

First home buyers are on the charge in the provinces

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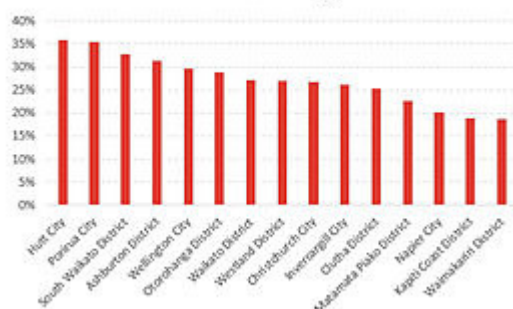
Let's take a look at detailed regional data on first home buyer (FHB) activity and reveal how they're a bigger share of the market in the smaller centres than the main cities.



CoreLogic NZ's Senior Research Analyst **Kelvin Davidson** writes:

There's been plenty of commentary recently about how active first home buyers (FHBs) are in the main centres. Our research shows that they're even more significant outside the big cities. FHBs currently account for a record share of property purchases in 15 of NZ's 66 districts. These are mostly rural areas, with FHB demand surely underpinned by good job options in primary industries.

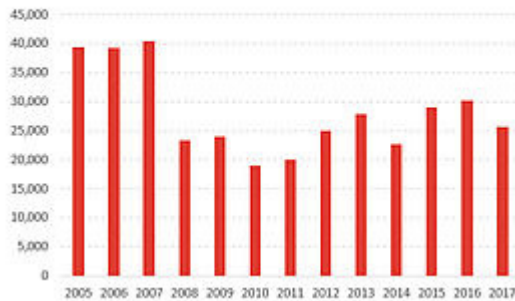
The 15 districts where FHB % share of activity is at a record high



Ranked by the percentage of transactions involving an FHB across the first four months of 2018 (and excluding any districts with less than 20 transactions), eight of the top 10 are smaller centres and each has an FHB share of 26% or more – for comparison, the national average is 23%. Hutt and Porirua cities are tied for the crown, both with 36% of purchases being

made by FHBs. The farming districts of South Waikato and Ashburton are third and fourth, with 33% and 31% respectively.

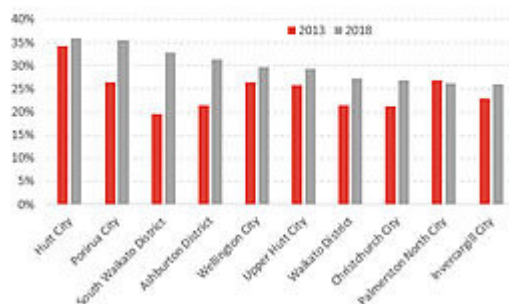
Number of FHB transactions (national)



Not only are the FHB shares high in absolute terms in the smaller areas, but they've also risen the most. Indeed, five years ago, FHBs only accounted for 20% of transactions in South Waikato and 21% in Ashburton. Porirua has also seen a sharp rise (9%-points) in its FHB share over the past five years.

The growth in FHB shares in smaller areas is not just returning them to normal either. For example, in both South Waikato and Ashburton, the current share of FHBs in the market is 12%-points higher than its long term average. Clutha District is another area where FHBs are currently significantly more active (25%) in the property market than normal (16%).

Top 10 districts for FHB % shares

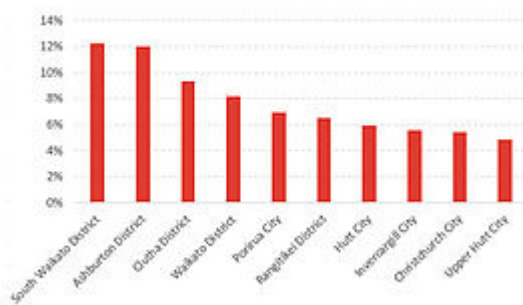


Nationally, influences such as access to Kiwisaver funds and a willingness to compromise on quality and/or location have enabled FHBs to continue to purchase a home. In these provincial centres, an added bonus is that property prices themselves are lower, in absolute terms and relative to

incomes. In Ashburton, for example, the average price paid by an FHB in the first four months of the year was about \$324,000, which is 3.6 times the average household income in the district. Nationally, the average price paid by an FHB is around \$545,000, or 5.6 times household income.

To complete the picture, smaller centres at the bottom of the FHB ranking include Western Bay of Plenty (13% in early 2018), Taupo (13%), Central Otago (11%), Far North (10%), and Thames Coromandel (6%). A common thread for many of these areas is that they are often considered tourist and/or (politely) retirement locations, where a typical FHB may not be able to get a suitable job or may not want to live because of reduced proximity to services or events.

Top 10 districts for FHB % share difference from average



In summing up, it's not surprising that FHBs are finding it easier to enter the property market in the smaller regional cities and towns, where houses are more affordable. The agriculture sector tends to be a key foundation for employment and the property market in these areas, and better dairy prices over the past few years will certainly have helped in places such as South Waikato and Ashburton.

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