

CoreLogic

Monthly NZ Housing Chart Pack

Unlocking smarter
property decisions

JULY 2024



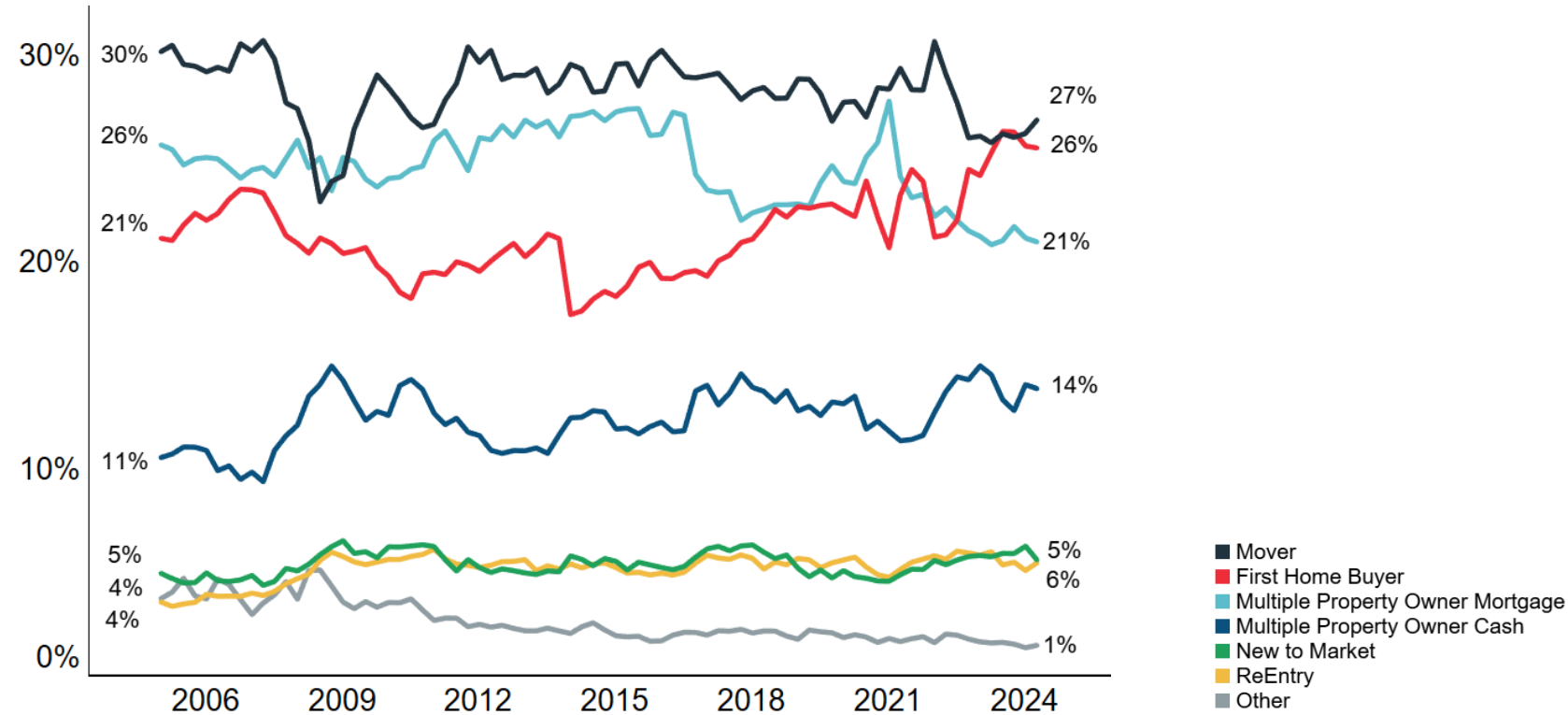
It's never easy, but first home buyers are still succeeding

- Sales activity weakened markedly in June, with just 4,744 deals across real estate agents and private sellers – that's down by 22.1% from the same month last year, breaking of run of 13 months of growth. Buyer demand remains restrained by high mortgage rates, and even those that have the finance in place are taking their time and being selective.
- Indeed, the stock of available listings on the market is elevated at present – or in other words, the choice for buyers is high – and that's feeding into weaker price pressures. The CoreLogic House Price Index dropped by 0.5% in June, taking the fall since March to 0.8%. Auckland has been among the weaker markets, although there's patchiness in general across the country, also consistent with the softer labour market and reduced job security.
- Nevertheless, first home buyers show few signs of pulling back, with their market share holding up at 26% in the second quarter, continuing to hover at record highs. It's never easy to buy that first home, but at the moment this group is enjoying lower house prices than at the peak, less competition from other buyer groups, as well as other supports such as access to KiwiSaver for the deposit (or at least some of it). Given the recent loosening in the loan to value ratio rules, it'll be interesting to see whether that adds an extra boost for FHBs, who are already making full use of the banks' low deposit lending allowances.
- The NZ economy remains very sluggish, with sectors such as retail, manufacturing, and construction all facing significant challenges. On the flipside, inflation is coming down, and the Reserve Bank now seems to be preparing the ground for a possible official cash rate cut before the end of the year, maybe November. That would help mortgage rates to start to fall.
- In turn, lower financing costs would be welcomed by all debt-backed property buyers, but especially investors, who have recently been struggling with negative cashflow (i.e. rents not covering the mortgage). Of course, investors will also be watching the recent slowdown in net migration into NZ, which is cooling property demand and seeing rents flatten off, after a period of growth.
- Overall, to us, 2024 still looks likely to be a pretty underwhelming year for property, with signs that values have well and truly lost momentum again.

CHART OF THE MONTH

First home buyers just keep rolling on

National % share of property purchases



Source: CoreLogic

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



RESIDENTIAL REAL ESTATE

\$1.62 Trillion



NZ SUPER & KIWISAVER

\$193 Billion



NZ LISTED STOCKS

\$167 Billion



COMMERCIAL REAL ESTATE

\$331 Billion

NUMBER OF DWELLINGS

1.68 Million

OUTSTANDING MORTGAGE DEBT

\$360 Billion

HOUSEHOLD ASSETS HELD IN RESIDENTIAL REAL ESTATE (JUNE 2021)

43% (+4% since 2018)

TOTAL SALES LAST 12 MONTHS

72,161

GROSS VALUE OF SALES
LAST 12 MONTHS

\$64 Billion

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

OVERVIEW

New Zealand property values

3 MONTHS

-0.8%

Taking the three months to June combined there was a 0.8% drop in average property values across NZ.

12 MONTHS

1.8%

Values edged up by 1.8% in the year to June, although only because of a short burst of growth in late 2023/early 2024.

FROM PEAK

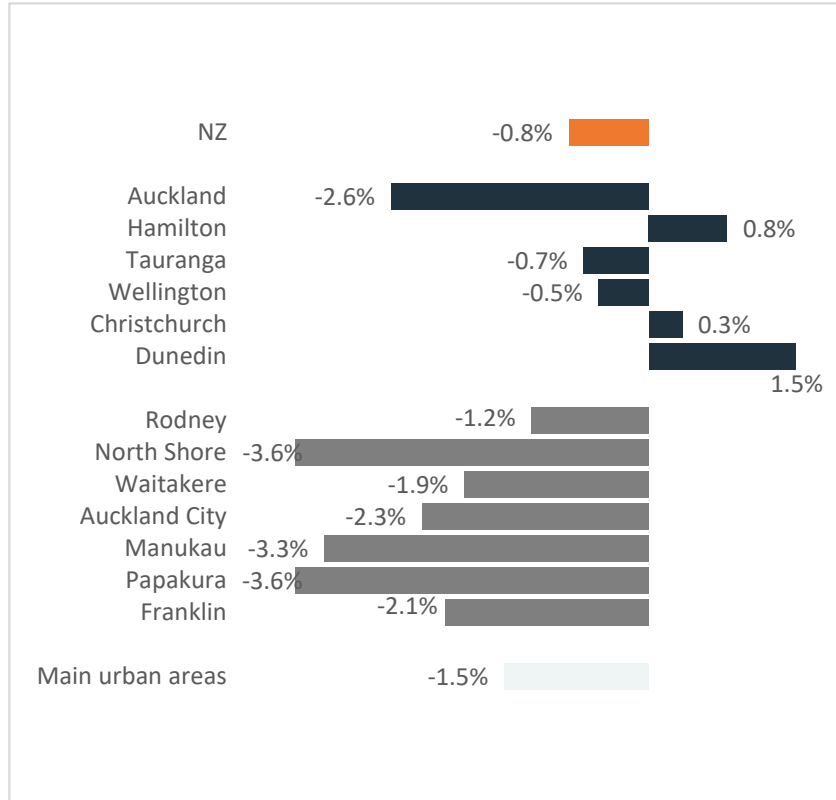
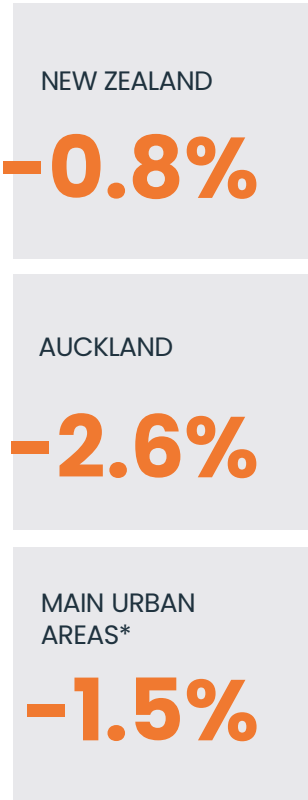
-11.1%

Falls from the peak are still sitting at more than 10% nationally, with some areas significantly larger.

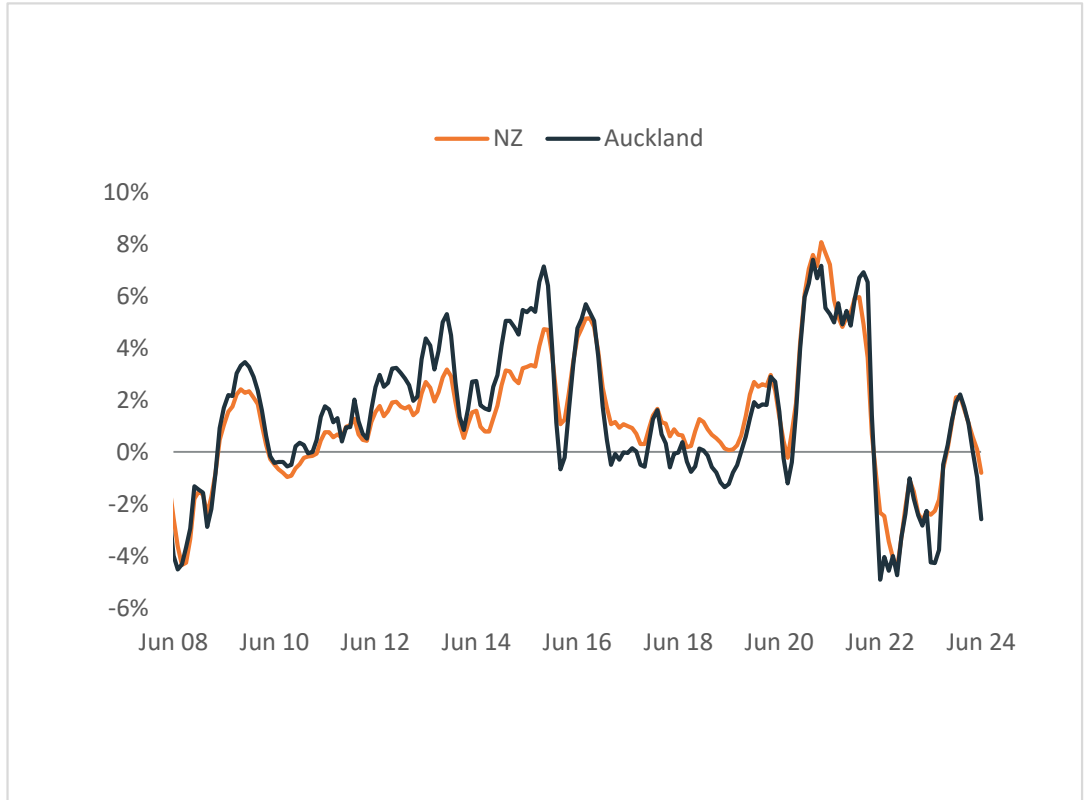
NEW ZEALAND PROPERTY VALUES

3 month changes

Change in average property values, three months to June 2024



Rolling quarterly change in average values



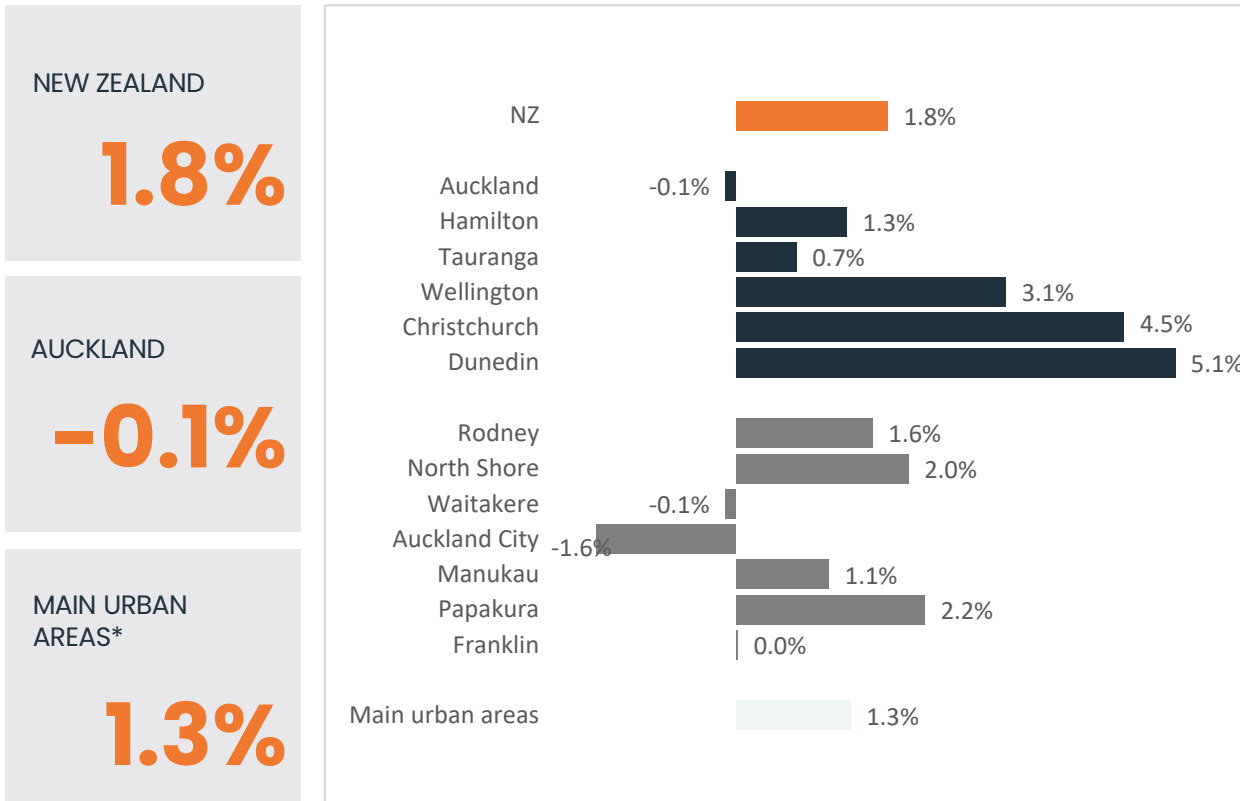
Source: CoreLogic

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

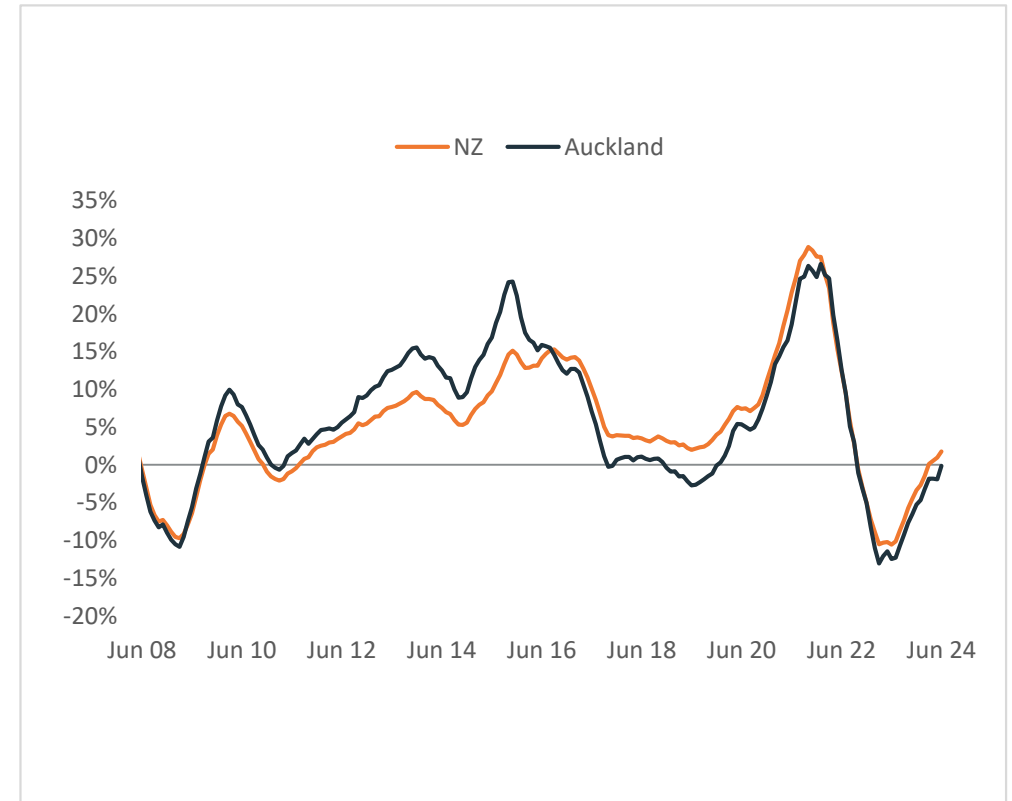
NEW ZEALAND PROPERTY VALUES

12 month changes

Change in average property values, 12 months to June 2024



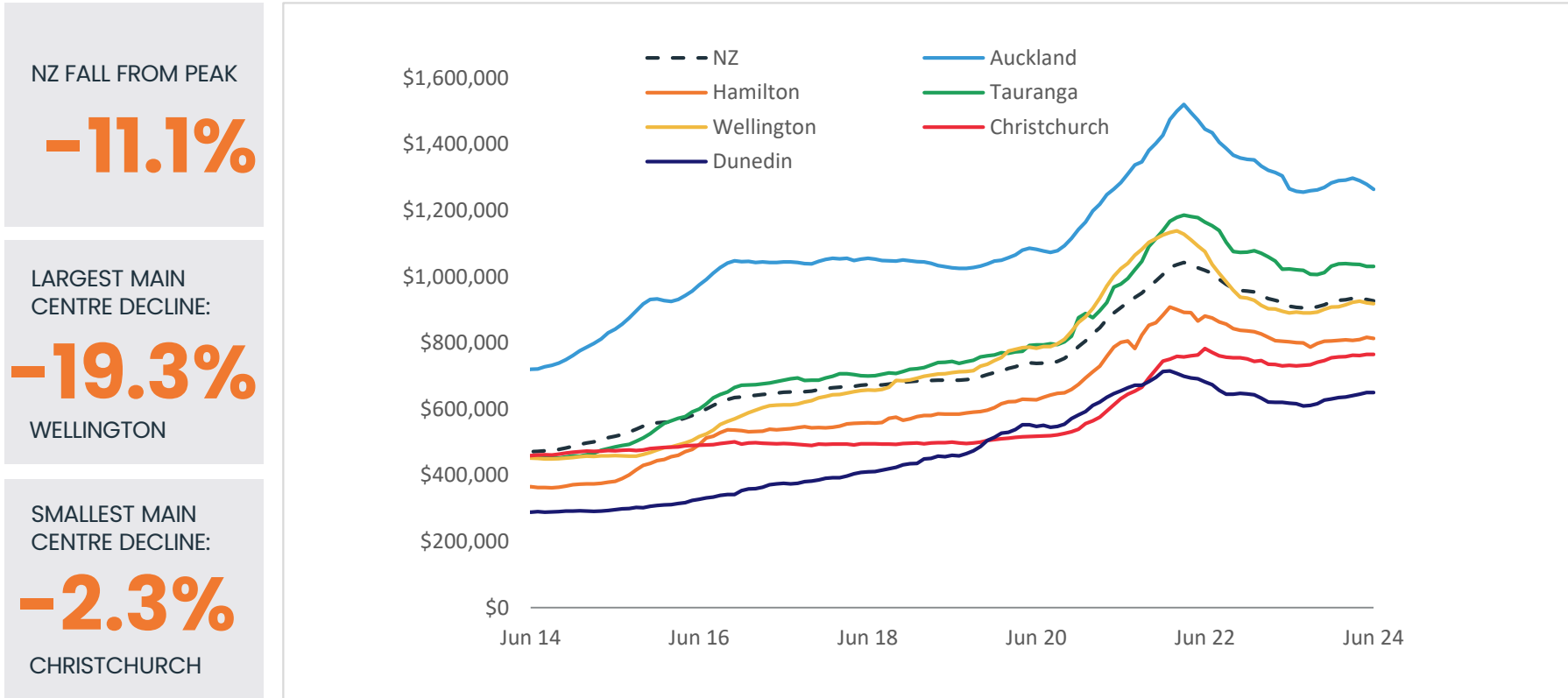
Rolling annual change in average values



Source: CoreLogic

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

Main centres – average values

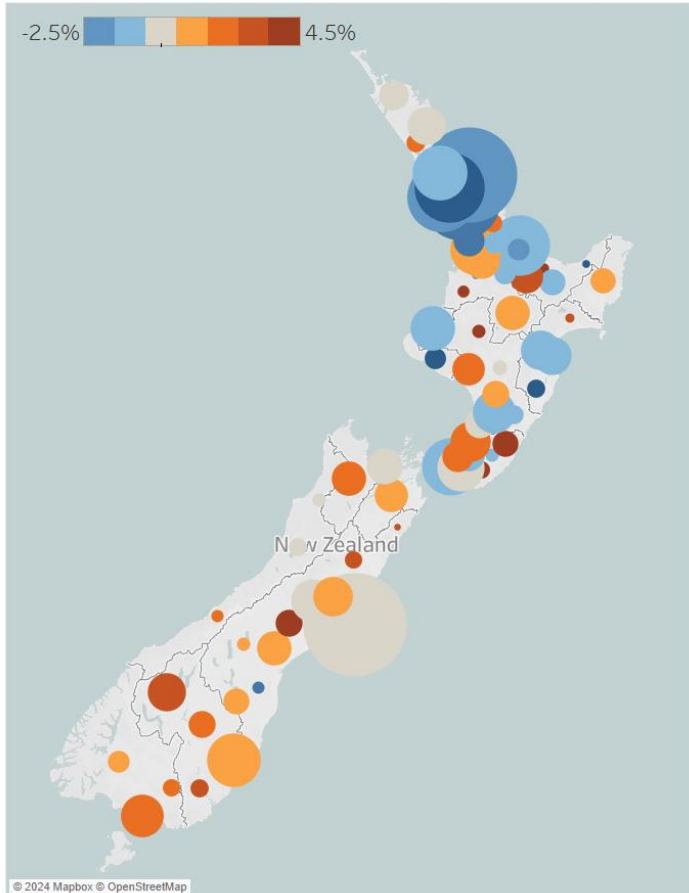


Source: CoreLogic

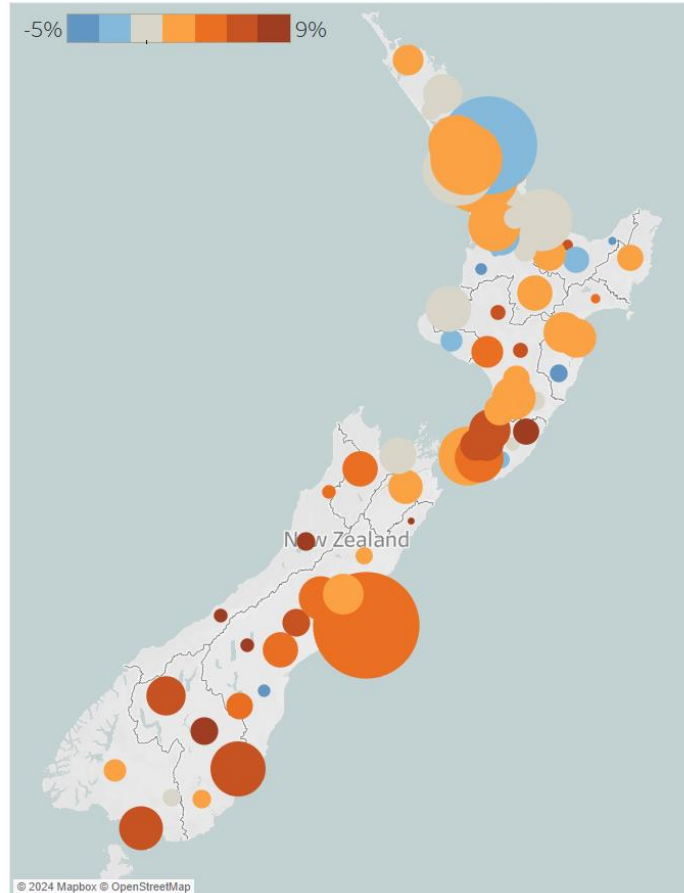
NEW ZEALAND PROPERTY VALUES

Regional changes

Change in average property values,
3 months to June 2024



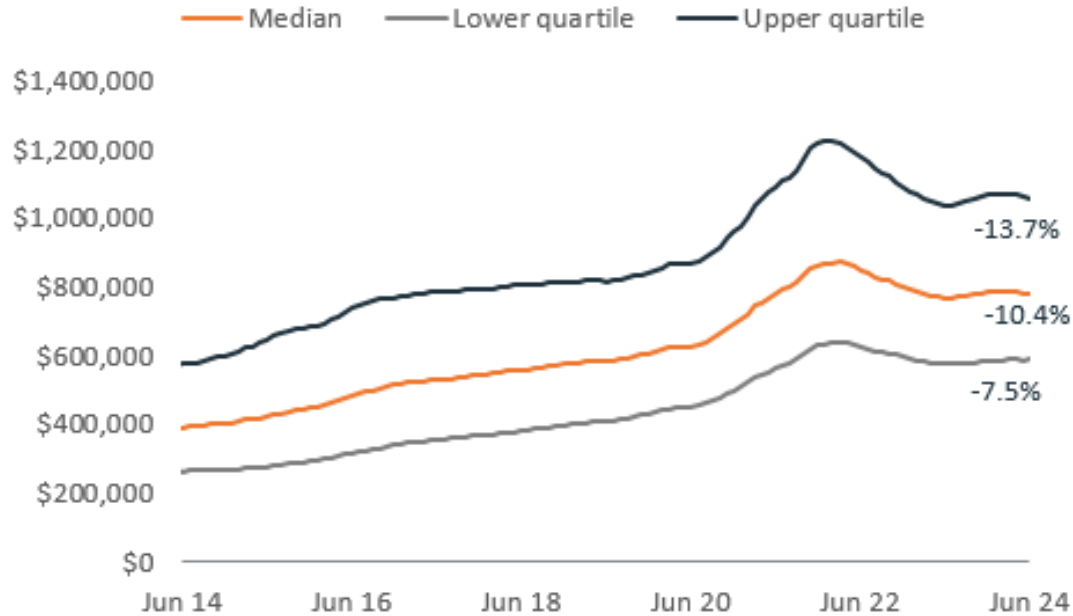
Change in average property values,
12 months to June 2024



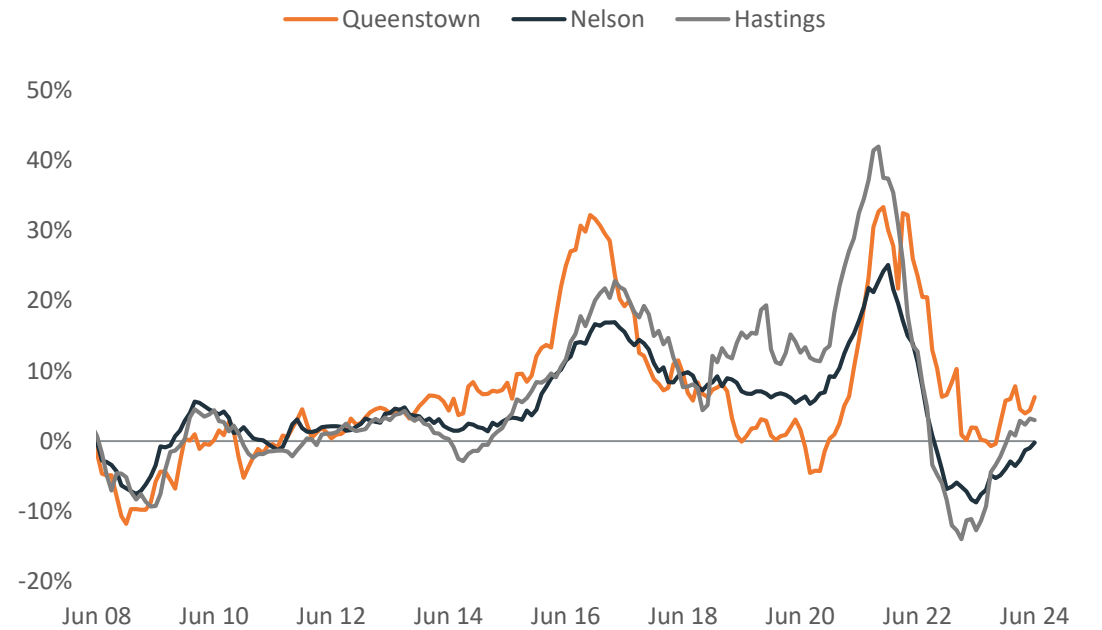
NEW ZEALAND PROPERTY VALUES

By value band and selected markets

NZ \$ values median and upper & lower quartile*



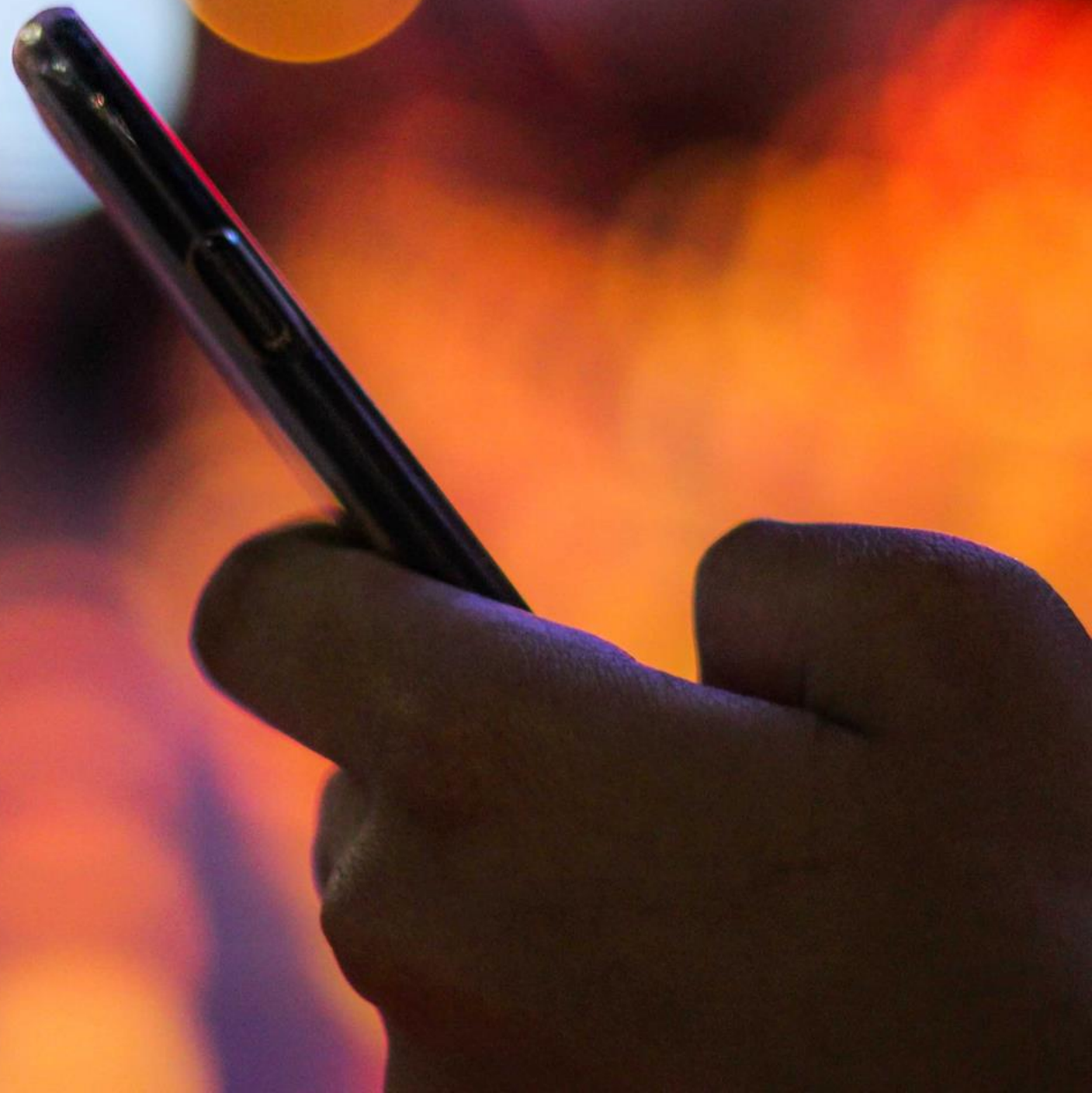
Rolling annual change in average property values in selected markets



* % labels on chart indicate the change relative to peak

Source: CoreLogic

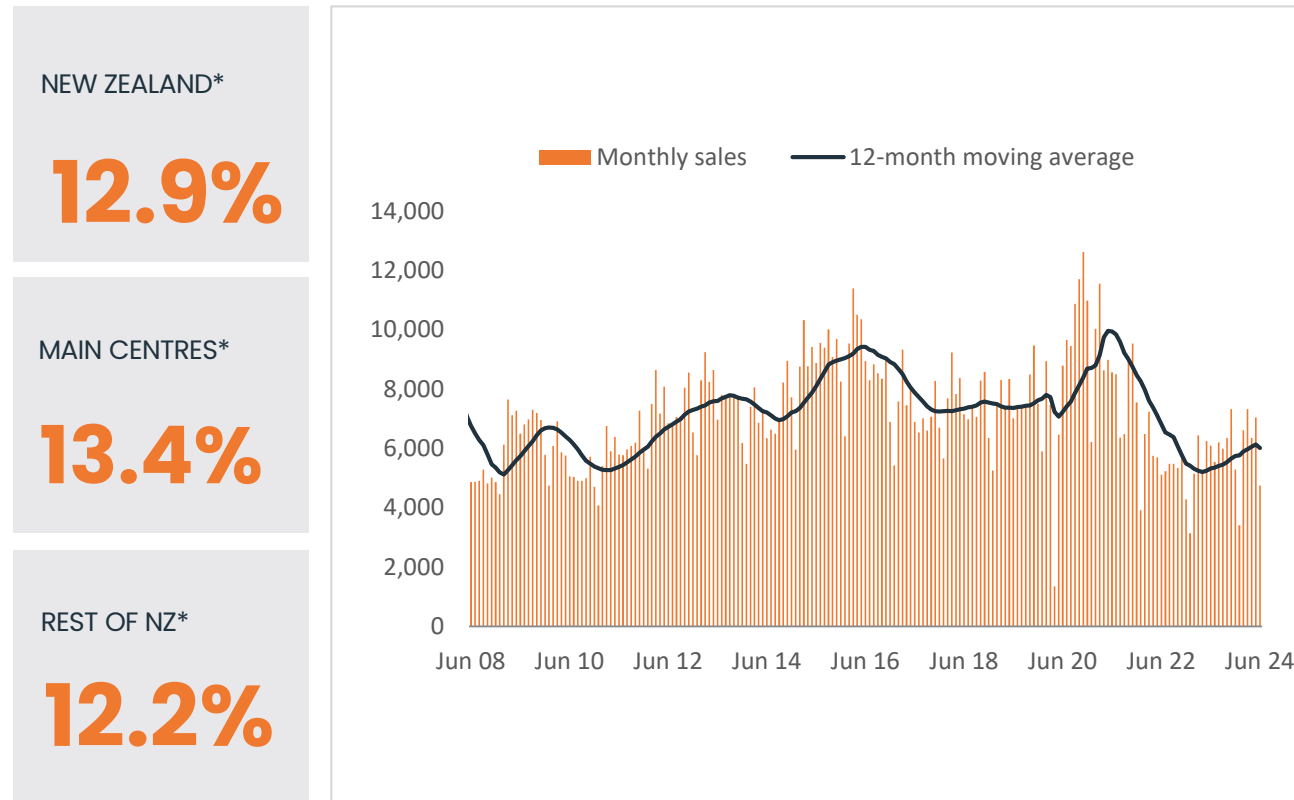
Sales and
listings



NATIONAL SALES

Sales volumes in June, measured across both private deals and real estate agents, were 22.1% lower than the same month last year, which was the first fall in 14 months (since -9.6% in April 2023). With listings on the market high, the sluggishness of sales is not due to a lack of choice – it's solely about buyer demand still being limited by high mortgage rates, and those buyers with finance still taking their time and being selective.

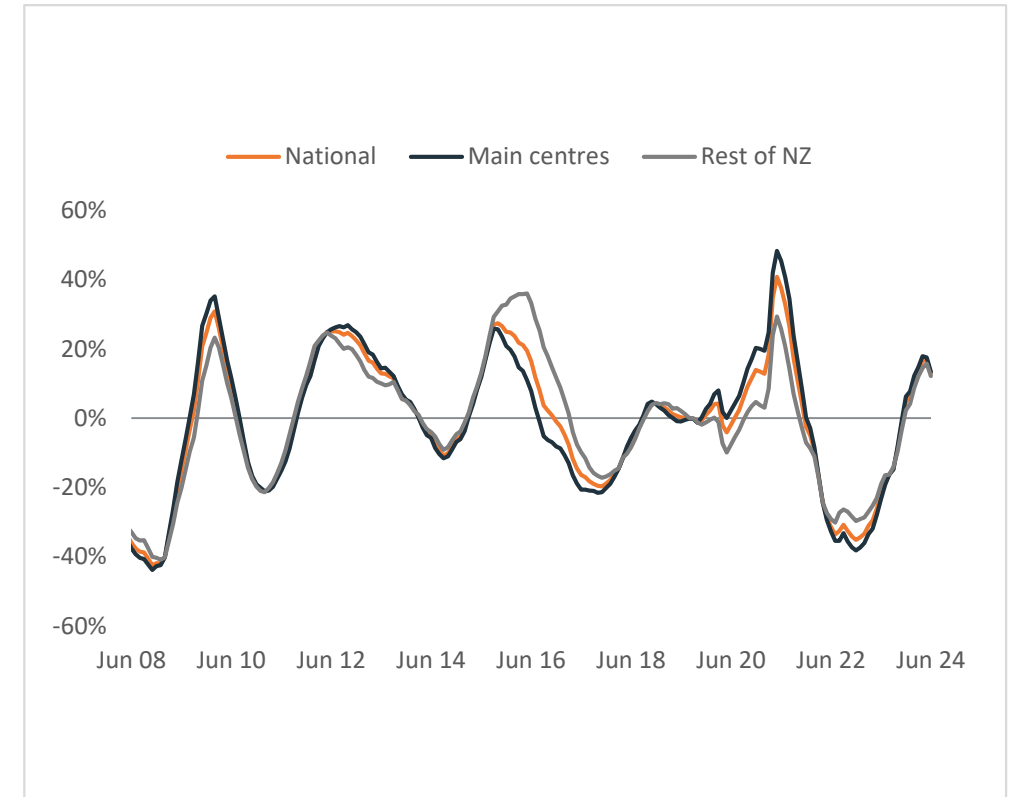
Monthly sales with 12-month moving average, national



Source: CoreLogic

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

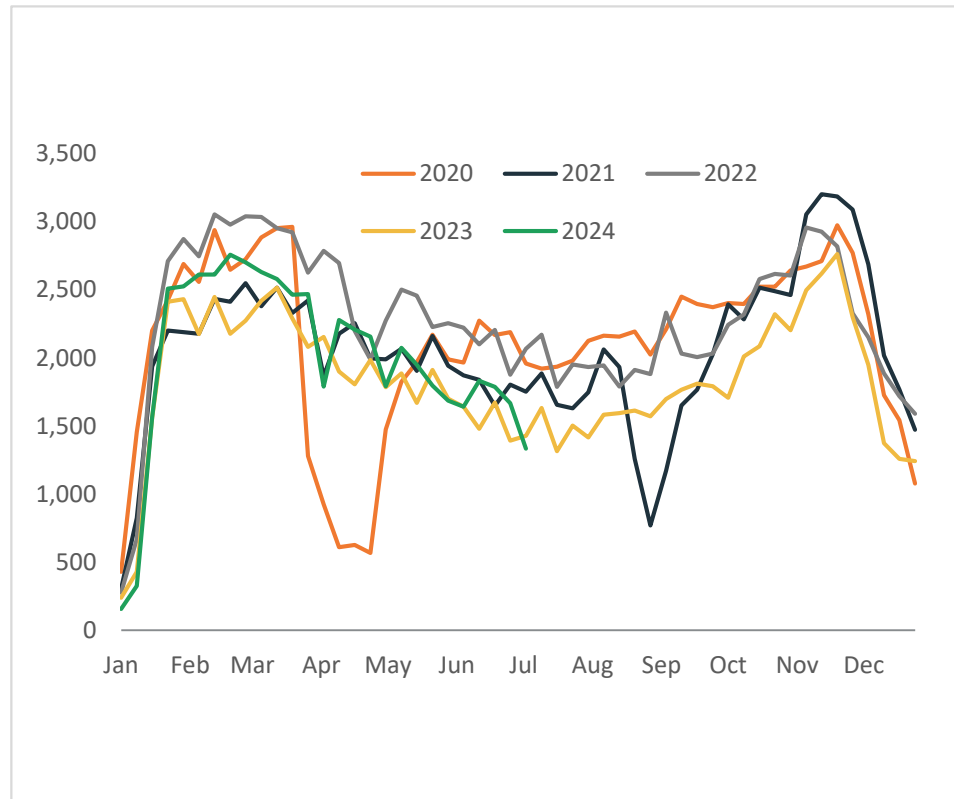
Change in sales volumes, 12 months to June 2024



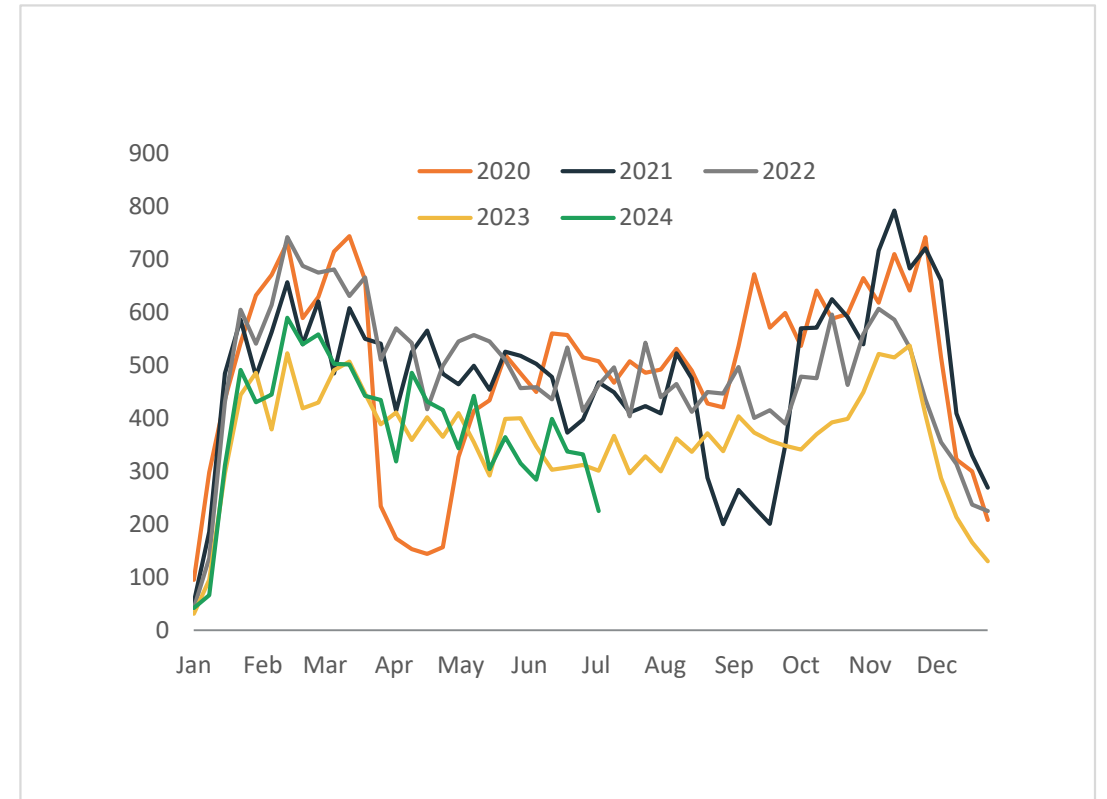
LISTINGS

New listings activity has been solid although not spectacular so far in 2024, and it would appear that some 'pent up' reluctance to list in the final few months of last year is now coming forward and turning into available stock this year. 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 from 1st July prompts some investors to sell.

New listings national



New listings Auckland



NEW LISTINGS OVER THE 4 WEEKS ENDING 7th JULY

6,617

SAME TIME LAST YEAR

5,968

FIVE YEAR AVERAGE

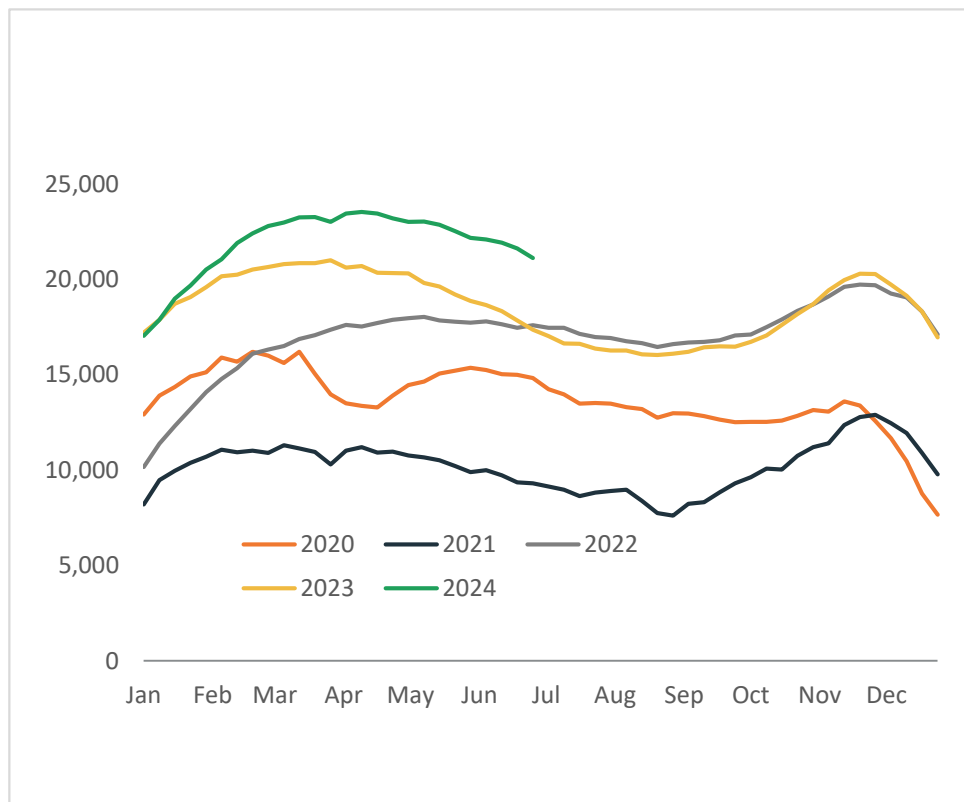
7,434

Source: CoreLogic

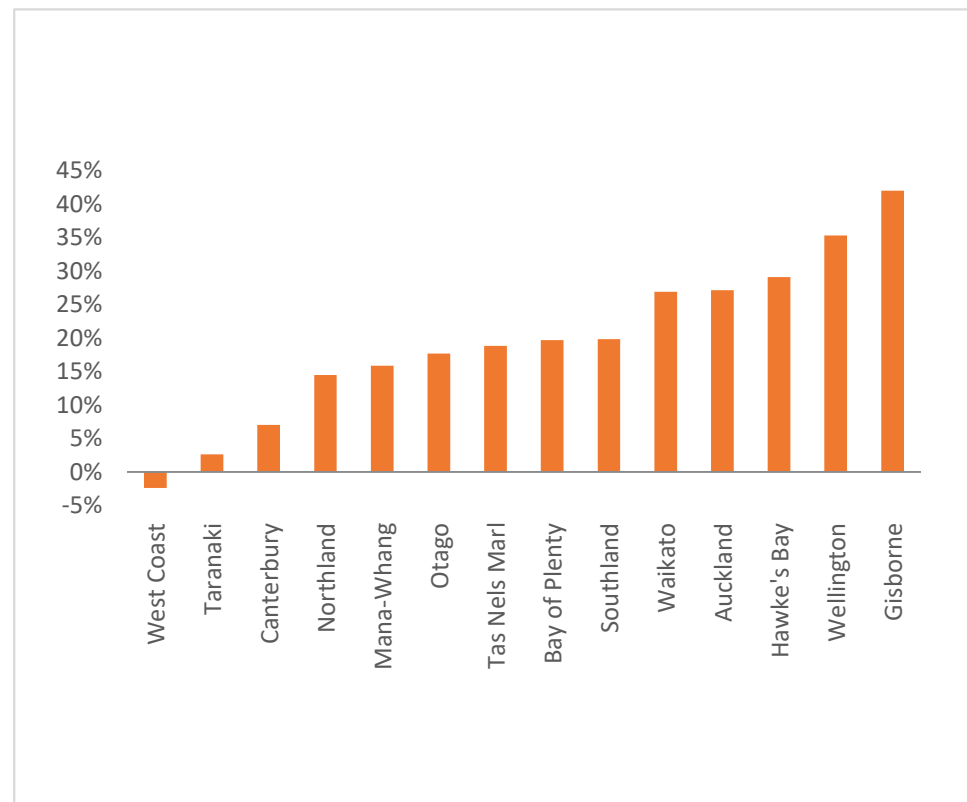
LISTINGS

The total number of properties on the market remains higher than in previous years, as more new listings have been made, and have begun 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 Waikato, Wellington, and Auckland have all risen by at least 20%. That will tend to dampen price pressures to some degree.

Total listings national



Latest total listings count vs same time last year



TOTAL LISTINGS ON THE MARKET

21,117

SAME TIME LAST YEAR

17,371

FIVE YEAR AVERAGE

16,148

Source: CoreLogic

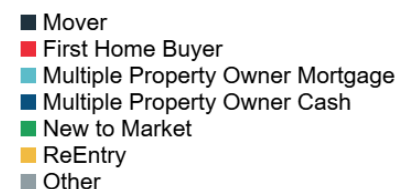
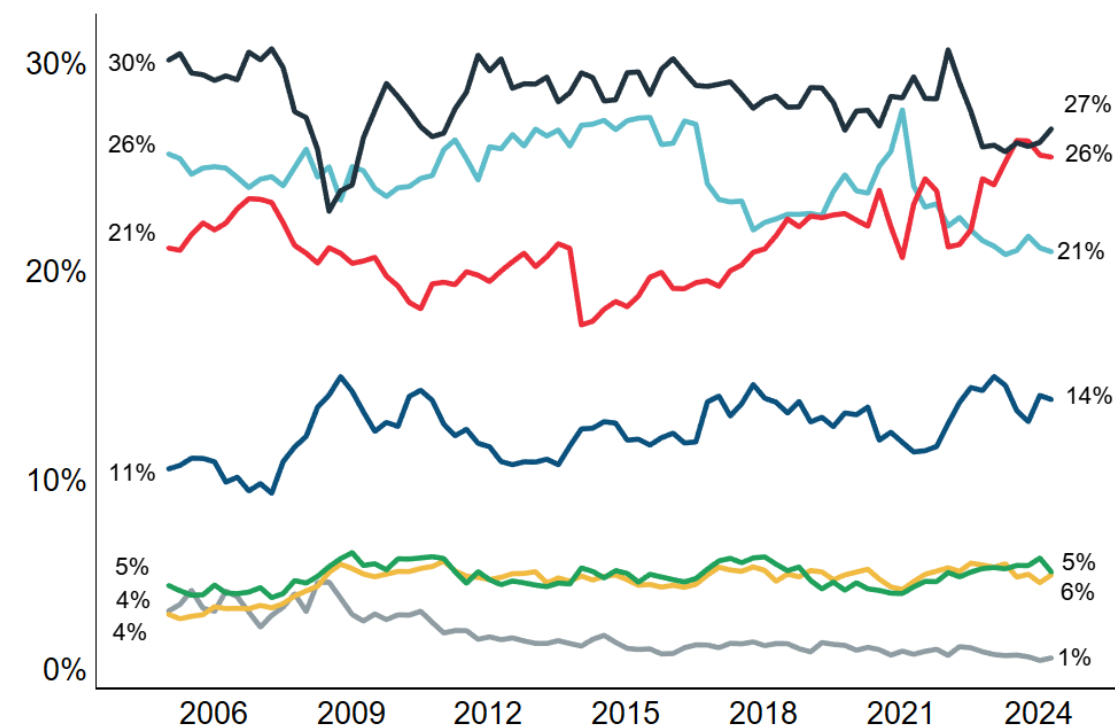
Buyer classification



Buyer Classification

- First home buyers (FHBs) remain a strong presence in the property market, with a 26% share of purchases in Q2 2024, the same as Q1, and continuing to hover at a record high. The *number* of FHB deals is also pretty solid.
- 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.
- Relocating owner-occupiers ('movers') have had a fairly stable market share (around 26%) for about the past 18 months now, although it has ticked up to 27% in Q2. We suspect there might be some pent-up demand to move, so this is a group to watch in the coming months.
- Meanwhile, mortgaged multiple property owners are still running at 20–21% of activity, a low level compared to past standards. Significant top-ups out of other income are still required for a 'typical' rental purchase, making it difficult for 'Mum and Dad' investors to commit.

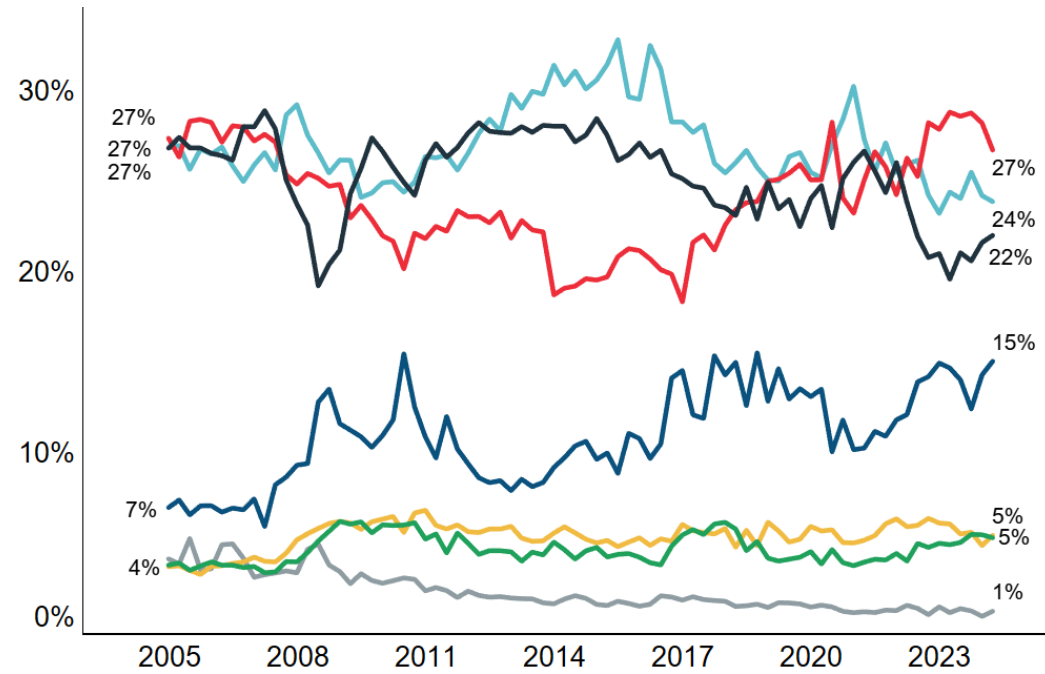
% share of property purchases, New Zealand



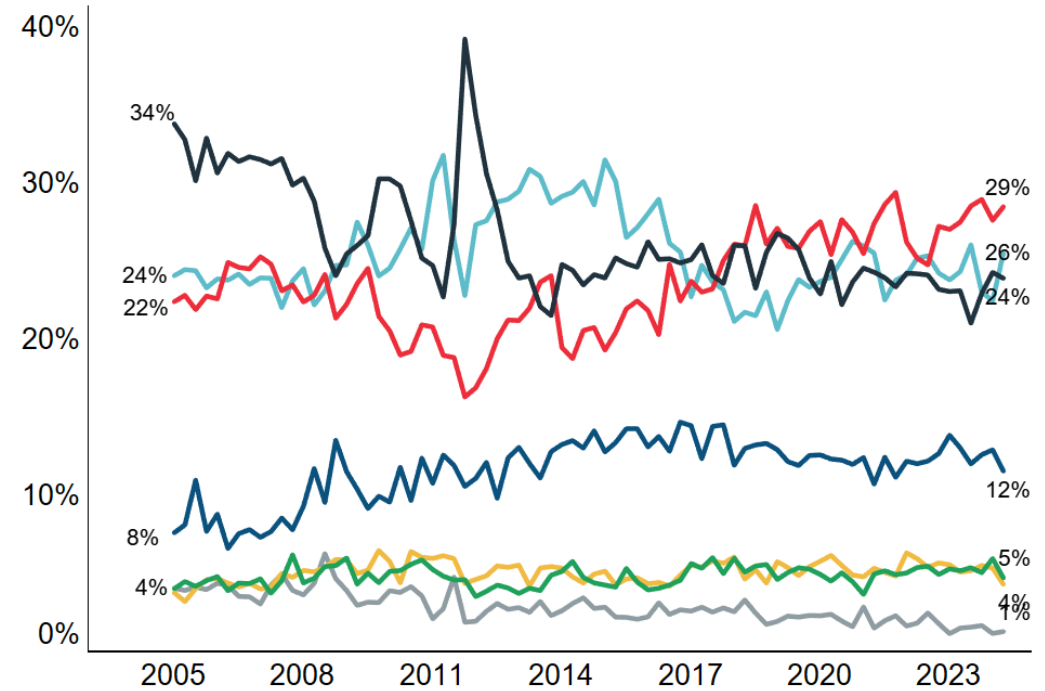
Source: CoreLogic

Selected main centres

Auckland



Christchurch



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

Source: CoreLogic

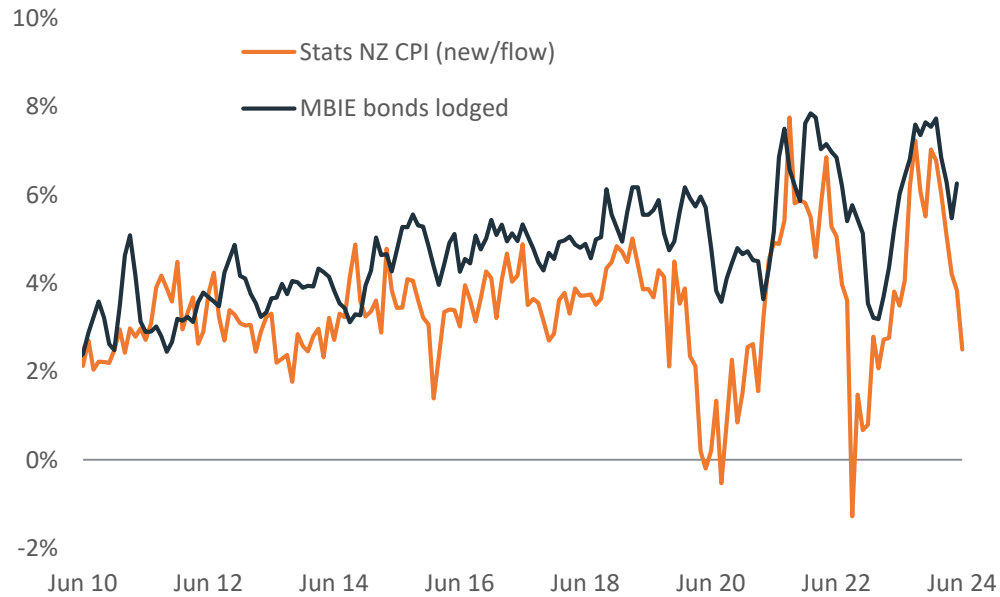
Rental
market



RENTAL RATES

Rental growth now seems to have passed its peak, and was 2.5% in the year to June on the Stats NZ flow/new tenancy measure. That's the lowest rate since February 2023 (2.1%) and also below the long-term average of 3.3%. Rents are already high in relation to household incomes, so a slowdown was always likely at some stage. But a bit less heat in rental demand (from slowing net migration) and a few more available listings are adding to the slowdown too.

Annual change in national rents to May/June 2024



Source: Stats NZ, MBIE

Annual change in rents (MBIE)*

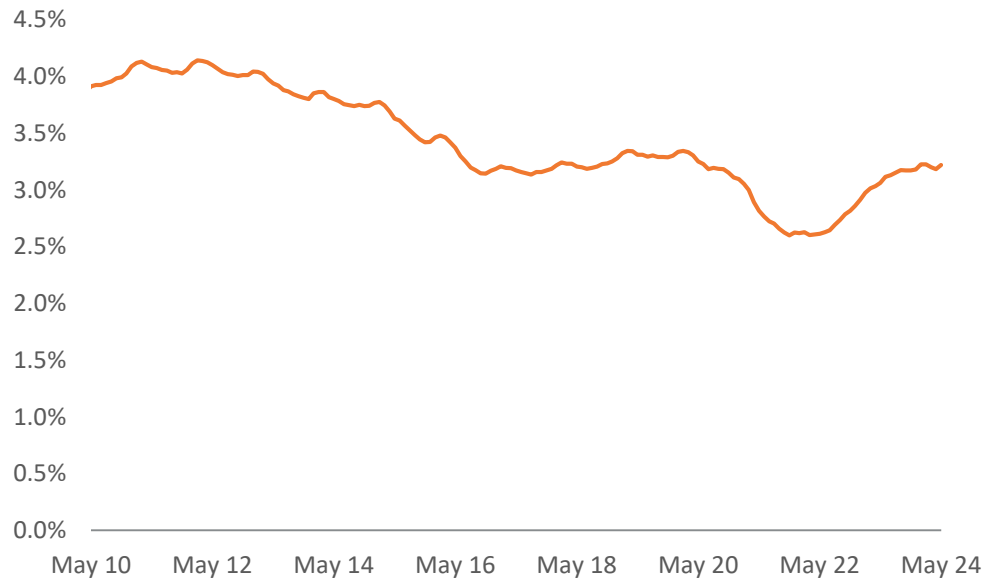


* Labels on the bars are the latest levels for weekly rents

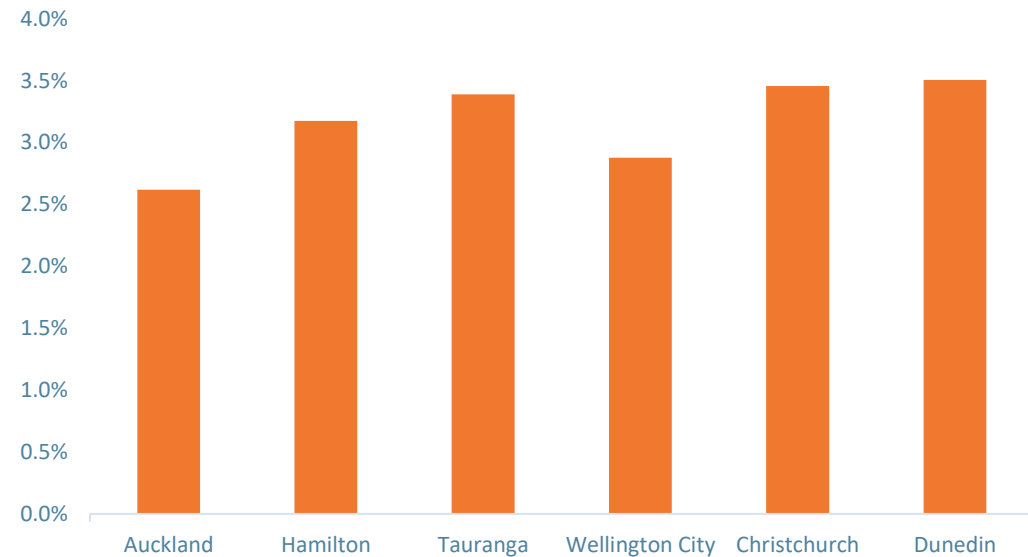
RENTAL YIELDS

Gross rental yields nationally remain at around 3.2%, which is up from a trough of 2.6% for much of 2022, but still below some more typical figures of 4% or more in the past. The recent figures are also less than the income returns on some other asset classes, such as term deposits). Auckland yields (2.6%) remain the lowest of the main centres, with Christchurch and Dunedin both sitting at 3.5%.

Gross rental yields, national



Gross rental yields, main centres



Source: CoreLogic, MBIE

A man and a woman are standing together in a city at night, looking at a tablet held by the man. The background is filled with blurred city lights, creating a bokeh effect. The man is wearing glasses and a dark shirt, while the woman is wearing a light-colored top. The overall atmosphere is professional and focused.

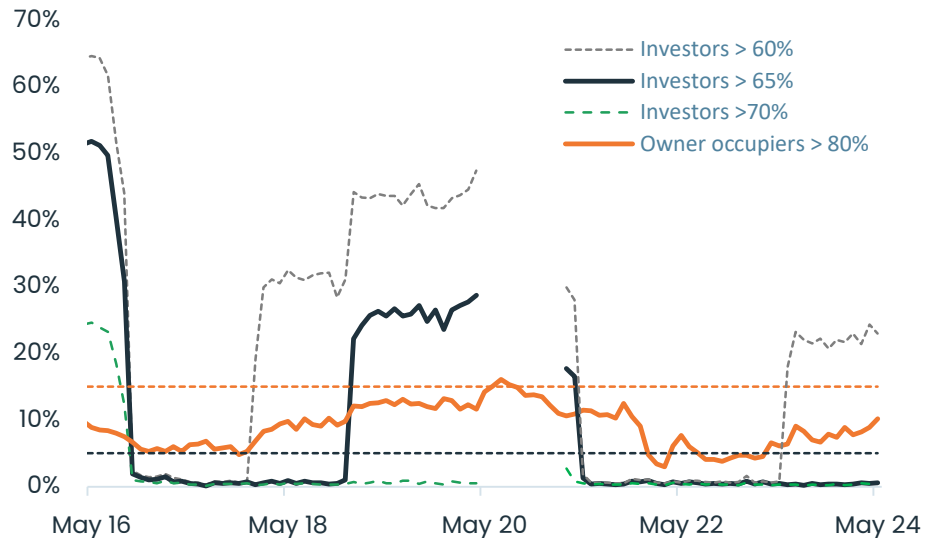
Credit
conditions

CREDIT CONDITIONS

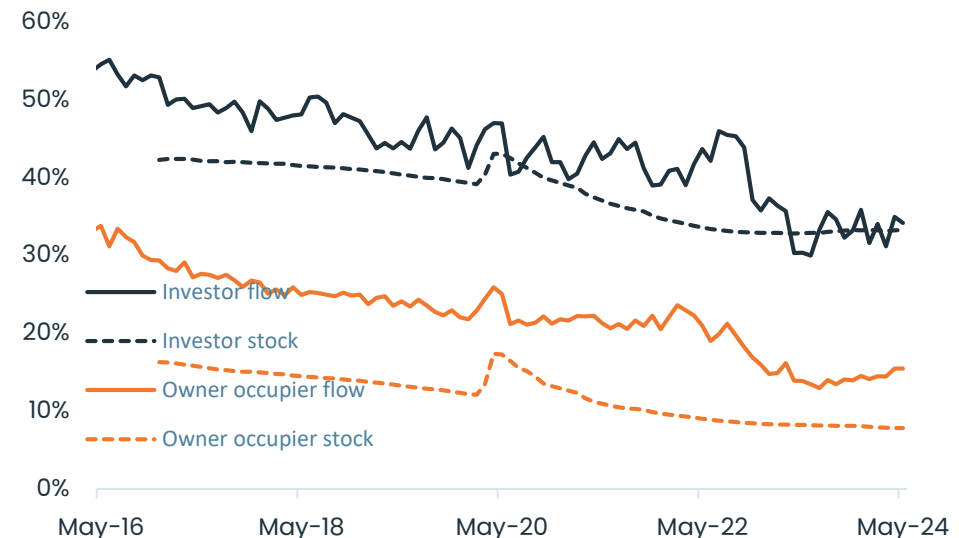
Lending flows

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 owner occupiers; something worth watching.

% share of lending at high LVR



% share of lending on interest-only terms



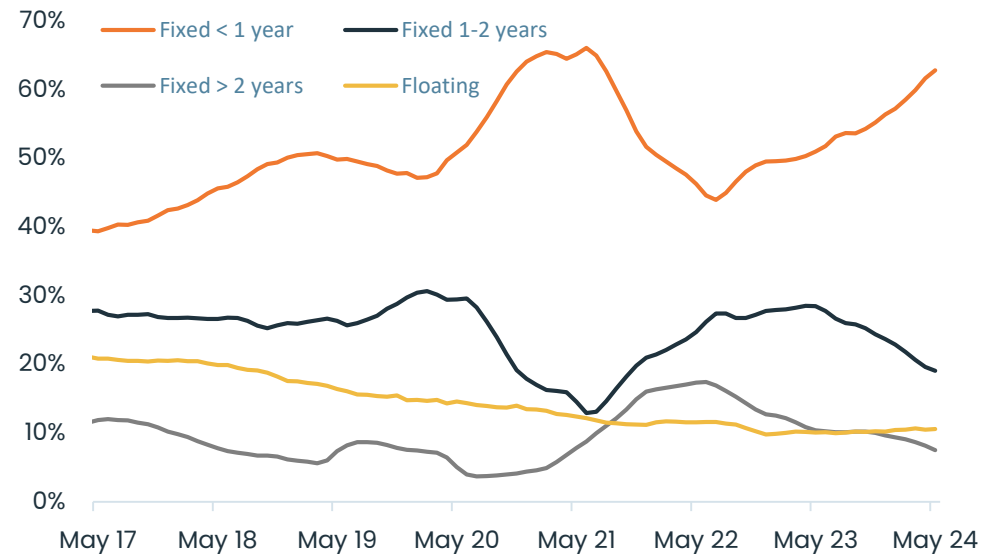
Source: Reserve Bank NZ

CREDIT CONDITIONS

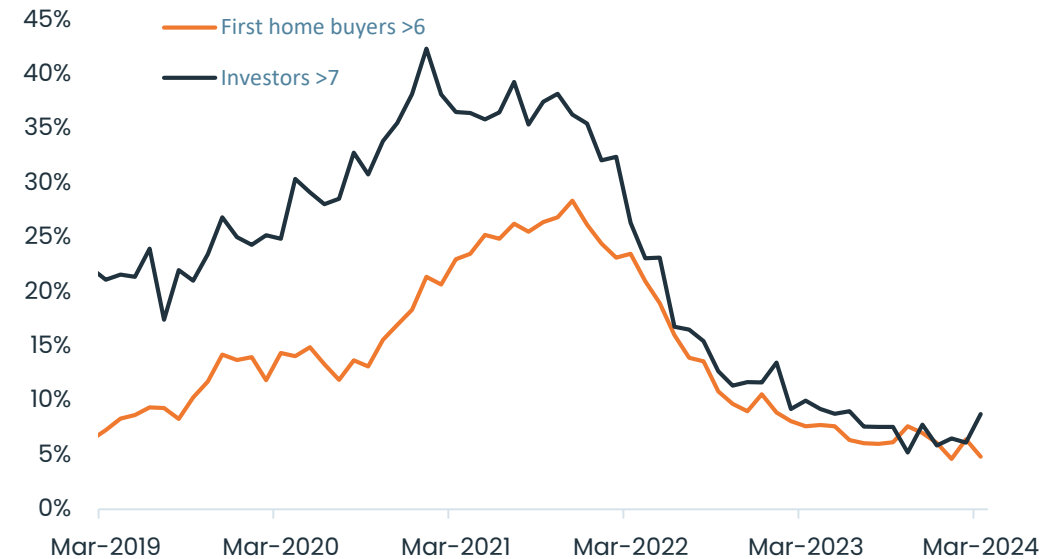
Lending flows

Around 63% 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, held down simply by the current high mortgage rates.

% share of existing loans on various terms to repricing



% share of lending at high DTI



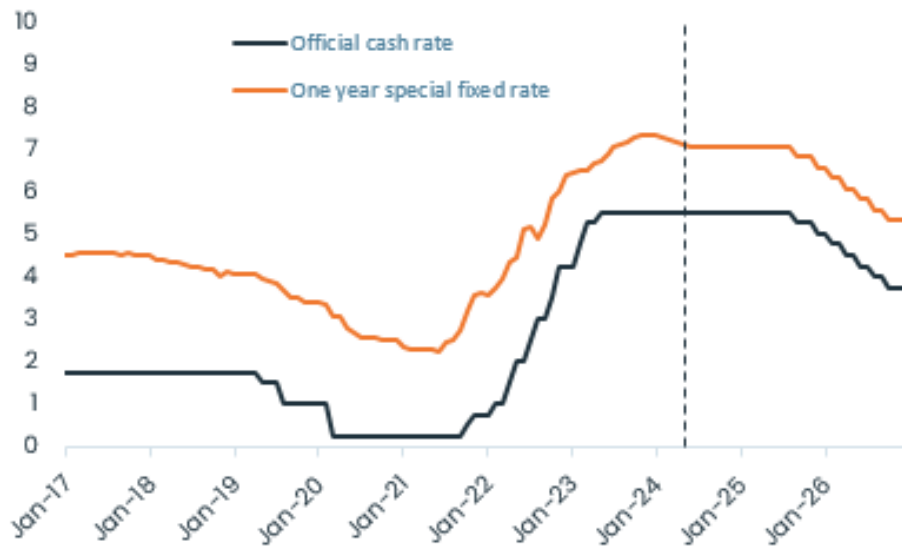
Source: Reserve Bank NZ

CREDIT CONDITIONS

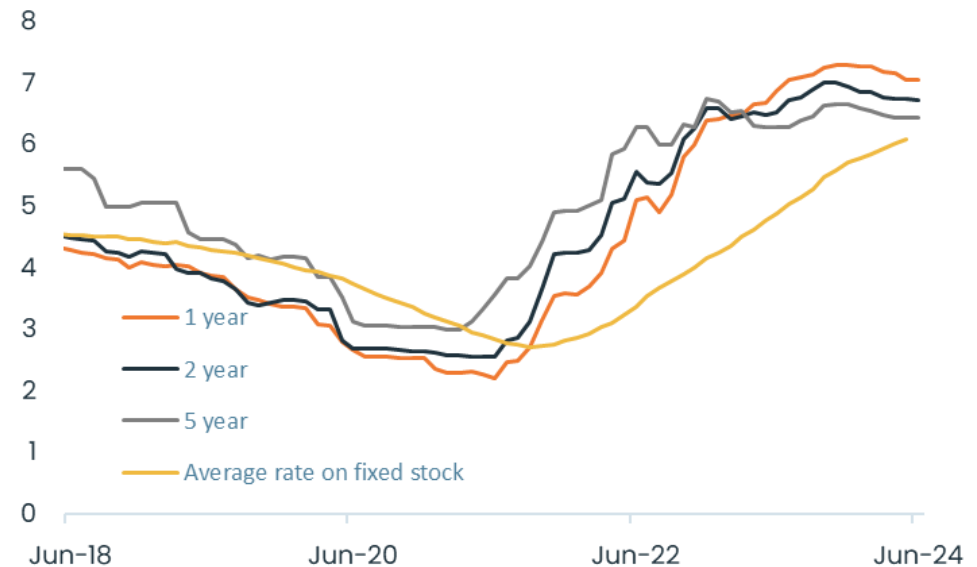
The OCR and mortgage rates

The economy continues to struggle and, although it's still above target for now, inflation is clearly trending back down towards the 1-3% target range. In its latest review of monetary policy, the Reserve Bank held the official cash rate steady, but also softened the tone of the commentary – raising the chances that we see an OCR (and mortgage rate) cut before the end of the year.

Official cash rate and 1-year special fixed rate



Current special mortgage rates and average on existing stock



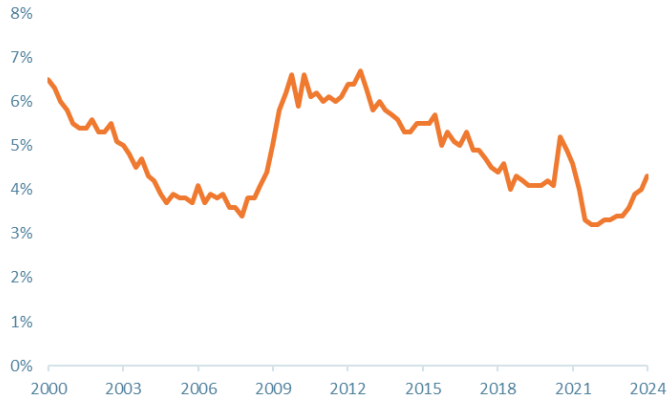
Source: Reserve Bank NZ

Economic indicators

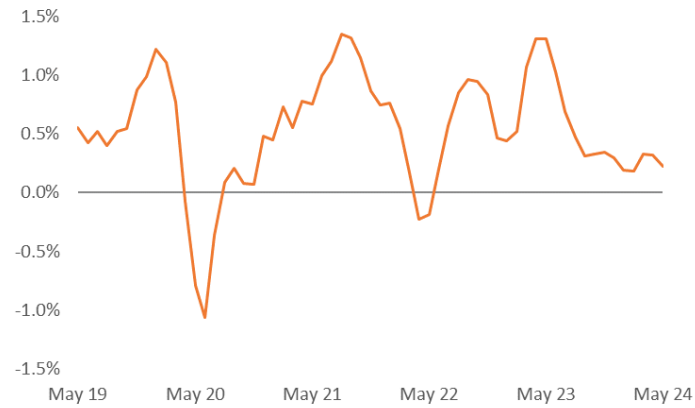


ECONOMIC INDICATORS

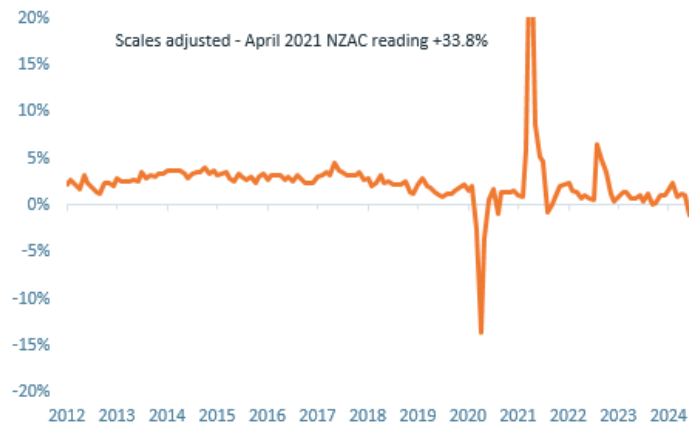
Unemployment rate %



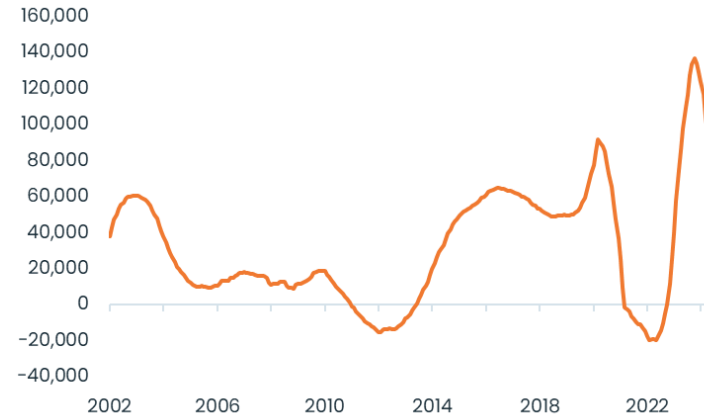
% three month change in filled jobs



% annual change NZ Activity Index



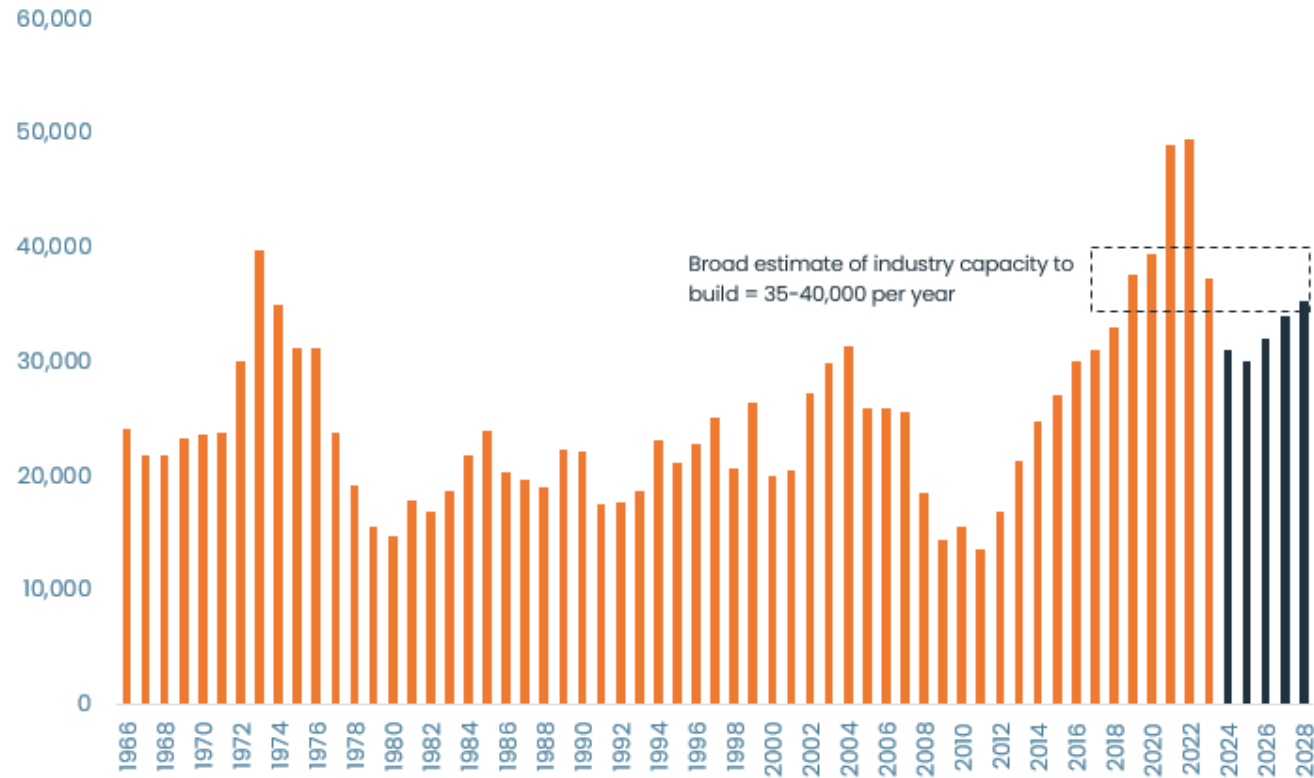
Annual net migration flow



Source: Stats NZ

ECONOMIC INDICATORS

New dwelling consents, annual totals – history (orange) and forecast (blue)



Source: Stats NZ, MBIE, BRANZ, Pacifecon

Get in Touch

Kelvin Davidson
Chief Property Economist
kelvin.davidson@corelogic.co.nz
027 355 3813



CoreLogic

corelogic.co.nz