CoreLogic®

NATIONAL MEDIA RELEASE
EMBARGOED UNTIL TUE (01/12/2020) 5AM

CoreLogic House Price Index

30 November 2020

# Property market firmly in political spotlight

**Overview**

The NZ property market is one of the most talked about topics right now. Open letters, debate, finger pointing, helpful suggestions – there's no shortage of any of these things. And the latest CoreLogic House Price Index (HPI) is likely to only add fuel to the fire.

According to the CoreLogic HPI for November, nationwide property values accelerated further over the month, increasing 2.1%, after already lifting in both September and October. You have to go all the way back to October 2004 (2.2%) to find a time of stronger monthly growth.

The growth at the nationwide level is reflected throughout the country with each of the three sub-indices (Main Urban, Provincial and Rural) seeing accelerated rates of value growth through the last month.

The centre point of much of the market commentary is the Reserve Bank of NZ (RBNZ) and their role or otherwise in minimising financial stability risks related to the property market. Recently, the Minister of Finance, Grant Robertson asked the RBNZ Governor Adrian Orr to consider that the "Monetary Policy Committee takes house prices into consideration when formulating monetary policy to help achieve the government's objectives".

The Governor duly acknowledged they already do so and that the recent rise in asset prices was not unexpected and in fact it wasn't as important as the need to provide support and stability for the economy as it responds to the economic shock of the global COVID-19 pandemic. There may be some changes to the RBNZ's remit later down the track, but for now, their hands are tied to a large extent.

So the focus then turns to the Government and their concern that this economic recovery is worsening inequality. Anyone who owns assets like housing are benefitting from the stimulatory monetary policies, which are lowering interest rates, while the young and renting population are more likely to have seen their income impacted by the pandemic and are less likely to see a wealth benefit from asset appreciation.

The CoreLogic affordability metrics illustrate this divide very well. For current home owners, serviceability is improving as mortgage payments come down off the back of lower interest rates. RBNZ also report that most mortgages are fixed short term (59% <1 year) or floating (13%) so with rates only tipped to go lower in this period those payments are likely to drop further (at a time when the assets they're secured on increase in value).

However the metrics used to assess the ability to get into the market are all illustrating a worsening situation. The ratio of housing values compared to household income has jumped from 6.2 a year ago, to 6.8 at the end of Q3. Meanwhile the average time it takes to save for a 20% deposit in NZ is now 9.0 years, up from 8.2 years a year ago, and the share of income dedicated towards renting is increasing as well – up from 19.8% in Q3 2019 to 21.2% in the most recent reading.

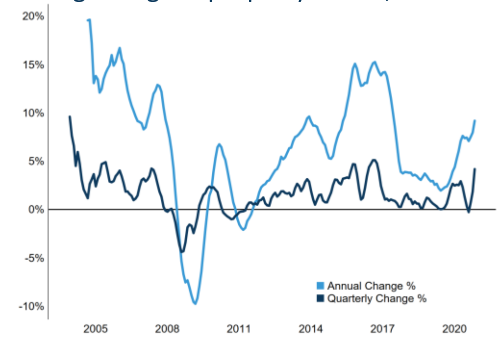
## Index results as at November 30th 2020

| | Change in property values | | | |
|---|---|---|---|---|
| Region | Month | Quarter | Annual | Average value |
| Auckland | 2.1% | 4.0% | 7.5% | $1,038,477 |
| Hamilton | 1.6% | 2.6% | 10.5% | $596,912 |
| Tauranga | 2.1% | 2.9% | 7.9% | $760,560 |
| Wellington | 2.9% | 5.8% | 13.5% | $735,507 |
| Christchurch | 1.0% | 2.3% | 5.2% | $504,952 |
| Dunedin | 3.1% | 4.8% | 13.1% | $505,461 |

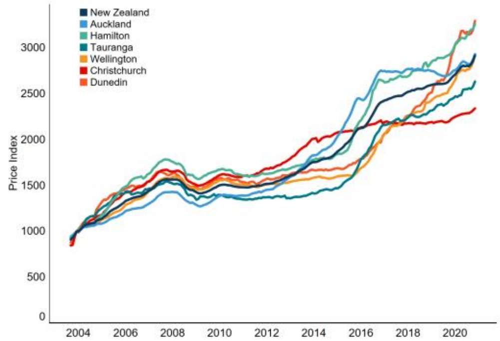
## Highlights over the 3 months to November 2020

| Wellington | Christchurch |
|---|---|
| **5.8%** | **2.3%** |
| Best performing main centre | Weakest performing main centre |

## Rolling change in property values, national




## House Price Index
## Main Centres Relative to December 2003




*Disclaimer: This publication reproduces materials and content owned or licenced by CoreLogic NZ Limited (**CoreLogic**) and may include data, statistics, estimates, indices, photographs, maps, tools, calculators (including their outputs), commentary, reports and other information (CoreLogic Data).*
*© Copyright 2020. **CoreLogic** and its licensors are the sole and exclusive owners of all rights, title and interest (including intellectual property rights) subsisting in this publication, including any data, analytics, statistics and other information contained in this publication. All rights reserved. While CoreLogic uses commercially reasonable efforts to ensure the CoreLogic Data is current, CoreLogic does not warrant the accuracy, currency or completeness of the CoreLogic Data and to the full extent permitted by law excludes all loss or damage howsoever arising (including through negligence) in connection with the CoreLogic Data.*

**Media enquires contact:** media@corelogic.co.nz
Nick Goodall, Head of Research – 021 557 946 or nick.goodall@corelogic.co.nz
Kelvin Davidson, Senior Property Economist – 027 355 3813 or kelvin.davidson@corelogic.co.nz

The potential solutions to solve for the future are varied, and often complex. But they all need to be seriously considered. From the crucial supply perspective:

- Cheaper and faster off-site manufacturing needs to become more prevalent,
- Investment in infrastructure needs to increase to improve the connectivity and liveability throughout cities, especially the outer fringes where housing is more affordable but commuting times inefficient,
- Town planning reform needs to be addressed to incentivise appropriate intensification for best use – perhaps through taxes, and
- The cost to build must also be investigated, understood and probably managed better.

And while addressing the demand side of the equation is more debatable, we need to consider how to reduce the property owning obsession in NZ:

- Promote other forms of investment for retirement. Part of the greatest appeal of property is to provide a passive form of income in retirement (alongside expected capital gains),
- Improve security/appeal of renting – which should be a viable long term living option. The Government has made some progress on this, and
- Favour investment in new builds above existing stock.

Detailed HPI results follow, along with a broader market outlook.

**Main Centres**

After a period of no growth following the COVID-19 enforced lockdown and subsequent uncertainty, the **Dunedin** market has roared back into action with 3.1% growth in the last month.

**Wellington** too remains one of the strongest growing markets of the main centres, with 2.9% growth over the month and 5.8% over the last three months.

The lack of listings in Wellington, as it is across almost the entire country is a key factor of rising prices.

**Wellington City** in particular had a very strong month in November, with values growing 3.6% over the month to take the three month growth rate to 5.6%. Over the three month measure **Porirua** exceeded this rate though, with values growing 8.9% over the spring months.

**Auckland** too, is now firmly on the up again with 2.1% growth in November and a total of 4.0% growth since August.

And while there is still variability across the Super City, there is now no doubt all sections of the market are seeing a firm rebound. Indeed, the more expensive old **Auckland City** area, which previously lagged the more affordable areas, has one of the highest growth rates in the last three months of 4.3% (**Waitakere** saw a slightly larger 4.4% growth rate over the same period).

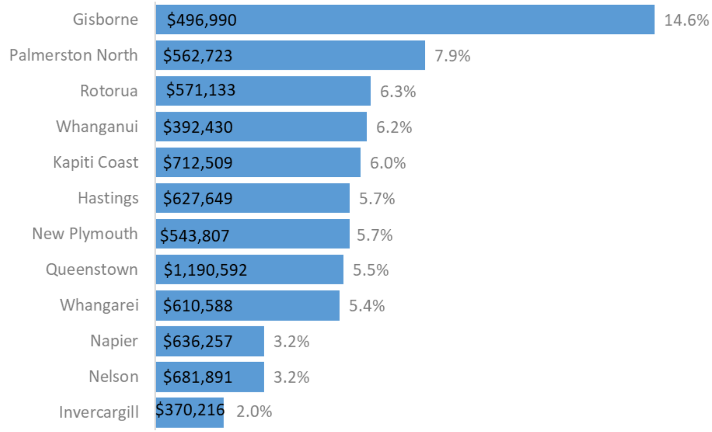
Meanwhile **Christchurch** continues to experience relatively modest growth as it has done for the last year with the annual growth rate hovering just above the 5% mark (5.2%) once again. Christchurch is sometimes referenced as a 'well-functioning' market, off the back of a significant lift in construction in response to the 2010/11 earthquakes and generally low growth. The increase in construction was assisted by changes made to the Resource Management Act (RMA) which streamlined the resource consenting process to enable homes to be built quicker so with a reform of the RMA something the current government has spoken about, Christchurch may prove a valuable case study.

**Provincial Centres**

**Queenstown** is now firmly back on the up after a few months of diminishing values. 5.5% growth over the past three months haven't quite reversed those losses, with values still -2.3% down on the peak prior to COVID.

All other provincial centres continued their strong growth from last month, especially **Gisborne**, where values are 14.6% higher now than they were in August.

### Three month change in dwelling values, Territorial Authorities, Main Urban Areas




**Average value at 30 November 2020 inside bar*

First home buyers have taken up a record share of sales so far in Q4, with 32% of sales to this group, no doubt helped by the availability of credit. There has also been strong investor appeal throughout 2020 in our easternmost city, with a regular share of 30% of sales going to mortgaged investors. With forestry and agriculture underpinning the local economy, Gisborne's property market is thriving, as these industries are not as impacted by the COVID-19 pandemic.

**Outlook**

The RBNZ has announced it is likely to re-introduce the loan-to-value ratio (LVR) restrictions two months earlier than planned, however this is unlikely to curb value growth too much. The 70% LVR requirement for investors will take a section of buyers out who have recently been enjoying the relaxed settings, but while the lift in borrowing to this group increased significantly, their overall lending share remains small compared to the other groups.

The concern in the short term is whether foreshadowing the reintroduction encourages investors to 'get in while they still can', thus creating some urgency, bringing forward demand and pushing prices up faster.

There are other headwinds to be mindful of, not least the health of our economy which will be bereft of international visitors over the booming summer months, however expectations of businesses remaining resilient are increasing and this is reflected in the significantly reduced peak unemployment rate, now 'only' 6.4% from an earlier 9.0% forecast peak.

One of the other factors to consider was the end of the popular mortgage deferral scheme at the end of March, but RBNZ recently reported that 80% of the loans on this programme have exited and it seems without too much trouble. There remains about $4bn deferred, however this is a far cry from the $22bn back in May. With low mortgage interest rates available, borrowers have more options available to them to keep their regular repayments down, which should help to keep a lid on potential mortgagee sales heading into the New Year.

Supply, by way of properties listed for sale, will remained constrained for the rest of the year. We've now passed the peak of new listings coming to market as people shift their mind to holidays, saving a decision like selling their house to the New Year. Given that first home buyers don't have anything to list and that investors aren't generally selling before making their next purchase either, the fact that these are the most active buyer groups at present doesn't bode well for listings either.

Meanwhile demand for mortgages, as measured by valuations ordered through the banks, is remaining strong and this is unlikely to change throughout summer, aside from the usual holiday lull. So expect values to remain pressured, and the Government likewise.

**Media enquires contact:** media@corelogic.co.nz
Nick Goodall, Head of Research – 021 557 946 or nick.goodall@corelogic.co.nz
Kelvin Davidson, Senior Property Economist – 027 355 3813 or kelvin.davidson@corelogic.co.nz