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New Zealand property powers on through summer break

Christchurch market comes to life following modest growth in 2020

The New Zealand residential property market has continued to grow in the first month of 2021, though at a reduced rate relative to last month, according to the most complete and robust measure of property value change, the CoreLogic House Price Index (HPI).

The HPI for January 2021 shows nationwide property values continued to grow over the month, increasing by 2.2%. This takes growth in the last 12 months to 12.8% - a rate not bettered since the end of March 2017 (13.8%).

Nick Goodall, CoreLogic's Head of Research, says, "In Christchurch, the monthly growth rate was 3.1% - the highest growth rate of the main centres and the strongest monthly rate of growth for the Garden City for at least 17 years. The quarterly (5.8%) and annual (9.0%) rates of growth are more modest than most other cities, but after years of very little growth in the South Island's largest city, the pronounced lift is significant and shows the pace of capital gains is accelerating.

"This extended growth period is also noticeable in neighbouring Waimakariri (9.5% annual) and Selwyn (7.7%), where a lot of residential property development has taken place in the last few years."

Meanwhile Auckland's annual growth rate (11.0%) moved into double digits for the first time since April 2017 (10.6%).

"Inventory remains tight across the country, although Trade Me recently reported that advertised stock levels had lifted (8%) year-on-year in our largest city. Even so, it seems demand continues to exceed supply, leading to growing values. In fact mortgage demand across Auckland (and Northland), as measured by valuations ordered through the banks, is already 6% higher than it was at the end of 2020.

"Signs are optimistic for stock to continue to come to market, with agent appraisals (lead indicator for listings) already back to the same levels as pre-Christmas, however it must be noted that there would need to be an above-seasonal lift to match current demand, and for now that seems unlikely," says Goodall.

Outside the main centres, Gisborne (29.4% annual growth) and Whanganui (25.7%) continue to experience strong growth, as lower property values compared with other cities, alongside accessible credit and low interest rates, translates to persistent demand and growing prices.

“Confidence in the New Zealand property market remains high, as the fundamentals of strong demand and limited supply remain. The outlook is for further growth, assisted by political commentary regarding the need to protect property wealth.

“Nationwide demand for mortgages through January has already risen above the levels seen at the end of 2020 as buyers take advantage of low interest rates and act with urgency in the competitive market.

“However further regulation is afoot, starting with the reintroduction of loan-to-value ratio (LVR) restrictions on 1 March, though at the proposed limit levels (20% owner occupier, 30% investment) the impact to property values is likely to be limited,” says Goodall.

Goodall explains this could lead to a further tightening of the LVR limits by the Reserve Bank, and says the Government is almost certain to announce some form of market intervention later this month, likely in the form of assisting first home buyers and incentivising residential construction.

“The other consideration for both the broader economy and the property market is the potential for restrictions on movement as the country continues to grapple with the COVID-19 pandemic. The latest community cases in Auckland and Northland are a timely reminder that we’re not completely back to normal just yet. Any pronounced and prolonged lock down will impact consumer confidence, spending and market turnover,” says Goodall.

Main Centres

| | Change in property values | | | Average Value |
|--------------|---------------------------|---------|--------|---------------|
| | Month | Quarter | Annual | |
| Auckland | 1.9% | 6.5% | 11.0% | \$1,164,440 |
| Hamilton | 2.9% | 6.9% | 12.6% | \$693,826 |
| Tauranga | 1.5% | 10.6% | 15.5% | \$888,930 |
| Wellington | 2.0% | 8.4% | 16.2% | \$878,861 |
| Christchurch | 3.1% | 5.8% | 9.0% | \$556,446 |
| Dunedin | 1.8% | 6.9% | 12.4% | \$592,652 |

The monthly growth rate in **Tauranga** slowed from the eye watering figure of 6.8% in December, to a much more reasonable and sustainable 1.5% in January, which sees the quarterly rate stay relatively consistent at 10.6%. There has been a noticeable lift in mortgaged investor activity recently in Tauranga, with 27% of sales going to this group in Q4 2020 – the greatest share since Q1 2017 (27.6%).

Hamilton property values further strengthened throughout January, driven in part by strong mortgaged investor activity (36.5% of sales in Q4 2020), with the quarterly rate of growth of 6.9% the strongest quarterly figure since September 2016 (7.5%). This also coincides with the last time we saw mortgaged investors share of sales greater than recent activity levels (39.9% in Q3 2016).

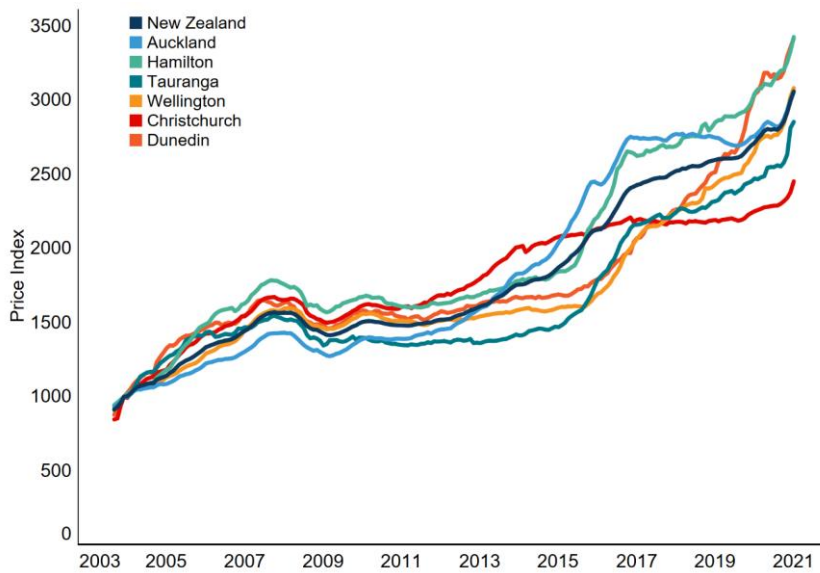
Property values across the **Wellington** region continue to consistently grow. In particular the provincial centres further from the city are experiencing outstanding growth. **South Wairarapa**, which includes the townships of Featherston, Greytown and Martinborough, has seen 17.9% growth over the last three months, while Masterton (14.8%) and Kapiti Coast (12.6%) also exceeded 10% growth over this period. Improved attitudes toward remote working, alongside better transport infrastructure will be contributors to this recent strength.

Meanwhile property values in **Auckland** are rising relatively consistently across the city, with monthly growth rates in January ranging from 1.7% in both Rodney and Waitakere, to 2.2% in both Manukau and Papakura.

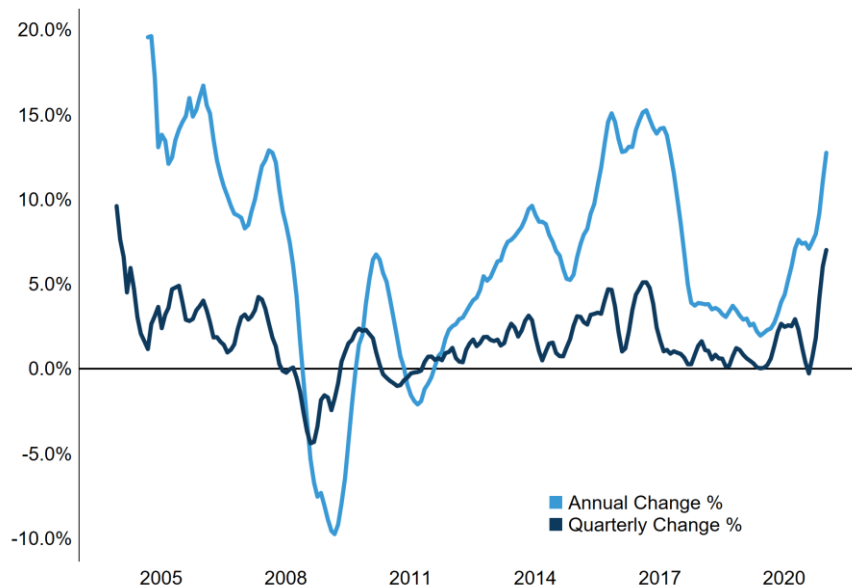
Provincial Centres (ordered by descending annual growth rate)

| TA | Change in property values | | | Average Value |
|------------------|---------------------------|---------|--------|---------------|
| | Month | Quarter | Annual | |
| Gisborne | 2.4% | 10.8% | 29.4% | \$526,474 |
| Whanganui | 2.3% | 12.7% | 25.7% | \$426,179 |
| Palmerston North | 3.1% | 10.8% | 22.6% | \$600,258 |
| Kapiti Coast | 4.5% | 12.6% | 21.7% | \$779,925 |
| Rotorua | 0.9% | 9.7% | 20.2% | \$601,151 |
| Invercargill | 3.4% | 8.3% | 20.0% | \$392,354 |
| Hastings | 3.6% | 10.2% | 18.3% | \$663,554 |
| Napier | 3.7% | 10.0% | 17.5% | \$684,337 |
| New Plymouth | 2.9% | 6.9% | 14.6% | \$570,272 |
| Whangarei | 1.3% | 6.2% | 13.9% | \$635,207 |
| Nelson | 1.7% | 5.1% | 9.1% | \$709,489 |
| Queenstown | 0.7% | 5.5% | 0.9% | \$1,214,255 |

Main Centres relative to January 2003



Rolling change in property values, national



Note:

The CoreLogic HPI uses a rolling three-month collection of sales data. This has always been the case and ensures a large sample of sales data is used to measure value change over time. This does mean the measure can be less reactive to recent market movements but offers a smooth trend over time. However, due to having agent and non-agent sales included, the index provides the most comprehensive measure of property value change over the longer term.

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About CoreLogic

CoreLogic New Zealand has 45 staff across Auckland and Wellington and is part of the wider international CoreLogic business which has offices in Australia, the United States and the United Kingdom. CoreLogic is the world leader in property analytics and with its established base in New Zealand it is the largest provider of property information, analytics and property-related risk management services in Australasia. With coverage of 99% of the New Zealand property market and more than 500 million decision points in its database, CoreLogic connects the property ecosystem with data accuracy which allows the company to deliver on its promise of the most reliable and powerful property insights and analytics.

CoreLogic supports property professionals, banking and finance institutions and advisers, government, corporates (including insurance, telecommunications and utilities, and e-commerce) and professional services providers (from lawyers and conveyancers to construction industry businesses) with products, reports, data, analysis and other resources that better inform everyone with a stake in the New Zealand property sector. Its data and insights are regularly presented to government agencies helping to inform policy making. Its addressing data is best in the market and is trusted by New Zealand Emergency Services with more than 2.3 million fully verified, primary in use physical addresses, and thousands of weekly updates from dozens of sources, verified by its in-house data maintenance team.

CoreLogic New Zealand was established in 2014 following the merger of two companies that had strong foundations in the New Zealand property industry – Terralink Ltd and PropertyIQ NZ Ltd.

The [CoreLogic NZ Property Market podcast](#) is hosted by head of research Nick Goodall and economist Kelvin Davidson.

www.corelogic.co.nz