

Property

A Healthier Market In Sight.

The Residential Property Market Has Turned A Corner

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Quotable Value's (QV) latest House Price Index shows a modest level of home value growth in the quarter, boosted primarily by first-home buyers outside of the country's main urban areas.

The average home increased in value nationally by 0.5% to \$893,639, marking its first quarter of positive growth since the downturn began in late 2021.

But overall values continue to track downward across most of the main urban areas, with just Tauranga at 0.6%, Marlborough at 0.2%, Christchurch at 0.1%, Queenstown at 0.8%, and Invercargill at 1.5% in the black this quarter.

The HPI shows the rolling three-monthly rate of decline has slowed in Auckland (-0.5%), Wellington (-0.6%) and Palmerston North (-0.3%), and increased by less than a percentage point in Whangārei (-2%), Hamilton (-0.7%), Rotorua (-1.4%), New Plymouth (-0.1%), Napier (-1.6%), Hastings (-2.5%), and Dunedin (-1.7%).

QV operations manager James Wilson says taking a good look at the housing market at a high level, things are beginning to look a little healthier. "For the first time in a while we are seeing value increases in some areas – especially in places where there is strong demand for entry level housing."

He says it is a case of the more affordable end propping up the market overall, with areas coming off low value bases continuing to be among the strongest performers.

The obvious exceptions among the main urban monitored by QV are Tauranga and Queenstown, but in both of these places values at the lower end of the market are growing while values at the upper end are still soft.

Though sales volumes have increased from month to month, new listing numbers continue to soften overall. "Real estate agencies are beginning to report growing interest for a reduced number of new properties coming onto the market, with buyers having to compete for the best ones. This is pushing up values once again," Wilson says.

“It seems market confidence is increasing, but the upcoming election has also encouraged many buyers and sellers to adopt more of a ‘wait and see’ mindset. Strong economic headwinds are still also blowing, with many households still refixing their mortgages at significantly higher interest rates. It’s likely this will continue to restrict investors in particular.”

While values begin to strengthen in some areas, Wilson says the rate of growth is not expected to bounce back at a significant rate. More likely, it will be flat or gently rising value levels in many areas, while other areas continue to bottom out.

Northland

Residential property values have continued to decline this quarter in Northland.

Home values went down across the region by an average of 2.3% throughout the winter months of June, July and August. The largest average reduction over this period was in Kaipara (-5.6%), with Whangārei (-2%) and Far North District (-1.3%) faring considerably better.

It’s a marked improvement on the 4.6% quarterly reduction in last month’s HPI, but values remain on average 9.9% lower throughout the region than at the same time last year.

Whangārei-based registered valuer Renee Pilkington says the local market is still relatively quiet. “Many vendors and purchasers are potentially awaiting the results of the election before making the decision to purchase or sell.

“New listings coming on the market have slowed and there is now less selection of property amongst buyers. Those properties that are well presented in sought-after locations are selling well, particularly where vendors have realistic price expectations.”

Auckland

August was a stronger month for the super city’s residential property market.

Auckland’s average home value increased by 0.7% to \$1,252,282 in August – its first monthly increase since the downturn began in late 2021. Rodney saw a small decline in average home value of 0.1% last month, with all other districts experiencing modest amounts of home value growth.

However, home values are still 0.5% less on average this quarter than last, and 9.5% lower on average than the same time last year.

Local QV valuer Hugh Robson says there has been a moderate increase in the volume of sales and fewer properties listed for sale, which means there’s currently a shortage of stock on the market. “Hopefully the normal ‘spring surge’ in listings will restore some equilibrium to this situation.”

In the meantime, he says first-home buyers remained the most active group in the market. “There has been a slight increase in activity from owner-occupiers, and agents are reporting some increased activity from investors, but first-home buyers are the main group looking and buying right now.”

The North Shore, Papakura, and Manukau are the areas that have shown the most value movement in recent times.

Tauranga

Tauranga has posted a modest quarterly home value gain.

The city's average home value increased throughout the August quarter by 0.6% to \$1,010,049, but that figure is still 8.1% less than at the same time last year, including 6.2% lower than at the start of this year.

QV property consultant Derek Turnwald says Tauranga has experienced a quarterly increase in residential values for the first time in well over a year, with the average residential value rising to above \$1,000,000 again.

First-home buyers remain the most active group in the market despite high interest rates and tight lending conditions. There is even the beginnings of FOMO amongst first-home buyers, with a shift toward more of a seller's market becoming evident.

Waikato

Home values have continued to reduce across the Waikato region at an average rate of 1.5% this quarter.

The HPI shows some small pockets of positive home value growth in Matamata Piako District (1.1%), Waipa (0.7%), South Waikato District (0.3%), and in Taupō (0.4%).

In the region's most populous centre, Hamilton, the average home value has dropped by 0.7% this quarter to \$773,179 – down from the 0.1% quarterly gain recorded in last month's index, and 9.6% less overall than the same time last year.

QV property consultant Marshall Wu says there has been a slight increase in the number of sales locally. "While the recovery trend has become evident as we are heading into spring, the outlook for housing values remains uncertain due to expectations of higher interest rates and weakened economic conditions generally."

Rotorua

Residential property values have experienced a small decline this quarter in Rotorua.

Home values have declined by an average of 1.4% throughout the three winter months. The average home value locally is now \$632,647, which is 10.7% lower than it was 12 months ago.

QV property consultant Derek Turnwald says the stats for Rotorua are representative of a market that is still experiencing subdued demand. However, agents have been reporting increased demand for appraisals and improved attendance at open homes."

Properties in the lower to mid value range which are not well presented or have maintenance or consent issues are not experiencing such large discounts in sale price as they were earlier in the year, as there is now greater demand from first-home buyers.

Taranaki

Residential property values all but broke even in New Plymouth this quarter.

The average home value reduced by just 0.1% to \$706,336. That figure is 3.9% less than it was 12 months ago.

Meanwhile, in the neighbouring districts of Stratford and South Taranaki, average home values are 6.4% and 5.8% lower than they were 12 months ago respectively.

Hawke's Bay

Residential property values have yet to hit rock bottom in the Hawke's Bay region.

The the average home value dropped in Napier by 1.6% to \$730,652 this quarter, and by 2.5% to \$754,317 in Hastings. This is slightly down on last month's quarterly reductions of 1.4% and 1.9% respectively.

Meanwhile, Wairoa (0.1%) was the only district in the Hawke's Bay region that showed a small amount of positive home value growth, with Central Hawke's Bay District (-1.2%) also posting a small average loss this quarter.

QV Hawke's Bay manager Damian Hall says activity continues to be sporadic but quiet for the most part. Many buyers and sellers appear to be waiting to see who wins the general election next month. That could possibly change things up a little in the housing market – although the curve will likely remain flat for some time to come if high interest rates continue.

Palmerston North

The average rate of home value decline has remained relatively consistent in Palmerston North.

The city's average home value has declined by 0.3% to \$622,546 this quarter, compared to a 0.4% average quarterly decline in last month's HPI. The average annual rate of decline has also dropped from 10.8% to 9.5%.

Affordability is still a significant concern as the majority of borrowers are yet to feel the full weight of higher interest rates, says local QV registered valuer Olivia Betts.

“Demand for residential property remains relatively subdued. However, we have seen a greater level of buyer interest over the last two months.”

The number of sale transactions is still low. Infill sections have been the hardest hit as prices continue to fall. Many areas of the city are now looking mildly financially unappealing to subdivide, due to the fixed cost.

Wellington

Wellington's rolling three-monthly rate of home value reduction has eased for the fifth straight month – with the region even posting a small 0.4% average home value increase in August.

The region's average home value has dropped by 0.6% to \$827,196 this quarter, which is an improvement on the 1.7% average decline previously recorded for the June quarter.

Local QV senior consultant Blake Ngarimu says home values across the Wellington region have experienced another month of minimal value movement, with Hutt City and Upper Hutt experiencing small reductions, and Kapiti, Porirua, and Wellington City recording small gains."

"The most competitive end of the market is the entry level, where some properties have been receiving multiple offers from first-home buyers. Though the OCR has not changed, banks have further increased interest rates and potential buyers report being tested on upwards of a 9% interest rate."

With the election just over a month away, Ngarimu says National's recent announcement to restore interest deductibility may entice investors back into the market. Coupled with the increased migration of 86,000 people, it is also likely that we will see pressure on rents, he says.

Nelson

Home values continue to reduce at a consistent pace in Nelson.

The city's average home value declined by 2.4% to \$765,061 this quarter, which is the same average rate of decline as in the last HPI.

QV Nelson/Marlborough manager Craig Russell says it was still a "low sales volume environment" – though listing numbers were expected to increase in spring, as they typically do every year.

"There is still an oversupply of typical modern homes in Richmond, which have been sitting on the market for an extended period. A number of properties are also affected by conditional contracts, and in particular chain sale situations whereby the sale of a vendor's property is contingent on the sale of the purchaser's property."

He says the market is still heavily influenced by changes in the OCR. Recent media articles suggest interest rates will stay higher for longer, which is expected to impact the market.

West Coast

Residential property values have increased by an average of 2.6% this quarter on the West Coast.

On a more localised level, home values continue to fluctuate month-to-month as a result of heightened volatility in the market. They are down on average this quarter in Buller (-4.2%) but up on average in Grey District (7.5%) and Westland (2.7%).

The average home value in the region is 6.6% higher than the same time last year – a stark contrast to an 8.2% average annual decline nationally.

Canterbury

Home values in Christchurch have experienced a modest increase once more.

For the second straight HPI, the garden city has experienced a small increase in its rolling three-monthly rate of home value growth – up 0.1% to \$727,982. But it's a smaller average increase than the 0.8% reported in the previous index.

The city's average home value is now 5.3% less than the same time last year, compared to a national average decline of 8.2% annually.

Local QV registered valuer Olivia Brownie says while the cycle appears to be turning, she expects to see some months positive and some negative throughout the remainder of the year. "Economic pressures are still having a firm impact on the

Canterbury property market, but the downturn does appear to be over now, with a subdued market expected over the coming months."

Meanwhile, home values have reduced by 0.2% across the wider Canterbury region in the August quarter, just down on the 0.1% increase reported in the July index.

Canterbury's residential market has entered spring with some momentum. Brownie says with an increase in sales over the past month, there has been a minimal quarterly decline in home values that is more or less the same as the previous quarter.

Dunedin

Home values continue to ebb away in Dunedin at a relatively consistent pace – but there are signs confidence in the market is growing.

Home values dropped in the city by an average of 1.7% in the July quarter, compared to a 1.5% quarterly decline reported in the previous index. The city's average home value is now \$607,354, which is 6.7% less than the same time last year.

Local QV registered valuer Rebecca Johnston says greater buyer confidence is slowly returning to the market due to expected interest rate peaks and a growing expectation the current downturn is nearing its bottom.

"Though lenders continue to make small increases to their 3-5 year rates, it appears we have seen the majority of significant interest rate hikes. Predictions are for an easing of the OCR and correspondingly interest rates sometime in 2024," she says.

"New-build property developers say investors are beginning to come back into the market. For example, a smaller architecturally designed three townhouse development of between two and three bedrooms, two bathrooms, and single internal garage, sold out off the plans within four days of being released to the market."

Existing builds continue to remain unattractive to investors with no interest deductibility applicable combined with higher interest rates.

Queenstown

Highly volatile residential property values continue to zig and zag in Queenstown.

The average home value has increased by 0.8% this quarter to \$1,732,135 – an improvement on the 1.3% quarterly decline reported in last month's index. That figure is

now 2.4% higher than the same time last year, compared to a 8.2% average annual home value loss nationally.

Invercargill

Home values are building again in Invercargill.

The city's rolling three-monthly rate of home value growth is positive for the third month in a row, increasing from 0.2% in June and 0.8% in July to reach 1.5% in August. The average home value locally is now \$461,145, which is 2.7% lower than the same time last year.

Local registered valuer Andrew says while there is still healthy demand from first-home buyers, there's still only a limited number of investors active in the market, which is due to interest rate rises and changes to tax deductibility rules.