

First home buyers close gap on investors

January lending data from the Reserve Bank reveals first home buyers continue to grow their market share, closing the gap on property investors.

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A total of \$4.05 billion was borrowed by New Zealand home buyers last month, during the seasonally quiet January period. This compares to \$3.69 billion in January 2018, and \$3.53 billion in January 2017.

First home buyers borrowed \$700 million, representing 17.3% of the total. While investors borrowed \$726 million, about 17.9% of the overall total.

In contrast to last month, investors accounted for about 21% of all borrowing in January 2018, with first home buyers making up just over 15% of the total.

FHBs are quickly closing the gap on investors, having previously been kept out of the market by high prices, reduced lending appetite and LVR restrictions. Yet investor activity has been subdued in recent months, amid ongoing LVR restrictions, the threat of a capital gains tax, and other initiatives to curb the investor market, such as the ringfencing of rental losses.

High LVR lending saw a notable increase in January, as speed limits on high LVR limits were loosened for both owner-occupiers and investors. High LVR lending (of more than 80%) to owner-occupiers jumped to \$146 million last month, compared to \$100 million in January 2018.

Market observers say the loosening of speed limits have had an immediate effect on the market. "Banks started to use their new freedom", said CoreLogic's Kelvin Davidson. Davidson does not expect the banks to come close to the 20% speed limit. "Cautious attitudes suggest to me that the impulse will soon fade," he added.

Davidson added: "Overall, we'd anticipate more increases in mortgage lending in 2019, but the growth is unlikely to be rampant. We wouldn't be surprised to see the share of owner-occupier lending at high LVRs rise to about 15%, then flatten off (i.e. hit the old speed limit, but stay about 5%-points below the new speed limit)."