

## Competition remains between first home buyers and investors



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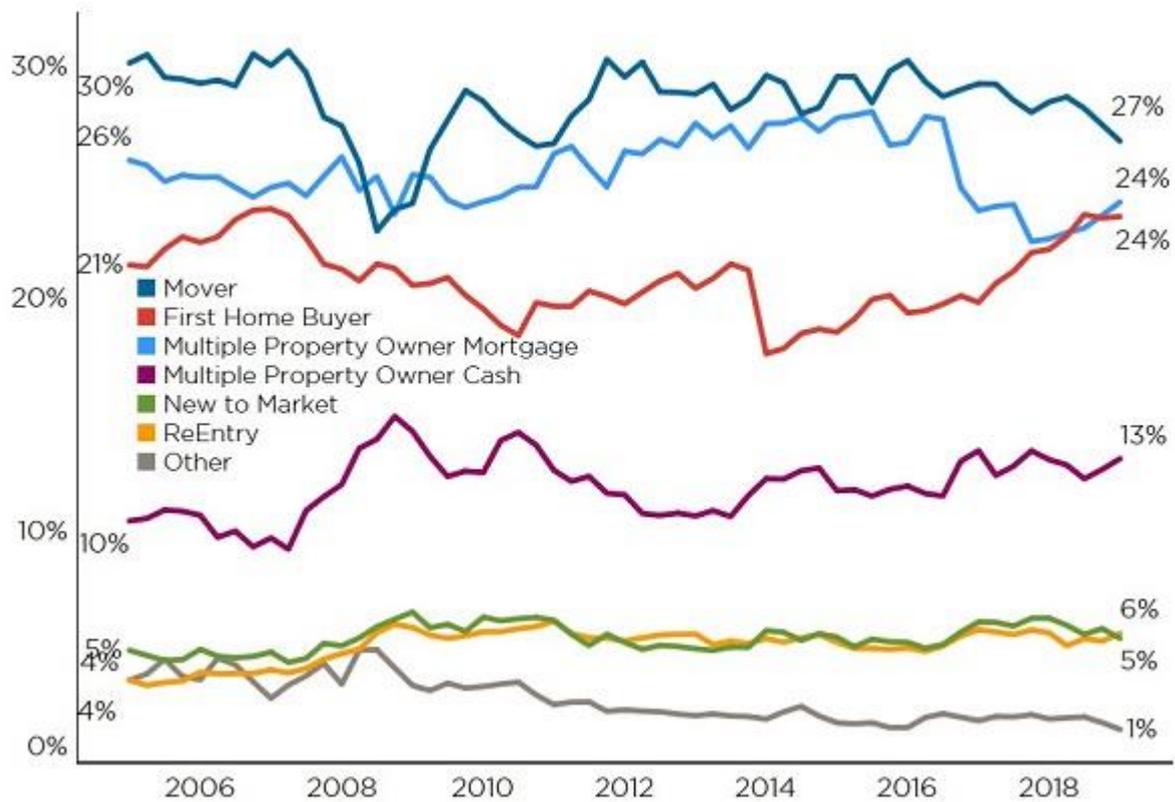
February's update to the CoreLogic Buyer Classification series shows that 'mortgaged multiple property owners' (MPOs - otherwise known as investors) continue to just edge out 'first home buyers' (FHBs) for the national share of property purchases, but FHBs are actually the biggest buyer group in most of the main centres. Despite higher prices in the main cities than the regions, FHBs are still getting on the ladder, helped for example by access to KiwiSaver funds for the deposit.

### **CoreLogic property economist Kelvin Davidson writes:**

In terms of sales volumes, the market is currently running below average, held back by high prices in many areas and cautious bank lending. But despite a quieter overall picture, the latest CoreLogic Buyer Classification series reveals some interesting market share trends.

At the national level, movers (i.e. existing owner-occupiers who are relocating)

remain the largest individual buyer group, at 27% of the market so far in 2019 (see the first chart). This group has however been slowly trending down for the past 2-3 years, perhaps forced into staying where they are by already-large mortgages, or preferring to renovate rather than move. Cash MPOs are still in the market too, but they've been steady (13%) rather than strong pacesetters.



NZ % share of purchases (Source: CoreLogic)

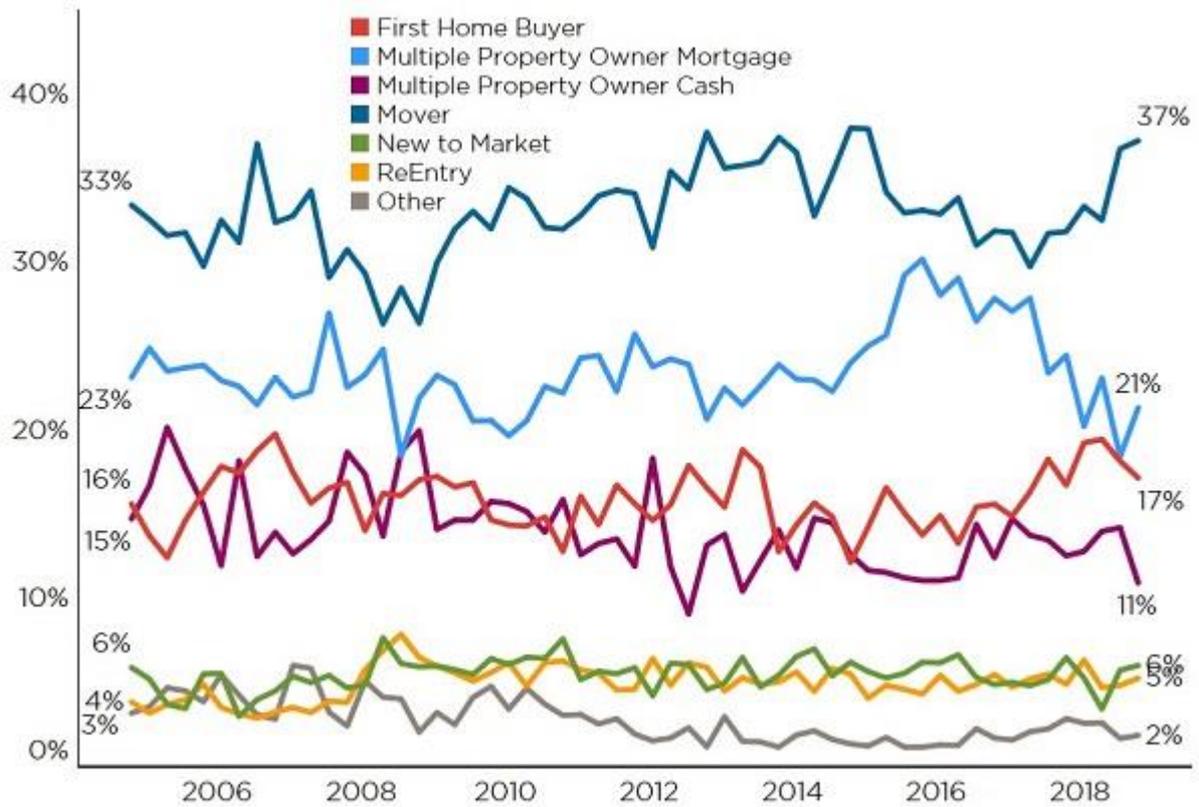
The real interest lies in the competition for 2nd and 3rd place: that between FHBs and mortgaged MPOs (i.e. investors). The third round of LVR restrictions in October 2016 required a 40% deposit, and that hit investors hard, with their share of purchases tailing off from a peak of 28% to only 22% in late 2017. Over the last year or so though, mortgaged MPOs have slowly returned to the market - despite the extra rules. They are now responsible for 24% of purchases so far in 2019 and are currently the second largest buyer group.

Top spot briefly went to FHBs in Q3 last year, but even though they've now dipped back to third place - the bigger picture is that their market share is at an 11 year high. The figure for Auckland is particularly striking - a FHB share of 27% makes them the biggest buyer group (see the second chart), despite the average value for a property in the city being \$1.04m. We looked at the actual prices being paid by FHBs in another Pulse here.



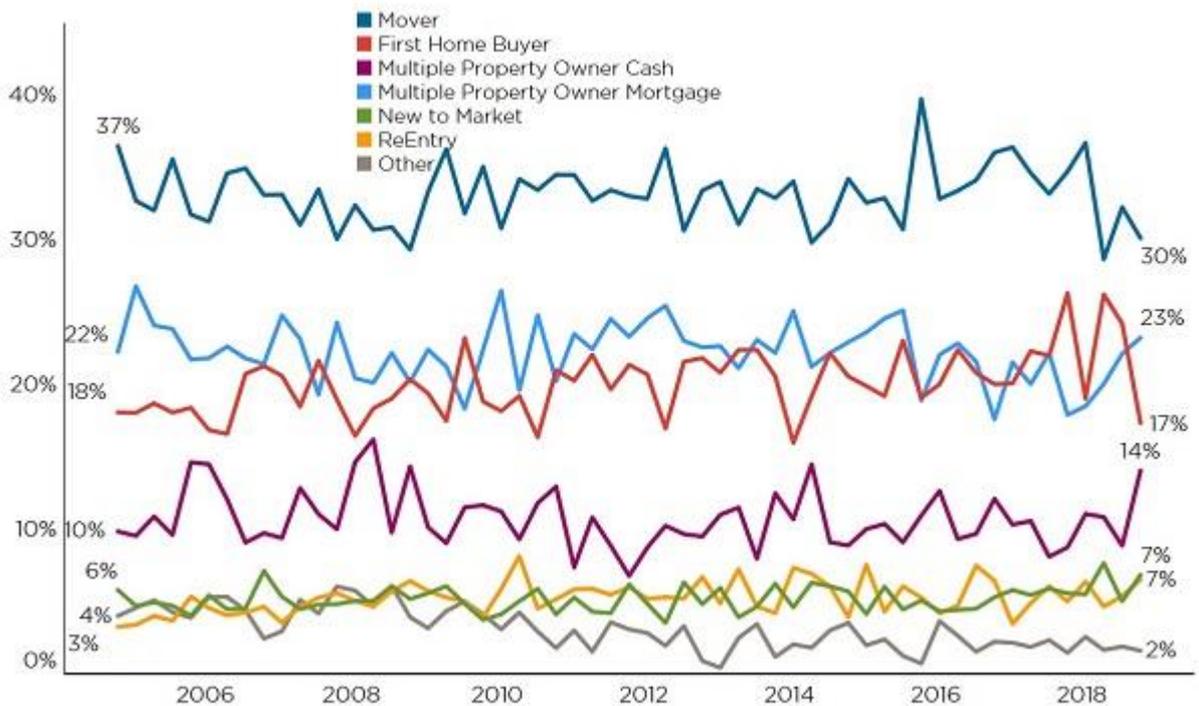
Auckland % share of purchases (Source: CoreLogic)

In the other main centres, FHBs are also enjoying strong market shares in Hamilton, Wellington, Christchurch, and Dunedin (of course still bearing in mind the caveat that it's a strong market share in a subdued overall market). The buyer classification patterns are different in Tauranga, although it's never really been a market for FHBs anyway. At 17%, their recent share of purchases is nothing out of the ordinary, with the major shift in Tauranga instead having been movers recently raising their presence at the expense of mortgaged MPOs (**see the third chart**). About half of the movers purchasing in Tauranga in the past few months have been locals, with another 16% coming from Auckland.



Tauranga % share of purchases (Source: CoreLogic)

Generally speaking, away from the main centres, movers have historically tended to dominate purchasing activity and this still applies now. Take New Plymouth for example – although movers have recently dropped their market share, at 30%, they're still well ahead of the next group - which is mortgaged MPOs at 23% (see the fourth chart).



New Plymouth % share of purchases (Source: CoreLo)

