



April 2023

# Monthly NZ Housing Chart Pack

Unlocking smarter property decisions



# 'Beginning of the end' for house price downturn?

- ▶ Property market activity levels remained subdued in March (albeit not as weak as before) and prices fell further – down 1.1% on the CoreLogic House Price Index, for an annual decline of 10.5%.
- ▶ Value trends remain weakest in the North Island, with parts of Canterbury and the West Coast still actually recording some modest *increases*.
- ▶ The CoreLogic Buyer Classification data shows that within the quiet overall market (by number of sales), first home buyers and cash multiple property owners are still holding on to decent % market shares.
- ▶ However, relocating owner-occupiers are relatively quiet (not listing/selling and hence not buying either), while mortgaged multiple property owners are also holding back – e.g. because of low rental yields, high deposit requirements, and the loss of interest deductibility.
- ▶ Yet there were also hints in the sales data for March that the worst may now have passed for activity, and with new listings flows each week still very low, the total stock of property available for sale on the market is now just showing the first signs of tightening a little.
- ▶ Similarly, with another 0.5% official cash rate rise but relatively little movement from the banks, the case for thinking that mortgage rates have now peaked is getting even stronger. That could see housing confidence/sentiment turn around a little.
- ▶ And when you also consider continued high employment (firms wanting to retain skilled labour), rising net migration, and the possibility that some investors start to return to the market if National happened to win the Election, the sense that this downturn in property sales and values will end in the second half of the year is growing.
- ▶ In a nutshell: prices may fall further in the near term, but the floor is potentially coming onto the horizon.

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

 RESIDENTIAL REAL ESTATE  
**\$1.57 Trillion**

 NZ SUPER & KIWISAVER  
**\$153 Billion**

 NZ LISTED STOCKS  
**\$168 Billion**

 COMMERCIAL REAL ESTATE  
**\$312 Billion**

NUMBER OF DWELLINGS

**1.68 Million**

OUTSTANDING MORTGAGE DEBT

**\$346 Billion**

HOUSEHOLD ASSETS HELD IN RESIDENTIAL REAL ESTATE (JUNE 2021)

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

TOTAL SALES LAST 12 MONTHS

**60,064**

GROSS VALUE OF SALES LAST 12 MONTHS

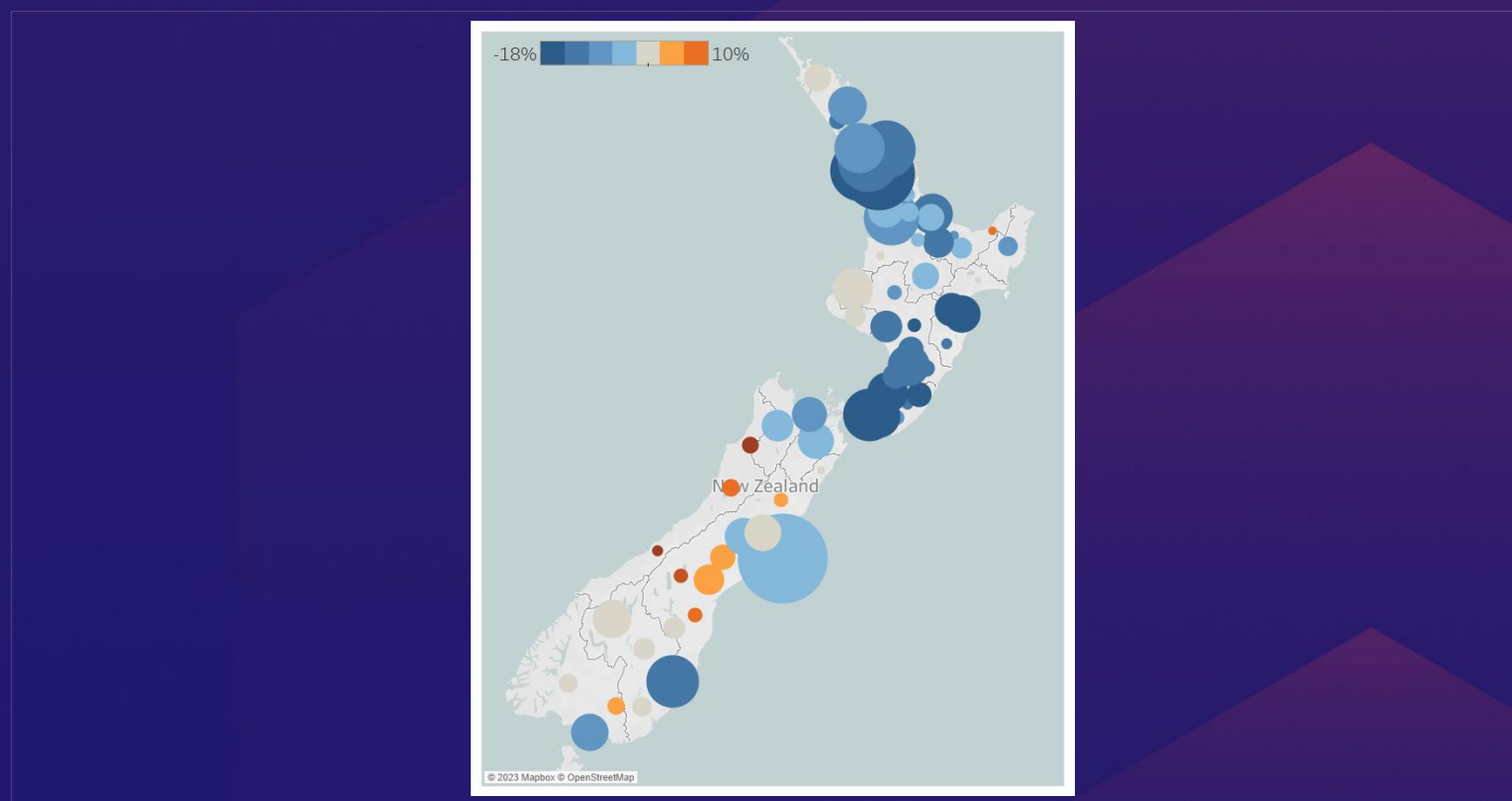
**\$55 Billion**

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

CHART OF THE MONTH

# Still some growth in Canterbury, West Coast

Annual % change in property values, March 2023



Source: CoreLogic

## OVERVIEW

# New Zealand property values

3 MONTHS

# -2.4%

The momentum for average property values has remained downwards in the first three months of 2023.

12 MONTHS

# -10.5%

The fall in average values in the past 12 months has reached double-digits, surpassing the worst point of the GFC.

FROM PEAK

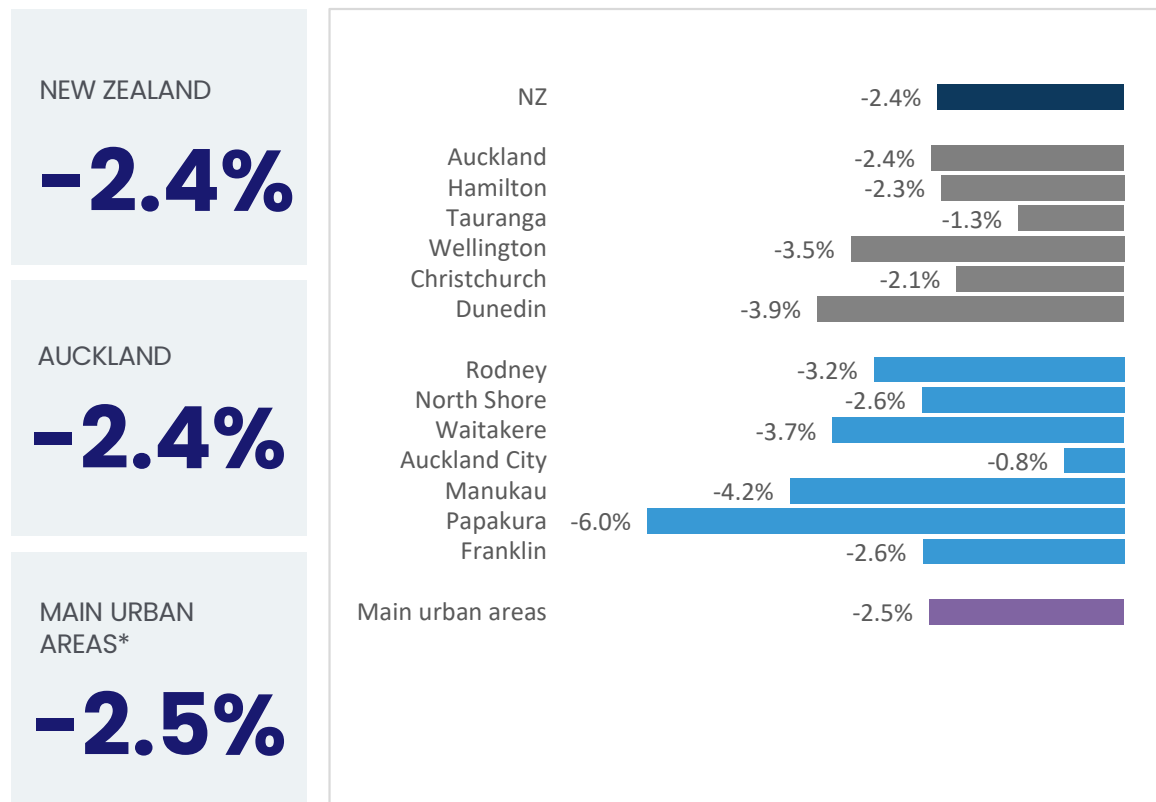
# -10.5%

The falls from the peak are in double-digits, with some areas significantly weaker than the national average.

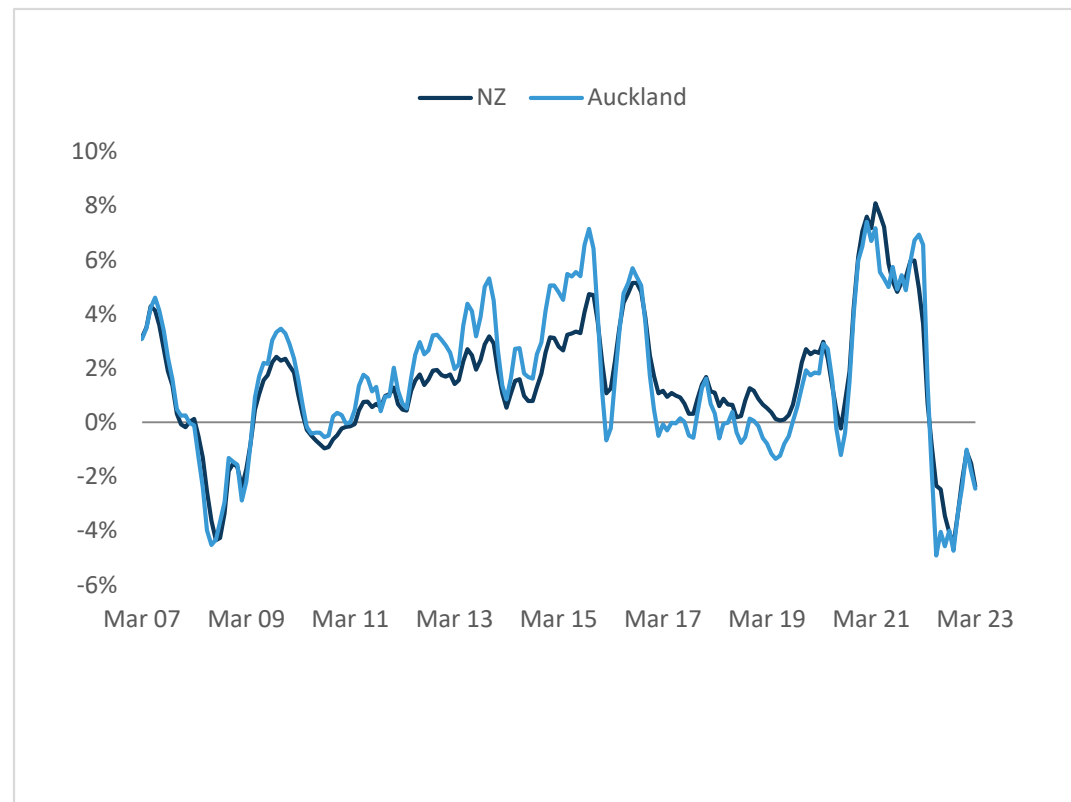
## NEW ZEALAND PROPERTY VALUES

# 3 month changes

Change in average property values, three months to March 2023



Rolling quarterly change in average values



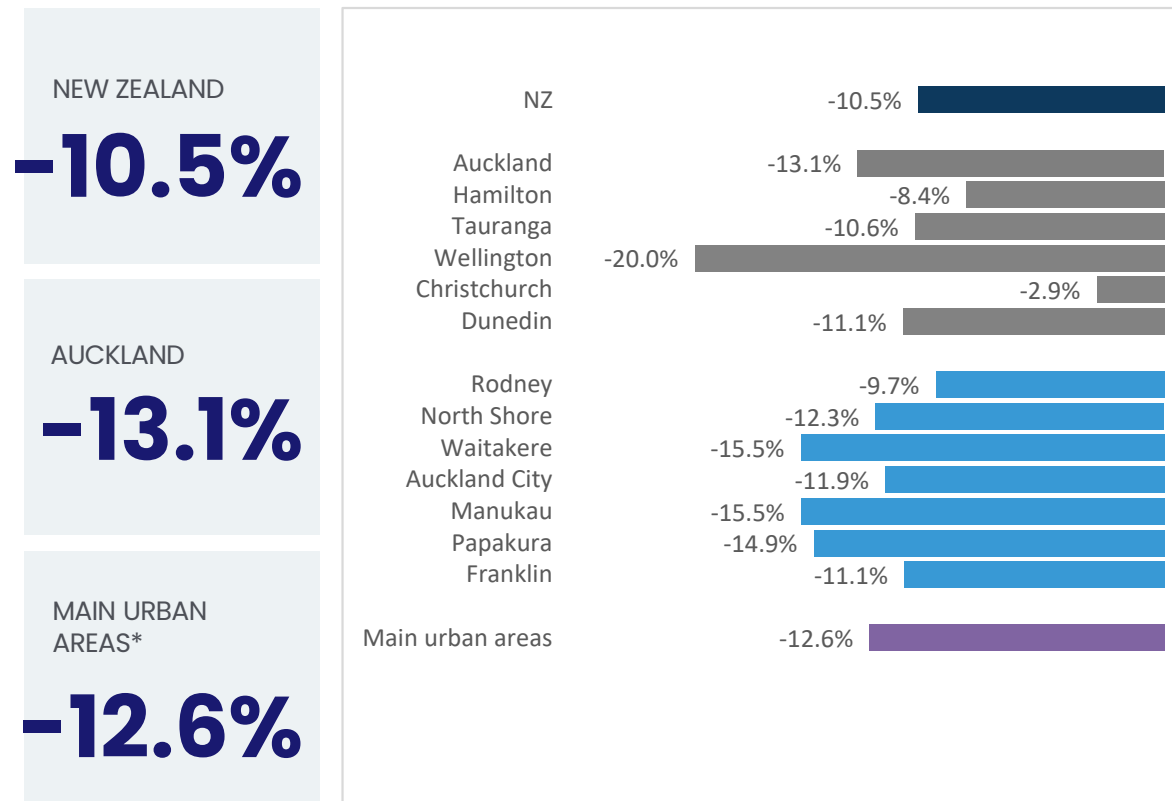
Source: CoreLogic

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

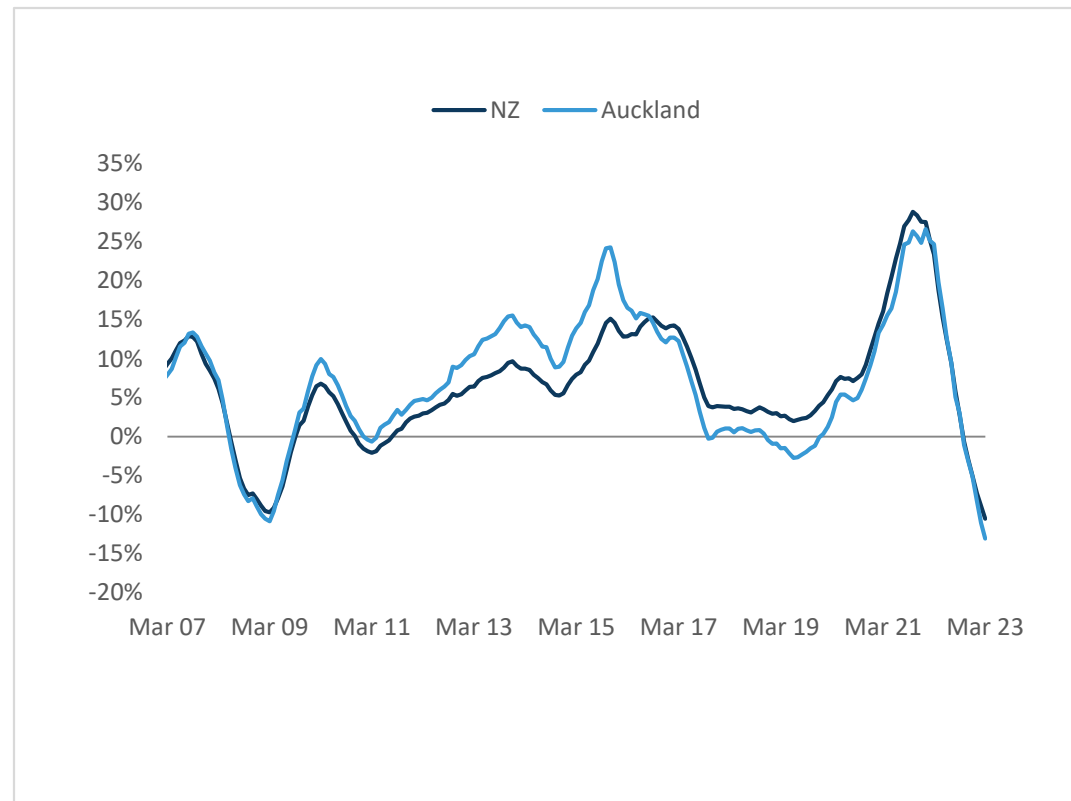
## NEW ZEALAND PROPERTY VALUES

# 12 month changes

Change in average property values, 12 months to March 2023



Rolling annual change in average values



Source: CoreLogic

## NEW ZEALAND PROPERTY VALUES

# Main centres – average values

NZ FALL TO DATE

**-10.5%**

LARGEST MAIN CENTRE DECLINE:

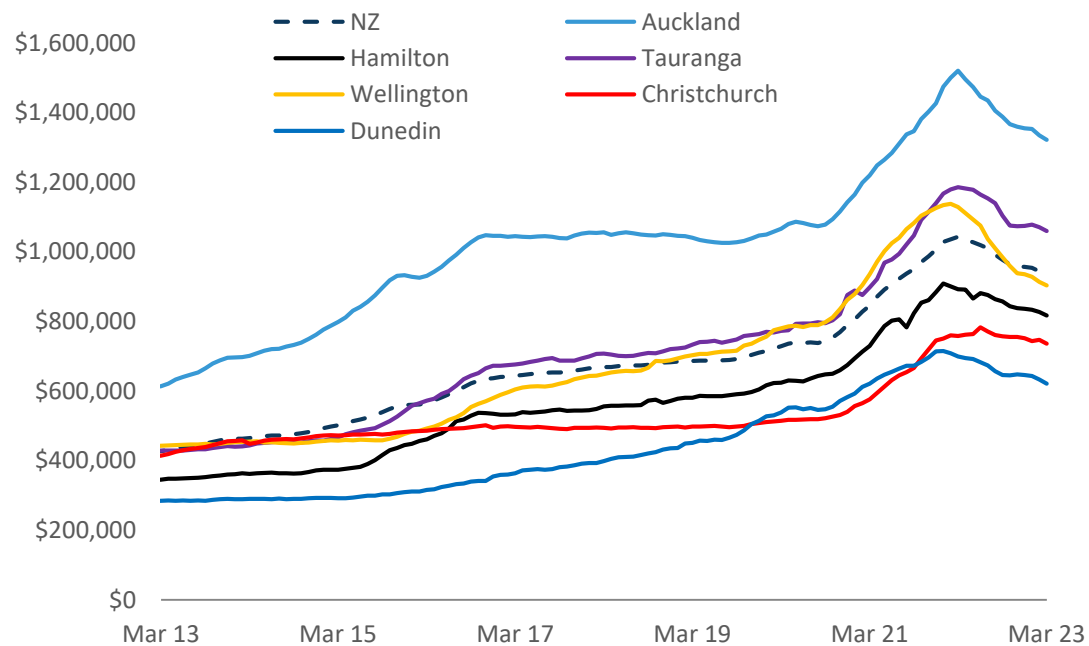
**-20.7%**

WELLINGTON

SMALLEST MAIN CENTRE DECLINE:

**-6.0%**

CHRISTCHURCH



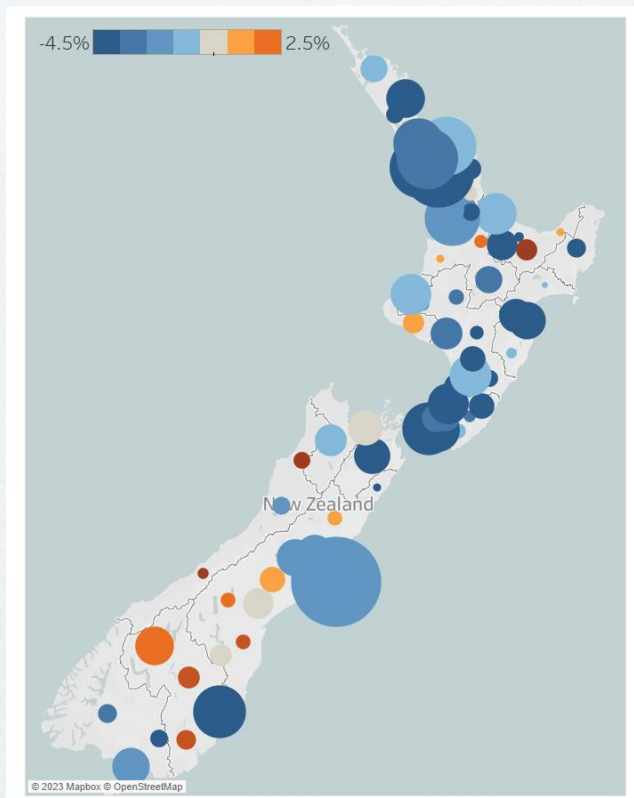
Source: CoreLogic



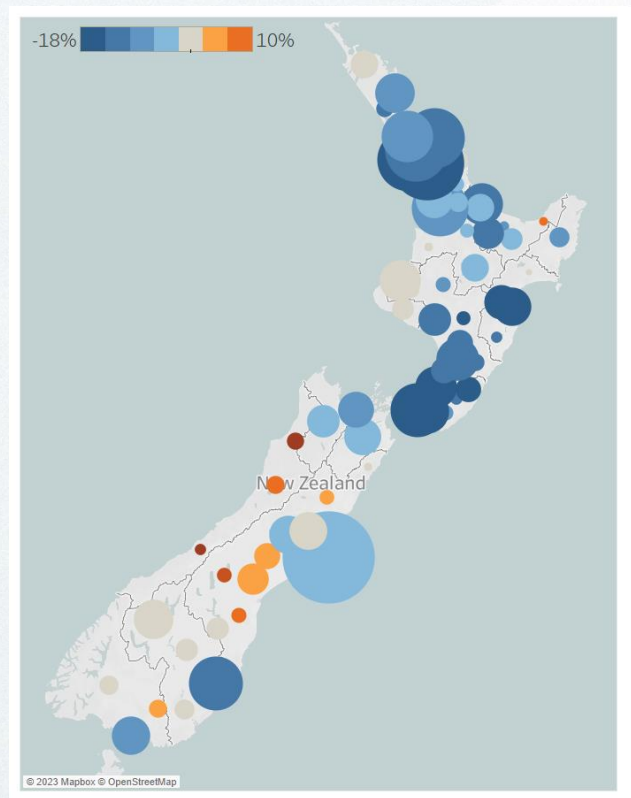
## NEW ZEALAND PROPERTY VALUES

# Regional changes

Change in average property values,  
3 months to March 2023



Change in average property values,  
12 months to March 2023

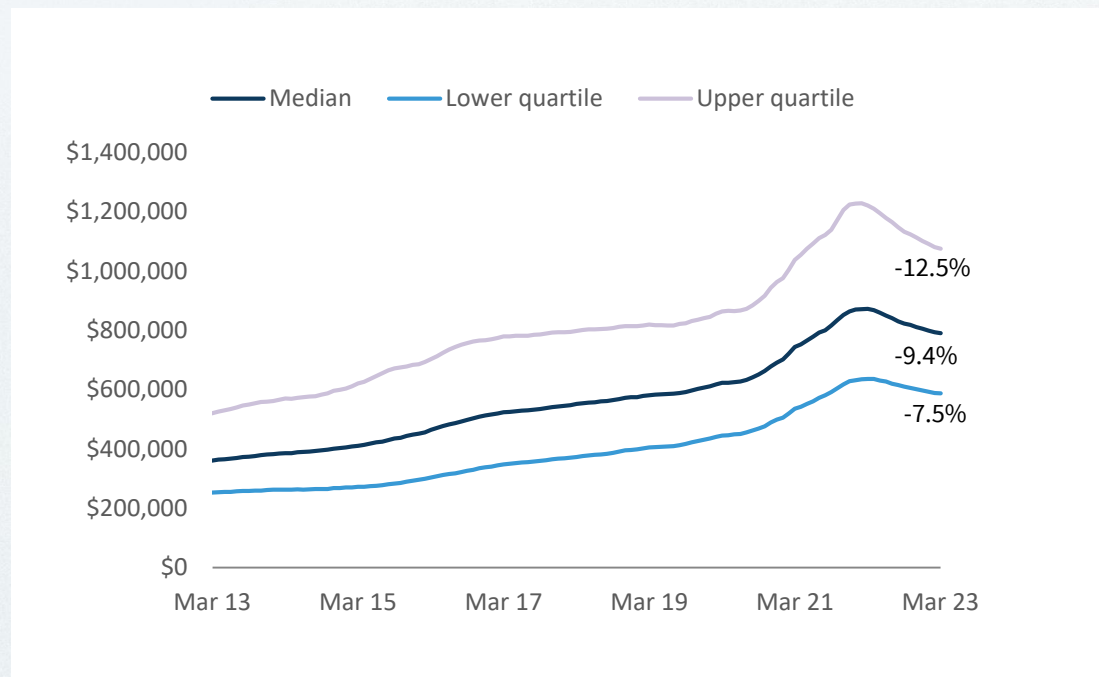


Source: CoreLogic

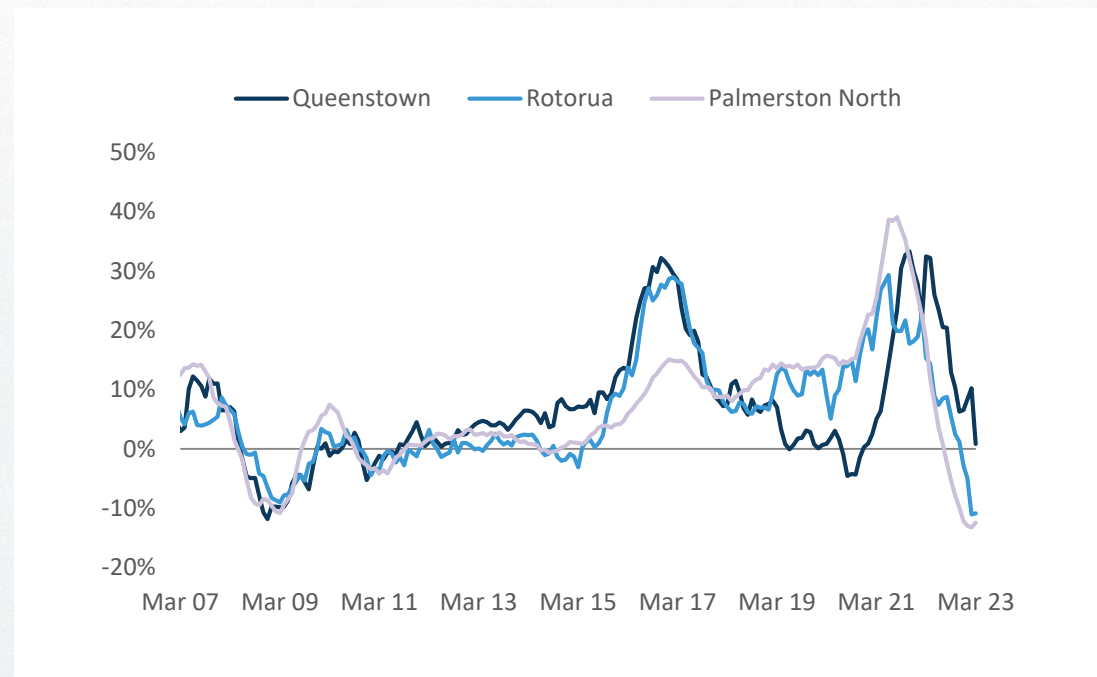
## NEW ZEALAND PROPERTY VALUES

# By value band and selected markets

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



Rolling annual change in average property values in selected markets



\* % labels on chart indicate the drop from peak

Source: CoreLogic

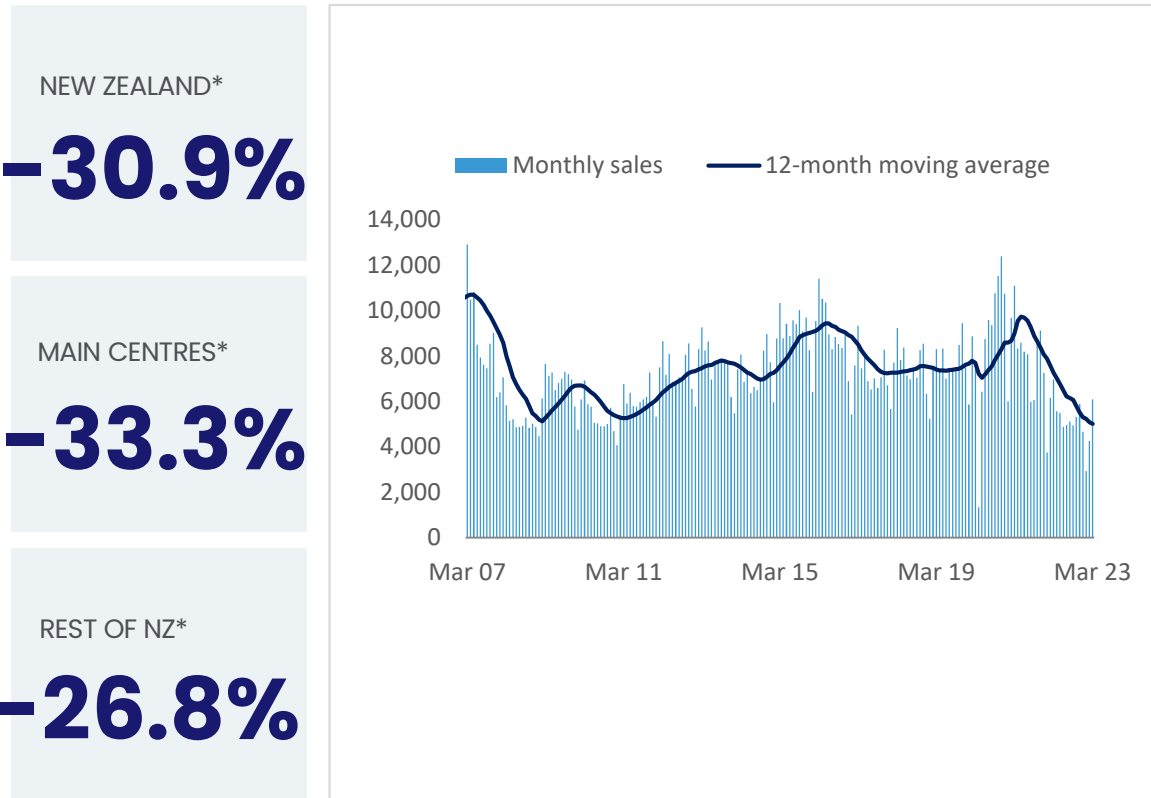
# Sales and listings



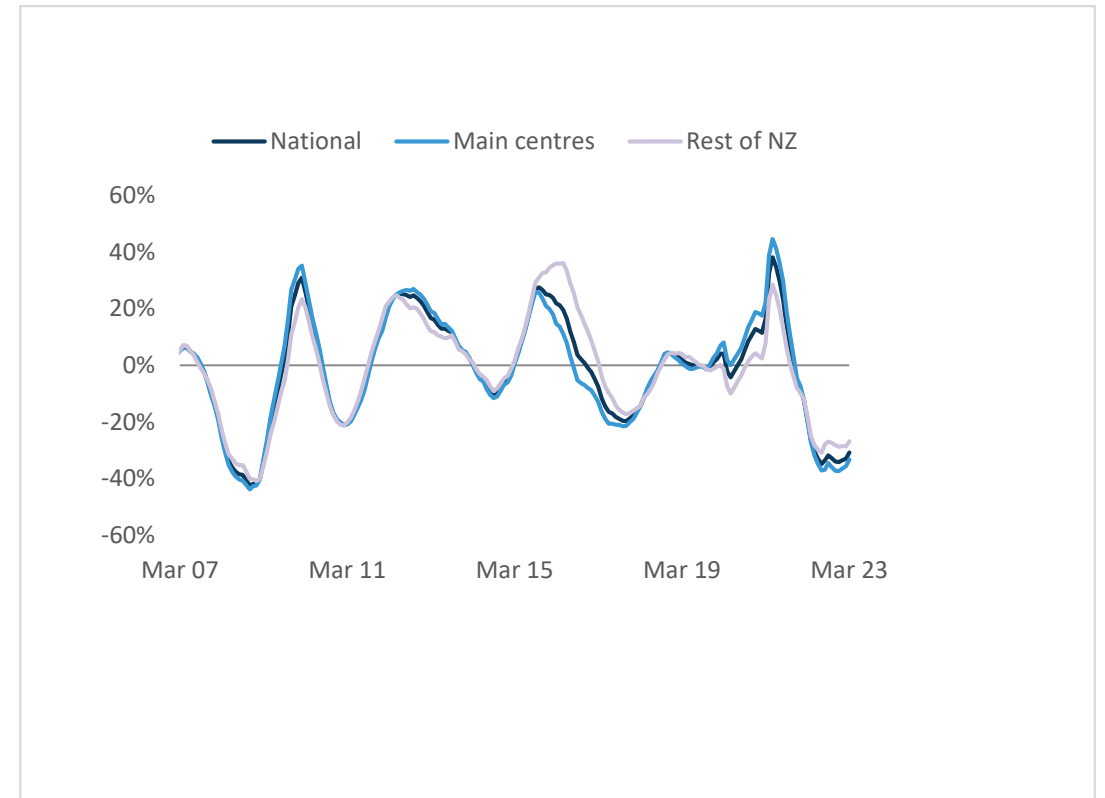
## NATIONAL SALES

Sales volumes remained relatively low in March, but we may now just be seeing the first signs of a floor. Indeed, the rate of decline on an annual basis has certainly slowed down, and after seasonal adjustment, volumes actually increased by as much as 10% from February to March.

Monthly sales with twelve month moving average, national



Change in sales volumes, twelve months to March 2023

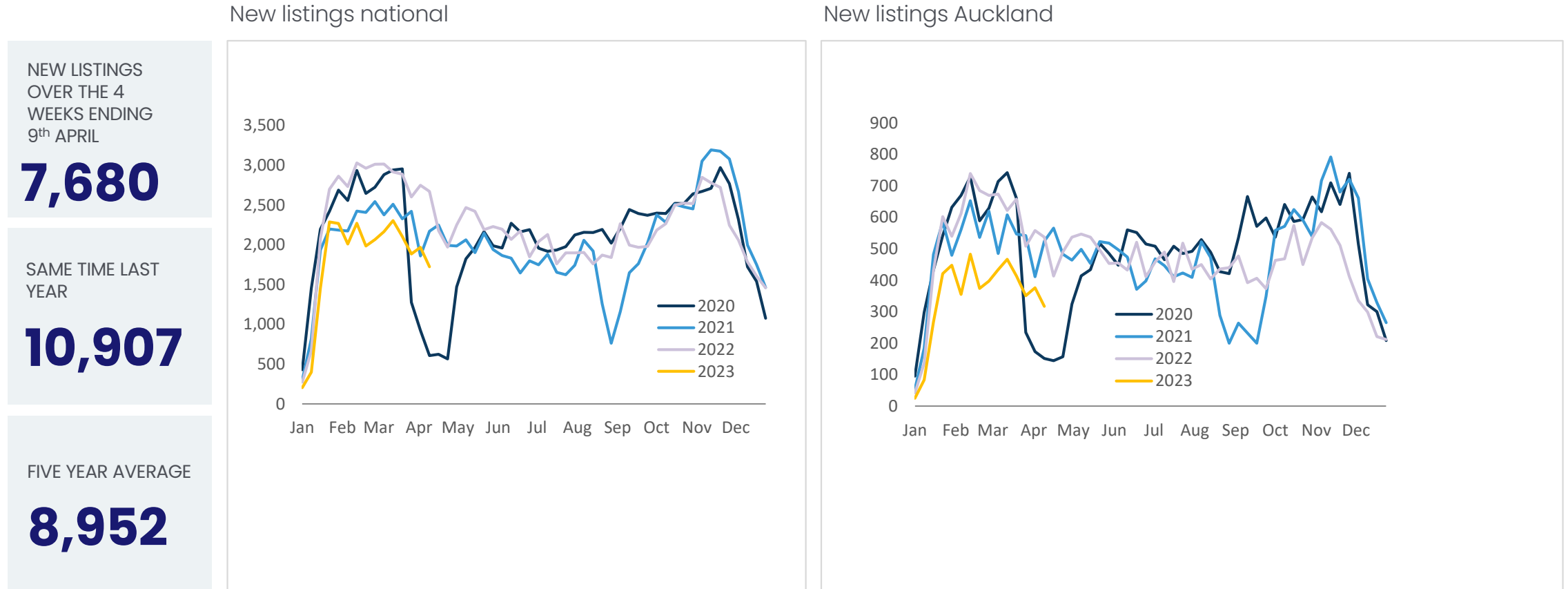


Source: CoreLogic

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

## LISTINGS

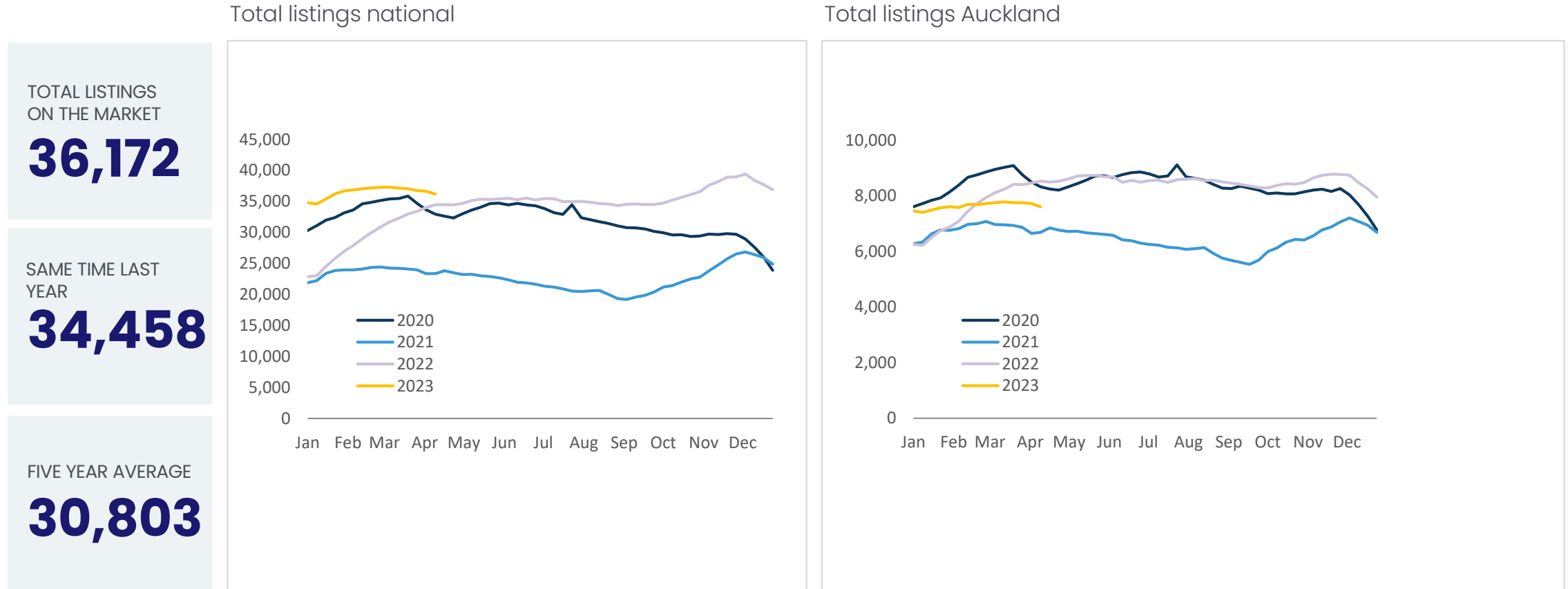
The flow of new listings coming onto the market each week has remained sluggish lately, as would-be vendors choose to ‘wait and see’, given the uncertainty about how long a sale might take and/or the potential price achieved.



Source: CoreLogic

## LISTINGS

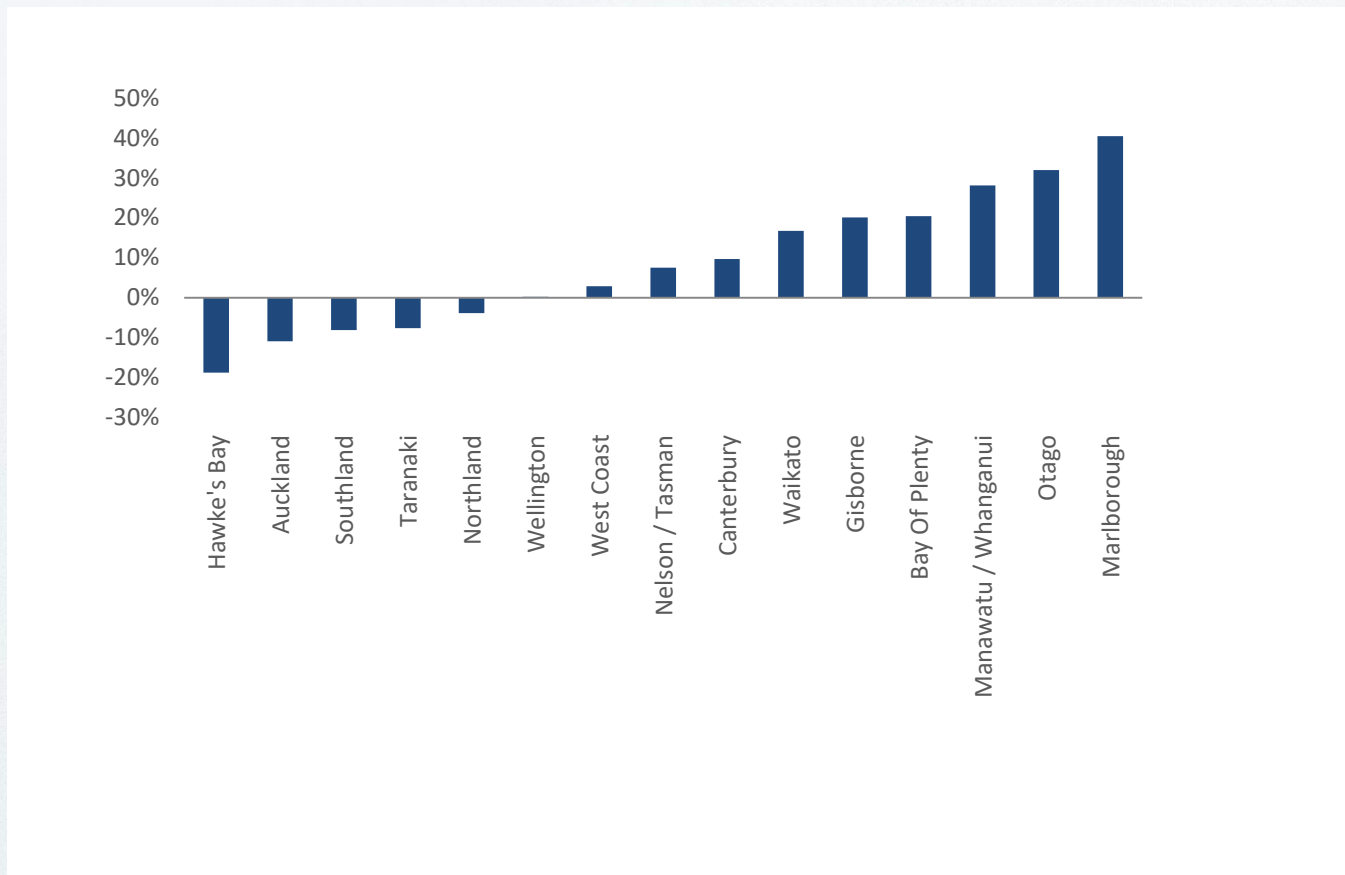
It remains a 'buyer's market', with the total stock of listings available on the market, at a national level, at a multi-year high. However, there are also now tentative signs that stock levels have just started to fall a little, with Auckland an example.



Source: CoreLogic

## LISTINGS

Latest total listings count vs same time last year



Source: CoreLogic

# Buyer classification





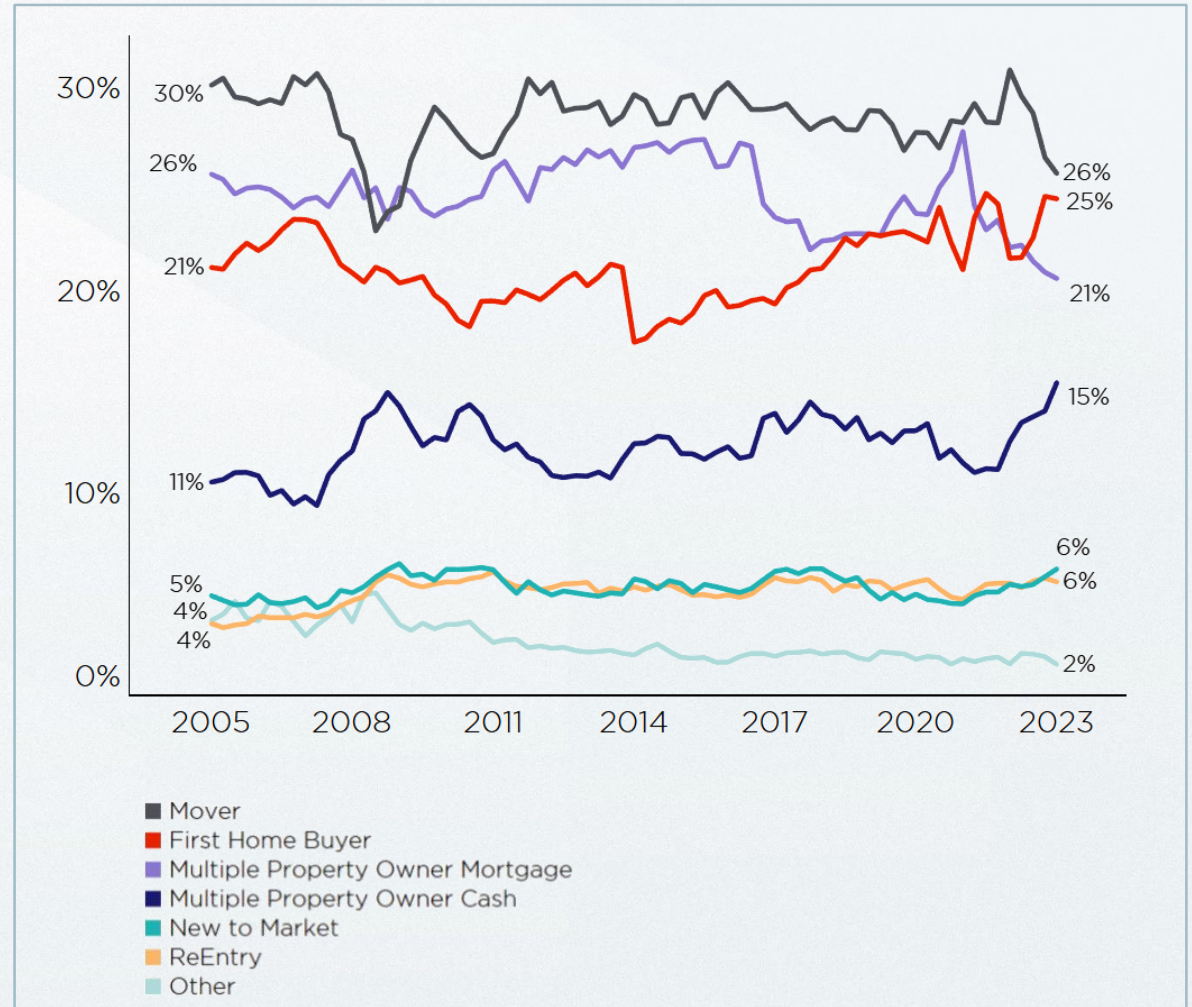
## % MARKET SHARE OF PROPERTY PURCHASES

# Buyer Classification

- ▶ First home buyers remain a solid presence in the property market, with a 25% share of purchases over Q1 2023. Using the low deposit speed limits at the banks is one approach they're taking, as well as tapping KiwiSaver for the deposit.
- ▶ Cash multiple property owners (MPOs, including investors) have also held on to a high share (15%) of purchases, using their wealth base to access the market.
- ▶ By contrast, mortgaged MPOs are struggling by their standards, with only 21% of activity in Q1. Low gross rental yields and high mortgage rates – meaning significant cash top-ups each week – will be hampering some potential purchases, with the 40% deposit hurdle another issue.
- ▶ And finally, movers (relocating owner-occupiers) are also relatively quiet. Given uncertainty about sale lengths/prices, many are choosing not to list, meaning they're obviously not purchasing either.

Source: CoreLogic

% share of property purchases, New Zealand

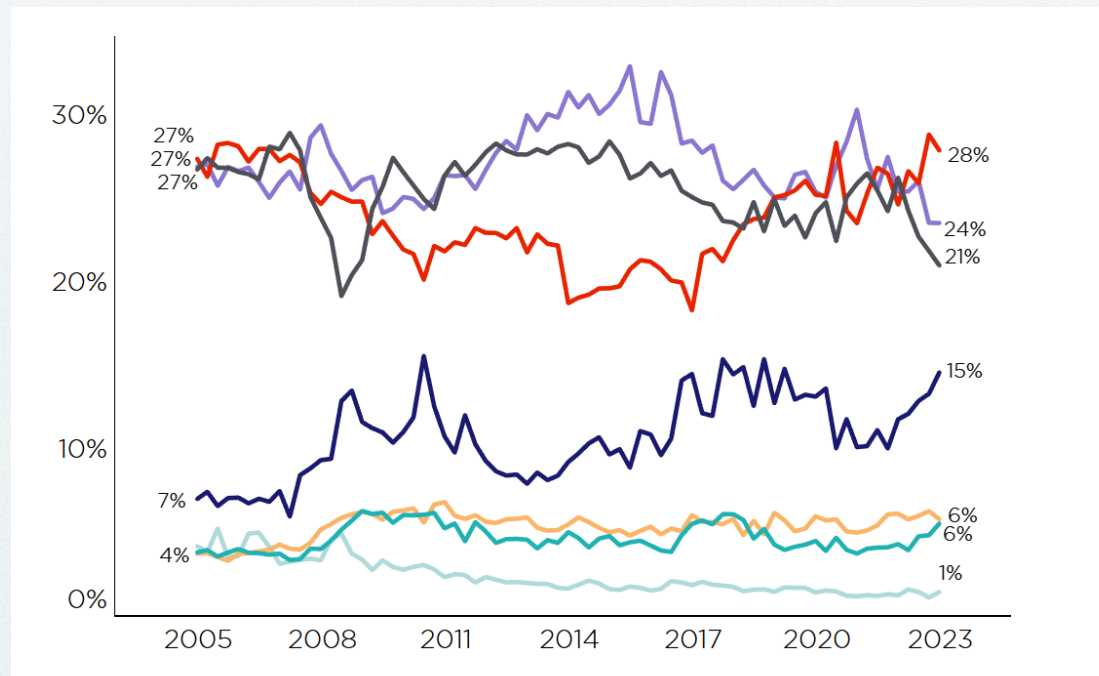


% MARKET SHARE OF PROPERTY PURCHASES – BUYER CLASSIFICATION

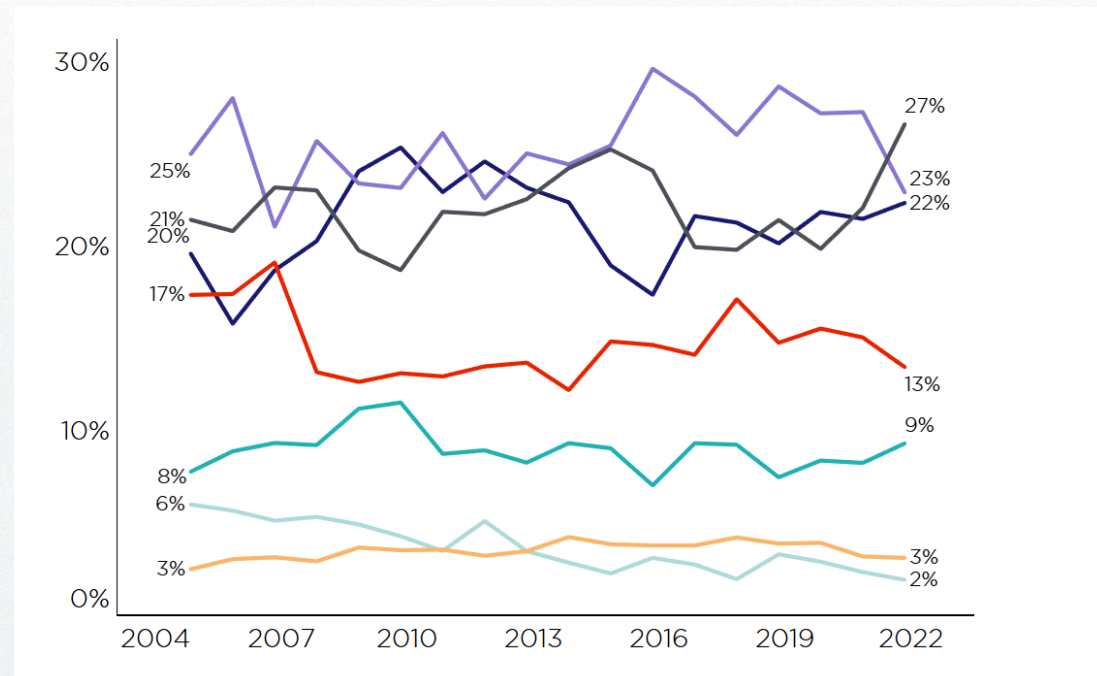
# Selected main centres

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

Auckland



Queenstown



Source: CoreLogic

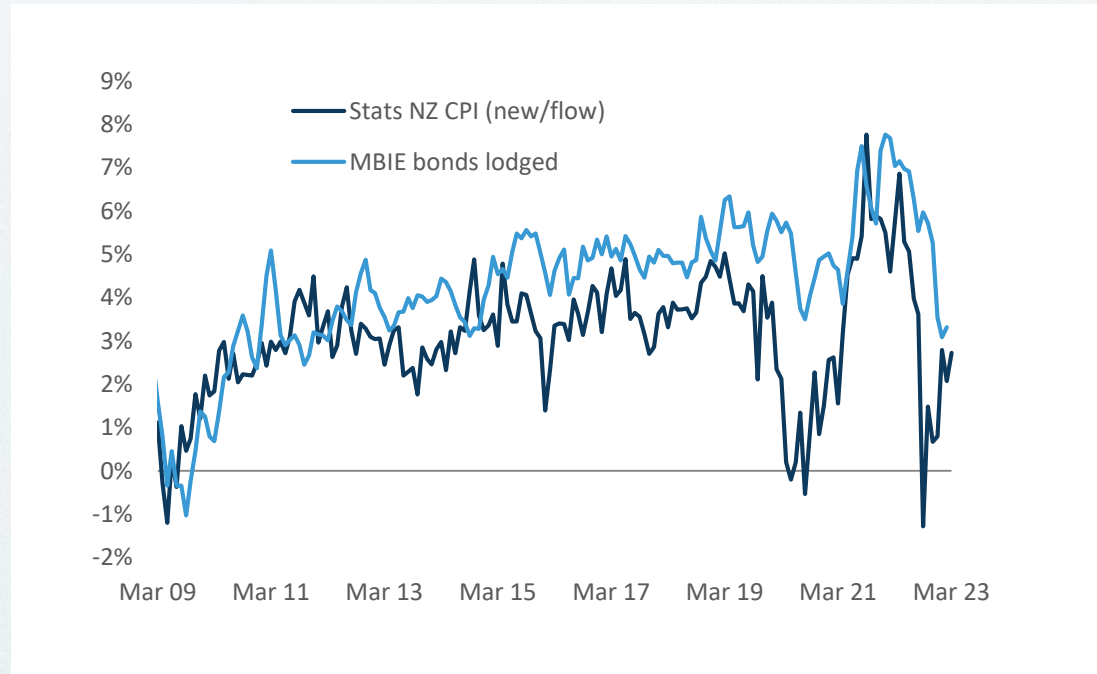
# Rental market



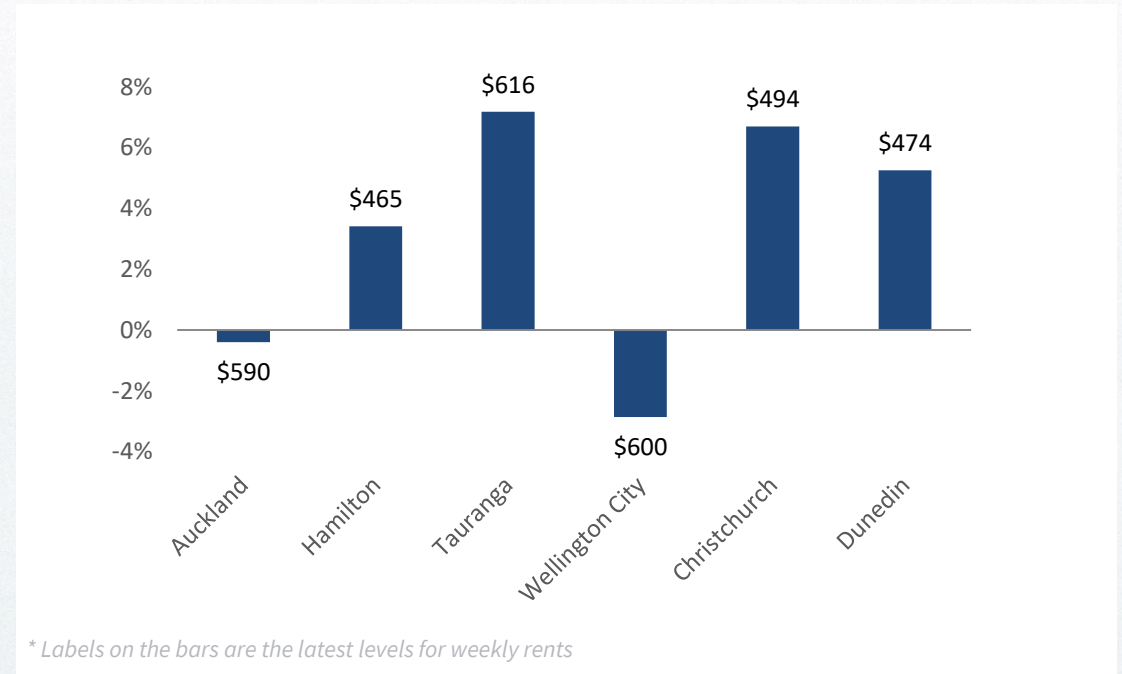
## RENTAL RATES

Rental growth remains more subdued than it was this time last year, partly as tenants have increasingly hit their affordability limits. Nationally, growth is running at around 3% annually, although it's a mixed bag around the main centres. With net migration now rising strongly, a pick up in rental growth later in 2023 wouldn't be a surprise.

Annual change in national rental rates to February/March 2023



Annual change in rental rates (MBIE)\*



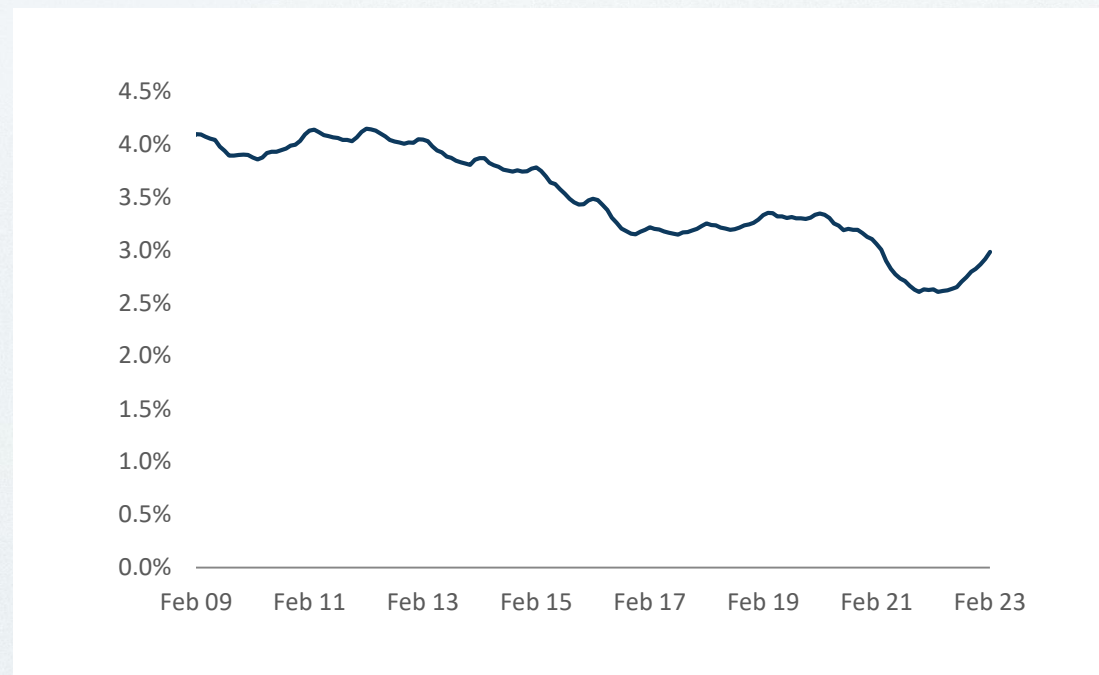
\* Labels on the bars are the latest levels for weekly rents

Source: CoreLogic, Stats NZ, MBIE

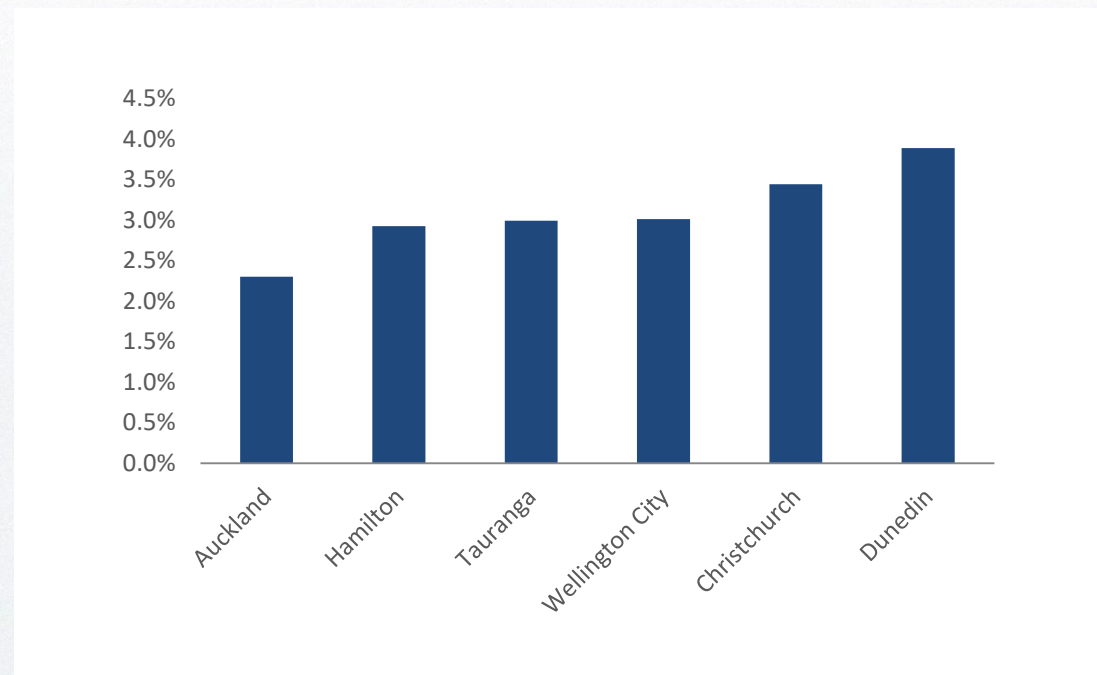
## RENTAL YIELDS

Gross rental yields nationally have finally ticked back up to the 3% mark (for the first time since March 2021), mainly due to the continued falls in property values. 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.

Gross rental yields, national



Gross rental yields, main centres



Source: CoreLogic, MBIE

# Credit conditions

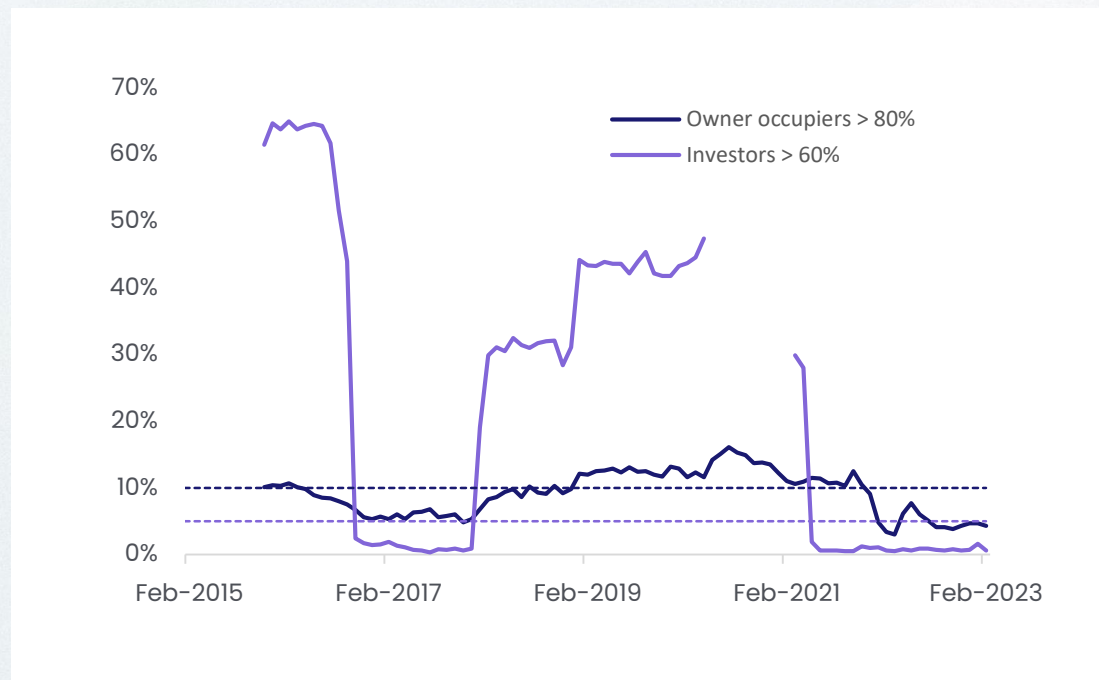


## CREDIT CONDITIONS

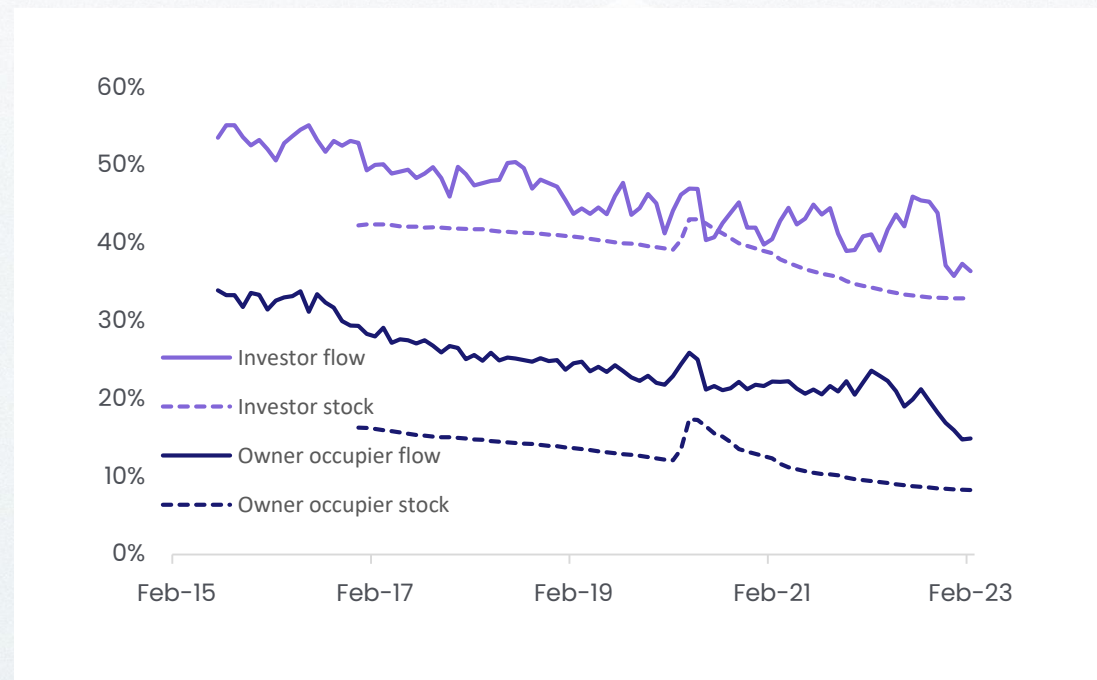
# Lending flows

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. Interest-only lending also remains 'controlled', for both investors and owner occupiers.

% share of lending at high LVR



% share of lending on interest-only terms



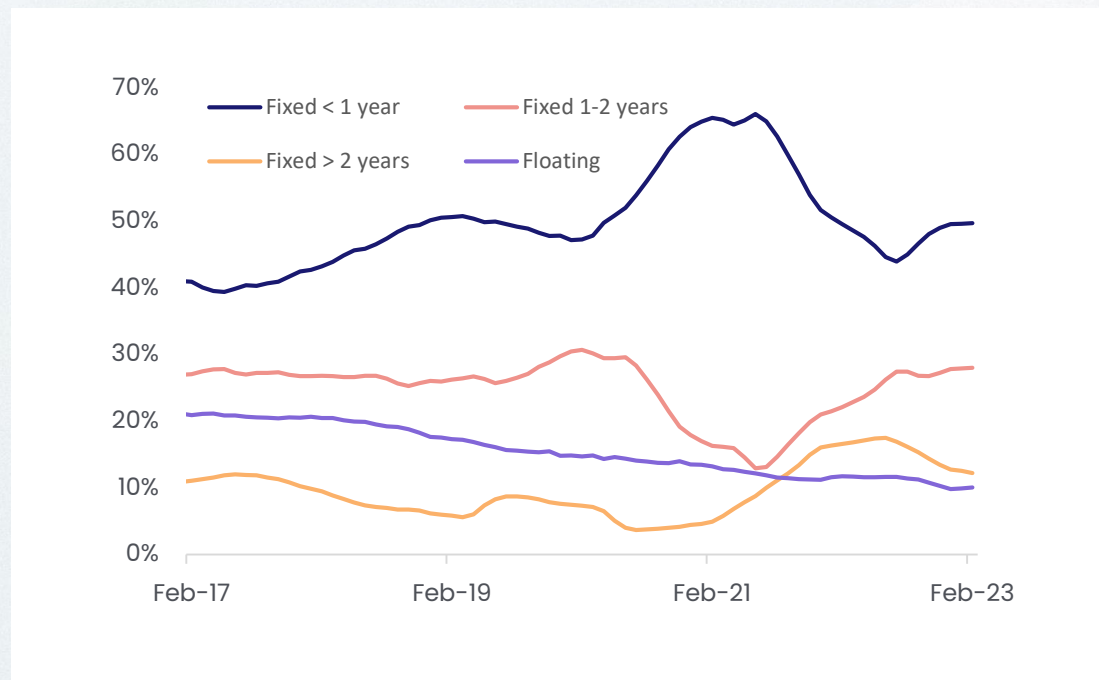
Source: CoreLogic, Reserve Bank NZ

## CREDIT CONDITIONS

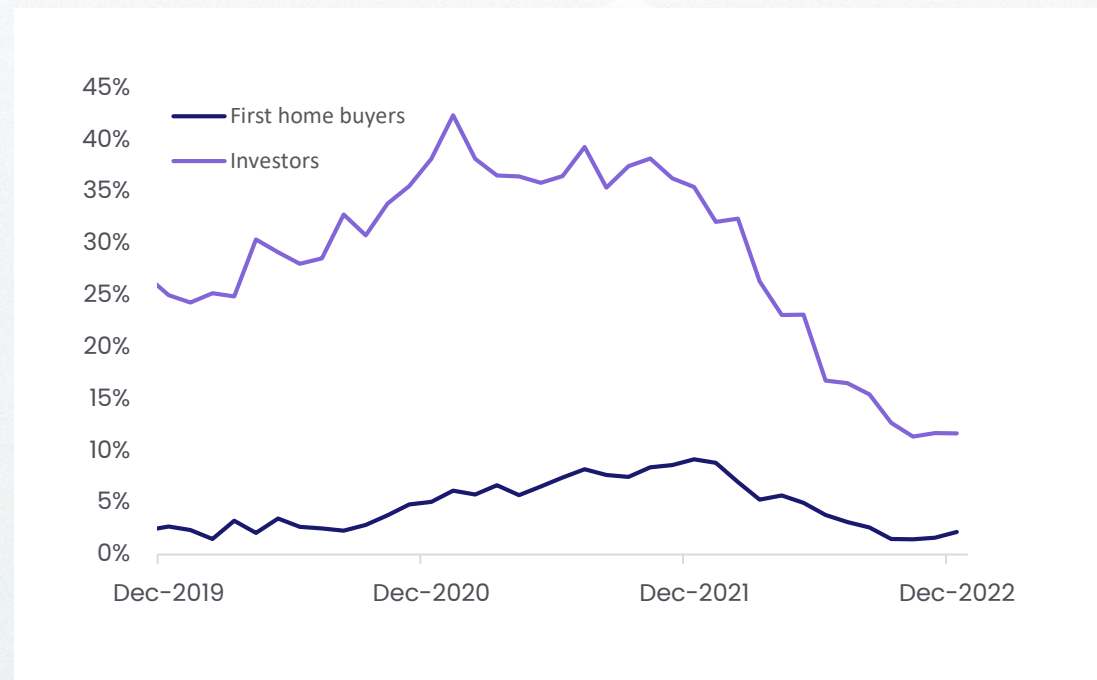
# Lending flows

Around 50% 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

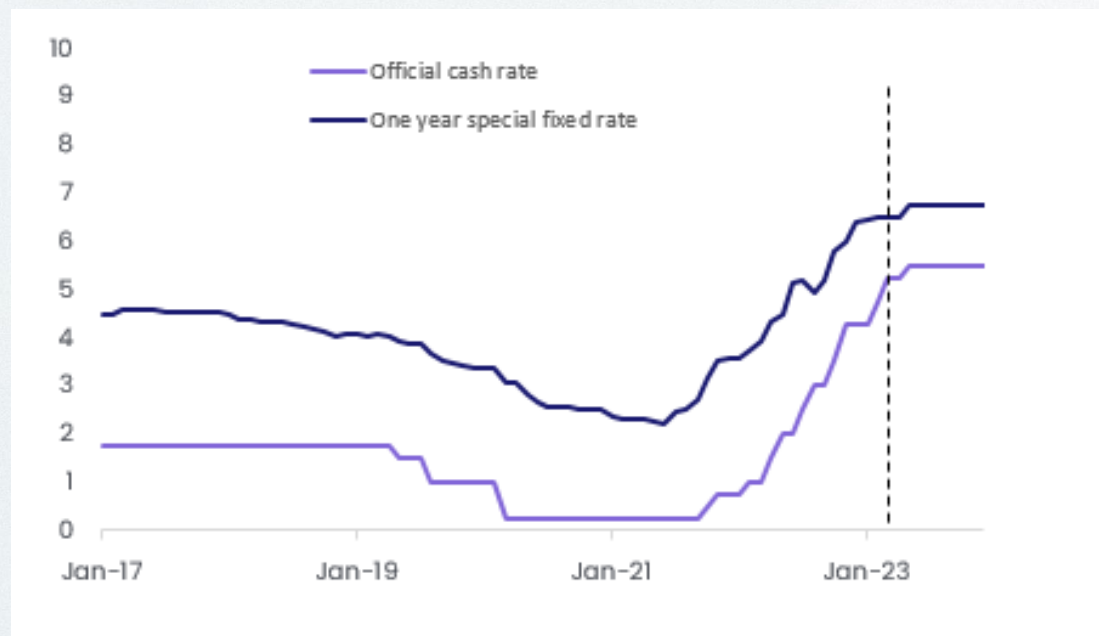


## CREDIT CONDITIONS

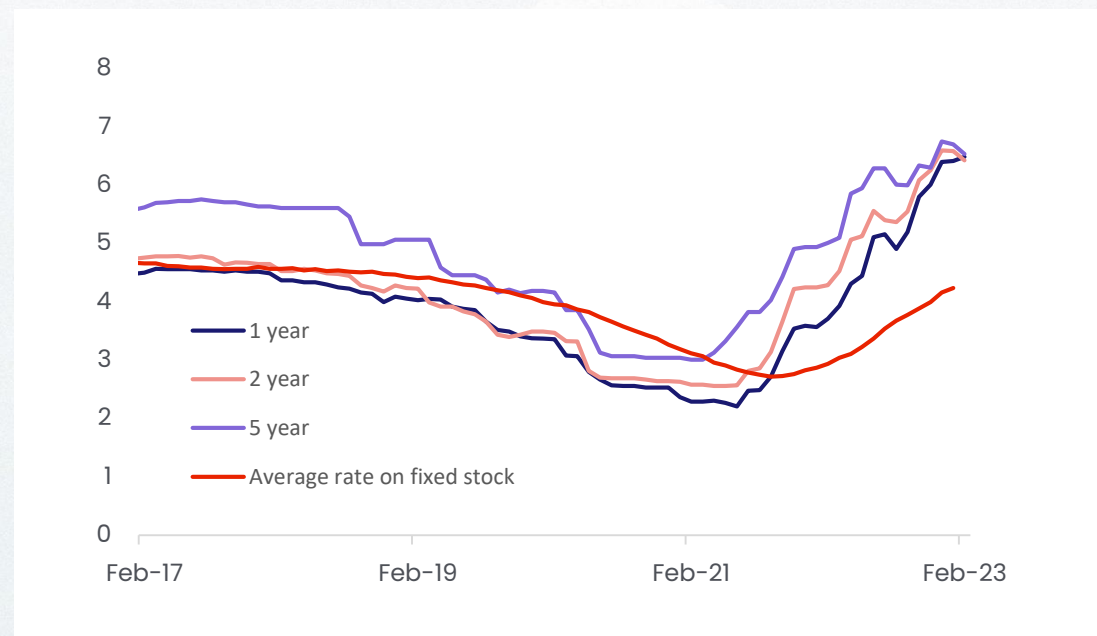
# The OCR and mortgage rates

Another 0.5% lift to the official cash rate in early April took it to 5.25%, yet the end for this tightening cycle is now in sight. Indeed, a softer inflation number on 20<sup>th</sup> April would raise the chances that we only see one more OCR rise (of 0.25%) in this cycle. Either way, mortgage rates have already stabilised to a large extent and borrowers can now quantify their 'worst case'.

Official cash rate and 1-year special fixed rate



Current special mortgage rates and average on existing stock



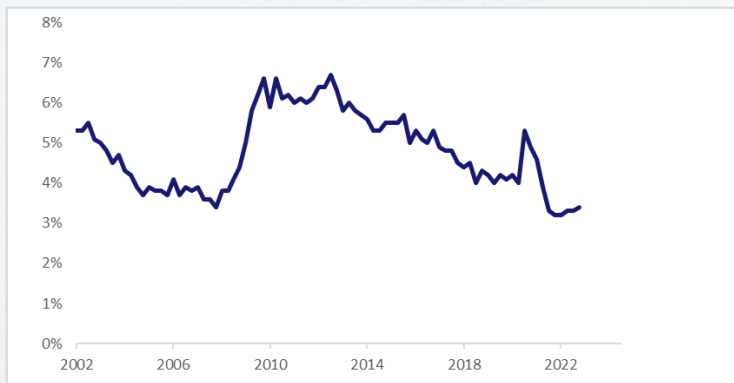
Source: CoreLogic, Reserve Bank NZ

# Economic indicators

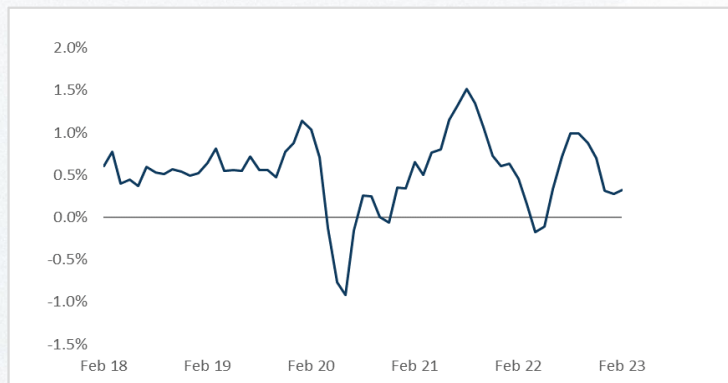


# ECONOMIC INDICATORS

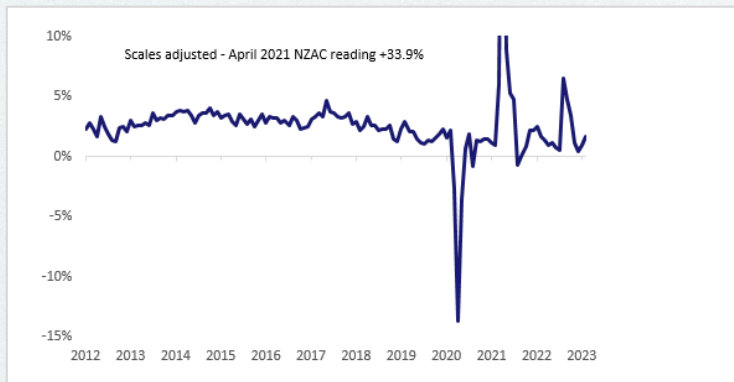
### Unemployment rate %



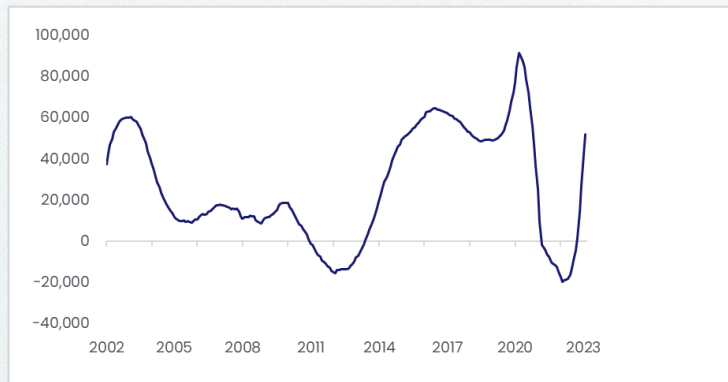
### % three month change in filled jobs



### % annual change NZ Activity Index



### Annual net migration flow



Source: CoreLogic, Stats NZ

# Get in Touch

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