Embargoed media release: 5am, Friday 1st October, 2021

Property market momentum continues to wane, tighter lending will further entrench slowdown

CoreLogic NZ's House Price Index (HPI), which is the most complete and robust measure of property value change in the market, today showed values increased nationally by a further 1.4% during September.

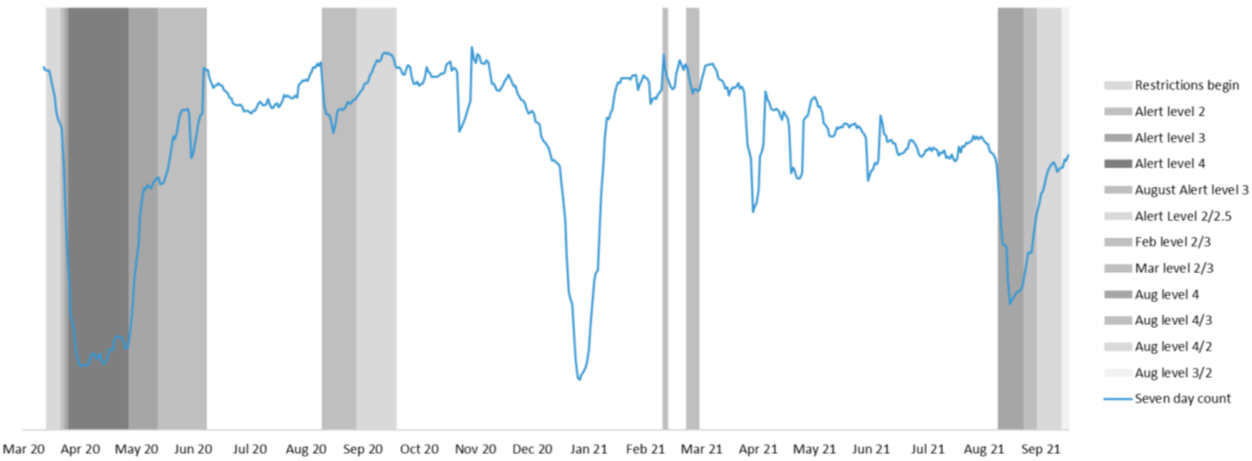
This was a reduction on August's monthly growth rate of 1.6%, and is the fifth consecutive month of easing growth rates.

With most of the country, aside from Auckland, at alert level 2 for the majority of September, market activity has started to return. However the three weeks at alert level 3 or above as well as movement restrictions in place during alert level 2 means the return has been gradual and subdued.

CoreLogic NZ Head of Research Nick Goodall said: "While this time around we were better prepared and experienced in how to carry on throughout lockdown, the limitation of movement and social interaction undoubtedly disrupts the property market temporarily. We are now seeing agents back out there appraising properties to list them, and buyers are tentatively back in the market. We anticipate Auckland's easing of restrictions and a move back to alert level 2 next week will reinforce that trend."

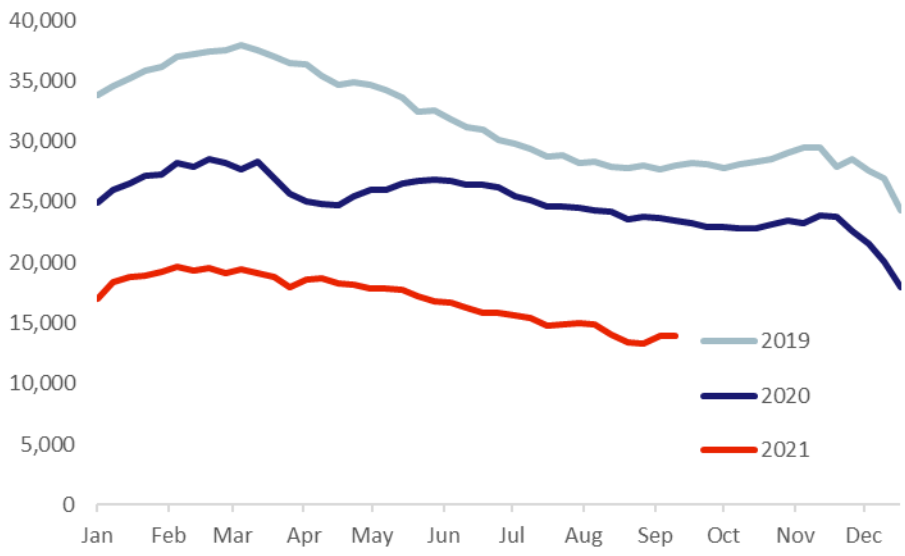
Tracking of appraisals generated by agents using CoreLogic products Property Guru and RPNZ shows real estate agent activity has returned to a similar level recorded prior to the 18 August lockdown. Considering Auckland remains at the very restrictive alert level 3, this lift in appraisal numbers demonstrates a significant return to action from agents outside Aotearoa's largest city.

Rolling seven day count of appraisals generated by agents
(Source: CoreLogic via Property Guru and RPNZ)



Mr Goodall said this was encouraging news and indicated the potential for new listings, however the lockdown will continue to have a persistent dampening effect on overall stock levels, which are already at all-time low levels.

Total listings - NZ (Source: CoreLogic)



“In the short term this lack of available supply may lead to some upward price pressure, especially when combined with pent up demand from people browsing listings portals through lockdown and evaluating their housing needs and wants.”

However, Mr Goodall explains this pressure is unlikely to linger too long, with market factors, including stretched affordability and changes in credit conditions such as tighter loan to value (LVR) controls and rising interest rates likely to impact the number of potential buyers in the market.

“Investors are facing a much more regulated market and owner occupiers are about to have LVR restrictions further tightened (officially from 1 November) which will impact first home buyers the most,” he said.

“Given affordability measures are already showing debt to income ratios at all-time highs, and with interest rates now on their way up, fewer people will be able to borrow the amount of money required to satisfy vendors’ expectations.”

The September HPI results are relatively mixed across the country, providing yet another sign of increased diversity in the performance of the housing market where the pace of change in housing values is no longer in one direction across the sub-regions.

Mr Goodall explained, “This is what can happen at turning points. Buyers ease back, but vendors won’t budge, so sales activity tends to decline without too much immediate impact on prices.”

Property values in Rotorua rebounded (1.9%) in September after falling -0.9% in August, however the average value ($656k) in the Sulphur City is down -2.4% over the last three months. Meanwhile the monthly rate of growth in Gisborne dropped into the negatives (-0.7%) for the second time in four months, leaving the average value ($595k) up only 1.6% for the last quarter.

A noticeable bounce in performance in Queenstown (9.1% quarterly) has taken the average value to almost $1.5m ($1.49m). This rate of growth is the strongest since June 2016 and takes the annual increase to 30.4% - a $347,000 rise since 1 October 2020.

The quarterly rate of growth in Hastings has also accelerated, up 8.3%, taking the annual change to 41.4%, by far the largest rate of growth on record for the city (back to 1990).

Highlights from the CoreLogic HPI for September 2021:

Provincial Centres (ordered by annual growth rate)

	Change in property values			Average Value
TA	Month	Quarter	Annual	
Rotorua	1.9%	-2.4%	19.9%	$656,350
Nelson	0.3%	4.2%	21.2%	$806,807
Invercargill	1.0%	2.7%	23.8%	$446,098
Whangarei	1.6%	3.3%	25.9%	$742,519
Gisborne	-0.7%	1.6%	27.8%	$594,990
New Plymouth	2.8%	6.6%	28.0%	$673,704
Queenstown	7.0%	9.1%	30.4%	$1,489,123
Upper Hutt	0.2%	4.3%	35.2%	$894,037
Napier	2.0%	6.2%	36.1%	$844,001
Porirua	1.9%	6.2%	36.7%	$971,835
Palmerston North	0.4%	3.2%	37.1%	$728,137
Kapiti Coast	3.1%	3.9%	37.8%	$948,400
Lower Hutt	2.4%	5.3%	38.1%	$962,691
Whanganui	0.2%	4.4%	39.7%	$523,268
Hastings	3.5%	8.3%	41.4%	$843,516

National and Main Centres

	Change in property values			Average Value
	Month	Quarter	Annual	
New Zealand	**1.4%**	**4.8%**	**27.8%**	**$950,229**
Auckland	0.7%	4.9%	24.9%	$1,346,964
Hamilton	5.2%	2.7%	27.1%	$823,283
Tauranga	2.5%	7.0%	31.6%	$1,046,390
Wellington	1.7%	5.7%	35.9%	$1,082,993
Christchurch	1.9%	5.6%	27.6%	$666,371
Dunedin	0.0%	2.6%	22.8%	$672,031

Volatility is also evident across the main centres, too. Hamilton, which experienced a decrease in values in August, saw a significant reversal in that trend increasing 5.0% in September.

Dunedin values plateaued over the month (0.0% change) resulting in a 2.6% quarterly rate of growth which is the lowest of the main centres.

Meanwhile Tauranga is at the other end of the spectrum with values up 7.0% over the quarter and the annual growth rate hitting the highest level since March 2004 at 31.6%. The Wellington area's annual rate of growth continued to break records, now 35.9%.

The variable results from the HPI may be reflective of an uncertain market, where unaffordability has led to reduced demand and subsequently less competition, but 'quality stock' is still fetching strong prices.

"Increasing interest rates will play a part in reducing market activity and with the RBNZ reviewing the OCR next Wednesday on October 6th, and is very likely to lift it to at least 0.50%, demand is likely to further reduce," Mr Goodall said.

Looking ahead, Mr Goodall said investors and owner occupiers alike will need to continue to prepare for higher mortgage repayments, and investors from October 1st now need to adjust to the interest cost on mortgage repayments not being fully tax deductable. This is being phased out for properties bought prior to 27 March 2021 and there is no tax deductibility for existing properties bought after that date.

"This week we received clarification that new build properties are exempt from the changes, which at least provides some certainty for developers and investors increasing our housing stock. Interest costs for new build properties will be tax deductable for 20 years which must be seen as a good result to ensure confidence in this market, to further address our undersupply of properties.

"Building consents have remained at all-time high levels so the pipeline for the construction is strong, but we also know there are capacity and cost constraints for the industry which will continue to stretch the market," said Mr Goodall.

The outlook for property values is for growth to continue to slow through 2021 and into 2022. A key driver of this is increasing interest rates, but local factors will play a part to different degrees across the country. These factors include investor appeal, affordability constraints, the health of the local economy and borrowers' debt management behaviour.

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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.

ENDS

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About CoreLogic NZ

CoreLogic NZ is a leading, independent provider of property data and analytics. We help people build better lives by providing rich, up-to-the-minute property insights that inform the very best property decisions. Formed in 2014 following the merger of two companies that had strong foundations in New Zealand's property industry – Terralink Ltd and PropertyIQ NZ Ltd - we have the most comprehensive property database with coverage of 99% of the NZ property market and more than 500 million decision points in our database.

We provide services across a wide range of industries, including Banking & Finance, Real Estate, Government, Insurance and Construction. Our diverse, innovative solutions help our clients identify and manage growth opportunities, improve performance and mitigate risk. We also operate consumer-facing portal propertyvalue.co.nz - providing important insights for people looking to buy or sell their home or investment property. We are a wholly owned subsidiary of CoreLogic, Inc – one of the largest data and analytics companies in the world with offices in New Zealand, Australia, the United States and United Kingdom. For more information visit corelogic.co.nz.