



01 SEP, 2019

Investors are Back in the Market



JUNO Investing Magazine, New Zealand

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YOUR INVESTING



The CoreLogic Property Report



Investors are Back in the Market

Small investors have increased their market share, and big investors are buying again in Auckland. CoreLogic's New Zealand Head of Country **Ben Speedy** explains what's happening.

Our CoreLogic data is showing a trend where small investors – those with two properties – are getting back into the market. Our figures also show that bigger investors are in the market again in Auckland. It's a small shift so far, but it could mean the worm has turned.

We found last year that people with their own house and one rental or bach were hit hard by loan-to-value ratio rule changes. We saw their market share of property purchases hit a lull of less than 10 per cent in mid-2018 and stay there.

But now that percentage has bumped back up to 11 per cent. It's a small shift so far, but we'll be keeping an eye on it.

I think the main factor for this change will have been the scrapping of the proposed capital gains (CGT) tax back in April. Smaller investors may have felt most concerned about a CGT, so they're more likely to have received the largest boost to confidence now it's off the table.

It's still not an 'easy' landscape for investors, because investors are facing other costs. Among them are higher insulation standards and the tax ring-fence for losses now in force. This is all happening at a time when gross yields are still low.

Residential investor finance remains constrained, given that the speed limit for investor lending is low, at only 5 per cent of lending allowed to be at a loan-to-value ratio of greater than 70 per cent.

However, rents are now outpacing price growth in parts of the country, so yields are beginning to rise. And alternative investments like term deposits are hardly that enticing.

It's hard to say whether investors are competing against first-home buyers for lower value properties, due to limited data on the unsuccessful bidders of each property.

First-home buyers and mortgaged investors are neck and neck on market share of property purchases – at 24 per cent. So, I think it's fair to assume that competition between buyers will generally tend to be first-home buyers versus investors.

First-home buyers and investors have come back into the market at the expense of 'movers', people with their own homes who are choosing to renovate, rather than move.

I wouldn't say the investor market is back to normal yet, but there are signs of revival, which will become stronger as yields rise. ●

• [Download the full report at www.corelogic.co.nz](http://www.corelogic.co.nz)



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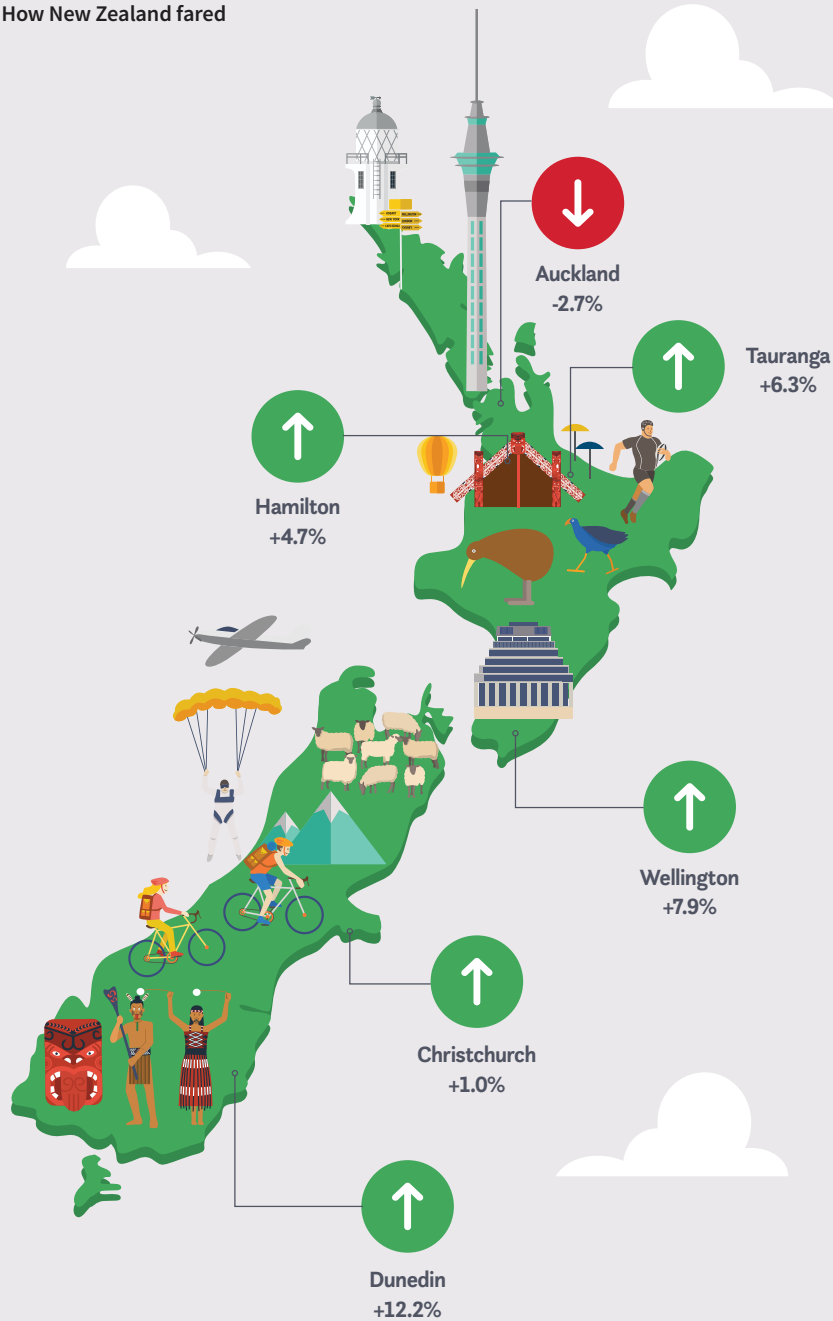
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PROPERTY

How New Zealand fared



This graph shows the annual change in property values in major cities over the year ending June 30.