CoreLogic House Price Index

5 January 2021

NATIONAL MEDIA RELEASE
EMBARGOED UNTIL TUES (05/01/2021) 6PM

Record summer in store for scorching hot NZ property market

The NZ property market has shown no signs of letting up through the final month of the year, with near-record growth registered across the country, according to the most complete and robust measure of property value change, the CoreLogic House Price Index (HPI).

The HPI for December shows nationwide property values continued to accelerate over the month, increasing by 2.6%. This takes growth in the final quarter of the year to 6.1% - a rate not bettered since the three months ending February 2004 (6.6%).

In Tauranga the quarterly rate of growth exceeded ten percent (10.2%), which is an extraordinary figure and something last witnessed in May 2004 (10.5%), when the average property value was just over $350,000. That average value has now increased to $876,122 – up from less than $800,000 at the end of September 2020.

The quarterly rate of growth in Masterton is yet another step higher at 17.4%, while other provincial centres to exceed 10% quarterly growth include Whanganui (11.2%), Porirua (10.9%) and Gisborne (10.4%) with Palmerston North just shy at 9.6%.

Looking back to the start of the year, property values in Gisborne have increased by more than thirty percent (30.4%), which has seen the average property increase in value by almost $120,000 to smash the half million dollar mark at the end of December ($514,212).

The factors influencing such a rapid rate of capital gain include record low mortgage rates and tight inventory which has seen demand outweighing supply. Stronger than forecast economic conditions have buoyed consumer sentiment at a time of unprecedented global uncertainty. It is clear that New Zealanders are looking towards property as a safe investment and the most attractive asset for wealth accumulation.

Furthermore, areas with a lower average value typically mean a greater number of eligible buyers and hence greater competition leading to stronger growth.

With consistent messages regarding the need to protect that wealth, coming from both the Government and the Reserve Bank of NZ (RBNZ), the risk factor of property investment has, on the face of it, reduced, which only encourages greater investment.

Without any major policy change regarding property in the works, the long term affordability of the property market is reliant on significantly increasing supply, which is a slow moving factor. So for now, all indications are that the fervent growth in property values will continue throughout the summer at least.

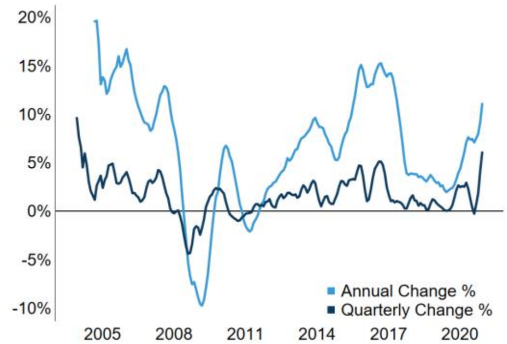
Index results as at December 31st 2020

	Change in property values			Average Value
	Month	Quarter	Annual	
Auckland	2.4%	6.0%	9.1%	$1,142,700
Hamilton	2.3%	4.1%	11.7%	$674,562
Tauranga	6.8%	10.2%	14.8%	$876,122
Wellington	3.2%	8.1%	15.4%	$861,794
Christchurch	1.6%	3.4%	6.2%	$539,561
Dunedin	1.9%	6.4%	13.1%	$582,269

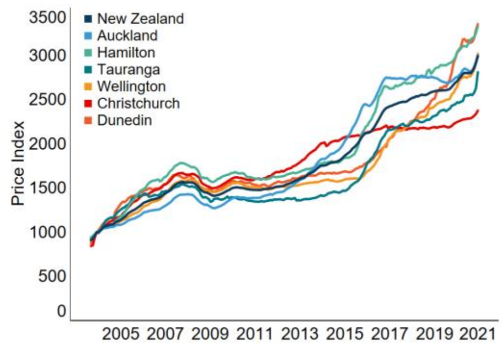
Highlights over the 3 months to December 2020

Tauranga	Christchurch
10.2%	**3.4%**
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 2021. **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

Later in 2021 the potential flow-on impact of such strong growth will eventually be outright unaffordability reducing the pool of buyers able to borrow enough to participate in the market. At this point there will need to be an adjustment of expectations from both vendors and buyers, but with a full pipeline of buyers right now, and a lack of attractive wealth generating alternatives out there, this point looks some way off.

This may lead to greater political pressure on the Government to 'do something' in order to address the excessive demand. An extension to the Brightline test is a likely possibility and the RBNZ have asked to have the option of including debt-to-income restrictions (DTIs) in their tool kit for ensuring financial stability so that could happen too.

The loan-to-value ratio (LVR) restrictions are already scheduled to return on 1 March 2021, but with the impact likely to be limited, we may see the restrictions tightened further, potentially requiring property investors to have a 40% deposit.

Detailed HPI results for the main cities and larger provincial centres follow, with data for every TA available in the accompanying spreadsheet.

Main Centres

The steep lift in values throughout the last quarter is evident in each of the main centres.

Even the comparably low rate of quarterly growth in **Christchurch** (3.4%) is relatively significant, being the highest since December 2013 (3.8%). The success of removing red tape to build houses faster (following the 2010/11 earthquakes) and keeping a lid on long term value growth provides the compelling case to implement similar changes around the rest of the country.

Meanwhile the aforementioned rate of growth in **Tauranga** is a remarkable turn-around, after value growth stalled in the third quarter of the year (0.1% to the end of September). The CoreLogic Buyer Classification series reveals multiple property owners using a mortgage have been increasing their share of sales in the harbourside city (26% Q4 so far, up from 23% in Q4 2019). However owner occupiers moving house remain a core market participant, accounting for 32% of sales so far in Q4, many of which are locals upsizing.

Value growth in the **Wellington** area has gone from strength to strength, with the record 8.1% quarterly rate taking the annual growth rate over 15%, or in excess of $110,000 over the 2020 calendar year. **Porirua**, with 10.9% quarterly growth and the **western suburbs** (including Karori, Kelburn and Northland) at 9.7%, have shown the most significant recent uplift. In Porirua first home buyers, with a 35% share of sales in Q4, are a strong force in the market.

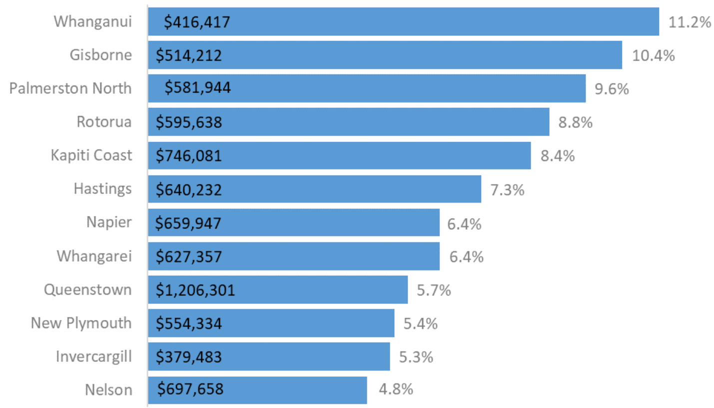
Property in **Auckland**, even at an average value of $1.14m, is also firmly on the rise, with 6.0% growth over the final quarter of the year. This equates to an average increase of more than $60,000 in three months. Multiple property owners are evidently back at the bank to secure funding for property purchases, with 30% of sales to this group so far in Q4. The last time their share was this high in Auckland was in Q3 of 2016 (32%) – immediately prior to the nationwide investor deposit requirement increasing to 40%. Such a large proportion of activity from investors may foreshadow consideration from the RBNZ to return to these limits at some stage in 2021.

Looking more granular, growth across the Super City has been relatively consistent, especially in the largest four localities, as quarterly growth ranged from 5.6% in **Waitakere** to 6.3% in both **Manukau** and the old **Auckland City** boundary. Within the old Auckland City area, the southern suburbs have seen the greatest growth over the last three months, at 7.2%. This includes the likes of Mount Roskill, Mount Eden, Avondale, Mount Albert and Onehunga.

Provincial Centres (ordered by descending quarterly growth rate)

	Change in property values			Average
TA	Month	Quarter	Annual	Value
Whanganui	6.1%	11.2%	24.9%	$416,417
Gisborne	3.5%	10.4%	30.4%	$514,212
Palmerston North	3.4%	9.6%	20.3%	$581,944
Rotorua	4.3%	8.8%	19.2%	$595,638
Kapiti Coast	4.7%	8.4%	18.3%	$746,081
Hastings	2.0%	7.3%	13.5%	$640,232
Whangarei	2.7%	6.4%	14.4%	$627,357
Napier	3.7%	6.4%	14.0%	$659,947
Queenstown	1.3%	5.7%	0.3%	$1,206,301
New Plymouth	1.9%	5.4%	11.8%	$554,334
Invercargill	2.5%	5.3%	13.5%	$379,483
Nelson	2.3%	4.8%	9.2%	$697,658

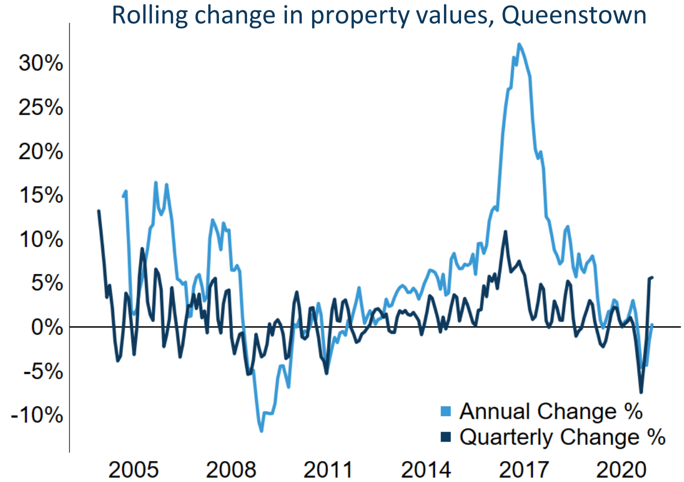
Three month change in dwelling values, Territorial Authorities, Provincial Centres



**Average value at 31 December 2020 inside bar*

The recovery in property values in **Queenstown** is now essentially complete, with the average property value ($1.206m) only 1% short of the peak ($1.218m) prior to COVID-19 making its mark.

Rolling change in property values, Queenstown



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