



## First home buyers take a record share of purchases in Q3

More than half of property purchases in the third quarter of the year were made by either mortgaged investors or first home buyers (FHBs), with existing owner-occupiers still pretty quiet. In fact, the share going to FHBs of 25% was their highest figure on record, surpassing the previous peak of 24% in 2006-07 – KiwiSaver withdrawals remain one important factor in their ability to stay active in the market.

With September’s figures now available, the CoreLogic Buyer Classification series\* for Q3 is complete and it confirms that mortgaged investors (multiple property owner/MPO) and first home buyers have increased their market share, while movers (i.e. relocating owner-occupiers) remain relatively quiet – in some cases because the shortage of listings means they can’t find the next property to move to.

As the first chart shows, mortgaged investors had a 26% share of purchases in the third quarter, the highest figure since 28% in Q3 2016 (just prior to the introduction of the 40% deposit requirement by the Reserve Bank). In addition, the rise in market share for mortgaged investors isn’t just because they’ve ‘held on’ while other buyer groups have made fewer purchases – in fact, the number of deals done by mortgaged investors in the third quarter was more than 20% *higher* than a year ago. Their activity levels were already rising pre-COVID, but this trend has just been reinforced in the past six months by reduced interest rates and the temporary removal of the LVR rules.

Meanwhile, the share of purchases made by first home buyers (FHBs) rose to 25% in Q3, the highest figure we’ve seen in the 15-year history of this time series. FHBs have obviously also benefitted from low mortgage rates, while a willingness to switch from standalone dwellings to instead purchasing an apartment or townhouse has helped too. But FHBs have also been tapping their KiwiSaver funds, with more than 44,300 withdrawals for first home purchase in the year to March 2020\*\*, up from about 39,600 the previous year.

Looking around the main centres, these patterns for mortgaged investors and FHBs to be strong, but movers more reluctant, are replicated pretty much everywhere, including Auckland, Wellington, and Christchurch. Hamilton’s a part of the country that often doesn’t get a lot of property market coverage, but it’s certainly been the case that mortgaged investors have had a strong presence there in recent months (see the second chart).

Around the main urban areas, it tends to be the case that movers are the largest individual buyer group, and this remains true in Napier for example (see the third chart, which switches from quarterly to annual data, just to smooth out a bit of volatility). However, Napier has also seen a sharp rise in the presence of mortgaged investors so far in 2020, with their share of purchases rising to 27%, up from 20% in 2019. In Gisborne, there’s also been a sharp rise in activity from mortgaged investors, and they’ve actually surpassed movers so far this year (see the fourth chart).

Overall, investors and FHBs have continued to drive a lot of the recent momentum in property market activity, and this could remain the case over the next little while too.

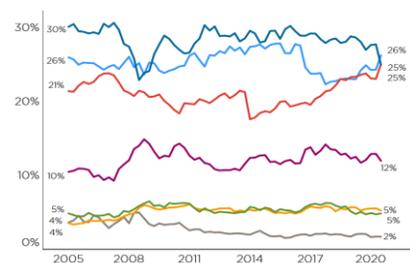
\* This series is based on official title information and has a broader coverage than the Reserve Bank’s data, because it uses all purchases/sales (not just those using a mortgage).

\*\* Note that the KiwiSaver withdrawal figures do not relate to the same period as our latest Buyer Classification data. But they still illustrate the general trend for more FHBs to get into the market with the help of their KiwiSaver.

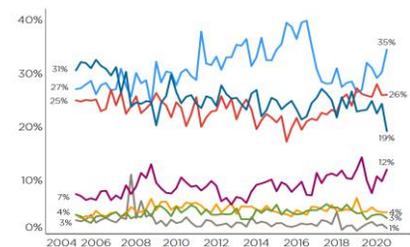
**Chart legend:**

- First Home Buyer
- Multiple Prop. Owner Mortgage
- Mover
- Multiple Property Owner Cash
- ReEntry
- New to Market
- Other

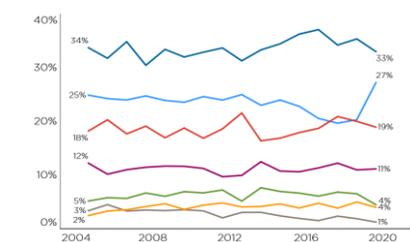
NZ % of property purchases (Source: CoreLogic)



Hamilton % of property purchases (Source: CoreLogic)



Napier % of property purchases (Source: CoreLogic)



Gisborne % of property purchases (Source: CoreLogic)

