CoreLogic

NZ Hedonic Home Value Index

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Property values down 2.5% from cyclical peak

CoreLogic's updated, hedonic Home Value Index (HVI) **showed a 0.5% fall in values across NZ in July - the fifth monthly fall in a row - taking the total decline from February's 'mini peak' to 2.5%.**

The median value across all stock nationally now sits at $827,515, with the fall from February's figure ($848,713) equating to around $21,200. Values remain about 16% below the boom-time peak of $982,918 in January 2022, although they're still approximately 19% higher than the pre-COVID level.

The new hedonic methodology improves the timeliness and accuracy in measurement of changes to the residential real estate market, with weighted recent sales evidence demonstrating a prompt read on the re-emergence of soft housing market conditions across the country.

There were falls in median values in each of the main centres in July, with Tauranga down by 0.9% and Auckland by 0.8%, although Christchurch was more stable (down by a minor 0.1%). Amongst the main centres, Auckland and Wellington have recorded the softest figures in recent months, each falling 2.7% since April.

CoreLogic NZ Chief Property Economist, Kelvin Davidson said:

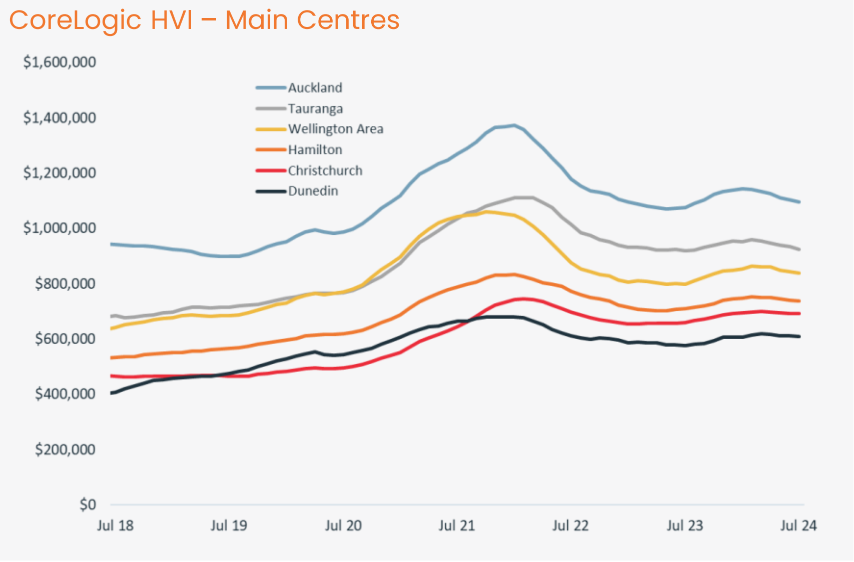
"In an environment where economic growth is subdued and unemployment rising – with a knock-on sentiment effect even for those that are employed – it's logical to expect that the housing market would reflect this."

"In addition, the stock of listings available on the market remains at multi-year highs, giving credit-approved buyers the power when it comes to negotiating a deal and agreeing a price."

"In that context, it's not surprising at all to see that transactions are taking longer and vendors are having to give some ground to secure a sale."

Mr Davidson added: "The most noteworthy shift in recent weeks has been the general mood and commentary around the official cash rate and inflation. With the Reserve Bank now moving towards an easing stance, it only seems to be a matter of when – not if - the cash rate is cut in 2024.

"Mortgage rates themselves have already been drifting lower lately. That news will obviously have been welcomed by existing mortgage holders and aspiring buyers."



Index results for July 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%**	**-1.9%**	**2.9%**	**-15.8%**	**-2.5%**	**18.6%**	**$827,515**
Auckland	-0.8%	-2.7%	1.8%	-20.3%	-4.4%	11.0%	$1,095,013
Hamilton	-0.6%	-1.9%	4.0%	-11.5%	-2.0%	20.7%	$737,011
Tauranga	-0.9%	-2.3%	0.7%	-16.7%	-3.5%	21.6%	$925,166
Wellington	-0.7%	-2.7%	4.9%	-21.0%	-2.9%	10.5%	$837,425
Christchurch	-0.1%	-0.7%	4.9%	-7.1%	-1.3%	40.5%	$691,888
Dunedin	-0.5%	-1.4%	5.6%	-10.6%	-1.5%	11.4%	$609,004

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Auckland

The renewed weakness in Auckland's property market has filtered to all of the key areas, with falls in values across the board in July; ranging from 0.4% in Rodney to 1.0% in Auckland City and Franklin.

Taking a three-month period since April, the drops have exceeded 3% in Waitakere, and are only a fraction less than that mark in Auckland City, Manukau, and Papakura. Franklin and Rodney have fared better, however they have also fallen since April.

Mr Davidson noted Auckland shares many of the same restraints as other parts of the country, including relatively high mortgage rates (for now) – however it faces additional forces weighing down the market, including a higher starting point for values and stretched affordability.

"The townhouse construction boom in recent years has been centred on Auckland to a large extent, especially areas such as Waitakere and Manukau. This pipeline of new housing development isn't finished yet, meaning that overall listings levels – and hence buyer choice – could remain elevated in Auckland for a while yet. In turn, that will tend to keep a lid on property values."

	Month	Quarter	Annual	From post-COVID peak	From recent cyclical peak	From pre-COVID levels	Median value
Rodney	-0.4%	-1.7%	3.0%	-17.7%	-2.4%	19.8%	$1,253,917
North Shore	-0.5%	-2.3%	1.7%	-18.1%	-4.1%	10.0%	$1,285,327
Waitakere	-0.7%	-3.3%	0.9%	-23.1%	-4.4%	8.4%	$943,239
Auckland City	-1.0%	-2.9%	2.5%	-20.2%	-4.6%	8.0%	$1,212,392
Manukau	-0.8%	-2.9%	0.9%	-21.9%	-5.2%	13.6%	$1,022,835
Papakura	-0.6%	-2.9%	-1.1%	-21.8%	-5.6%	15.0%	$841,796
Franklin	-1.0%	-1.4%	0.9%	-20.4%	-3.1%	19.8%	$917,291

Wellington

The Wellington area also showed broad weakness in July, with falls in values ranging from 0.2% in Upper Hutt down to 0.8% in Wellington City itself. On a three-month basis, the declines have been 2-3% almost everywhere, apart from a little more resilience in Upper Hutt (down only 0.5% since April).

Even after the recent up-and-down patterns in Wellington's market in the past 6-9 months, the bigger picture is still one of the most striking in the country; with values remaining 18-21% lower than the peaks of the post-COVID upswing.

"No doubt some savvy buyers will be eyeing up opportunities for property bargains around the wider Wellington area, given that values remain significantly below the previous peaks. That said, planned reductions in public service employment remain a compelling reason for caution about the Wellington market in coming months," Davidson noted.

	Month	Quarter	Annual	From post-COVID peak	From recent cyclical peak	From pre-COVID levels	Median value
Kāpiti Coast	-0.6%	-2.2%	6.8%	-18.3%	-2.2%	18.7%	$812,151
Porirua	-0.7%	-2.7%	3.5%	-21.3%	-3.4%	12.5%	$757,882
Upper Hutt	-0.2%	-0.5%	8.3%	-19.5%	-1.1%	13.7%	$759,214
Lower Hutt	-0.5%	-2.5%	4.7%	-21.3%	-2.5%	14.0%	$724,506
Wellington City	-0.8%	-3.2%	4.6%	-21.1%	-3.7%	8.3%	$942,007

Regional results

To some extent, 'provincial markets' showed more resilience than the main centres in July, with property values up by 0.6% in Whanganui, 0.7% in Queenstown, and by 1.0% in Invercargill. Gisborne and Nelson also edged up, with Palmerston North flat.

That said, there were other pockets of weaker results, with New Plymouth's property value dropping by 0.9% in July, and Whangarei and Napier declining by 1% apiece. Hastings dropped by 0.4%.

Mr Davidson noted, however, that regional variability is always a feature of the property market, whether wider conditions are strong or weak. "Indeed, all parts of NZ are currently looking at elevated levels of listings, putting pricing power in favour buyers. I wouldn't read too much into any urban vs. regional divide in July's data. The bigger picture remains testing for the property market, regardless of location."

	Month	Quarter	Annual	From post-COVID peak	From recent cyclical peak	From pre-COVID levels	Median value
Napier	-1.0%	-2.2%	2.2%	-18.7%	-3.1%	15.1%	$670,635
Palmerston North	0.0%	-1.0%	2.5%	-17.1%	-1.5%	17.9%	$612,301
Hastings	-0.4%	-1.1%	1.1%	-17.5%	-3.1%	24.1%	$703,693
Whangārei	-1.0%	-2.3%	-0.3%	-17.9%	-2.7%	16.9%	$746,604
Whanganui	0.6%	1.4%	6.6%	-11.3%	-	31.9%	$502,439
Rotorua	-0.1%	-1.5%	-0.4%	-14.9%	-2.7%	20.5%	$598,402
Gisborne	0.2%	-0.6%	-1.7%	-14.5%	-4.4%	28.8%	$607,098
Nelson	0.2%	-0.3%	0.0%	-13.5%	-1.9%	13.2%	$705,359
New Plymouth	-0.9%	-1.7%	9.9%	-1.9%	-1.9%	41.9%	$700,047
Invercargill	1.0%	0.9%	7.0%	-2.0%	-	28.8%	$490,564
Queenstown	0.7%	0.1%	3.3%	-6.2%	-0.4%	30.1%	$1,467,252

Property market outlook

Looking ahead, Mr Davidson suggested that listings data and mortgage rates will remain towards the top of the list of property market measures to watch most closely.

"Clearly, a medium-term drop in mortgage interest rates will help the finances of many homeowners, although it's of course less favourable for those with savings. Given we now have debt to income ratio limits in place, any interest rate driven boost to the housing market may well be smaller than it's been in the past," Mr Davidson noted.

"Meanwhile, the choice of property available to buy is already at a high level, and the shorter Brightline Test could yet push it up further. Indeed, any extra listings that come to market from investors who are now off the hook for any capital gains tax sooner than they originally anticipated would only add to stock levels. In turn, this would tend to keep a lid on house prices."

"Overall, the second half of 2024 could prove to remain challenging for the property market. But there's always two sides to the coin, and aspiring first home buyers will no doubt be pleased with that situation - plenty of choice and flat house prices are already helping this group to maintain a record high share of activity."

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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