

New Zealand house price growth slowing with dozens of suburbs recording falls in median values - CoreLogic

- 24/03/2022

Rachel Sadler

New Zealand's housing market has reached a clear turning point, with higher mortgage rates and reduced credit availability causing growth rates to slow or even turn negative in many areas across the country, a new report says.

In CoreLogic's updated Mapping the Market tool, which tracks property value change at the suburb level, it found that there are signs of weakness in dozens of suburbs.

Aotearoa's property market proved highly resilient in 2021, CoreLogic says, maintaining growth levels through lockdowns and border closures. But Mapping the Market shows that 154 suburbs have recorded falls in median values in the three months to February 2022, while 581 posted gains of 1 percent or more for the same period.

CoreLogic's chief property economist Kelvin Davidson says this quarter's Mapping the Market has been adjusted to focus on the three-month value change, rather than the previous 12-month change, to give a more current view of what's been happening recently.

He says the altered comparison period neatly encapsulates the state of flux around market impacts, from changes to loan to valuation ratios, credit contracts and consumer finance laws, and the spread of Omicron.

"The figures are pretty revealing," he says.

"At the headline level Mapping the Market shows an emerging weakness in parts of Auckland, Hamilton, Napier/Hastings, Wellington (especially Lower Hutt), Kapiti Coast, Dunedin and Queenstown. But conditions remain a bit stronger still in areas such as Tauranga, Christchurch, Rotorua, New Plymouth.

"Interestingly, although it's early days yet, this is broadly in line with what we outlined in our vulnerability research last year, which emphasised the risks that can be evident in certain areas if affordability is too stretched, mortgage repayment problems are emerging, or investors start to sell, for example."

Their latest report covers 960 suburbs across New Zealand. Figures show that of approximately 200 Auckland suburbs, about 60 recorded a drop in median value of 2 percent or more in the three months to the end of February.

Remuera and Epsom saw falls of 2.4 percent and 2.6 percent respectively, equivalent in dollar terms to \$68,100 and \$66,200. The Lake Hayes area also dropped 1.9 percent, or \$45,500.

Davidson says a similar weakening has occurred in more expensive suburbs of Hamilton and Wellington too, but those price falls are more spread across both upper and lower tiers of property.

"It's important to note the news isn't all downbeat, there are still nine suburbs where prices have increased at least 10 percent in the past three months and another 90 suburbs have increased between 5 percent and 10 percent for the same period," he says.

"In fact, of the 960 suburbs covered, more than half (581) have still recorded price gains of at least 1 percent since November."

Fordlands, in the Rotorua district, recorded the highest percentage growth in the past quarter, up 15.4 percent to a median value of \$457,850, followed closely by Leigh, north of Auckland, which increased 15 percent for the period to \$1,473,850.

Davidson says the quarterly results are "mixed" and give a valuable indicator of the housing market's current "plateauing" trend.

"The figures aren't surprising and are exactly what you would expect to see as sentiment begins to turn," he says.

"Our view is that a soft landing is still more likely than a major downturn, but the market will need to adjust to some economic uncertainty and higher mortgage rates.

"Buyers and sellers will naturally take some time to agree on where the new market normal lies, which will result in broadly flat housing prices at a national level - but falls in some areas offset by rises elsewhere."

CoreLogic's Mapping the Market highlights include:

- A total 154 suburbs have recorded falls of 1 percent or more in the three months to February
- The largest quarterly fall was recorded in Muriwai, Auckland, down 10.3 percent to a median value of \$1,337,650
- A total 581 suburbs recorded a quarterly median value increase of at least 1 percent
- The highest dollar gain in the quarter was Omaha, Auckland, up \$253,000 (9.4 percent)
- The highest percentage gain for the period was Fordlands, Rotorua, of 15.4 percent or \$61,000
- Herne Bay retained its spot as New Zealand's most expensive suburb, with a median property value of \$3,726,900, up \$109,850 or 3 percent in the three months to February
- Cobden, Grey District, is the country's most affordable suburb with a median value of \$231,900, up 1.4 percent or \$3100 in the quarter.