



First Home Buyer Report

New Zealand | Quarter 1, 2023



Data to March 2023

Contents

| | |
|----------------------|----|
| About CoreLogic | 3 |
| Executive Summary | 4 |
| The National Picture | 6 |
| The Main Centres | 9 |
| The Main Urban Areas | 11 |
| The Provincial Areas | 13 |

New Zealand
Quarter 1, 2023

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.

Whilst all reasonable effort is made to ensure the information in this publication is current, CoreLogic does not warrant the accuracy, currency or completeness of the data and commentary contained in this publication and to the full extent not prohibited by law excludes all loss or damage arising in connection with the data and commentary contained in this publication.

Call us

0800 355 355

Wellington Office

Level 14, 10 Brandon St
Wellington 6011

Auckland Office

Level 2, 12 Madden Street
Auckland 1010

Email

reports@corelogic.co.nz

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:



The number of purchases being made by FHBs is low – indeed, the figure of around 3,260 in Q1 2023 is the lowest for that quarter of the year since 2011. That's no major surprise, given continued affordability pressures, tight lending rules, and higher mortgage rates.



But of course most buyer groups are being hindered to some degree by those same factors, and actually FHBs have 'held on' relatively well. In fact, their % market share has remained steady in recent months, coming in at around 25% in both Q4 2022 and Q1 2023 – on a par with previous record highs. The historical average for FHB market share is around 21-22%.



There are many potential reasons for the relative strength of FHBs, but key ones are likely to include using KiwiSaver for a deposit (or at least part of it), a willingness to compromise on the type/location of property, and using the low deposit lending quotas at the banks. Non-financial factors, such as security of tenure, obviously always matter too for FHBs.



The wider downturn in values (and relatively high stock of listings on the market) has also helped finance-approved FHBs, and brought a wider range of properties back onto their radar. Indeed, the median price paid by FHBs in Q1 was \$680,000, down from a peak of \$750,000 a year ago – with standalone houses accounting for 75% of their purchases in the most recent quarter, up from 71% a year ago.



Another important point to make about the prices being paid by FHBs is that the median for this group (\$680,000) is significantly higher than the lower quartile (bottom 25%) across all buyers, of \$555,000. In other words, the 'typical' FHB doesn't always enter at the bottom of the market and work their way up.



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.



But it's not the only the main centres where FHBs' market share has been running above normal; it's also been the case around most of 'provincial' NZ too – including Whangarei, Rotorua, Nelson, Invercargill, Buller, Clutha, Timaru, and Southland (district).



Overall, then, it's been a solid 3-6 months lately for FHBs, as they've enjoyed plenty of choice amongst the existing stock of properties listed for sale, falling prices, and reduced competition from other buyer groups (e.g. mortgaged investors).

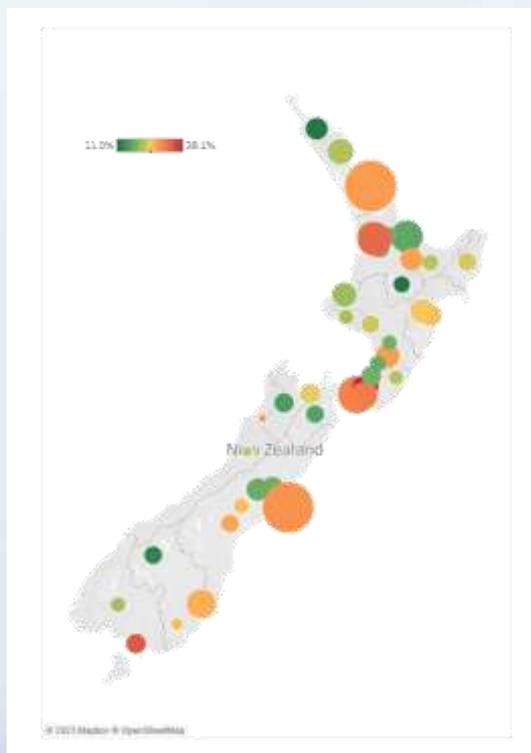


Executive Summary *(continued)*

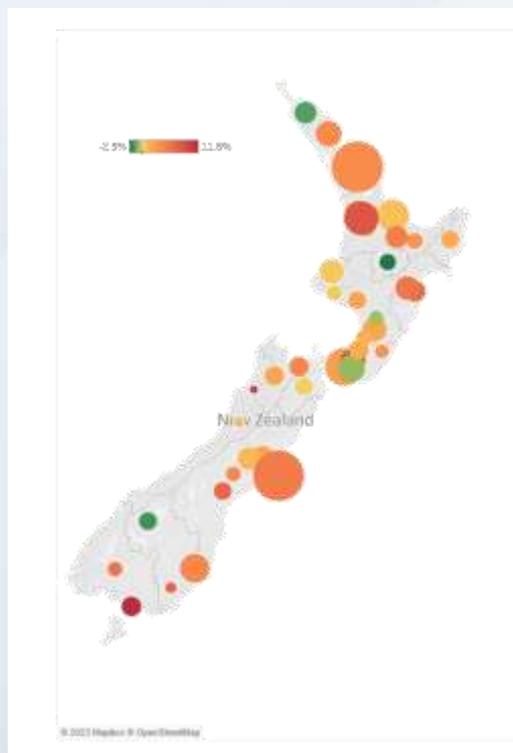


Looking ahead, even if the downturn in prices does end in the second half of this year (e.g. because of factors including a mortgage rates peak, signs that total available listings have just started to dip, and rising net migration), we doubt that the market is going to boom again straightaway – especially if caps on debt to income ratios are imposed in March next year. In other words, FHBs should continue to see relatively favourable conditions for a while yet, albeit mortgage rates seem unlikely to suddenly fall sharply anytime soon.

FHB % market share Q1 2023



FHB % market share Q1 2023 vs long term average



The National Picture

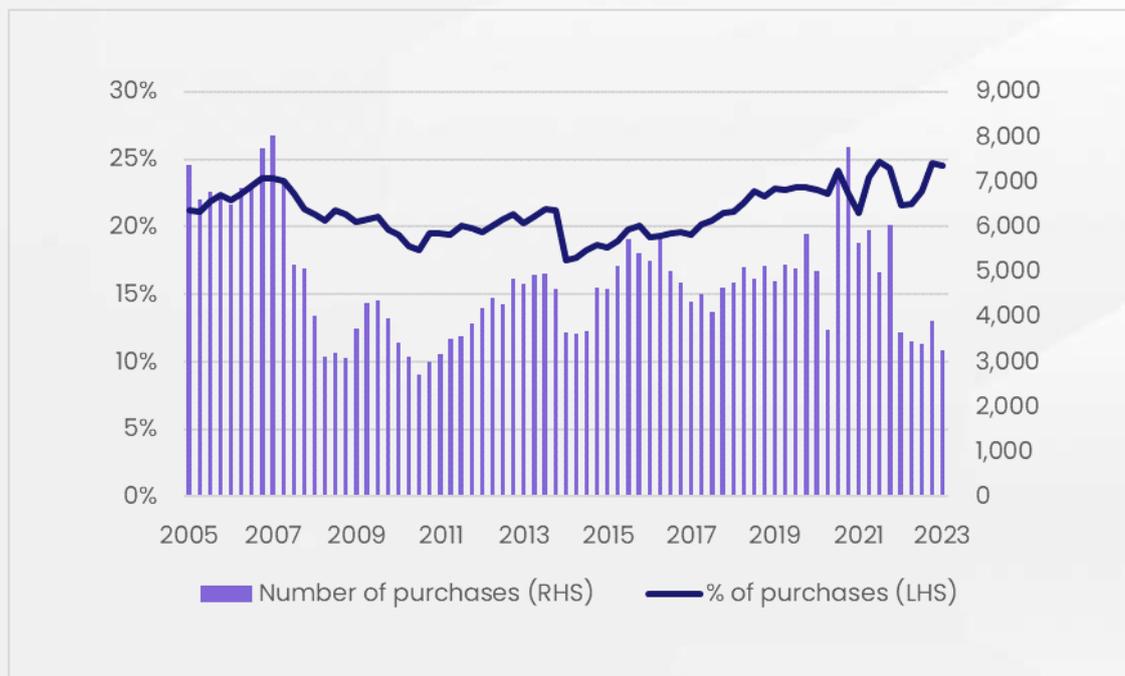
Since the previous edition of the First Home Buyer Report back in November last year, it's really just been 'more of the same' for NZ's property market. Sales activity has remained very low, as finance-approved buyers take their time (knowing that the listings supply/demand balance is in their favour), while vendors haven't been in much rush either – given most are in work and aren't forced sellers.

In that environment, it's no surprise that property values have continued to fall too, in almost all parts of the country. Higher mortgage rates have been a key restraint on the market, as have the continued pressures from CCCFA rules and tight deposit/LVR requirements.

However, there is now a clearer case building for thinking that this downturn could come to an end fairly soon – this includes a (probable) generalised peak for mortgage rates, continued strength in the labour market, signs that total listings on the market have started to drop slightly, the surge in net migration, and some hints that investors might look to buy in advance of the Election and also to pre-empt probable debt to income ratio caps next year. This could all feed back into a self-reinforcing positive loop for buyer confidence too.

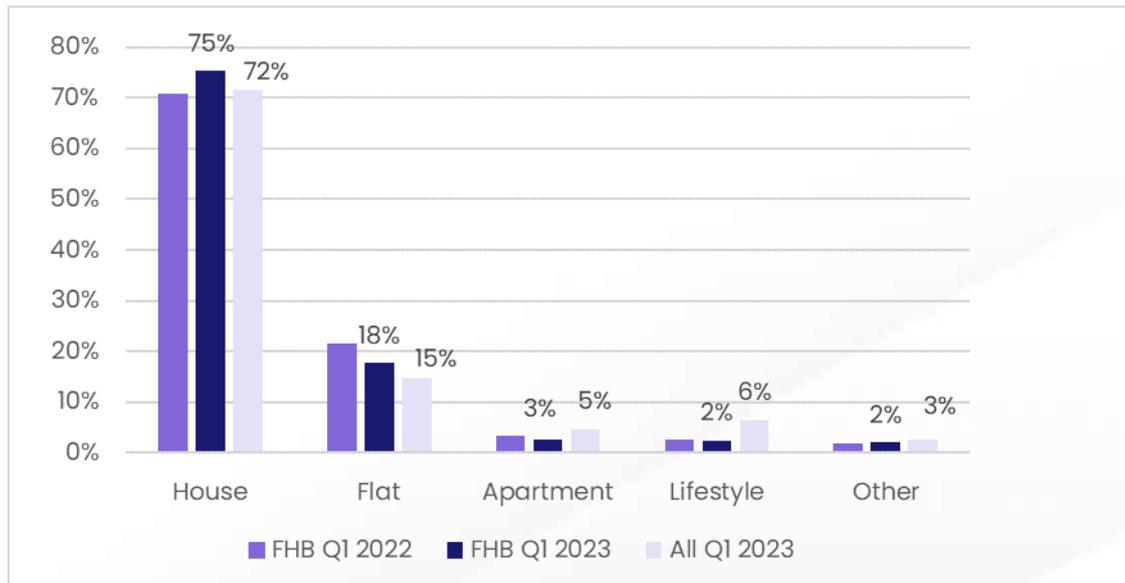
For now, however, first home buyers (FHBs) are looking to make the most of weaker conditions. Indeed, in both Q4 2022 and Q1 2023, their % market share of property purchases has hovered at around 25%, a record high (albeit the number of deals is relatively low) and well above the long term average of 21%. Key factors here have included the use of KiwiSaver for a deposit (or at least part of it), accessing the low deposit lending speed limits at the banks, and also just the simple fact that the market downturn has bought more properties back down into their achievable price brackets.

National FHB activity



Indeed, by property type, 75% of FHB purchases in Q1 2023 were standalone houses, well above the share of this property type across all buyers (72%), and also the comparable FHB figure from a year ago (71%). In other words, as wider property values have dropped, FHBs are now able to access a broader range of (larger) properties and/or just pay less for the same property. On the flipside, the share of apartments amongst all FHB purchases has dropped from 21% a year ago to 18% now.

Property type % of purchases

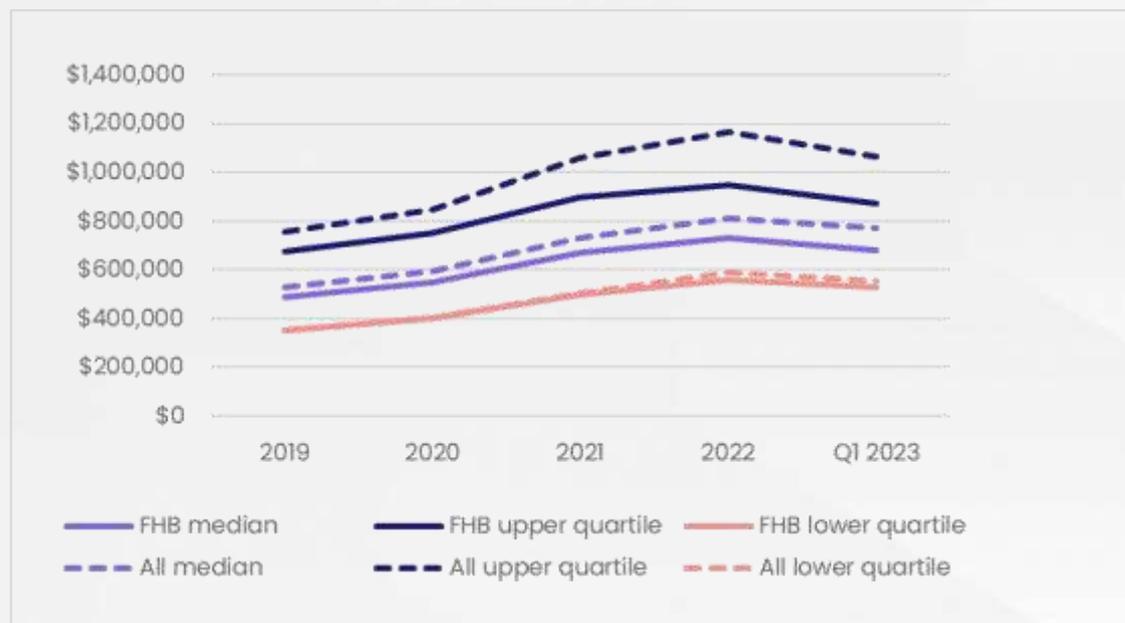


Meanwhile, the median price being paid by FHBs has been falling too, and in Q1 2023 was \$680,000 – down from the figure of \$730,000 for calendar year 2022. Given the higher proportion of houses within all FHB purchases recently, the recent drop in the price being paid isn't due to them simply buying smaller/cheaper properties.

Another important point to make about the prices being paid by FHBs is that the median for this group (\$680,000 in Q1) is significantly higher than the lower quartile (bottom 25%) across all buyers, of \$555,000. 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 been a solid 3-6 months lately for FHBs, as they've enjoyed plenty of choice amongst the existing stock of properties listed for sale, falling prices, and reduced competition from other buyer groups (e.g. mortgaged investors). Looking ahead, even if the downturn in prices does end in the second half of this year, we doubt that the market is suddenly going to boom again straightaway – especially if caps on debt to income ratios are imposed in March next year. In other words, FHBs should continue to see relatively favourable conditions for a while yet, albeit we don't think mortgage rates are suddenly going to fall sharply anytime soon.

Purchase prices paid

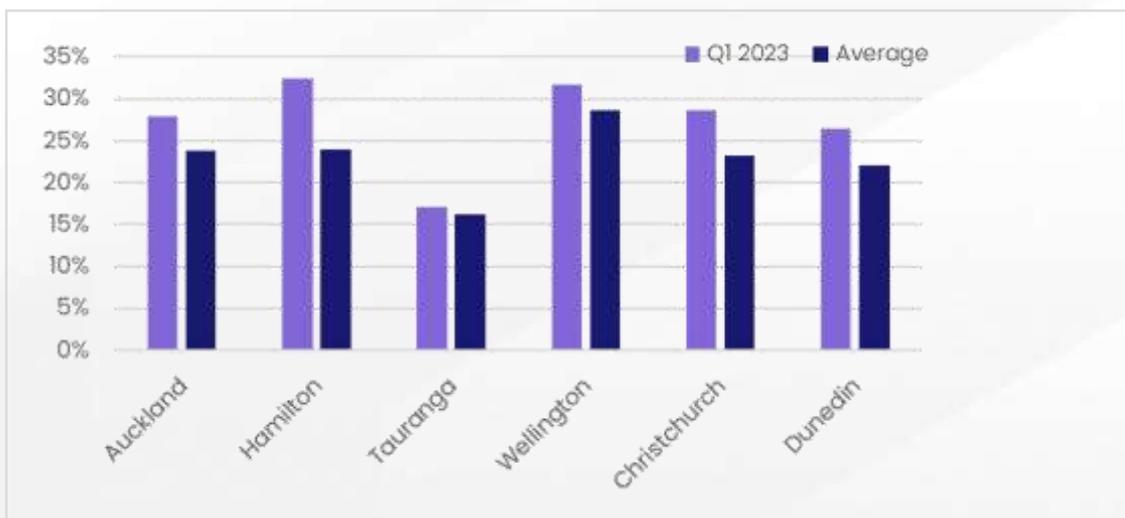


The Main Centres

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.

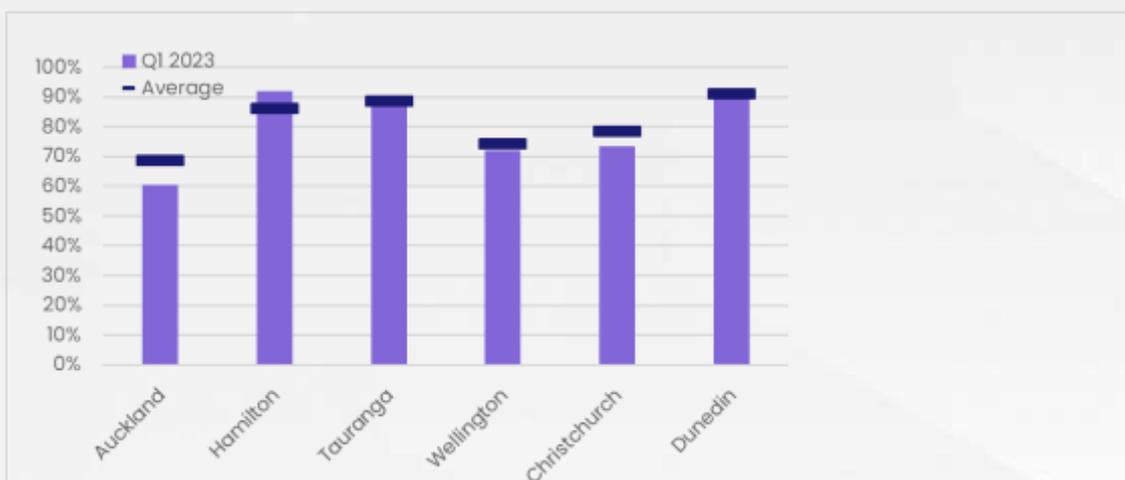
Hamilton has been the strongest, with a FHB market share of 33% in the first quarter of 2023, about 9% points higher than its average. FHBs' share has also topped 30% lately in Wellington (versus average of 29%), while Christchurch, Auckland, and Dunedin have also been running above normal. The FHB market share in Tauranga has been quite a bit lower (at 17% in Q1 2023), but even that is slightly above what's normal for that market, i.e. a long term average of 16%.

FHB % share of purchases



By property type, standalone houses account for the highest share of FHB purchases in Hamilton, at 92% in Q1 2023 (versus average of 86%), although Dunedin and Tauranga also have figures of at least 90% for that property type. The proportions are quite a bit lower in Wellington and Christchurch (72-73%), and those figures are also a bit below the norms for those markets – in other words, it would appear that FHBs are looking more closely at smaller dwellings (such as townhouses) in Wellington and Christchurch than they would normally do. In turn, that will at least partly reflect the fact that this type of property has simply become readily available of late, due to construction. Smaller dwellings are currently also relatively more popular with FHBs than normal in Auckland.

House % share of FHB purchases

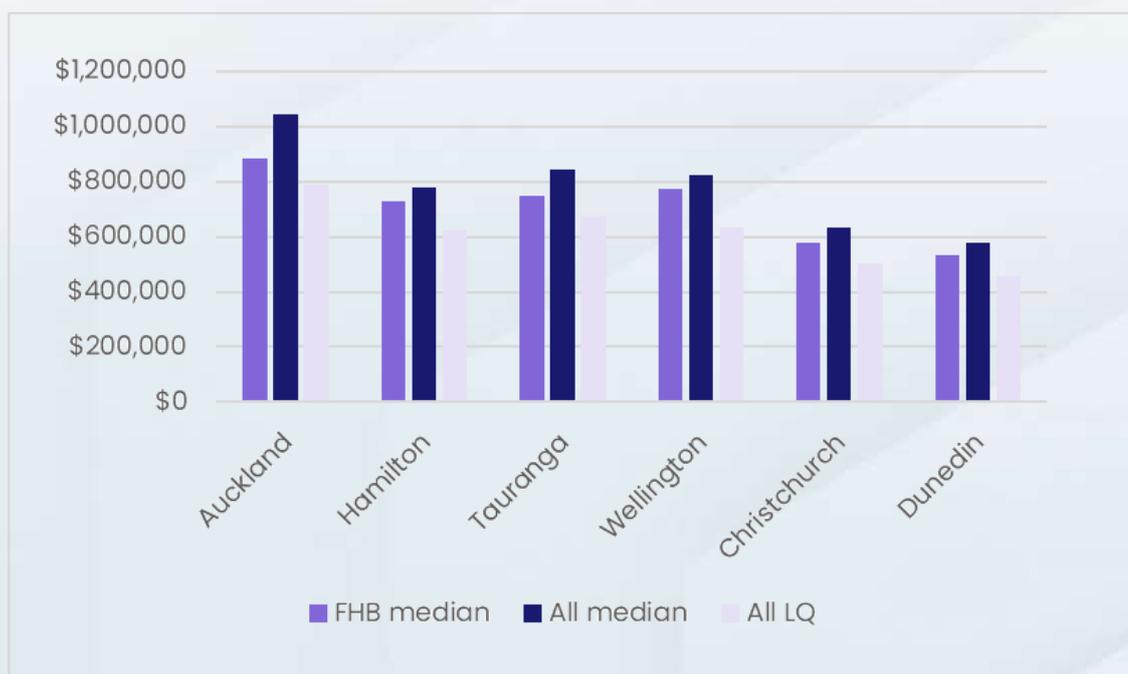


As was the case at the national level, each of the main centres has seen the median price being paid by FHBs fall in recent months and quarters, alongside the wider decline in property values. In each main centre, the median FHB price is lower than the figure for all buyers, but higher than the lower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

In terms of the prices themselves, Auckland had the highest FHB median in Q1 2023, at \$885,000 (versus \$1m a year ago), with Wellington, Tauranga, and Hamilton all ranging from \$775,000 to \$730,000, and Christchurch and Dunedin both sub-\$600,000 (\$580,000 and \$531,000 respectively).

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 rents slowing down lately, the extra cost to pay the mortgage versus paying rent ranges from \$291 in Dunedin up to \$884 in Auckland (and it's \$504 nationally). In other words, 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.

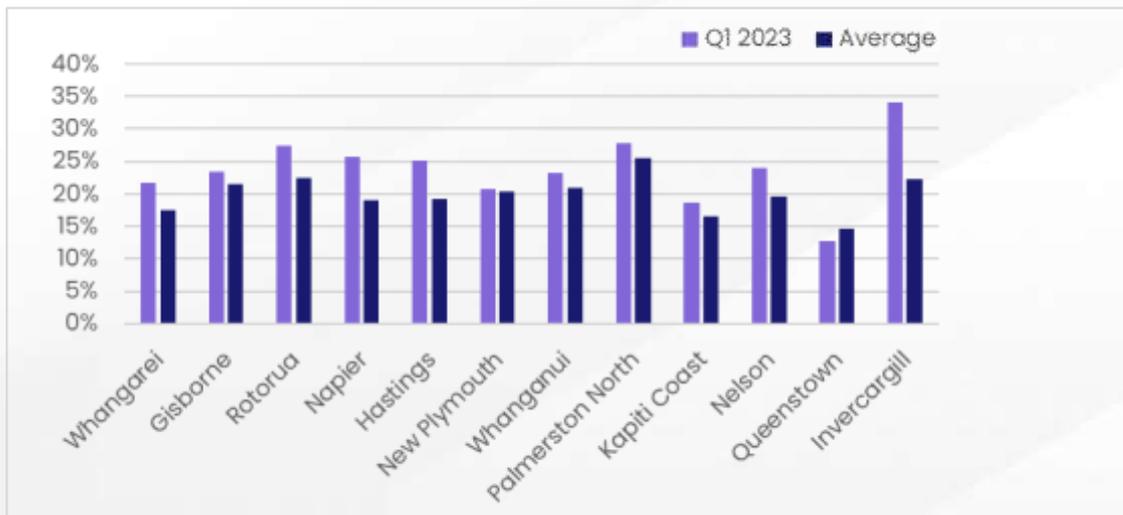
Purchase price paid Q1 2023



The Main Urban Areas

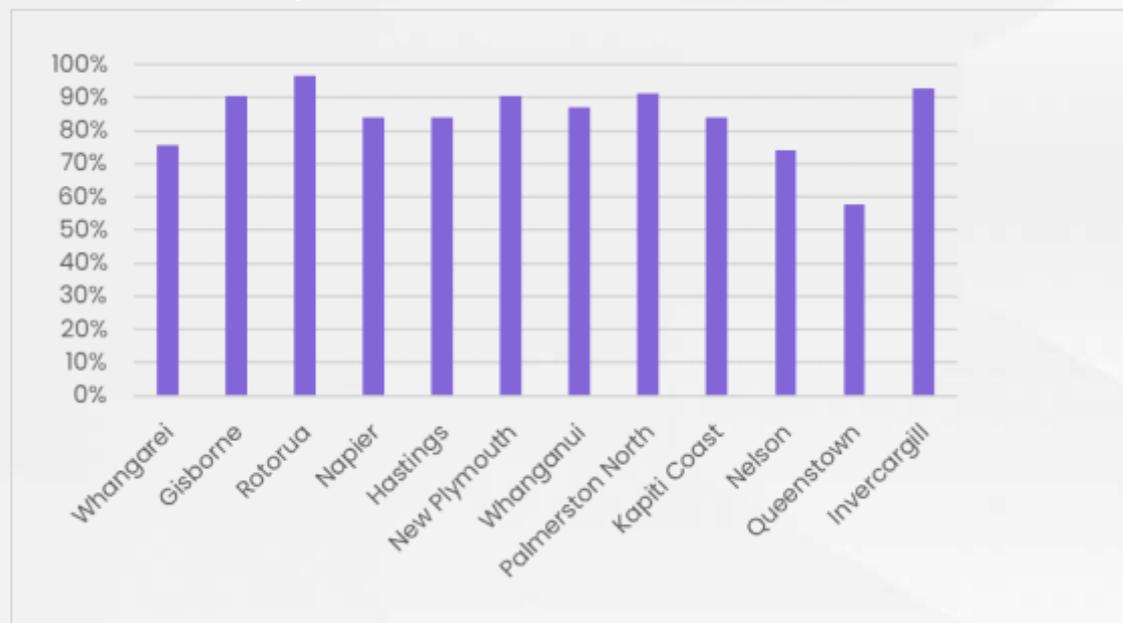
Digging deeper into the next 12 key centres around New Zealand, the story of relative strength for FHBs' market share remained in place in Q1 2023. In Invercargill, for example, a figure of 34% was a full 12%-points higher than its own average, while Napier, Hastings, and Rotorua also saw solid performances by FHBs in Q1. Relative strength was also seen in Whangarei, Nelson, Gisborne, Whanganui, Palmerston North, and Kapiti Coast.

FHB % share of purchases



By contrast, New Plymouth's FHB market share in Q1 2023 was only in line with its long term average (21%), while FHBs continued to struggle in the expensive Queenstown market in Q1 – a market share there of just 13%, versus long term average of 15%. With values holding steady in Queenstown (or even rising further), it's clear that affordability is still a challenge.

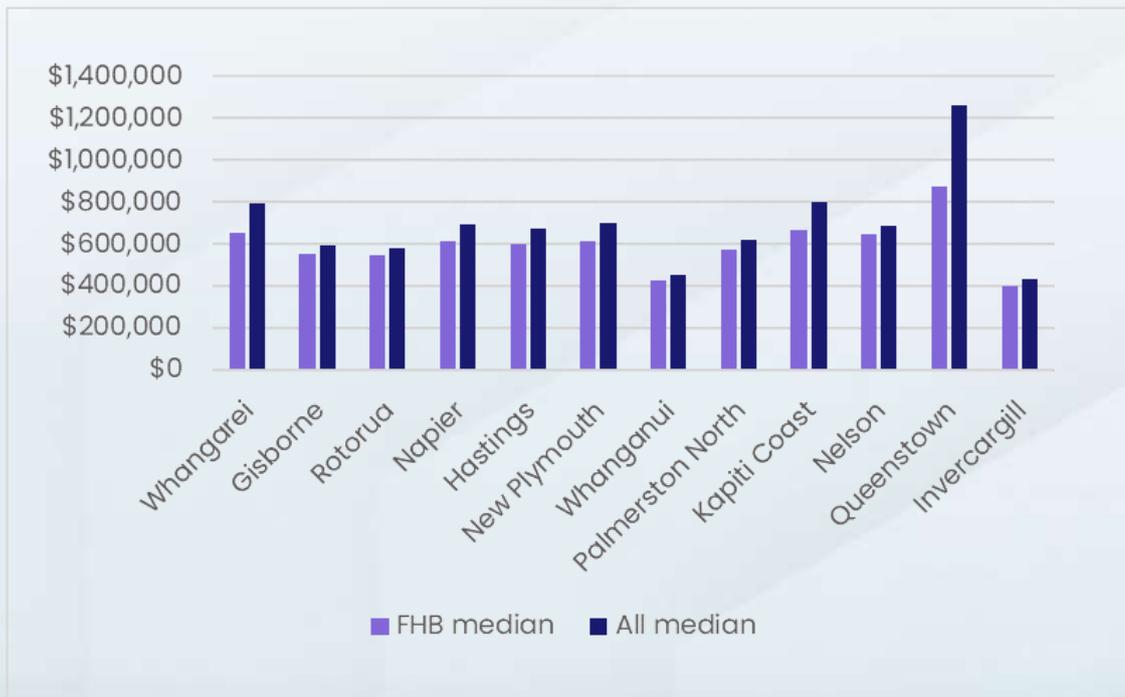
House % share of FHB purchases Q1 2023



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. In Rotorua, for example, standalone houses represented 96% of FHB purchases over the first three months of the year, while that figure also topped 90% in Invercargill, Palmerston North, New Plymouth, and Gisborne. Figures between 80% and 90% were seen in Kapiti Coast, Whanganui, Hastings, and Napier, while Whangarei and Nelson were around the 75% mark. Reflecting a wider range of property types and also affordability pressures, Queenstown's figure for houses as a share of FHB purchases was lower (as it always tends to be) in Q1 2023, at 58%.

In terms of median prices paid by FHBs in Q1 2023, the highest amongst the main urban areas was \$875,000 in Queenstown, with Kapiti Coast back in second position at \$668,500. FHBs also paid median prices >\$600,000 in Whangarei, Nelson, Napier, New Plymouth, and Hastings. At the other end of the spectrum, FHBs got cheaper properties in Whanganui (median price paid of \$425,000) and Invercargill (\$400,000).

Purchase price paid Q1 2023

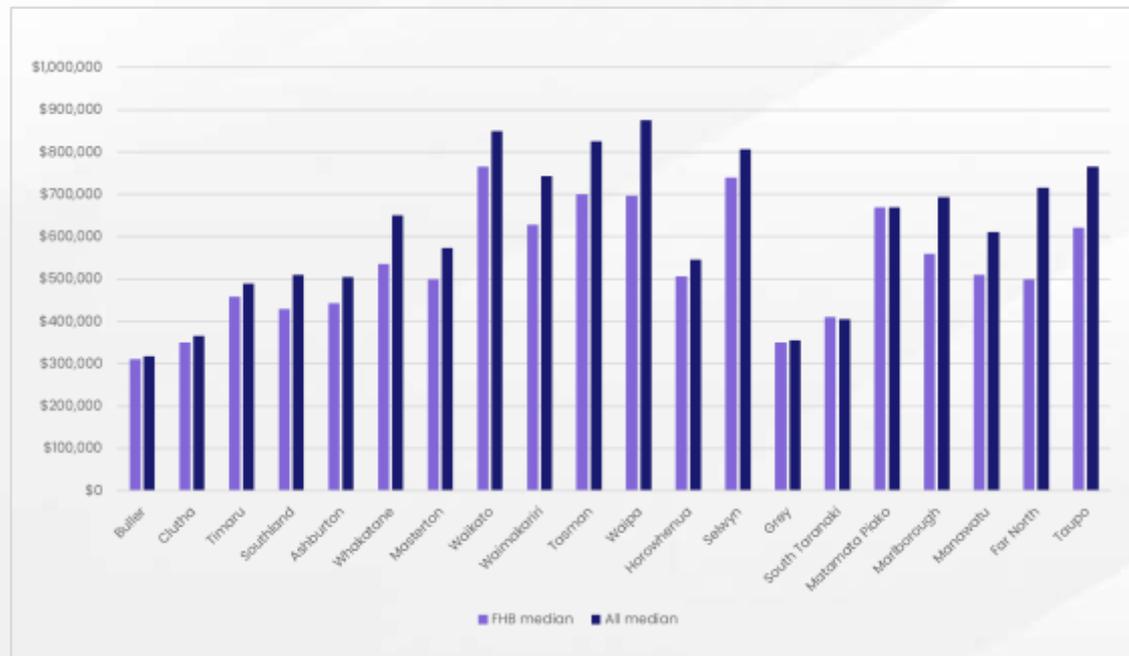


The Provincial Areas

Around NZ's provincial markets (with a minimum number of 15 FHB purchases in Q1 2023), again almost all of them had a FHB % market share that was above normal. The largest gap was Buller – 28% against long term average of 17% – although Clutha, Timaru, and Southland (district) were also areas of relative strength. South Taranaki, Matamata-Piako, and Marlborough were in line with their averages, while Manawatu, Far North, and Taupo were a bit quieter for FHBs in Q1.

Meanwhile, in terms of the prices being paid by FHBs, the highest 'provincial' median in Q1 2023 was Waikato (district) at \$765,242, followed by Selwyn at \$740,000. Waipa, Waimakariri, Matamata-Piako, and Taupo all had median FHB prices paid >\$600,000, but there's also quite a big group at around the \$400,000 mark or below – including South Taranaki, Grey, Clutha, and Buller.

Purchase price paid Q1 2023



corelogic.co.nz

© 2023 CoreLogic NZ Limited. Proprietary and confidential. This material may not be reproduced in any form without express written permission.

