

Annual house price growth slowing, average values fell in February - QV

9 March 2022

Quotable Value's (QV) says all signs are pointing to a gradual correction in house prices, with a month-on-month drop in national values last month.



Annual growth slowed to 22.9 percent, while values declined 1 percent in February. Photo: RNZ / Nate McKinnon

The national valuer's report for the three months to the end of February shows the national average home increased in value by 2.3 percent, compared with 6.1 percent in the quarter ended January.

"Three monthly value growth for the December to February period may look quite rosy at 2.3 percent growth, but for the last two months there's been no growth at all, while February actually shows a decline in values by 1 percent," QV general manager David Nagel said.

Annual growth also slowed to 22.9 percent, down from 26.8 percent in January, with a national average value of \$1,053,483.

"There are less buyers out there now with the tightened credit rules and rising interest rates taking a number of first-home buyers and investors out of the market altogether," Nagel said.

"We'll likely see a continued gradual decline in the rate of home value growth with a correction in some locations that have experienced hyper-value growth throughout the past 12 months."

"Increased listings from both new builds and existing homes are providing the dwindling buyer pool with ample choice and this is putting downward pressure on prices."

He said it was also taking longer to sell a house, with open home attendance down, as well as sales by auction.

"While part of this may be attributed to Covid-19, primarily we're seeing a residential property market that has peaked and is searching for the new equilibrium," he said.

All 16 of the major urban areas monitored by QV showed a reduction in the rate of three-monthly value growth from the January data.

"This is a pretty good sign the market has turned," Nagel said.

"The annual rate of value growth is still exceptionally high though, reflecting the very strong value increases we saw last year. So that means it will take some time for this measure to reduce to more 'normal' levels of growth."

He said the housing market was facing a number of unknowns, which could put further pressure on prices, including international uncertainty about the war in Ukraine, ongoing concerns about the impacts of Covid-19 on the economy, and how those factors could drive up inflation and interest rates.

In addition, Nagel said an anticipated net increase in the number of people leaving New Zealand, could further erode housing demand.

"New migrants entering New Zealand are not expected to impact the housing market until much later in the year."