



Queenstown's property market has reversed its lockdown losses

Queenstown was the only main part of the country to really see any noticeable drop in property values after lockdown, but those falls have now been reversed. One key reason for this is that, despite high rates of new construction, growth in the stock of dwellings over the past five years has still been below housing demand/need. Even so, the prospect of a 'lost summer' for the tourism industry means that we probably still need a cautious view about Queenstown's property outlook.

It would've been hard to have missed the fact that NZ's housing market has not only avoided a downturn post-COVID but has actually seen rapid growth. Even Queenstown, the one key part of the country that did experience noticeable falls in property values post-lockdown, has also turned around again. So what has recently happened in that part of the country?

First, let's look at the numbers. From a peak in May (\$1.22m), average property values in Queenstown fell by 7% over the next three months to hit \$1.13m in August. By December, however, those losses had been almost fully recouped, with average values standing at \$1.21m (see the first chart). That actually represented a small rise from 12 months ago, of 0.3%.

Down at the suburb level, the rebound in values within Queenstown has centred on suburbs such as Arthurs Point, Fernhill and Kelvin Heights (see the map). And around the wider district, areas such as Wanaka have also rebounded pretty solidly.

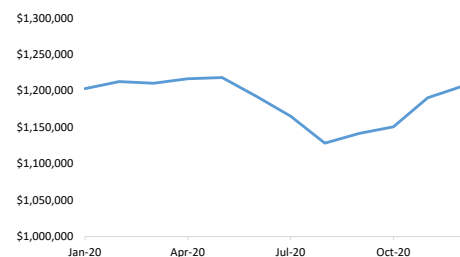
So what might help to explain Queenstown's upturn, even despite the continued absence of international visitors? First, we suspect that even though some landlords have probably felt the pinch on their cashflow via reduced renter demand and/or giving discounts (e.g. to younger people working in tourism/hospitality), the actual demand to buy and own property in Queenstown may have not been too badly affected.

Indeed, given Queenstown's enduring natural appeal, it's entirely possible that there's been some 'bargain hunting' going on by investors, potentially looking for holiday homes. The CoreLogic Buyer Classification series (see the third chart) shows that mortgaged investors maintained a high share of purchases in Queenstown last year (28% for 2020 as a whole), while cash investors raised their share from 20% in 2019 to 23% in 2020 (on a higher number of deals too). Both anecdotally and on our hard data there are also signs of increased interest from Auckland buyers.

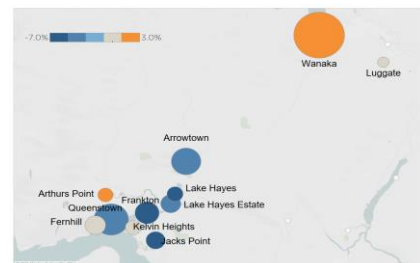
At the same time, listings are still pretty tight too. Indeed, in tune with many other parts of the country, Queenstown's property market entered this COVID era with a low stock of properties available for sale, and the new listings flow over the past 3-6 months has remained subdued. This lack of choice for buyers will have contributed to the rebound in property prices.

Finally, it's also worth referring back to a [Pulse article](#) we published in November last year, which estimated that since 2015 the Queenstown market has been undersupplied to the tune of about 2,900 dwellings, or 13% of its stock (see the fourth chart). Ultimately, this evidence that Queenstown has a physical supply shortage will perhaps be the strongest reason why property values have started to rebound relatively quickly.

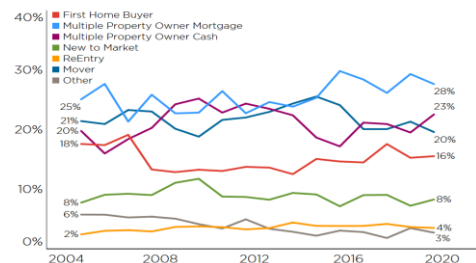
Queenstown property values (Source: CoreLogic)



Percentage change in Queenstown suburb median property values since March (Source: CoreLogic)



Queenstown % share of purchases (Source: CoreLogic)



Estimate of total housing shortfall as % of stock 2015-20 (Sources: Stats NZ, CoreLogic)

