

CoreLogic

Monthly NZ Housing Chart Pack

Unlocking smarter
property decisions

MARCH 2024



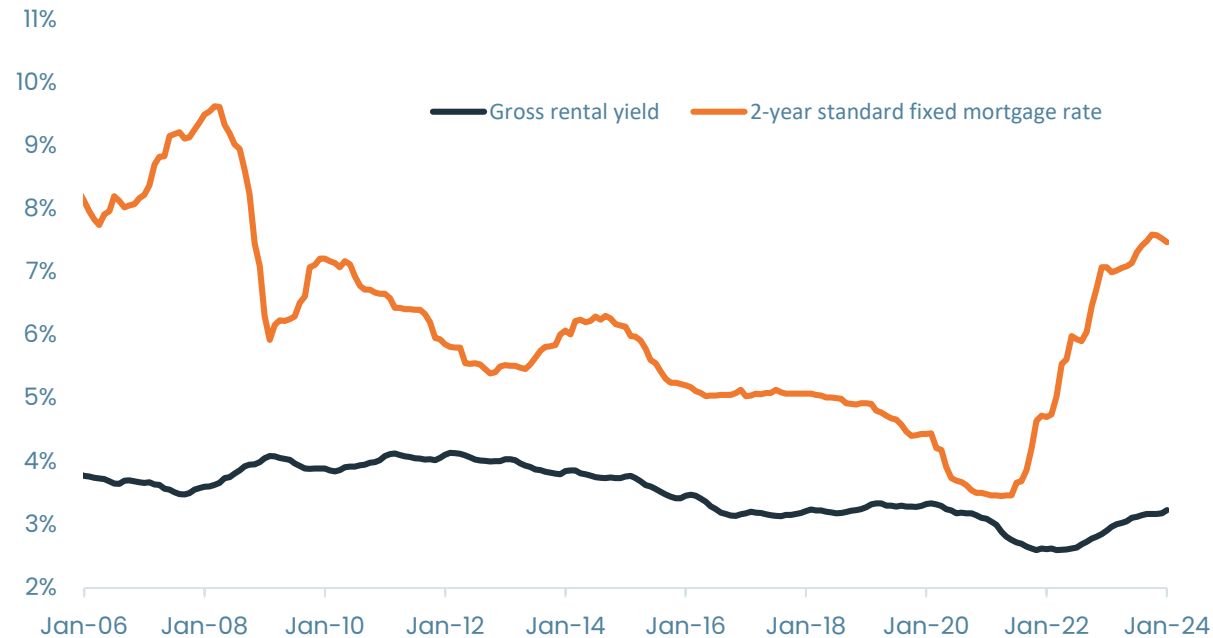
Deductibility unlikely to trigger a wave of investors

- Sales activity bounced back a little in February, after a very soft January result, but the wider point is that market activity levels remain low. Over the past year, there have been 69,248 deals across real estate agents and private transactions combined, which is up from April 2023's trough of less than 62,000, but still well below the 10-year average of around 91,000.
- The patchiness of the recent data can also be seen when we look at values. The CoreLogic House Price Index 'only' rose by 0.3% in February (and 0.4% in January), after showing stronger gains of 0.7% in November and 1.0% in December last year. A rise in the number of available listings on the market may continue to dampen near-term price pressures.
- Turning to Buyer Classification, first home buyers (FHBs) remain a strong presence in the property market, with a 26% share of purchases across January and February combined, although that figure has just dipped slightly since late 2023. Relocating owner-occupiers ('movers') have had a fairly stable market share (around 26%) for about the past 12-15 months, while mortgaged multiple property owners have also been relatively steady, but at a low level compared to past standards.
- Due to the fact that mortgage rates are well above gross rental yields, 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 to buying a property. It's worth noting that these top-ups will remain large even after interest deductibility has been reinstated, so although this tax change might bring some investors back to the market, it's unlikely to be a game-changer.
- Rental growth is still running at historically high levels, and was 6.0% in the year to January (Stats NZ new tenancy/flow measure) – that remains well above the long term average growth rate of 3.2%, and reflects further growth in wages, as well as a tightening supply and demand balance. The demand is being driven in no small part by soaring net migration into NZ.
- Looking ahead, the overall property recovery is set to continue in 2024, but could be a little underwhelming/patchy, given still-high mortgage rates and stretched affordability. Many households still have to reprice their mortgages this year too.

CHART OF THE MONTH

Large, negative yield-rate gap = large cash top-ups for a typical investor

Gross rental yields and fixed mortgage rates



Source: CoreLogic, MBIE, RBNZ

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



RESIDENTIAL REAL ESTATE

\$1.62 Trillion



NZ SUPER & KIWISAVER

\$180 Billion



NZ LISTED STOCKS

\$164 Billion



COMMERCIAL REAL ESTATE

\$324 Billion

NUMBER OF DWELLINGS

1.66 Million

OUTSTANDING MORTGAGE DEBT

\$356 Billion

HOUSEHOLD ASSETS HELD IN RESIDENTIAL REAL ESTATE (JUNE 2021)

43% (+4% since 2018)

TOTAL SALES LAST 12 MONTHS

69,248

GROSS VALUE OF SALES
LAST 12 MONTHS

\$61 Billion

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

OVERVIEW

New Zealand property values

3 MONTHS

1.6%

Taking the three months to February combined there was a moderate rise in average property values across NZ.

12 MONTHS

-1.4%

Average values fell by 1.4% in the year to February, the smallest annual drop since October 2022 (-0.6%).

FROM PEAK

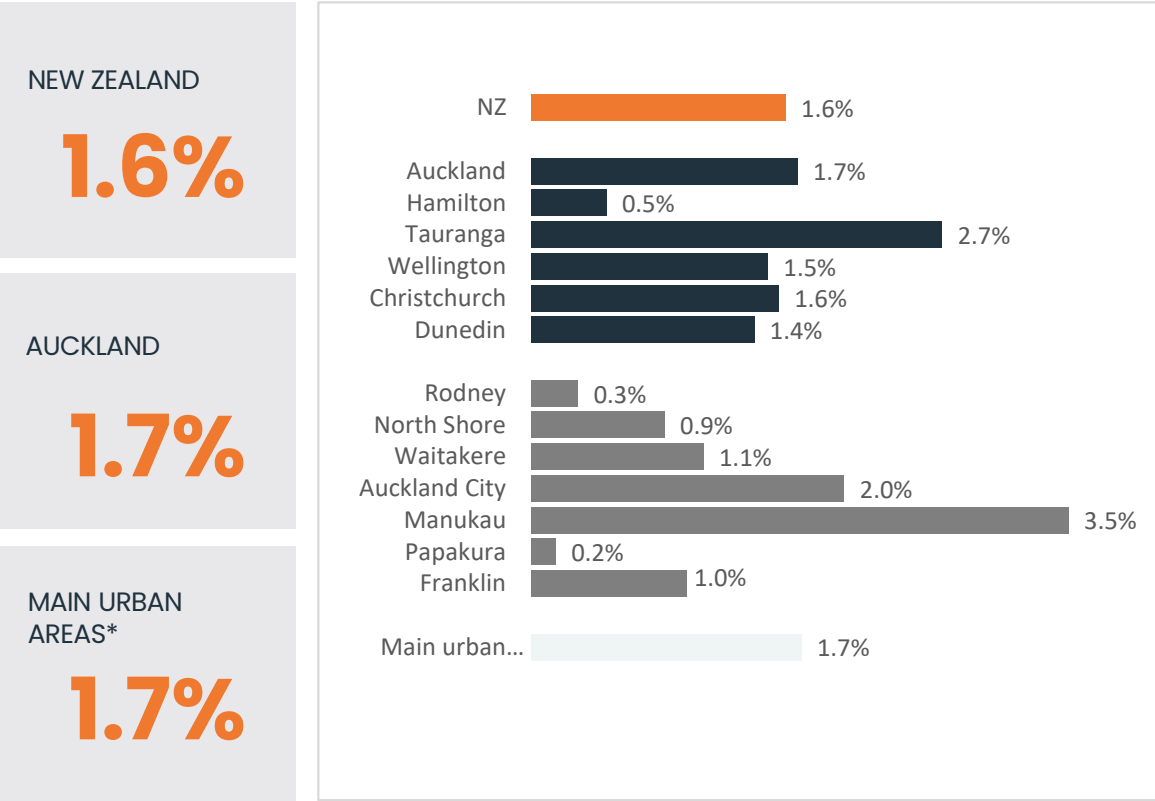
-10.8%

The falls from the peak are still sitting at a touch less than 11%, with some areas significantly larger.

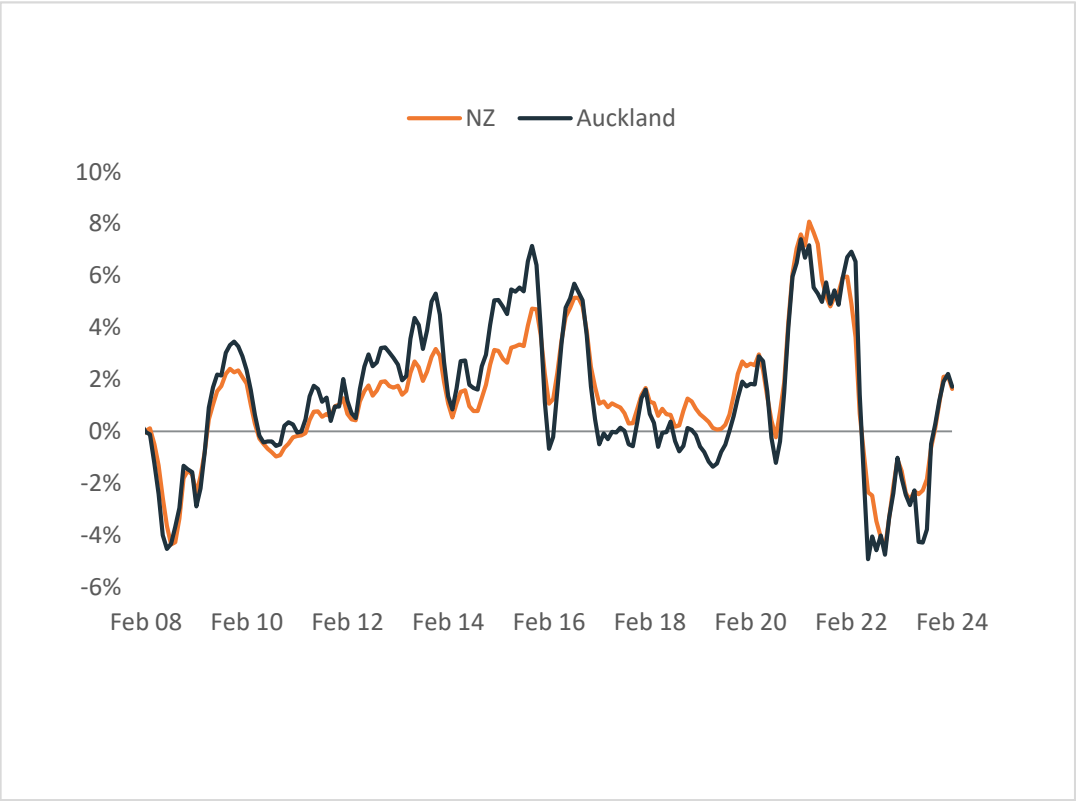
NEW ZEALAND PROPERTY VALUES

3 month changes

Change in average property values, three months to February 2024



Rolling quarterly change in average values



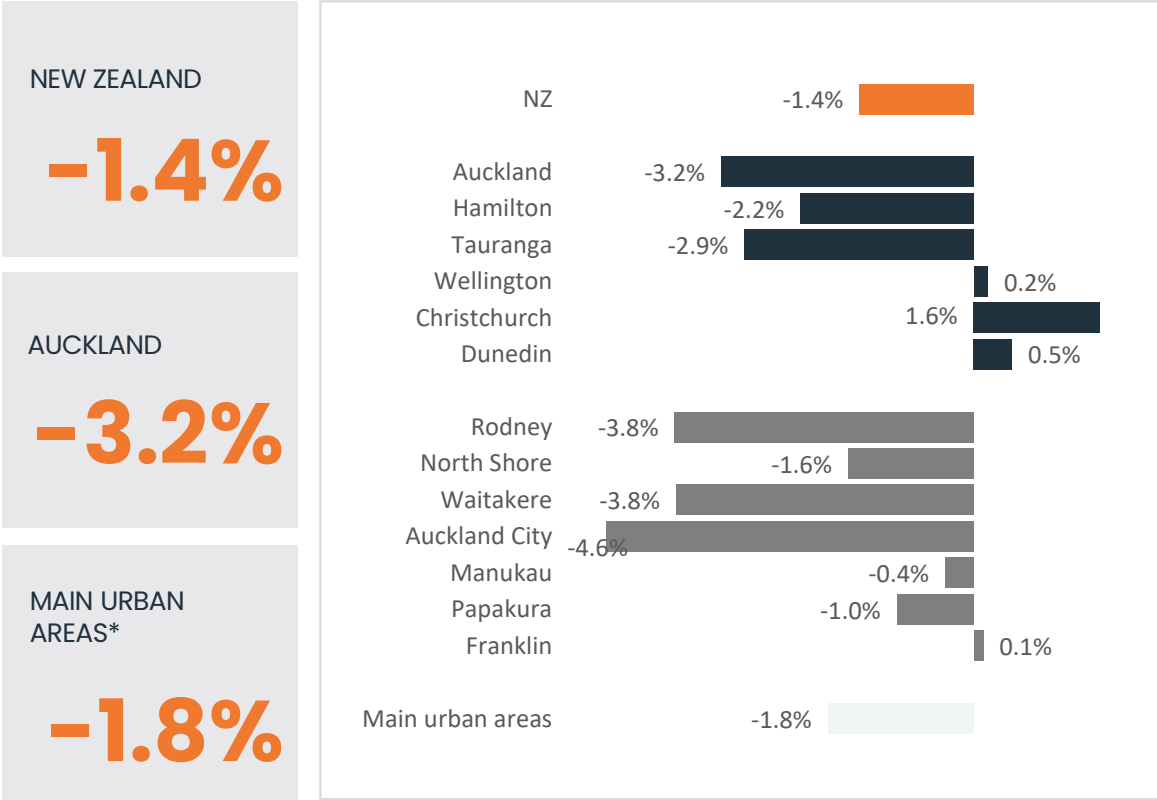
Source: CoreLogic

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

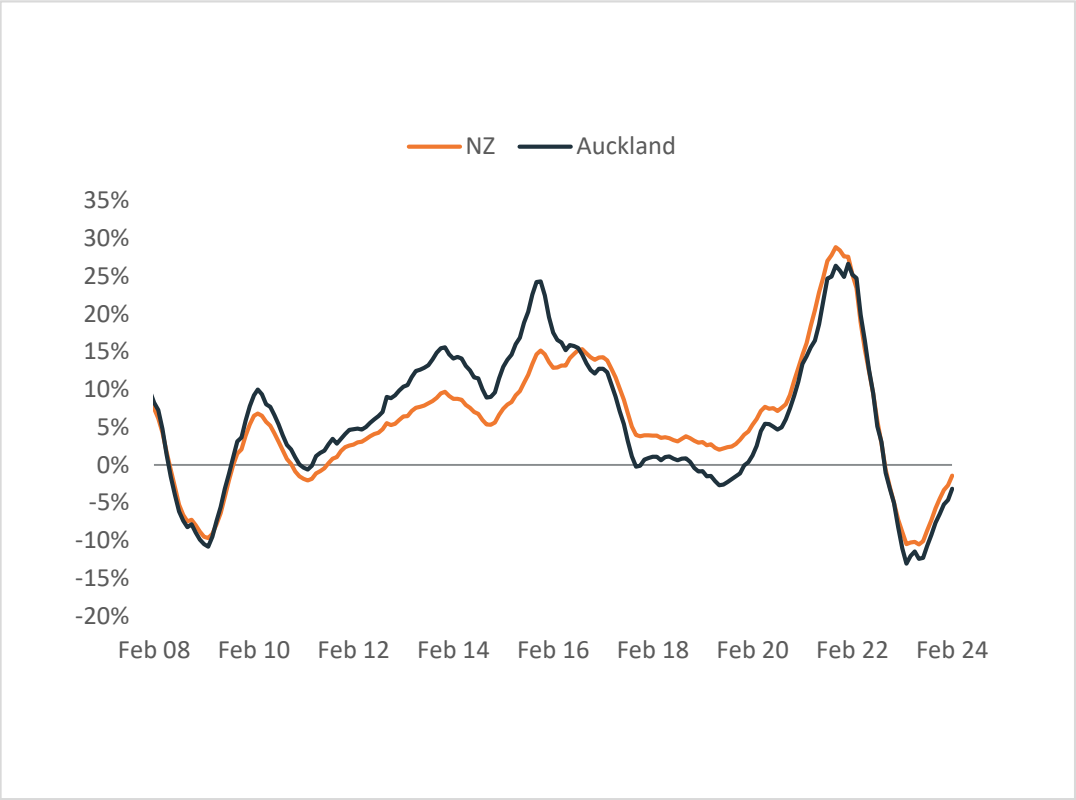
NEW ZEALAND PROPERTY VALUES

12 month changes

Change in average property values, 12 months to February 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

Main centres – average values

NZ FALL FROM PEAK

-10.8%

LARGEST MAIN
CENTRE DECLINE:

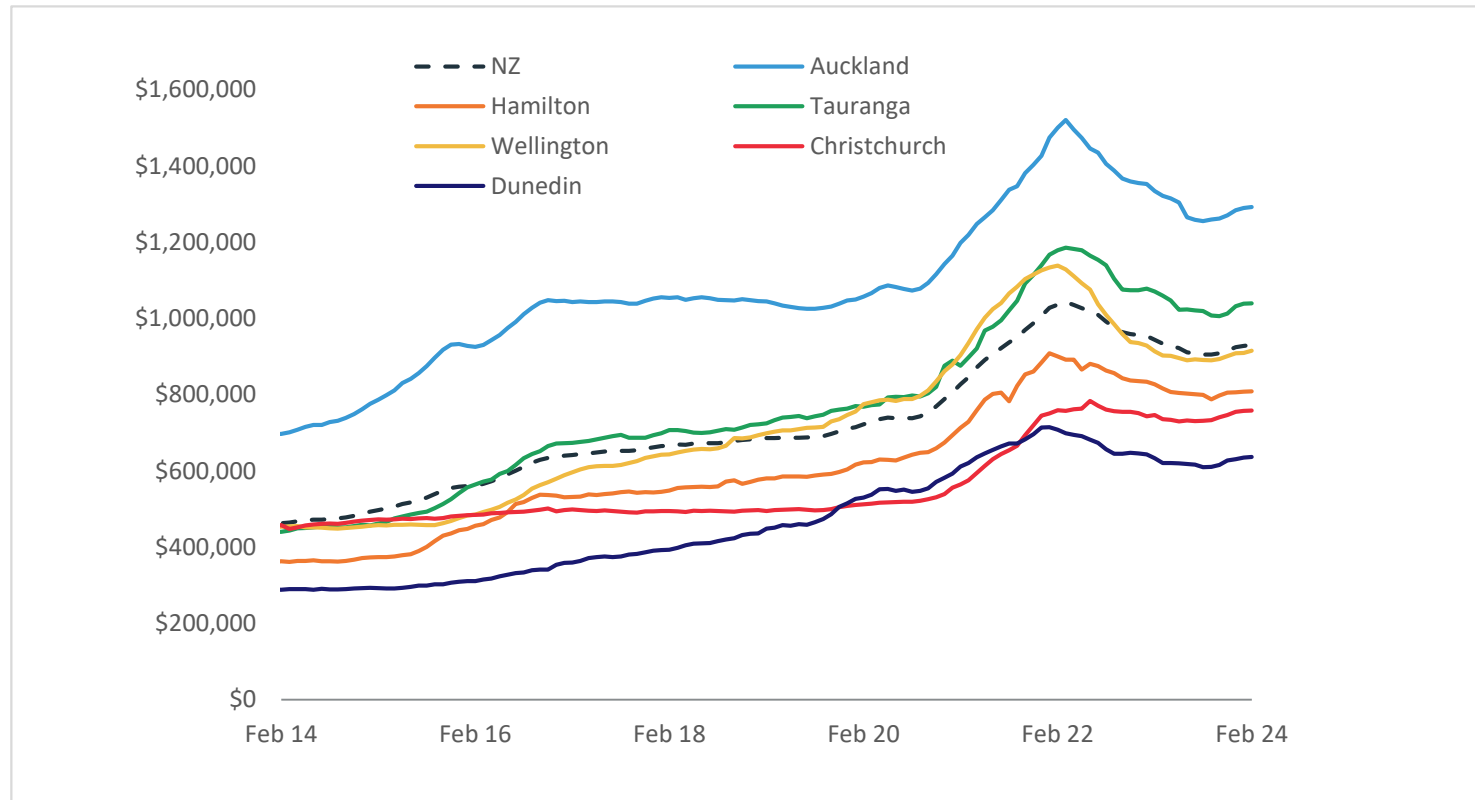
-19.6%

WELLINGTON

SMALLEST MAIN
CENTRE DECLINE:

-3.2%

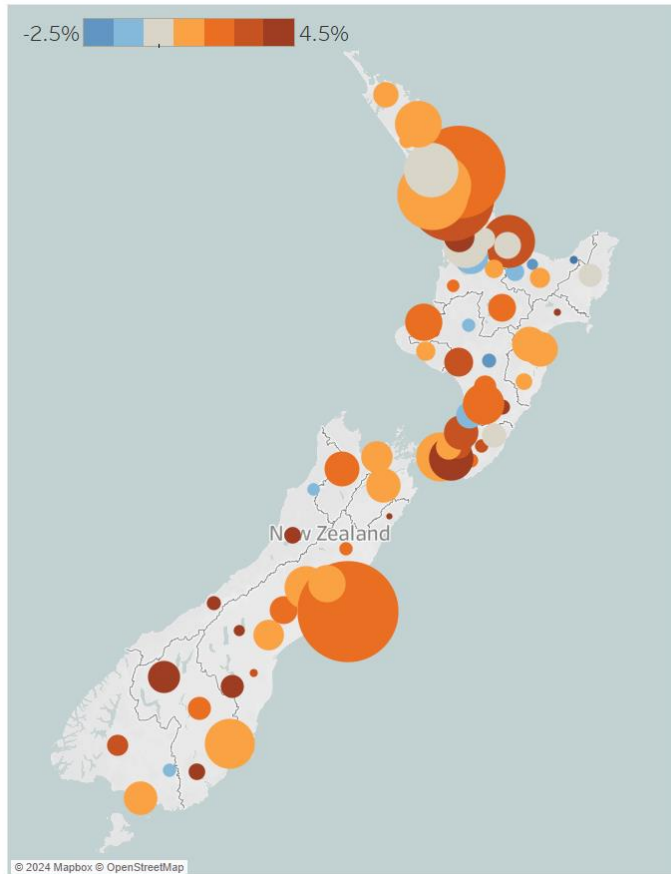
CHRISTCHURCH



Source: CoreLogic

Regional changes

Change in average property values,
3 months to February 2024



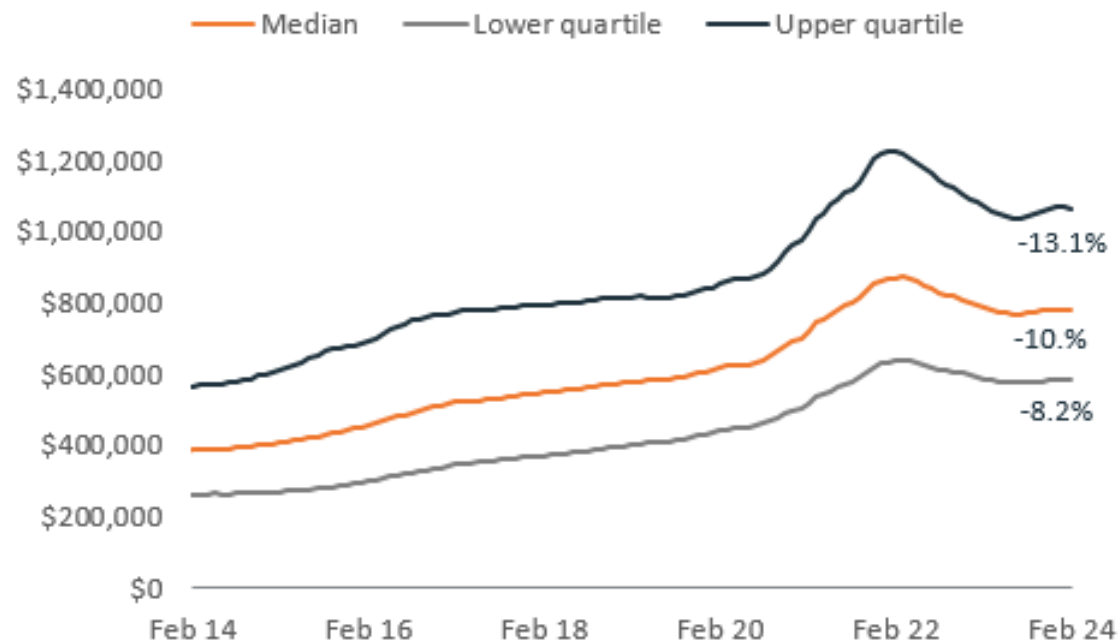
Change in average property values,
12 months to February 2024



NEW ZEALAND PROPERTY VALUES

By value band and selected markets

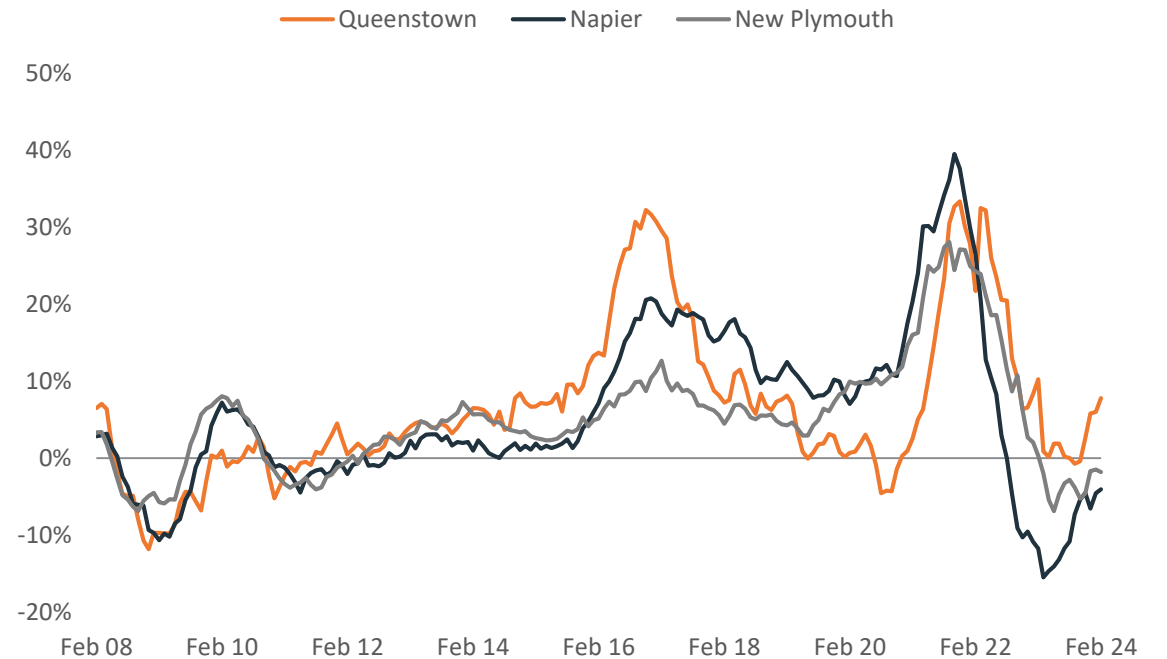
NZ \$ values median and upper & lower quartile*



* % labels on chart indicate the drop from peak

Source: CoreLogic

Rolling annual change in average property values in selected markets



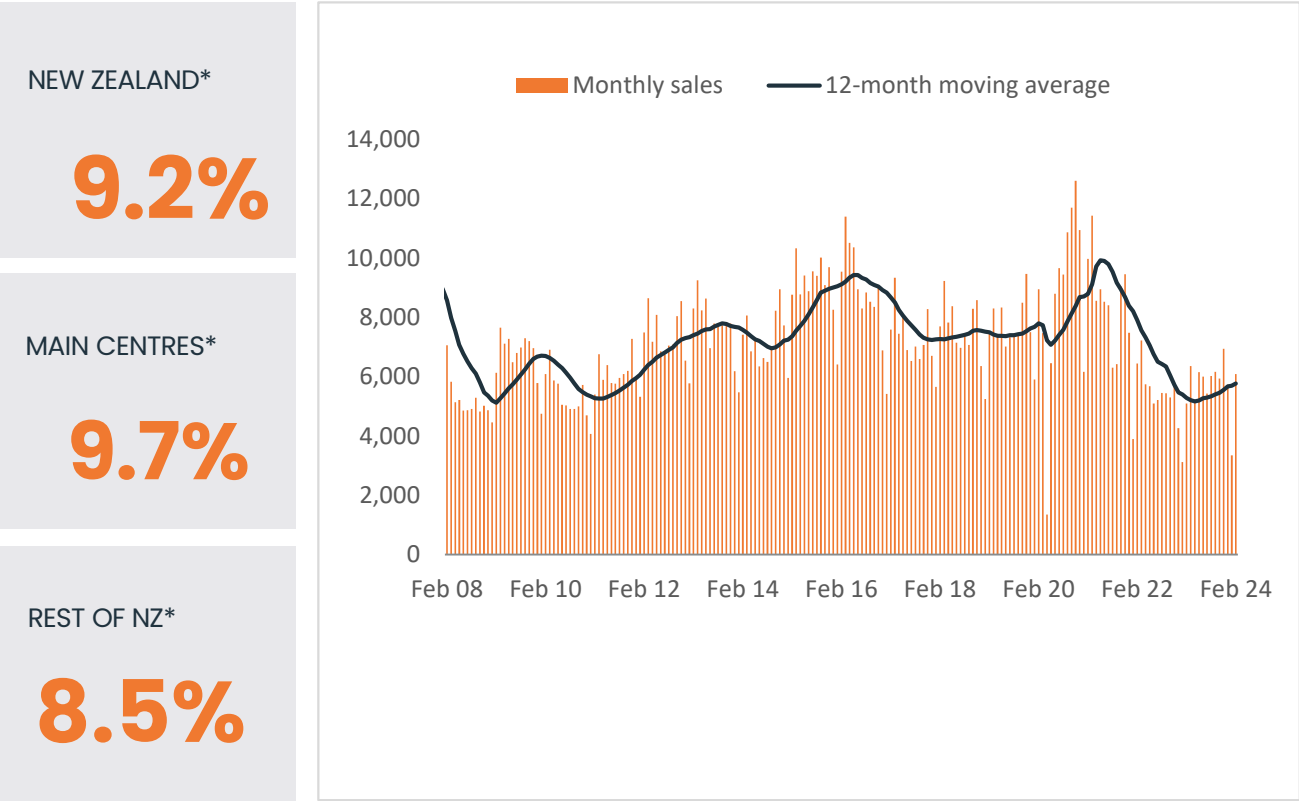
Sales and
listings



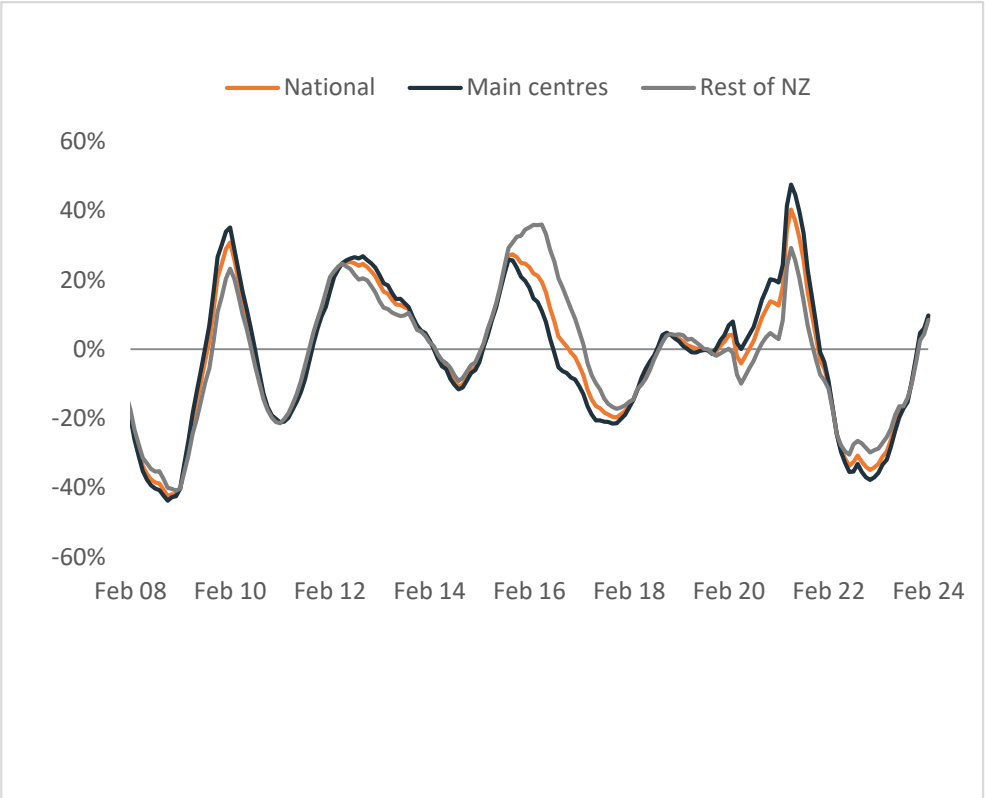
NATIONAL SALES

Sales volumes in February, measured across both private deals and real estate agents, were about 19% higher than the same month last year, the 10th rise in a row. On a 12-month total basis, sales have now risen to more than 69,000, up from the April trough of less than 62,000, but still well below the average of 90-95,000 per year. In other words, sales activity is rising, but it's going to take a while to get back to normal.

Monthly sales with 12-month moving average, national



Change in sales volumes, 12 months to February 2024

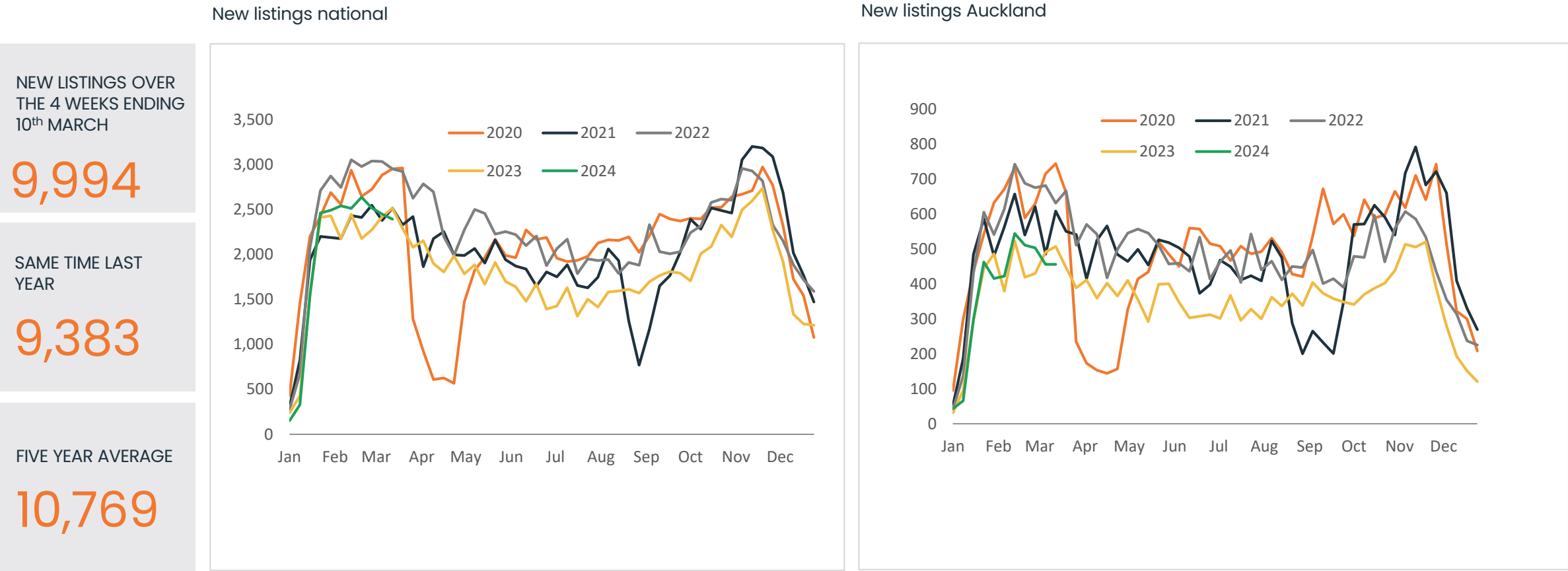


Source: CoreLogic

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

LISTINGS

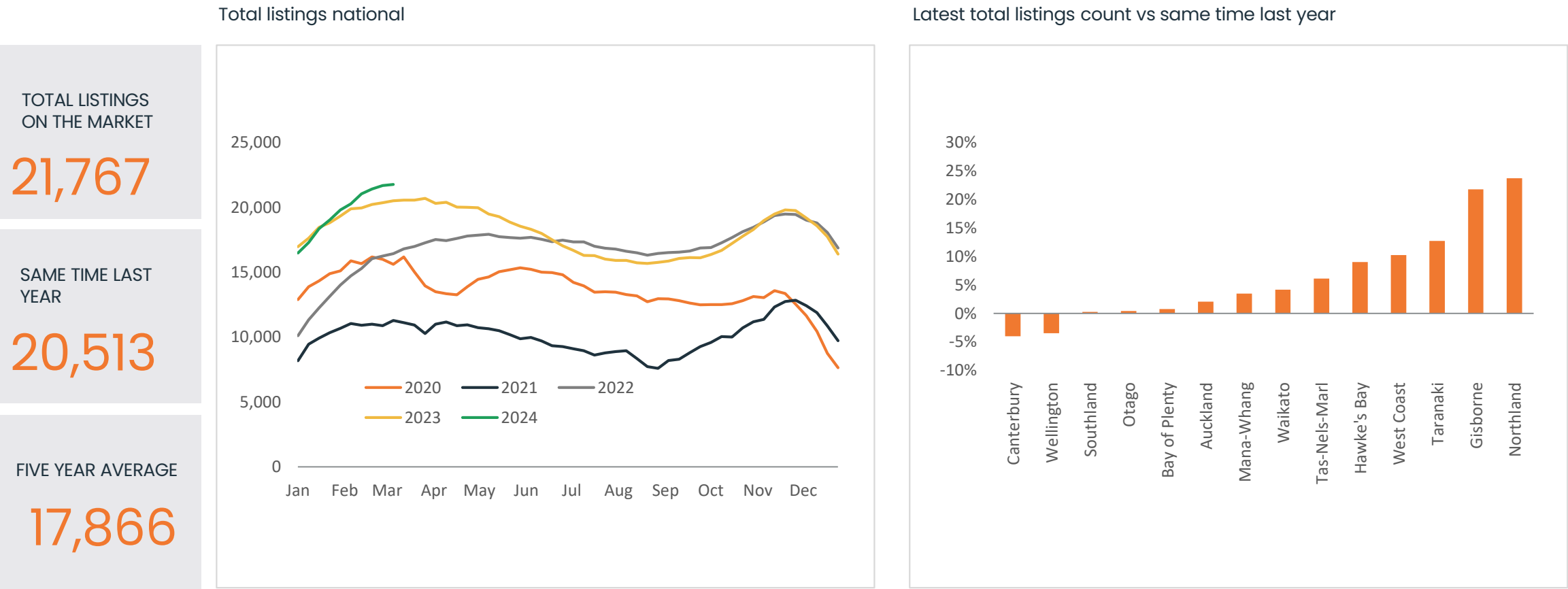
New listings activity has started to rise back again after the holiday period, and it would appear that some ‘pent up’ reluctance to list in the final few months of last year is now coming forward and turning into available stock this year. That’s creating more choice for buyers, and it wouldn’t be a surprise to see listings continue to flow pretty nicely in the coming months, especially if the shorter Brightline Test from 1st July prompts some currently cash-strapped investors to sell without a capital gains tax liability.



Source: CoreLogic

LISTINGS

The total number of properties on the market has continued to rise in the past month, as more new listings have been made, and have begun to exceed (slowly rising) sales volumes. Canterbury and Wellington remain a little tighter than this time last year in terms of the number of available listings on the market, but other areas are up. That will tend to dampen price pressures to some degree.



Source: CoreLogic

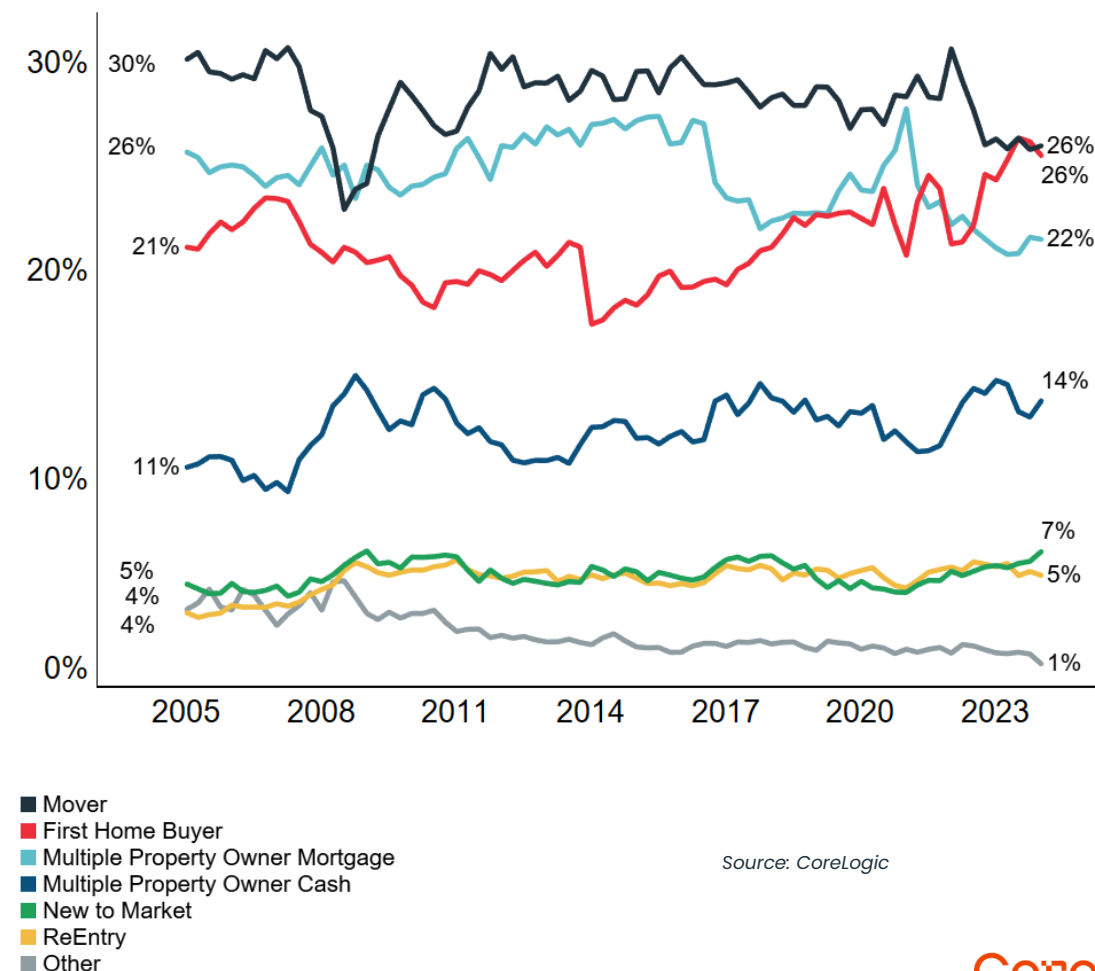
Buyer classification



Buyer Classification

- First home buyers (FHBs) remain a strong presence in the property market, with a 26% share of purchases across January and February combined, although that figure has just dipped slightly since late 2023.
- FHBs are enjoying lower house prices, less competition from other buyer groups, and also some other supports – such as KiwiSaver for the deposit and access to low-deposit finance via the LVR speed limits.
- Relocating owner-occupiers ('movers') have had a fairly stable market share (around 26%) for about the past 12–15 months now, while mortgaged multiple property owners have also been relatively steady, but at 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 to a purchase.
- Of course, for those who are less reliant on the bank – i.e. cash investors – there's been a small uptick in market share lately, something to keep an eye on.

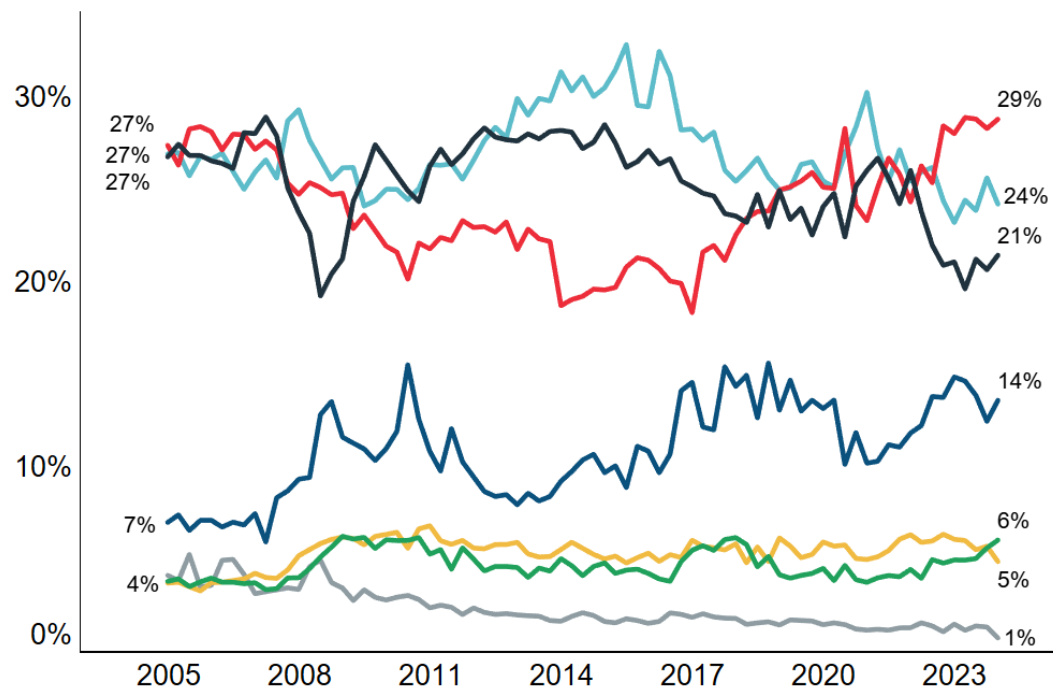
% share of property purchases, New Zealand



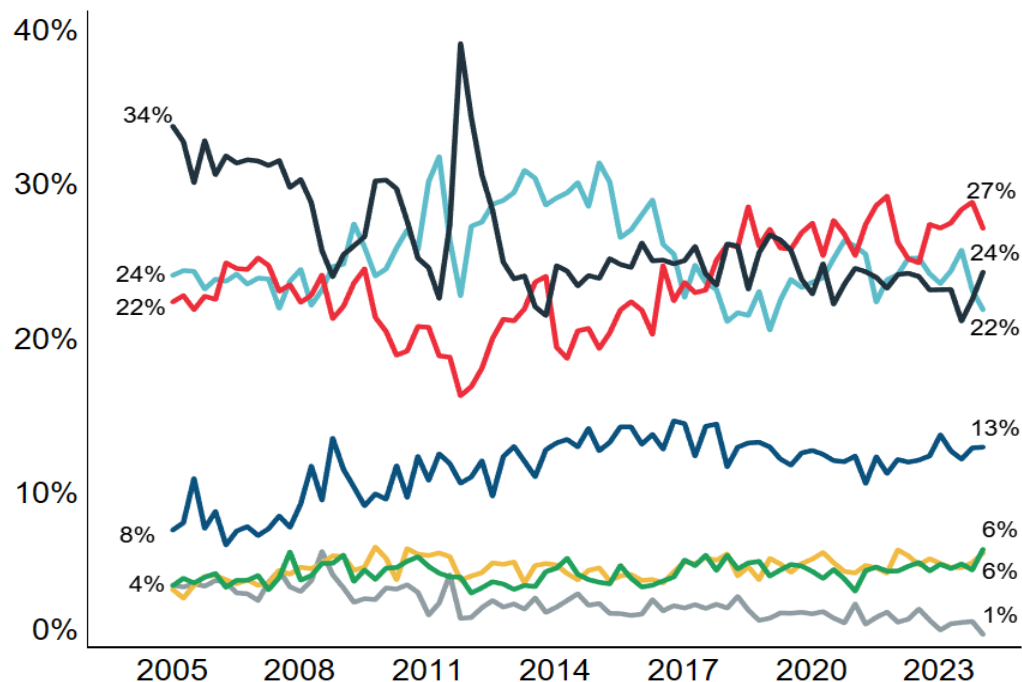
% MARKET SHARE OF PROPERTY PURCHASES – BUYER CLASSIFICATION

Selected main centres

Auckland



Christchurch



Source: CoreLogic

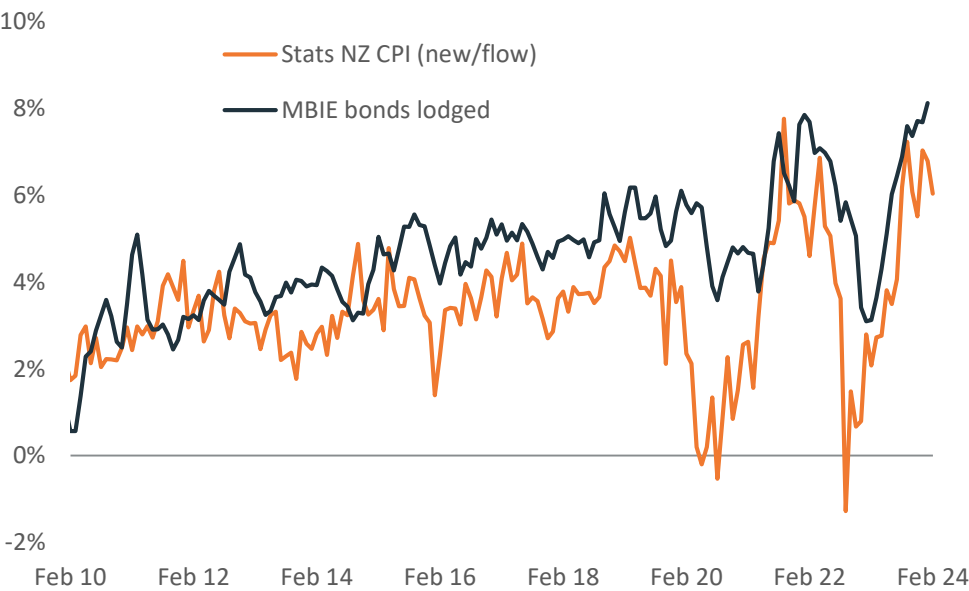
Rental
market



RENTAL RATES

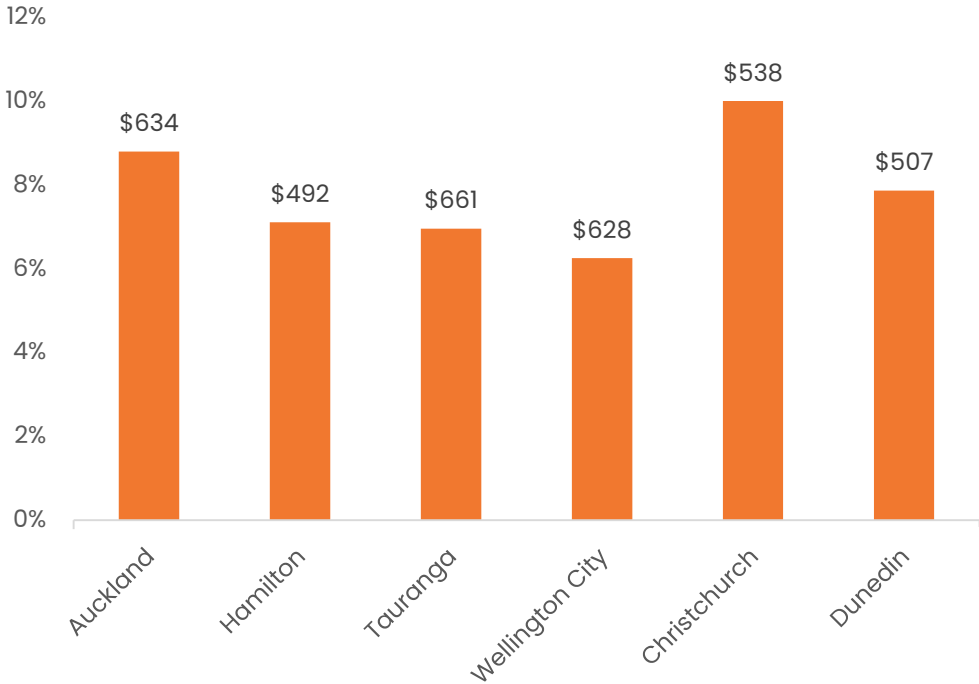
Rental growth is still running at historically high levels, and was 6.0% in the year to February (Stats NZ new tenancy/flow measure) – that remains well above the long term average growth rate of closer to 3%, and reflects further growth in wages, as well as a tightening supply and demand balance. The demand is being driven in no small part by soaring net migration into NZ. On the alternative MBIE measure, rents have risen by between 6% and 10% in each of the main centres over the past 12 months.

Annual change in national rents to December/January 2024



Source: Stats NZ, MBIE

Annual change in rents (MBIE)*

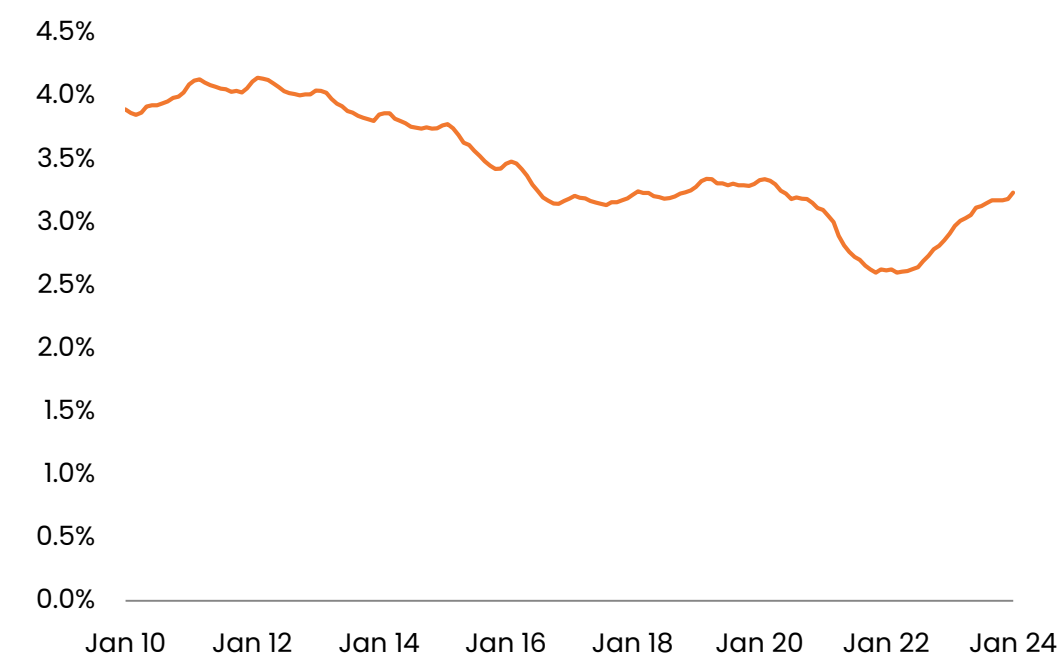


* Labels on the bars are the latest levels for weekly rents

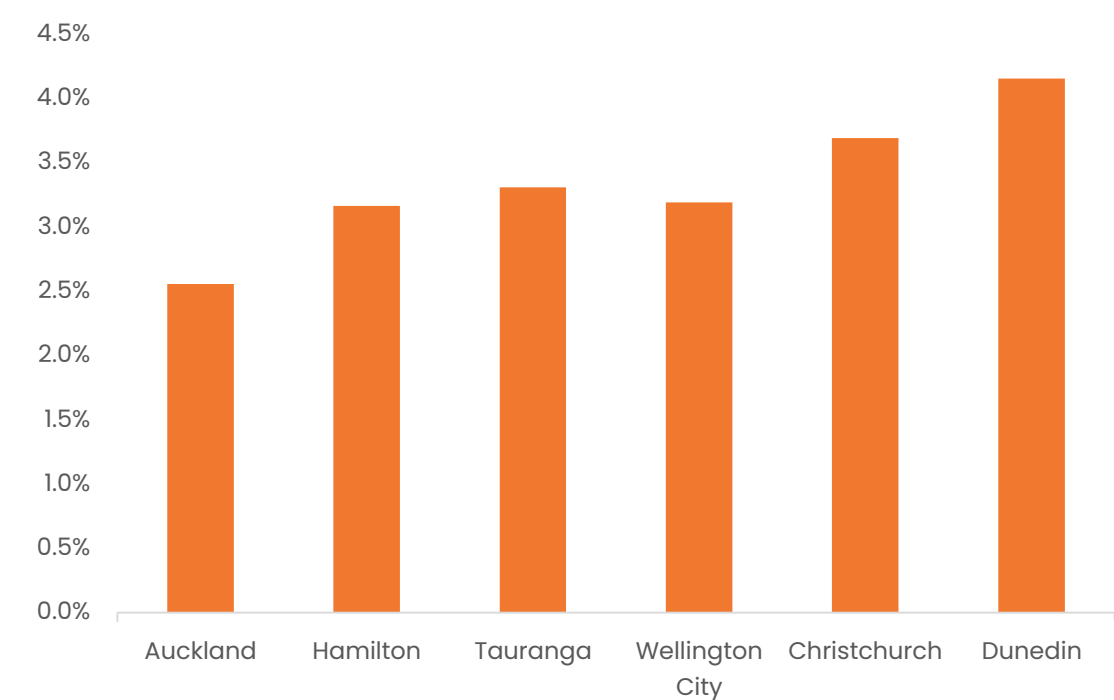
RENTAL YIELDS

Gross rental yields nationally have edged back up to 3.2% (from a trough of 2.6% for much of 2022), the highest level since late 2020. However, that's still relatively low by past standards, and is less than the income returns on some other asset classes (e.g. term deposits). Auckland yields (2.6%) remain the lowest of the main centres, with Christchurch and Dunedin both sitting at 3.7% or above.

Gross rental yields, national



Gross rental yields, main centres



Source: CoreLogic, MBIE

A man and a woman are standing in front of a large window at night, looking at a tablet together. The man is wearing glasses and a dark shirt, and the woman is wearing a light-colored top. The background is a blurred cityscape with warm, glowing lights, creating a bokeh effect. The text "Credit conditions" is overlaid on the left side of the image.

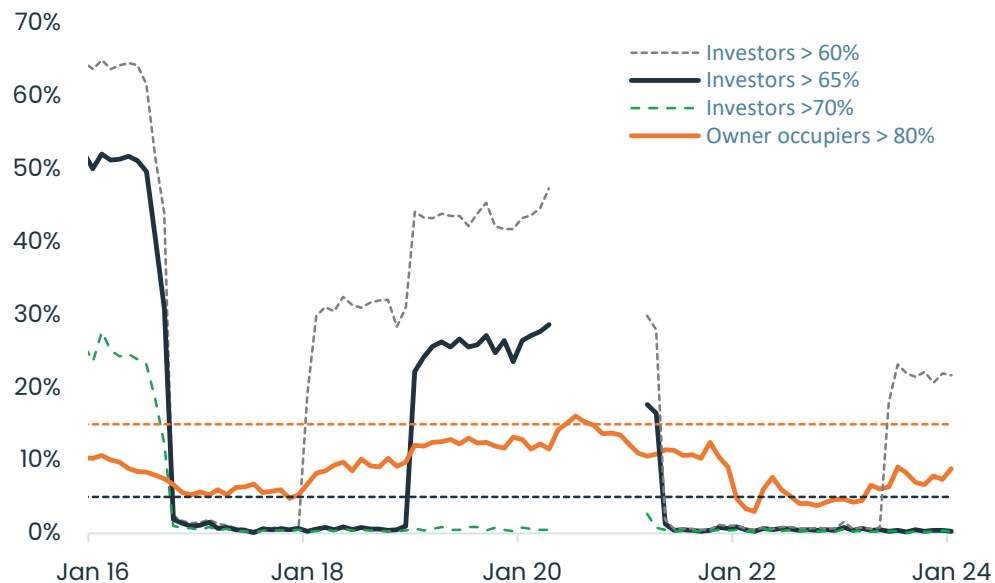
Credit
conditions

CREDIT CONDITIONS

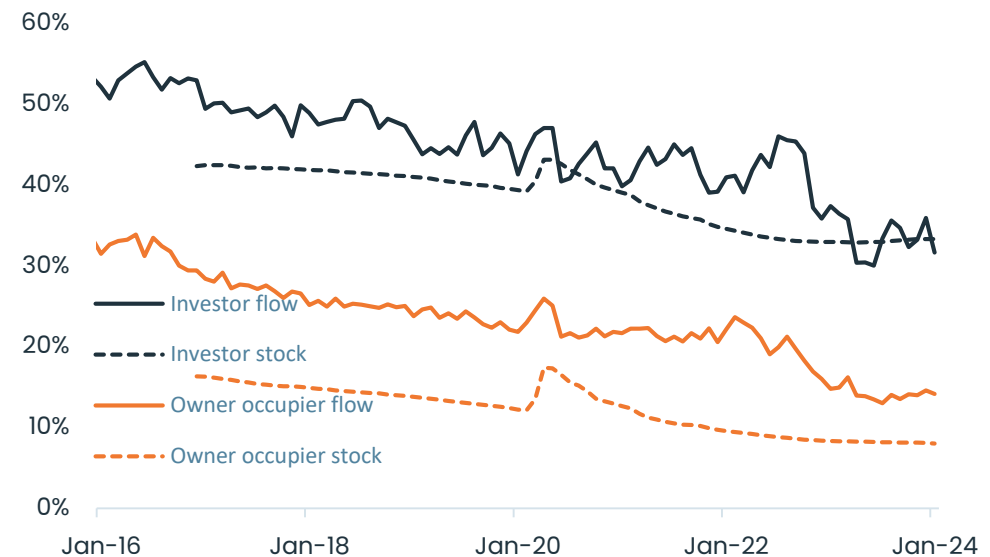
Lending flows

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 in the past few months; something worth watching.

% share of lending at high LVR



% share of lending on interest-only terms



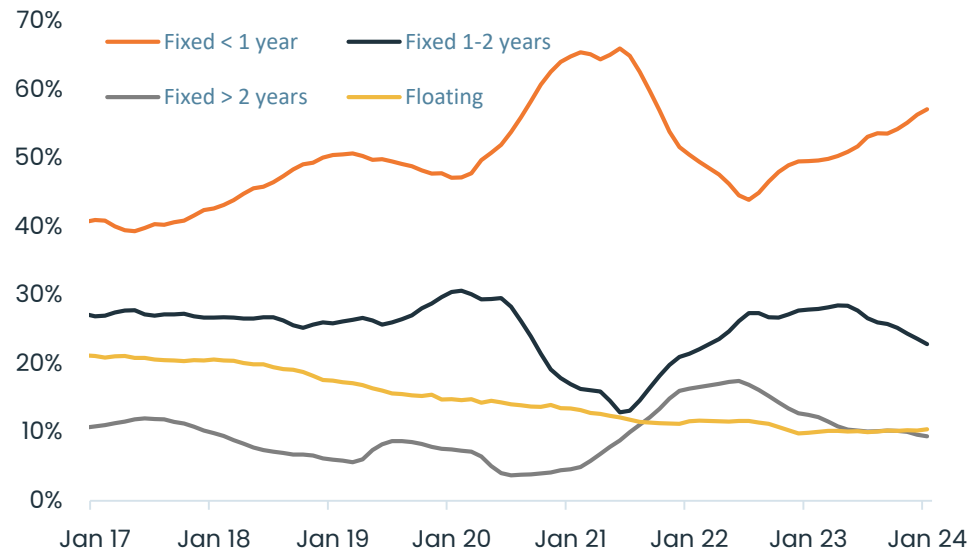
Source: Reserve Bank NZ

CREDIT CONDITIONS

Lending flows

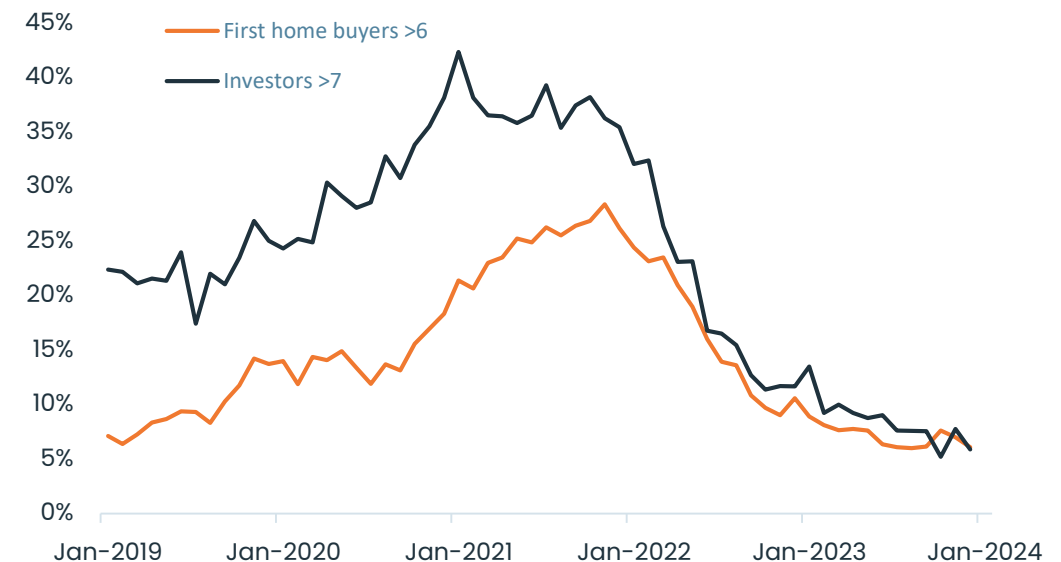
Around 57% of NZ's existing mortgages by value are currently fixed but due to reprice onto a new (generally higher) mortgage rate over the next 12 months. This will require a significant adjustment to those households' finances. At least in terms of new lending flows, however, loans at high multiples 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



Source: Reserve Bank NZ

% share of lending at high DTI

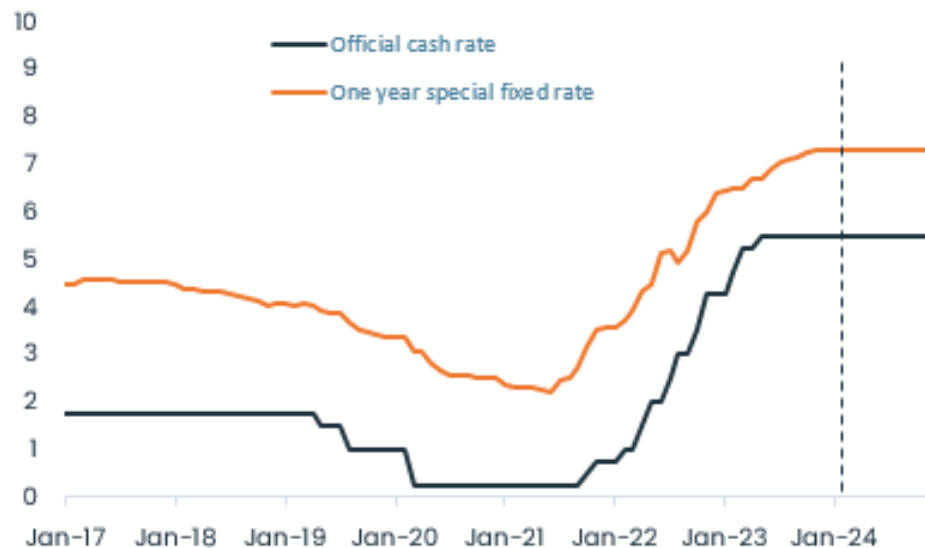


CREDIT CONDITIONS

The OCR and mortgage rates

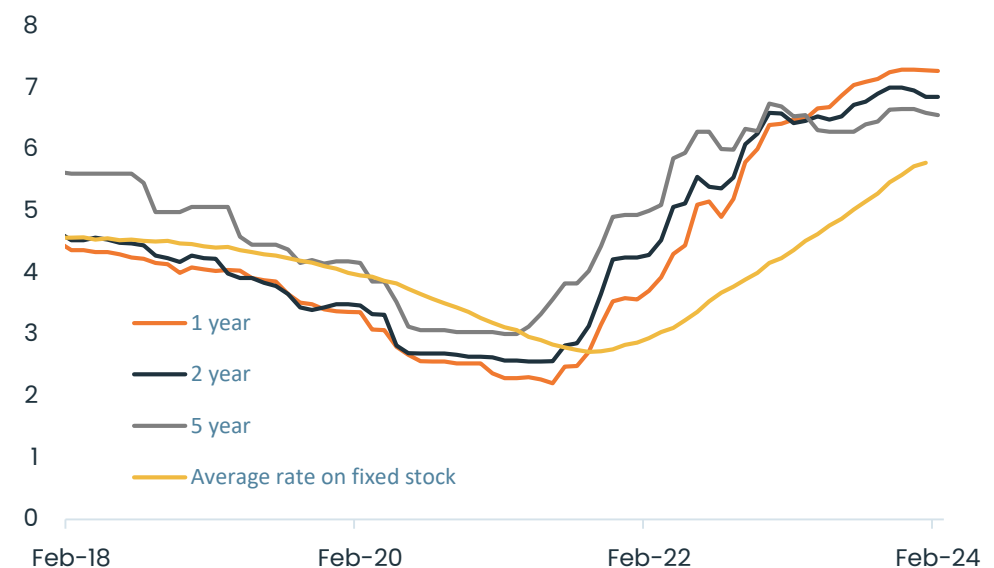
Given that inflation now seems to have passed its peak, the Reserve Bank appears happy to sit back and judge the effects of a 'final' OCR peak of 5.5% for this tightening cycle. In turn, mortgage rates are now very close to, or already at, their peak. To be fair, they may not fall materially over the next 6-9 months either, but at least households can now quantify their 'worst case'.

Official cash rate and 1-year special fixed rate



Source: Reserve Bank NZ

Current special mortgage rates and average on existing stock

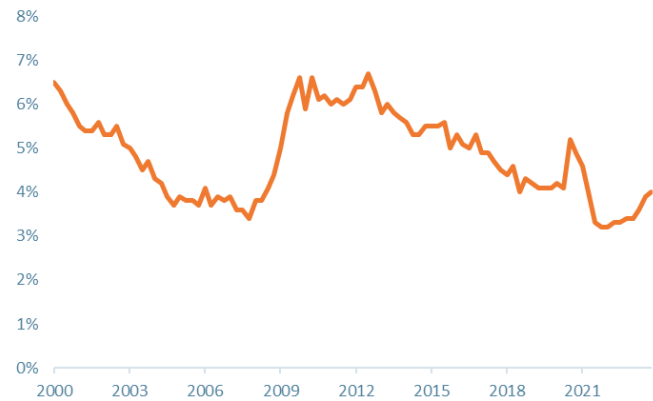


Economic indicators

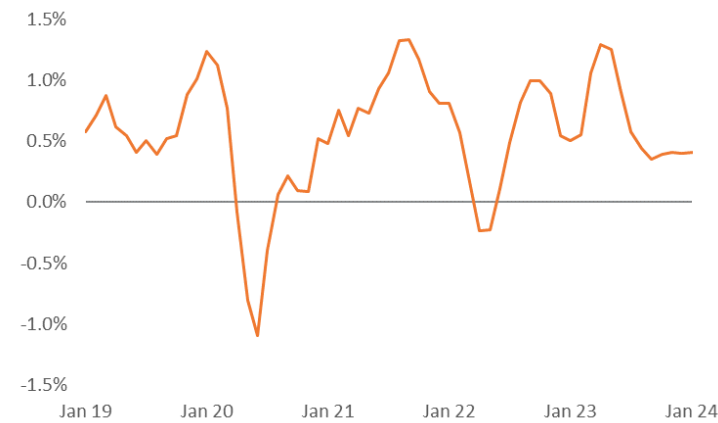


ECONOMIC INDICATORS

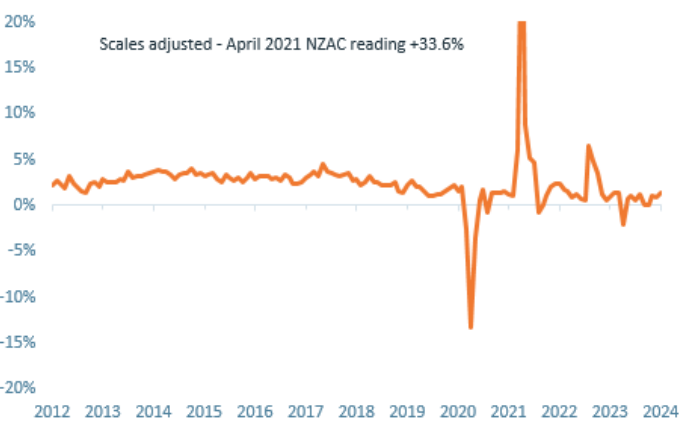
Unemployment rate %



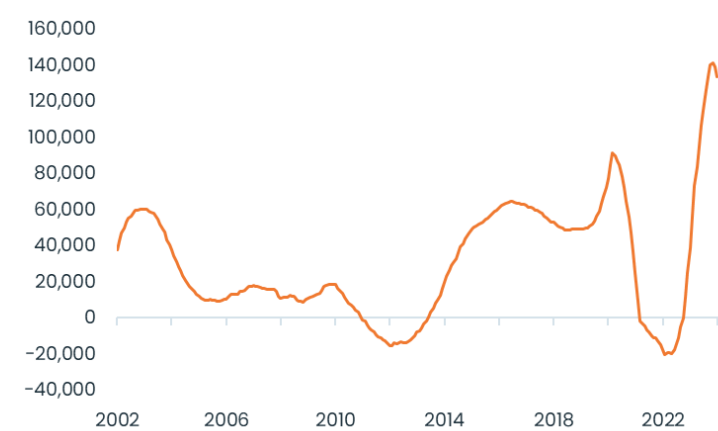
% three month change in filled jobs



% annual change NZ Activity Index



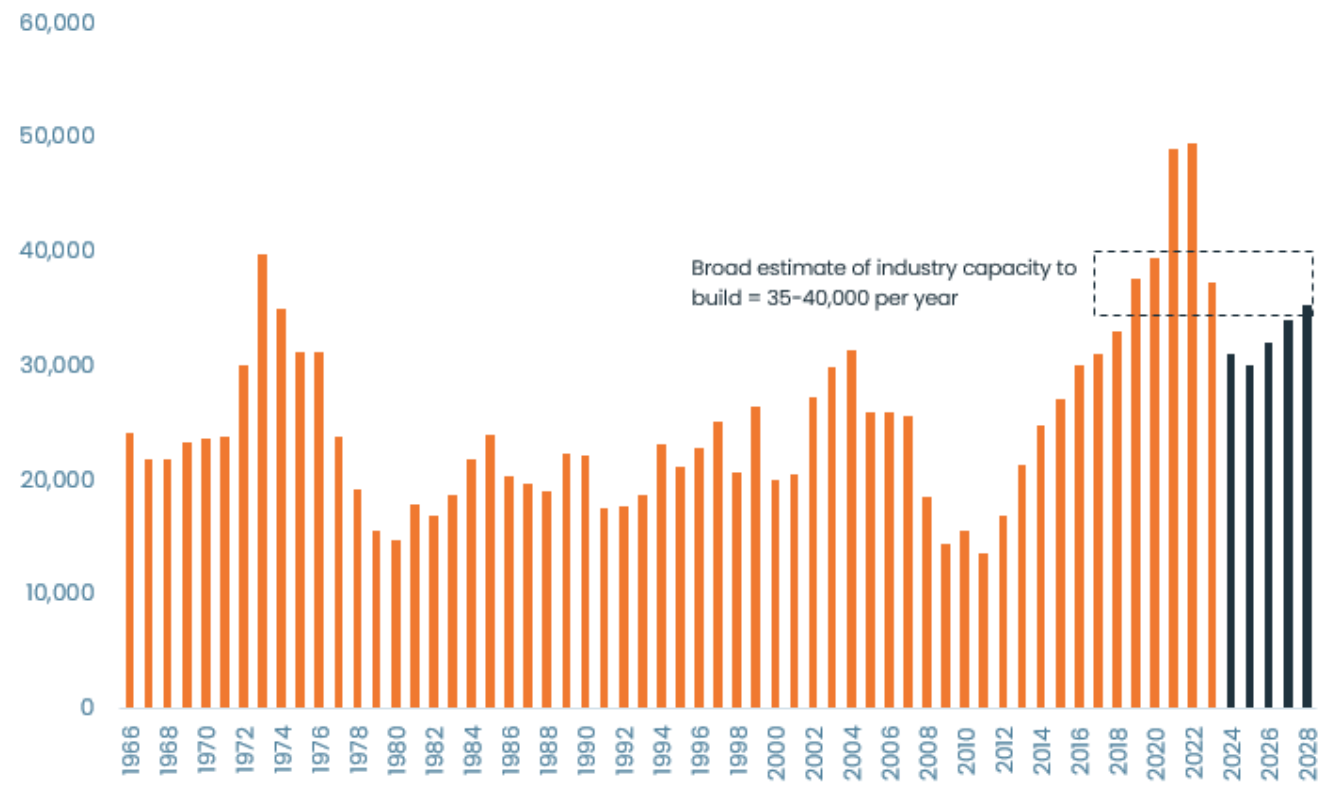
Annual net migration flow



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



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corelogic.co.nz