



October 2023

# Monthly NZ Housing Chart Pack

Unlocking smarter property decisions



# Recovery to remain subdued, regardless of politics

- ▶ Property sales volumes have now increased for five months in a row and, measured across agent-led and private transactions, September's figure was up by around 8% from a year ago. The total is still relatively low by normal standards, but it does now appear we've entered the next phase of the housing cycle.
- ▶ Certainly, the CoreLogic House Price Index suggested that average property values bottomed out at a national level in September, after around 18 months of falls. But that flat national figure reflects continued falls in some areas offset by modest growth in values elsewhere, such as in Auckland and Wellington.
- ▶ Part of the reason for the falls in values coming to an end is the listings situation – continued subdued flows of new listings, but rising sales volumes, meaning that the stock of listings on the market (buyer choice) has dropped.
- ▶ First home buyers remain active, with almost 28% of property purchases in September, but on the flipside, relocating owner-occupiers ('movers') and mortgaged multiple property owners are still fairly quiet by their standards.
- ▶ Rental growth continues to accelerate, reaching 7.2% in the year to September – reflecting higher wages, but also a tighter supply/demand balance, as migration soars, but investors still finding it difficult to get the sums to stack up on extra purchases (hence limiting the flow of properties into the rental supply).
- ▶ We're not convinced that National's 'property-friendly' policies as they're slowly introduced (in some shape or form) will radically transform the subdued recovery that has commenced. After all, affordability is still a problem, mortgage rates won't fall anytime soon, and debt to income ratio caps are still on the cards for 2024.

# Residential real estate is a key part of NZ's household wealth

 RESIDENTIAL REAL ESTATE  
**\$1.58 Trillion**

 NZ SUPER & KIWISAVER  
**\$165 Billion**

 NZ LISTED STOCKS  
**\$157 Billion**

 COMMERCIAL REAL ESTATE  
**\$321 Billion**

NUMBER OF DWELLINGS

**1.69 Million**

OUTSTANDING MORTGAGE DEBT

**\$352 Billion**

HOUSEHOLD ASSETS HELD IN RESIDENTIAL REAL ESTATE (JUNE 2021)

**43% (+4% since 2018)**

TOTAL SALES LAST 12 MONTHS

**62,724**

GROSS VALUE OF SALES LAST 12 MONTHS

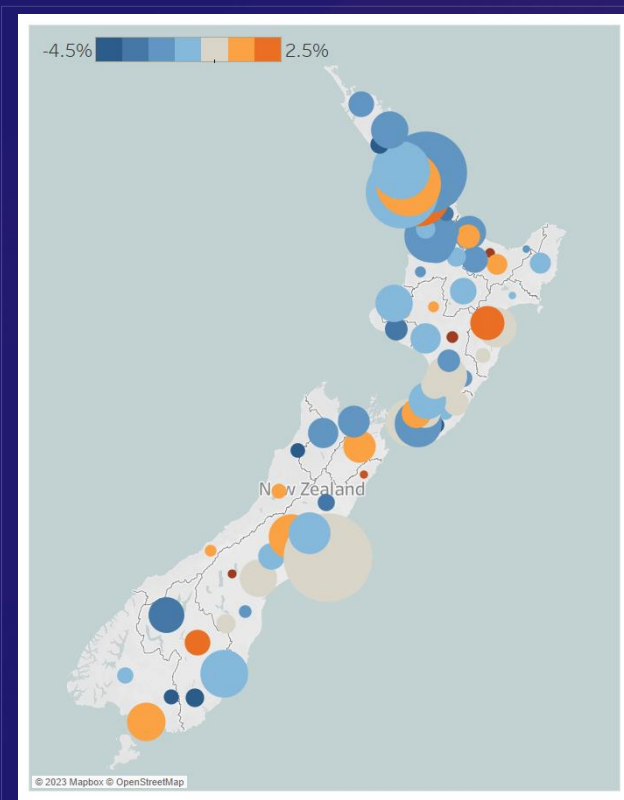
**\$55 Billion**

Source: CoreLogic, Reserve Bank of NZ, Stats NZ, NZX, NZ Super Fund

## CHART OF THE MONTH

# Flat or rising values in more areas since June

Three-month % change in average property values



Source: CoreLogic

## OVERVIEW

# New Zealand property values

3 MONTHS

# -0.6%

In the three months to September combined there was 'only' a 0.6% fall in property values across NZ, signaling an imminent floor.

12 MONTHS

# -7.3%

Average values fell by 7.3% in the year to September, a deceleration from the figures of greater than 10% from March through to July.

FROM PEAK

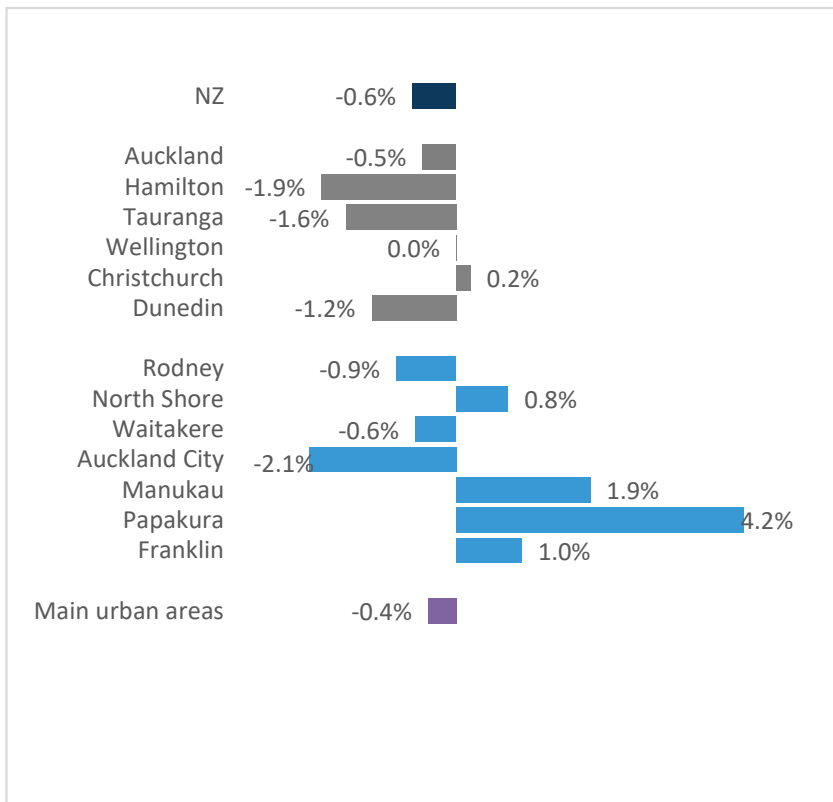
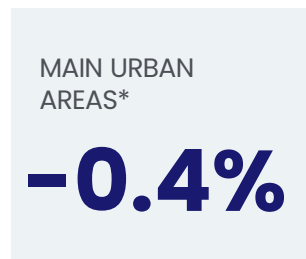
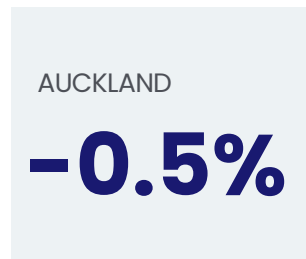
# -13.2%

The falls from the peak are well into double-digits, with some areas inevitably falling by more, but some significantly less.

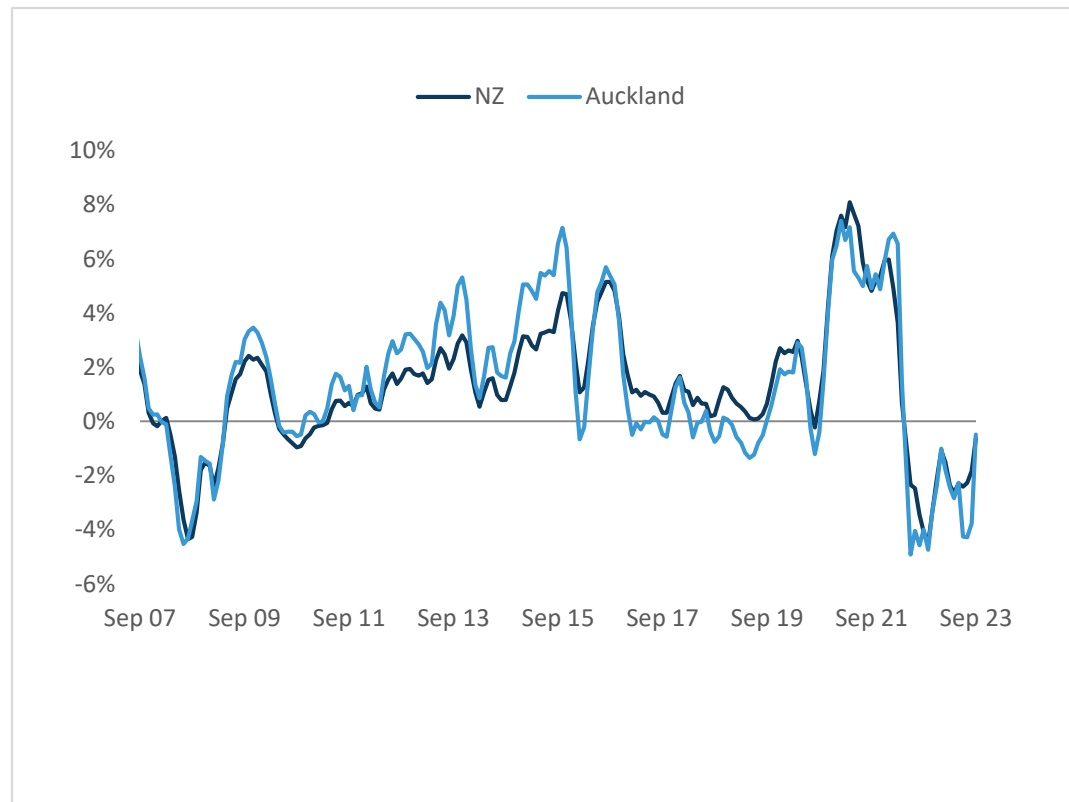
## NEW ZEALAND PROPERTY VALUES

# 3 month changes

Change in average property values, three months to September 2023



Rolling quarterly change in average values



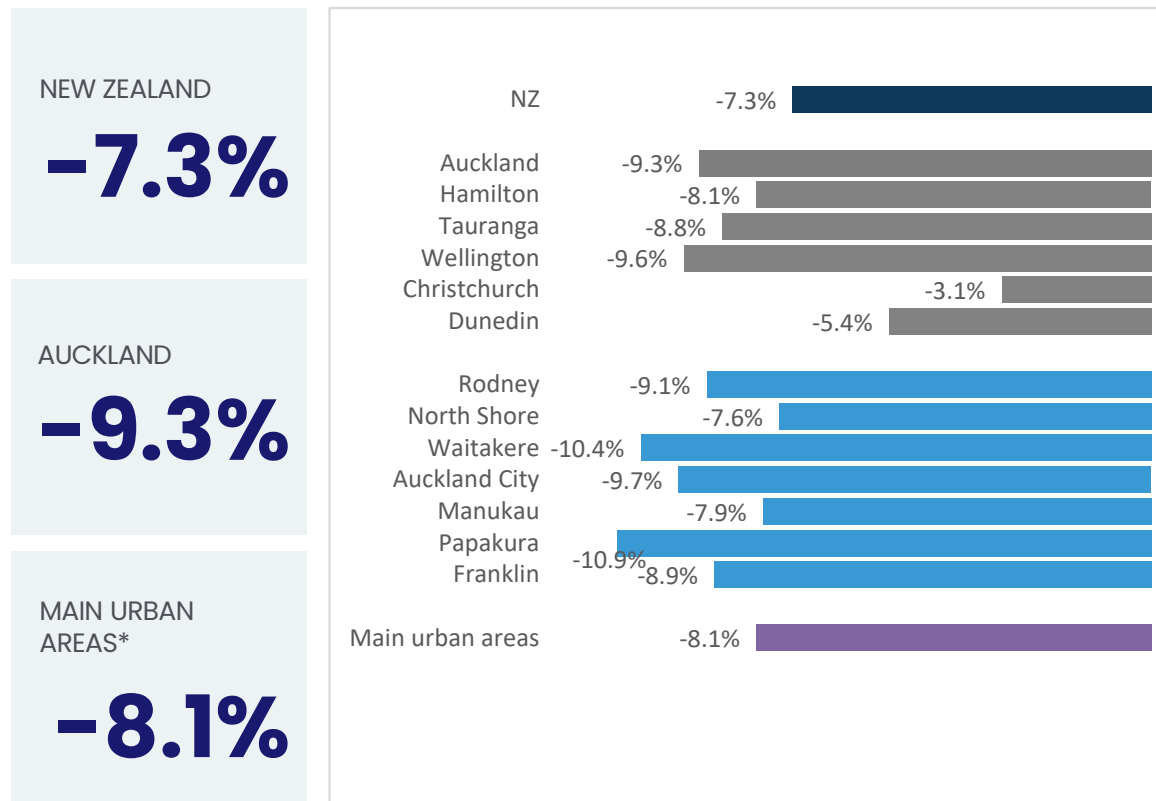
Source: CoreLogic

\* Aggregated figure across Whangarei, Gisborne, Rotorua, Napier, Hastings, New Plymouth, Whanganui, Palmerston North, Kapiti Coast, Nelson, Queenstown, Invercargill

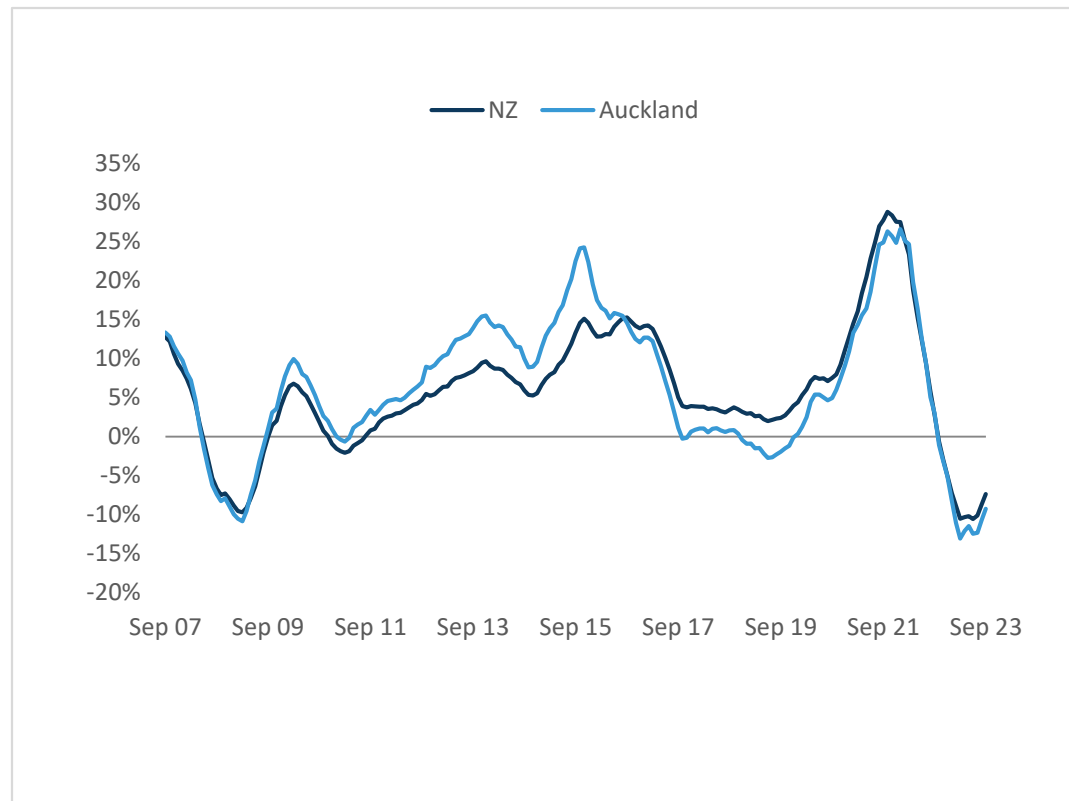
## NEW ZEALAND PROPERTY VALUES

# 12-month changes

Change in average property values, 12 months to September 2023



Rolling annual change in average values



Source: CoreLogic

## NEW ZEALAND PROPERTY VALUES

# Main centres – average values

NZ FALL TO DATE

**-13.2%**

LARGEST MAIN  
CENTRE DECLINE:

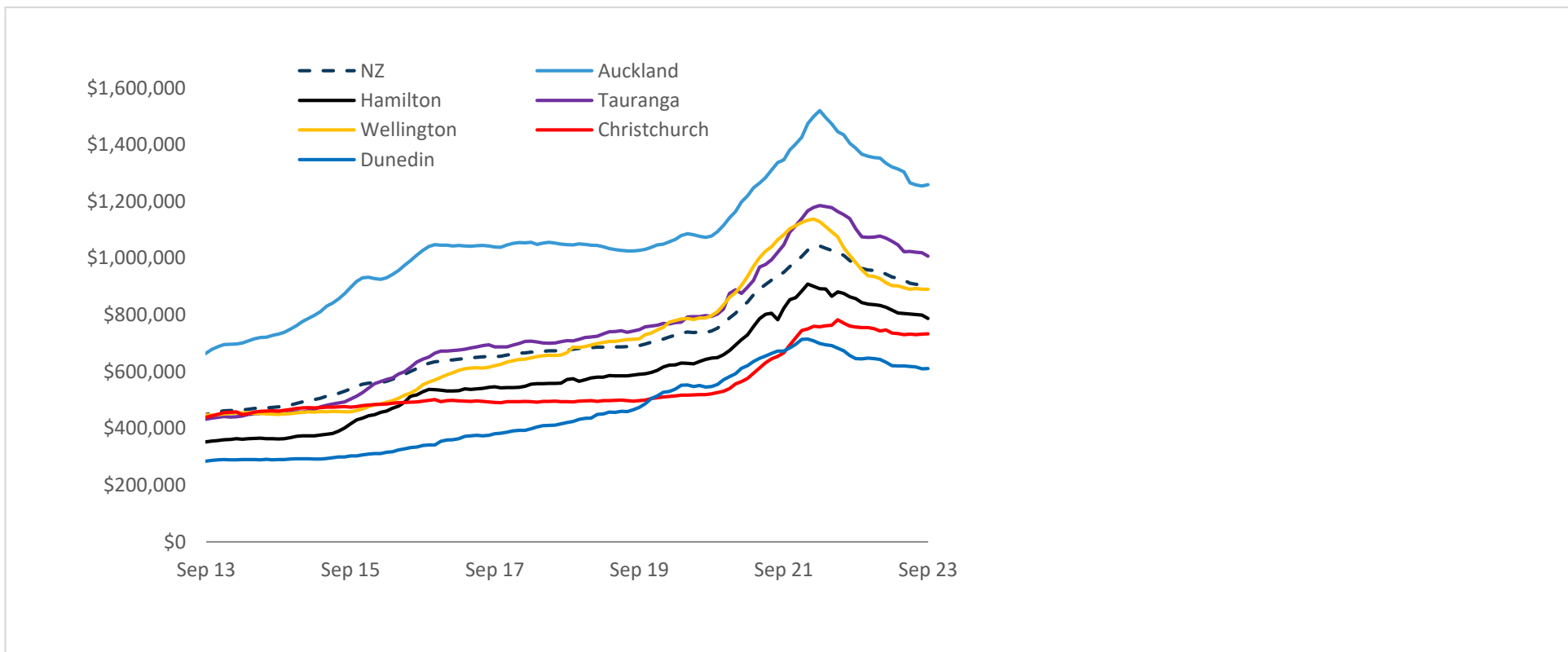
**-21.8%**

WELLINGTON

SMALLEST MAIN  
CENTRE DECLINE:

**-6.3%**

CHRISTCHURCH



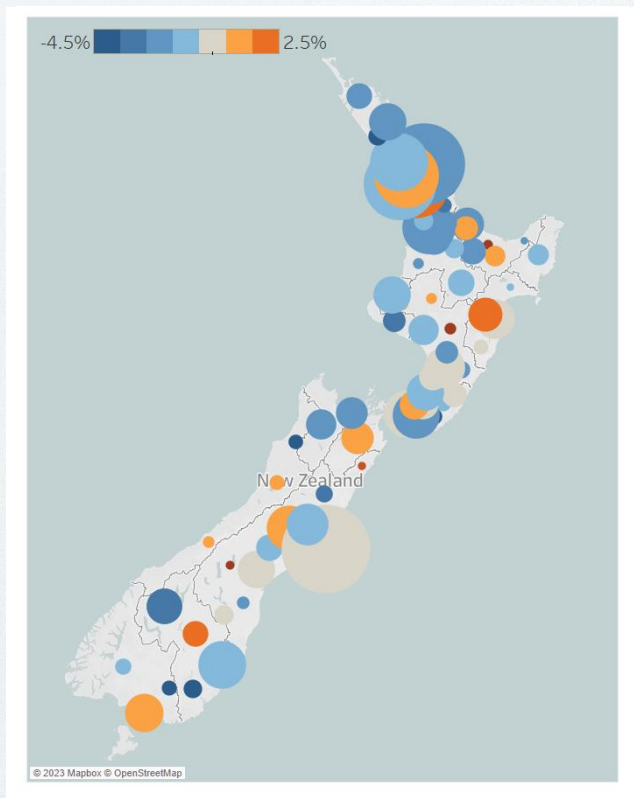
Source: CoreLogic



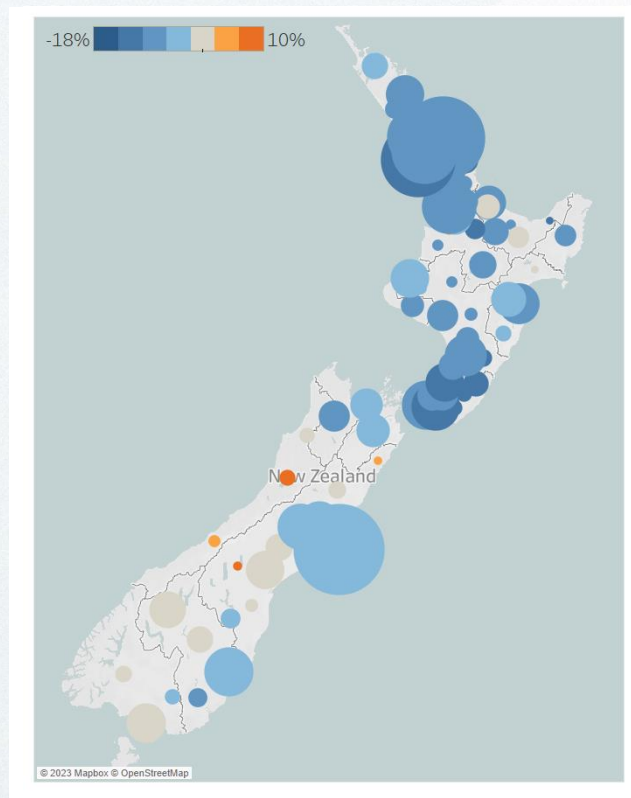
## NEW ZEALAND PROPERTY VALUES

# Regional changes

Change in average property values,  
3 months to September 2023



Change in average property values,  
12 months to September 2023

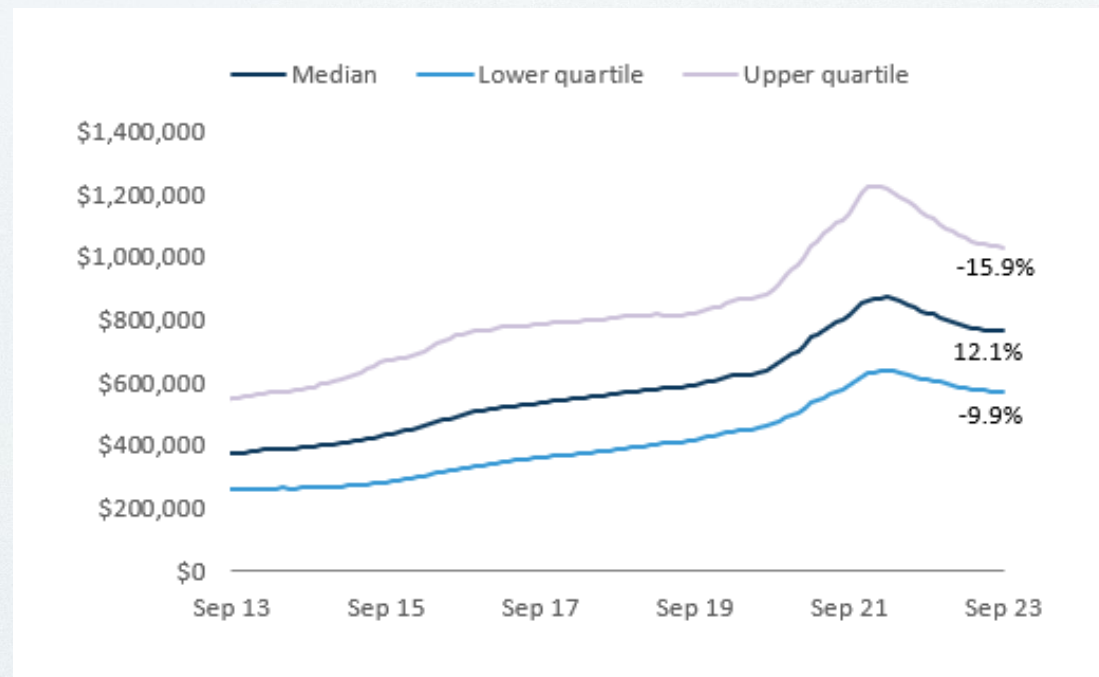


Source: CoreLogic

## NEW ZEALAND PROPERTY VALUES

# By value band and selected markets

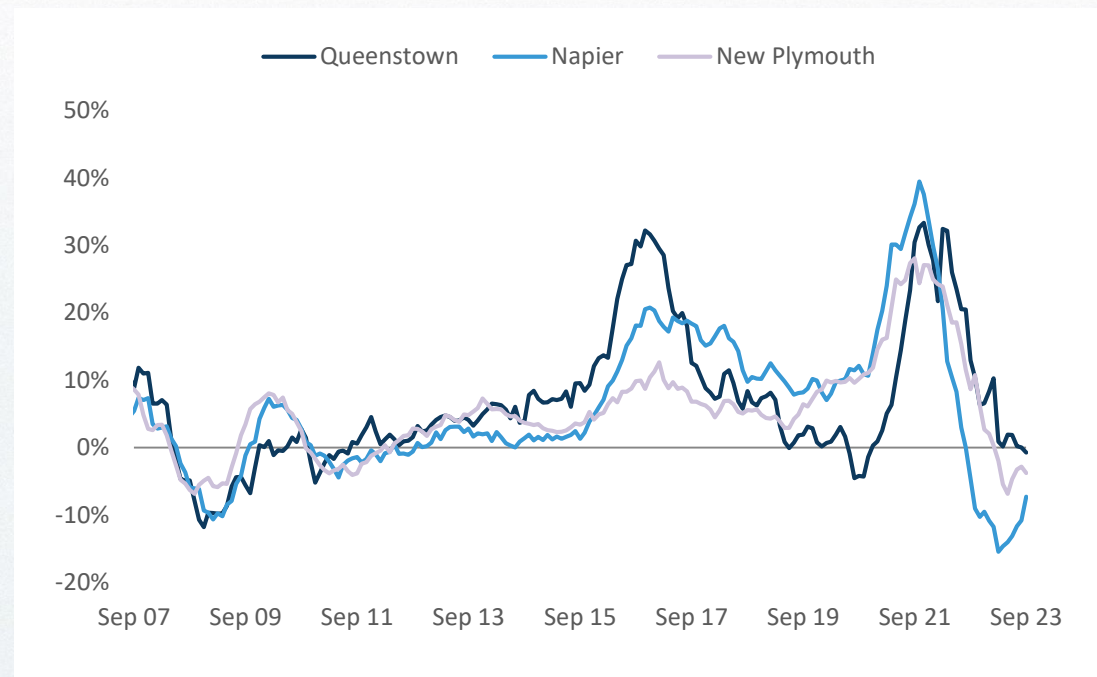
NZ \$ values median and upper & lower quartile\*



\* % labels on chart indicate the drop from peak

Source: CoreLogic

Rolling annual change in average property values in selected markets



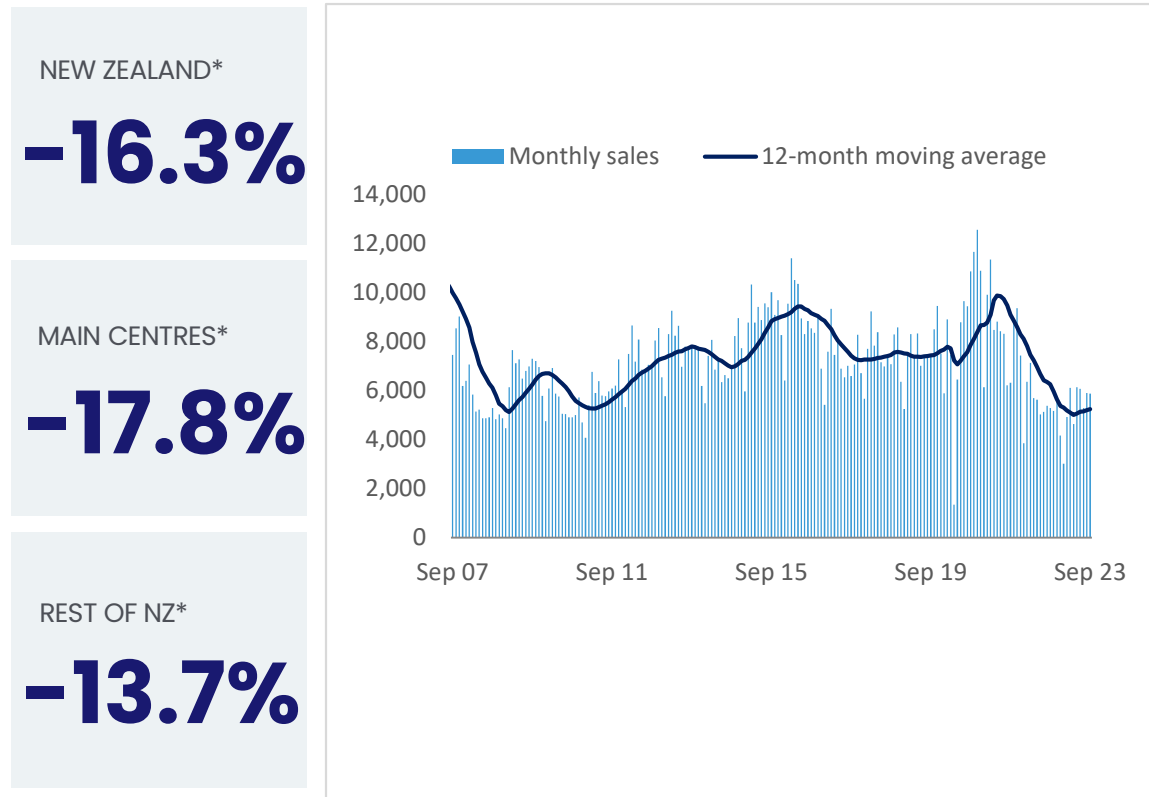
# Sales and listings



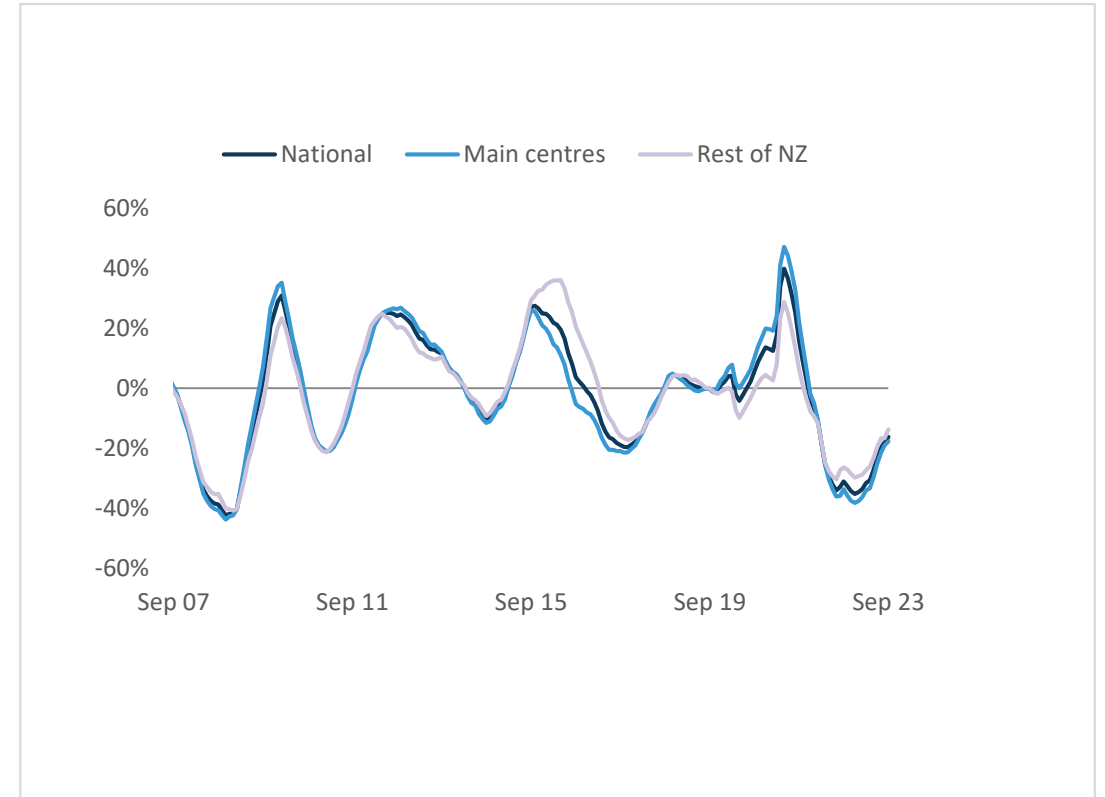
## NATIONAL SALES

Sales volumes rose by around 8% in September compared to a year ago, the fifth rise in a row. It needs to be acknowledged that sales are starting from a low base (annual total of around 63,000 versus 'normality' of 90,000 or more), but upturns of course have to start somewhere, and factors such as a broad peak for mortgage rates and strong net migration suggest that's what's happening right now. The next phase could still be fairly slow, however, given continued affordability issues.

Monthly sales with 12-month moving average, national



Change in sales volumes, 12 months to September 2023



Source: CoreLogic

\* % change in 12-month sales total compared to a year earlier

## LISTINGS

The 'Spring lift' has begun, but the flow of new listings coming onto the market each week has still been low lately, as would-be vendors choose to 'wait and see', given the uncertainty about how long a sale might take and/or the potential price achieved.

NEW LISTINGS  
OVER THE 4  
WEEKS ENDING  
8<sup>th</sup> OCT.

**7,316**

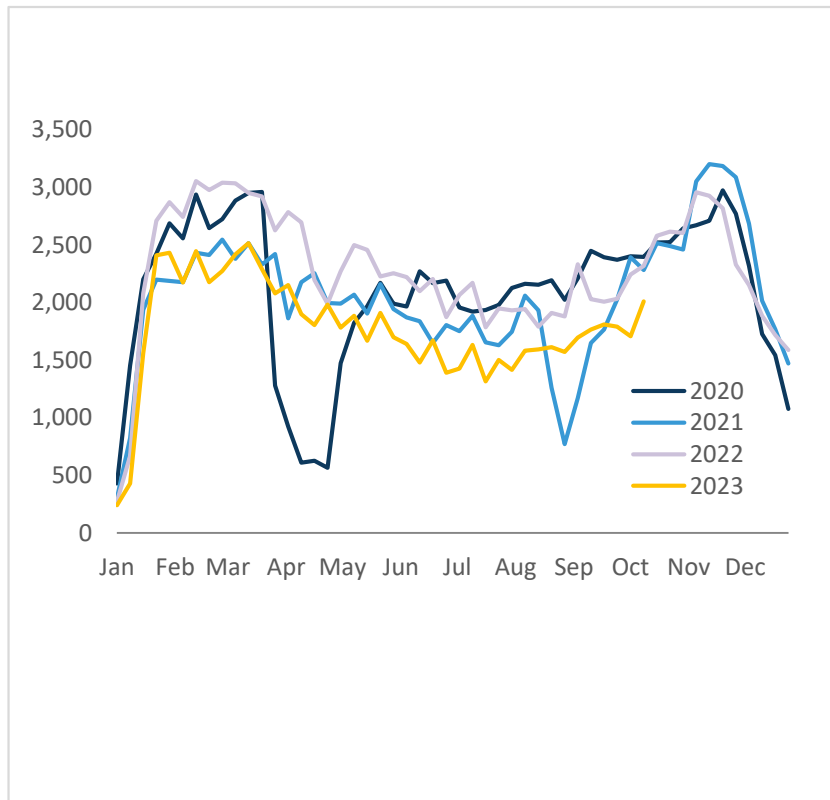
SAME TIME LAST  
YEAR

**8,597**

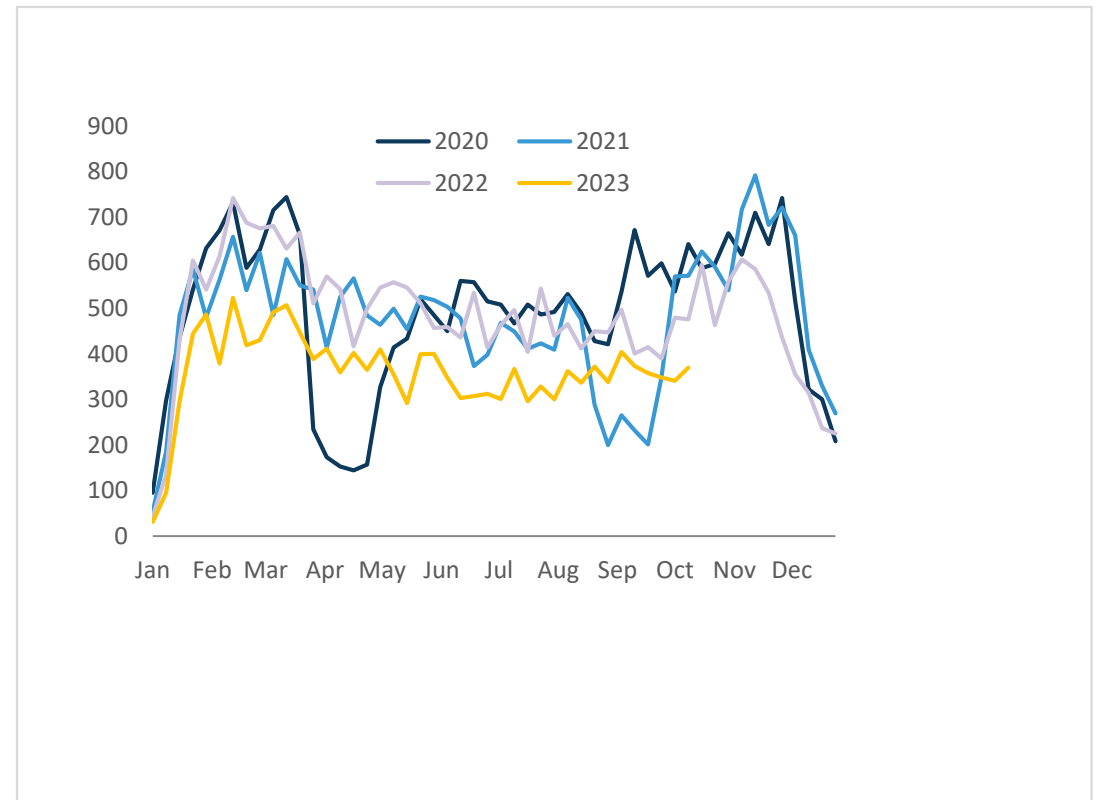
FIVE YEAR AVERAGE

**8,824**

New listings national



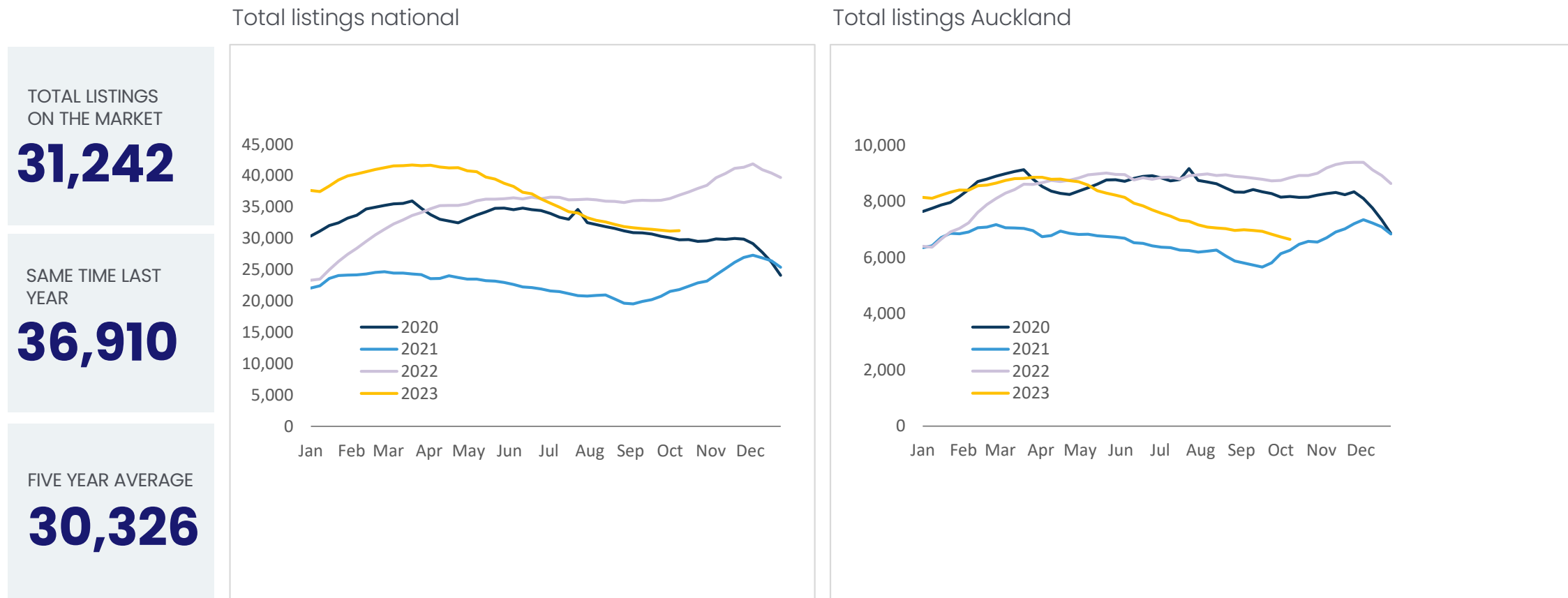
New listings Auckland



Source: CoreLogic

## LISTINGS

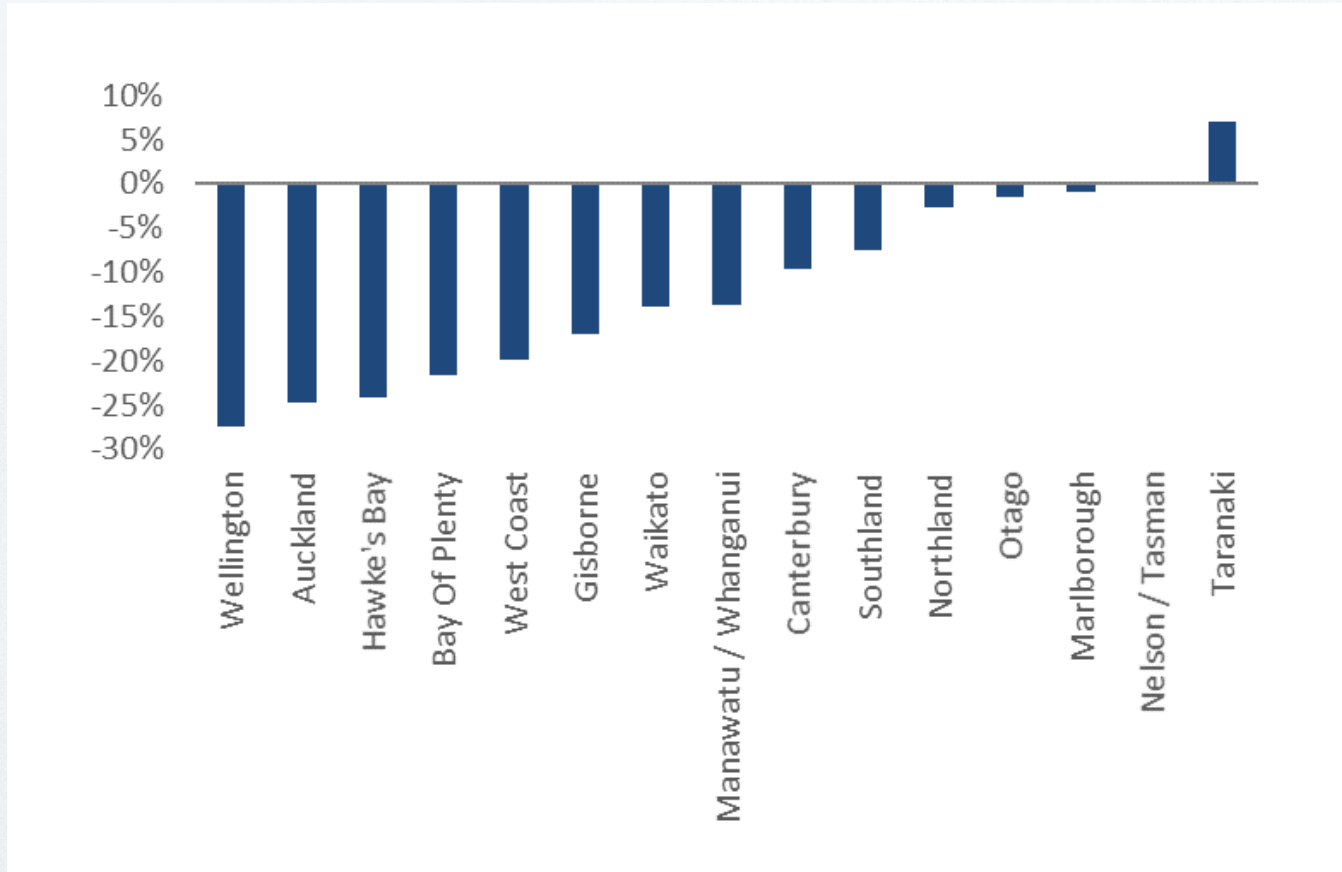
With new listings flows coming onto the market still subdued, but sales volumes rising, the stock of available listings continues to ease lower, especially in Auckland, for example. This is causing some competitive price pressures to re-emerge.



Source: CoreLogic

## LISTINGS

Latest total listings count vs same time last year



Source: CoreLogic

# Buyer classification





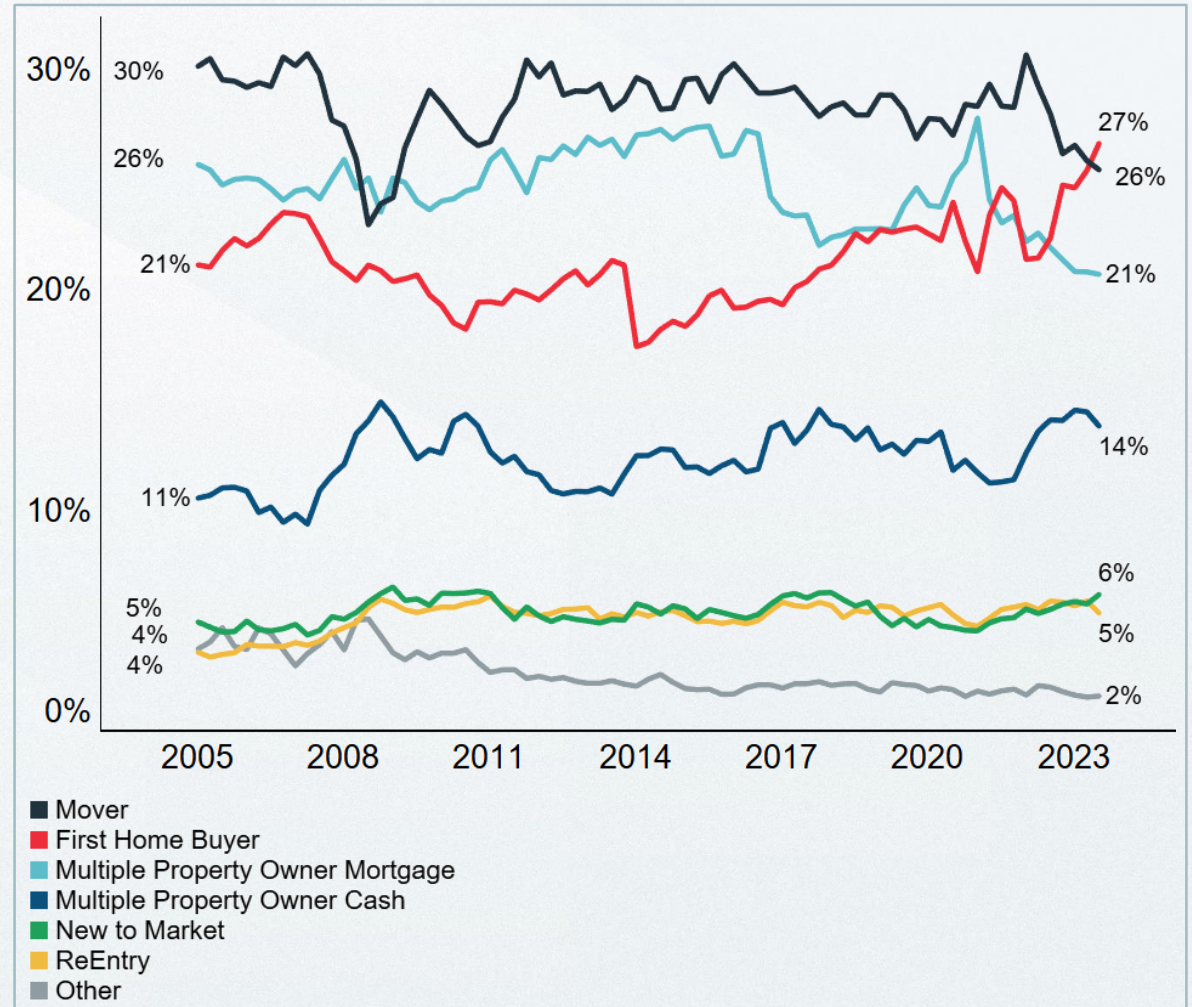
## % MARKET SHARE OF PROPERTY PURCHASES

# Buyer Classification

- ▶ First home buyers (FHBs) remain a strong presence in the property market, with a 27% share of purchases over Q3 as a whole – including a record monthly figure of 27.6% in September itself. They are enjoying lower house prices, less competition from other buyer groups, and also some other supports – such as KiwiSaver for the deposit and access to low-deposit finance via the LVR speed limits.
- ▶ However, relocating owner-occupiers (‘movers’) are relatively quiet compared to normal, with just 26% of purchases over the third quarter of 2023.
- ▶ And finally, mortgaged MPOs also remain quieter than normal, at 21% of activity. They’re being restrained by the required 35% deposits, low rental yields, and lack of mortgage interest deductibility. It’ll be intriguing to see how they perform in the coming months after a change of government and ‘property friendly’ policies

Source: CoreLogic

% share of property purchases, New Zealand

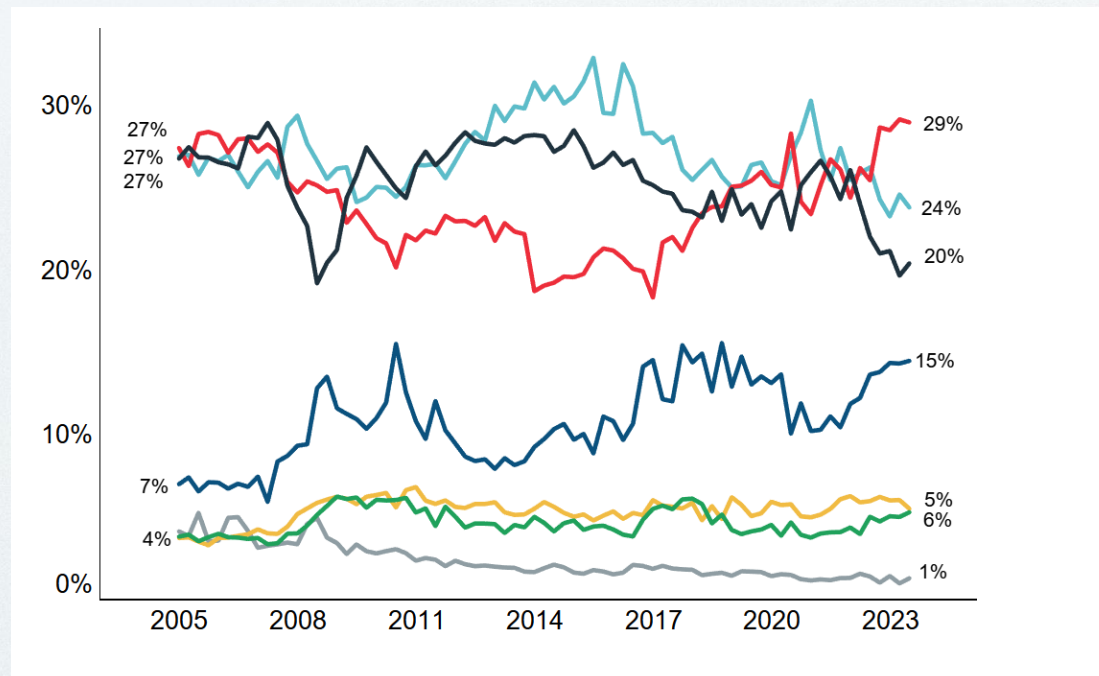


% MARKET SHARE OF PROPERTY PURCHASES – BUYER CLASSIFICATION

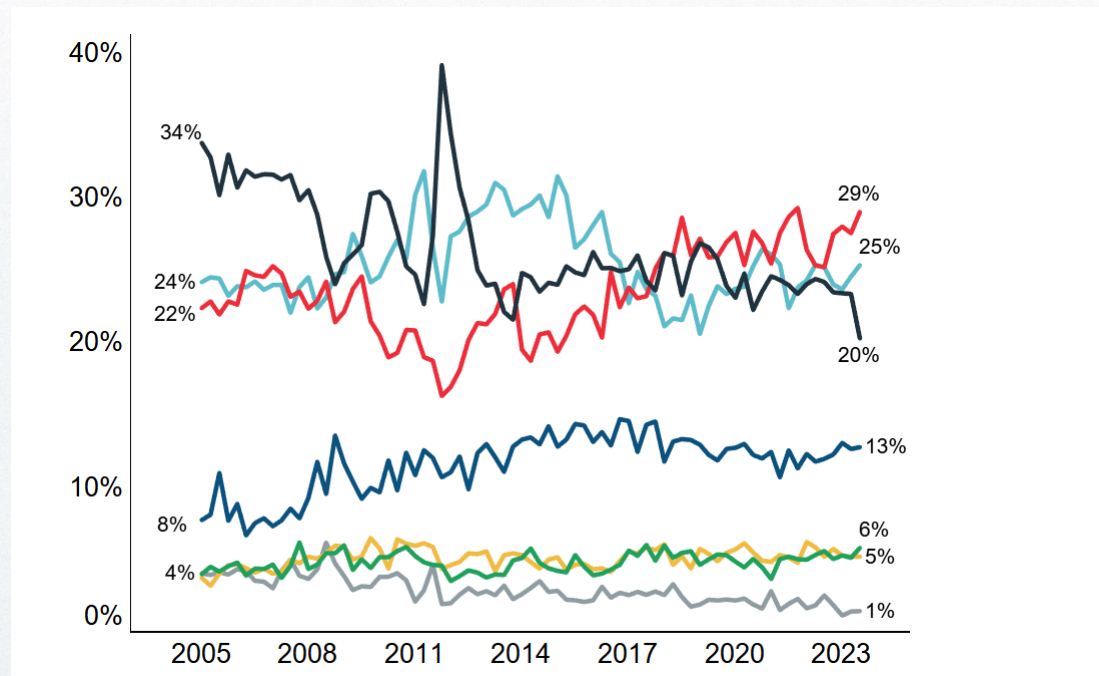
# Selected main centres

- Mover
- First Home Buyer
- Multiple Property Owner Mortgage
- Multiple Property Owner Cash
- New to Market
- ReEntry
- Other

Auckland



Christchurch



Source: CoreLogic

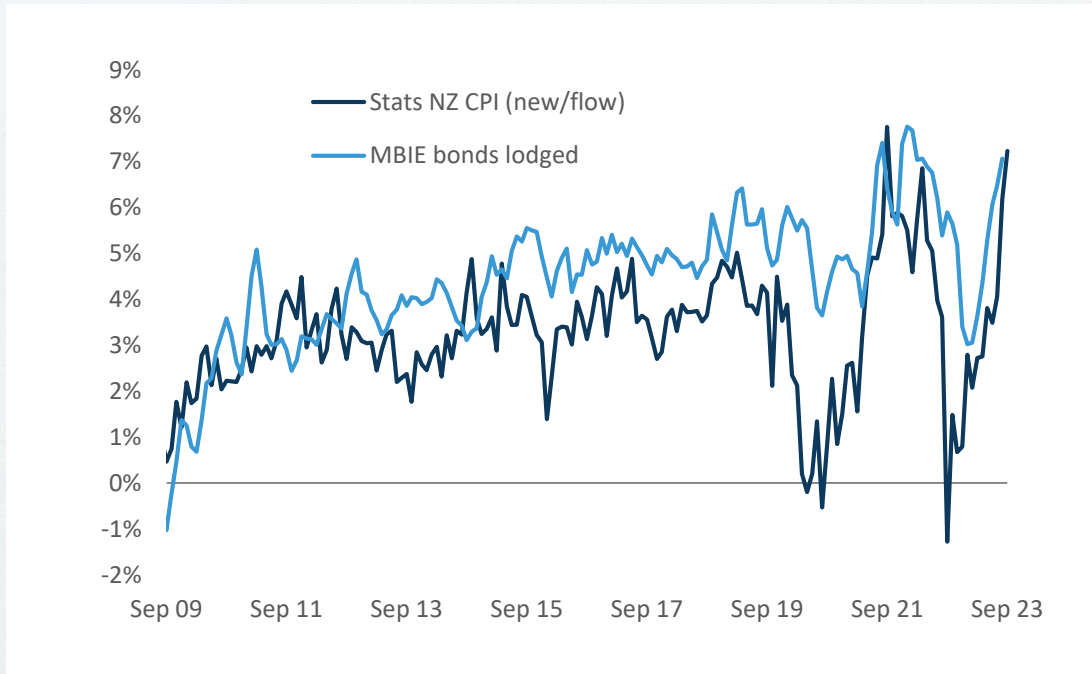
# Rental market



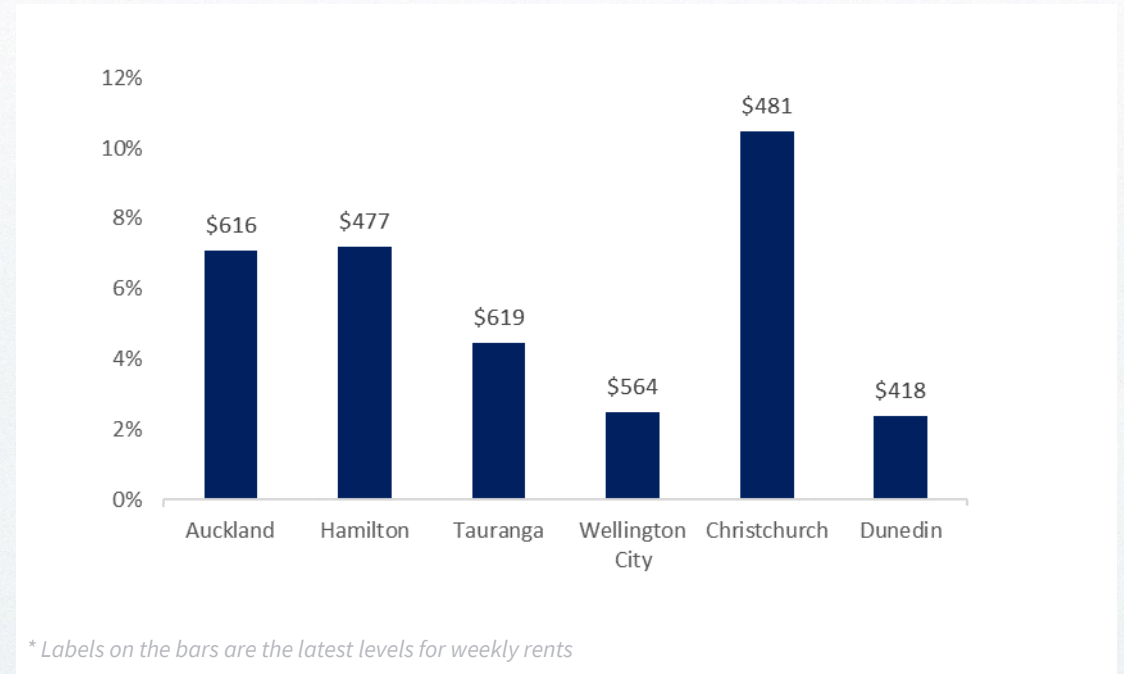
## RENTAL RATES

Rental growth is starting to run at historically high levels, reaching more than 7% annually on both the Stats NZ and MBIE measures lately. That reflects further growth in wages, but also a tightening supply and demand balance – driven in particular by soaring net migration into NZ. Wellington and Dunedin have been slower to grow in terms of rents, but Christchurch, Hamilton, and Auckland have accelerated.

Annual change in national rents to August/September 2023



Annual change in rents (MBIE)\*

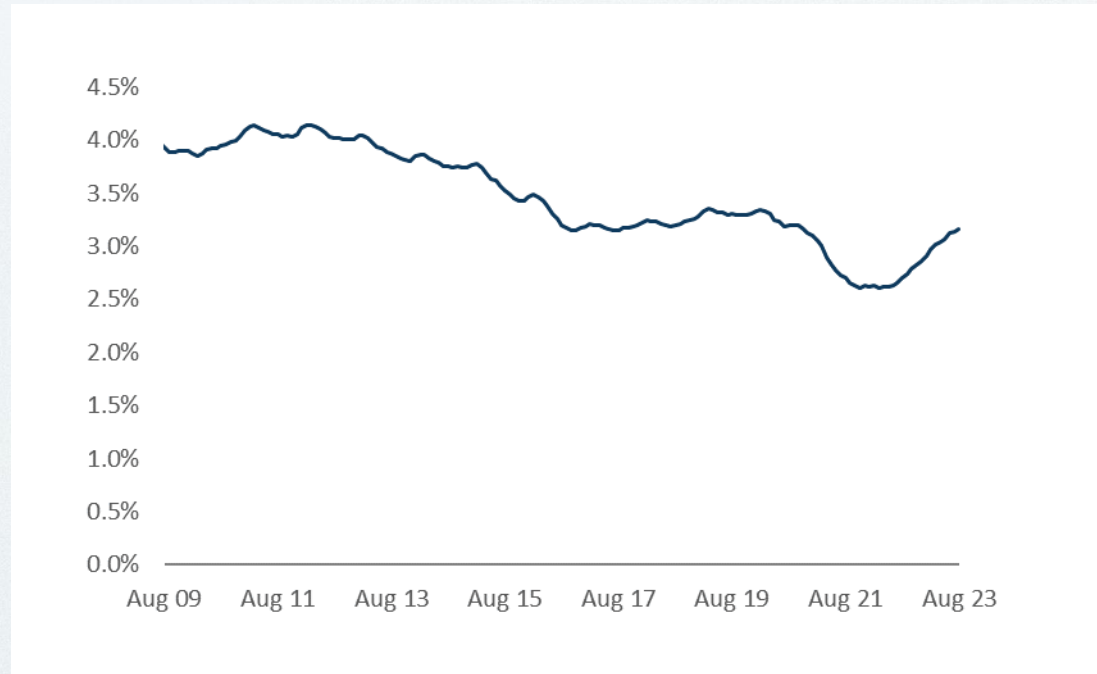


Source: CoreLogic, Stats NZ, MBIE

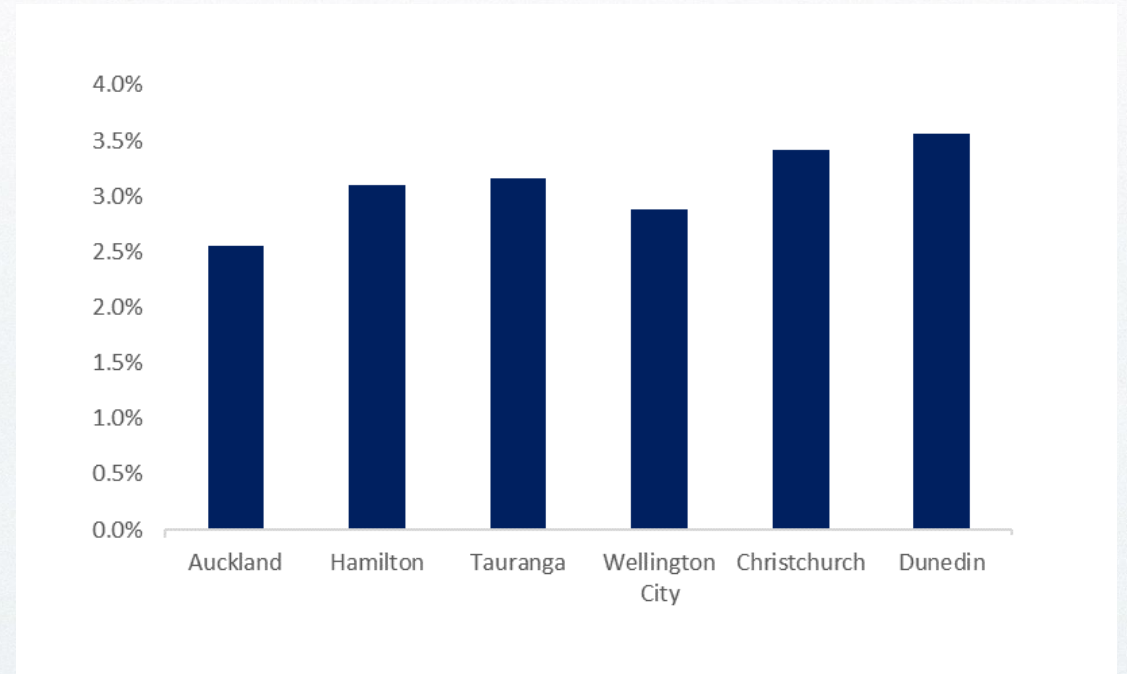
## RENTAL YIELDS

Gross rental yields nationally have edged back up to 3.2% (from a trough of 2.6% for much of 2022), the highest level since late 2020. However, that's still relatively low by past standards, and is less than the income returns on some other asset classes (e.g. term deposits). Auckland yields remain the lowest of the main centres, although Wellington is also sub-3%.

Gross rental yields, national



Gross rental yields, main centres



Source: CoreLogic, MBIE

# Credit conditions

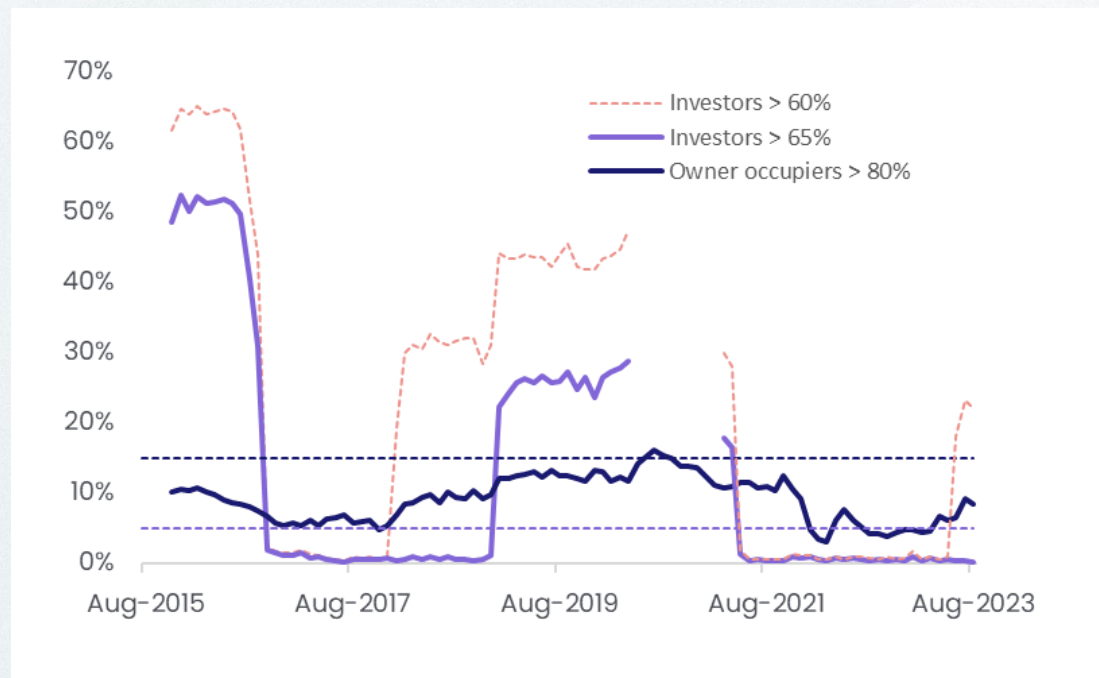


## CREDIT CONDITIONS

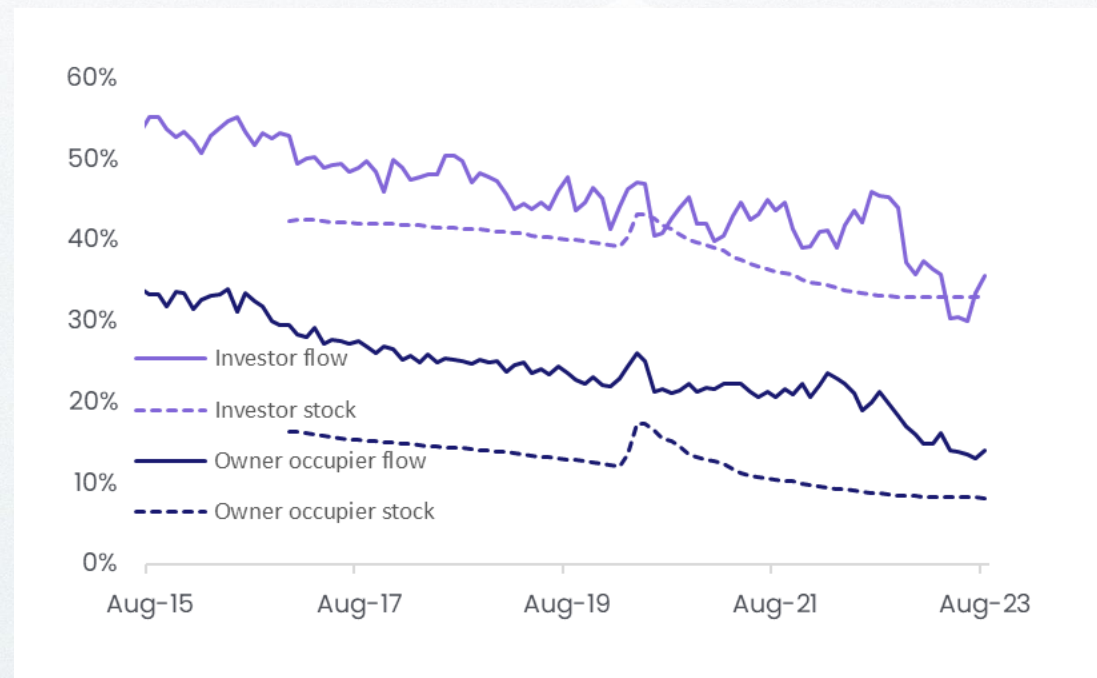
# Lending flows

Buyers for existing properties (as opposed to new-builds) without the required deposit are still finding it tough to get around the loan to value ratio rules, with banks keeping a buffer between actual high LVR lending and the maximum allowance. Looser LVRs from 1st June have, however, seen a sharp rise in the share of investor lending with a 35-40% deposit.

% share of lending at high LVR



% share of lending on interest-only terms



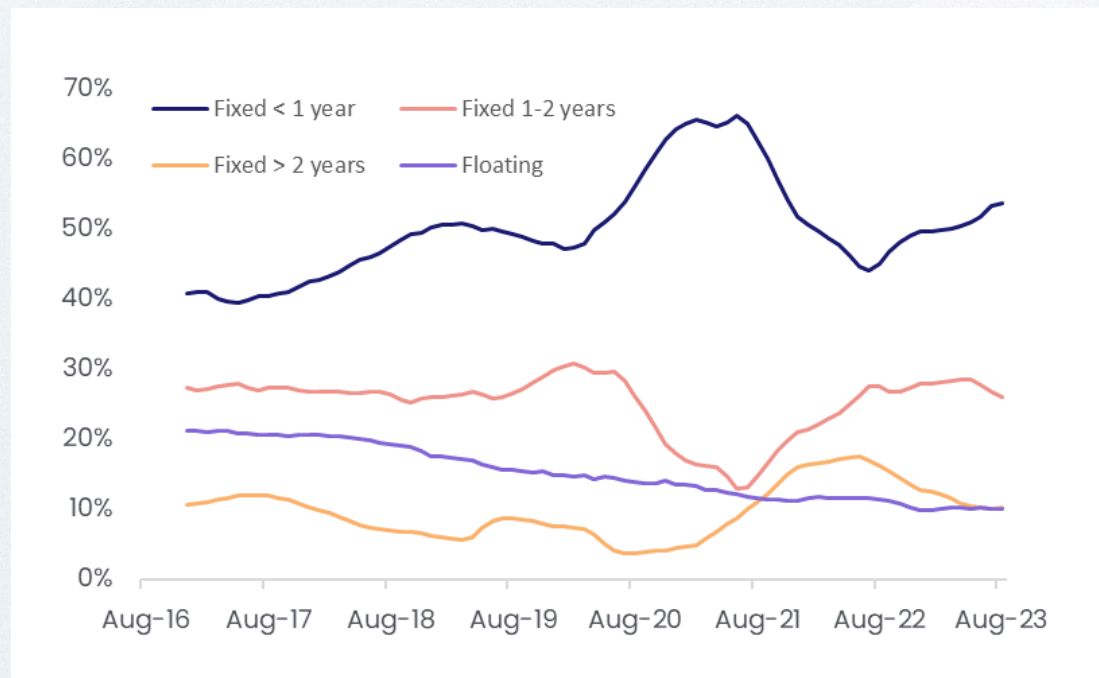
Source: CoreLogic, Reserve Bank NZ

## CREDIT CONDITIONS

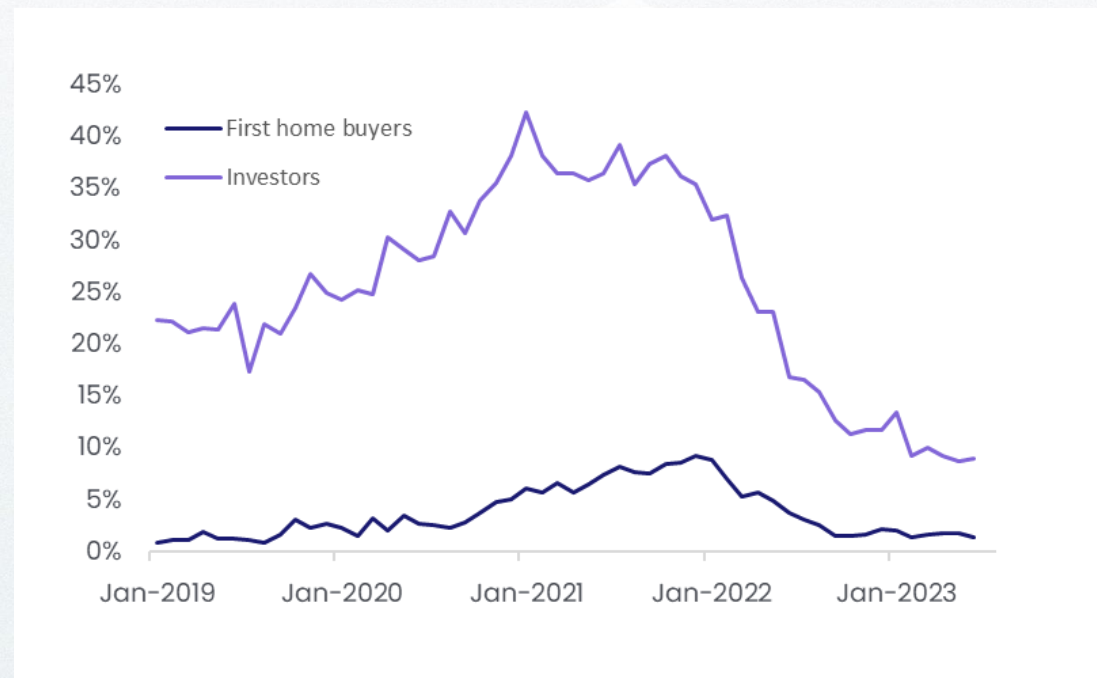
# Lending flows

Around 54% of NZ's existing mortgages by value are currently fixed but due to reprice onto a new (generally higher) mortgage rate over the next 12 months. This will require a significant adjustment to those households' finances. At least in terms of new lending flows, however, loans at high multiples of debt to income have fallen to low levels.

% share of existing loans on various terms to repricing



% share of lending at DTI>7



Source: CoreLogic, Reserve Bank NZ

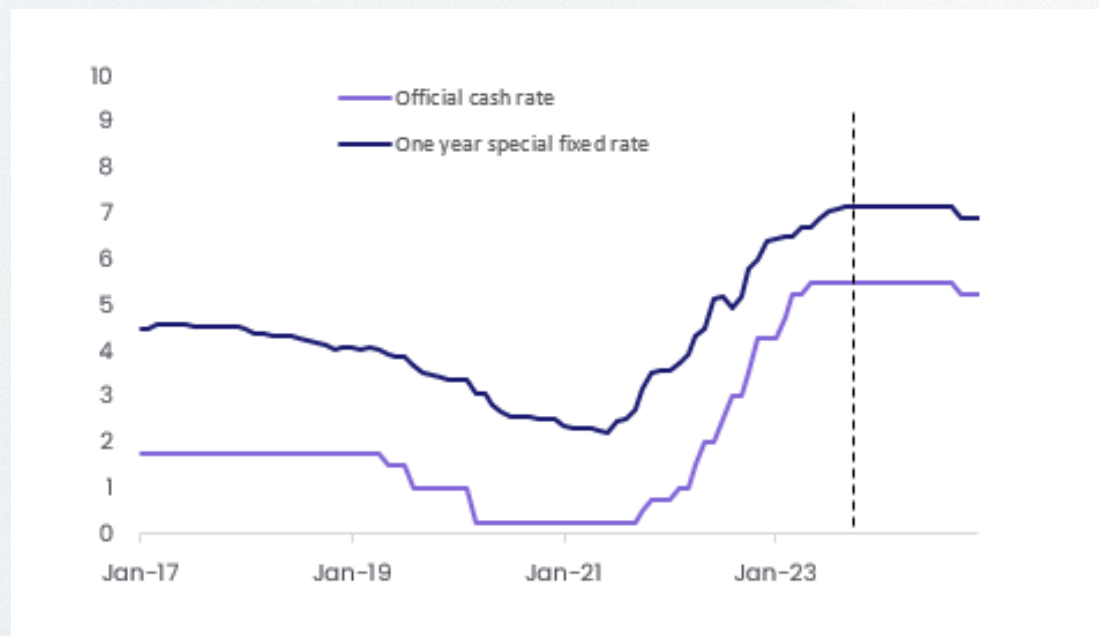


## CREDIT CONDITIONS

# The OCR and mortgage rates

Given that inflation now seems to have passed its peak, the Reserve Bank is happy to sit back and judge the effects of a 'final' OCR peak of 5.5% for this tightening cycle. In turn, mortgage rates are now very close to, or already at, their peak. To be fair, they're unlikely to fall much over the next 9-12 months either, but at least households can now quantify their 'worst case'.

Official cash rate and 1-year special fixed rate



Current special mortgage rates and average on existing stock



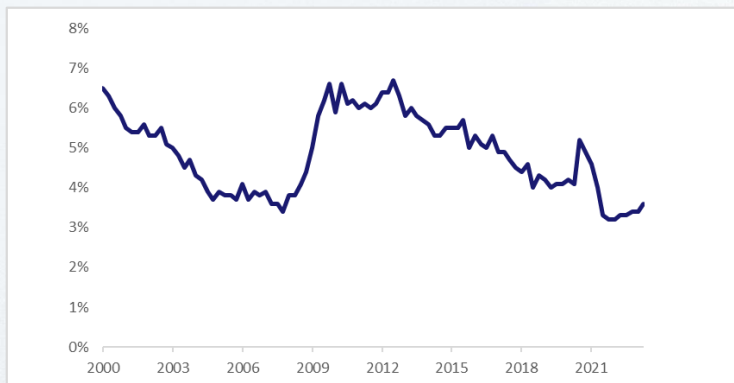
Source: CoreLogic, Reserve Bank NZ

# Economic indicators

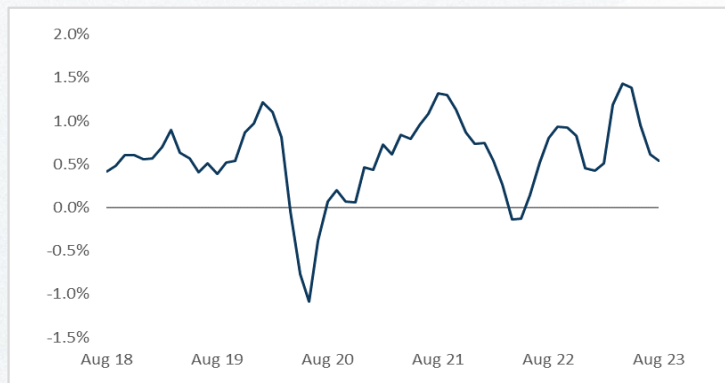


# ECONOMIC INDICATORS

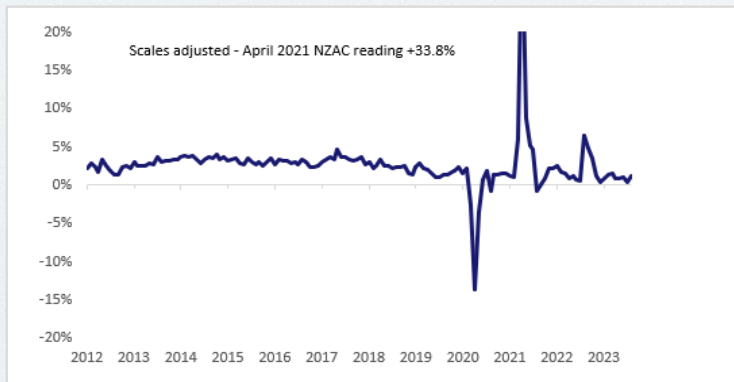
### Unemployment rate %



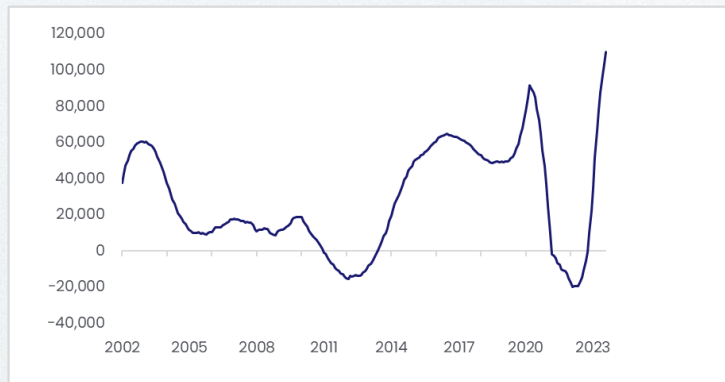
### % three month change in filled jobs



### % annual change NZ Activity Index



### Annual net migration flow



Source: CoreLogic, Stats NZ

# Get in Touch

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