

CoreLogic

Monthly NZ Housing Chart Pack

Unlocking smarter
property decisions

MAY 2024

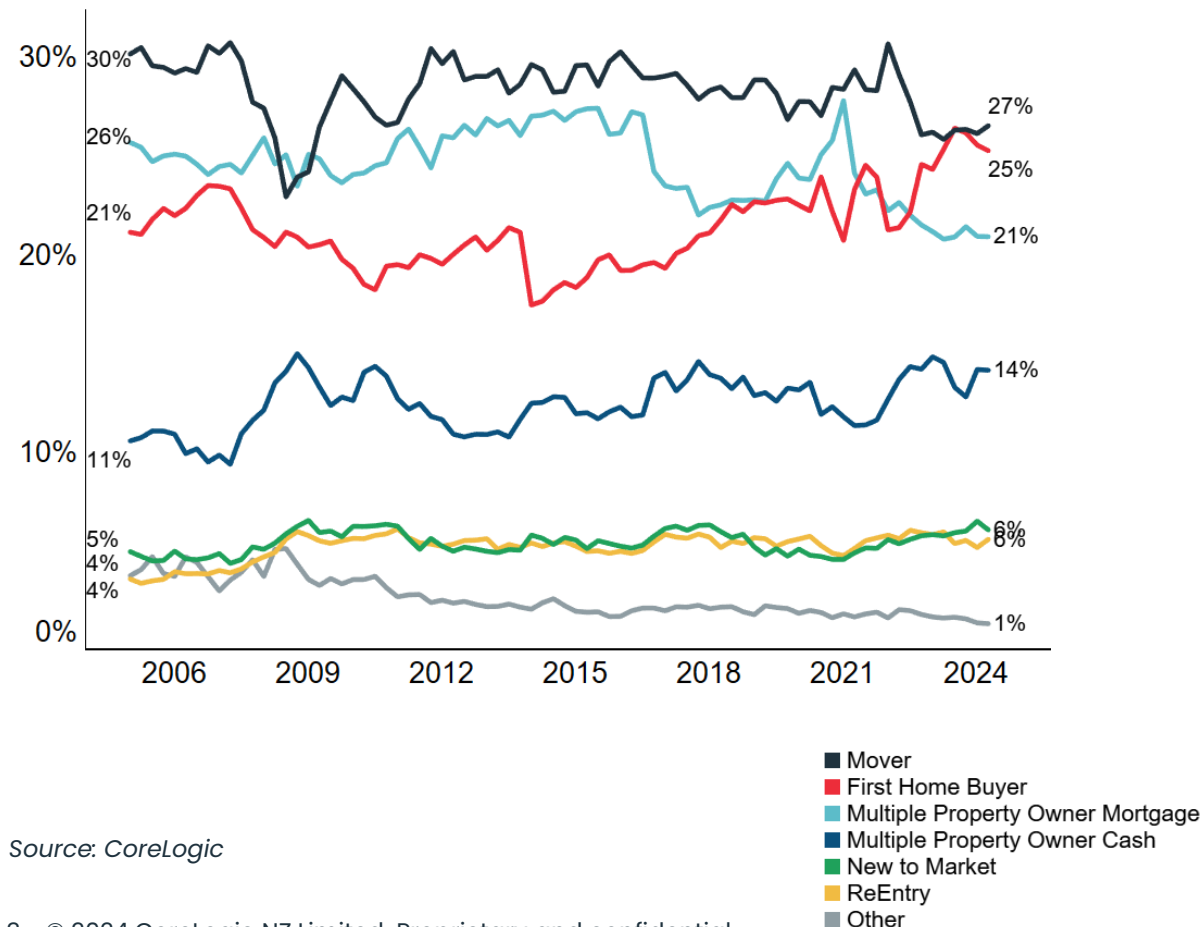


Are owner-occupiers getting itchy feet?

- Sales activity continued to recover in April, with 5,930 transactions across estate agents and private deals, up by 15% from April 2023, and the 12th rise in a row. The bigger point, however, is that activity remains low. At just short of 71,400 deals in the past 12 months, sales are still a long way below the normal levels of about 90,000 per year.
- The patchiness of the recent data can also be seen when we look at values. In fact, the CoreLogic House Price Index was basically flat in April (down a minor 0.1%), with Dunedin up by 0.7%, Wellington and Hamilton rising by 0.4% apiece, but Auckland down by 0.6%.
- Turning to Buyer Classification, first home buyers (FHBs) remain a strong presence in the property market, with a 25% share of purchases in April, after 26% across the first quarter. The *number* of FHB deals is also pretty solid. By contrast, 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.
- Relocating owner-occupiers ('movers') have had a fairly stable market share (around 26%) for about the past 18 months now, although it did tick up to 27% in April. We suspect there might be some pent-up demand to move, so this is a group to watch in the coming months, as more listings/choice become available and financing conditions ease a little.
- There are now clearer signs that both net migration into NZ and rental price growth have passed their peak, although this might be cold comfort for many tenants, given that rents are already very high in relation to household incomes.
- 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. The number of available listings has also risen (giving buyers more choice), and many households still have to reprice their mortgages this year too.

Movers starting to move again?

NZ % share of property purchases



Source: CoreLogic

- Relocating owner-occupiers, i.e. 'movers', edged up from 26% of purchases in Q1 to 27% in April.
- They've been relatively quiet in recent years, perhaps owing to factors such as a lack of choice amongst available listings, the hindrance of conditional offers and needing to sell before they buy, as well as the financial hurdle to 'trade up'.
- Movers could be a group to watch in the coming months, however, as listings rise and financing conditions perhaps ease a little (with mortgage rate falls on the cards for 2025).
- In addition, 'life happens', and there's probably a pent-up demand/need for more owner-occupiers to shift, after tending to stay put in the past few years.
- That wouldn't tend to 'crowd out' other buyer groups, given that movers absorb a listing when they buy but also create new listings on the sale side.

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



RESIDENTIAL REAL ESTATE

\$1.63 Trillion



NZ SUPER & KIWISAVER

\$181 Billion



NZ LISTED STOCKS

\$161 Billion



COMMERCIAL REAL ESTATE

\$326 Billion

NUMBER OF DWELLINGS

1.67 Million

OUTSTANDING MORTGAGE DEBT

\$358 Billion

HOUSEHOLD ASSETS HELD IN RESIDENTIAL REAL ESTATE (JUNE 2021)

43% (+4% since 2018)

TOTAL SALES LAST 12 MONTHS

71,372

GROSS VALUE OF SALES
LAST 12 MONTHS

\$63 Billion

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

OVERVIEW

New Zealand property values

3 MONTHS

0.6%

Taking the three months to April combined there was a moderate 0.6% rise in average property values across NZ.

12 MONTHS

0.5%

Values edged up by 0.5% in the year to April, the 'strongest' since 2.8% in September 2022.

FROM PEAK

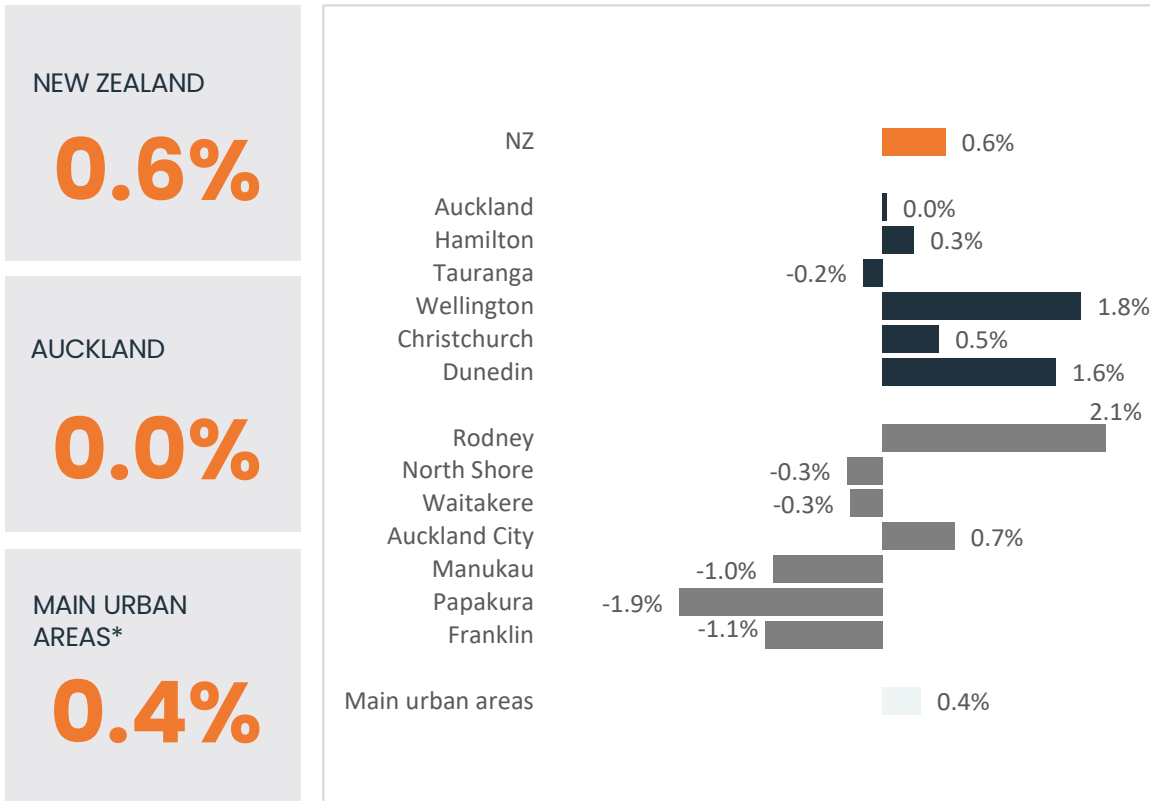
-10.5%

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 April 2024



NEW ZEALAND

0.6%

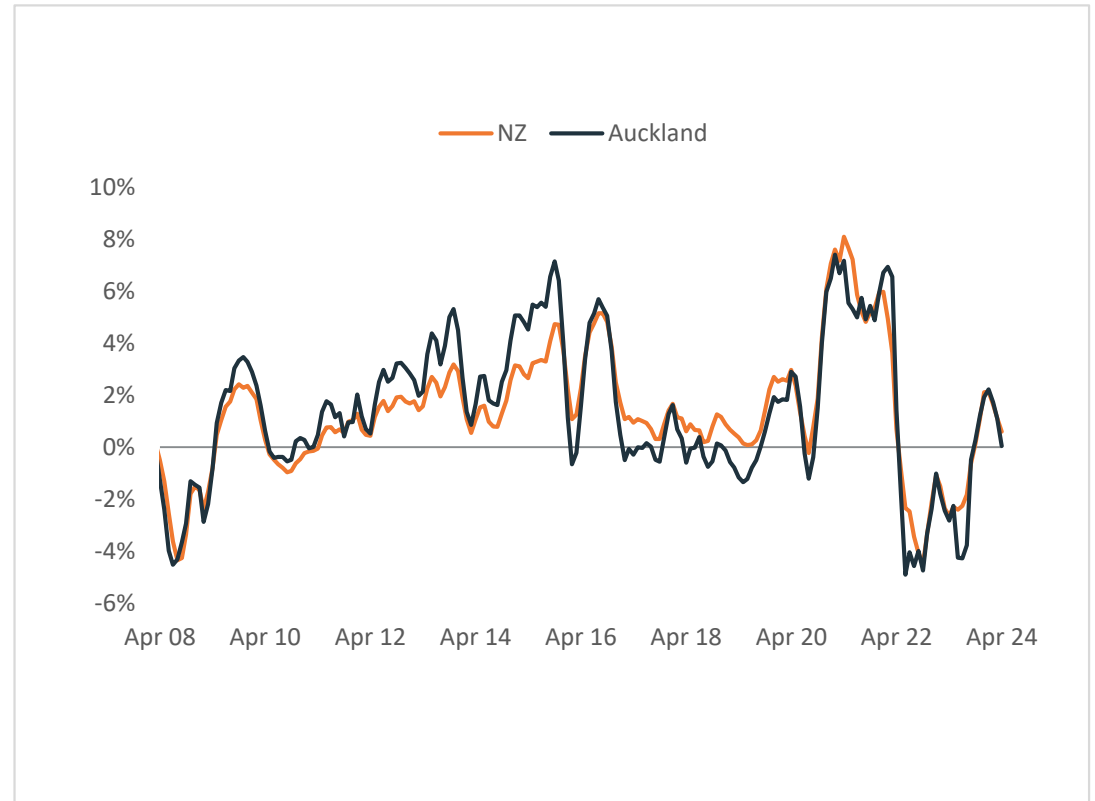
AUCKLAND

0.0%

MAIN URBAN AREAS*

0.4%

Rolling quarterly change in average values



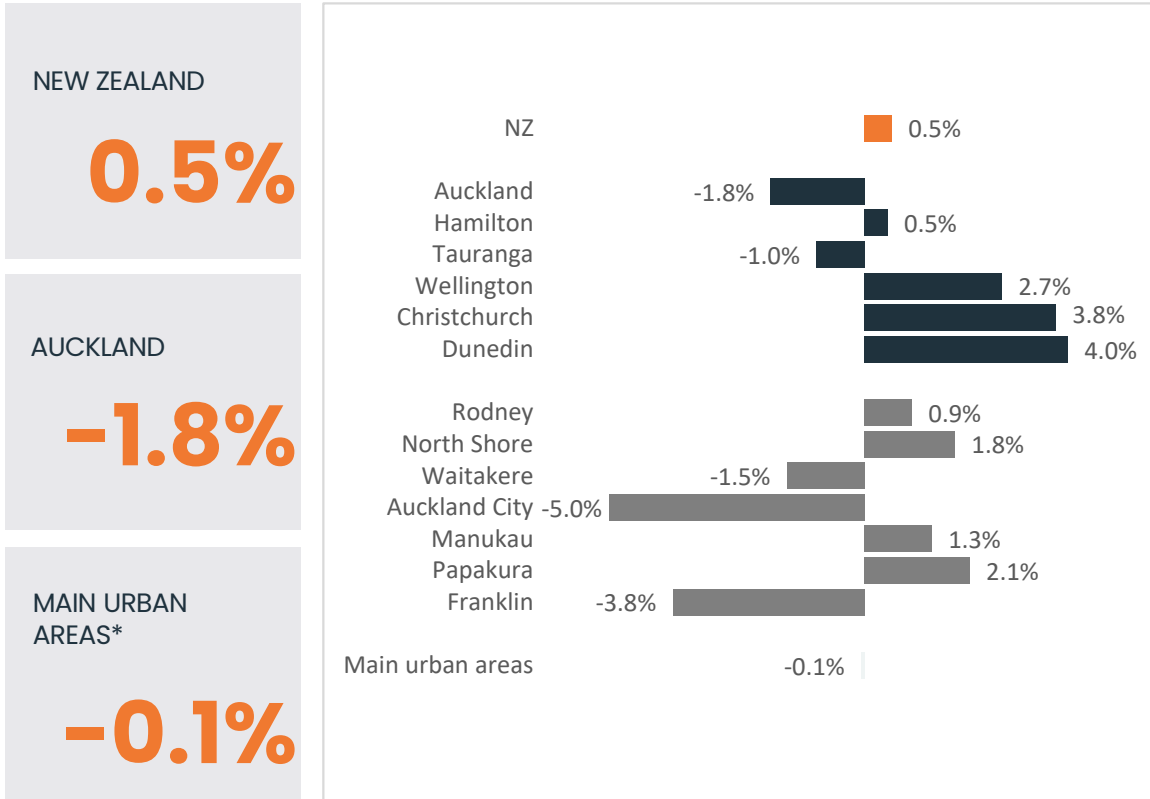
Source: CoreLogic

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

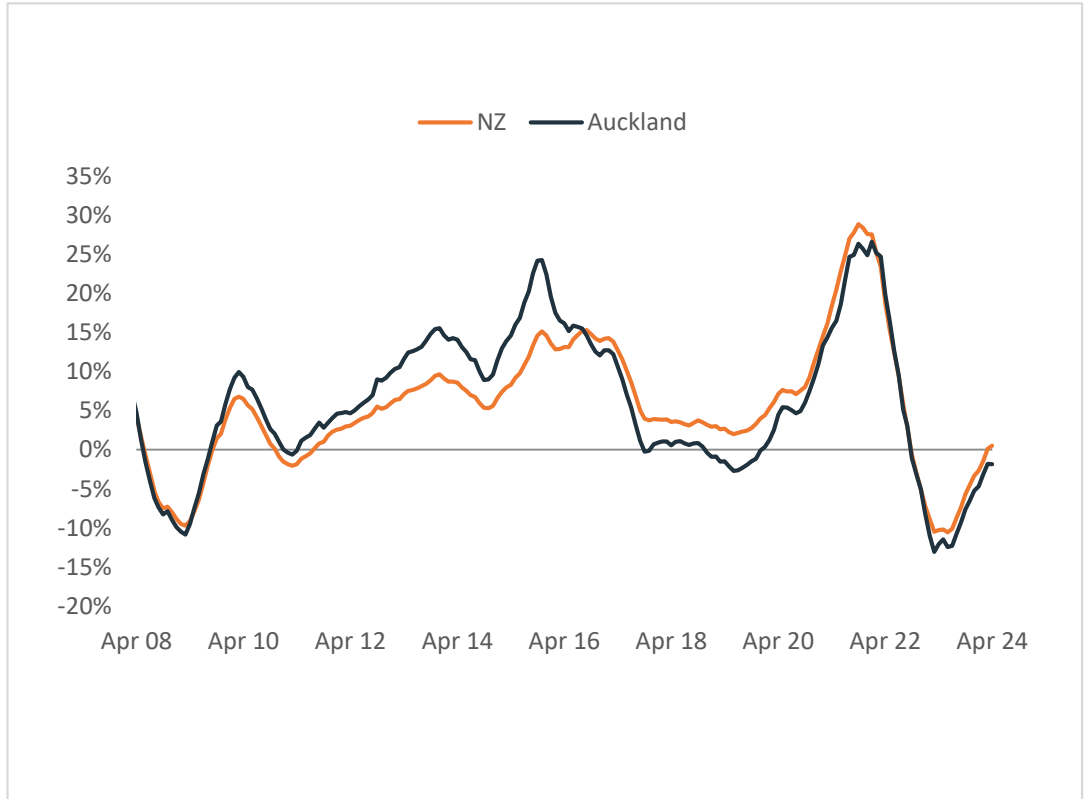
NEW ZEALAND PROPERTY VALUES

12 month changes

Change in average property values, 12 months to April 2024



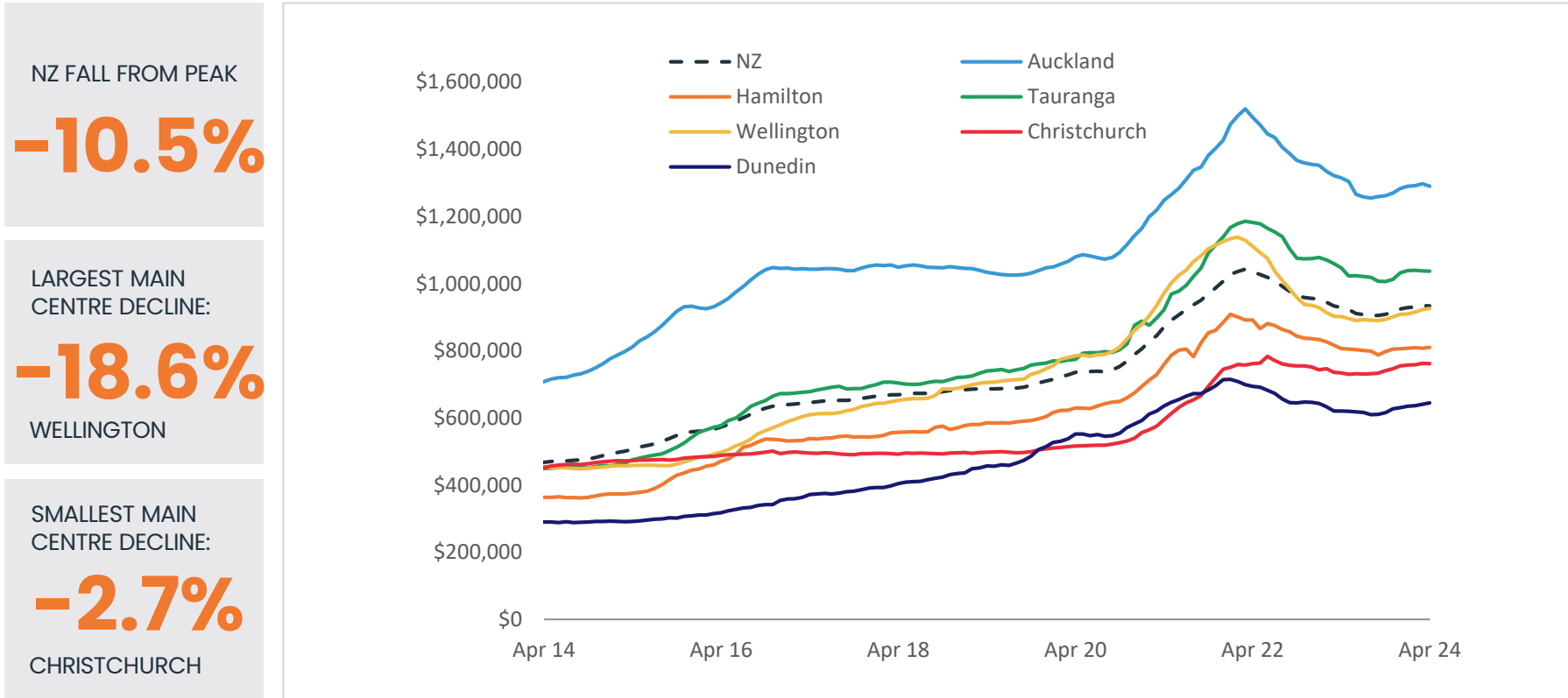
Rolling annual change in average values



Source: CoreLogic

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

Main centres – average values

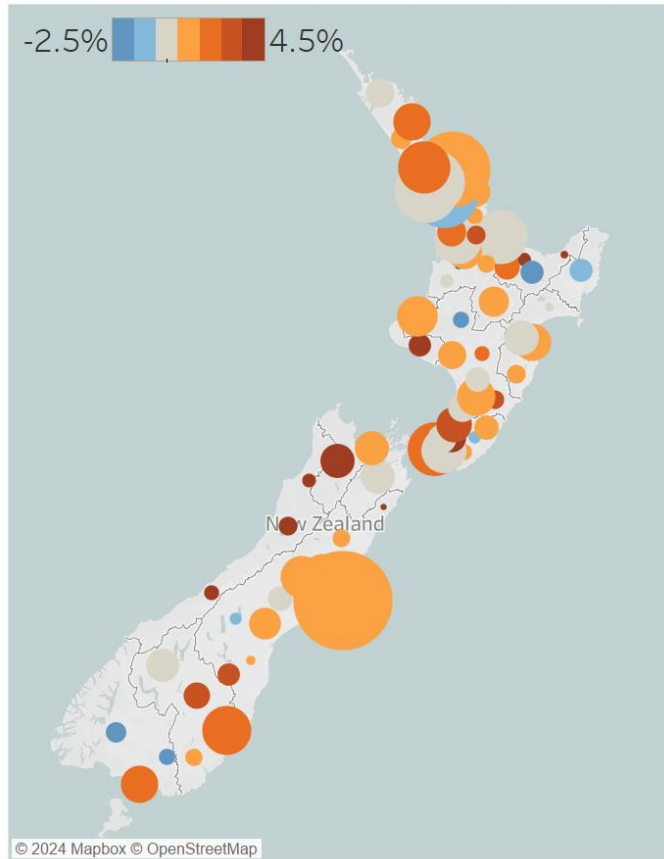


Source: CoreLogic

NEW ZEALAND PROPERTY VALUES

Regional changes

Change in average property values,
3 months to April 2024



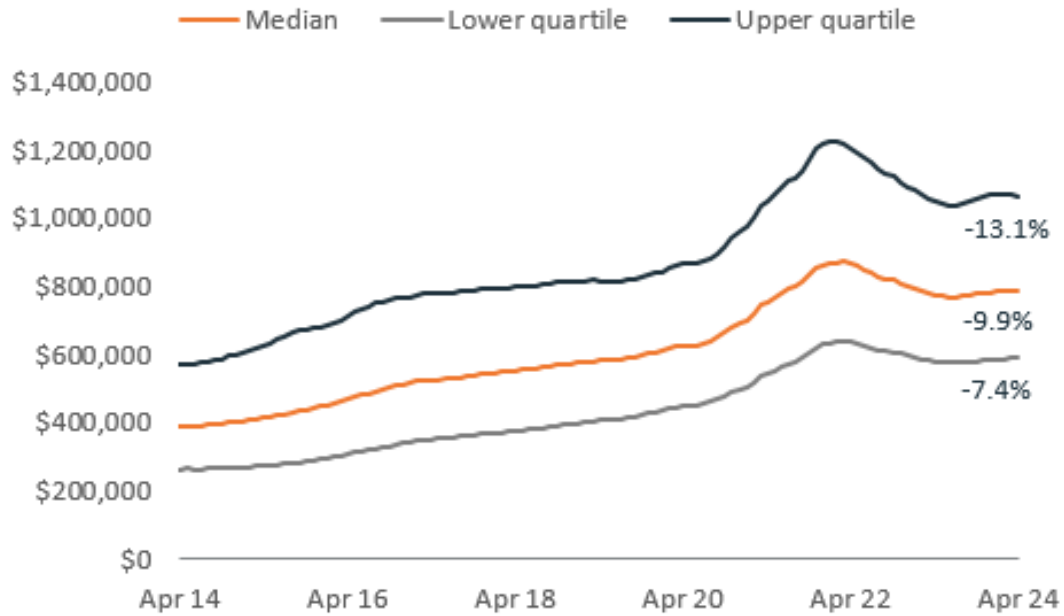
Change in average property values,
12 months to April 2024



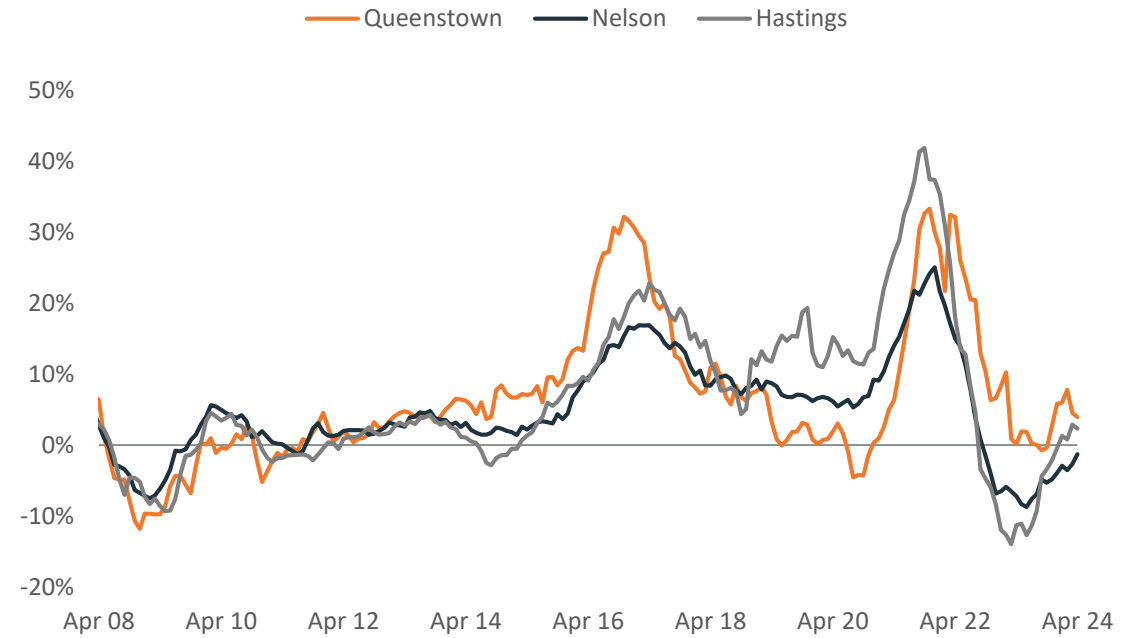
NEW ZEALAND PROPERTY VALUES

By value band and selected markets

NZ \$ values median and upper & lower quartile*



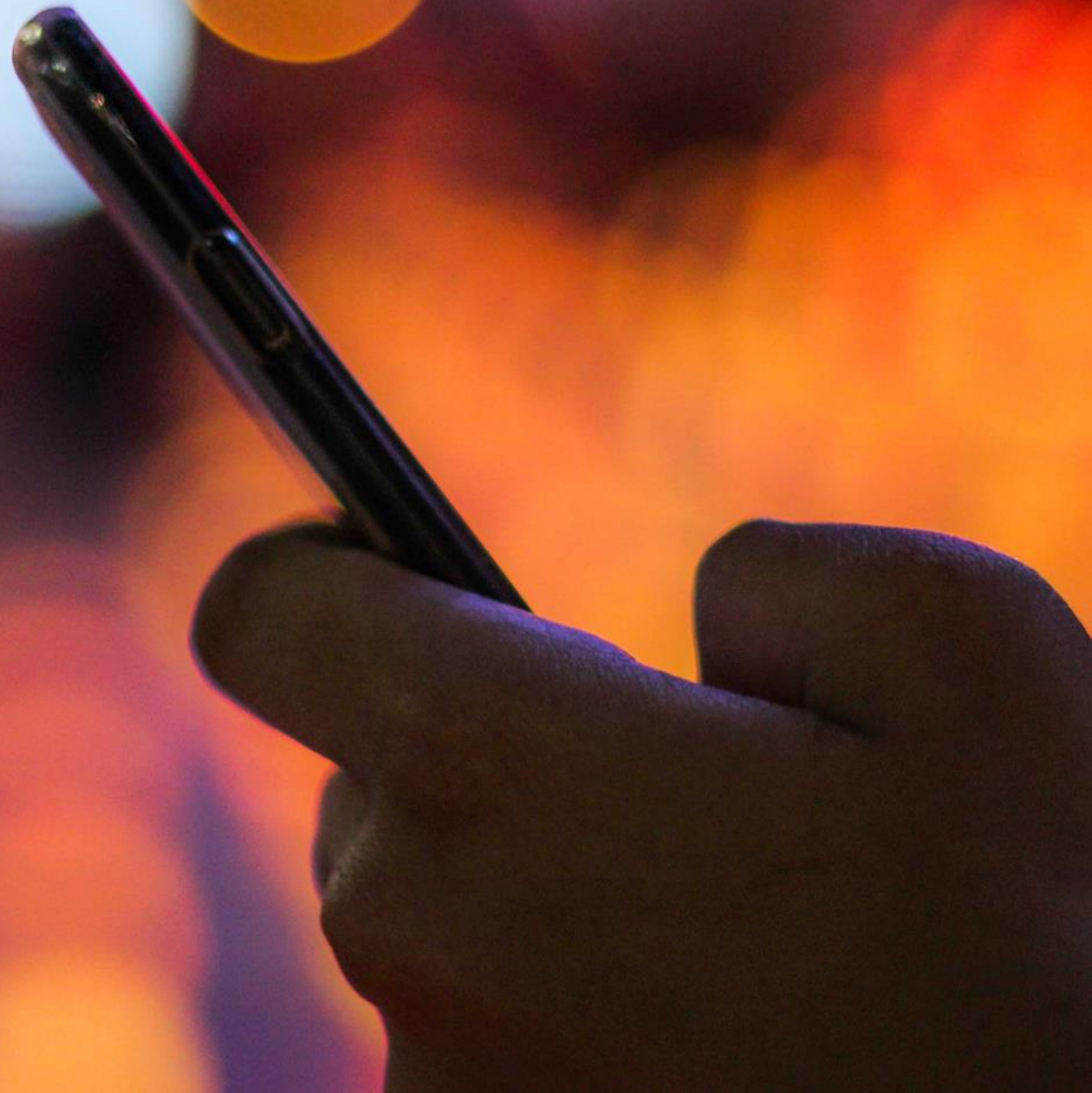
Rolling annual change in average property values in selected markets



* % labels on chart indicate the change relative to peak

Source: CoreLogic

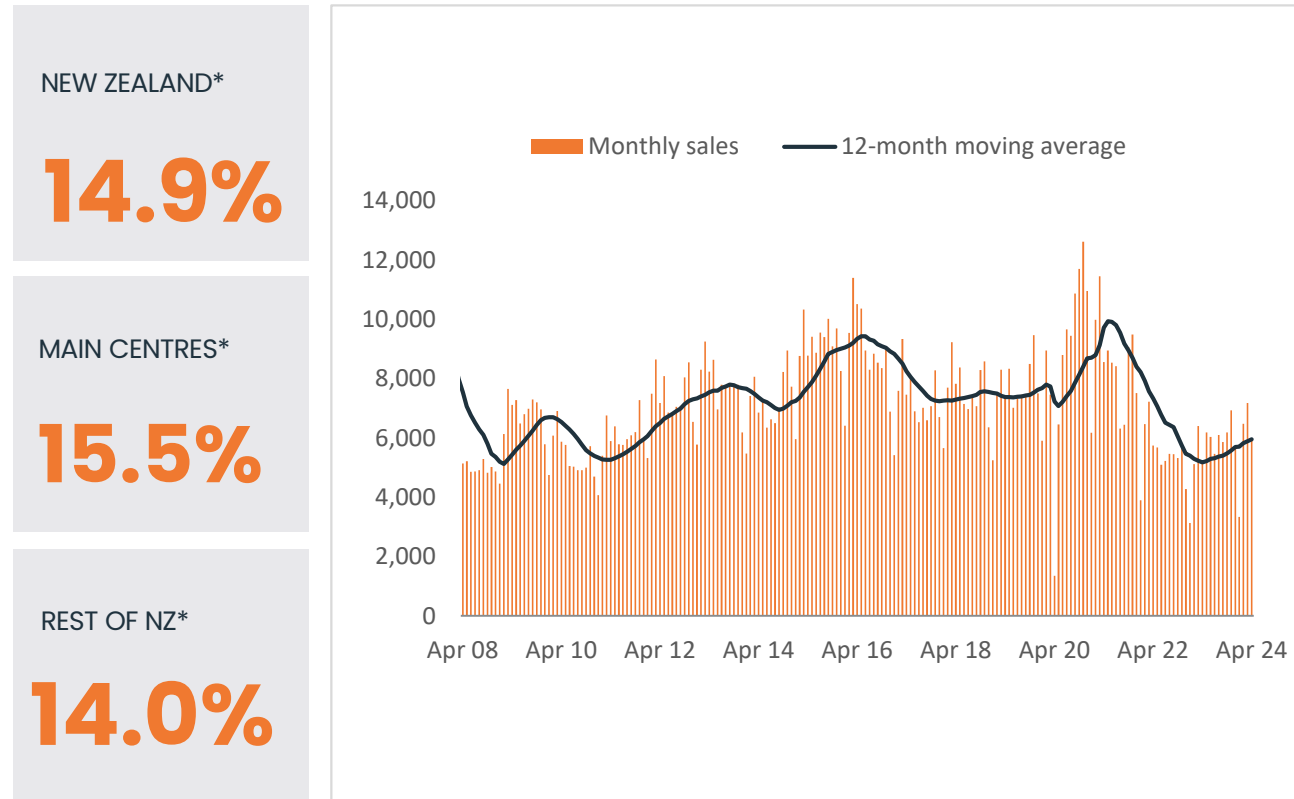
Sales and
listings



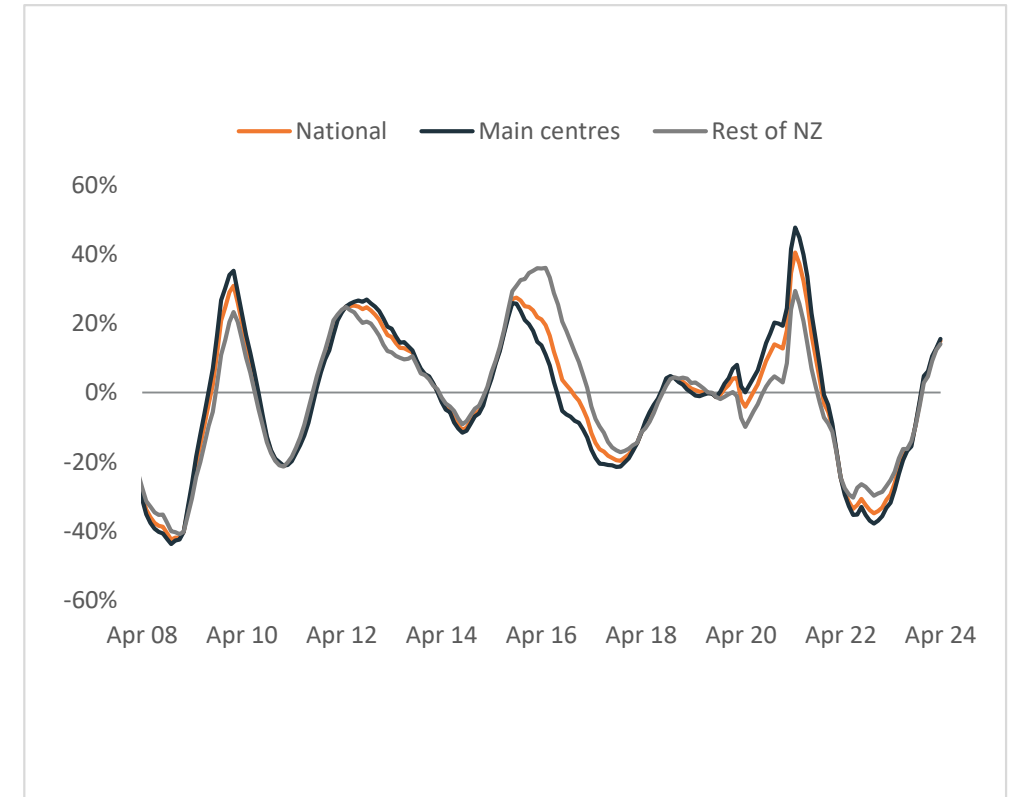
NATIONAL SALES

Sales volumes in April, measured across both private deals and real estate agents, were about 15% higher than the same month last year, the 12th rise in a row. On a 12-month total basis, sales have now risen to almost 71,400, up from the trough in April last year of around 62,100, but still well below the average of about 90,000 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 April 2024



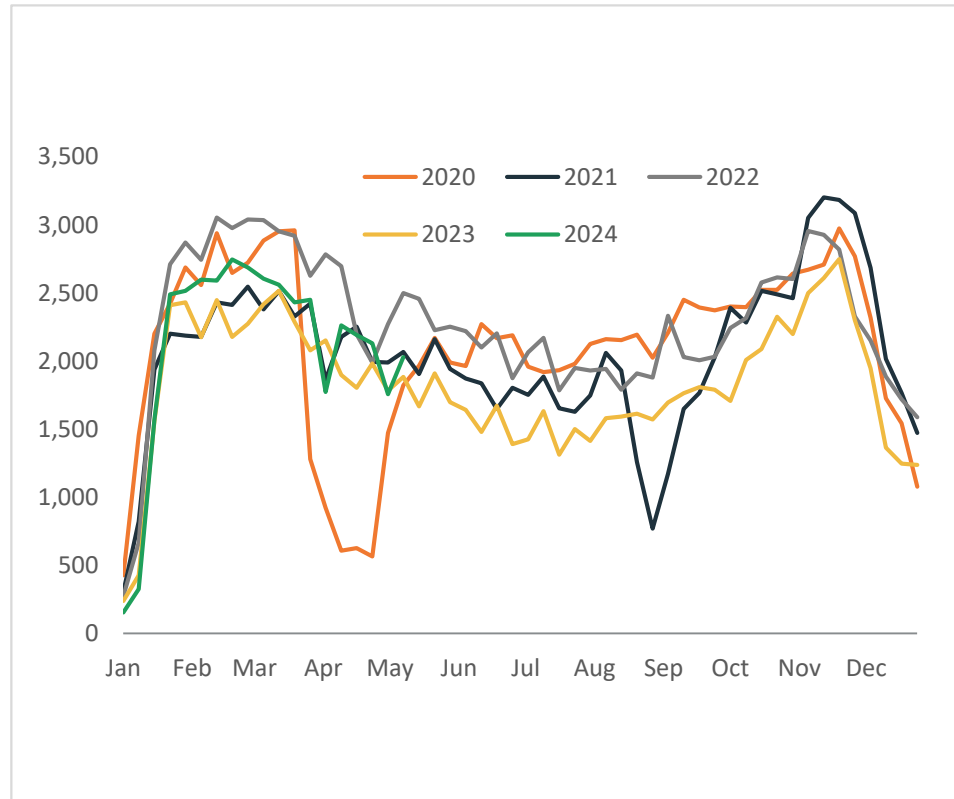
Source: CoreLogic

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

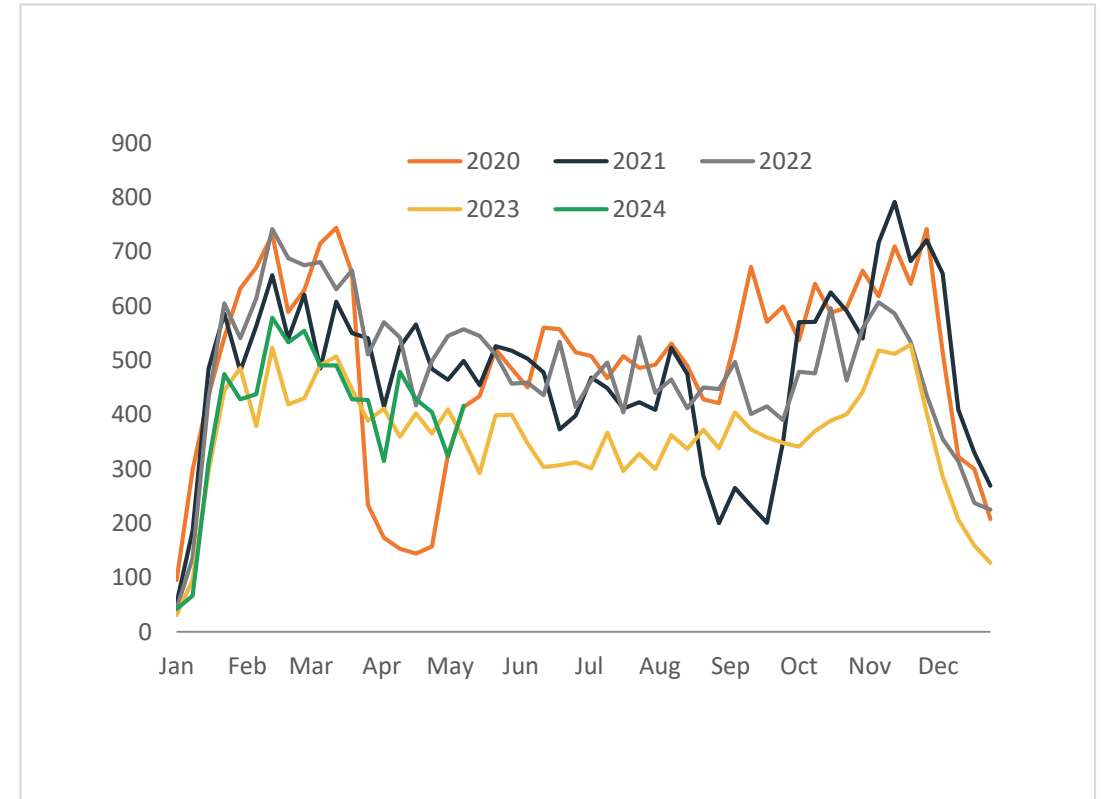
LISTINGS

New listings activity has been fairly strong 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

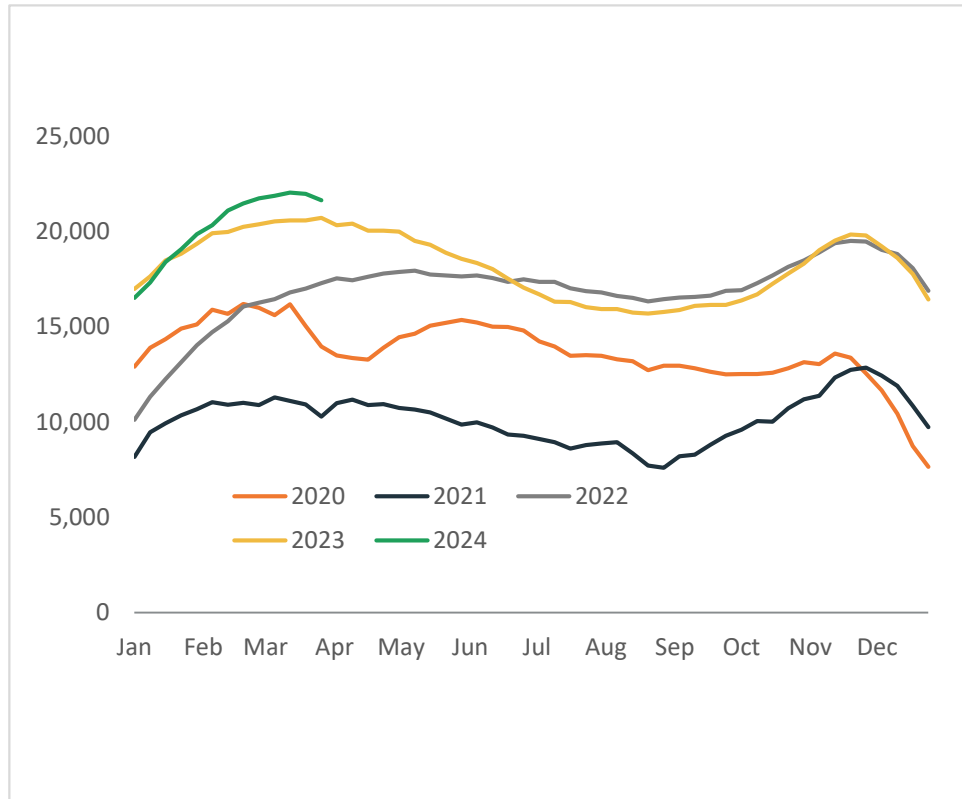


Source: CoreLogic

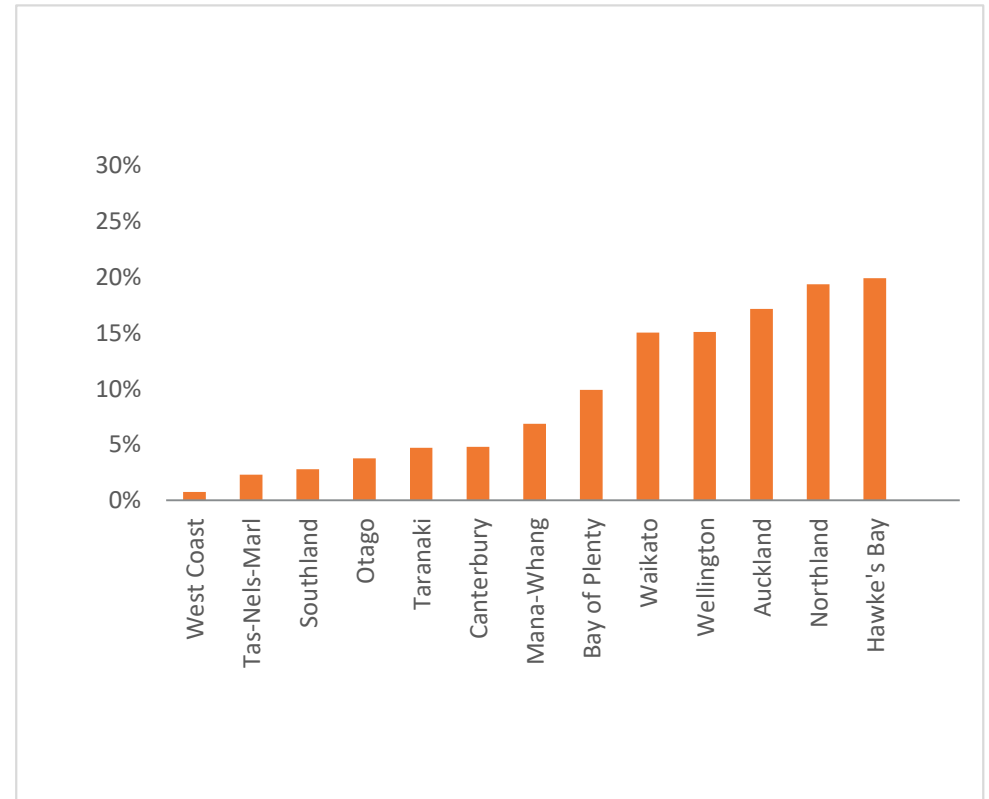
LISTINGS

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 only slightly up on 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 15%. 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

22,494

SAME TIME LAST YEAR

20,211

FIVE YEAR AVERAGE

17,744

Source: CoreLogic

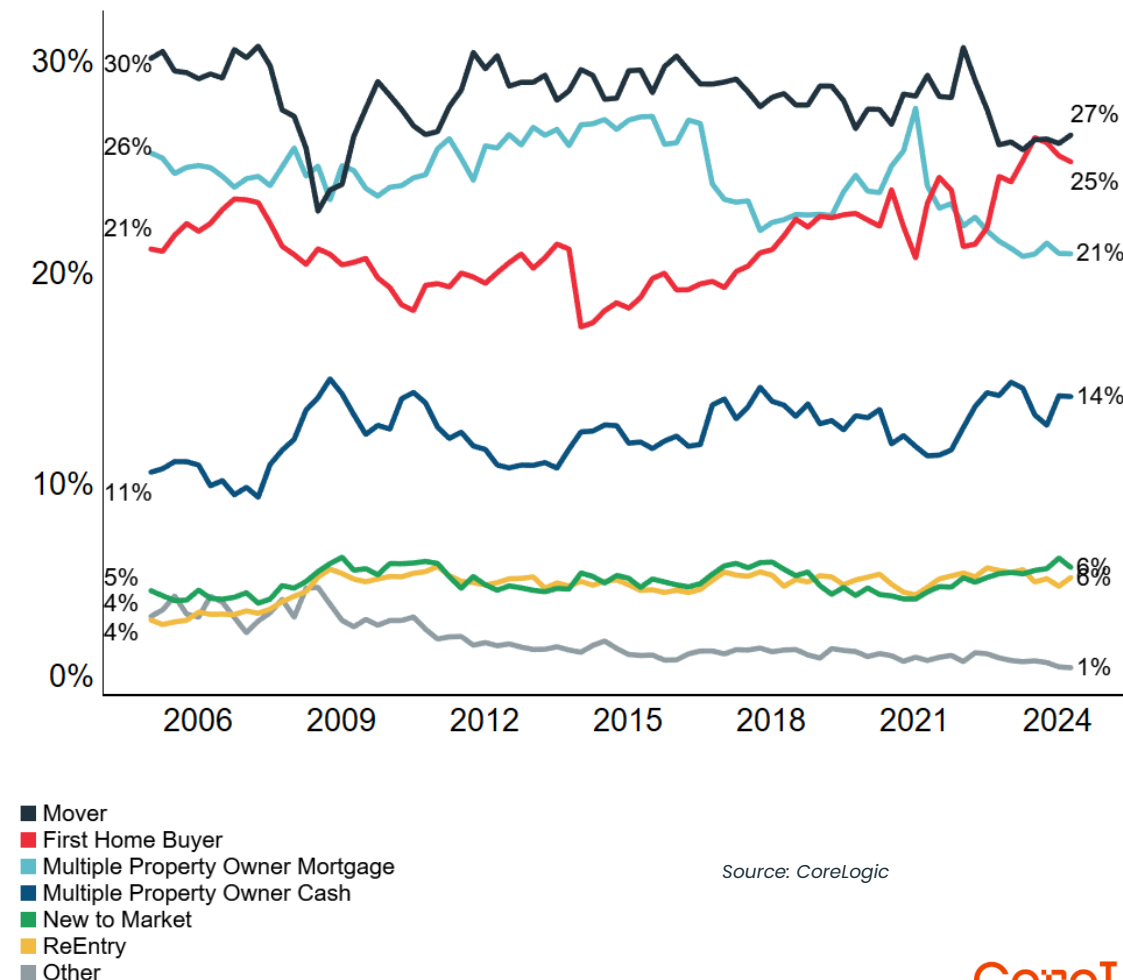
Buyer classification



Buyer Classification

- First home buyers (FHBs) remain a strong presence in the property market, with a 25% share of purchases in April, after 26% across Q1 2024. 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 did tick up to 27% in April. 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.

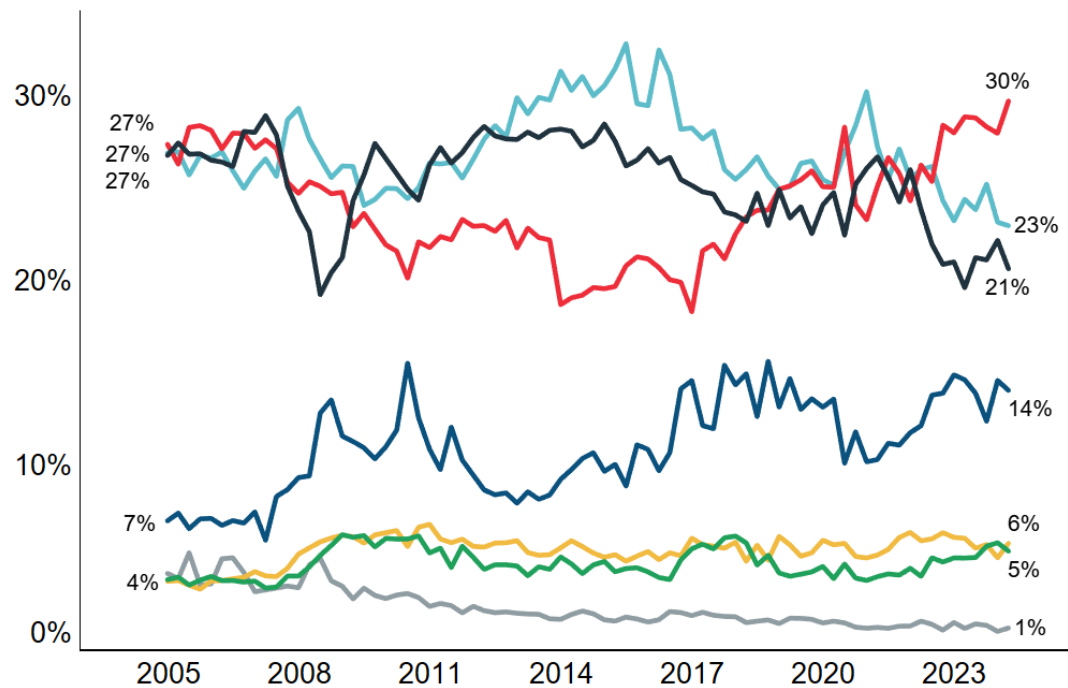
% share of property purchases, New Zealand



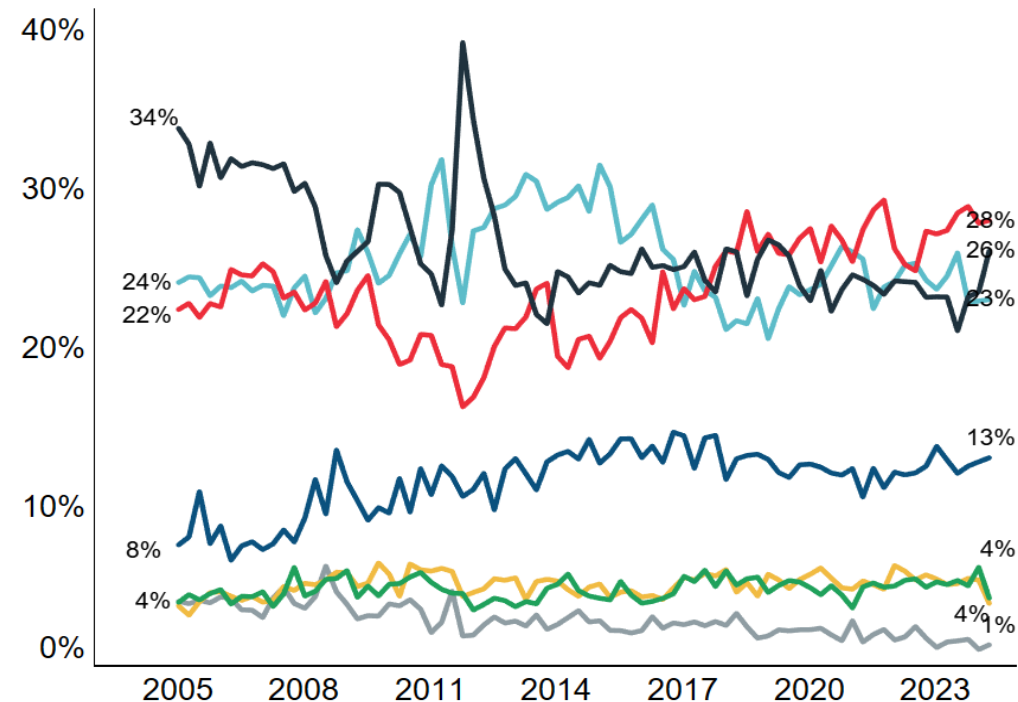
Source: CoreLogic

Selected main centres

Auckland



Christchurch



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

Source: CoreLogic

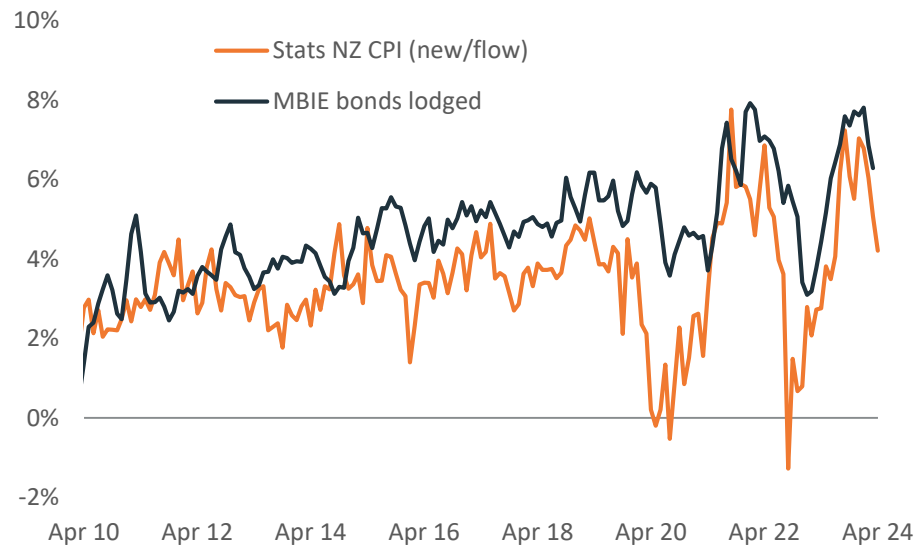
Rental
market



RENTAL RATES

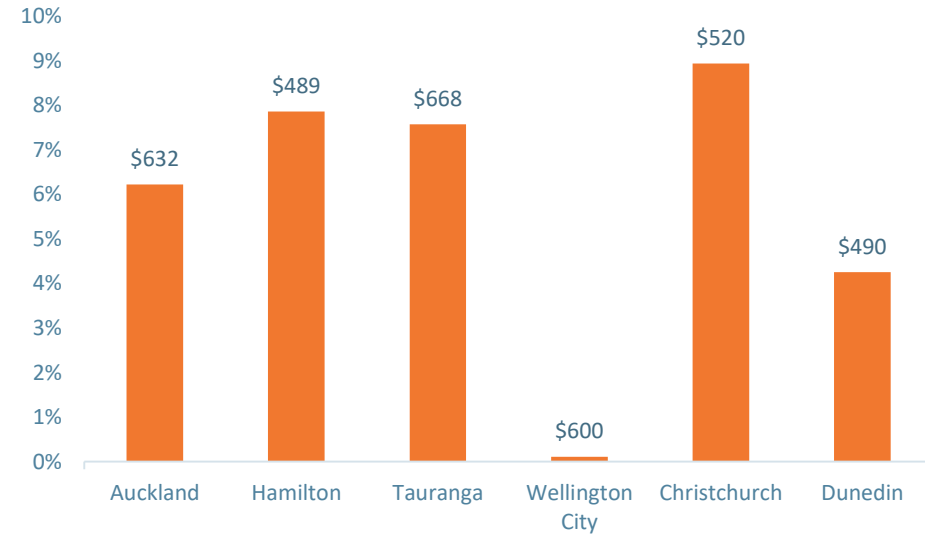
Rental growth is still running at historically high levels, and was 4.2% in the year to April on the Stats NZ flow/new tenancy measure, which is still above the long term average of closer to 3%. Demand for rental property remains high, given strong (albeit slowing) net migration inflows to NZ. However, there are also hints that the pace of rental growth is now slowing (it was 7% in late 2023), which would be consistent with the fact that rents are already high in relation to incomes.

Annual change in national rents to March/April 2024



Source: Stats NZ, MBIE

Annual change in rents (MBIE)*

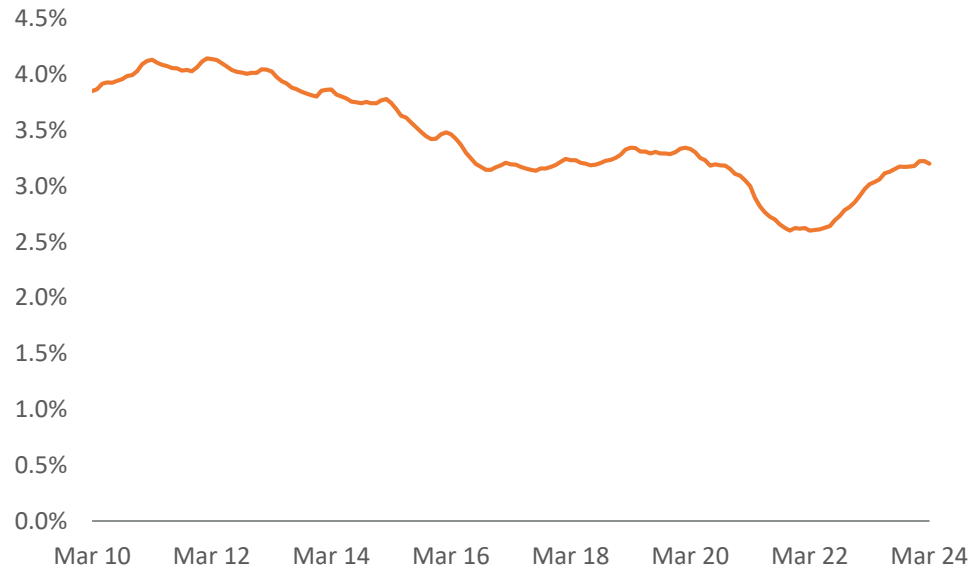


* Labels on the bars are the latest levels for weekly rents

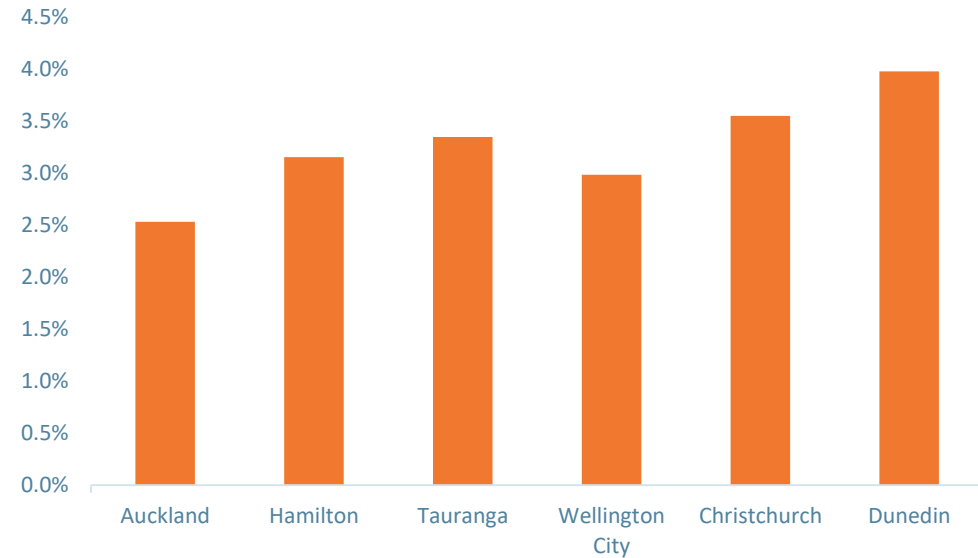
RENTAL YIELDS

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 (2.5%) remain the lowest of the main centres, with Christchurch and Dunedin both sitting at 3.5% or above.

Gross rental yields, national



Gross rental yields, main centres



Source: CoreLogic, MBIE

A man and a woman are standing together in a dimly lit, blurred city environment at night. The man, on the left, is wearing glasses and a dark jacket, and is holding a tablet computer. The woman, on the right, is wearing a light-colored top and has her hair pulled back. They are both looking intently at the tablet. The background is filled with out-of-focus lights in various colors, including blue, yellow, and red, suggesting a busy urban area. The overall mood is professional and focused.

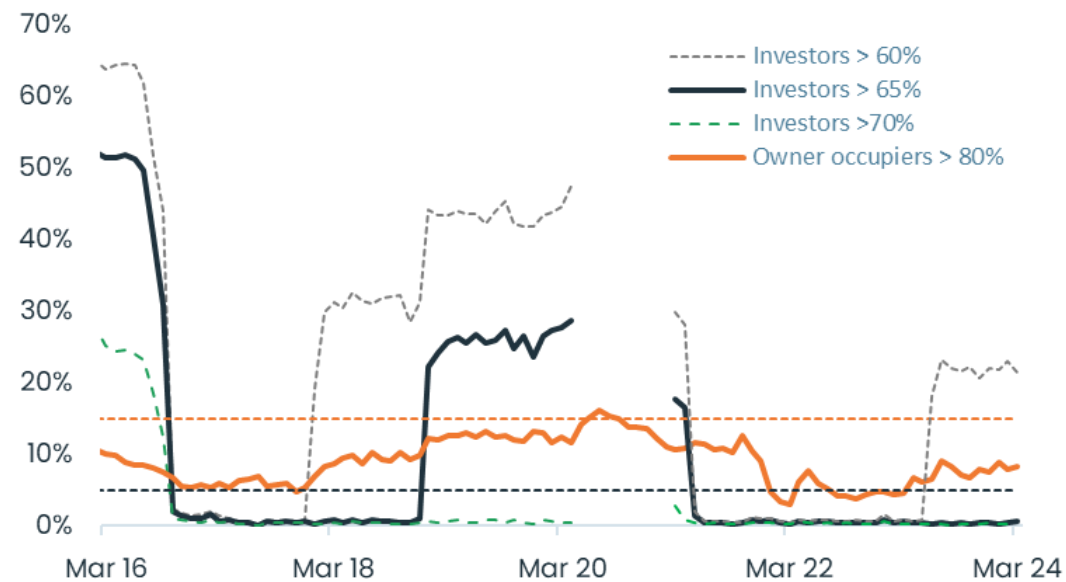
Credit
conditions

CREDIT CONDITIONS

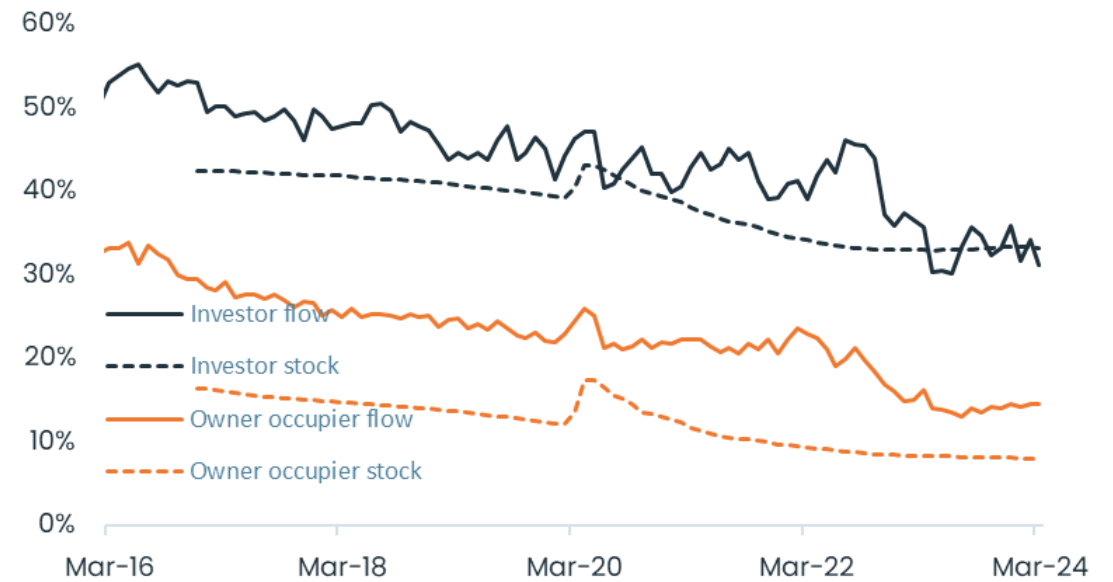
Lending flows

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 investors in the past few months; something worth watching.

% share of lending at high LVR



% share of lending on interest-only terms



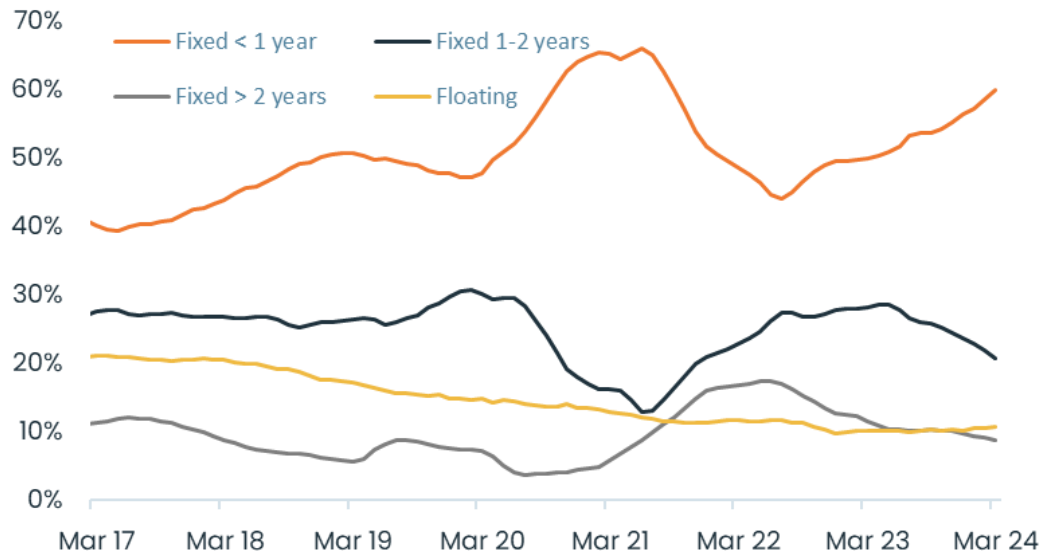
Source: Reserve Bank NZ

CREDIT CONDITIONS

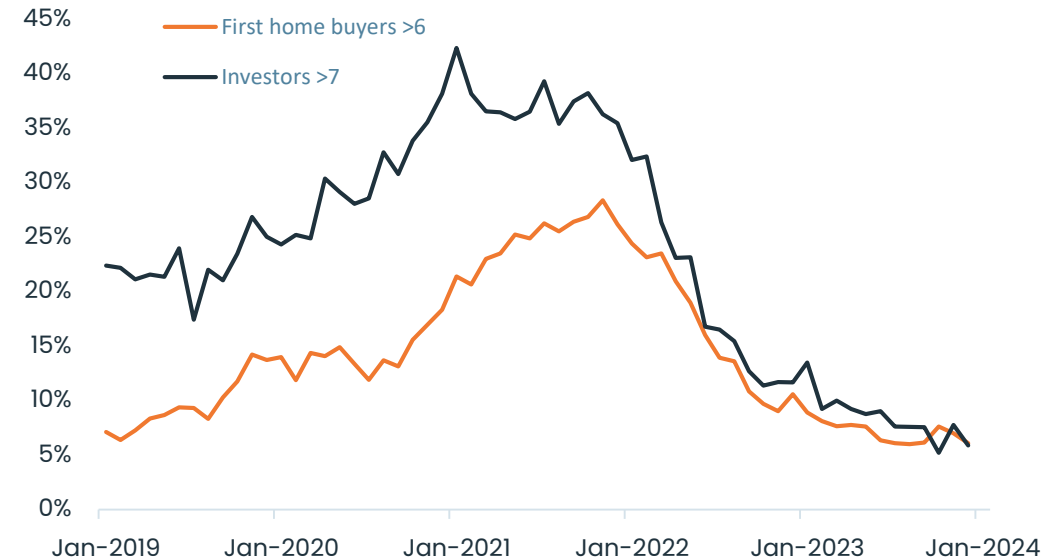
Lending flows

Around 60% 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



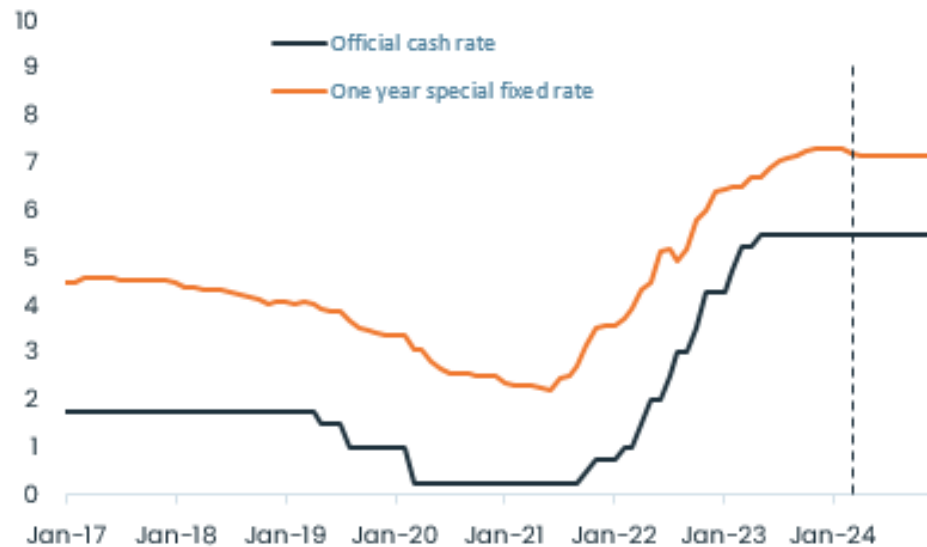
Source: Reserve Bank NZ

CREDIT CONDITIONS

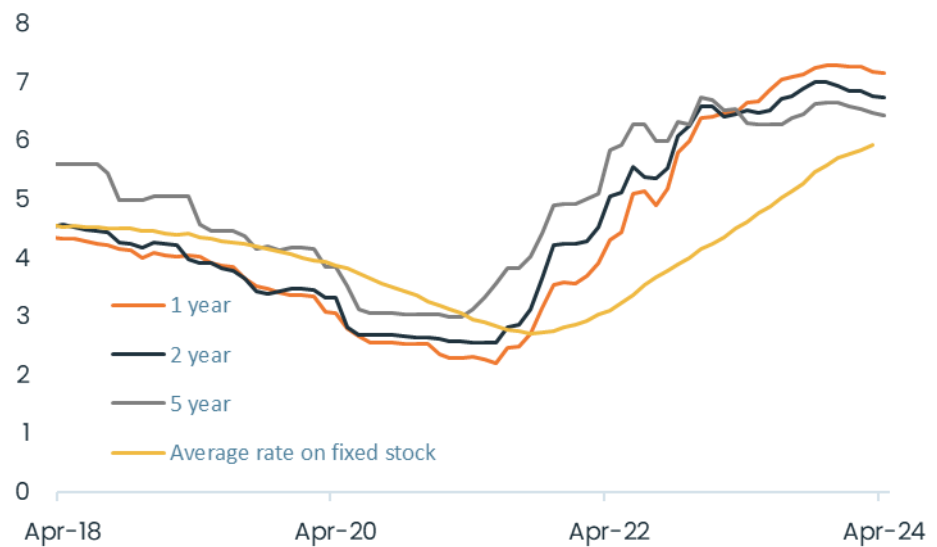
The OCR and mortgage rates

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



Current special mortgage rates and average on existing stock



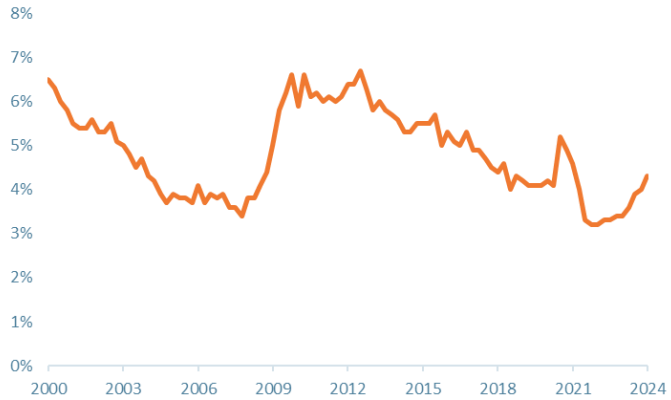
Source: Reserve Bank NZ

Economic indicators

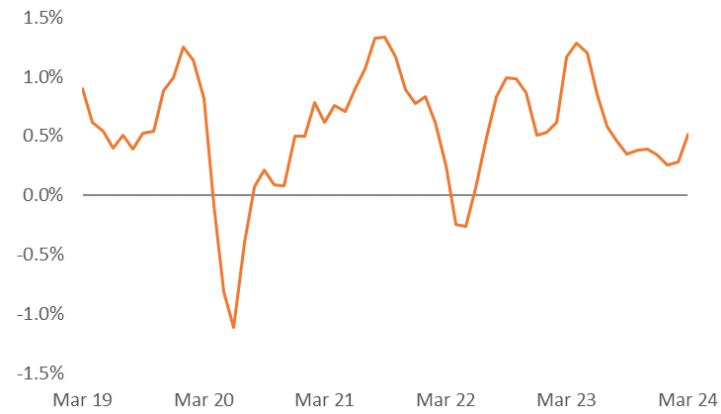


ECONOMIC INDICATORS

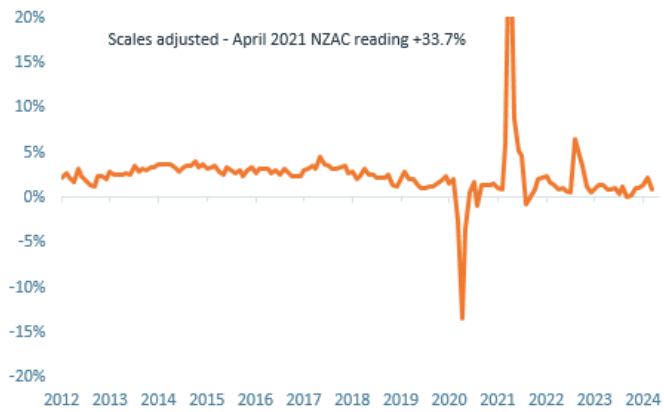
Unemployment rate %



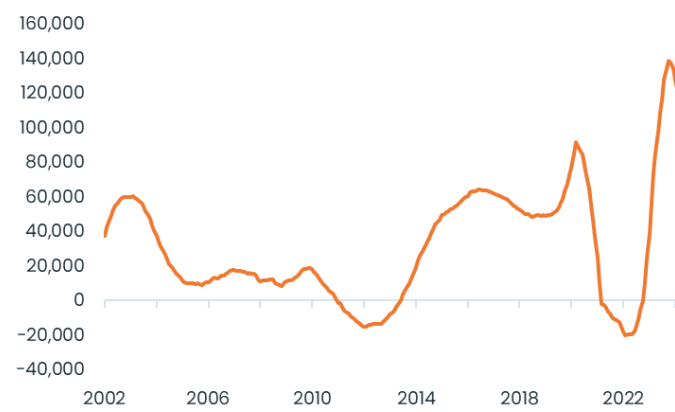
% three month change in filled jobs



% annual change NZ Activity Index



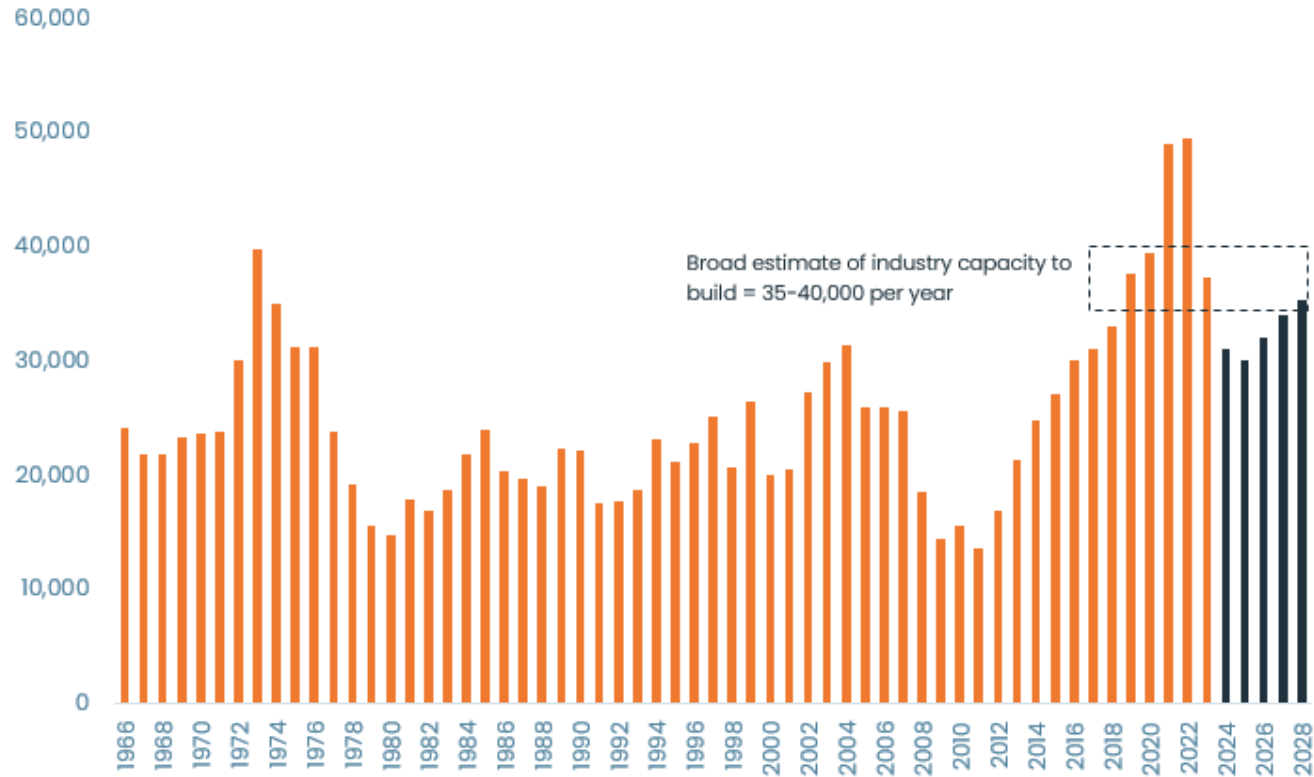
Annual net migration flow



Source: Stats NZ

ECONOMIC INDICATORS

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



Source: Stats NZ, MBIE, BRANZ, Pacifecon

Get in Touch

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CoreLogic

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