PROPERTY / NEWS

CoreLogic says national house values nudged 0.2% lower in August, with the three-month change 'also easing' to a 1.8% fall. The average property is now worth $905,466, which is 13.2% below the peak level

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Source: 123rf.com

Still falling, but about to stop, CoreLogic is assuring us, as national house values continued to edge lower in August.

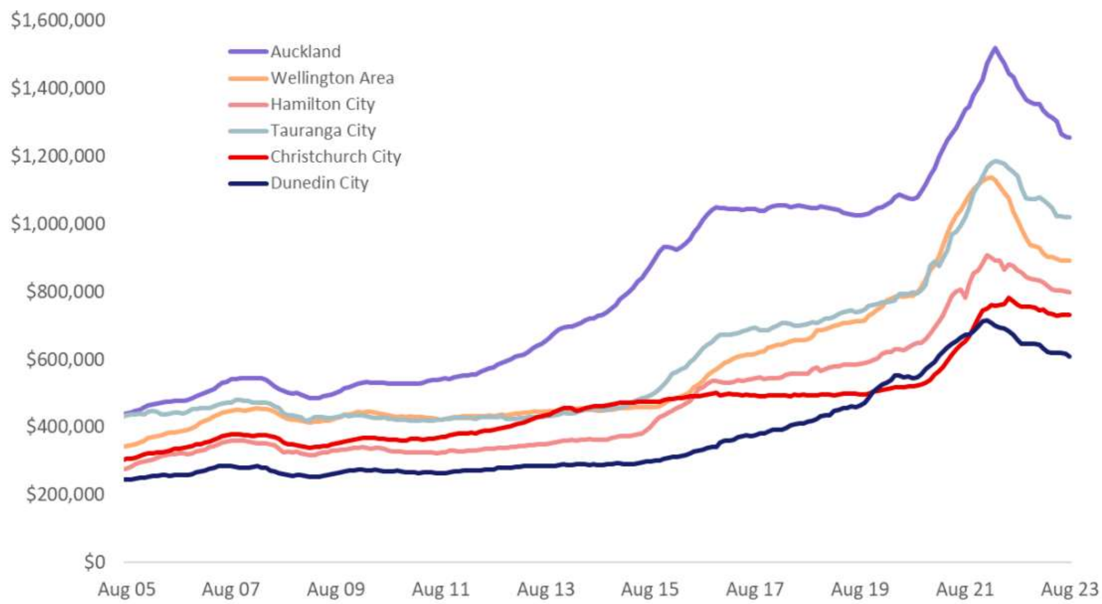
According to the CoreLogic House Price Index (HPI) national values nudged 0.2% lower in August, with the three-month change "also easing" to a 1.8% fall.

Nationally, the average property is now worth $905,466, which is 13.2% below the peak (or -$137,795), and down 8.7% in the past 12 months. But this is still 24.3% ($177,190) higher than March 2020's 'pre-Covid' figure.

CoreLogic NZ chief property economist, Kelvin Davidson said a number of key sub-markets had recorded value increases in August and "it's only a matter of time until the national average flattens out or even starts to rise too".

"Although values have continued to edge lower nationally, the floor is likely to be near, with many of the key fundamental drivers now turning around," he said.

CoreLogic House Price Index – Main Centre Average Value



Davidson said 2023 "always had the potential to be a year of two halves – subdued for a start, but signs of an upturn later – and this is coming to fruition".

"However, the next phase for the market still looks likely to be slow and patchy, rather than the rampant upturn we saw over 2020-21.

"After all, the volume of sales is rising from a very low base of less than 60,000 annually, and it may be quite some time until purchasing activity returns to 'normality', which is around 90,000 to 95,000 sales per annum. Affordability is still challenging, mortgage rates are set to be 'higher for longer', and debt to income ratio caps for mortgage lending remain on the cards for 2024 – all factors which could help to contain any major market exuberance."

In such an environment, Davidson said, buyers won't feel excessive pressure to secure a deal before somebody else does, "in turn keeping some kind of lid on price growth".

"Granted, 'animal spirits' can drive faster growth in values than the underlying drivers would suggest is likely, but psychology will likely have a lesser role to play when mortgage rates are 7% and those real cash outgoings to service debt each week are high."

Mortgage rates are likely to now be close to their peak, Davidson said, although further small changes can't be ruled out as global markets, and hence wholesale financing costs, "remain a little jittery".

"On top of that, migration has significantly boosted property demand, and labour markets remain robust. We're also now starting to see the impact of the loosening in the loan to value ratio rules from June 1 flow through to more low-deposit lending for both owner-occupiers and investors with a 35% to 40% deposit, who were previously locked out."

Davidson said a possible National Party win in the October 14 election could have an impact.

"A shorter Brightline Test may drive increased investment purchases, but also some sales by existing investors, given no/reduced liability for capital gains tax. And while the phased reinstatement of mortgage interest deductibility could boost sentiment, the hard sums might not be altered too much – many purchases would still make big cashflow losses for a start, because rental yields would still be low and mortgage rates high. Of course, existing investors would pay less tax.

"The softened foreign buyer rules could also boost demand and prices, although probably more so in local markets than across NZ as a whole. In Queenstown, for example, about 10% of properties are valued at $2 million plus, and we know it's already more popular with foreign buyers, who could potentially exacerbate the shortages of stock at 'affordable' prices that already exist."

CoreLogic House Price Index - National and Main Centres

	Change in property values				Average Value
	Month	Quarter	Annual	From peak	
New Zealand	**-0.2%**	**-1.8%**	**-8.7%**	**-13.2%**	**$905,466**
Auckland	-0.3%	-3.8%	-10.7%	-17.5%	$1,254,950
Hamilton	-0.2%	-0.7%	-7.4%	-12.0%	$799,549
Tauranga	-0.2%	-0.4%	-10.6%	-14.1%	$1,019,075
Wellington	-0.3%	-0.6%	-11.8%	-21.7%	$890,710
Christchurch	0.2%	0.2%	-3.8%	-6.6%	$731,900
Dunedin	-1.1%	-1.7%	-7.1%	-14.7%	$609,767

CoreLogic House Price Index – Auckland

	Change in property values				Average Value
	Month	Quarter	Annual	From peak	
Rodney	-0.2%	-1.7%	-11.9%	-14.0%	$1,222,295
North Shore	0.5%	-0.6%	-8.5%	-14.9%	$1,426,592
Waitakere	-0.3%	-2.3%	-11.6%	-19.3%	$989,281
Auckland City	-1.0%	-7.5%	-10.9%	-18.4%	$1,439,845
Manukau	0.5%	-0.3%	-10.1%	-17.7%	$1,131,251
Papakura	-0.7%	2.1%	-13.6%	-16.7%	$903,855
Franklin	1.4%	-4.9%	-9.7%	-13.8%	$909,003

CoreLogic House Price Index – Wellington

	Change in property values				Average Value
	Month	Quarter	Annual	From peak	
Kāpiti Coast	0.5%	0.4%	-12.9%	-18.5%	$810,177
Porirua	-0.4%	-0.4%	-11.9%	-21.2%	$797,190
Upper Hutt	0.4%	1.3%	-13.3%	-24.2%	$727,435
Lower Hutt	-1.2%	-2.4%	-13.7%	-24.3%	$758,886
Wellington City	0.1%	-0.1%	-10.7%	-21.0%	$1,018,564

CoreLogic House Price Index – Other Main Urban Areas (ordered by annual growth)

	Change in property values				Average Value
TA	Month	Quarter	Annual	From peak	
Napier	-0.6%	-2.4%	-10.8%	-17.6%	$737,644
Gisborne	-1.6%	-3.3%	-10.1%	-14.5%	$579,658
Palmerston North	-0.2%	0.2%	-10.1%	-15.5%	$637,014
Whanganui	-1.5%	-3.0%	-9.8%	-13.8%	$493,700
Whangārei	-0.1%	-1.4%	-9.5%	-12.7%	$736,623
Hastings	1.1%	0.2%	-9.3%	-14.6%	$773,658
Rotorua	-0.1%	-1.1%	-8.8%	-13.8%	$639,171
Nelson	-1.1%	-1.9%	-7.0%	-11.0%	$777,089
New Plymouth	-0.7%	1.6%	-2.8%	-5.4%	$710,442
Invercargill	0.6%	2.6%	-2.4%	-4.9%	$458,642
Queenstown	0.2%	-3.0%	0.0%	-2.9%	$1,675,462

[A more detailed regional breakdown of the latest figures is available here.]