CoreLogic Market Pulse

16th September 2020

Low mortgage rates and no LVRs still benefitting investors

The share of property purchases made by mortgaged investors across July and August combined was 26%, continuing their rising trend of the past few years. It's pretty clear that low mortgage rates (both in absolute terms and relative to property yields) and the ability now to buy property with less than the previous 30% deposit are encouraging investors into the market – not to mention term deposits aren't paying much return either. However, first home buyers are also holding on to a decent market share too, although would-be movers are sitting tight rather than relocating.

The latest monthly update to the CoreLogic Buyer Classification data series has just been produced and it shows a continued appetite for property from mortgaged investors and first home buyers, but a low market share for movers (i.e. a higher proportion than normal of existing owner-occupiers are just choosing to stay where they are rather than move house).

Indeed, as the first chart shows, the rise in market share for mortgaged investors (multiple property owners) has rolled on, and across July and August combined they accounted for 26% of property purchases nationally (and a higher *number* of transactions too). It's not hard to find reasons for this – low and falling interest rates on term deposits are causing them to look for yields elsewhere; it's cheap to borrow; and the temporary removal of the LVR speed limits has allowed more investors to enter the market with less than a 30% deposit.

First home buyers (FHBs) also remain very active, with a 25% market share across July and August – as the first chart also shows, these are historically high levels for FHBs, and could now be starting to reflect would-be OE'ers who have purchased property instead, as well as returning kiwis who are buying a house for the first time. Raising a 20% deposit is still a challenge for many, but once that's been achieved, low interest rates are making the mortgage payment more affordable for a typical FHB than it's been for several years. (Note that although the LVR rules have been temporarily removed, banks are generally still requiring that buyers stump up a 20% deposit).

By contrast, for movers, a 25% share of purchases across July and August is low by past standards. In some cases, these homeowners won't be able to move (e.g. trade up), due to already-high debt levels or just the costs involved to actually relocate. In other cases, however, the tight supply of listings is making them fearful that they won't find their ideal next property, and are just staying put instead*.

These broad patterns for the various buyer groups can be seen in most of the main centres, with the second and third charts illustrating the continued strength of mortgaged investors and FHBs in Auckland and Christchurch as examples, but also the low presence of movers.

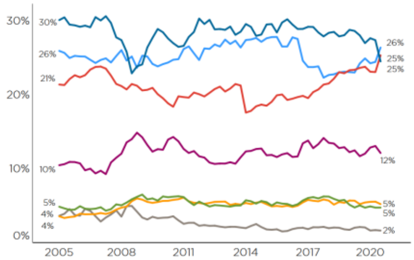
Finally, just to dig a little deeper into the mortgaged investor category (26% of total purchases over July and August), the fourth chart breaks it down by the number of properties owned. As you can see, the real impetus for the overall rise in mortgaged investors' market share has recently come from smaller players with two properties (i.e. MPO 2). It seems fair to suggest that these smaller players will be the ones most likely to have ditched a term deposit in favour of property.

* https://www.corelogic.co.nz/news/buyers-are-likely-continue-face-limited-choice

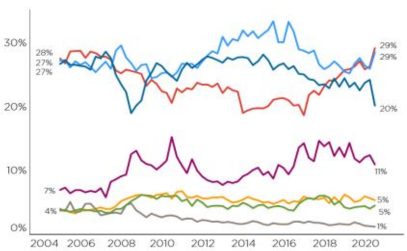
Chart legend:

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

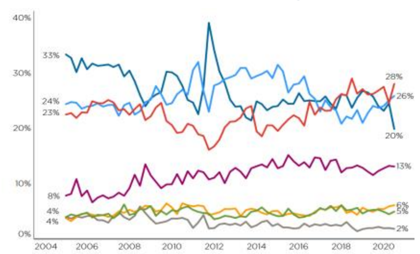
NZ % of property purchases (Source: CoreLogic)



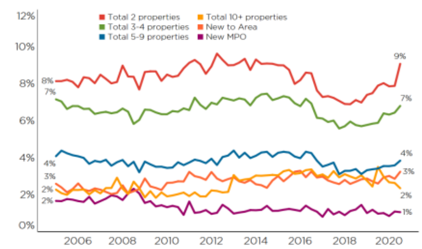
Auckland % of property purchases (Source: CoreLogic)



Christchurch % of property purchases (Source: CoreLogic)



NZ % of purchases by mortgaged investors, by number of properties owned (Source: CoreLogic)



Kelvin Davidson Senior Property Economist –
027 355 3813, kelvin.davidson@corelogic.co.nz