

In confidence

Office of the Minister of Housing

Chair, Cabinet Economic Development Committee

Six-month review of First Home Products and KiwiBuild

Proposal

- 1 This paper provides findings from a review of the First Home Products (FHP) and KiwiBuild settings as requested by Cabinet in May 2022, when changes were last made.
 - 1.1 I am seeking Cabinet's agreement to adjust some First Home Grant and KiwiBuild house price caps so they continue to align with current market values, facilitate new housing supply – particularly in the regions – and support first home buyers (FHBs) into home ownership.
 - 1.2 I am also seeking agreement to change technical aspects of FHP settings such as adjusting the First Home Loan insurance premium, correcting one cap set in error, and setting the timing of ongoing reviews.

Relation to government priorities

- 2 Our Government has three overarching objectives: to keep New Zealanders safe from COVID-19, to accelerate our recovery, and to lay the foundations for a better future through reducing inequality and addressing child poverty, reducing carbon emissions, and improving housing affordability [CAB-20-MIN0525].
- 3 The FHPs and KiwiBuild are part of a suite of targeted initiatives that increase access to home ownership for people who might otherwise not be able to afford a home. They aim to improve housing affordability and increase the supply of modest and affordable new build homes.

Executive Summary

- 4 The FHPs include the First Home Loan (the loan) and the First Home Grant (the grant). The loan reduces the minimum deposit requirement for FHBs to five percent, and the grant provides a subsidy for FHBs to put towards a deposit. KiwiBuild delivers modest and affordable new build homes and gives priority to certain FHBs to purchase the homes as the first group of buyers.

In mid-2022, Cabinet made changes to strengthen government support for FHBs and agreed to review the changes six months after they came into effect

- 5 In May 2022, Cabinet updated house price caps for the grant, removed house price caps for the loan, and adjusted other settings to improve access to the FHPs. These changes have resulted in significantly higher uptake.

- 6 Changes to KiwiBuild policy settings were last made in July 2022, following a review. Key changes included increasing KiwiBuild price caps and other adjustments to incentivise bigger or accessible homes, and homes in the regions. These changes were made so that KiwiBuild settings reflected the current realities of the price of, and the cost to develop, modestly sized new homes and to encourage increased delivery of modest new build homes for first home buyers.
- 7 In 2021 only nine contracts to deliver KiwiBuild homes were agreed. Since the policy changes came into effect in July 2022, 89 new development opportunities, all of which will deliver multiple KiwiBuild homes, are being explored. I expect that this will increase the delivery of KiwiBuild homes over the next 6-18 months.

I propose to increase some house price caps for the grant and KiwiBuild

- 8 The current house price caps for the grant have not yet been in place for a year and the falling housing market has resulted in reduced prices. I propose to mostly retain the current caps, make some adjustments where caps would increase in line with the data, address a data error, and increase the new build cap in regions where the minimum new build cap is too low to enable delivery of new build homes.
- 9 FHBs accessing the grant to buy a home must find a home within their region's price cap. I propose to increase the house price caps for new build homes in 31 Territorial Local Authorities (TLAs) where new build homes are not being delivered at the current cap. This is evidenced in the low number of FHBs accessing the grant for new build homes in these locations. Lifting the caps will ensure FHBs who want to buy a new build home with the grant may have some options. This should benefit the regions where new, affordable homes are needed, by increasing demand.
- 10 The review of KiwiBuild price caps identified the need for some minor changes to three-bedroom price caps in Hamilton and Christchurch urban areas, the Queenstown Lakes District and the "Rest of New Zealand" (which is the KiwiBuild price cap that applies outside the main urban areas).

Other minor adjustments are recommended, including reducing the insurance premium for the loan

- 11 Based on actuarial advice, I am seeking agreement to reduce the insurance premium for the loan and update the contribution from both the Crown and borrowers. This will improve alignment between the premium and the cost of defaults, reduce the cost for the Crown and borrowers, and enable additional lending.
- 12 A timing issue with third-party data led to the grant house price caps in Kawerau being set incorrectly. This review provides an opportunity to correct the caps.

Next review in six months

- 13 As agreed in May 2022, officials will conduct a review of the First Home Products and KiwiBuild every six months. The review will be provided to the Minister of Housing by officials and only be brought to Cabinet if I deem it necessary.

Background

- 14 The FHPs are primarily designed to help eligible FHBs on relatively modest incomes overcome the barriers to bringing together a deposit on a first home. Full eligibility criteria can be found in Annex A. There are two products:
- 14.1 The grant is administered by Kāinga Ora and is available to eligible KiwiSaver members. The amount of the grant is between \$3,000 and \$10,000, depending on the number of years the buyer has been a KiwiSaver member and whether the property being purchased is an existing or new build home.
- 14.2 The loan assists FHBs to secure a bank loan with a minimum five percent deposit. The loan is issued by select banks and lenders and is underwritten by Kāinga Ora through a mortgage insurance scheme. FHBs using the loan must contribute 2.2 percent of the house purchase price to the Kāinga Ora insurance scheme. The premium is a 1.0 percent contribution from the borrower and a 1.2 percent contribution from the Crown.
- 15 In 2021, Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development (HUD) reviewed and identified options to modernise the FHPs. Settings changes funded through Budget 2022 included a new income cap category and changes to the house price caps
- 16 KiwiBuild aims to deliver affordable new build homes for eligible FHBs. Changes to KiwiBuild policy settings were last made in July 2022, following a review. Key changes included increasing KiwiBuild price caps, allowing exemptions to price caps for homes with four or more bedrooms or those which meet accessibility / universal design standards, a new income cap category ‘individuals with dependents’, and lifting the income cap for multiple buyers from \$180,000 to \$200,000.
- 17 s 9(2)(f)(iv)

s 9(2)(f)(iv)

Findings of the six-month review

Uptake of the First Home Products and KiwiBuild have increased since the changes were made

- 18 The changes made in mid-2022 aimed to increase uptake of First Home Products and KiwiBuild. Generally, uptake is increasing, and I am confident that the changes are achieving the desired effect.
- 19 The number of grants paid monthly increased from 583 in December 2021 to 1,051 in December 2022. The number of homes purchased with the loan per month has increased from 70 loans in December 2021 to 296 homes in December 2022.
- 20 Uptake of both the grant and the loan by Māori and Pacific peoples has more than doubled since the changes in May 2022. The proportion of Māori and Pacific people accessing FHPs has remained steady. Full data on the uptake of FHPs, including uptake by ethnicity, can be found in Annex B.
- 21 Developers interest in KiwiBuild has increased significantly since changes were made in July 2022. In 2021, only nine contracts to deliver KiwiBuild homes were agreed. Between July 2022 when the policy changes were made, and January 2023, 89 new development opportunities (all of which could deliver multiple KiwiBuild homes) are being explored from several areas across the country.

House price caps adjustments are recommended for the grant and KiwiBuild

- 22 The review found that:
 - 22.1 9 house price caps for the grant need to increase to stay aligned with current market values.
 - 22.2 A further 31 house price caps would increase in line with the new minimum house price caps for new build homes.
 - 22.3 Four of the three-bedroom house price caps for KiwiBuild need to increase to stay aligned with current market values.

The income caps remain appropriate across all products

- 23 The income caps are set above current median wages for individuals and households, and current data indicates that multiple buyers' access to the FHPs is good.
- 24 However, the review identified that individual buyers and intergenerational families may have trouble accessing the FHPs. However, this is likely due to broader affordability issues which will not be addressed by increasing the income caps.

FHPs and KiwiBuild remain appropriate in current market conditions

- 25 While the balance between supply and demand has also changed, the review found that bank stress testing is mitigating the risk associated with FHBs entering the market.
- 26 I do not foresee Cyclone Gabrielle having an impact on FHB support in most regions. Regions that have seen significant damage, such as Northland, Hawke's Bay, and Gisborne may have fewer homes for sale and therefore, limited uptake. Officials will continue to monitor any impacts in the regular reviews and report back as needed.

First Home Products

Based purely on data, several potential changes to the First Home Grant house price caps have been identified through the review

- 27 Officials have reviewed the existing house price caps based on the most recent market data and improvements to the data method used to calculate the caps (found in Annex C). The table below summarises how many TLA's house price caps would increase, stay the same, or decrease if aligned with current lower quartile market values.

Table 1: Summary of changes to house price caps if adjusted to reflect Q4 lower quartile market values²

Changes to caps	Existing homes	New build homes
Caps would be lower ³	24 TLAs	15 TLAs
Caps would stay the same	24 TLAs	23 TLAs
Caps would be higher ⁴	3 TLAs	6 TLAs

I recommend adjusting the caps for First Home Grant where they would increase...

- 28 House price caps for new build homes and existing homes are different as construction costs have continued to rise. In addition to the adjustments resulting from the changes to the data method described in Annex C, I recommend that the caps are adjusted to align with the most recent data – where this would see the caps increase.

...for the remainder, I recommend retaining the current house price caps given current market conditions

- 29 I have considered the results of the review and do not recommend across the board updates to the caps. Given the falling housing market, applying the data method to set caps in line with market values would see many caps decrease.

² This table does not align with the tables in Annex D, as this shows what the caps would be if they aligned with current valuation data, and the tables in Annex D only show recommended caps.

³ This excludes the caps for Kawerau District which need to be corrected after a data error.

⁴ This does not include caps that would increase if the minimum new build house price cap was increased to \$650,000.

I am comfortable with retaining the current caps for a longer period. This allows the government to support more FHBs into their own homes and provides stable settings from the perspective of potential FHBs.

- 30 Annex D provides further information on the amount by which the house price caps for existing homes would change if the data method for setting caps was applied to current market values.

I recommend lifting the First Home Grant house price cap for new build homes so caps are no lower than \$650,000

- 31 The six-month review identified challenges in accessing the grant for new build homes in TLAs that have the lowest caps (mainly in regional and more rural locations). Under current settings, buyers need to purchase a new build home for under \$500,000 in 26 TLAs and under \$650,000 in a further nine TLAs to be able to access the grant. However, there are very few new builds available at these prices given land and construction costs, and uptake is very low. Only four percent of grants for new builds were paid to buyers in TLAs with a house price cap lower than \$650,000.
- 32 This impacts buyers in the regions, as most urban areas and larger regional centres have higher caps. Buyers in smaller regions who want to access the grant are driven towards existing properties, which could be undermining demand for new builds at a time the construction sector is facing economic headwinds.
- 33 I recommend that the minimum new build house price caps for the grant are lifted so they are no lower than \$650,000. Lifting the new build cap will provide more FHBs who want to access the grant with the option of buying a new build home, rather than needing to buy an existing home. It will improve alignment with the KiwiBuild settings as buyers purchasing a 1 or 2-bedroom KiwiBuild home will be able to access the grant, regardless of the location.
- 34 My expectation is that the impact will be limited as buyers will still need to choose a new build home, which will be more expensive than an existing home of the same typology in the regions impacted. Buyers will also need to have incomes that are sufficient to service a higher mortgage. However, I consider it is important that the settings reflect the current context, and the caps are set at a level that will support demand for new build homes at lower price points across New Zealand.
- 35 The grant appropriation has sufficient headroom to support an increase in uptake rates meaning no further funding is required.

I recommend retaining the First Home Product income caps

- 36 The current income caps for the FHPs are \$95,000 for individual buyers, and \$150,000 for individual buyers with dependents and multiple buyers. Based on current data these income caps remain appropriate and I do not recommend any further changes to income caps at this time.

KiwiBuild

Officials have reviewed the KiwiBuild price caps based on the latest valuation data

- 37 I propose some limited updates to three-bedroom KiwiBuild price caps. The proposed changes ensure that the KiwiBuild price caps reflect the latest housing valuation data and include some small rounding adjustments which affected some of the previous three-bedroom caps.
- 38 Higher KiwiBuild price caps will mean there will be some aspiring first home buyers who will be unable to afford a KiwiBuild home, particularly if commercial interest rates remain high. However, if KiwiBuild price caps are set too low then developers have very little incentive to deliver KiwiBuild homes. Other programmes such as FHPs and our Progressive Home Ownership fund are also in place to help those who need more support to own a home.
- 39 The price cap changes which I propose are as follows (full details can be found in Annex E):
- 39.1 increasing the three-bedroom price cap for the Queenstown Lakes District from \$845,000 to \$860,000 (an increase of \$15,000).
- 39.2 increasing the three-bedroom price caps for the Hamilton and Christchurch Urban Areas and the 'Rest of New Zealand' from \$715,000 to \$720,000 (an increase of \$5,000).

I do not recommend any reduction in KiwiBuild house price caps

- 40 The proposed price caps are based on the same calculation methodology as that used in the July 2022 Cabinet paper [CAB-22-MIN-0242 refers]. Although a strict application of the methodology would result in some KiwiBuild price caps decreasing, I am not recommending any downward price cap adjustments at this time.
- 41 It is important that KiwiBuild price caps are maintained, to ensure KiwiBuild can continue to play an effective role as a countercyclical tool supporting the construction sector through current market headwinds. If price caps were to be reduced then I anticipate a return to very low rates of delivery.
- 42 The key to ensuring the ongoing delivery of KiwiBuild homes is ensuring that it remains commercially attractive for developers to deliver those homes. Over the past year, developers have been facing headwinds including ongoing increases in the cost of construction (up 14.1% over the year to December 2022).

I recommend retaining the current KiwiBuild income caps

- 43 The current income caps for KiwiBuild are \$120,000 for individual buyers, \$150,000 for individual buyers with dependents, and \$200,000 for multiple buyers. Based on current data these income caps remain appropriate and I do not recommend any further changes to income caps at this time.

Other minor adjustments

I propose that the First Home Loan insurance premium be adjusted following a review based on actuarial advice

- 44 FHBs using the loan must contribute to the insurance scheme in addition to meeting eligibility criteria and lending requirements. The scheme underwrites borrower obligations to the lender to cover claims on defaults.
- 45 Currently, Kāinga Ora, which administers the insurance scheme, receives an insurance premium of 2.2 percent of the loan balance for every loan underwritten. The overall premium is made of a 1.0 percent contribution from the borrower and a 1.2 percent contribution from the Crown.
- 46 In October 2022, HUD reviewed the insurance scheme based on actuarial advice. The actuarial assessment found that under the current settings, a lower premium could be accepted to cover the risk of claims from defaults. The level of claims for loans underwritten since 2009/2010 has been under 0.5 percent.
- 47 Modelling of future claims for loans expected in 2022/2023 showed that the estimated claims are under 0.5 percent. This model included various economic scenarios, including a worst-case scenario similar to the Global Financial Crisis experienced in the US. The actuarial report concluded that the premium could be reduced to 1.2 percent, and it would be unlikely that the insurance scheme would run at a loss.
- 48 I therefore seek your agreement to the following changes to the loan insurance premium:
- 48.1 The insurance premium be reduced from 2.2 percent to 1.2 percent, in line with actuarial advice to cover claims.
- 48.2 The insurance premium be made up of a Crown contribution of 0.7 percent and a borrower contribution of 0.5 percent of the loan balance.
- 49 The proposed changes mean better alignment between the overall premium and claims made by lenders, and reduced costs to the Crown and FHBs who access the loan. I am satisfied that there is no change in risk for lenders. I have considered the risk of Kāinga Ora making a loss on the insurance scheme and have considered this to be extremely low. Kāinga Ora have been consulted and agree with the approach being taken.

If you agree to the changes proposed to the First Home Loan insurance premium, the FHL appropriation will have sufficient funds to support the increased levels of lending

- 50 Uptake of the loan has increased from approximately 53 homes bought with the loan in June 2022 to 296 in December 2022. It is unclear if uptake will hold or increase further as it has been doing over the last six months.

- 51 If uptake of the loan remains steady at around 300 per month or higher, the appropriation is likely to come under pressure in 2023/24 and outyears. If the Crown contribution to the insurance is decreased from 1.2 percent to 0.7 percent as proposed, this will enable a higher volume of lending due to less funding needed to support each loan.
- 52 Under the current settings, funding appropriated for the loan insurance premium of \$18.5 million per year supports lending of up to \$1.47 billion (or approximately 2,300 loans per year). Reducing the Crown contribution could support lending of up to a maximum of \$2.53 billion per year (or approximately 3,900 loans per year).
- 53 If the loan insurance premium remains unchanged and the current levels of uptake continue, the loan scheme may need to seek additional funding in the future.

A reduction to the First Home Grant house price caps in Kawerau is required to correct an error

- 54 An error with the house price caps in Kawerau occurred due to a timing issue with third-party data when the caps were updated in May 2022. HUD has checked the datasets for all TLAs to confirm Kawerau was the only area affected and has updated its data method to prevent the error recurring.
- 55 The existing house price cap for Kawerau, currently set at \$625,000, should have been set at \$400,000. The corrected caps would be unchanged if adjustments were made to reflect current market values. The new build house price cap for Kawerau is currently \$625,000 and, subject to agreement, would increase to the new minimum new build cap of \$650,000.
- 56 As of 18 January 2023, grants had been paid out or approved for 16 FHBs in Kawerau for homes selling at prices above what the caps should have been. These grants total \$73,000. Kāinga Ora will honour these approvals so these FHBs are not impacted by the correction to the Kawerau caps. The new caps will apply for new applications, and for sale and purchase agreements provided for existing pre-approved applications, processed after the correction has been made.

I am seeking delegated authority for Ministers to make administrative adjustments to the First Home Grant and KiwiBuild house price caps and data method

- 57 Administrative adjustments would be issues such as changes in rounding assumptions or alignment between geographical areas. They could also include responding to market movements, or incentivising increases to KiwiBuild delivery in particular regions.
- 58 Any changes that could have a significant impact on FHBs and/or on the grant or KiwiBuild appropriations will be referred to Cabinet for a decision.

Ongoing reviews

- 59 As agreed in May 2022, officials will conduct a review of the First Home Products and KiwiBuild every six months. The review will be provided to the Minister of Housing by officials and only be brought to Cabinet if I deem it necessary.

Risks

- 60 There may be concern around whether it is the right time for the government to continue to support FHBs, given that rising interest rates are decreasing affordability of servicing a mortgage. I am comfortable that bank stress testing, which has been tightened by the Credit Contracts and Consumer Finance Act 2003 changes, will mitigate the risk of FHBs entering the market.
- 61 The balance between supply and demand has also changed, meaning that there are more properties on the market, and they are taking longer to sell. Purchasers can be more selective about which house they make an offer on due to reduced fear of being priced out of the market by rising house prices. It is also unclear how long the market will continue to fall before flattening out.
- 62 In more difficult economic conditions there is an increased risk that underwritten KiwiBuild homes will be unable to be sold and that the Crown will need to purchase these homes under the terms of any KiwiBuild underwrite agreement. However, the KiwiBuild underwrite is one of a suite of tools which the Government is using to try and cushion the impact of the current downturn on the construction sector. This risk is not altered by the proposals in this paper. The risk of any underwrite being triggered will also be considered by Joint Ministers as part of their consideration of individual underwrite proposals.

Impacts of Cyclone Gabrielle

- 63 Cyclone Gabrielle may decrease uptake of FHPs in impacted regions such as Northland, Hawke's Bay, and Gisborne as it is likely that fewer homes will be up for sale in these regions. Officials will monitor these regions during regular reviews and report back as needed.
- 64 The ability to deliver KiwiBuild homes is dependent on construction sector capacity, which is likely to be under even more pressure post-Cyclone Gabrielle. Some companies may reprioritise resources towards effected regions and competition for labour and materials is likely to increase.

Implementation

- 65 The announcement of the changes to the First Home Products and KiwiBuild will occur within 30 days of the Cabinet agreement.
- 66 Changes to the First Home Grant and KiwiBuild will take effect within 10 business days after the announcement of the changes.

- 67 Changes to the First Home Loan will take effect within 30 days after the announcement of the changes. Kāinga Ora are obliged to give banks and lenders a 30 day notice period for any changes to the loan.
- 68 The lead in time will allow Kāinga Ora and lenders sufficient time to make any necessary changes to internal processes and update information for FHBs.

Financial Implications

- 69 There are no financial implications of any changes proposed. Costs that arise from increasing the house price caps can be met through current FHP and KiwiBuild appropriations.
- 70 While the changes proposed in this paper are fiscally neutral, reducing the insurance premium for the loan will mean that more FHBs can access it.

Legislative Implications

- 71 There are no legislative implications.

Impact Analysis

Regulatory Impact Statement

- 72 The Regulatory Impact Statement requirement does not apply.

Climate Implications of Policy Assessment

- 73 The Climate Implications of Policy Assessment requirement does not apply.

Population Implications

- 74 Improving access to the First Home Products may contribute to achieving more equitable outcomes for many population groups in New Zealand with lower levels of home ownership. This includes Māori, Pacific Peoples, women, disabled people, and lower-income households.

Human Rights

- 75 There are no inconsistencies with the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993.

Consultation

- 76 Treasury, Kāinga Ora – Homes and Communities, Ministry of Social Development, Whaikaha – Ministry of Disabled People, Ministry of Business, Innovation, and Employment, Ministry for Pacific Peoples, and Te Puni Kōkiri have been consulted on the six-month review of the First Home Products and KiwiBuild. The Department of Prime Minister and Cabinet has been informed.

Communications

- 77 Subject to Cabinet agreement, I will announce the changes to the First Home Products and KiwiBuild settings.

Proactive Release

- 78 I intend to proactively release this paper on the HUD website within 30 business days of final decisions being made by Cabinet.

Recommendations

- 79 The Minister of Housing recommends that the committee:
- 1 **Agree** to increases to 40 First Home Grant house price caps to reflect the latest house valuation data and rising costs of construction, as shown in Annex D;
 - 2 **Note** that the house price cap increases include the new minimum house price cap for new builds of \$650,000 for 31 TLAs;
 - 3 **Agree** to increases to KiwiBuild house price caps to reflect the latest house valuation data, as shown in Annex E;
 - 4 **Agree** to retain the current income caps for both KiwiBuild and First Home Products;
 - 5 **Agree** to reduce the First Home Loan insurance premium from 2.2 percent to 1.2 percent;
 - 6 **Agree** that the premium will be made up of a 0.7 percent contribution from the Crown and a borrower contribution of 0.5 percent of the total loan balance;
 - 7 **Agree** to change the First Home Grant house price cap for existing homes in Kawerau from \$625,000 to \$400,000 to correct an error;
 - 8 **Agree** to give delegated authority to the Minister of Housing and Minister of Finance to make administrative adjustments to KiwiBuild and First Home Grant house price caps;
 - 9 **Note** that adjustments with the potential for a significant impact on the First Home Products and KiwiBuild appropriations will be referred to Cabinet for decisions;
 - 10 **Note** that ongoing six-monthly reviews of the First Home Products and KiwiBuild will be provided to the Minister of Housing, with the next review to take place in September 2023;
 - 11 **Note** that the changes to the First Home Products and KiwiBuild will be announced within 30 days of the Cabinet decision, with implementation to follow shortly afterwards.

Authorised for lodgement

Hon Dr Megan Woods
Minister of Housing

Annex A: Eligibility criteria

To be eligible for the FHPs and KiwiBuild, buyers must:

- Be a New Zealand citizen, permanent resident or a resident visa holder who is ordinarily a resident in New Zealand *or* be applying with a partner who meets citizenship/residency requirements
- Be buying their first home *or* be in a similar position to a FHB ('second chancer')

To be eligible for the First Home Products, buyers must:

- Have earned within the following income caps in the last 12 months:
 - \$95,000 for a single buyer
 - \$150,000 for multiple buyers *or* a single buyer with dependents
- Have a deposit of at least five percent of the purchase price of the house (inclusive of savings, gifts, grants, and KiwiSaver first-home withdrawals)
- Meet bank lending requirements, such as credit criteria and debt levels

For the First Home Grant, buyers must

- Be purchasing a property below the house price caps for their TLA
- Have been contributing at least the minimum amount to KiwiSaver (or complying fund or exempt employer scheme) for three years or more
- Agree to live in the house for at least six months

FHBs using the loan must:

- Contribute to an insurance scheme administered by Kāinga Ora

To be eligible for KiwiBuild, buyers must:

- Earn within the income caps:
 - \$120,000 for an individual buyer
 - \$150,000 for an individual buyer with dependents
 - \$200,000 for multiple buyers
- Intent to live in a KiwiBuild home as a principal place of residence for a minimum of:
 - One-year if the home is a studio or one-bedroom dwelling
 - Three-years where the home is two or more bedrooms

Annex B: Data on uptake of the First Home Products

- 1 This annex includes different types of uptake data for the First Home Products. The graphs show uptake data of each product between October 2017 and December 2022. The tables show uptake of each product by Māori, Pacific, and European ethnicities. They also show the proportion of Māori and Pacific uptake compared to total uptake.

Figure 1: Number of grants paid monthly

The graph below shows uptake of the grant by month from October 2017 – December 2022.

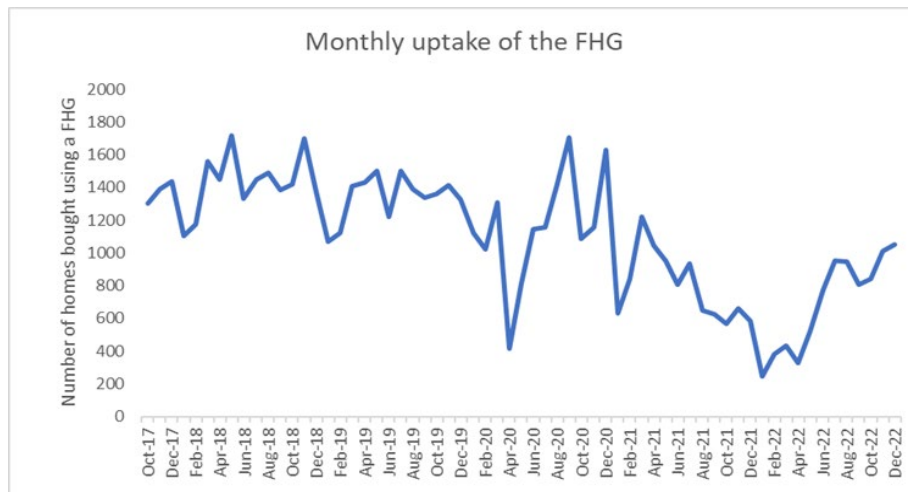


Figure 2: number of homes bought monthly using the loan

The graph below shows uptake of the loan by month from October 2017 – 2022.

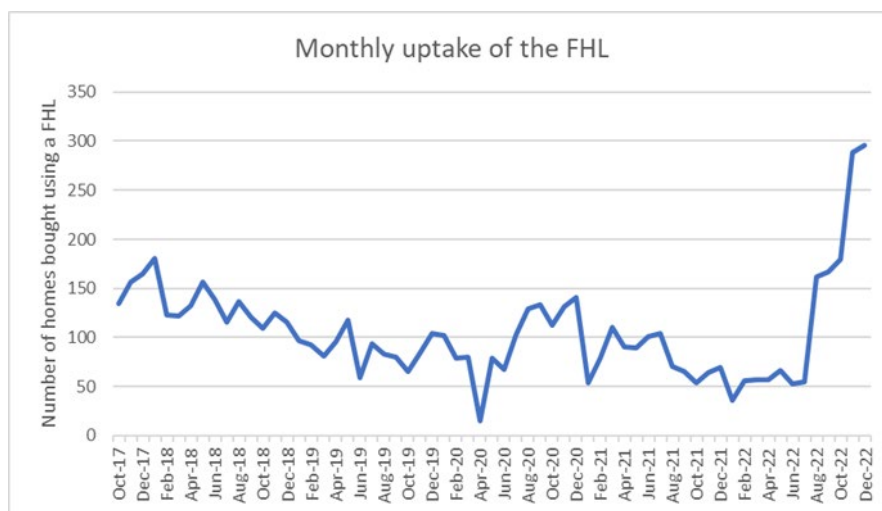


Table 1: uptake of the grant by ethnicity

The table below shows uptake of the grant by Māori, Pacific, and European ethnicities.

Month	European	Māori	Pacific	Proportion are Māori	Proportion are Pacific
December 2022 quarter	1881	417	166	14%	6%
September 2022 quarter	1697	374	183	13%	6%
June 2022 quarter	1006	204	75	12%	4%
March 2022 quarter	685	136	59	12%	5%

Table 2: uptake of the loan by ethnicity

The table below shows uptake of the loan by Māori, Pacific, and European ethnicities.

Month	European	Māori	Pacific	Proportion are Māori	Proportion are Pacific
December 2022 quarter	429	101	55	13%	7%
September 2022 quarter	271	73	24	19%	6%
June 2022 quarter	113	31	11	14%	5%
March 2022 quarter	117	31	15	15%	7%

Annex C: Data method changes

- 12 Additional steps have been added to the data method used to set First Home Grant house price cap calculations. This will ensure that house price caps are accurate in TLAs with under 100 data observations.
- 13 Where additional steps are needed to update price caps, this will include:
 - 13.1 Looking at the long-term trend of the 3-month rolling average for a Territorial Authority. For example, where the sample is small but the long-term 3-month rolling average data is relatively stable (meaning the lower quartile prices do not jump up and down from quarter to quarter), this data is likely reliable enough to use to update the price cap.
 - 13.2 Adjusting based on caps for comparable adjacent regions. For example, looking at historic relative price differences between adjacent regions or regions with similar housing markets to test the reasonableness of the updated price cap and proposed relative differences
 - 13.3 Adjusting based on the relative gap between existing to new build price caps. For example, while there are many factors that go into new build prices, this is unlikely to change significantly in a short period of time, and therefore previous gaps in caps can test whether the updated price cap would be reasonable
 - 13.4 Not adjusting where there is only a potentially small change to the price cap (around \$25,000).

Annex D: Proposed changes for First Home Grant house price cap

Table 1: First Home Grant house price caps for existing homes

Note: The below table shows proposed changes to house price caps. The Kawerau cap, highlighted in yellow, is the cap that needs to be corrected after a data error.

TLA	Current cap	Recommended cap	Difference
Far North District	\$400,000	\$400,000	-
Whangarei District	\$600,000	\$600,000	-
Kaipara District	\$525,000	\$525,000	-
Auckland City	\$875,000	\$875,000	-
Thames Coromandel District	\$875,000	\$875,000	-
Hauraki District	\$525,000	\$550,000	+\$25,000
Hamilton Urban Area (Hamilton City, Waipā District, Waikato District)	\$650,000	\$650,000	-
Matamata Piako District	\$625,000	\$625,000	-
Otorohanga District	\$400,000	\$400,000	-
South Waikato District	\$400,000	\$400,000	-
Waitomo District	\$400,000	\$400,000	-
Taupo District	\$575,000	\$575,000	-
Tauranga Urban Area (Tauranga, Western Bay of Plenty District)	\$800,000	\$800,000	-
Rotorua District	\$525,000	\$525,000	-
Whakatane District	\$500,000	\$500,000	-
Kawerau District	\$625,000	\$400,000	-\$225,000
Opotiki District	\$400,000	\$400,000	-
Gisborne District	\$450,000	\$450,000	-
Wairoa District	\$400,000	\$400,000	-
Napier - Hastings	\$625,000	\$625,000	-
Central Hawkes Bay District	\$500,000	\$500,000	-
New Plymouth District	\$525,000	\$525,000	-
Stratford District	\$400,000	\$400,000	-
South Taranaki District	\$400,000	\$400,000	-
Ruapehu District	\$400,000	\$400,000	-
Whanganui District	\$425,000	\$425,000	-
Rangitikei District	\$400,000	\$400,000	-
Manawatu District	\$525,000	\$525,000	-
Palmerston North City	\$575,000	\$575,000	-
Tararua District	\$400,000	\$400,000	-
Horowhenua District	\$525,000	\$525,000	-
Wellington Urban Area (Kāpiti Coast District, Upper Hutt City, Porirua City, Lower Hutt City, Wellington City)	\$750,000	\$750,000	-

Wairarapa (Masterton District, Carterton District, South Wairarapa District)	\$575,000	\$600,000	+\$25,000
Nelson - Tasman District	\$650,000	\$650,000	-
Marlborough District	\$550,000	\$550,000	-
Kaikoura District	\$700,000	\$700,000	-
Buller District	\$400,000	\$400,000	-
Grey District	\$400,000	\$400,000	-
Westland District	\$400,000	\$400,000	-
Hurunui District	\$425,000	\$425,000	-
Christchurch Urban Area (Waimakariri District, Christchurch City, Selwyn District)	\$550,000	\$575,000	+\$25,000
Ashburton District	\$400,000	\$400,000	-
Timaru District	\$400,000	\$400,000	-
Mackenzie District	\$500,000	\$500,000	-
Waimate District	\$400,000	\$400,000	-
Waitaki District	\$400,000	\$400,000	-
Central Otago District	\$525,000	\$525,000	-
Queenstown Lakes District	\$875,000	\$875,000	-
Dunedin City	\$500,000	\$500,000	-
Clutha District	\$400,000	\$400,000	-
Southland District	\$500,000	\$500,000	-
Gore District	\$400,000	\$400,000	-
Invercargill City	\$400,000	\$400,000	-

Table 2: First Home Grant house price caps for new build homes

Note: The below table shows proposed changes to house price caps. House price caps that would increase in line with the new minimum new build house price cap are highlighted in blue.

TLA	Current cap	Recommended cap	Difference
Far North District	\$675,000	\$675,000	-
Whangārei District	\$800,000	\$800,000	-
Kaipara District	\$ 875,000	\$875,000	-
Auckland City	\$ 875,000	\$875,000	-
Thames Coromandel District	\$ 925,000	\$925,000	-
Hauraki District	\$ 525,000	\$650,000	+\$125,000
Hamilton Urban Area (Hamilton City, Waipā District, Waikato District)	\$ 725,000	\$775,000	+\$50,000
Matamata Piako District	\$ 625,000	\$800,000	+\$175,000
Ōtorohanga District	\$ 500,000	\$650,000	+\$150,000
South Waikato District	\$ 500,000	\$650,000	+\$150,000
Waitomo District	\$ 500,000	\$650,000	+\$150,000
Taupō District	\$ 575,000	\$825,000	+\$250,000
Tauranga Urban Area (Tauranga, Western Bay of Plenty District)	\$ 875,000	\$875,000	-
Rotorua District	\$ 525,000	\$650,000	+\$125,000
Whakatāne District	\$ 500,000	\$800,000	+\$300,000
Kawerau District	\$ 625,000	\$650,000	+\$25,000
Ōpōtiki District	\$ 500,000	\$650,000	+\$150,000
Gisborne District	\$ 500,000	\$650,000	+\$150,000
Wairoa District	\$ 500,000	\$650,000	+\$150,000
Napier-Hastings	\$ 825,000	\$825,000	-
Central Hawkes Bay District	\$ 500,000	\$650,000	+\$150,000
New Plymouth District	\$525,000	\$650,000	+\$150,000
Stratford District	\$ 525,000	\$650,000	+\$125,000
South Taranaki District	\$ 500,000	\$650,000	+\$150,000
Ruapehu District	\$ 500,000	\$650,000	+\$150,000
Whanganui District	\$ 500,000	\$650,000	+\$150,000
Rangitikei District	\$ 500,000	\$650,000	+\$150,000
Manawātū District	\$ 525,000	\$650,000	+\$125,000
Palmerston North City	\$ 700,000	\$700,000	-
Tararua District	\$ 500,000	\$650,000	+\$150,000
Horowhenua District	\$ 650,000	\$650,000	-
Wellington Urban Area (Kāpiti Coast District, Upper Hutt City, Porirua City, Lower Hutt City, Wellington City)	\$ 925,000	\$925,000	-
Wairarapa (Masterton District, Carterton District, South Wairarapa District)	\$ 800,000	\$800,000	-

Nelson-Tasman District	\$875,000	\$875,000	-
Marlborough District	\$ 575,000	\$650,000	+\$75,000
Kaikoura District	\$ 700,000	\$700,000	-
Buller District	\$ 500,000	\$650,000	+\$150,000
Grey District	\$ 500,000	\$650,000	+\$150,000
Westland District	\$ 500,000	\$650,000	+\$150,000
Hurunui District	\$ 500,000	\$650,000	+\$150,000
Christchurch Urban Area (Waimakariri District, Christchurch City, Selwyn District)	\$ 750,000	\$775,000	+\$25,000
Ashburton District	\$ 500,000	\$650,000	+\$150,000
Timaru District	\$ 500,000	\$650,000	+\$150,000
Mackenzie District	\$ 500,000	\$650,000	+\$150,000
Waimate District	\$ 500,000	\$650,000	+\$150,000
Waitaki District	\$ 500,000	\$650,000	+\$150,000
Central Otago District	\$ 800,000	\$800,000	-
Queenstown Lakes District	\$ 925,000	\$925,000	-
Dunedin City	\$ 675,000	\$675,000	-
Clutha District	\$ 500,000	\$650,000	+\$150,000
Southland District	\$ 500,000	\$650,000	+\$150,000
Gore District	\$ 500,000	\$650,000	+\$150,000
Invercargill City	\$ 500,000	\$650,000	+\$150,000

Annex E: KiwiBuild house price cap changes

The table below shows the current KiwiBuild price caps and the proposed KiwiBuild price caps. All changes are highlighted in green.

	Studio or one bedroom		Two bedroom		Three bedroom	
	Current cap (\$)	Proposed cap (\$)	Current cap (\$)	Proposed cap (\$)	Current cap (\$)	Proposed cap (\$)
Auckland Urban Area	550,000	550,000	760,000	760,000	860,000	860,000
Hamilton Urban Area	550,000	550,000	640,000	640,000	715,000	720,000 (+5,000)
Tauranga Urban Area	550,000	550,000	740,000	740,000	780,000	780,000
Wellington Urban Area	580,000	580,000	760,000	760,000	850,000	850,000
Christchurch Urban Area	550,000	550,000	640,000	640,000	715,000	720,000 (+5,000)
Queenstown Lakes District	550,000	550,000	760,000	760,000	845,000	\$860,000 (+15,000)
Rest of New Zealand	550,000	550,000	640,000	640,000	715,000	720,000 (+5,000)