CoreLogic

Monthly NZ Housing Chart Pack

Unlocking smarter property decisions

DECEMBER 2024

EXECUTIVE SUMMARY

2025 could be a year of ‘conflicting forces’

- Property sales activity increased by around 9% in November compared to the same month a year ago, which was the 18th rise in the past 19 months. However, volumes remain about 10% below normal for the time of year. There are plenty of listings available on the market, so the relatively low levels of sales are more about buyers – those who still feel confident about their jobs and can get the finance are in a position to take their time and secure a deal in their favour.
- Indeed, the CoreLogic Home Value Index (HVI) fell by a further 0.4% in November, the ninth decline in a row, taking the drop from February’s ‘mini peak’ to around 5%. Wellington, Auckland, and Hamilton continue to underperform to some degree, while Tauranga has been more stable, and Christchurch and Dunedin have edged up a bit.
- Taking a look at Buyer Classification, first home buyers remain a solid presence in the market, with 25.5% of property purchases in November. Relocating owner-occupiers (‘movers’) remain a bit quieter than normal, however mortgaged multiple property owners (MPOs, including investors) continue to edge their market share higher – hitting a bit more than 23% in November.
- Meanwhile, with net migration continuing to slow, the rental market has also flattened off. And taking a look at the lending market, activity continues to trend higher, with the bulk of borrowers (either new or existing) focused on the shorter end of the curve – either taking a floating rate or 6-12 month fixes.
- Looking ahead to 2025, there are some supports for the market, but also some challenges – i.e. conflicting forces. On one hand, lower mortgage rates will obviously be a boost for sales volumes and property values. By contrast, however, affordability is still stretched, listings are abundant, the labour market remains soft, and debt to income ratio caps are lurking on the horizon. DTIs aren’t binding yet, but could become a much bigger consideration for some borrowers in the first half of next year.
- Overall, although falling mortgage rates mean property values might stop falling very soon, a fresh boom in 2025 seems unlikely. We anticipate sales volumes rising by perhaps 10-15% in 2025, and values by around 5%; muted by past standards.

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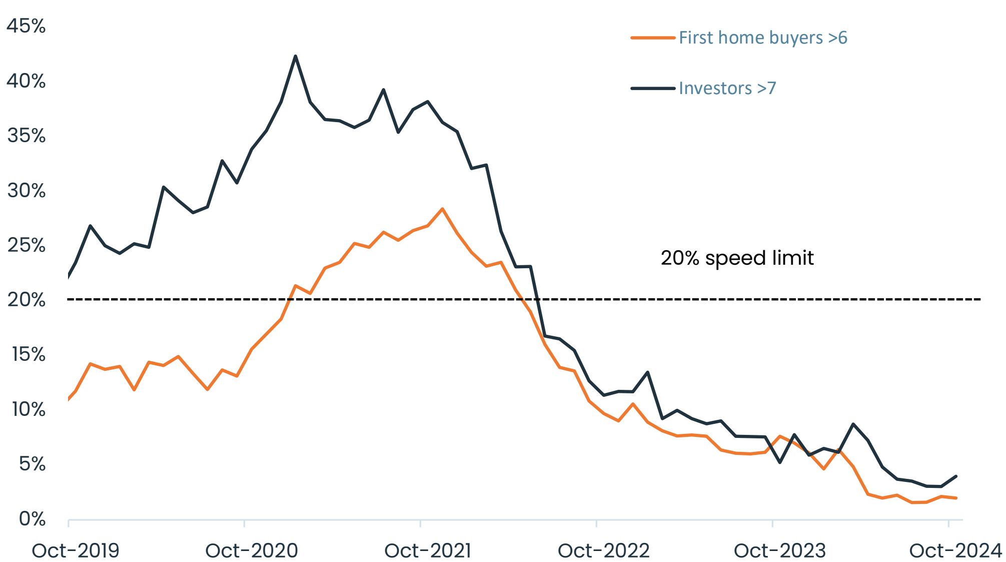
CHART OF THE MONTH

No DTI effect yet, but a key theme to watch in 2025

% share of lending at high DTIs



Source: Reserve Bank of NZ

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

RESIDENTIAL REAL ESTATE
$1.62 Trillion

NZ SUPER & KIWISAVER
$204 Billion

NZ LISTED STOCKS
$174 Billion

COMMERCIAL REAL ESTATE
$333 Billion

NUMBER OF DWELLINGS
1.69 Million

OUTSTANDING MORTGAGE DEBT
$366 Billion

HOUSEHOLD ASSETS HELD IN RESIDENTIAL REAL ESTATE (JUNE 2021)
43% (+4% since 2018)

TOTAL SALES LAST 12 MONTHS
79,488

GROSS VALUE OF SALES LAST 12 MONTHS
$70.1 Billion

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

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OVERVIEW

New Zealand property values

3 MONTHS

-0.8%

Taking the three months to November combined, there was a 0.8% drop in median property values across NZ.

12 MONTHS

-3.5%

Values dipped by 3.5% in the year to November, with the small upturn in late 2023 now close to being reversed.

FROM PEAK

-17.7%

Falls from the peak are now sitting at around 18% nationally, with some areas significantly larger.

NEW ZEALAND PROPERTY VALUES

3 month changes

Change in median property values, three months to November 2024

NEW ZEALAND

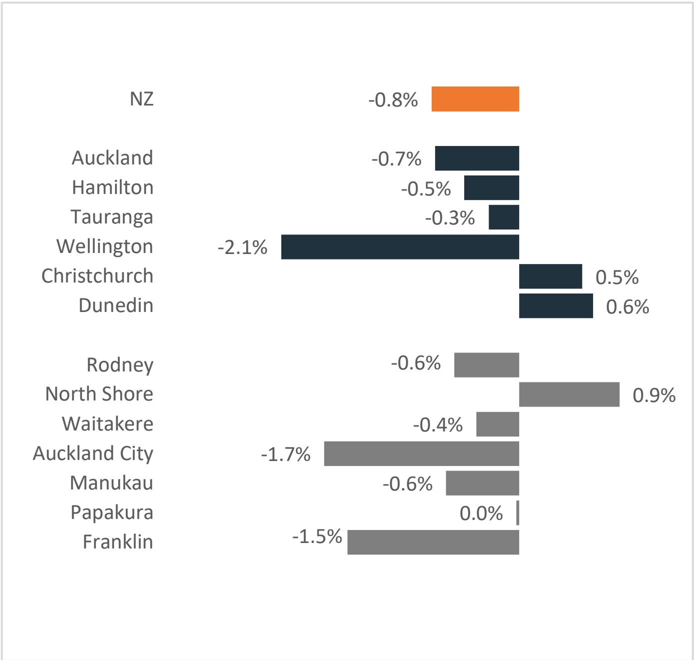
-0.8%

AUCKLAND

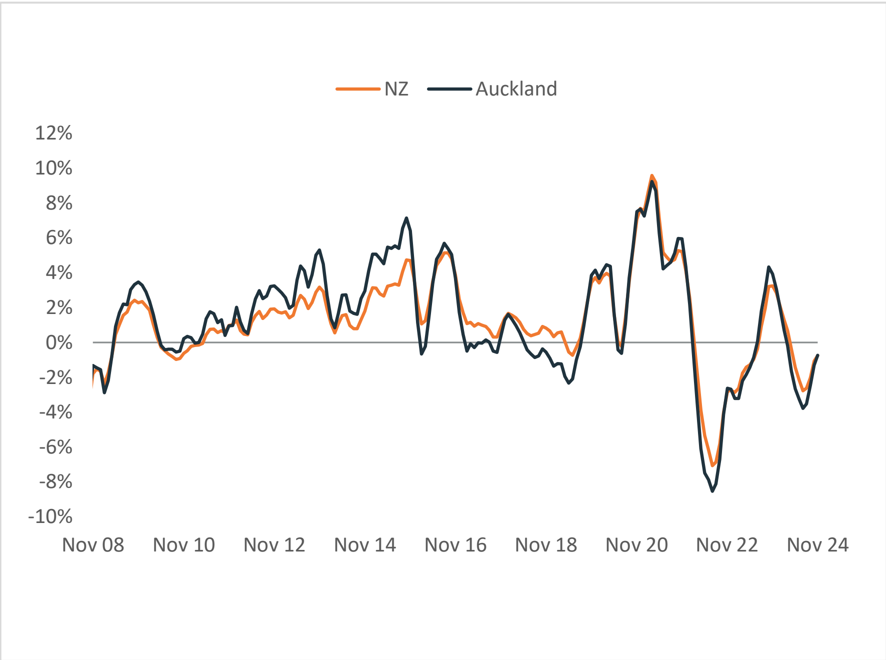
-0.7%

CHRISTCHURCH

0.5%



Rolling quarterly change in median values



Source: CoreLogic

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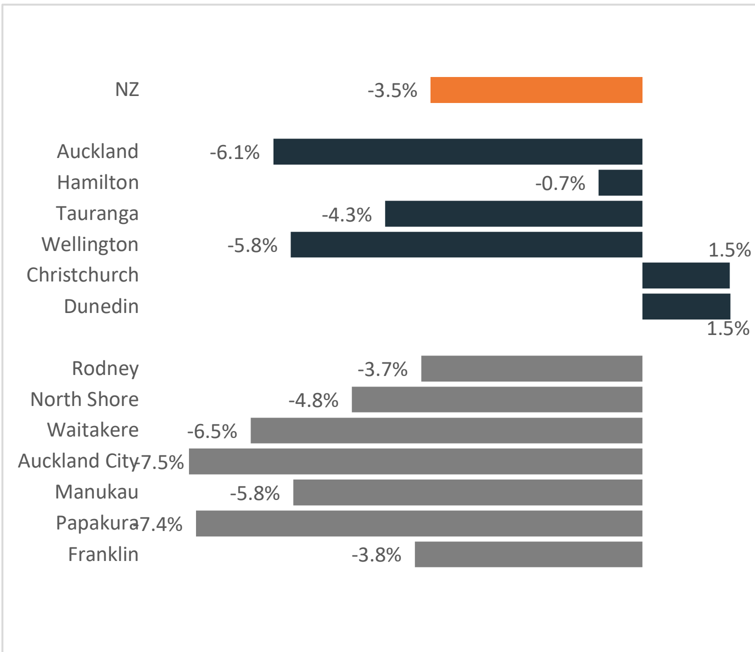
12 month changes

Change in median property values, 12 months to November 2024

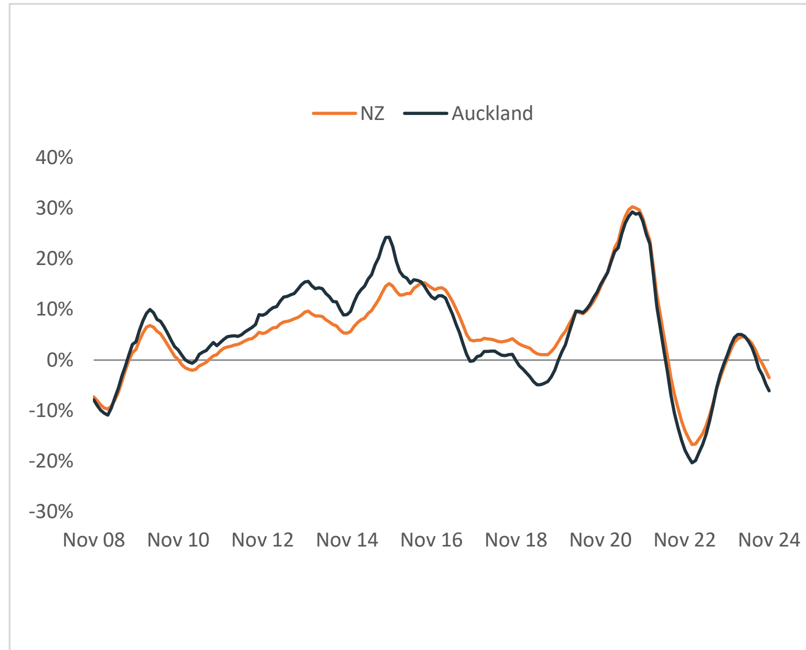
NEW ZEALAND
-3.5%

AUCKLAND
-6.1%

CHRISTCHURCH
1.5%



Rolling annual change in median values



Source: CoreLogic

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Main centres – median values

NZ FALL FROM PEAK

-17.7%

LARGEST MAIN CENTRE DECLINE:

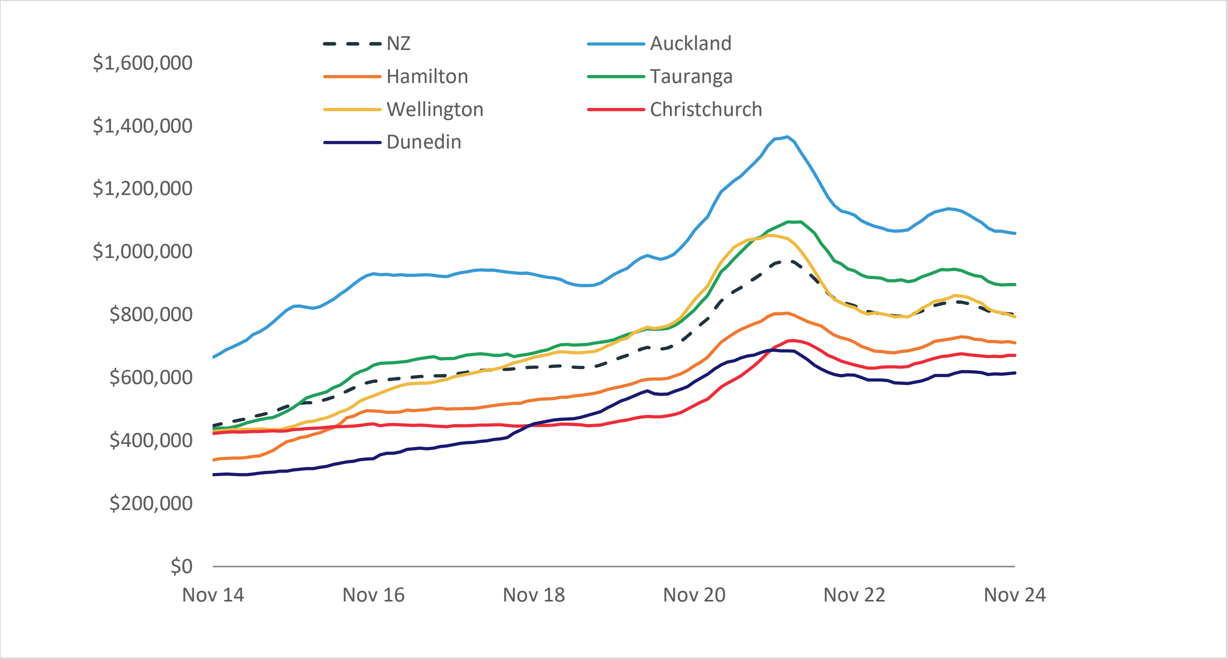
-24.6%

WELLINGTON

SMALLEST MAIN CENTRE DECLINE:

-6.5%

CHRISTCHURCH



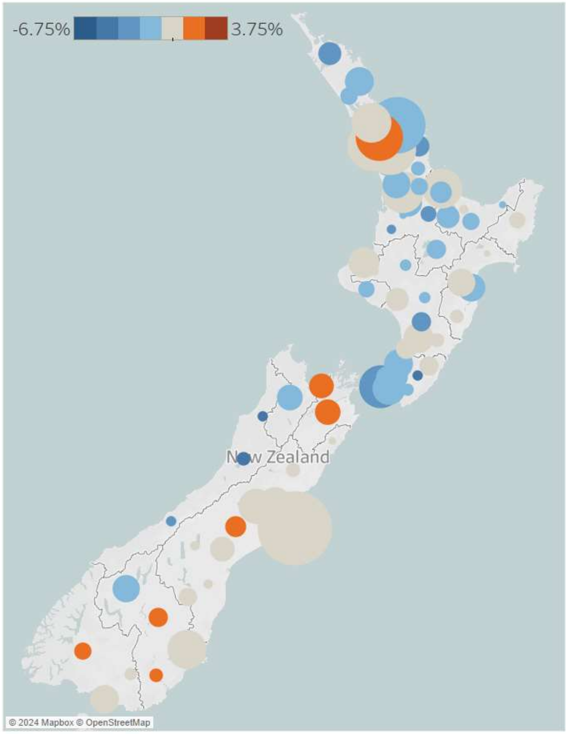
Source: CoreLogic

CoreLogic

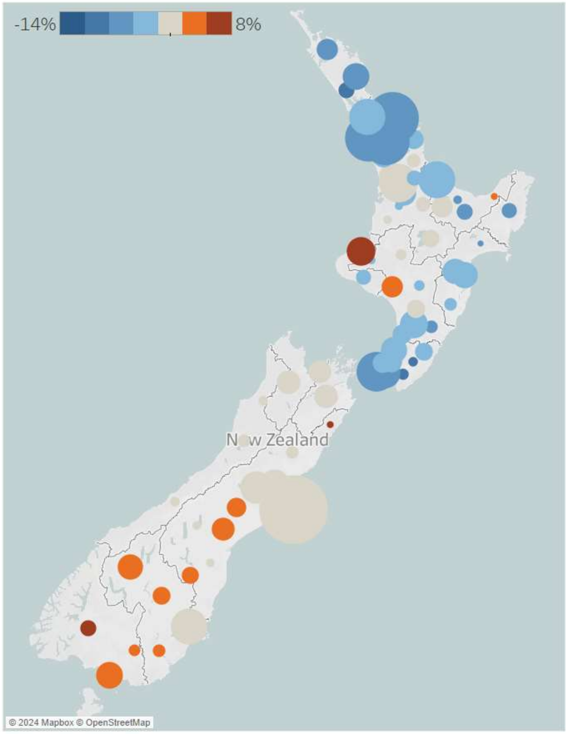
NEW ZEALAND PROPERTY VALUES

Regional changes

Change in median property values, 3 months to November 2024



Change in median property values, 12 months to November 2024



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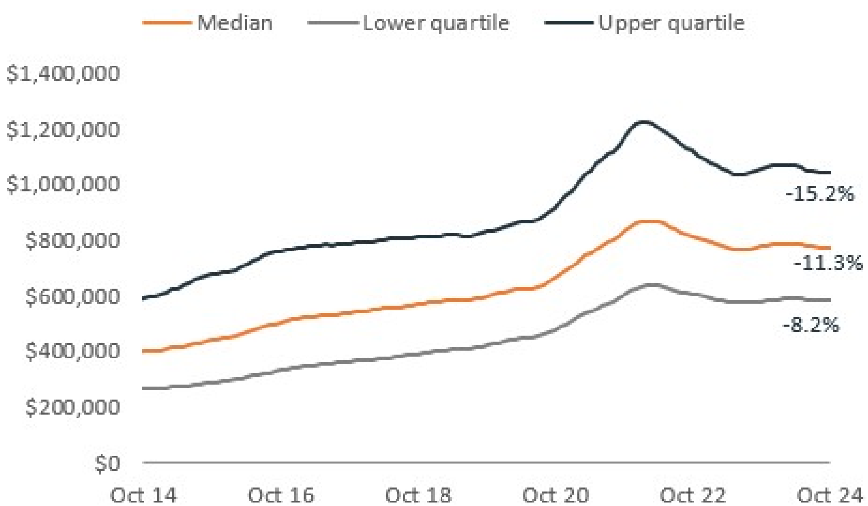
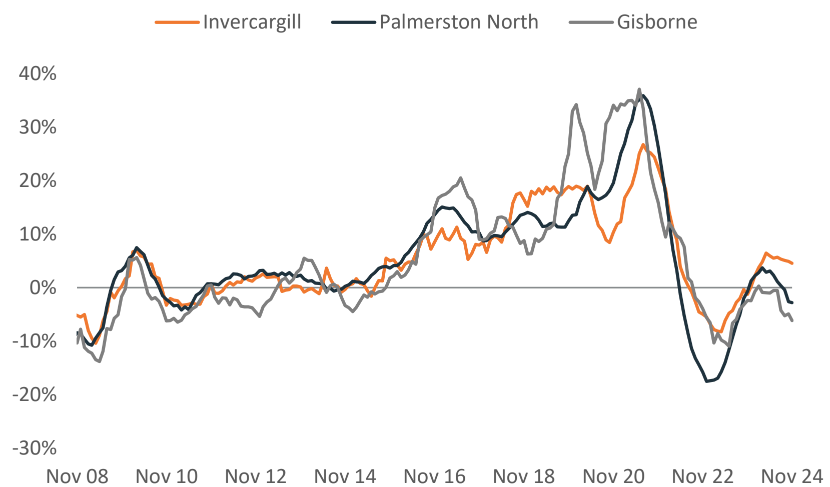
By value band and selected markets

NZ $ values median and upper & lower quartile*



Rolling annual change in median property values in selected markets



** % labels on chart indicate the change relative to peak. These figures are taken from our automated valuations model, whereas elsewhere in this report we use the hedonic home value index*

Source: CoreLogic

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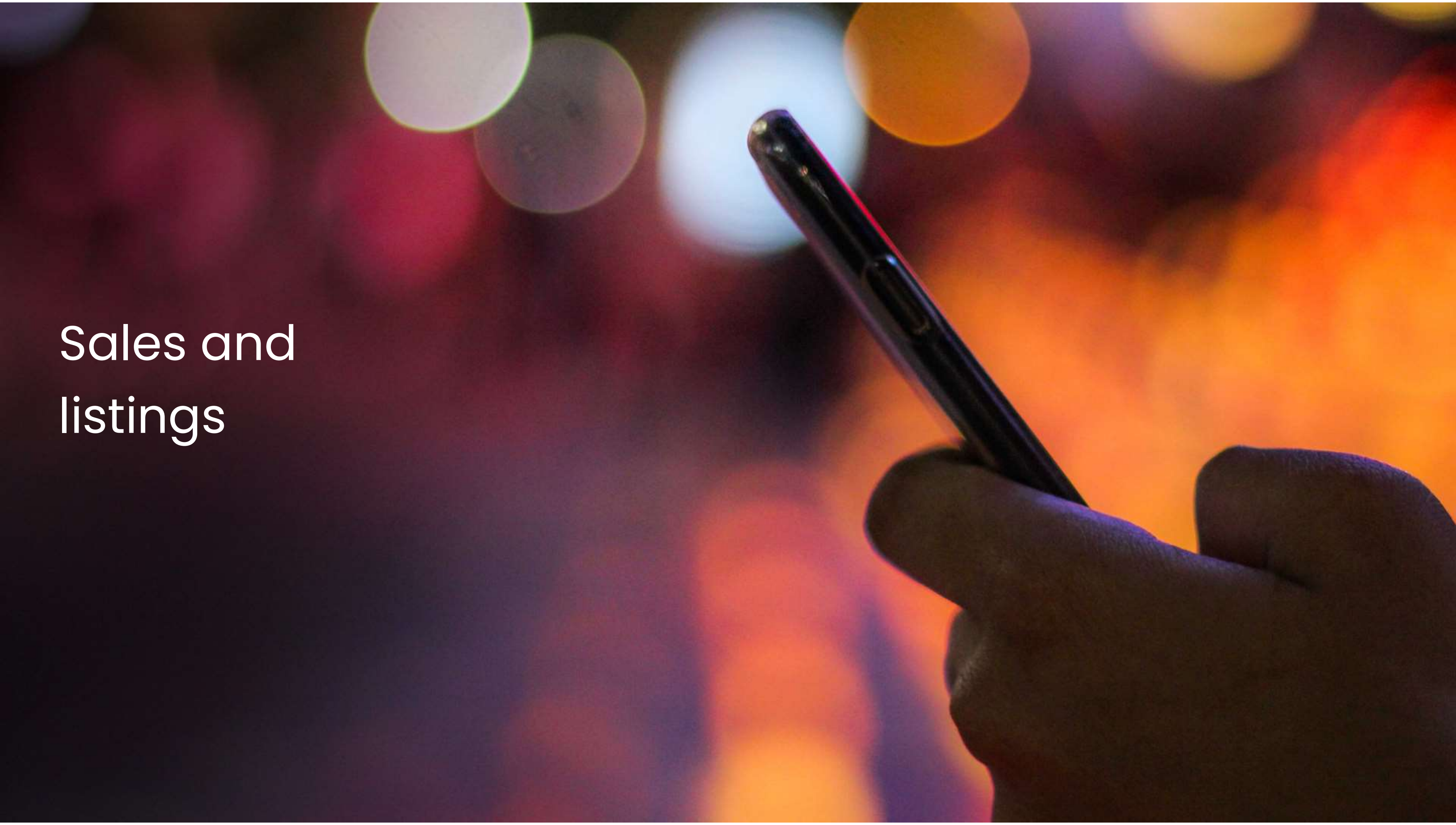
Sales and listings

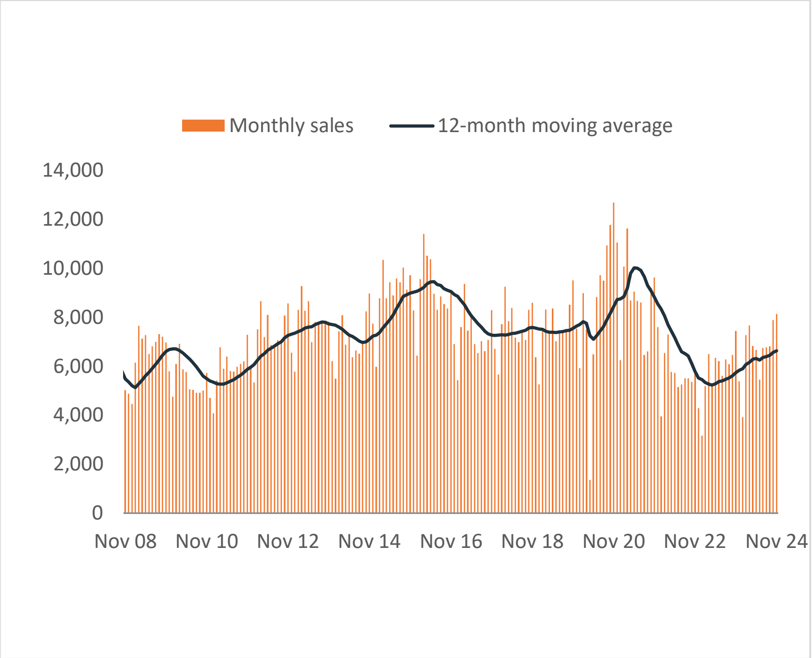


NATIONAL SALES

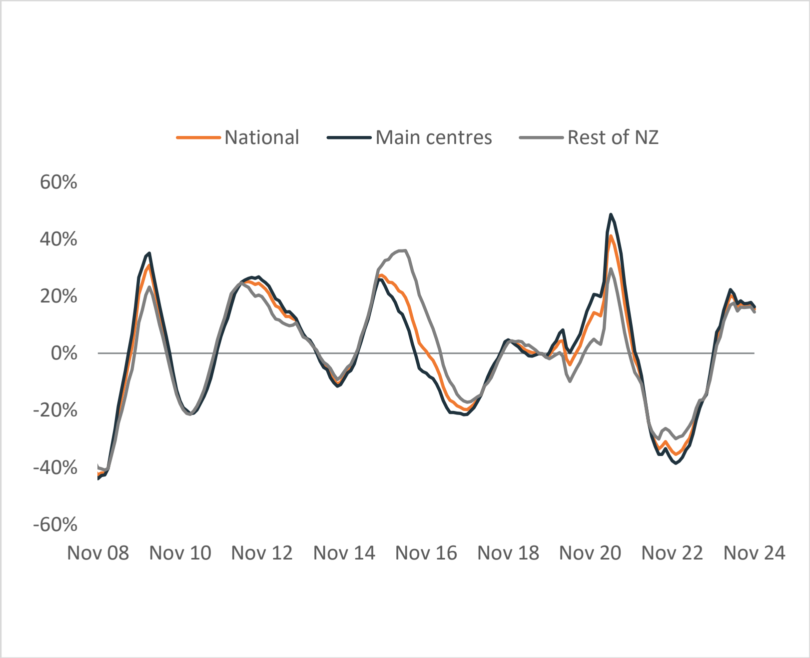
Sales volumes in November, measured across both private deals and real estate agents, were 9.3% higher than the same month last year, which was the 18th rise in the past 19 months. However, volumes remain below normal levels for the time of year (about 10% below average), and it's not due to a lack of choice. Indeed, with listings on the market still high, the relative sluggishness of sales is solely about buyer caution, and those buyers with finance still taking their time and being selective.

NEW ZEALAND*	15.5%
MAIN CENTRES*	16.2%
REST OF NZ*	14.4%

Monthly sales with 12-month moving average, national



Change in sales volumes, 12 months to November 2024



Source: CoreLogic

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

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LISTINGS

New listings activity has been solid in 2024, although it hasn't necessarily spiked upwards either – a case of not too hot, not too cold. Meanwhile, with agreed sales activity at the other end of the pipeline also rising, but still relatively low, available stock levels have risen. That's creating more choice for buyers, and it wouldn't be a surprise to see listings continue to flow pretty nicely in the coming months (at least compared to normal seasonal patterns), especially if the shorter Brightline Test eventually prompts some investors to sell.

NEW LISTINGS OVER THE 4 WEEKS ENDING 1st DECEMBER

11,538

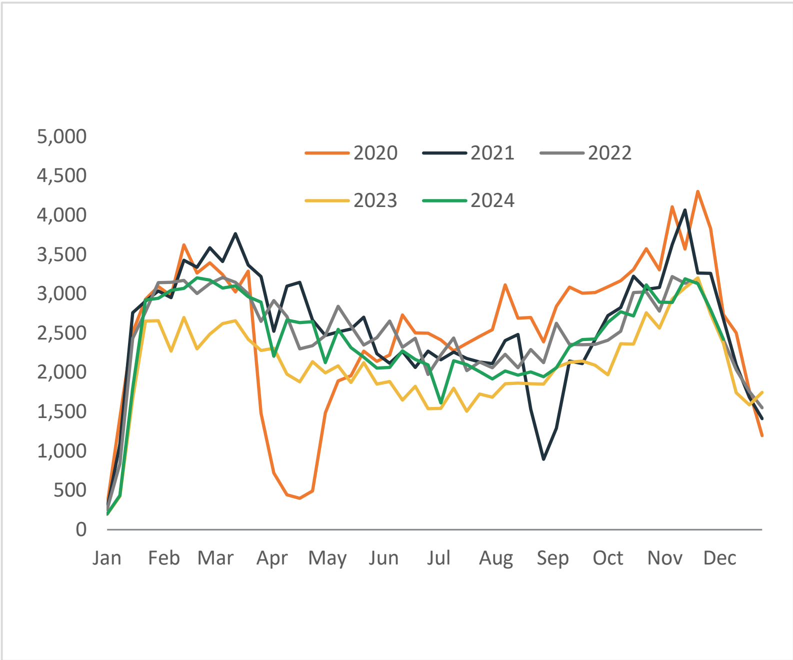
SAME TIME LAST YEAR

11,392

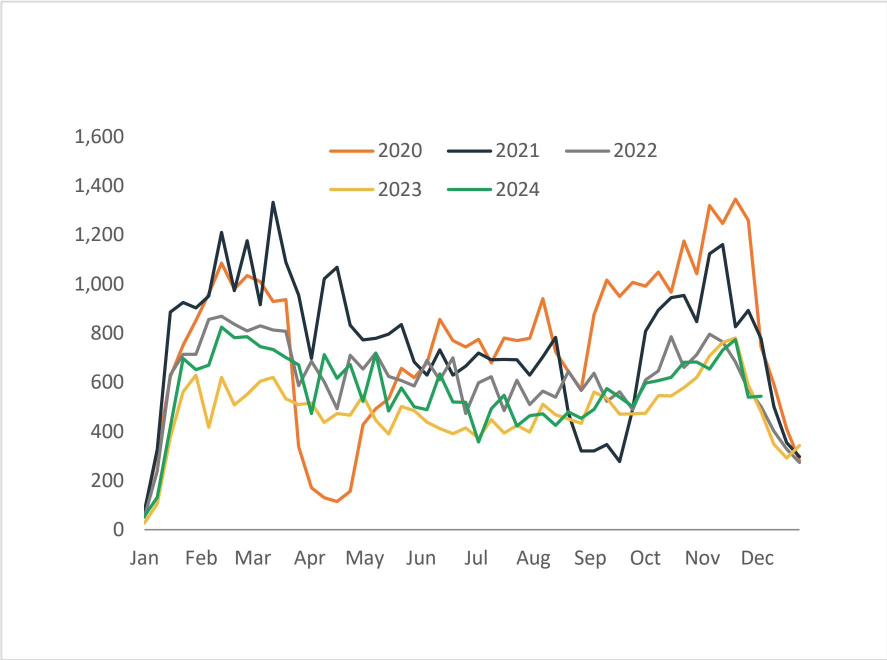
FIVE YEAR AVERAGE

12,256

New listings national



New listings Auckland



Source: CoreLogic

LISTINGS

The total number of properties on the market remains higher than in previous years, as more new listings have been made, and have continued to exceed (slowly rising) sales volumes. West Coast is lower than last year in terms of total listings on the market, but key regions such as Wellington, Bay of Plenty, and Auckland have all risen by at least 10%. That will tend to dampen price pressures to a degree.

TOTAL LISTINGS ON THE MARKET

30,150

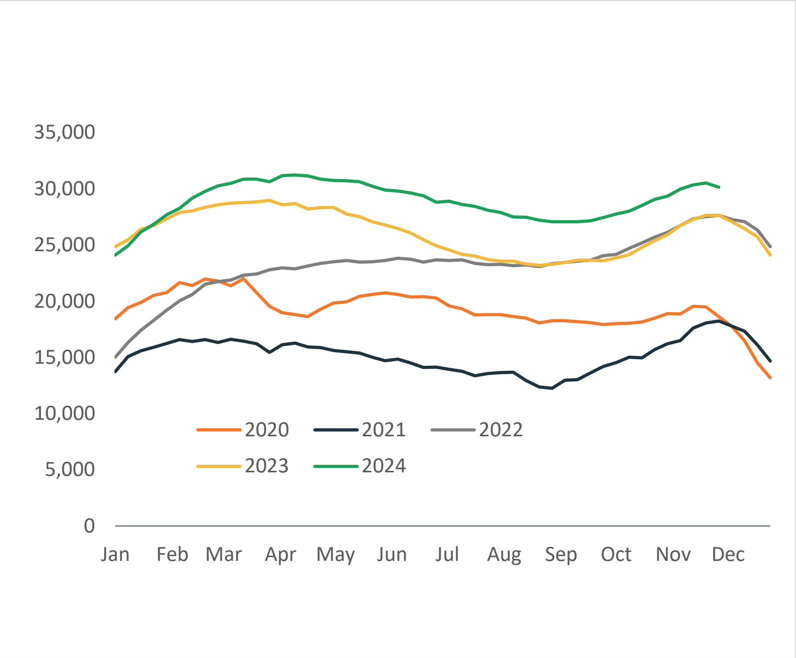
SAME TIME LAST YEAR

27,618

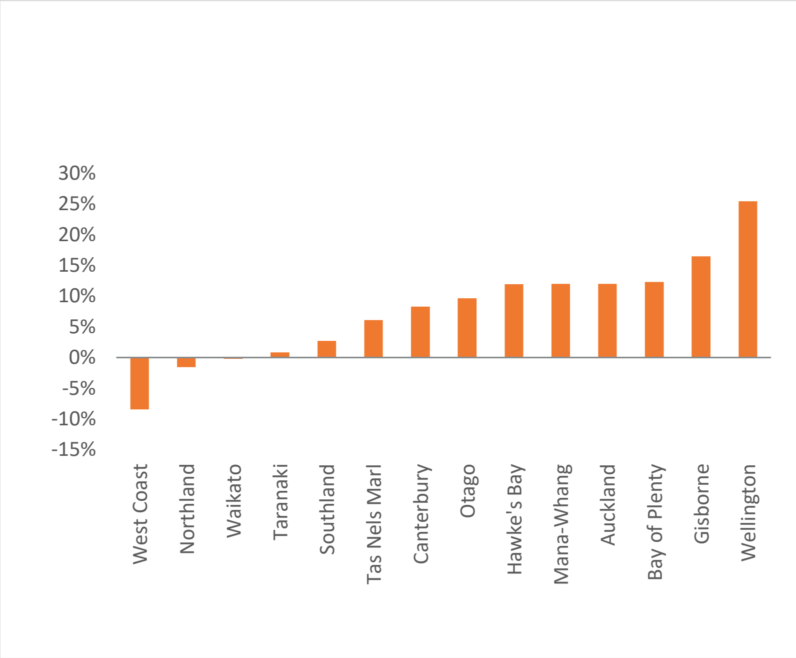
FIVE YEAR AVERAGE

23,990

Total listings national

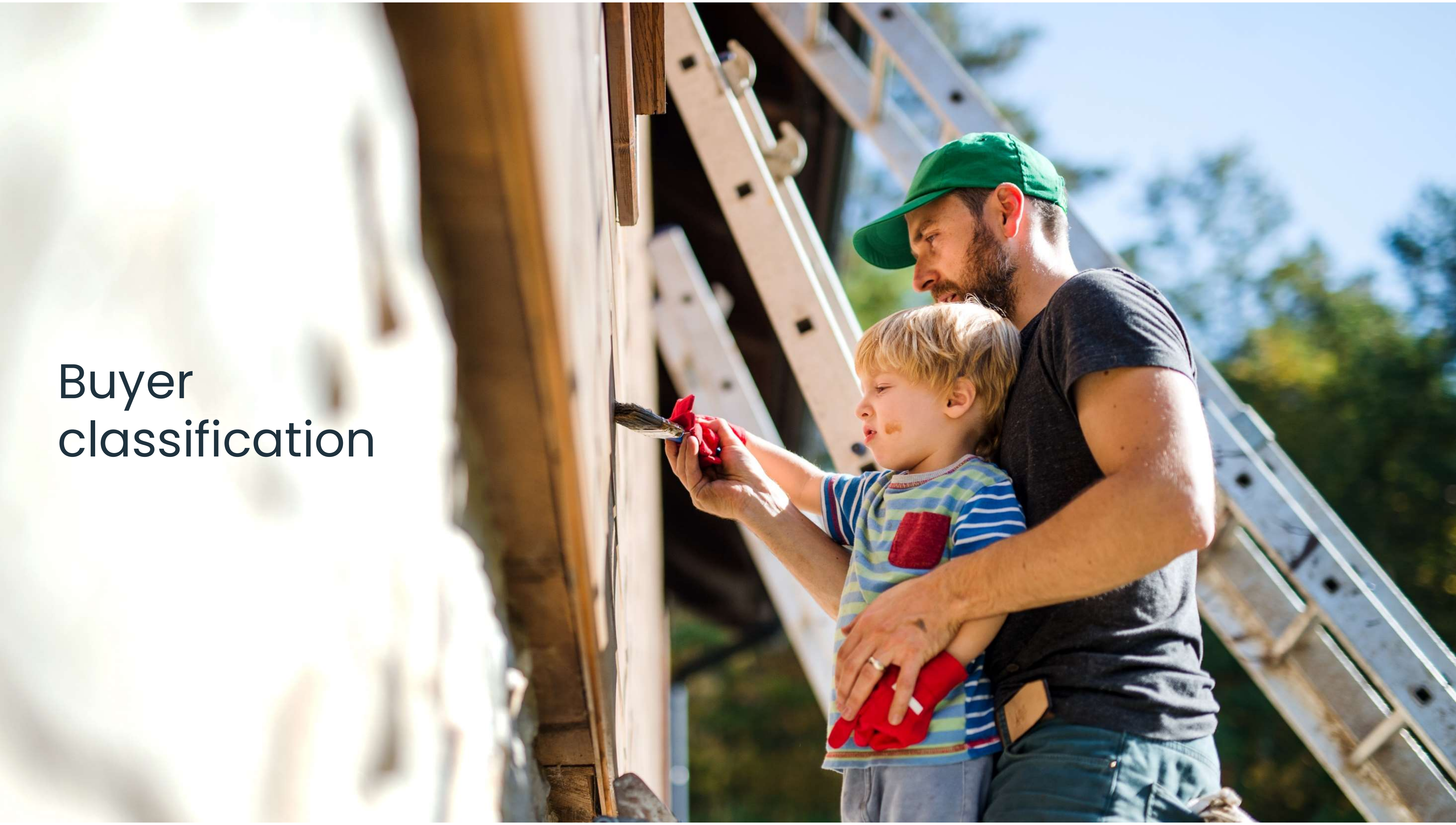


Latest total listings count vs same time last year



Source: CoreLogic

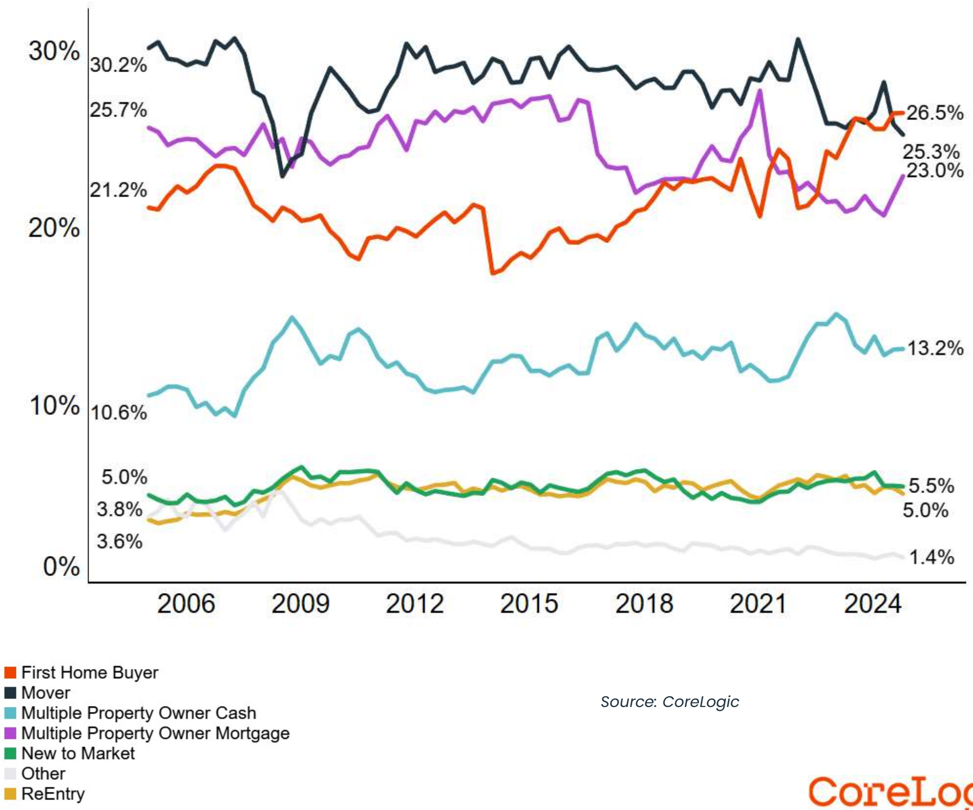
Buyer classification



Buyer Classification

- First home buyers (FHBs) remain a strong presence in the property market, although their % share of purchases did drop from 27.7% in October to 25.5% in November. Across the fourth quarter to date (see chart) they sit at 26.5%.
- FHBs are enjoying lower house prices than at the peak, less competition from other buyer groups, and also some other supports – such as KiwiSaver for the deposit and access to low-deposit finance at the banks.
- Meanwhile, although the share of purchases going to mortgaged multiple property owners (MPOs, including investors) remains low by past standards, there have been hints in the past 3-4 months that this group is just starting to return. Indeed, they hit 23.1% in November.
- That would be consistent with falling mortgage rates, the easing in the LVR rules from 1st July, and interest deductibility being back at 80% this tax year.
- Finally, relocating owner-occupiers ('movers') remain quieter than normal. That said, we suspect there might be some pent-up demand to move, so this is a group to watch in the coming months.

% share of property purchases, New Zealand



Source: CoreLogic

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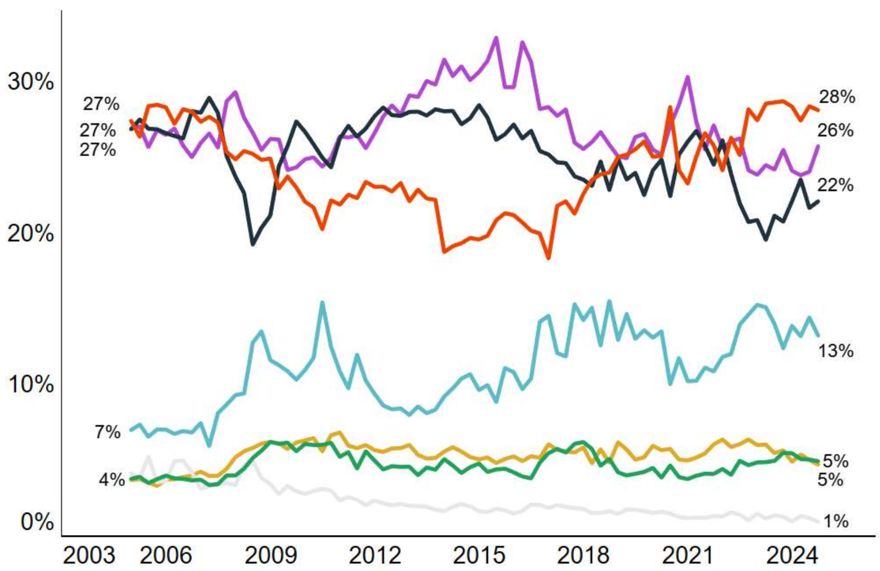
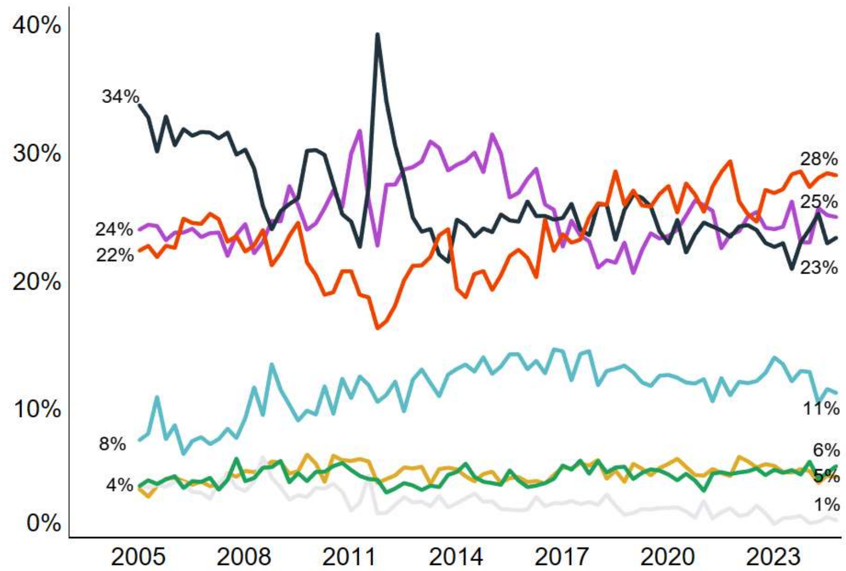
% MARKET SHARE OF PROPERTY PURCHASES – BUYER CLASSIFICATION

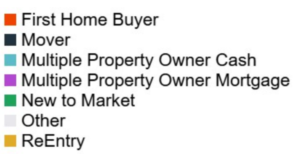
Selected main centres

Auckland



Christchurch





Source: CoreLogic

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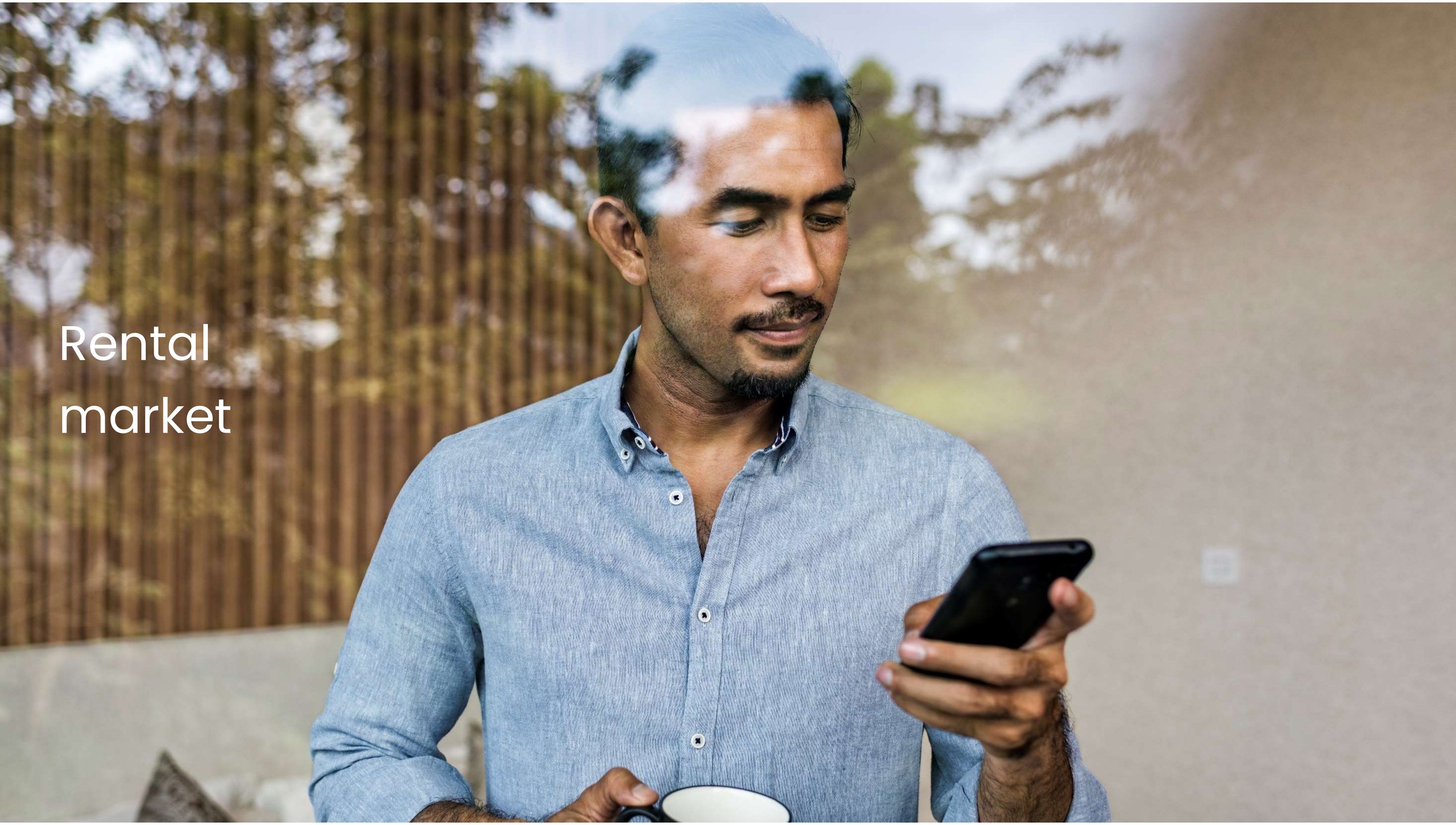
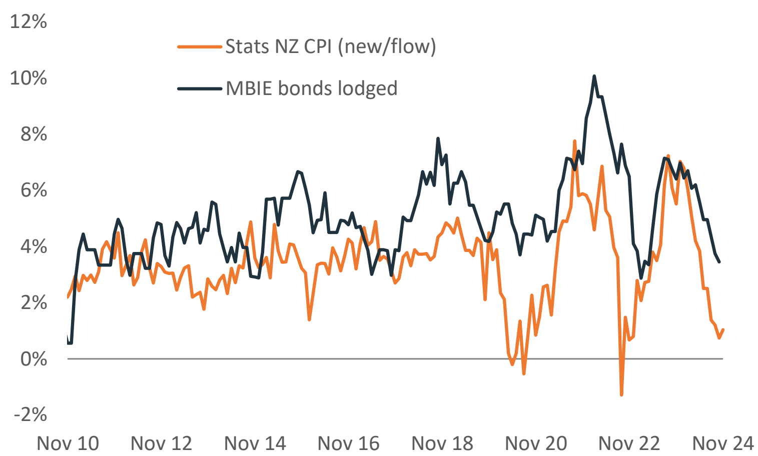
Rental market



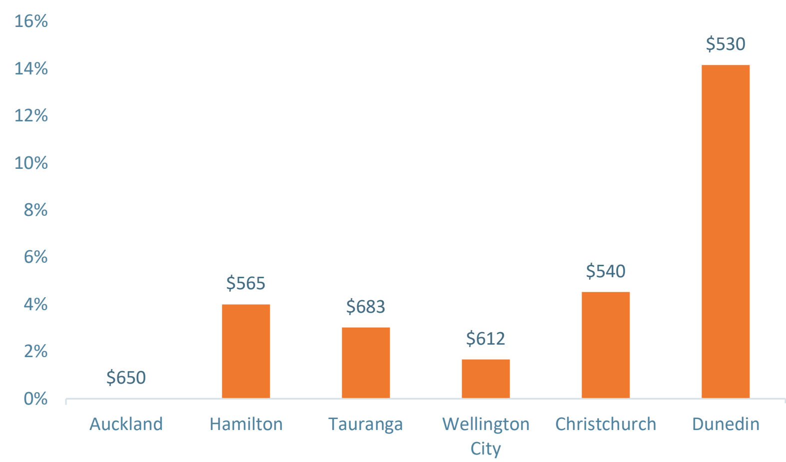
RENTAL RATES

Rental growth has now clearly settled into a more subdued phase, and was only 1.0% in the year to November on the Stats NZ flow/new tenancy measure. That's comfortably below the long-term average of 3.2%. Rents are already high in relation to household incomes, so a slowdown was always likely at some stage. But subdued rental demand (from slowing net migration) and more available listings on the market are also adding to the slowdown too.

Annual change in national rents to October/November 2024



Annual change in median rents (MBIE)*



Source: Stats NZ, MBIE

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

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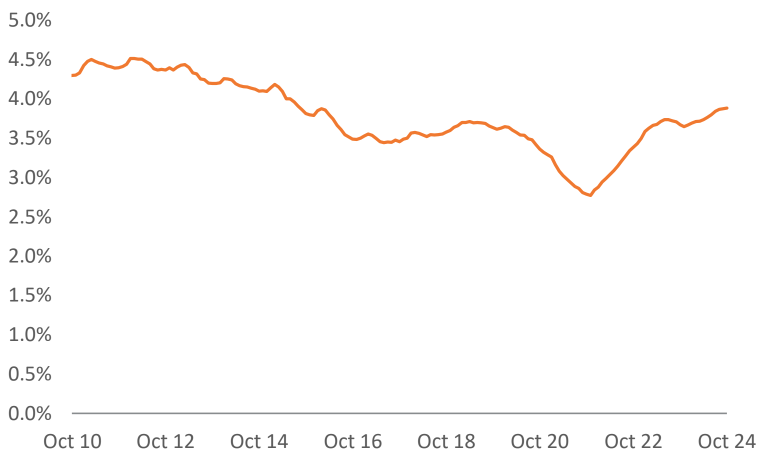
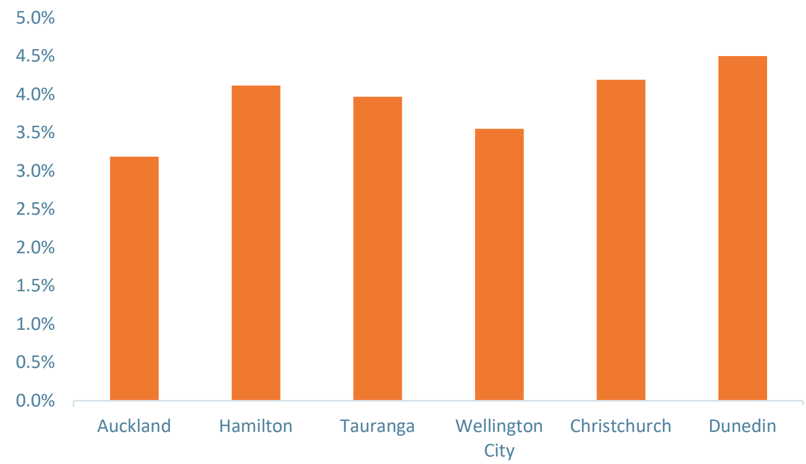
RENTAL YIELDS

Over the past 2-3 years, gross rental yields have been trending slowly higher, as values have weakened and rents have risen (albeit they've slowed lately). From a floor of 2.8% in late 2021, they now stand at 3.9%, which is the highest level since early 2016. Auckland is at 3.2%, but Wellington has edged up to 3.5%, with Hamilton, Tauranga, and Christchurch all in and around the 4% mark. Dunedin sits a little higher at 4.5%. Even though rental yields have trended higher, they're still relatively low compared to mortgage rates, so some would-be property investors might still be watching and waiting for interest rates to fall even further – which would reduce the required top-ups from other income.

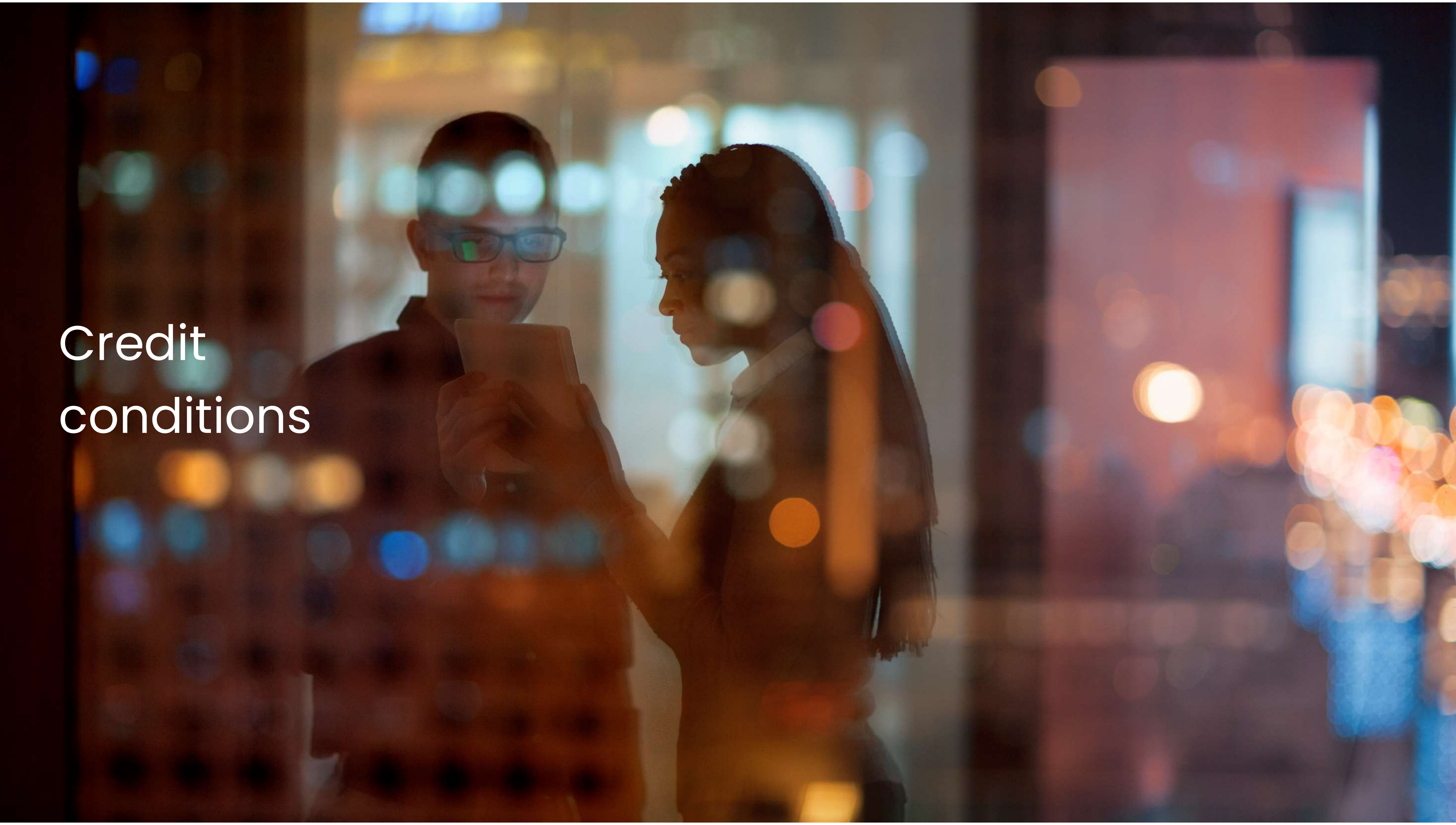
Gross rental yields, national



Gross rental yields, main centres



Source: CoreLogic, MBIE



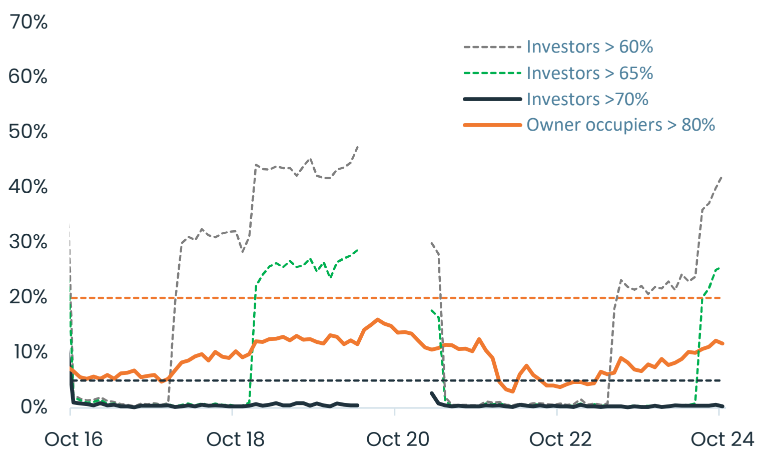
Credit conditions

CREDIT CONDITIONS

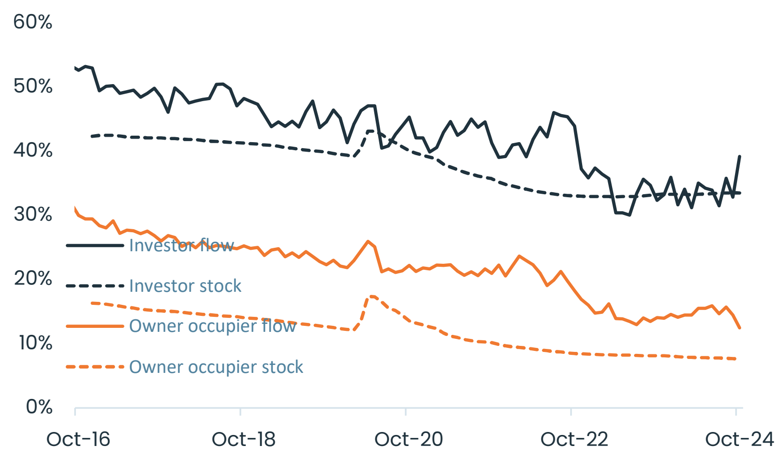
Lending flows

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 remains relatively low, although there has been tentative evidence of an upwards trend again for investors; something worth watching.

% share of lending at high LVR



% share of lending on interest-only terms



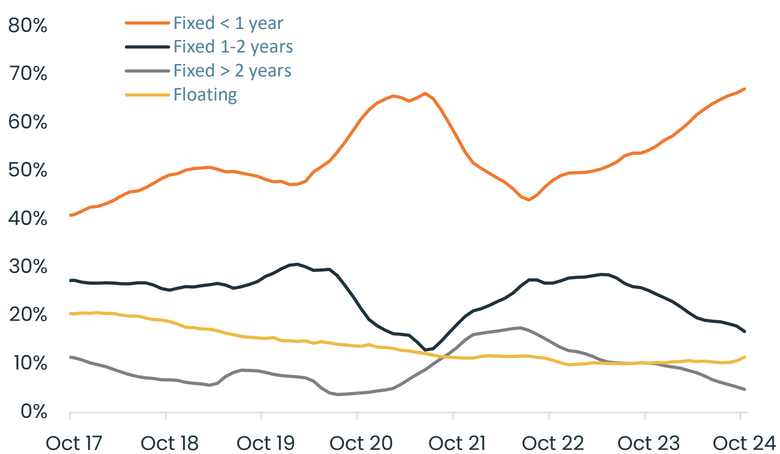
Source: Reserve Bank NZ

CREDIT CONDITIONS

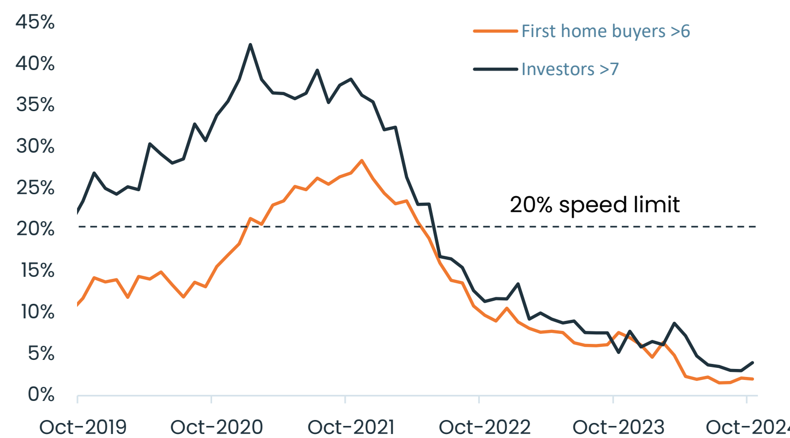
Lending flows

Around 67% of NZ's existing mortgages by value are currently fixed but due to reprice onto a new mortgage rate over the next 12 months. For the past 2-3 years these repricing events have generally meant a higher mortgage rate, but in the coming months more borrowers are going to start seeing their rates fall. Meanwhile, even though rates are falling, loan sizes remain fairly low in relation to incomes, i.e. DTIs are 'under control'.

% share of existing loans on various terms to repricing



% share of lending at high debt to income ratio (DTI)



Source: Reserve Bank NZ

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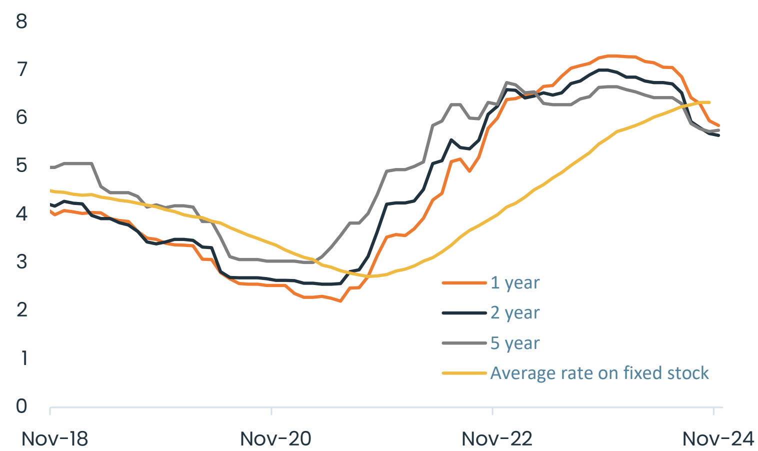
CREDIT CONDITIONS

The OCR and mortgage rates

The economy continues to struggle and, with headline inflation (2.2%) now back inside the policy target, it's no surprise to see that the Reserve Bank has already cut the official cash rate by 1.25% since mid-August. It seems likely that the OCR will be cut again on 19th February (potentially by another 0.5%), and the outlook is for mortgage rates themselves to keep falling too.

Official cash rate and 1-year special fixed rate

Current special mortgage rates and average on existing stock



Source: Reserve Bank NZ

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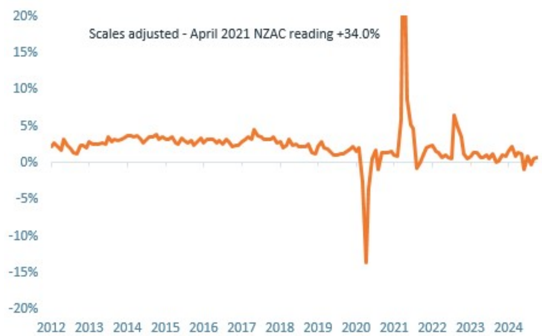
Economic indicators

ECONOMIC INDICATORS

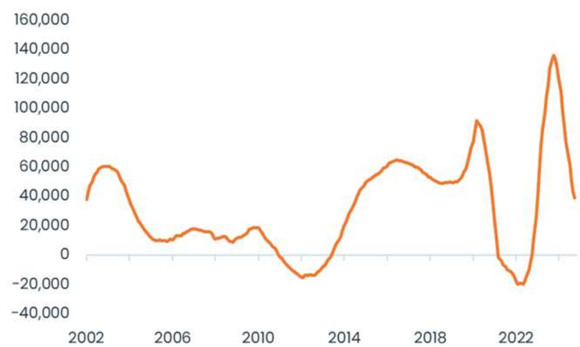
Unemployment rate %

% three month change in filled jobs

% annual change NZ Activity Index



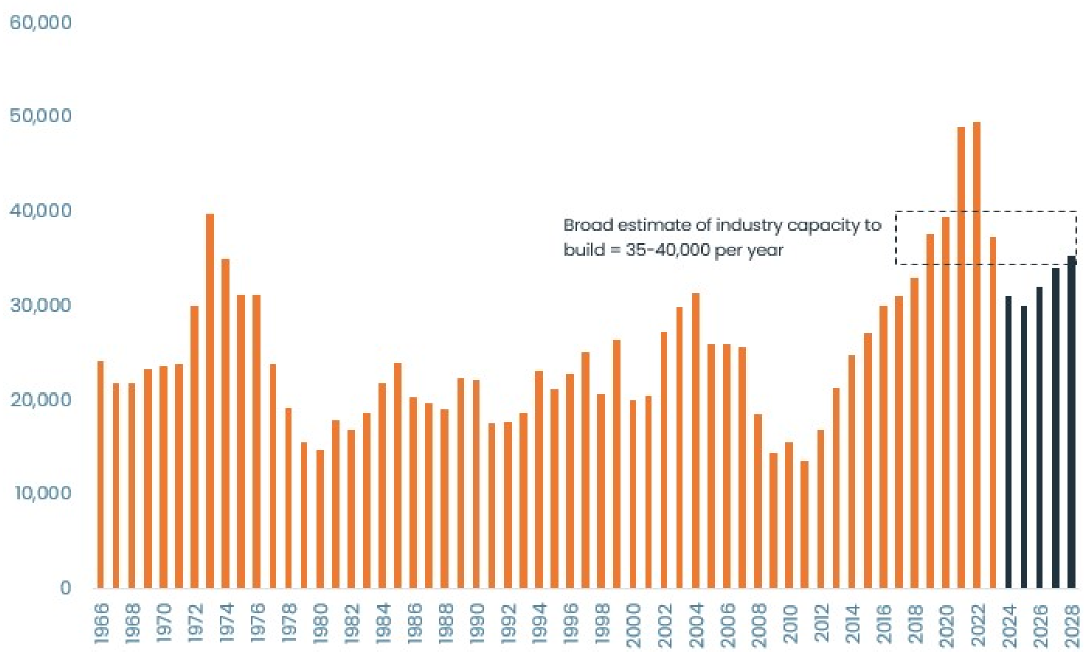
Annual net migration flow



Source: Stats NZ

ECONOMIC INDICATORS

New dwellings consented, annual totals – history (orange) and forecast (blue)



Source: Stats NZ, MBIE, BRANZ, Pacifecon

Get in Touch

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