CoreLogic

NZ Hedonic Home Value Index

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Rate cuts haven't pumped up house prices yet

CoreLogic's hedonic Home Value Index (HVI) showed another subdued month for the property market in September, with values down by a further 0.5%. That was the seventh monthly fall in a row.

Since February, the declines have now reached a total of 4.7% at the national level, reducing values by $39,399, from $844,825 to $805,426.

Values are still around 16% higher than the March 2020 pre-COVID level, but remain almost 18% below the peak at the height of the post-COVID boom.

The main centres showed a mixed bag of results in September, with Hamilton down 1.2%, Auckland falling a further 0.7% (pushing the recent falls to a total of more than 7%), and Wellington by 0.5%. Yet Tauranga saw a more modest drop of 0.3%, Christchurch was flat, and Dunedin edged up by 0.1%.

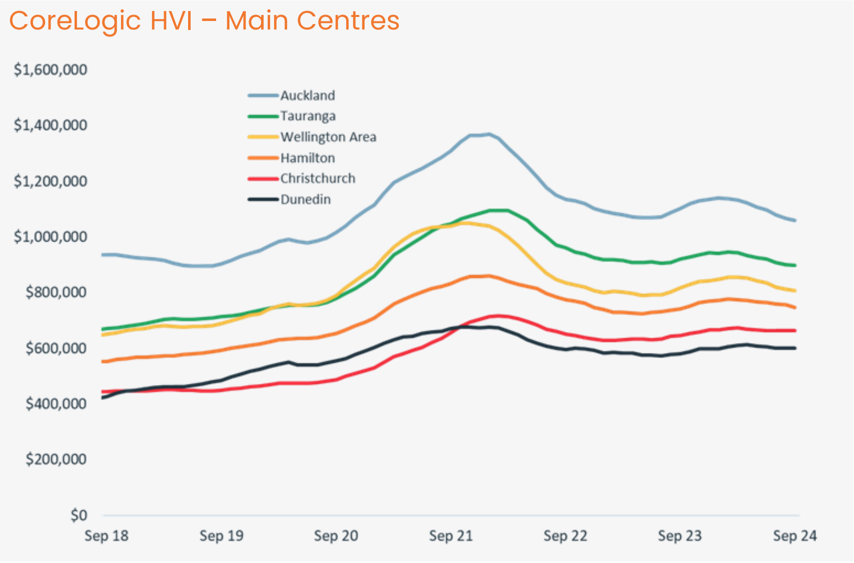
CoreLogic NZ Chief Property Economist, Kelvin Davidson said the latest home value data remains patchy and generally sluggish across the country.

"There are signs that lower mortgage rates have started to boost sentiment in the housing market, but this is yet to meaningfully flow through to hard pricing indicators."

"To be fair, the trough for this latest episode of falling property values may not be far away. But I'd be cautious of assuming that the end of a downturn suddenly means the start of the next upturn. Reasons for caution include still-stretched housing affordability in most parts of the country, an elevated stock of listings on the market, and the weaker employment figures that are now showing through."

"The Reserve Bank is due to announce the next cash rate decision in early October, followed by the third quarter inflation figures shortly after in the same month. Another OCR cut looks more than likely next week, and hence the near-term path for mortgage rates remains downwards."

"This should continue into 2025, but lower rates will also bring forward the timing for when the new debt to income restrictions start to bind. DTI rules went live on July 1st, but will become more relevant as borrowing capacity expands alongside lower interest rates, suggesting that any house price upturn next year could be more muted than in the past."



Index results for September 2024 – national and main centres

	Month	Quarter	Annual	From post-COVID peak	From recent cyclical peak	From pre-COVID levels	Median value
NZ	**-0.5%**	**-2.4%**	**-1.2%**	**-17.6%**	**-4.7%**	**16.1%**	**$805,426**
Auckland	-0.7%	-3.5%	-3.9%	-22.7%	-7.2%	7.6%	$1,059,472
Hamilton	-1.2%	-2.3%	0.7%	-13.0%	-3.7%	18.7%	$748,147
Tauranga	-0.3%	-2.4%	-2.3%	-17.9%	-5.1%	19.9%	$899,685
Wellington	-0.5%	-3.2%	-1.1%	-23.0%	-5.6%	7.6%	$808,753
Christchurch	0.0%	-0.3%	2.4%	-7.4%	-1.5%	40.0%	$663,337
Dunedin	0.1%	-0.8%	3.5%	-11.2%	-1.8%	10.6%	$601,300

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Auckland

Apart from stability in Franklin, each of Auckland's sub-markets registered a fall in property values in September, ranging from 0.4% in Papakura up to 0.9% in Auckland City. Over the past three months, the falls in Rodney and Auckland City have topped 4%, although Papakura has been the weakest since the most recent peak (-8.3%).

Putting aside these variations from area to area, however, Mr Davidson noted that the bigger picture for Auckland's housing market is one of generally renewed weakness.

"Each of Auckland's sub-markets now has a property value that's at least 1.8% below a year ago, and it's also pretty striking to note that Auckland City has only seen a rise in values of 4.4% since March 2020. In other words, there's not much left of the post-COVID boom in that market, perhaps reflecting affordability restraints in its more expensive suburbs, but potentially also patchy demand for apartments."

	Month	Quarter	Annual	From post-COVID peak	From recent cyclical peak	From pre-COVID levels	Median value
Rodney	-0.8%	-4.2%	-4.0%	-21.9%	-7.3%	13.7%	$1,207,956
North Shore	-0.7%	-2.7%	-4.0%	-20.6%	-6.8%	6.7%	$1,253,214
Waitakere	-0.6%	-2.6%	-4.4%	-25.0%	-6.7%	5.7%	$922,227
Auckland City	-0.9%	-4.2%	-3.6%	-22.9%	-7.8%	4.4%	$1,144,784
Manukau	-0.6%	-3.0%	-4.1%	-23.6%	-7.2%	11.1%	$1,000,480
Papakura	-0.4%	-3.0%	-5.3%	-24.1%	-8.3%	11.6%	$809,028
Franklin	0.0%	-2.2%	-1.8%	-21.0%	-3.7%	18.9%	$922,635

Wellington

The Wellington area saw some variability in September, with Porirua's property values rising by 0.4%, and Upper Hutt ticking slightly higher too. On the other hand, Wellington City dropped by 0.5%, and Lower Hutt's fall exceeded 1%. However, taking a three-month horizon, the trend remains pretty clear, with each sub-market down by at least 2% since June. Lower Hutt and Kapiti Coast are closer to 4%.

Mr Davidson noted, "some anecdotes suggest that buyers are starting to eye up the Wellington market again, given a sense that affordability is becoming a bit more normal again, and also that there could be some bargains on offer for investors. However, looser labour market conditions probably loom larger in peoples' decisions in Wellington than other parts of the country, suggesting that property values aren't set to surge higher in the near term."

	Month	Quarter	Annual	From post-COVID peak	From recent cyclical peak	From pre-COVID levels	Median value
Kāpiti Coast	-0.8%	-3.7%	3.0%	-21.2%	-5.7%	14.5%	$800,931
Porirua	0.4%	-2.0%	-0.6%	-22.3%	-4.4%	11.2%	$764,673
Upper Hutt	0.1%	-2.5%	2.2%	-21.6%	-3.9%	10.8%	$742,832
Lower Hutt	-1.1%	-3.8%	-0.7%	-24.4%	-6.3%	9.5%	$696,118
Wellington City	-0.5%	-3.4%	-2.0%	-22.9%	-6.1%	5.7%	$905,980

Regional results

Unsurprisingly, there were some varied results across NZ's provincial markets in September, with Gisborne, Napier, and Hastings all dropping by more than 1%, but Queenstown was flat, while Nelson and Invercargill inched higher.

Mr Davidson noted that while all areas across NZ face similar pressures from key drivers such as elevated listings and still relatively high (albeit falling) mortgage rates, local factors can still play a very important role.

"Invercargill, for example, may not always be on everybody's radar as a 'fashionable' property market, but values there have risen by 5.2% in the past 12 months, versus a national drop of 1.2%. The revitalisation of the CBD might have been part of that story, but affordability stands out too – a median value of around $460,000 is certainly helping first home buyers to access Invercargill's property market."

	Month	Quarter	Annual	From post-COVID peak	From recent cyclical peak	From pre-COVID levels	Median value
Napier	-1.1%	-3.2%	-1.9%	-21.4%	-6.4%	11.2%	$676,048
Palmerston North	-0.4%	-2.0%	-0.6%	-19.0%	-3.9%	15.2%	$600,505
Hastings	-1.0%	-2.6%	-1.5%	-19.5%	-5.8%	21.0%	$705,059
Whangārei	-0.6%	-3.4%	-3.1%	-19.7%	-4.9%	14.4%	$728,558
Whanganui	-0.7%	-1.1%	4.6%	-12.6%	-1.2%	29.9%	$489,570
Rotorua	-0.7%	0.1%	-0.4%	-14.1%	-1.9%	21.6%	$602,019
Gisborne	-1.2%	-3.1%	-5.1%	-16.3%	-6.7%	26.1%	$572,037
Nelson	0.1%	1.2%	-0.3%	-12.9%	-1.1%	14.0%	$719,987
New Plymouth	-0.3%	-2.3%	9.2%	-3.7%	-3.7%	41.9%	$669,129
Invercargill	0.2%	-0.1%	5.2%	-3.4%	-0.5%	26.8%	$464,444
Queenstown	0.0%	0.7%	2.5%	-5.4%	-	31.2%	$1,669,685

Property market outlook

Mr Davidson said this recent drop in values might find a floor over the coming months, but at the same time it's difficult to see a sharp turnaround in the final few months of 2024 – although the usual seasonal rise in sales activity is likely to become evident through the final quarter of the year.

"Lower mortgage rates seem to be boosting confidence levels to some degree, and this could be helping some vendors to get closer to their ideal sale price. But finance-approved buyers still have the upper hand when it comes to negotiations, simply because the available stock on the market remains so high – more than 30% above the five-year average for this time of year. A rise in sales volumes may start to slowly reduce listings counts, but buyer choice will probably remain elevated into 2025.

"So the scene looks set for a rise in sales volume and house prices in 2025 to some degree, but a full-blown 'seller's market' seems unlikely as long as the economy remains weak and jobs are being lost. DTIs could dampen borrowing activity and house prices next year too. Of course, what's 'bad' for some is great for others, and the environment could generally remain reasonably favourable for first home buyers, who are already enjoying above-average shares of activity," he concluded.

For more property market news and insights: www.corelogic.co.nz/news-research

CoreLogic is the largest independent provider of property information, analytics and property-related risk management services in Australia and New Zealand.

Methodology

The CoreLogic Hedonic Home Value Index (HVI) is calculated using a hedonic regression methodology that addresses the issue of compositional bias associated with median price and other measures. In simple terms, the index is calculated using recent sales data combined with information about the attributes of individual properties such as the number of bedrooms and bathrooms, land area and geographical context of the dwelling. By separating each property into its various formational and locational attributes, observed sales values for each property can be distinguished between those attributed to the property's attributes and those resulting from changes in the underlying residential property market. Additionally, by understanding the value associated with each attribute of a given property, this methodology can be used to estimate the value of dwellings with known characteristics for which there is no recent sales price by observing the characteristics and sales prices of other dwellings which have recently transacted. It then follows that changes in the market value of the entire residential property stock can be accurately tracked through time.

The detailed 'frequently asked questions' and methodological information can be found at: https://www.corelogic.co.nz/our-data/hedonic-index

CoreLogic is able to produce a consistently accurate and robust Hedonic Index due to its extensive property related database, which includes transaction data for every home sale in every region and territorial authority. CoreLogic augments this data with recent sales advice from real estate industry professionals, listings information and attribute data collected from a variety of sources.

The results can be shown in index form and as a median dollar value. The median value is the middle estimated value of all residential properties derived through the hedonic regression methodology that underlies the CoreLogic Hedonic Home Value Index.

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