

CoreLogic

Monthly NZ Housing Chart Pack

Unlocking smarter
property decisions

APRIL 2024



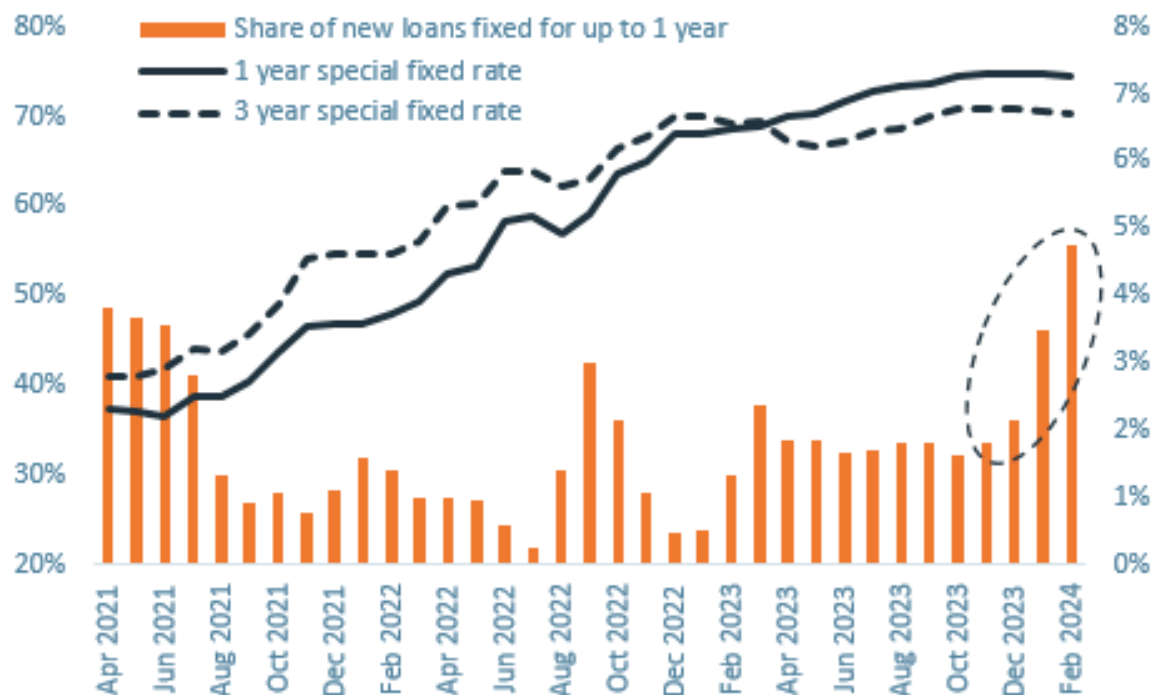
One-year fixed loans popular, but at a cost

- Sales activity continued to recover in March, with around 6,970 transactions across estate agents and private deals, up by 9% from March 2023, and the 11th rise in a row. The bigger point, however, is that activity remains low. At just over 70,000 deals in the past 12 months, sales are still a long way below the normal levels of 90–95,000 per year.
- The patchiness of the recent data can also be seen when we look at values. The CoreLogic House Price Index 'only' rose by 0.5% in March, and is up by 1.1% since December. That's a fairly subdued annualised pace of 4–5%. Areas such as Wellington and Dunedin have slightly outperformed in the past three months, but Hamilton and Tauranga have been sluggish.
- Turning to Buyer Classification, first home buyers (FHBs) remain a strong presence in the property market, with a 26% share of purchases in March itself, and across Q1 as a whole. The *number* of FHB deals is also pretty solid. Relocating owner-occupiers ('movers') have had a fairly stable market share (around 26%) for about the past 18 months now, while mortgaged multiple property owners have also been relatively steady, but at a low level compared to past standards.
- Across loans for house purchases, top-ups, and bank switches, 36% in December (by value) were fixed for up to one year. But by February, that figure had surged to 56%. The increasing preference to 'fix short' comes at a cost, however, with one-year special rates still about 0.6% higher than, say, three-year rates. Clearly, many borrowers are prepared to pay more now, with the hope of saving money later as mortgage rates fall over the medium term.
- Rental growth is still running at historically high levels, and was 5.1% in the year to March (Stats NZ new tenancy/flow measure). Rental property 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. The number of available listings has also risen (giving buyers more choice), and many households still have to reprice their mortgages this year too.

CHART OF THE MONTH

Fixing short, but at a cost

% share of new loans fixed for up to one year and selected mortgage rates



Source: Reserve Bank of NZ

- Across loans for house purchases, top-ups, and bank switches, 36% in December (by value) were fixed for up to one year.
- In February, that figure had surged to 56% - a new record high (for this relatively short data series).
- The increasing preference to 'fix short' comes at a cost, however, with one-year special rates still about 0.6% higher than, say, three-year rates.
- Clearly, many borrowers are prepared to pay more now, with the hope of saving money later as mortgage rates fall over the medium term (which isn't possible if they lock in for 'too long' now).

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

\$166 Billion



COMMERCIAL REAL ESTATE

\$326 Billion

NUMBER OF DWELLINGS

1.67 Million

OUTSTANDING MORTGAGE DEBT

\$357 Billion

HOUSEHOLD ASSETS HELD IN RESIDENTIAL REAL ESTATE (JUNE 2021)

43% (+4% since 2018)

TOTAL SALES LAST 12 MONTHS

70,051

GROSS VALUE OF SALES
LAST 12 MONTHS

\$64 Billion

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

OVERVIEW

New Zealand property values

3 MONTHS

1.1%

Taking the three months to March combined there was a moderate 1.1% rise in average property values across NZ.

12 MONTHS

0.1%

Average values edged up by 0.1% in the year to March, the first positive figure since September 2022 (2.8%).

FROM PEAK

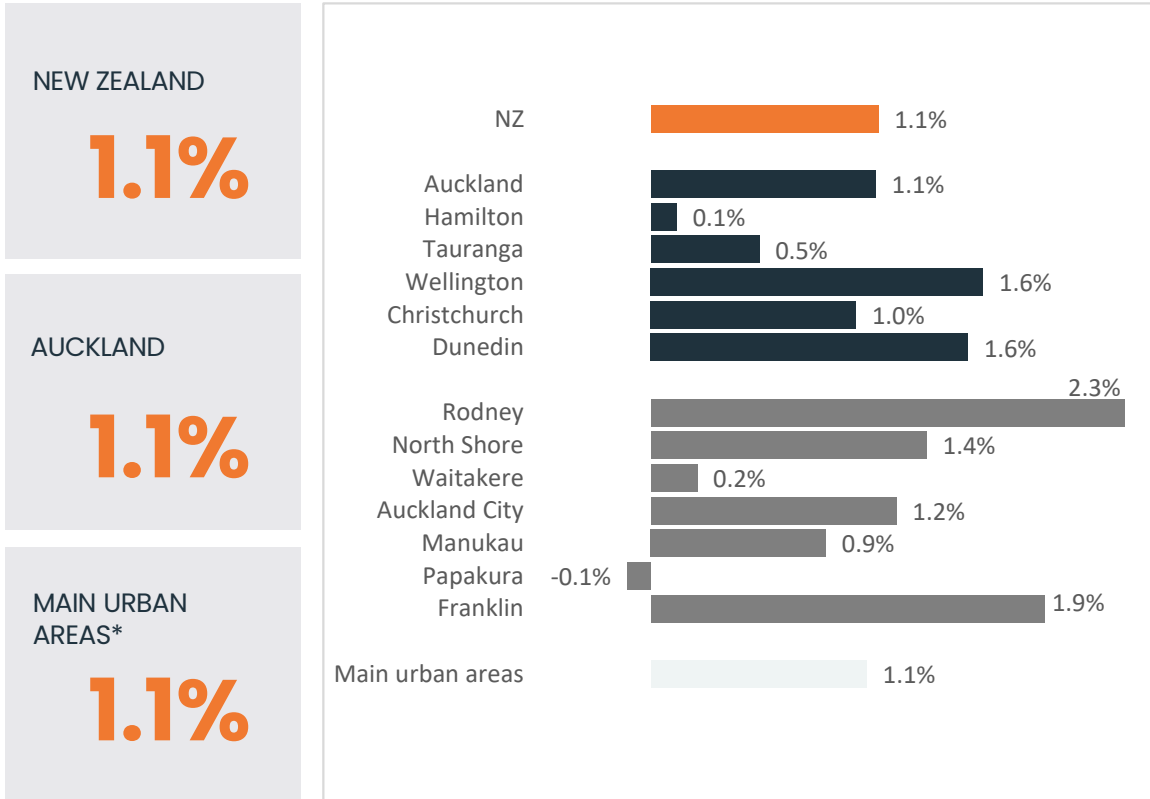
-10.4%

The falls from the peak are still sitting at around 10% nationally, with some areas significantly larger.

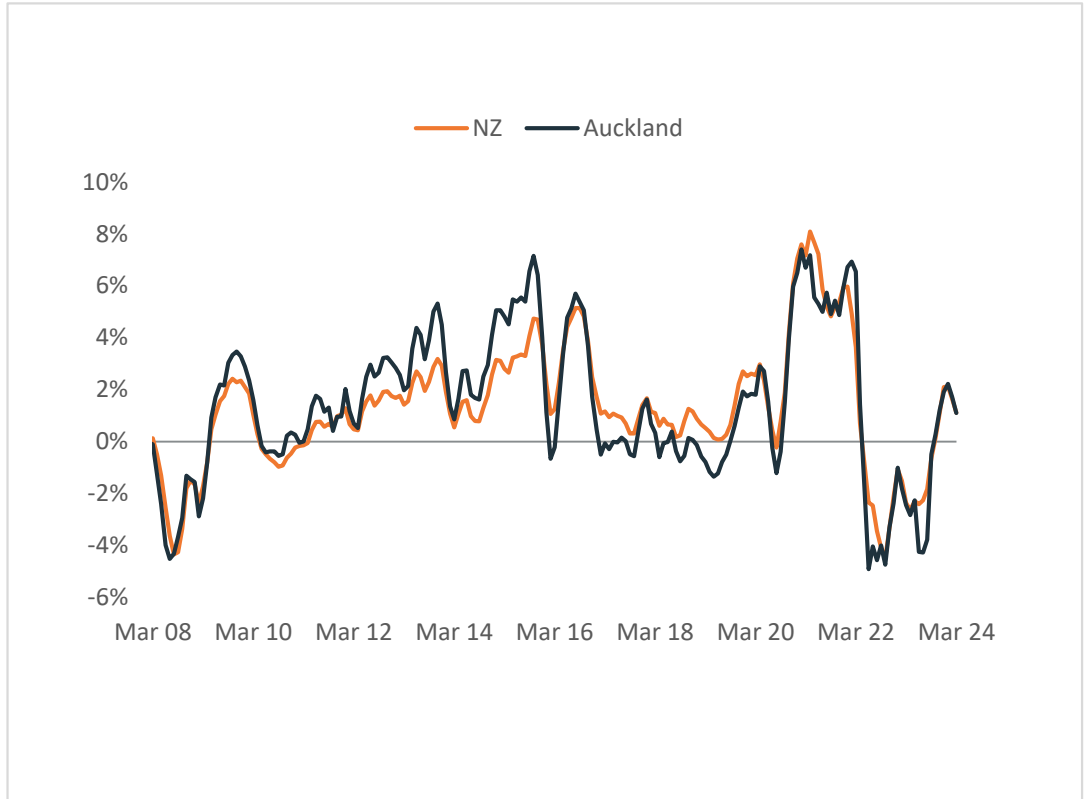
NEW ZEALAND PROPERTY VALUES

3 month changes

Change in average property values, three months to March 2024



Rolling quarterly change in average values



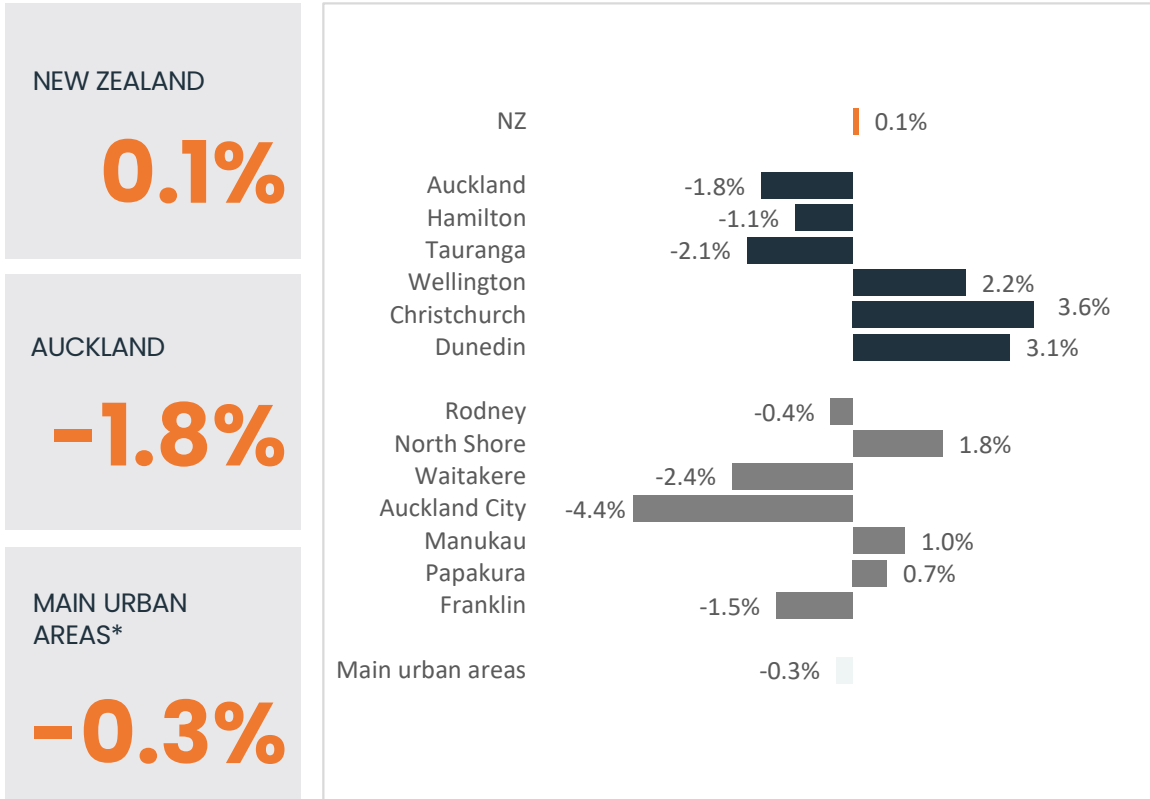
Source: CoreLogic

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

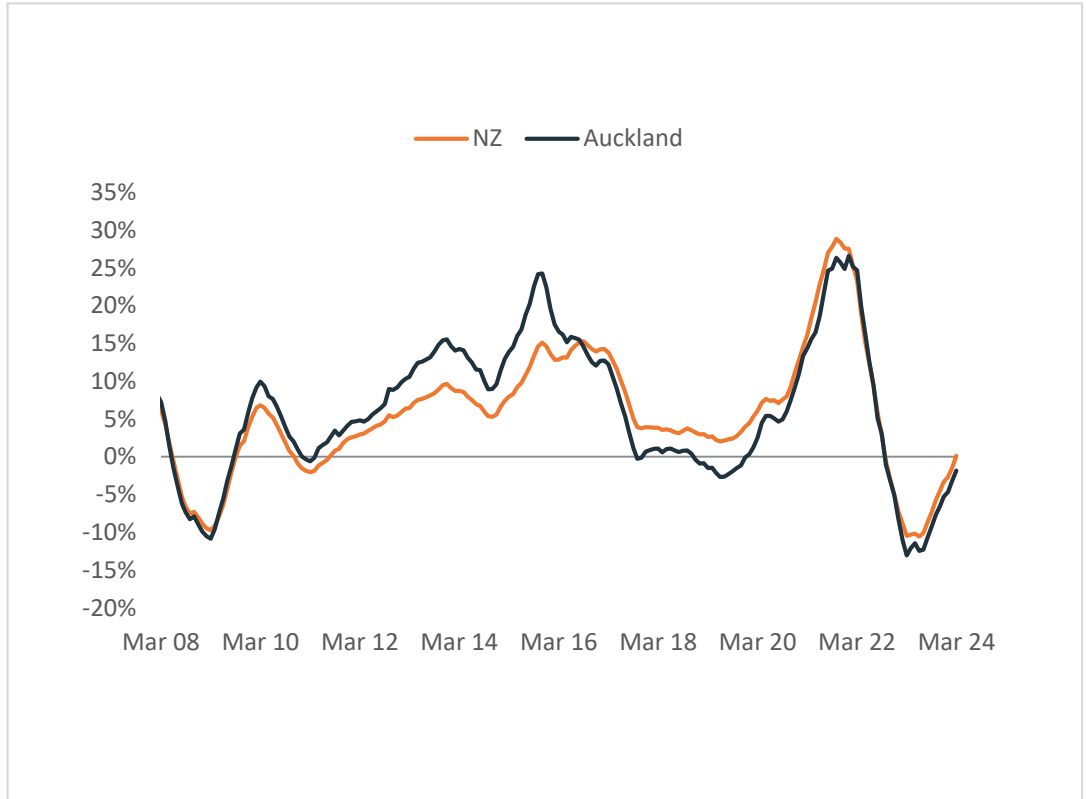
NEW ZEALAND PROPERTY VALUES

12 month changes

Change in average property values, 12 months to March 2024



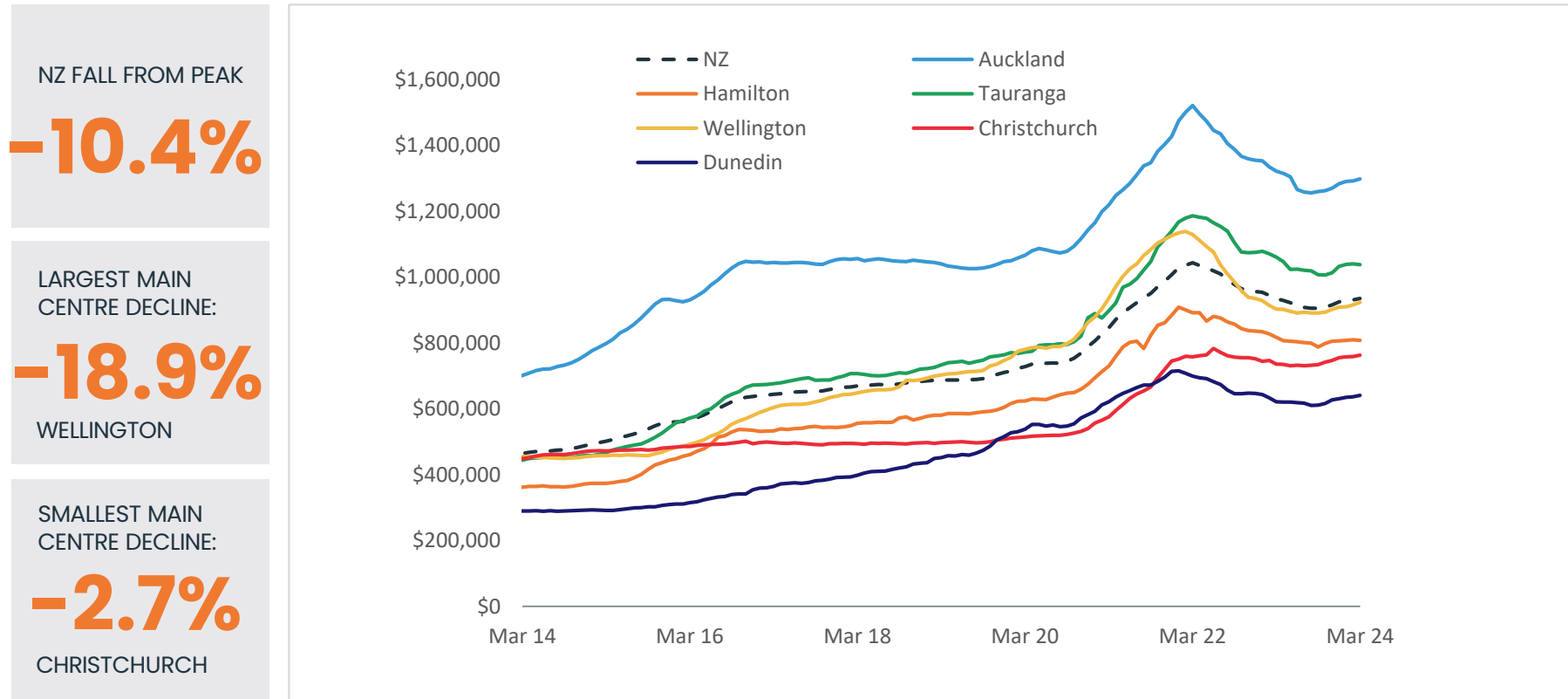
Rolling quarterly change in average values



Source: CoreLogic

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

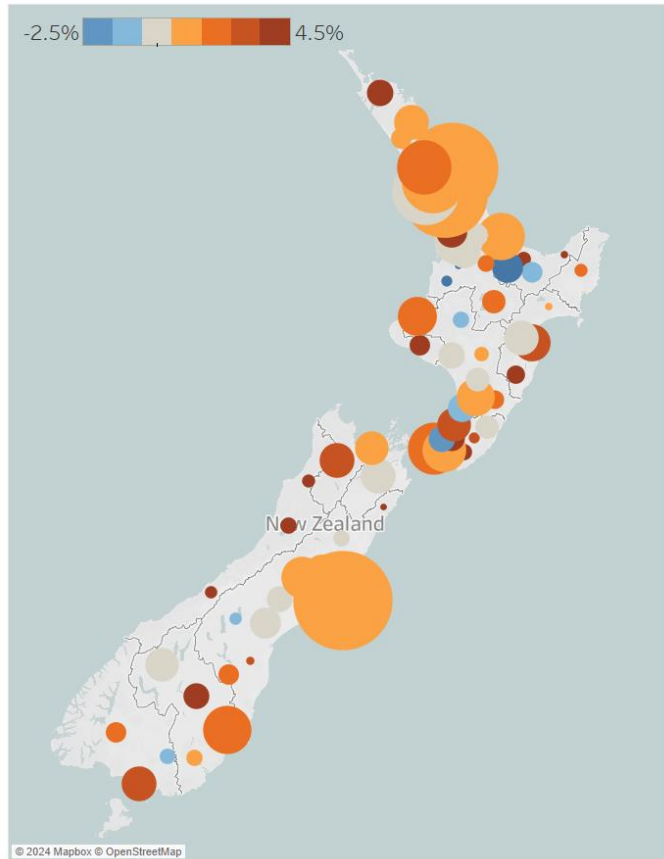
Main centres – average values



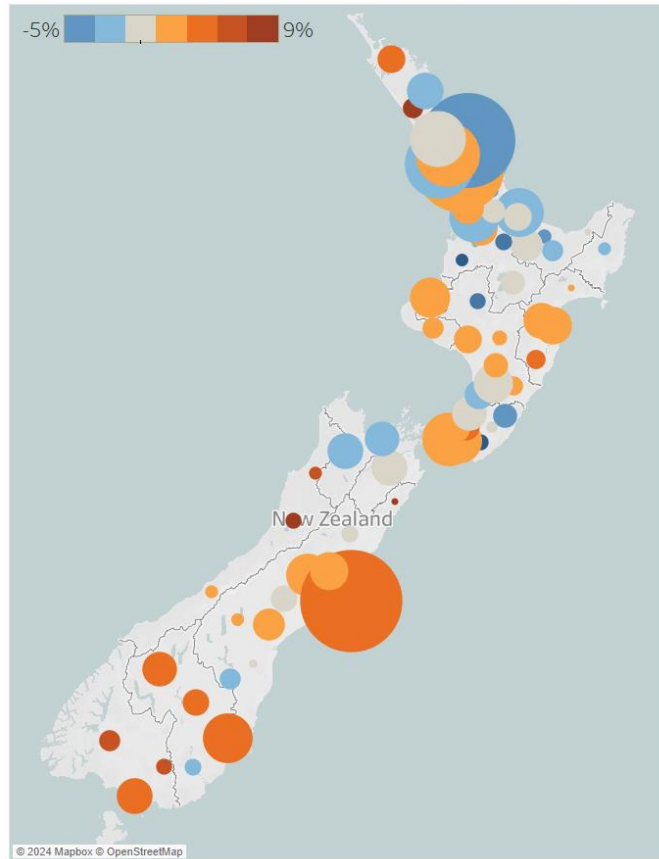
Source: CoreLogic

Regional changes

Change in average property values,
3 months to March 2024



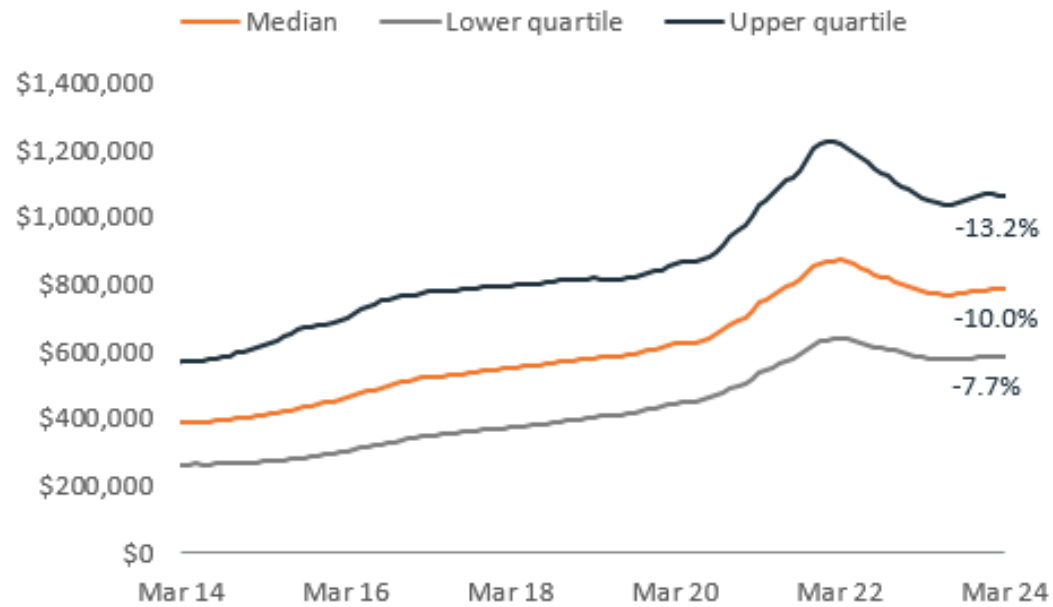
Change in average property values,
12 months to March 2024



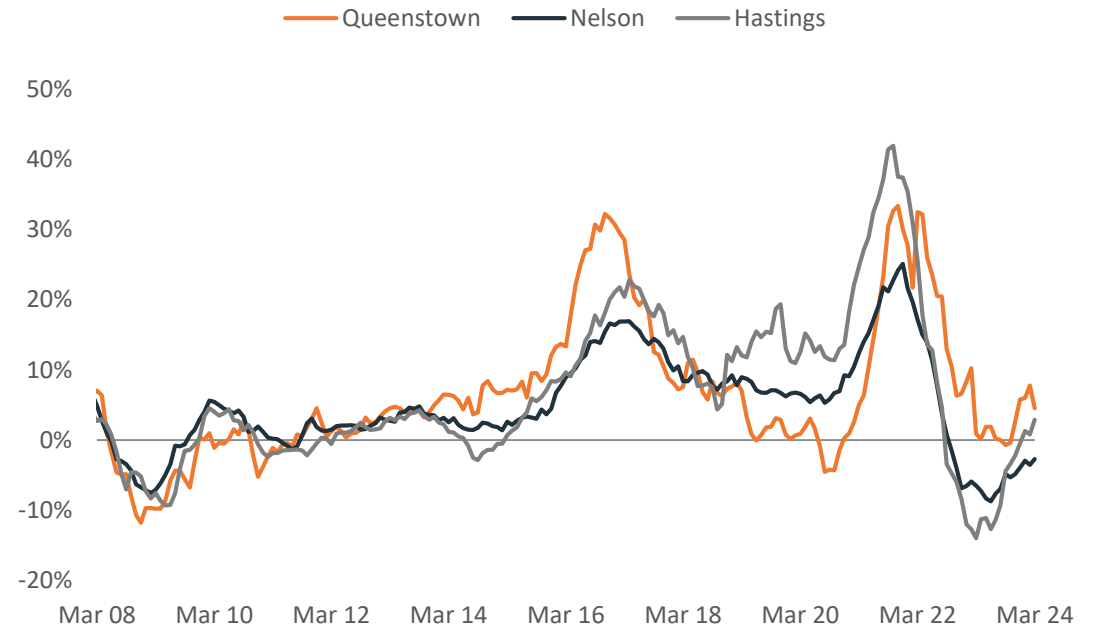
NEW ZEALAND PROPERTY VALUES

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

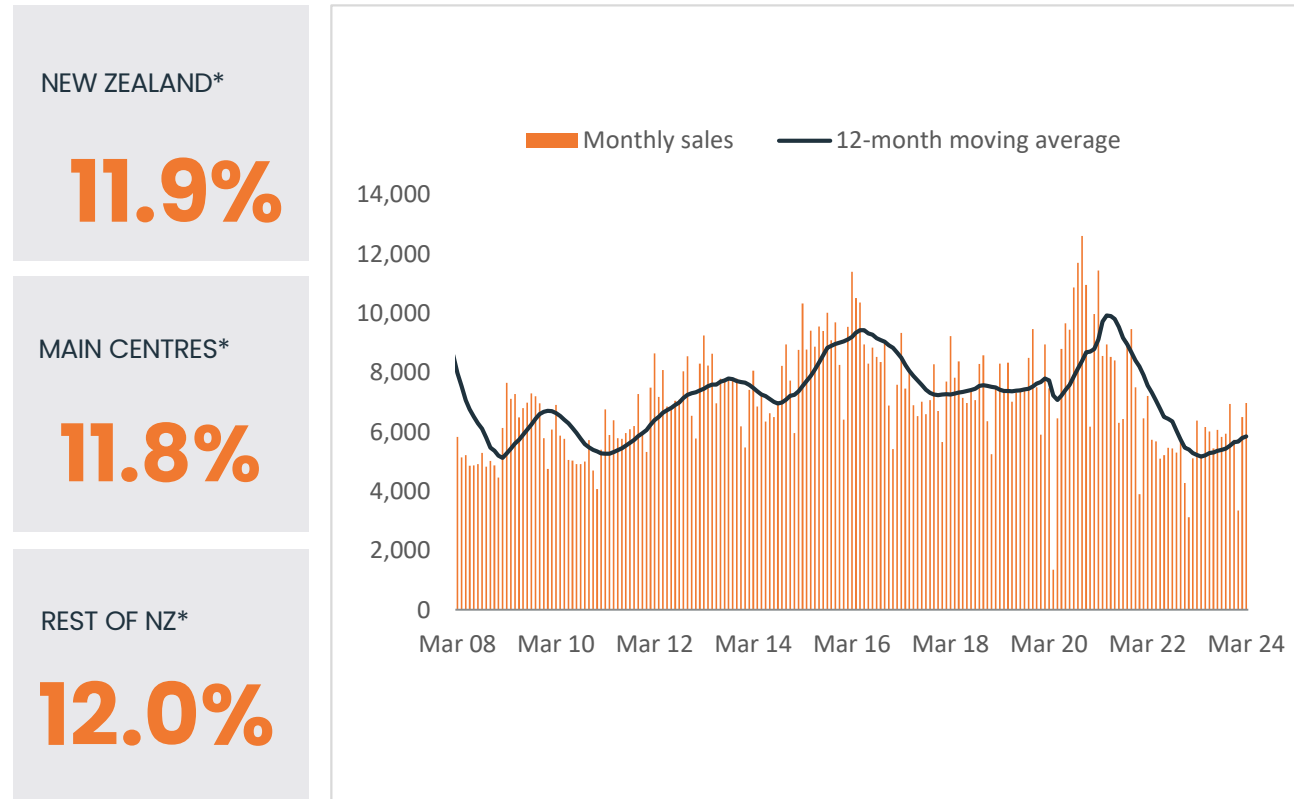
Sales and
listings



NATIONAL SALES

Sales volumes in March, measured across both private deals and real estate agents, were about 9% higher than the same month last year, the 11th rise in a row. On a 12-month total basis, sales have now risen to more than 70,000, 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.

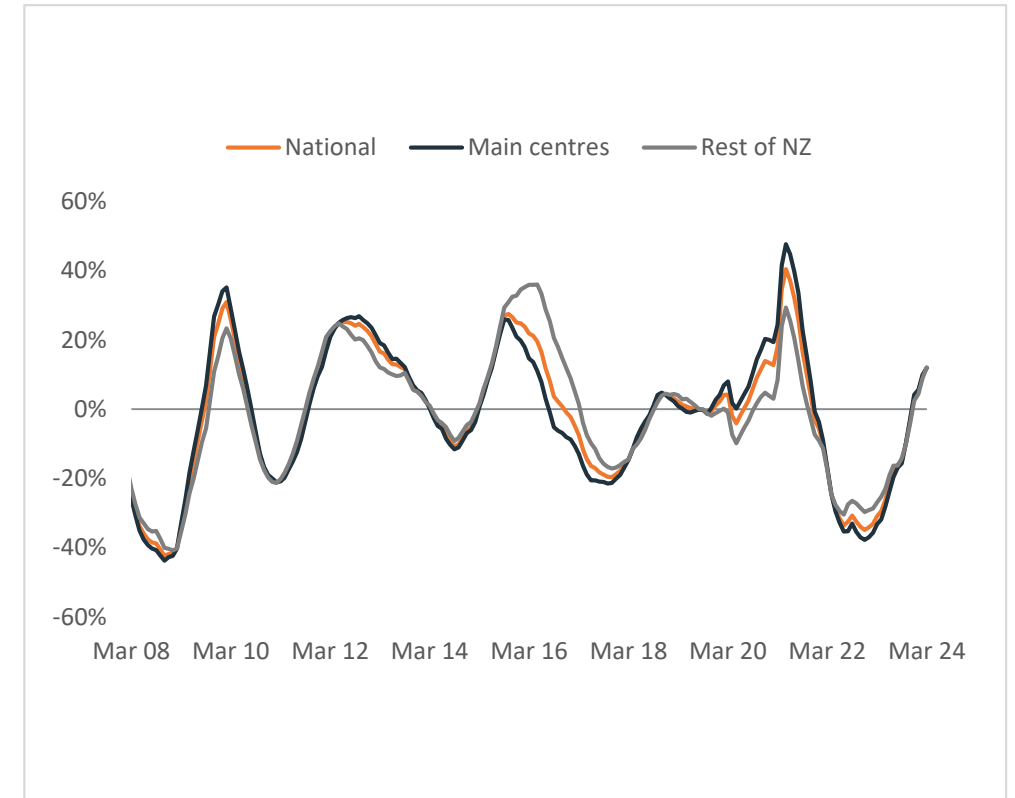
Monthly sales with 12-month moving average, national



Source: CoreLogic

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

Change in sales volumes, 12 months to February 2024



LISTINGS

New listings activity has been pretty strong so far in 2024 (albeit the earlier Easter has distorted the very latest figures), 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

NEW LISTINGS OVER
THE 4 WEEKS ENDING
31st MARCH

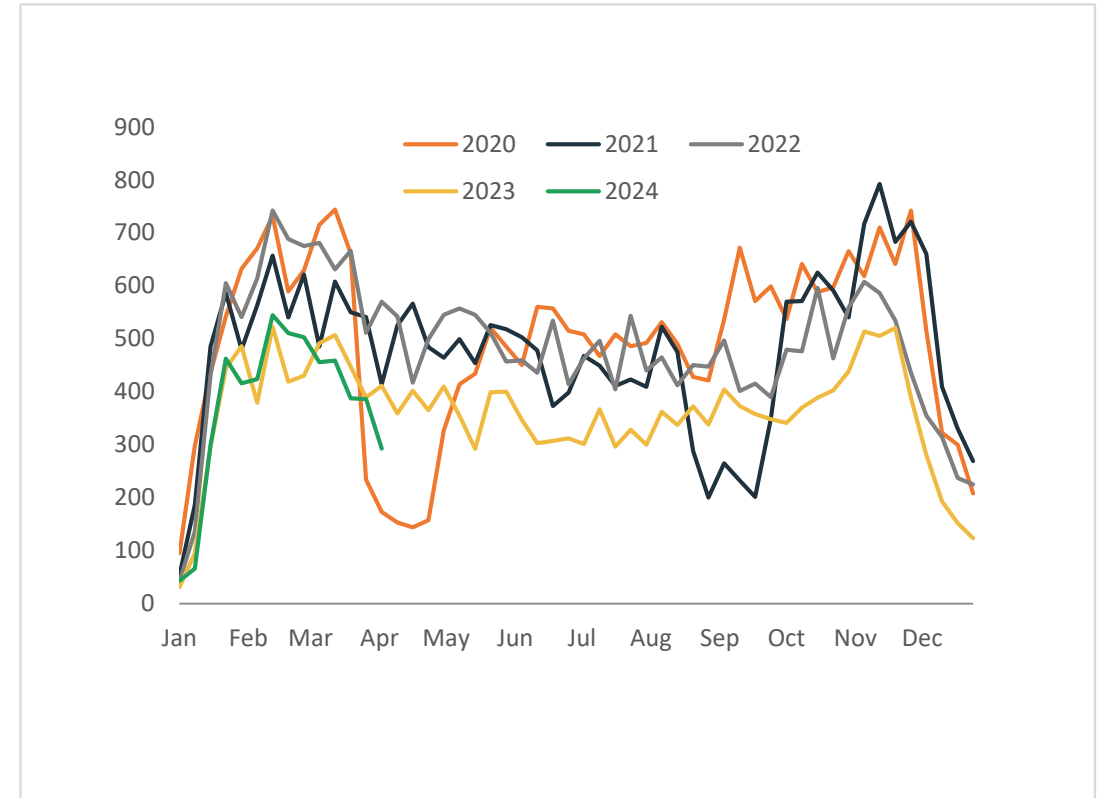
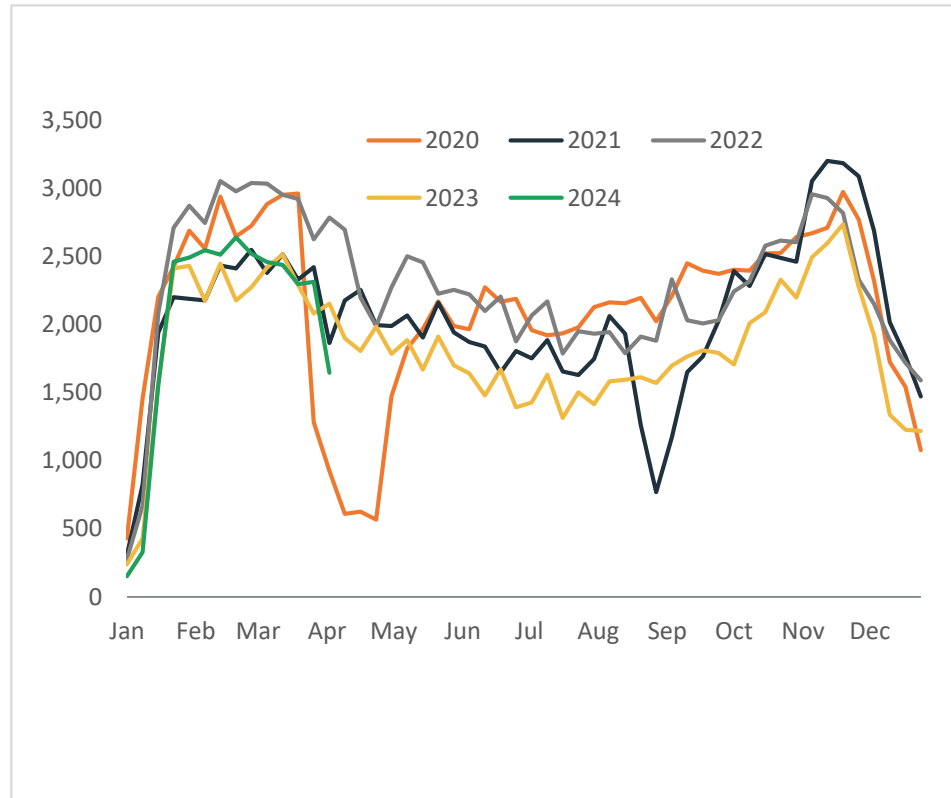
8,693

SAME TIME LAST
YEAR

9,036

FIVE YEAR AVERAGE

9,722

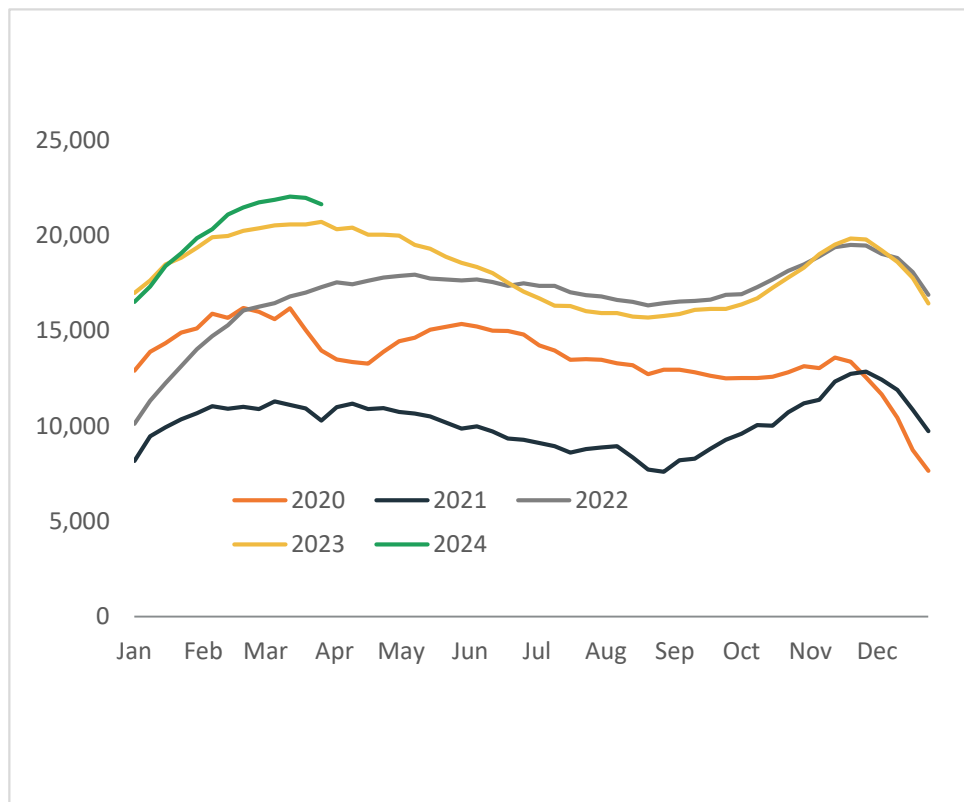


Source: CoreLogic

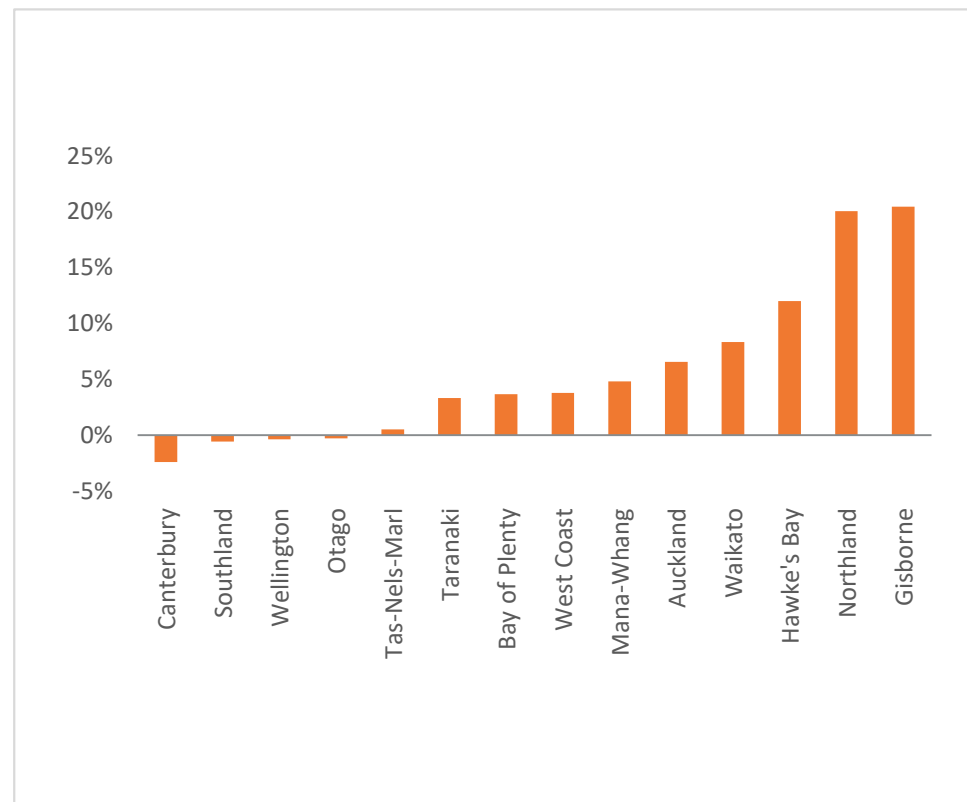
LISTINGS

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. A smattering of regions (e.g. Canterbury) remain a *little* tighter than this time last year in terms of the number of available listings on the market, but most areas are up. 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

21,627

SAME TIME LAST YEAR

20,710

FIVE YEAR AVERAGE

17,583

Source: CoreLogic

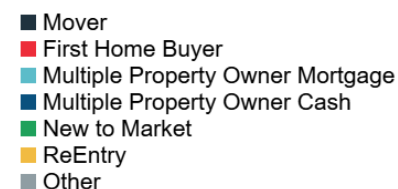
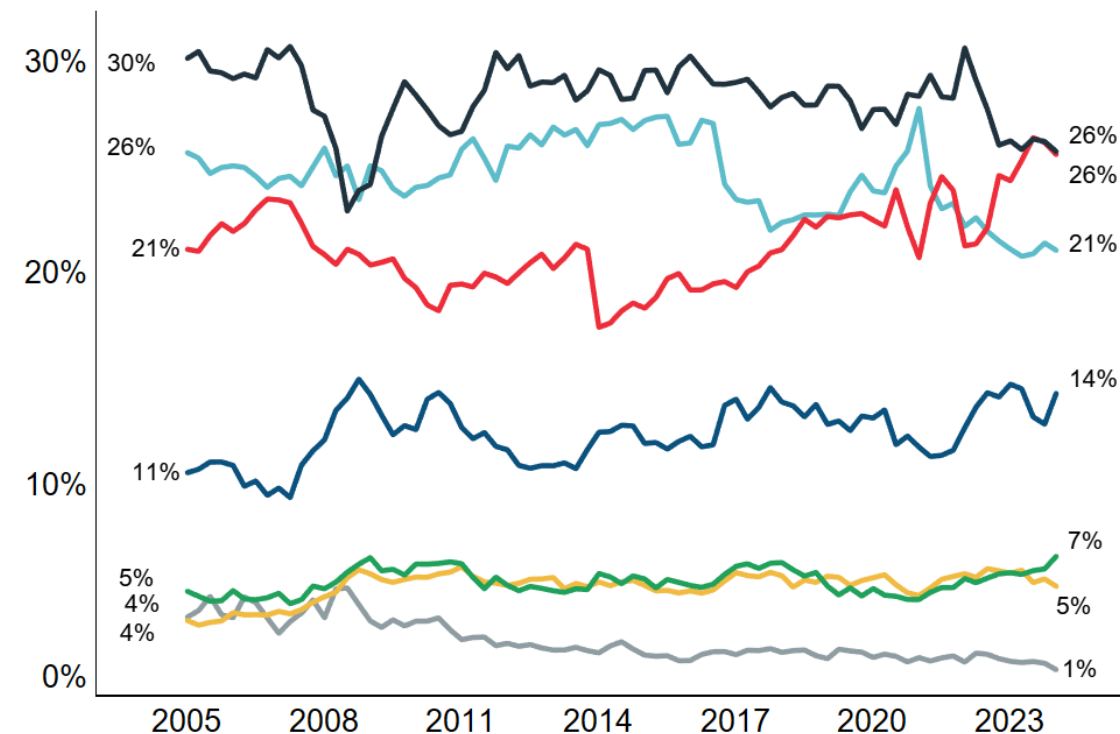
Buyer
classification



Buyer Classification

- First home buyers (FHBs) remain a strong presence in the property market, with a 26% share of purchases in March itself, and also for Q1 as a whole. 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, 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.

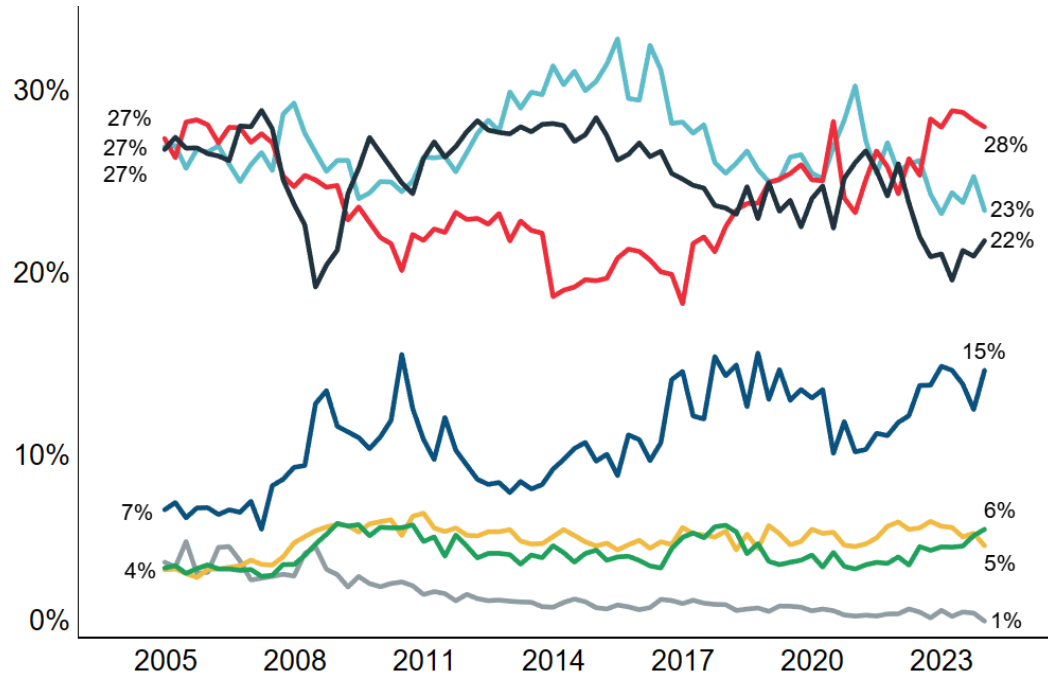
% share of property purchases, New Zealand



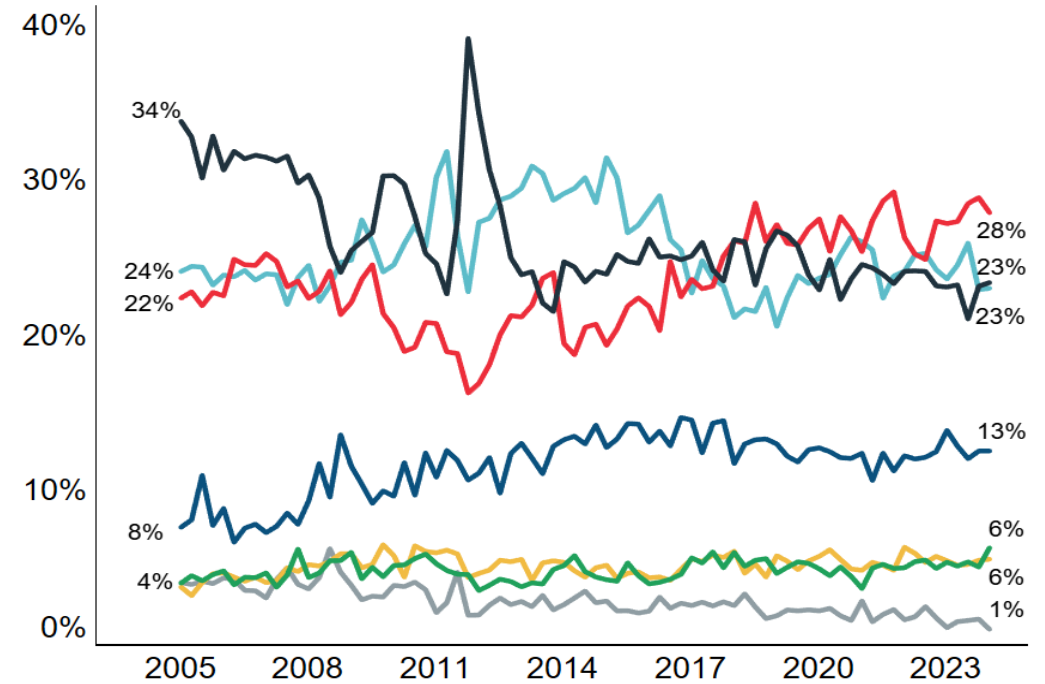
Source: CoreLogic

Selected main centres

Auckland



Christchurch



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

Source: CoreLogic

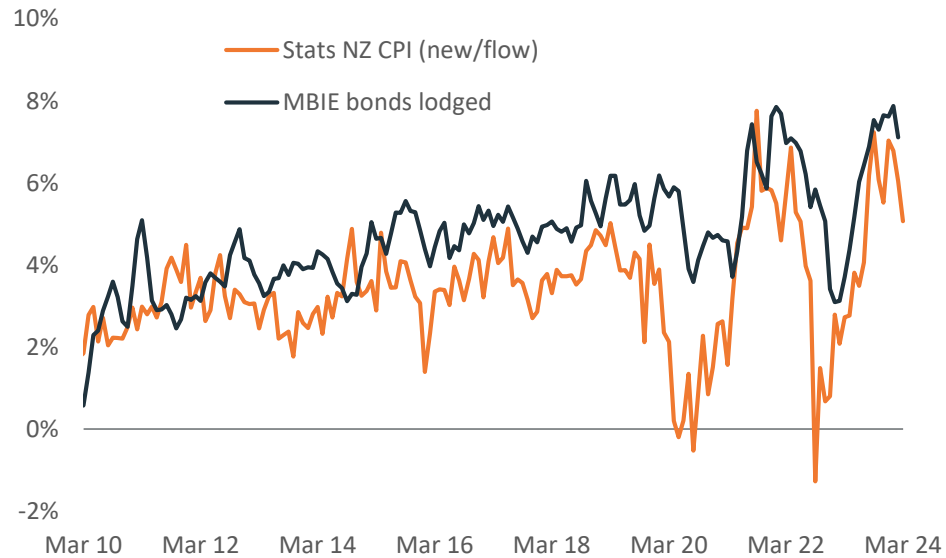
Rental
market



RENTAL RATES

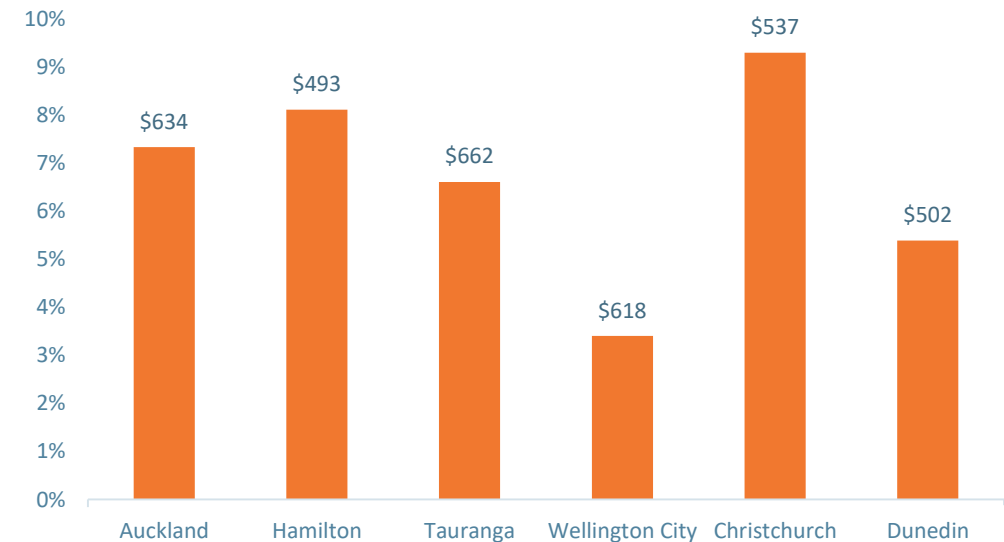
Rental growth is still running at historically high levels, and was 5.1% in the year to March on the Stats NZ flow/new tenancy measure, which is still above the long term average of closer to 3%. Demand for rental property remains high, given strong net migration inflows to NZ. However, there are also hints that the pace of rental growth is now slowing, which would be consistent with the fact that rents are already high in relation to incomes.

Annual change in national rents to February/March 2024



Source: Stats NZ, MBIE

Annual change in rents (MBIE)*

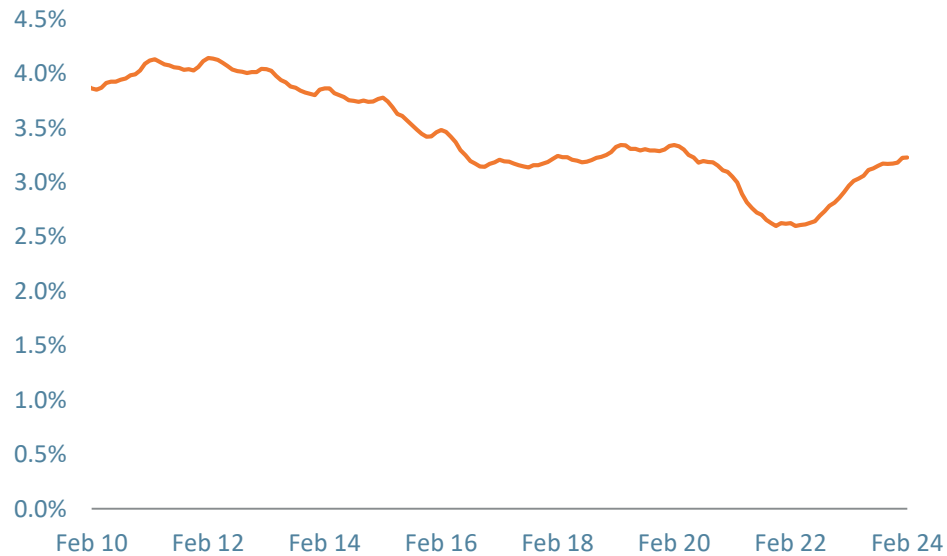


* Labels on the bars are the latest levels for weekly rents

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 looking at a tablet together in a blurred city setting at night. The man is wearing glasses and a dark shirt, and the woman is wearing a light-colored top. The background is filled with out-of-focus lights in various colors, including blue, yellow, and red, suggesting a busy urban environment. The overall mood is professional and collaborative.

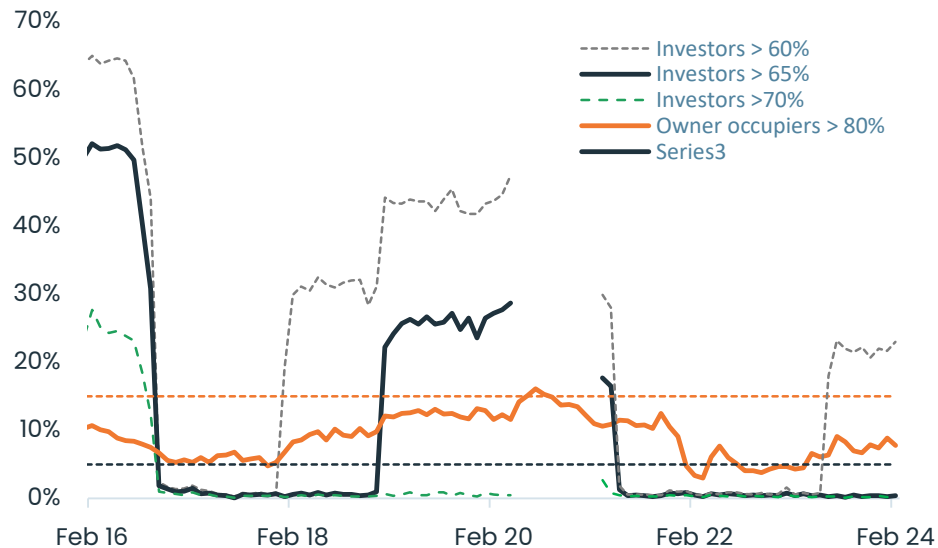
Credit
conditions

CREDIT CONDITIONS

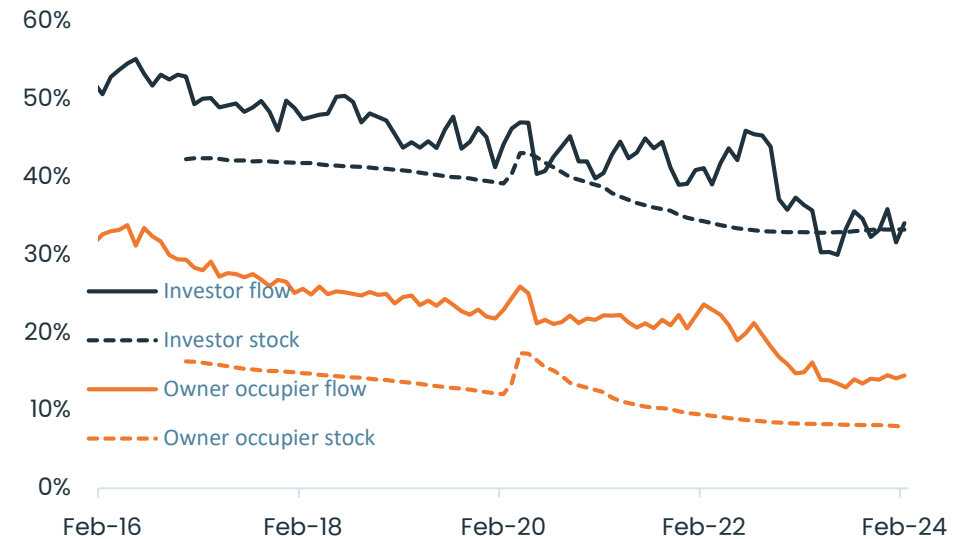
Lending flows

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



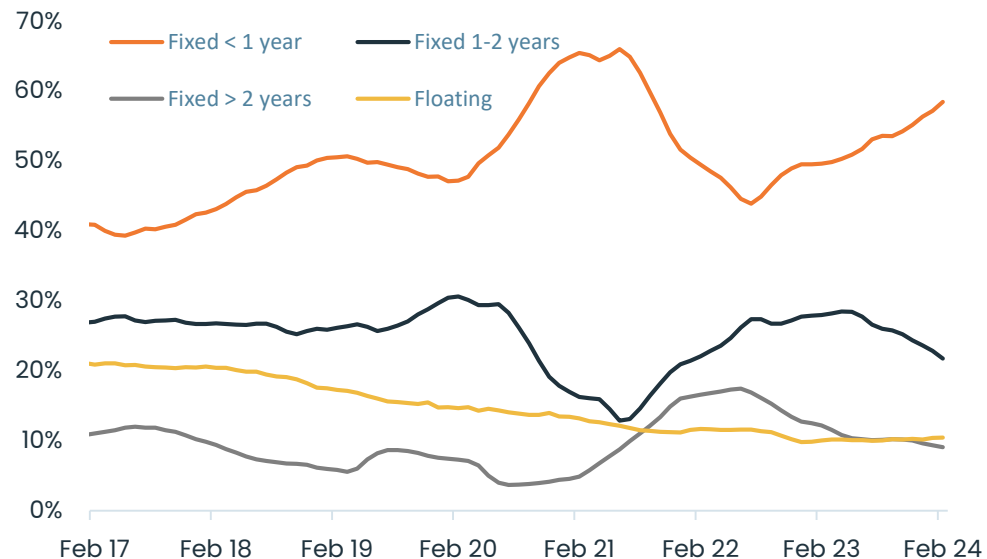
Source: Reserve Bank NZ

CREDIT CONDITIONS

Lending flows

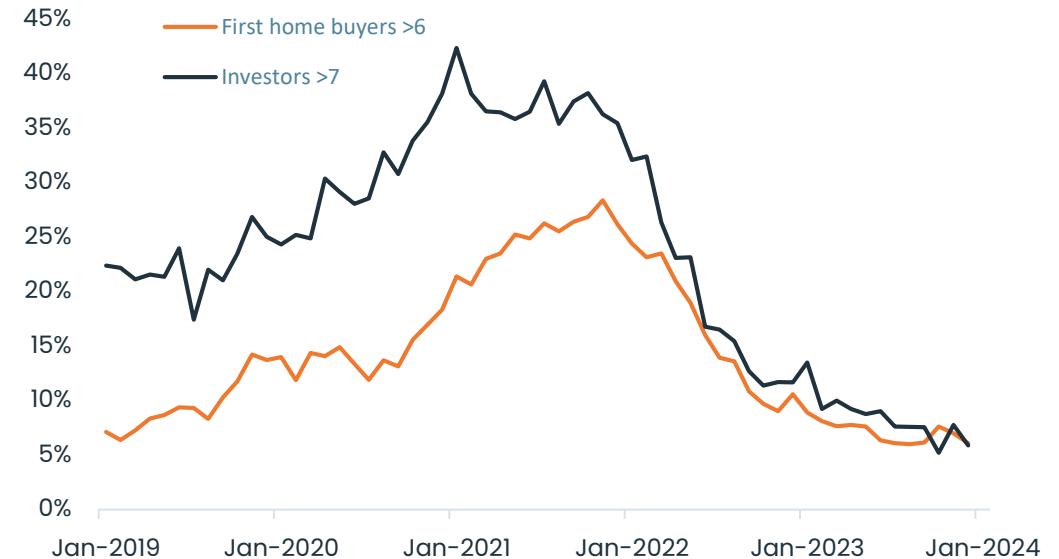
Around 59% of NZ's existing mortgages by value are currently fixed but due to reprice onto a new (generally higher) mortgage rate over the next 12 months. This will require a significant adjustment to those households' finances. At least in terms of new lending flows, however, loans at high multiples 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

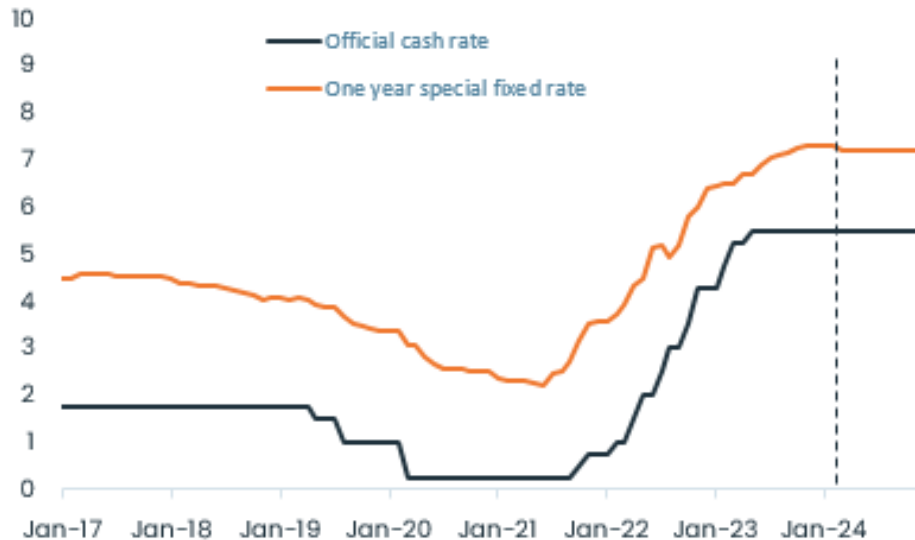


CREDIT CONDITIONS

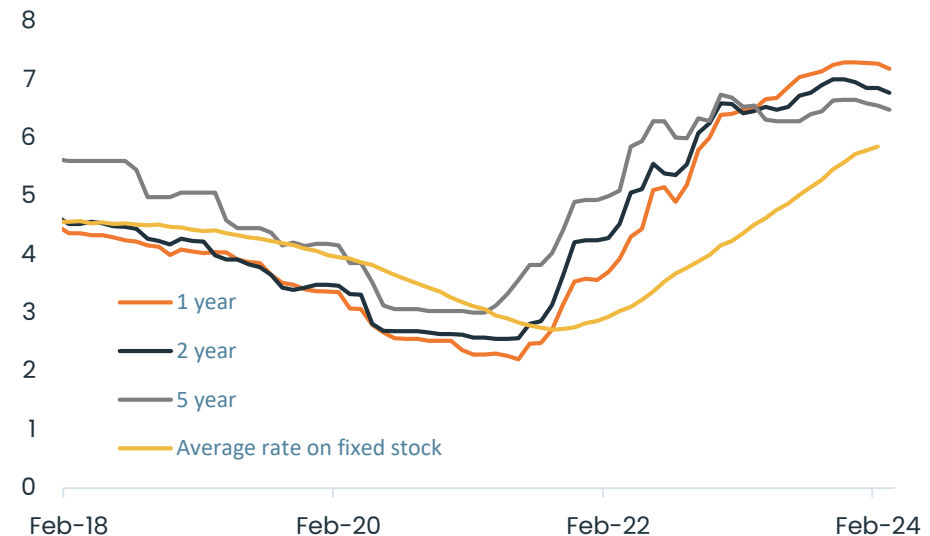
The OCR and mortgage rates

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



Current special mortgage rates and average on existing stock



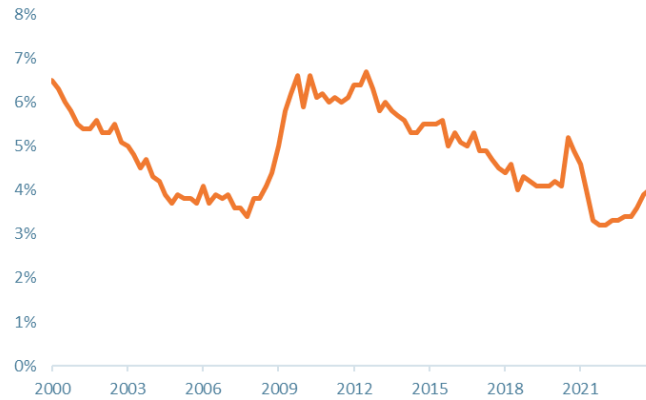
Source: Reserve Bank NZ

Economic indicators

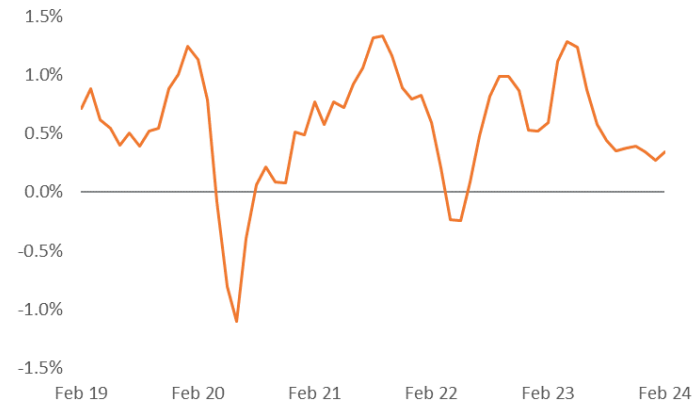


ECONOMIC INDICATORS

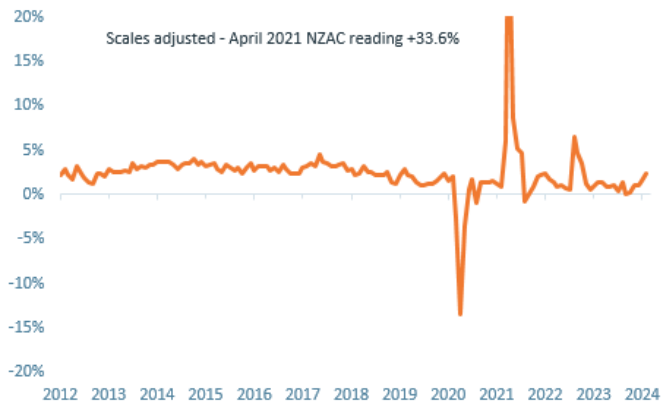
Unemployment rate %



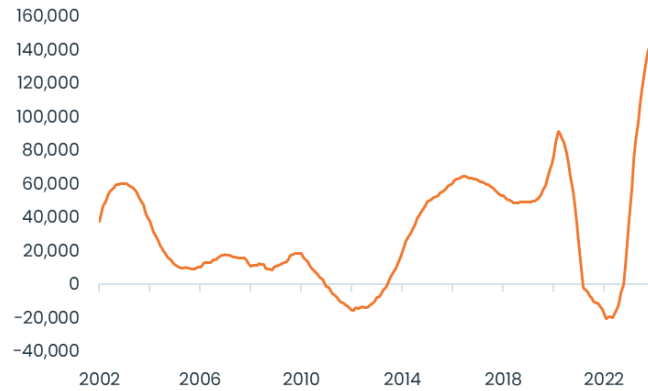
% three month change in filled jobs



% annual change NZ Activity Index



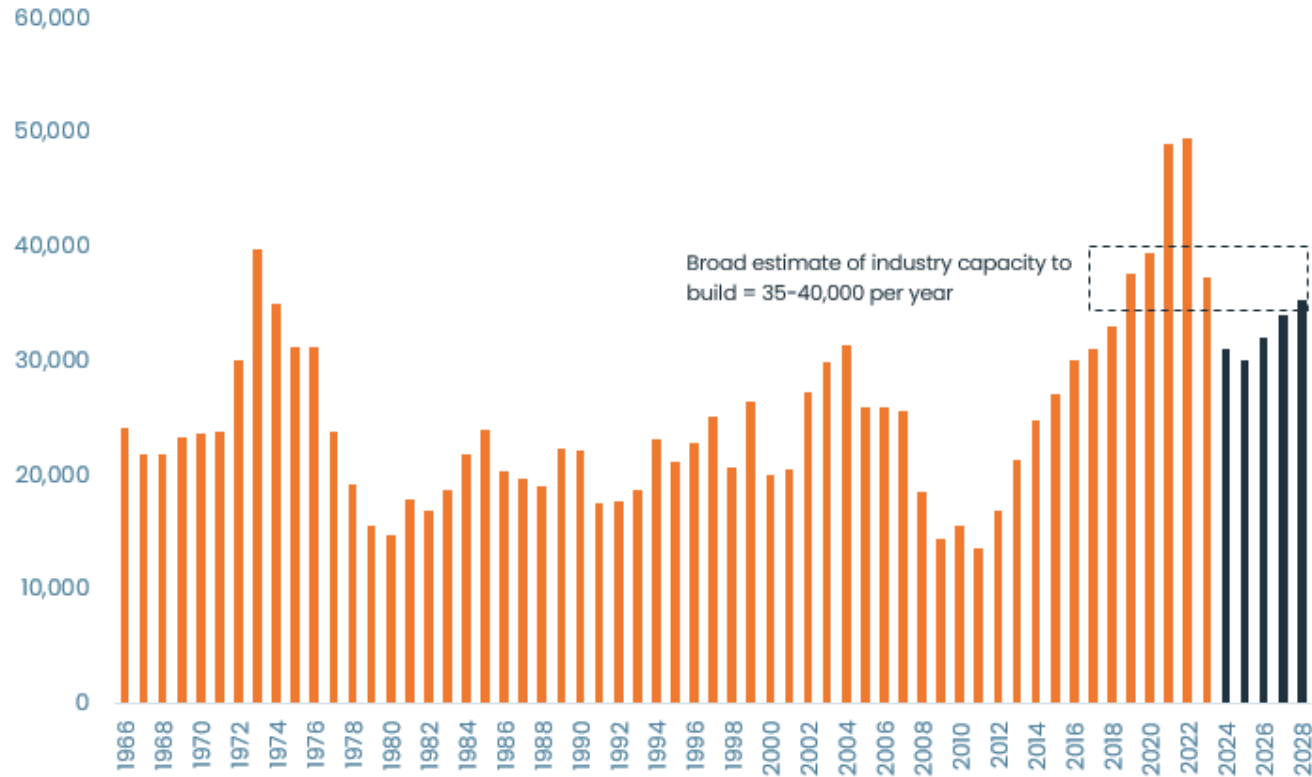
Annual net migration flow



Source: Stats NZ

ECONOMIC INDICATORS

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



Source: Stats NZ, MBIE, BRANZ, Pacifecon

Get in Touch

Kelvin Davidson
Chief Property Economist
kelvin.davidson@corelogic.co.nz
027 355 3813



CoreLogic

corelogic.co.nz