



**MINISTRY OF HOUSING
AND URBAN DEVELOPMENT**

Other potential buyer cohorts

9 July 2019

Overview

You have asked for information on other potential buyer cohorts in addition to first home buyers

In response we have provided:

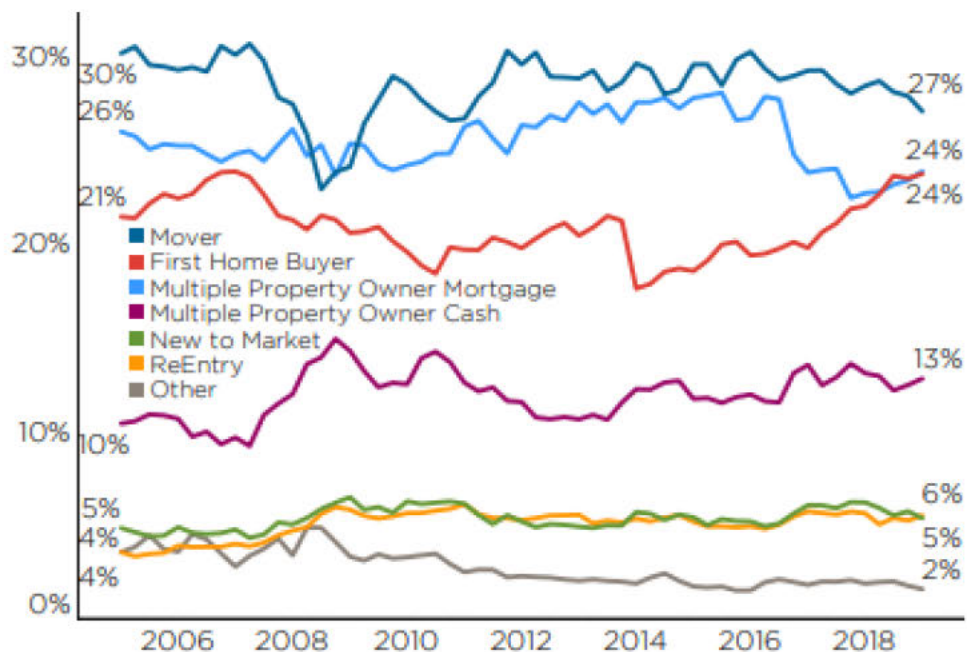
1. An overview of different buyer categories
2. Further information on:
 1. Households who might be downsizing
 2. Previous homeowners or second chancers, who are otherwise in the position of first home buyers.

Key takeout's:

- Data is imperfect but existing owners downsizing could make up 5% of current sales.
- Existing owners moving to another area may also be downsizing, but we are unable to determine the extent of this.
- We are unable to determine how many households would downsize if suitable lower cost housing was available in the area they currently live.
- Previous homeowners are entitled to HomeStart grants, Welcome Home Loans, and can purchase KiwiBuild homes on the same basis as first home buyers



Overview of buyers

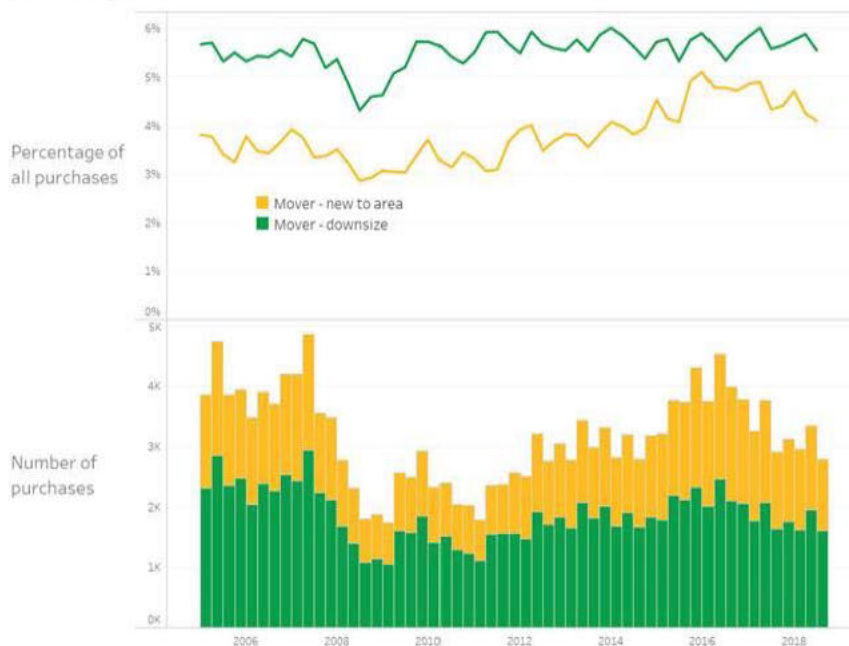


- **Movers** are existing owners who have bought and sold a home either within the same housing market or moving from another.
- **First home buyers** are where all purchasers on the title have not owned a home previously and the home is purchased with a mortgage.
- **Multiple Property Owner** is where purchasers who already own a property, i.e. investors, or owner occupiers purchasing a holiday home. Cash refers to properties that are not purchased with a mortgage (i.e. no mortgage on the title). However cash purchasers may be funded from equity generated from a wider portfolio which is debt funded.
- **New to Market** reflects buyers who have not previously owned a home in New Zealand and are purchasing with out a mortgage. Some will be first home buyers.
- **Re-entry** reflects buyers who have previously owned a home but not within the last 6 months. This would cover the "second chancers" and residents who have lived overseas returning to New Zealand.
- **Other buyers** is a catch all bucket for any property purchases that do not fit into one of the above classifications. For example situations such as some but not all owners names changing.



What we know about downsizers

Numbers and proportion of movers downsizing or moving area nationally
source: CoreLogic

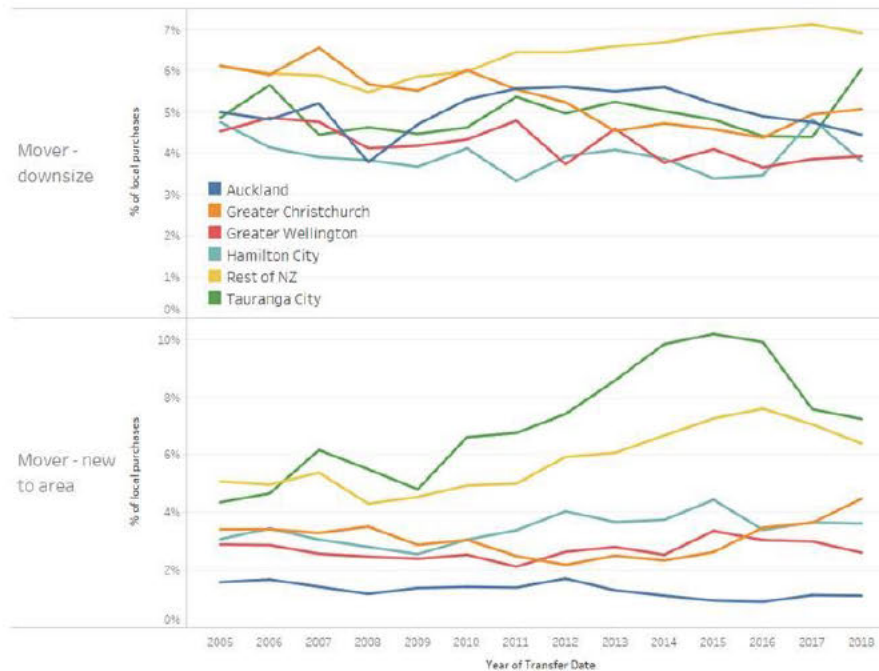


- The proportion of existing homeowners purchasing a lower priced home has remained relatively constant (apart from GFC). Downsizers make up around one sixth of moving households.
- The downsizing figures should be treated as indicative:
 - CoreLogic only looks at moves from higher to lower priced homes and not larger to smaller ones. Households could be moving to a larger home with lower land costs.
 - Households buying into retirement villages will show up as downsizers where they purchase a title – freehold/unit title. Households purchasing a right to occupy won't be included.
- Previous owners moving to a new region may also be downsizing - but we don't know how many are purchasing a lower priced home.
- The proportion of existing owners moving to a new region has increased over time. This will be in part driven by homeowners "cashing out" in high cost markets and moving elsewhere.
- Given the stronger ties that homeowners have to existing communities, more homeowners might consider downsizing if there was an increased supply of lower priced homes in their area. But we don't know how big this effect might be.
- In areas with high demand for housing and strong incentives for redevelopment, downsizing can both free up larger homes for families, but also older stock can be redeveloped to increase overall supply



Downsizers by region

Movers downsizing and new to area as percentage of purchases in each area
source: CoreLogic



- In the main centres the number of downsizers has fluctuated between 3-5%. However the proportion of downsizers has declined Auckland in recent years, potentially reflecting limited supply of lower priced homes in areas of high demand.
- We don't have a good explanation for the increase in downsizing households outside the main centres. One explanation is that there is a wider range of choice at lower prices.
- The number of existing owners moving to Tauranga will include a proportion of selling up in higher cost markets like Auckland. This would suggest the overall number of downsizers buying in the Tauranga is the largest of any centre (though homes being freed up may be in other areas).

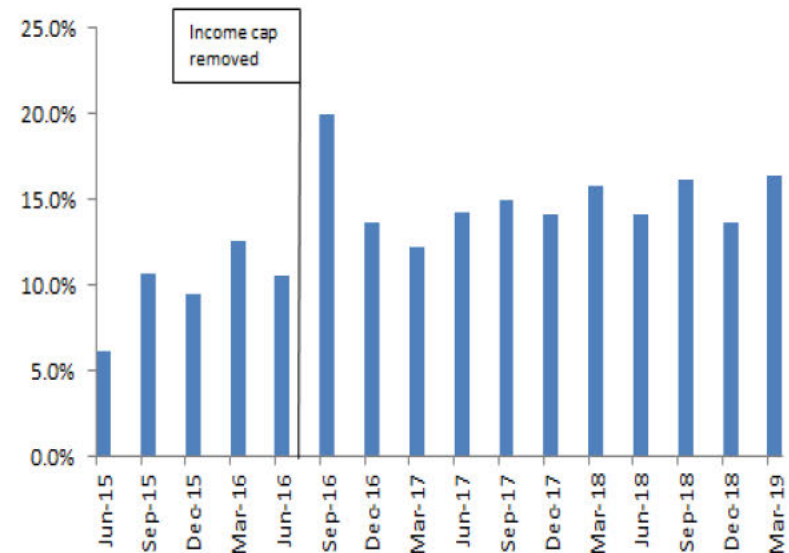
Previous homeowners

HomeStart grants and Welcome Home Loans are available for previous homeowners or second chancers and they can purchase KiwiBuild homes. A previous homeowner is a home buyer who has previously owned but no longer does so (for example following a relationship breakup). Eligibility criteria differ between schemes, as summarised on the next slide.

Previous homeowners are reflected in first home buyer figures and programmes as follows.

- **HomeStart grant payments:** are available for previous home owners. Around 10-11% of grant recipients are previous homeowners (there were a total of 16,917 recipients in year to March 2019 across both first home buyers and previous homeowners). The proportion is similar for Welcome Home Loans. Previous homeowners using KiwiSaver. HomeStart grants are subject to an asset test to prevent trading up.
- **KiwiSaver withdrawal:** around 15% of withdrawals are by previous home owners – see chart to the right. Previous homeowners are subject to an asset test but not an income cap. An income cap previously applied but was removed in 2016. 40,536 individual withdrawals were made in the year to March 2019 across both first home buyers and previous homeowners.
- **CoreLogic:** previous homeowners would be included in the “re-entry” category that makes up around 5% of purchasers. The re-entry category is in addition to first home buyers.
- **RBNZ data on loans to first home buyers** don’t include previous homeowners. A first home buyer is limited to households entering the home ownership market for the first time in New Zealand and where none of the borrowers have previously drawn down on housing finance for owner occupation.
- **HUD estimates** of households who can afford to service a mortgage would include previous homeowners.

Second chance share of KiwiSaver withdrawals



Eligibility criteria for previous homeowners

	HomeStart grant for previous homeowner	KiwiSaver withdrawal for previous homeowner	KiwiBuild criteria for previous home owners
Income cap	\$85k sole buyer \$130k two or more buyers	No income cap (HomeStart caps applied until July 2016)	\$120k sole buyer \$180k two or more buyers
Asset cap	20% of the house price cap: \$120k Auckland/Queenstown \$100k Other higher priced centres \$80k rest of NZ	As for HomeStart	As for HomeStart
Nationality	KiwiSaver criteria (eg. living in NZ and entitled to live in NZ indefinitely)	KiwiSaver criteria	NZ Citizen or permanent resident or "ordinarily resident in NZ" under the Overseas Investment Act.
Dwelling commitment	Must live in the home for six months	Must be principle place of residence	Must own and live in the home for three years
KiwiSaver	Must have contributed to KiwiSaver for three years	Must have been a KiwiSaver member for three years	None
Other	Have never previously received the HomeStart grant	Have never previously withdrawn KiwiSaver to purchase a home	None

