

# First Home Buyer Report

NEW ZEALAND | QUARTER 3, 2023





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# About CoreLogic

CoreLogic is a leading property information, analytics and services provider in the United States, Australia and New Zealand.

CoreLogic helps clients identify and manage growth opportunities, improve performance and mitigate risk, by providing clients with innovative, technology-based services and access to rich data and analytics.

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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. This more detailed report, however, takes a deeper look at the figures and covers what types of properties FHBs have been buying lately and also the prices they've been paying. For clarity, we define a first home buyer purchase to be where no party involved has owned property in NZ before and are using a mortgage.



Some key insights from this report include:



Over the year to date, FHBs have remained a key presence in the property market, accounting for around 26% of purchases, comfortably above the long-term average of 21%. And in Q3 itself, their market share was pushing 27%, a new record high – although it must also be noted that the number of deals is still below past norms.



Stretched housing affordability and high mortgage rates remain key challenges, but many FHBs are still proving successful – e.g. by using the low-deposit lending speed limits at the banks, tapping their KiwiSaver for a deposit (or part of it), securing First Home Grants or First Home Loans, and also a willingness to compromise on location and/or property type. The allure of 'a foot on the ladder' clearly remains strong.



Meanwhile, given the wider downturn in property values over the past 18 months or so, the median price being paid by FHBs has also come down, from \$720,000 in 2022 to \$690,000 in 2023 to date. And that's despite (more expensive) standalone houses maintaining a steady share of all FHB purchases, at 71% so far this year, the same as 2022.



Looking at the other property types, flats have been 22% of FHB purchases so far this year, versus 21% last year, and 18% across all buyers. But FHBs pick up relatively fewer apartments and lifestyle properties than all buyers – 3% vs 5%, and 2% vs 6% respectively.



Another important point to make about the prices being paid by FHBs is that the median for this group (\$690,000 in 2023) is lower than all buyers (\$762,500), but significantly higher than the lower quartile (bottom 25%) across all buyers, of \$565,000. In other words, the 'typical' FHB doesn't always enter at the bottom of the market and work their way up – many actually enter the market well above the 'bottom rung' of the ladder.



Looking at the data across Auckland, Hamilton, Tauranga, wider Wellington (i.e. combined City, Lower Hutt, Upper Hutt, Porirua), Christchurch, and Dunedin, the national trends can also be seen at the more granular level – indeed, all of these areas have had FHB market shares lately that are above their own averages. Median FHB prices paid have also fallen.



A similar message applies in 'provincial' markets too, with areas such as Invercargill, Whangarei, Rotorua, Napier, and Hastings all seeing above-average shares of FHB purchases so far in 2023. South Waikato, Clutha, Taranaki, Timaru, Selwyn, and Manawatu all join that list of 'FHB hotspots' as well.



Overall, then, it's remained a strong market lately for FHBs, with many key factors still in their favour. And looking ahead, it wouldn't be a surprise to see FHBs continue to hold onto an above-average share of property purchases in the next 6–9 months as well. After all, we do not expect runaway growth in house prices for the foreseeable future, especially if/when caps on debt to income ratios for mortgage lending come into force next year.

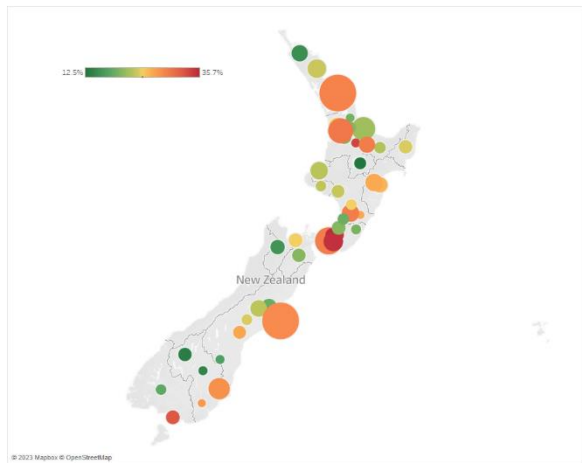


# Executive Summary (continued)

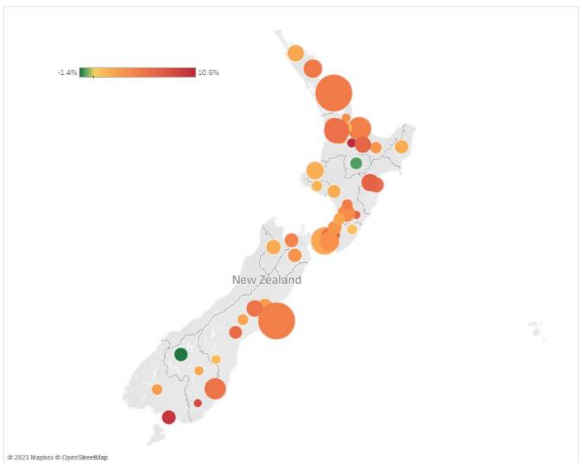


However, with the change of government and the slow softening of the tax system for property investors that lies ahead – namely a shorter Brightline Test and the full reinstatement of mortgage interest deductions – FHBs may not have things all their own way forever. To be fair, we don’t expect a flood of investors coming back to the market, but some will, and this will be extra competition for FHBs.

FHB % market share Q1-Q3 2023



FHB % market share Q1-Q3 2023 vs long term average



# The National Picture

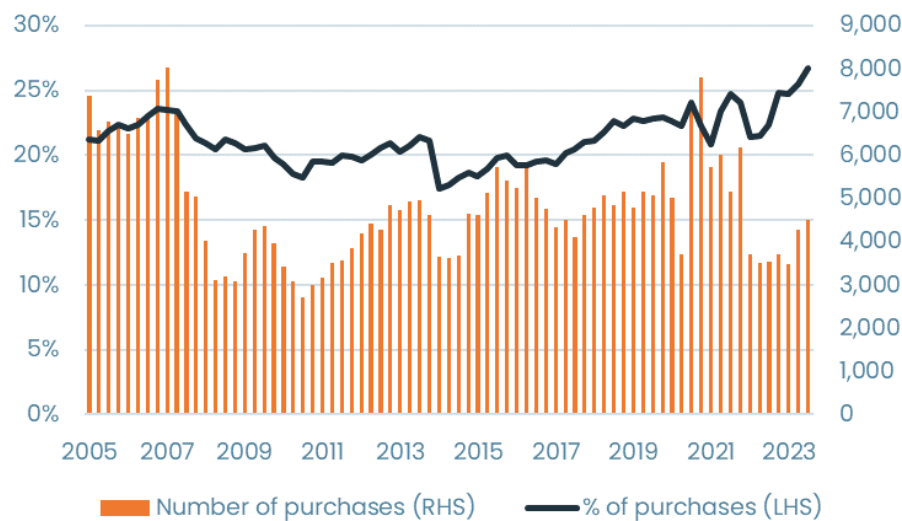
In the six months since the previous edition of the First Home Buyer Report, we've seen the start of an emerging turnaround for the wider property market. Sales volumes have been rising for the past 4-5 months – albeit slowly and from a low base – while the new weekly flows of listings coming onto the market have stayed fairly low (even though we're into the normal Spring uplift). The net result is the stock of property listed and available for sale has been dropping.

Meanwhile, with some competitive pressures starting to re-emerge, property values have begun to rise in some parts of the country, although again, it's relatively slow growth and also patchy across various locations. The pending change of government has probably played a role in boosting housing market sentiment, even if the fundamental drivers are a bit slower-moving.

Even so, those drivers have nevertheless become more favourable. For a start, inflation is easing and the official cash rate may not need to rise again – this takes a bit of upwards pressure off mortgage rates, although not all of it. In addition, the labour market remains strong, while net migration has soared to a record high. The CCCFA and LVR rules have also been eased, making it a little less onerous for people to actually secure a mortgage.

Throughout all of this, first home buyers (FHBs) have been a consistently strong presence. Over 2023 to date, their share of property purchases has been around 26%, comfortably above the long-term average of 21%. And in Q3 itself, their market share was pushing 27%, a new record high – although it must also be noted that the number of deals is still below past norms.

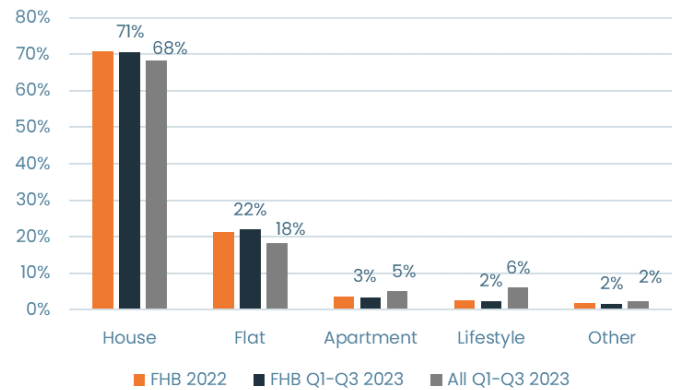
## National FHB activity



Factors for this FHB strength have included lower prices, access to low-deposit finance at the banks via the LVR speed limits, less competition from other buyer groups, the ability to use KiwiSaver for the deposit (or at least part of it), and also various other supports such as First Home Grants and First Home Loans. FHBs are also willing to compromise on location and/or property type.

Indeed, across the calendar year to date, 71% of FHB purchases have been standalone houses, which is on a par with the 2022 figure, but less than the levels in previous years, e.g. 75-80% in 2019 and 2020. This shows that as affordability constraints have bitten, and also as the construction boom has opened up other options (e.g. townhouses), FHBs have been prepared to change too. For comparison, across all buyers, houses have accounted for a lower 68% of purchases in 2023.

### Property type % of purchases



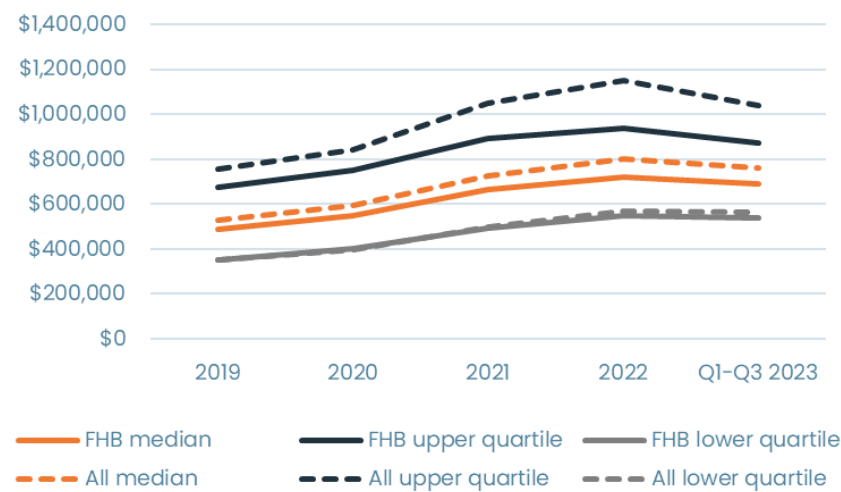
Looking at the other property types, flats have been 22% of FHB purchases so far this year, versus 21% last year, and 18% across all buyers. But FHBs pick up relatively fewer apartments and lifestyle properties than all buyers – 3% versus 5%, and 2% versus 6% respectively.

Meanwhile, the median price being paid by FHBs has also come down (even though larger dwellings have maintained a steady share of their purchases), from \$720,000 in 2022 to \$690,000 in 2023 to date. This of course reflects the wider drops in the property market that we saw in 2022 and the first half of this year too.

Another important point to make about the prices being paid by FHBs is that the median for this group (\$690,000 in 2023) is lower than all buyers (\$762,500), but significantly higher than the lower quartile (bottom 25%) across all buyers, of \$565,000. In other words, the ‘typical’ FHB doesn’t always enter at the bottom of the market and work their way up – many actually enter the market well above the ‘bottom rung’ of the ladder.

Overall, then, it’s remained a strong market lately for FHBs, with many key factors still in their favour. And looking ahead, it wouldn’t be a surprise to see FHBs continue to hold onto an above-average share of property purchases in the next 6–9 months as well. However, with the change of government and the slow softening of the tax system for property investors that lies ahead – namely a shorter Brightline Test and the full reinstatement of mortgage interest deductions – FHBs may not have things all their own way forever. To be fair, we don’t expect a flood of investors coming back to the market, but some will, and this will be extra competition for FHBs.

### Purchase price paid

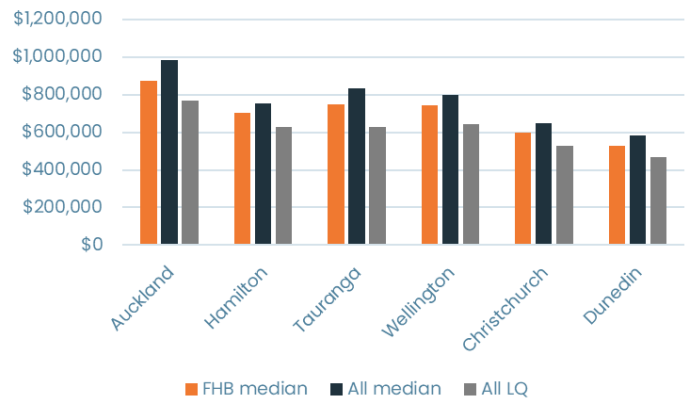


# The Main Centres

Looking at the data across Auckland, Hamilton, Tauranga, wider Wellington (i.e. combined City, Lower Hutt, Upper Hutt, Porirua), Christchurch, and Dunedin, the national trends can also be seen at the more granular level – indeed, all of these areas have had FHB market shares lately that are above their own averages.

The strongest market share for FHBs over 2023 to date has been across wider Wellington, at 33% of purchases. Tauranga is at the other end of the spectrum, at 21%. However, when you compare the latest figures to their own averages, the relative strength for FHBs is pretty widespread – e.g. Wellington is 4 percentage points above normal, Auckland, Tauranga, Christchurch, and Dunedin all at 5% higher, and Hamilton 6% above.

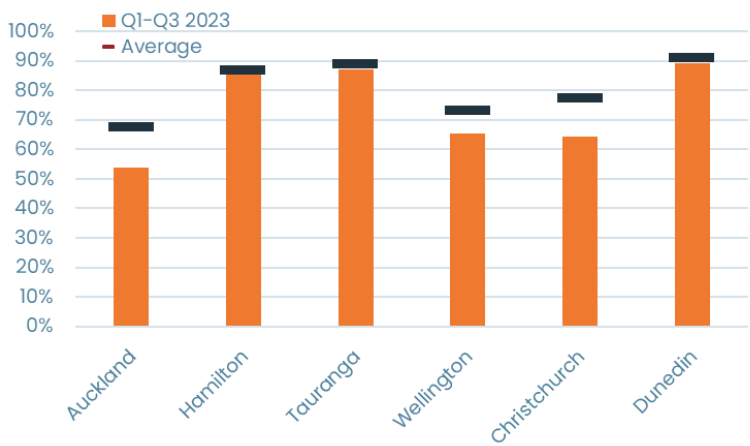
## FHB % share of purchases



By property type, and looking here at only the main centres, standalone houses account for the highest share of FHB purchases in Dunedin (89%), Hamilton (88%), and Tauranga (87%). These figures for the year to date are also pretty close to their own long-term averages.

However, in Auckland (54% vs average of 68%), Christchurch (64% vs 77%), and Wellington (65% vs 73%), the share of FHB purchases that are houses has been comparatively low over 2023 so far – although it always tends to be lower in these markets anyway. A wide range of factors could explain this, including better affordability for smaller dwellings – but also that the construction boom has simply meant more availability of other property types, such as townhouses or apartments, in Auckland, Wellington, and Christchurch.

## House % share of FHB purchases





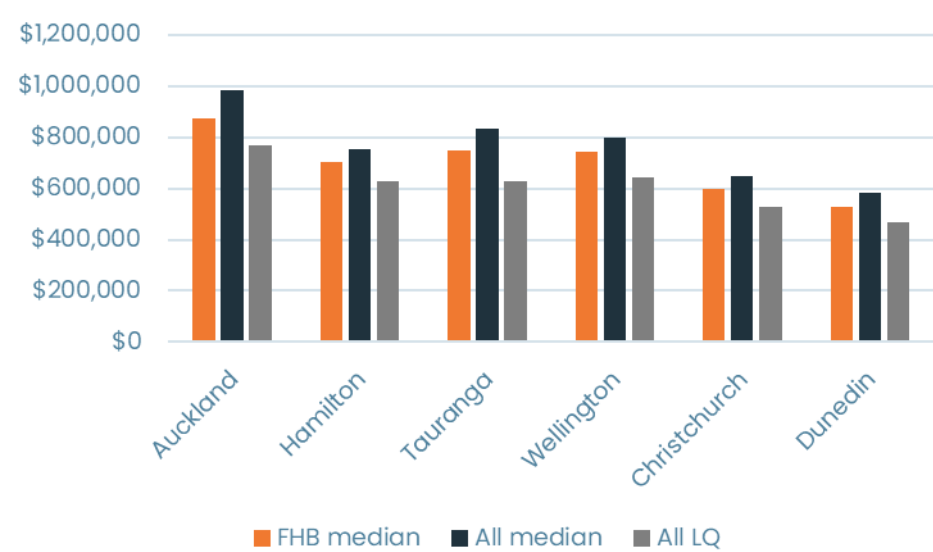
# The Main Centres

As is the case at the national level, each of the main centres has seen the median price being paid by FHBs fall over the past 12-18 months, alongside the wider decline in property values. In each main centre, the median FHB price is lower than the figure for all buyers, but higher than the lower quartile for all buyers – in other words, FHBs don’t always enter at the bottom.

In terms of the prices themselves, Auckland is the main centre where FHBs pay the most, at a median of \$875,000 so far in 2023 (\$107,000 less than the all-buyer median of \$982,000). Median FHB prices paid range between \$700-\$750,000 in each of Tauranga, Wellington, and Hamilton, and sit at \$600,000 in Christchurch, and \$530,000 in Dunedin.

Finally for the main centres, just a quick note on the current fortnightly cost of rent versus paying a mortgage. With mortgage rates having risen sharply, and even despite a recent acceleration in rental growth too, the extra cost to pay the mortgage versus paying rent is still quite high – ranging from \$950 more per fortnight in Auckland, down to \$486 in Dunedin. Nationally, the figure is \$619. This straight-forward comparison (with rent significantly cheaper) certainly highlights that most FHBs are likely to be purchasing for reasons other than simple financial drivers – such as stability of tenure.

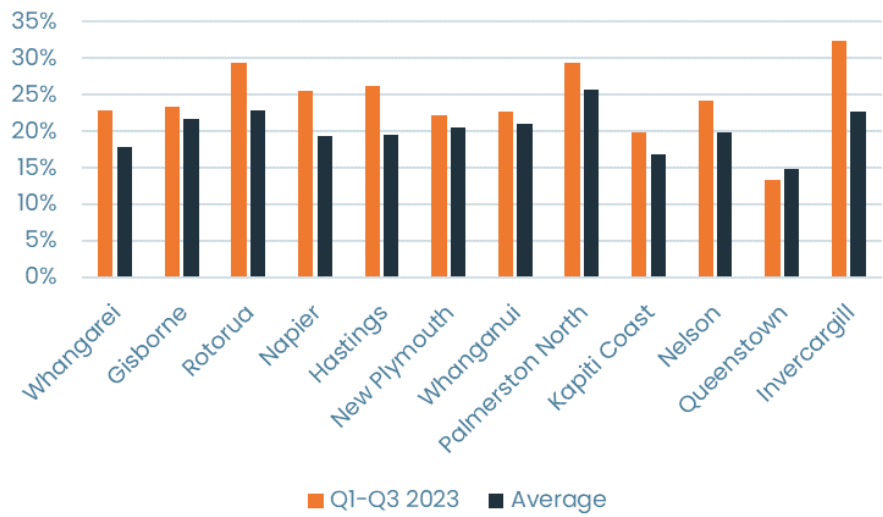
## Purchase price paid Q1-Q3 2023



# The Main Urban Areas

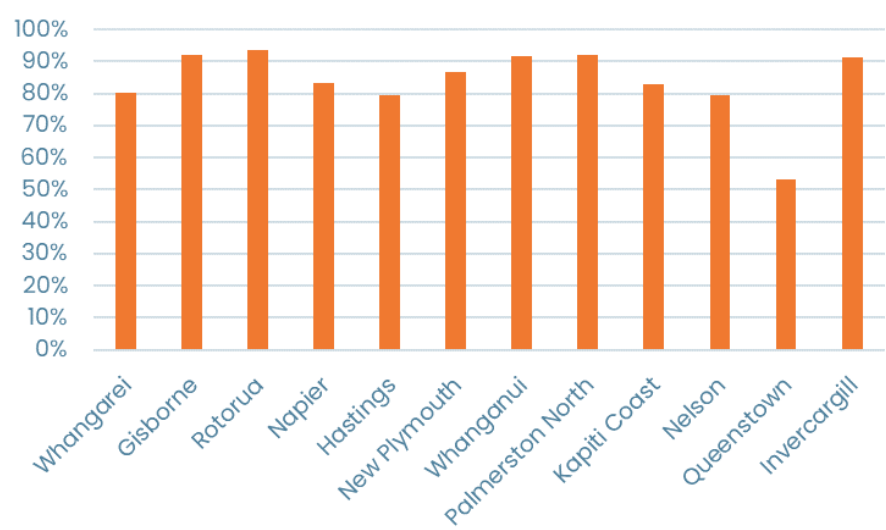
Digging deeper into the next 12 key centres around New Zealand, the story of relative strength for FHBs’ market share has remained in place in 2023. In Invercargill, for example, 32% of purchases in the year to date have gone to FHBs, a full 10 percentage points higher than the long-term average – in other words, it’s been a clear hotspot for FHBs recently. The market share for FHBs has also been at least 5 percentage points higher than normal in Whangarei, Rotorua, Napier, and Hastings.

FHB % share of purchases



By contrast, Queenstown has seen FHBs struggle a bit in 2023, with a market share of only 13% in the year to date, versus its typical figure of 15% (which itself always tends to be low anyway). The relative resilience of demand and house prices in this ‘premium’ market over the past 1-2 years has probably been a factor behind FHBs’ market share staying fairly low.

House % share of FHB purchases Q1-Q3 2023

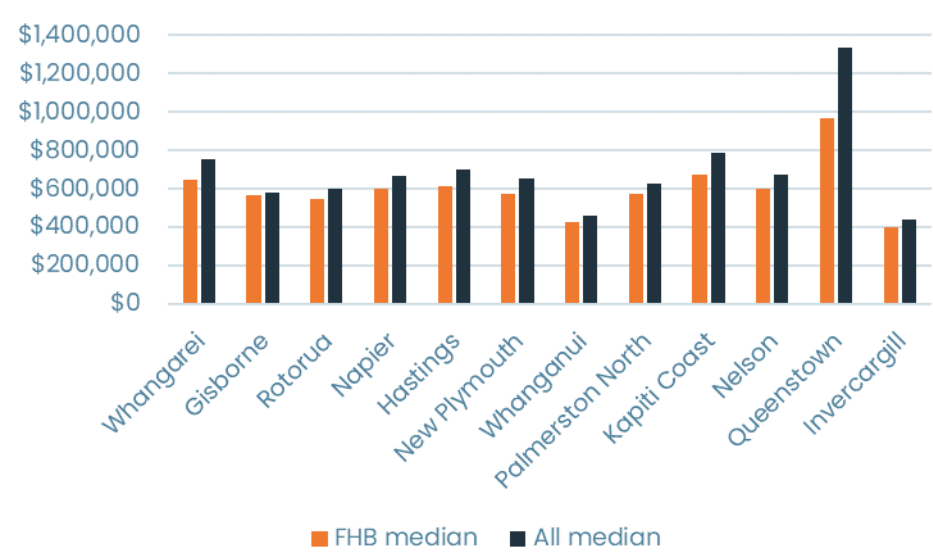


# The Main Urban Areas

In these 12 ‘main urban areas’, houses tend to be the dominant type of property amongst the existing housing stock, and therefore also account for a high share of FHB purchases. Over 2023 to date, houses have accounted for 93% of FHB purchases in Rotorua, with that figure also topping 90% in Gisborne, Whanganui, Palmerston North, and Invercargill. Figures of 80–90% have been seen in Whangarei, Napier, Hastings, New Plymouth, Kapiti Coast, and Nelson. But reflecting a wider range of property types and also affordability pressures, Queenstown’s figure for houses as a share of FHB purchases has been lower in 2023 (as it always tends to be), at 53%.

In terms of median prices paid by FHBs so far this year, the highest figure (amongst the main urban areas) has been in Queenstown, at \$967,500. Whangarei, Napier, Hastings, Kapiti Coast, and Nelson have all been in the range of \$600–\$700,000, with lower prices being paid by FHBs in Whanganui (\$425,000) and Invercargill (\$400,000).

Purchase price paid Q1-Q3 2023

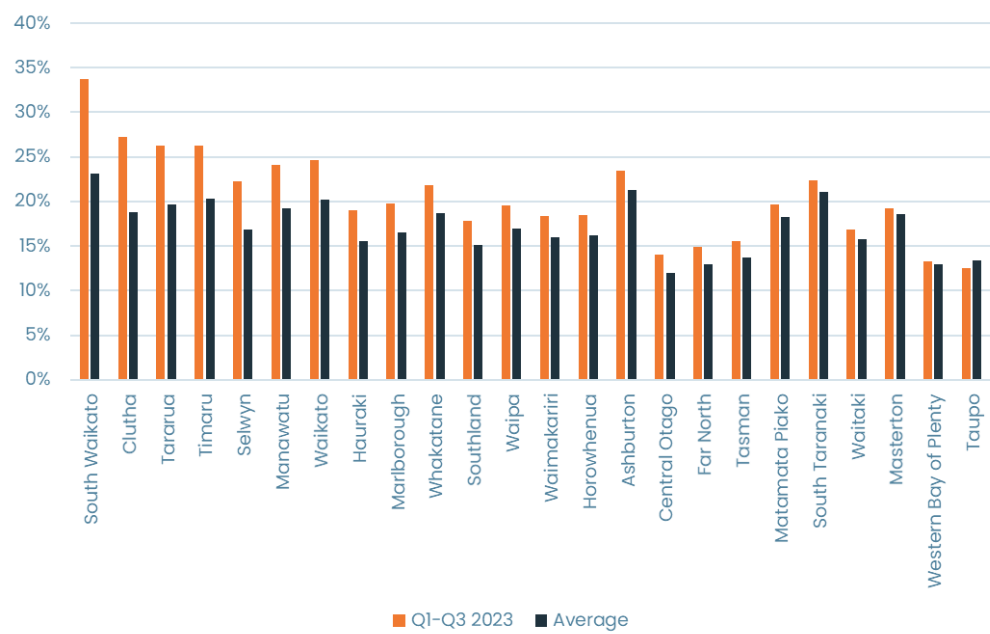


# The Provincial Areas

Around NZ's provincial markets (with a minimum number of 50 FHB purchases so far in 2023), again almost all of them have had a FHB % market share that has been above normal. The largest gap is South Waikato, with a FHB market share of 34%, versus the average for that area of 23%. Clutha, Taranua, Timaru, Selwyn, and Manawatu have also had FHB market shares so far in 2023 of at least 5 percentage points above normal. Western Bay of Plenty and Taupo, by contrast, have been relatively soft markets for FHBs so far in 2023.

Meanwhile, in terms of the prices being paid by FHBs, Selwyn (\$744,500) and Western Bay of Plenty (\$740,000) have been more expensive, although there are still several provincial areas where FHBs are paying less than \$450,000 – including South Waikato, Clutha, Taranua, Timaru, Southland, South Taranaki, and Waitaki.

## FHB % share of purchases







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