups, such as cash investors.

Looking solely at the Here-turi-kōkā (August) figures from our Buyer Classification series, the market share for mortgaged multiple property owners (MPOs), or investors, rose from 24% in Hōngongoi (July) to 25% - and the share for FHBs dropped from 27% to 25% (and movers' share dropped too).

However, the *number* of settled transactions in Here-turi-kōkā (August) was clearly affected by lockdown (down -49% compared to the average for the prior 12 months), so given this smaller sample of raraunga (data), we'd be very cautious of saying that investors have genuinely made a comeback in the past month or so.

Indeed, it's more informative to look at figures across Hōngongoi (July) and Here-turi-kōkā (August) combined, and on this basis the downwards trend for mortgaged investors' market share across the country is clear (see the first chart). Indeed, at 24%, their share of the market is back down at the levels seen early last year, prior to the loan to value ratio speed limits being removed.

Meanwhile, FHBs have clearly found things a *little* easier of late, with competition for the available properties perhaps down a bit - albeit obviously raising the deposit and paying high prices is still a huge challenge. Nationally their market share has risen back to 26% over the past two months, up from the trough of 22% in Q1 this year.

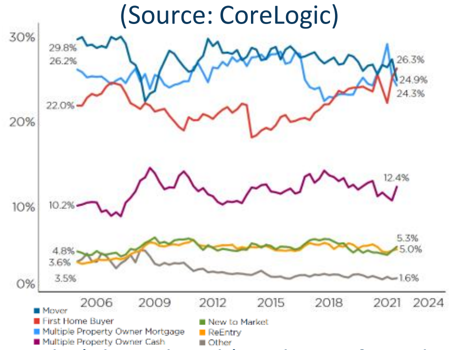
The recent pullback by mortgaged investors and the rebound for FHBs is evident around many parts of Aotearoa, with Ōtautahi (Christchurch) in particular standing out. As the second chart shows, FHBs' market share there has risen to 29%, consistent with its position as the country's most affordable main centre. Anecdotally, people from other parts of the country are now recognising this more often, and seriously pondering a move.

In terms of what happens next, history from 2016-17 tells us that the 40% deposit requirement on its own could push down investors' market share further over the coming months, and of course their presence could ultimately fall further than it did back then (trough of 22%) because this time around there's the extra pressure of the Government's tax changes.

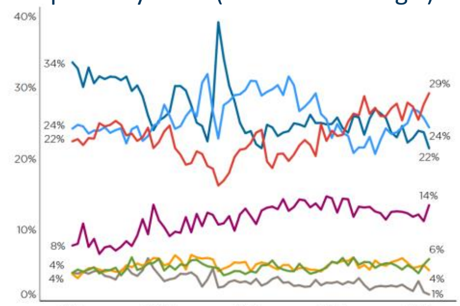
However, FHBs look set to feel some regulatory headwinds too, with the low deposit speed limit set to be cut from 20% of owner occupier lending to 10% from 1st Whiringa-ā-nuku (October) (albeit a prolonged lockdown could possibly see this deferred). As the third chart shows, the banks are currently operating well below the 20% speed limit, but only because non-FHB low deposit lending is quiet. And when you consider that it's taking an average of 10.5 years to save a deposit (see the fourth chart), it's easy to see why many FHBs are keen to enter with less than the standard 20% deposit.

The CoreLogic NZ team is on a journey in learning te reo Māori and incorporating more Māori language into our work. We're proud to commence this today, in recognition of Te Wiki o te Reo Māori.

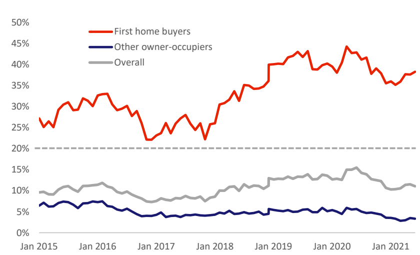
Aotearoa % share of purchases, quarterly basis (Source: CoreLogic)



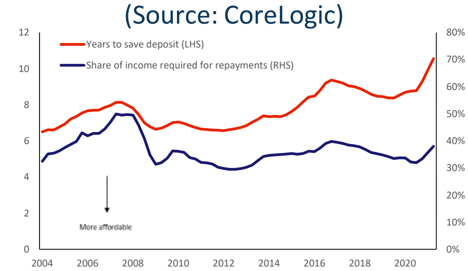
Ōtautahi (Christchurch) % share of purchases, quarterly basis (Source: CoreLogic)



Percentage of total lending to each group done at low deposit (Source: Te Pūtea Matua (Reserve Bank))



Housing affordability measures (Source: CoreLogic)



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