

First home buyers climb property ladder with record-high purchases

While the General Election results are set to draw a 'line in the sand' for investors, first home buyers (FHBs) continue to lead the market with nearly 28% of property purchases in September, a record-high.

CoreLogic NZ's Monthly Housing Chart Pack, released today, shows residential sales numbers (via estate agents and private transactions) have increased for five consecutive months, with September's figure up 8% on a year ago.

First home buyers dominate the ladder across most main centres, with Auckland and Christchurch markets making up 29% of property purchases apiece.

CoreLogic NZ Chief Property Economist Kelvin Davidson said strong first home buyer presence is a combined result of lower house prices, less competition from other buyer groups, and support from financing incentives such as LVR low-deposit allowances. However, that may take a slight turn following government changes.

Relocating owner-occupiers ('movers') and mortgaged MPOs have been relatively quiet compared to normal, with respectively 26% and 21% of purchases over the third quarter of 2023.

"We may see activity remerge from movers and mortgaged MPOs as 'property friendly' policies are slowly introduced after a change in government but we're not convinced it will radically transform the subdued recovery that has commenced," said Mr Davidson.

"Investors will be feeling more encouraged, but don't seem likely to flood the market because even though tax bills might get smaller, they are still restrained by 35% required deposits, along with low rental yields and high mortgage rates."

"Therefore, they'll still be required to 'top up' the cashflow on their property purchases out of other jobs or sources of income," he adds.

The average property values bottomed out at a national level in September, after around 18 months of falls. Mr Davidson said part of the reason for the falls in values coming to an end is the listings situation.

The new listings count over the four weeks ending 8 October was 7,316, which is around 15% below the same time last year and the five-year average. Although, they are still rising for Spring.

“We’re still seeing low flows of new listings each week which combined with rising sales volumes, are seeing stock of listings on the market drop,” he said.

“This means buyers who have secured their finances may start to see more competition. The increased confidence to buy when prices stop falling could bring out a bit of demand too, as no one wants to buy a house and find out they could have got it cheaper later.”

“Other key supports include the strong labour market and high net migration, but ‘higher for longer’ mortgage rates remain a significant challenge.”

October Housing Chart Pack highlights:

- Residential real estate is worth \$1.58 trillion
- The flat national property value in September reflects continued falls in some areas offset by modest growth in values elsewhere, such as in Auckland and Wellington.
- The number of property sales in September rose 8% higher than a year ago, the fifth consecutive monthly increase.
- There were 7,316 new listings over the four weeks ending 8 October, down from 8,597 the same period last year.
- Total stock on the market is 31,242, around 15% below this time last year.
- First home buyers’ market share of almost 28% remains strong, with both Auckland and Christchurch at 29% respectively.
- Nationally rental growth hit more than 7% in September, reflecting higher wages, but also a tightening supply and demand balance, as migration soars in NZ.
- Gross rental yields nationally have edged back up to 3.2% (from a trough of 2.6% for much of 2022), the highest level since late 2020.
- Around 54% of NZ’s existing mortgages by value are currently fixed but are due to reprice onto a new (generally higher) mortgage rate over the next 12 months.
- Inflation seems to have passed its peak and the Reserve Bank will wait to see the effects of the 5.5% OCR for this tightening cycle. Mortgage rates are close to, or already at, their peak.