

Revealed: The best places to buy if you are a first-home buyer

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Wellington and Christchurch have strongest share of first home buyers compared to the rest of the country, according to data analysis by OneRoof and CoreLogic.

Thirty percent of all residential sales in both cities in the year to September 2018 were to first home buyers, well above the national average of 23 percent.

Queenstown and Tauranga had the lowest share of first home buyers (18 and 19 percent respectively) while first home buyers made up almost a quarter of the market in Auckland.

The share of sales to first home buyers in Hamilton was 26 percent and 25 percent in Dunedin.

CoreLogic NZ senior research analyst Kelvin Davidson says: "First home buyer activity in Christchurch has spiked in the last two months. I suspect that lower property values in Christchurch, compared to other parts of the country, have boosted levels.

"It's also the case that some existing owners have left the city to go to Selwyn or Waimakariri, leaving behind a quantity of stock for first home buyers to purchase.

"By contrast, Tauranga and Queenstown have shown themselves to be lesser markets for first home buyers.

"Tauranga is dominated by existing owners moving around ("movers") and Queenstown is dominated by investors, who secured 53 percent of purchases in the area in last 12 months."

Davidson adds: "It's important to note that these are market share figures (rather than the number of purchases), so really what's happening is that first home buyers have held on the best in a subdued overall market.

"Access to KiwiSaver is a big factor here. I estimate that where a recent purchase by a first home buyer has had a KiwiSaver withdrawal attached to it (regardless of location), the amount involved has been about \$38k on average. So that's a chunky amount of cash that other buyer types can't access."

Christchurch mortgage advisor Scott Millar says he has seen first home buyer activity growing steadily in the city over the last couple of years.

The median value for Christchurch currently sits at \$494,707, up only marginally from around \$493,000 this time last year. The flat market has been a boon for first home buyers who are able to more accurately access what they will need to spend during this stable period.

Millar, from Advanced Mortgage Solutions, says: "We have seen a higher percentage of first home buyers than normal for quite some time now, I have also seen the effect of people seeing their friends buying a home, they sit back and think, 'well if they can do it, so can we'."

He says this group of buyers has a particular advantage in the current climate.

"There are obvious benefits with KiwiSaver and the HomeStart Grant which has allowed people to gather enough funds to purchase their first home. This in particular has allowed people to save by having their contribution come from their incomes before they even notice it's gone," Mr Millar said.

"I have seen applicants in their mid to late 20's with \$60,000 in the KiwiSaver schemes. This ability to have a deposit along with low interest rates has seen an unprecedented surge in first home ownership in the area."

Wellington mortgage broker Martin Duncan says the first home buyer market there has been strong since the start of this year with a large number of inquiries from people seeking advice on getting into their first home.

He says a big factor in the upward trend is strong family support with many receiving assistance on deposits from parents, and that other recent shifts have also played a part.

"First homes buyers are more realistic now, looking at cheaper suburbs and considering new builds aimed at their segment," says Duncan, from Home Loan Shop.

"The suburb of Wainuiomata is proving popular as housing is more affordable and the suburb has benefited from new sub divisions aimed at the first home buyers' market."

He adds: "Cannons Creek has also shown a strong uplift, due again to the affordable housing segment and also the number of houses recently

renovated, which is particularly attractive for first home buyers who often don't have any excess capital to renovate the houses themselves."

Davidson says that one of the key talking points of the KiwiBuild programme is the price cap by bedroom number and location. "Within Auckland and Queenstown, these are \$500k for one-bedroom, \$600,000 for two-bed, and \$650,000 for three-bed (or more). Everywhere else, the cap is \$500,000 regardless of bedroom count. So how have actual prices paid by first home buyers lately compared to those caps?

"For one-bedroom properties (new or existing) in 2018 year-to-date, first home buyers have paid median prices below the cap in areas such as Waitakere and North Shore, in Auckland, and Wellington. A median price paid of \$550,000 in Auckland City, however, is \$50,000 above the KiwiBuild price cap for a new property.

He says the price cap starts to look more meaningful in the two-bedroom bracket in Auckland and Queenstown. "In Auckland City, in particular, a new two-bedroom KiwiBuild property priced at a maximum of \$600,000 would be of great interest compared to the \$713,000 that first home buyers have recently been paying for properties of more variable age and quality.

"Elsewhere around the country, first home buyers have been paying the highest prices for two-bedroom properties in Wellington, but even there the median \$496,250 is still slightly below the cap."

The cap could have even more effect in the three-bedroom bracket, Davidson says. "Prices paid by first home buyers for three-bedroom homes across Auckland, apart from Papakura and Franklin, have all been well above the KiwiBuild cap. The figures also show that the cap is exceeded in Queenstown and Wellington, and to a lesser extent Tauranga."

He adds: "Overall, the KiwiBuild price caps will have the most bite as the number of bedrooms in a property increases. Indeed, it wouldn't be hard to imagine would-be buyers for larger properties in Queenstown, Wellington and parts of Auckland really jumping at the chance to get into a new KiwiBuild home. And although property values in Auckland and Queenstown have generally flattened off, continued growth in Wellington will only make the KiwiBuild appeal even stronger."