

September 2024

Property & Market *Update*



**Loan
Market™**

In partnership with **CoreLogic**

Executive Summary

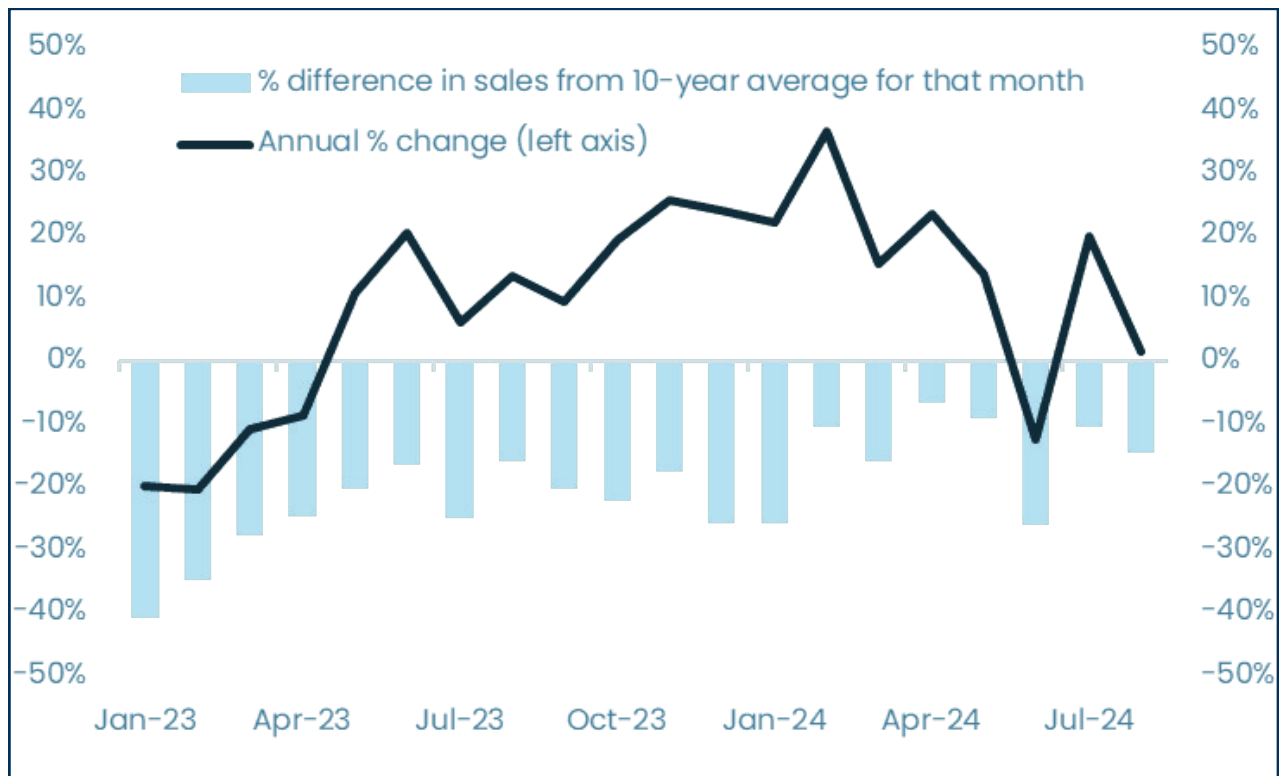
Reaction to lower interest rates *might just take a little time.*

- Property sales activity increased by 1.6% in August compared to the same month a year ago, which was the 15th rise in the past 16 months. However, volumes remain well below normal levels for the time of year, with August's total [6,320] for example still around 15% below the average for that month over the past 10 years. There are plenty of listings available on the market, so the relatively low levels of sales are more about buyers – those who still feel confident about their jobs and can get the finance are in a position to take their time and secure a deal in their favour.
- That said, as mortgage rates drop, the pool of willing and able buyers will start to grow again, and slowly erode that high level of listings – resulting in more competition and some upwards price pressure. This might not happen overnight, however, given that interest rates are still relatively high, and existing mortgage borrowers on pre-agreed fixed rates won't see the benefits of any cuts straightaway either.
- Turning to property values, the CoreLogic Home Value Index [HVI] fell by a further 0.5% in August, the sixth decline in a row, taking the drop from February's 'mini peak' to 3.7%. Auckland fell again in August, and is now down by 6.0% from the peak. By contrast, however, an area such as Christchurch has proved to be more resilient.
- Of course, weaker property values will tend to benefit some groups over others, and first home buyers (FHBs) certainly remain a strong presence, accounting for 27% of property purchases in August. Access to KiwiSaver for at least part of the deposit and making strong use of the low deposit lending allowances at the banks are also supports for FHBs at present. Mortgaged multiple property owners remain quieter than normal, but there are now tentative hints that some are starting to return.
- The economic activity data has remained pretty sluggish in recent weeks and inflation pressures continue to ease. As such, another official cash rate cut seems all-but certain on 9th October, helping mortgage rates to fall further too. But although property values may not fall much further, a fresh boom seems unlikely when affordability remains stretched, listings abundant, and the labour market weakening.

Chart of the Month

Sales volumes are rising
but still below normal.

NZ sales volumes – annual % change and difference from average



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



RESIDENTIAL REAL ESTATE

\$1.62 TRILLION



NZ SUPER & KIWISAVER

\$193 BILLION



NZ LISTED STOCKS

\$174 BILLION



COMMERCIAL REAL ESTATE

\$330 BILLION



NUMBER OF DWELLINGS

1.68 Million

OUTSTANDING MORTGAGE DEBT

\$362 Billion

HOUSEHOLD ASSETS HELD IN RESIDENTIAL REAL ESTATE (JUNE 2021)

43% (+4% since 2018)

TOTAL SALES

LAST 12 MONTHS

75,447

GROSS VALUE OF SALES

LAST 12 MONTHS

\$66 Billion

New Zealand Property Values Overview

3 MONTHS

-2.2%

Taking the three months to August combined there was a 2.2% drop in average property values across NZ.

12 MONTHS

0.7%

Values edged up by 0.7% in the year to August, although only because of a short burst of growth in late 2023/early 2024.

FROM PEAK

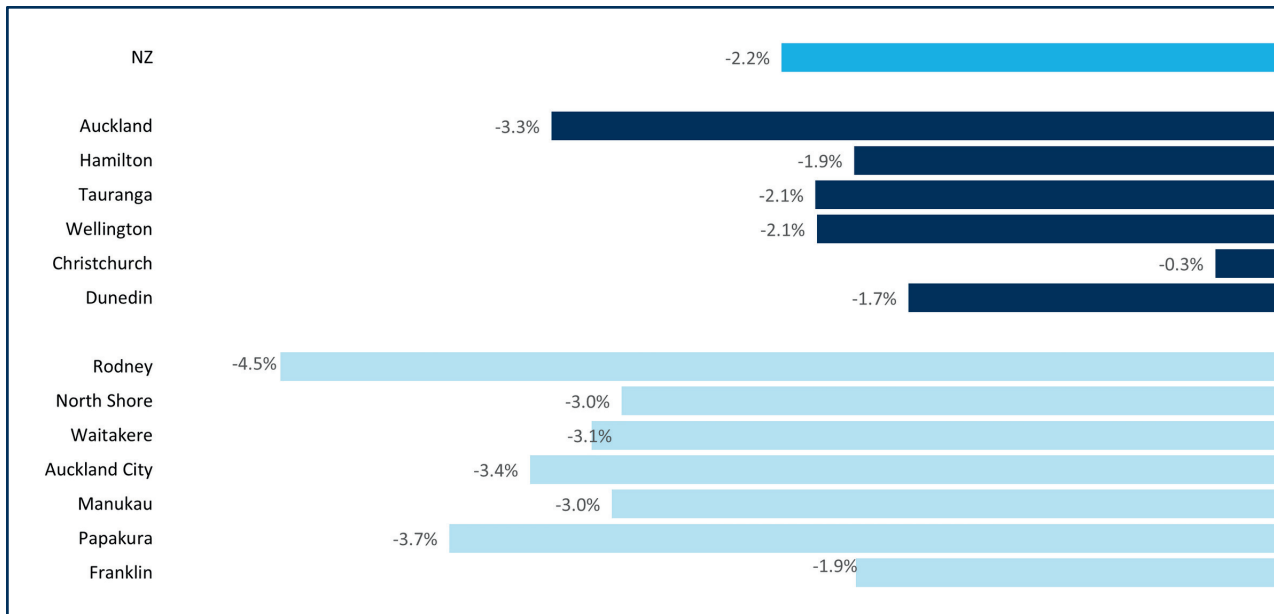
-16.8%

Falls from the peak are still sitting at nearly 17% nationally, with some areas significantly larger.

New Zealand Property Values

3 month *changes*

Change in median property values, 3 months to August 2024



NEW ZEALAND

-2.2%

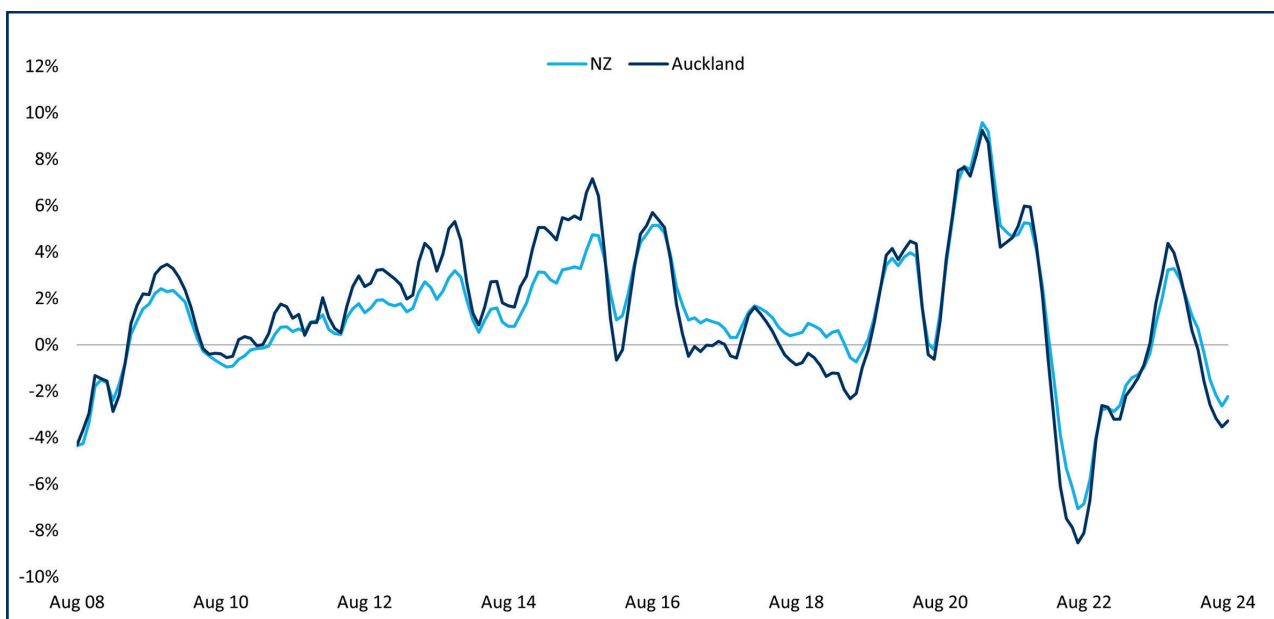
AUCKLAND

-3.3%

CHRISTCHURCH

-0.3%

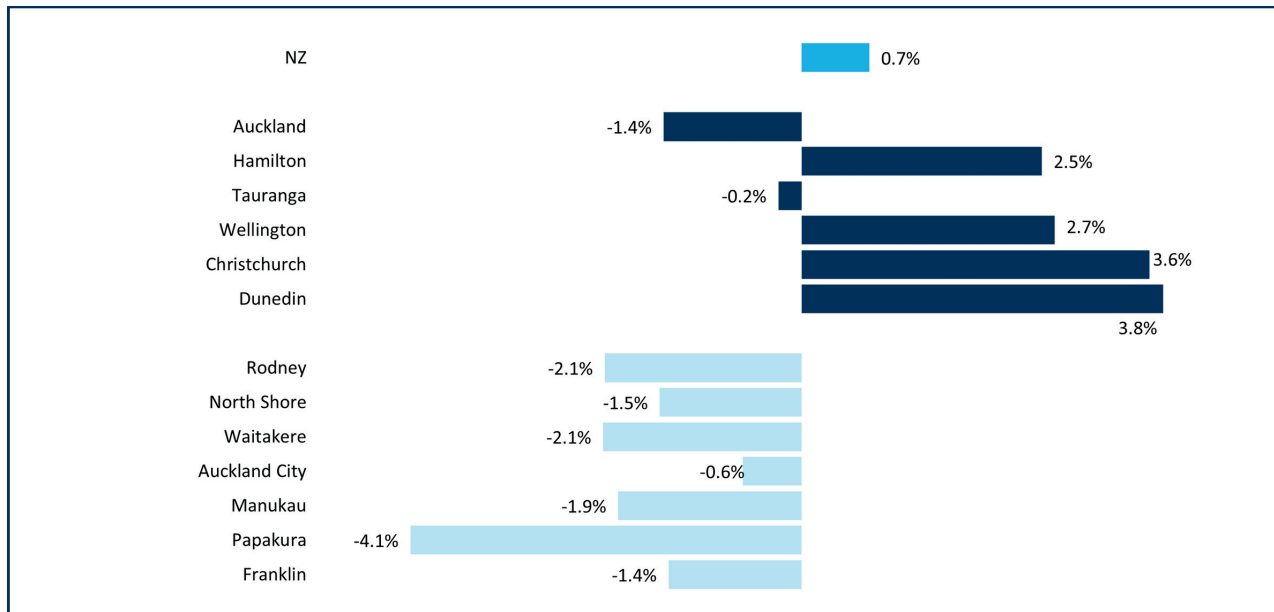
Rolling quarterly change in median values



New Zealand Property Values

12 month *changes*

Change in median property values, 12 months to August 2024



NEW ZEALAND

0.7%

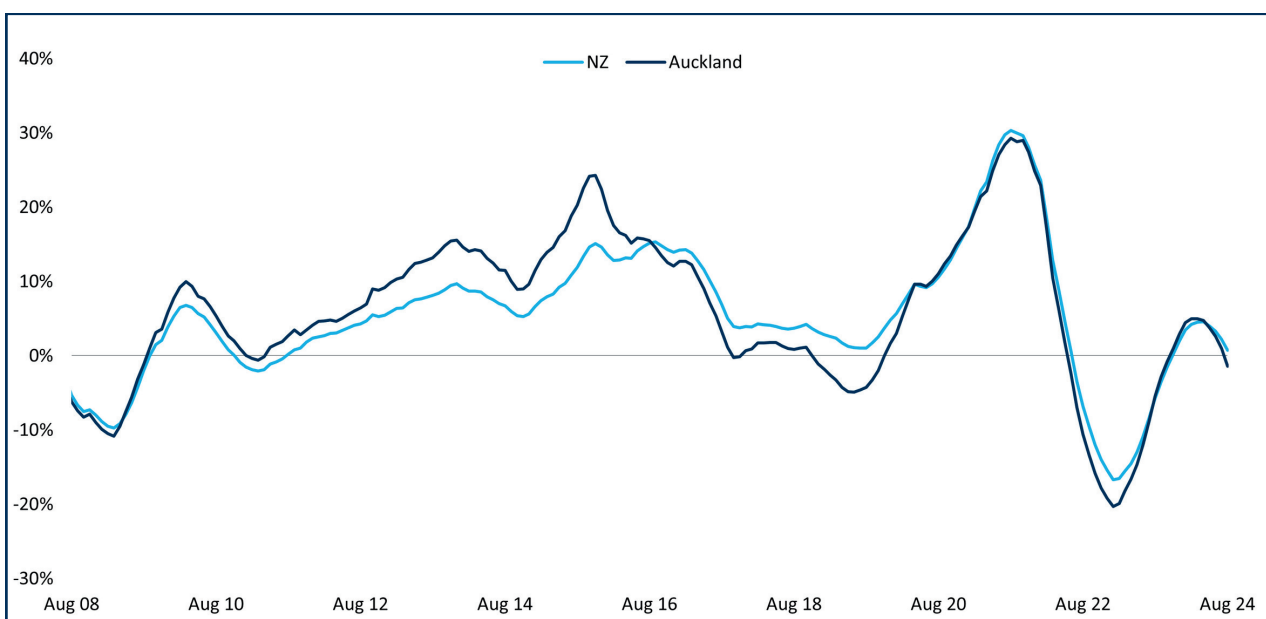
AUCKLAND

-1.4%

CHRISTCHURCH

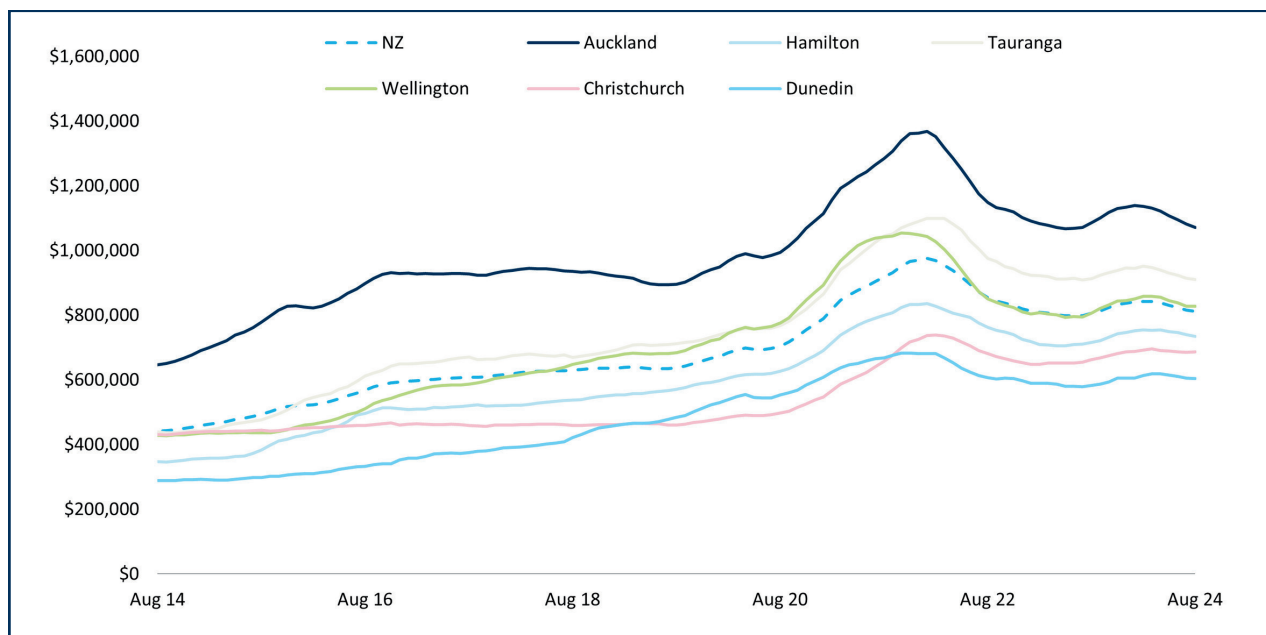
3.6%

Rolling annual change in median values



New Zealand Property Values

Main centres *median values*



NZ FALL FROM PEAK

-16.8%

LARGEST MAIN CENTRE DECLINE:
AUCKLAND

-21.8%

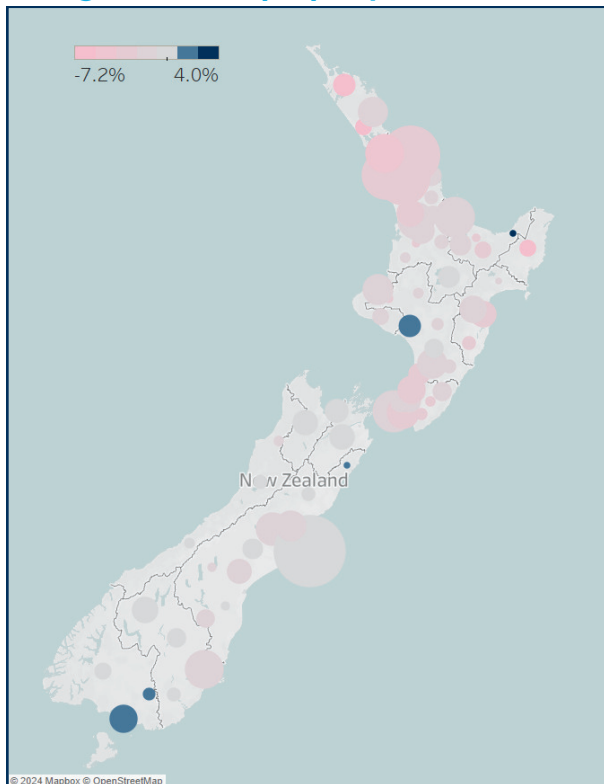
SMALLEST MAIN CENTRE DECLINE:
CHRISTCHURCH

-7.0%

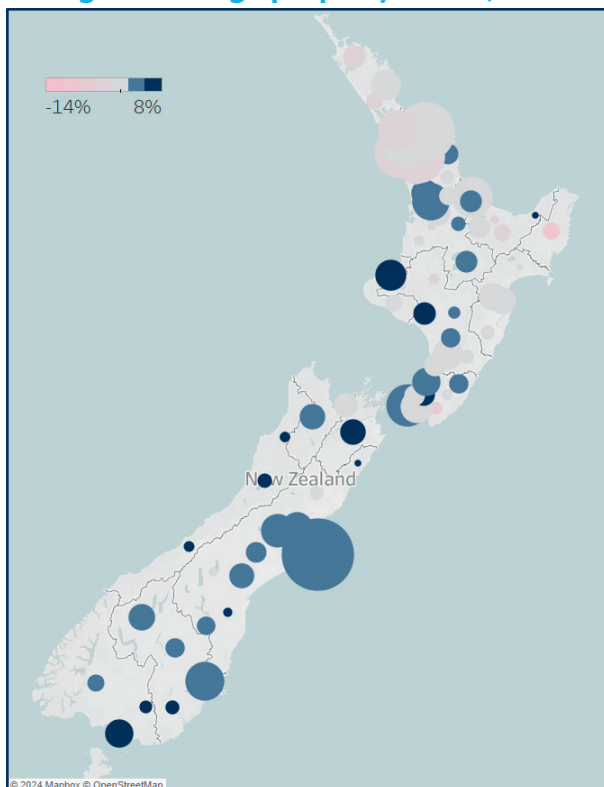
New Zealand Property Values

Regional *changes*

Change in median property values, 3 months to August 2024



Change in average property values, 12 months to August 2024

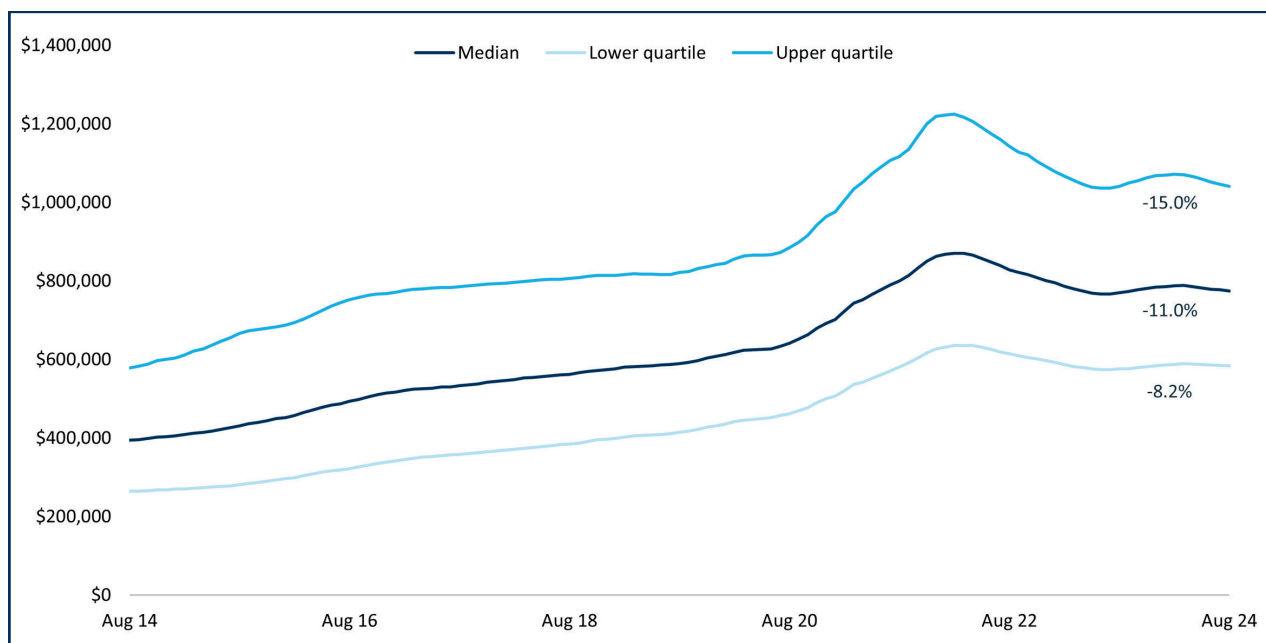


Source: CoreLogic

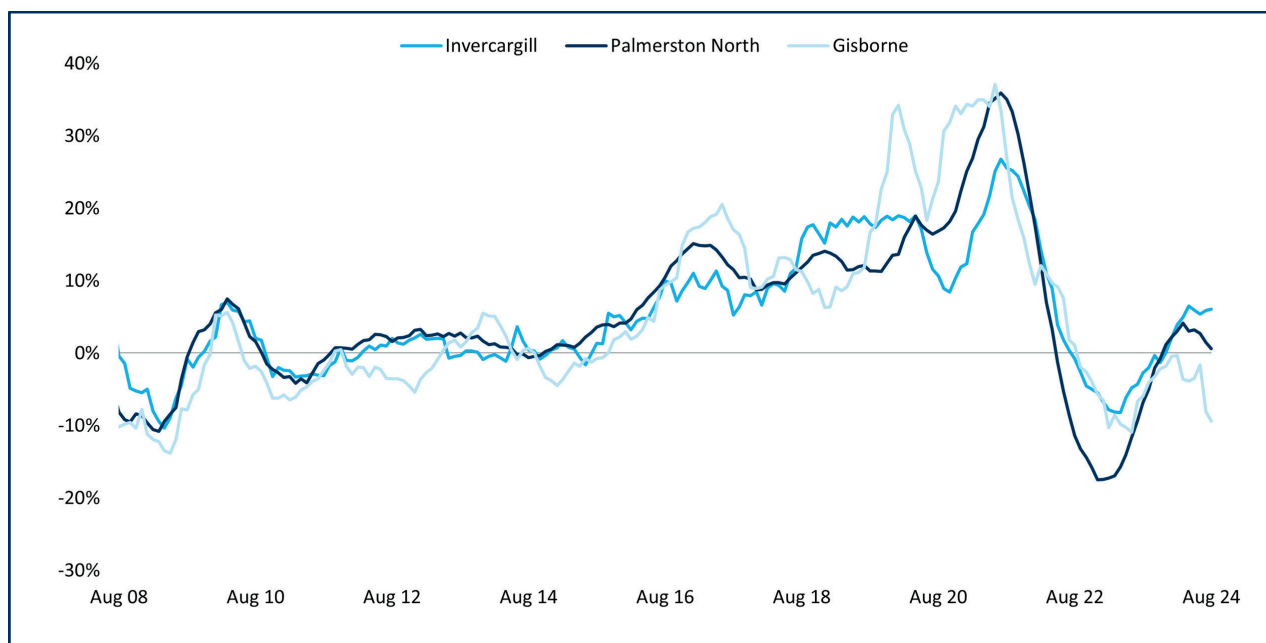
New Zealand Property Values

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. These figures are taken from our automated valuations model, whereas elsewhere in this report we use the hedonic home value index.

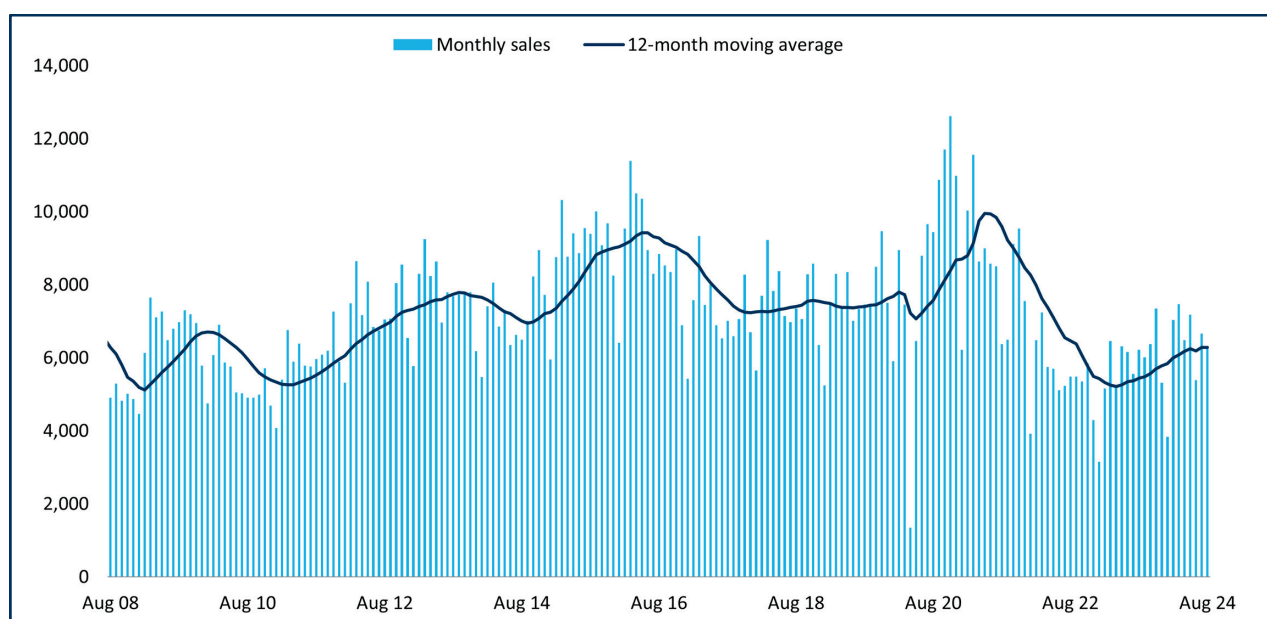
Source: CoreLogic

Sales and Listings

National Sales

Sales volumes in August, measured across both private deals and real estate agents, were 1.6% higher than the same month last year, which was the 15th rise in the past 16 months. However, volumes remain well below normal levels for the time of year (about 15% below average), and it's not due to a lack of choice. Indeed, with listings on the market still high, the sluggishness of sales is solely about buyer demand still being limited by high (albeit falling) mortgage rates, and those buyers with finance still taking their time and being selective.

Monthly sales with 12-month moving average, national



NEW ZEALAND*

15.6%

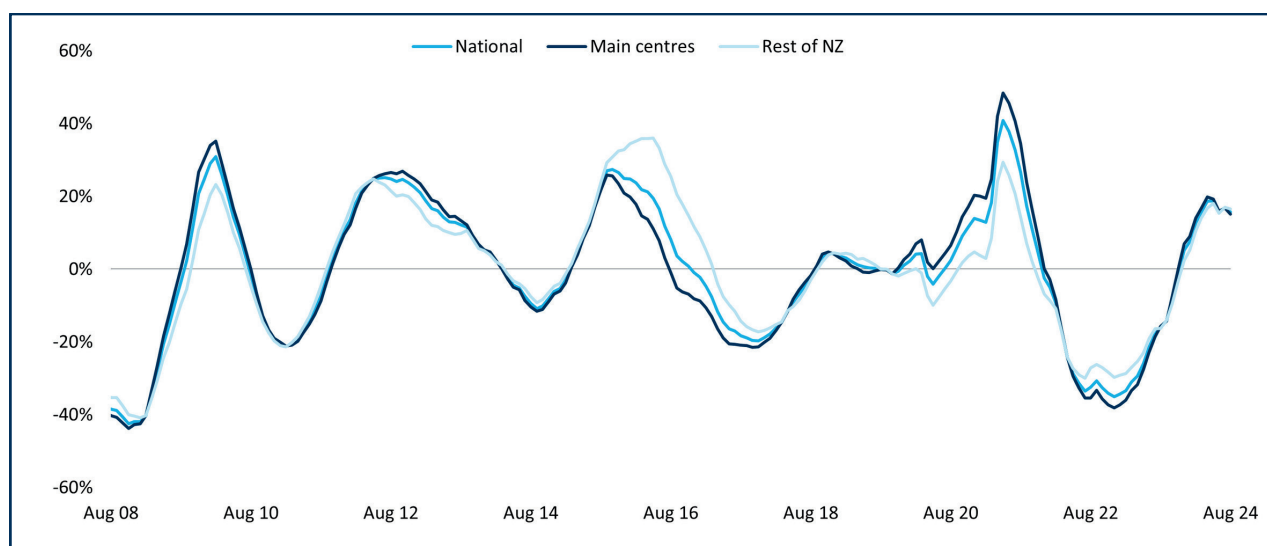
MAIN CENTRES*

15.1%

REST OF NZ*

16.5%

Change in sales volumes, 12 months to August 2024



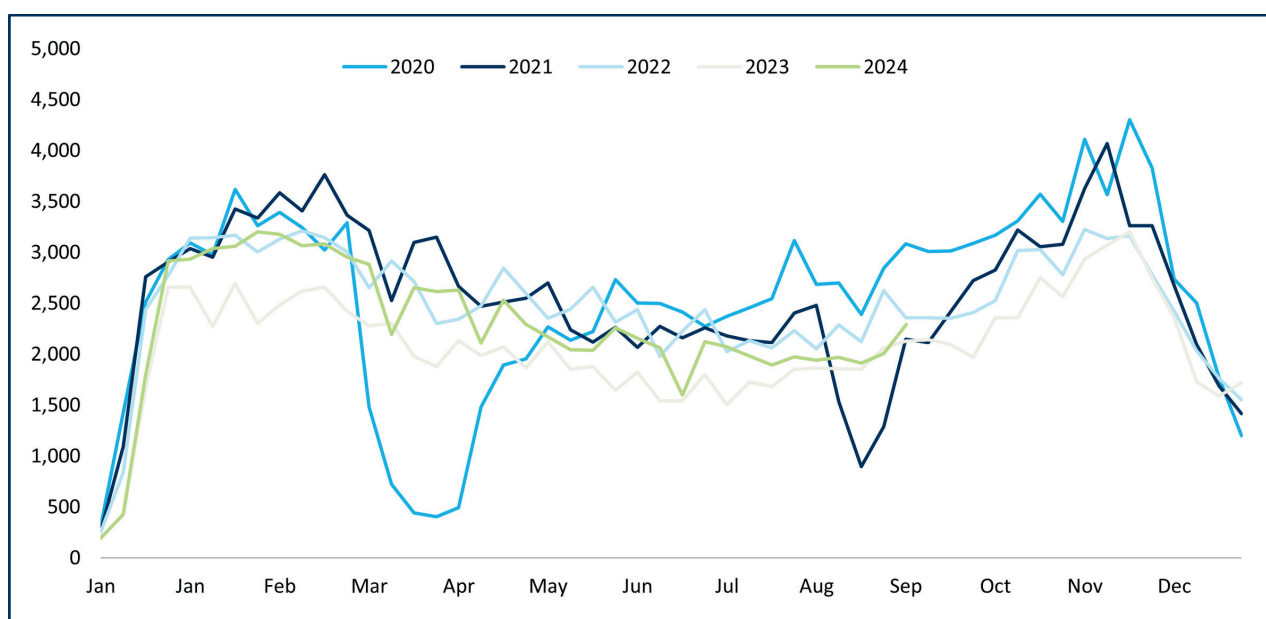
* % change in 12-month sales total compared to a year earlier

Source: CoreLogic

Listings

New listings activity has been solid although not spectacular so far in 2024, and it would appear that some 'pent up' reluctance to list in the latter stages of last year and first few months of this year has now fully come forward and turned 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, as we expect, the shorter Brightline Test from 1st July prompts some investors to sell.

New listings national



NEW LISTINGS OVER THE 4-WEEKS
ENDING 8TH SEPTEMBER

8,175

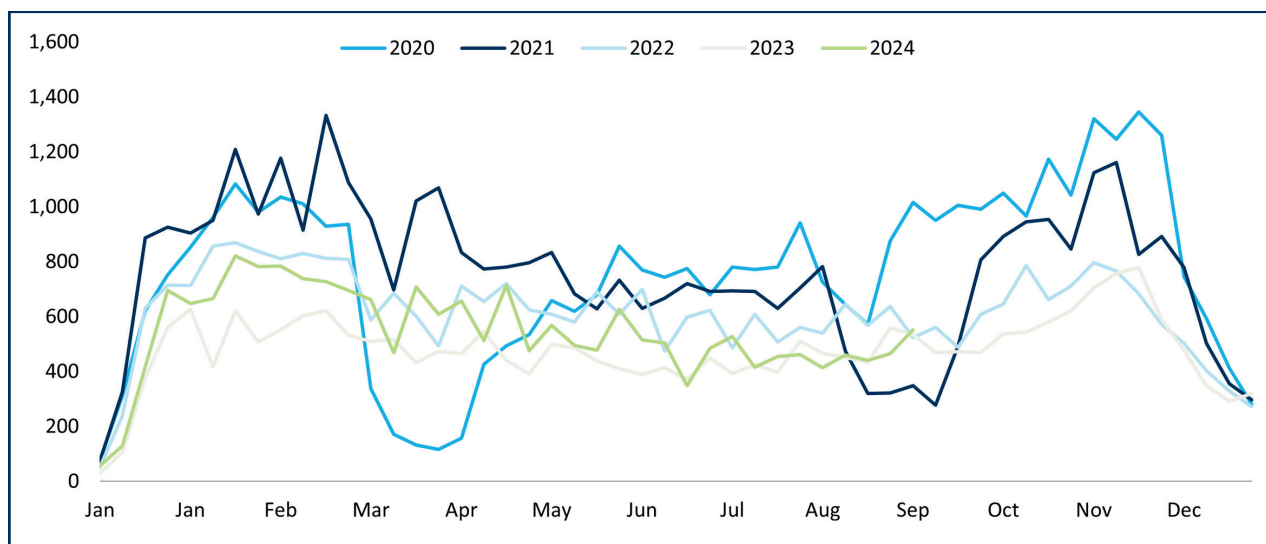
SAME TIME LAST YEAR

7,894

FIVE YEAR AVERAGE

8,736

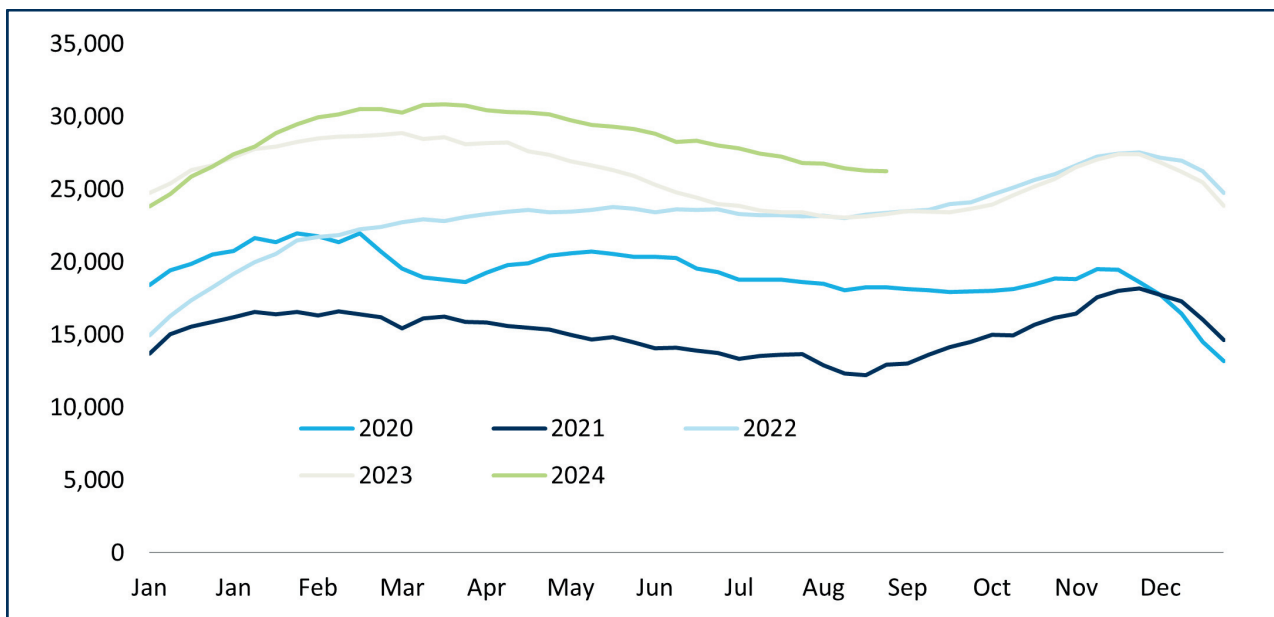
New listings Auckland



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 lower than last year in terms of total listings on the market, but key regions such as Wellington, Bay of Plenty, Auckland, and Otago have all risen by 20-25%. That will tend to dampen price pressures to some degree.

Total listings national



TOTAL LISTINGS ON THE MARKET

26,216

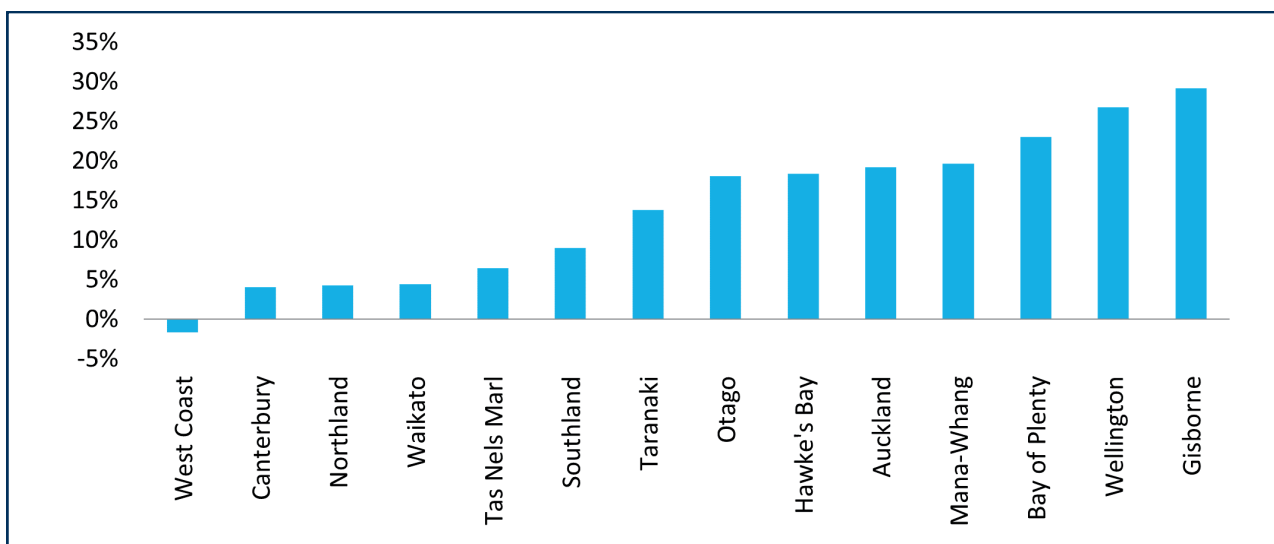
SAME TIME LAST YEAR

23,273

FIVE YEAR AVERAGE

20,750

Latest total listings count vs same time last year



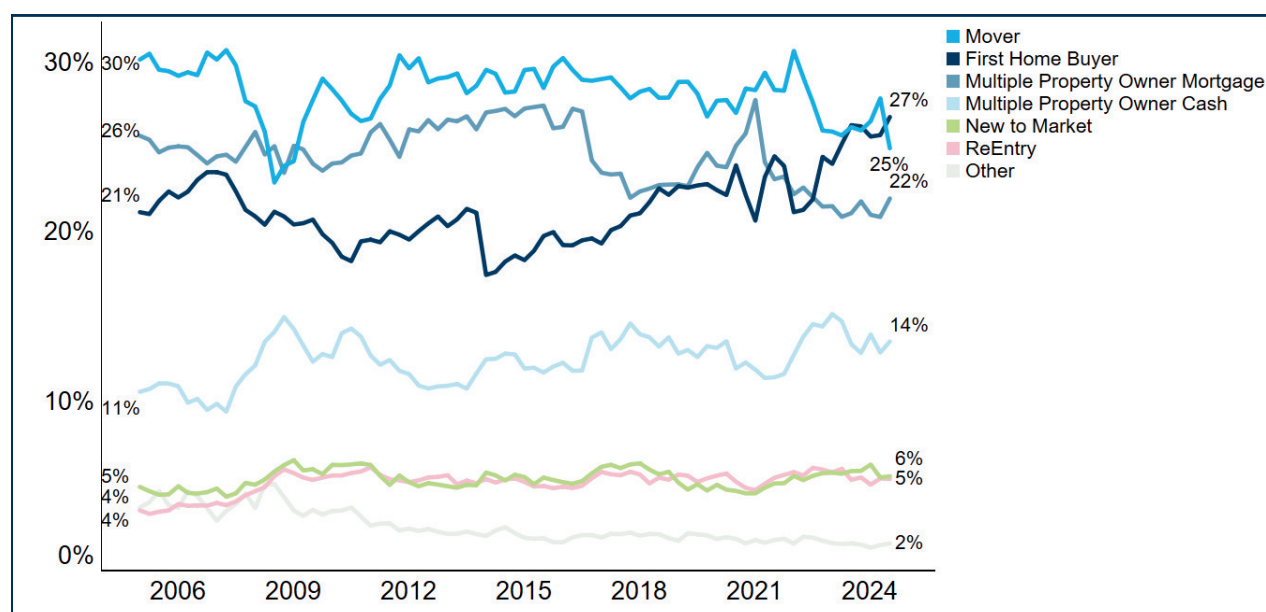
Buyer Classification

Percentage Market Share of Property Purchases

Buyer classification

- First home buyers (FHBs) remain a strong presence in the property market, with a 27% share of purchases in August, the third month in a row at that level. The number of FHB deals is also 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.
- Meanwhile, although the share of purchases going to mortgaged multiple property owners (MPOs, including investors) remains low by past standards, there have been hints in the past 3-4 months that this group is just starting to return – one to watch.
- That would be consistent with falling mortgage rates, the easing in the LVR rules from 1st July, and interest deductibility being back at 80% this tax year.
- Finally, relocating owner-occupiers ('movers') remain quieter than normal. That said, we suspect there might be some pent-up demand to move, so this is a group to watch in the coming months.

Percentage share of property purchases, New Zealand

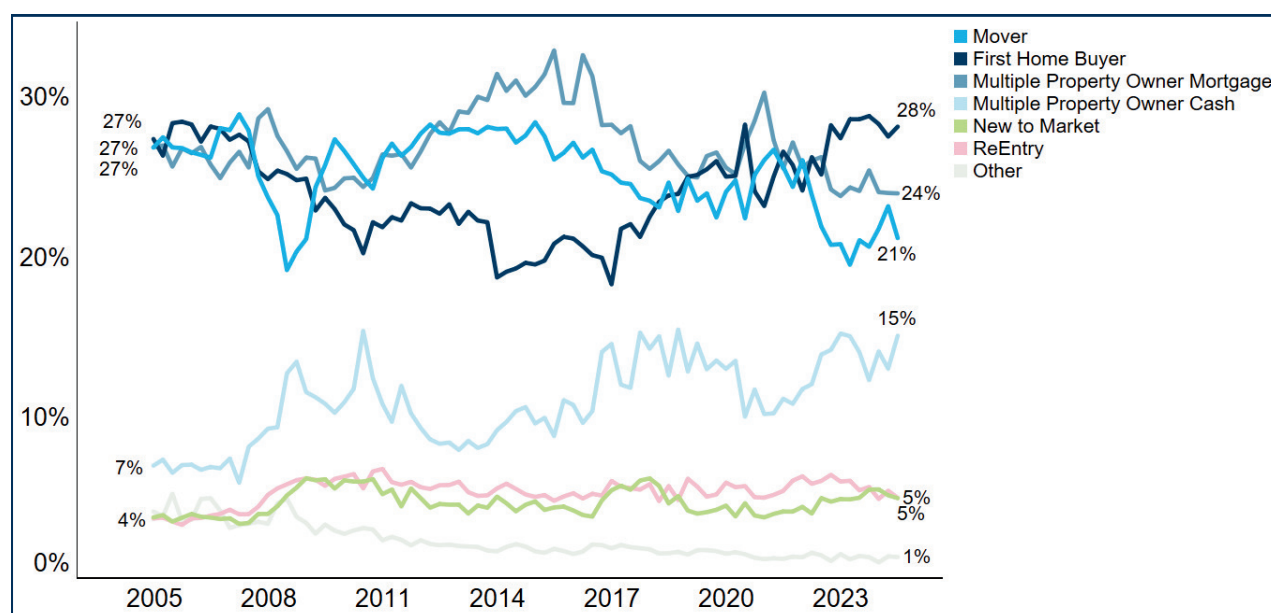


Percentage Market Share of Property Purchases

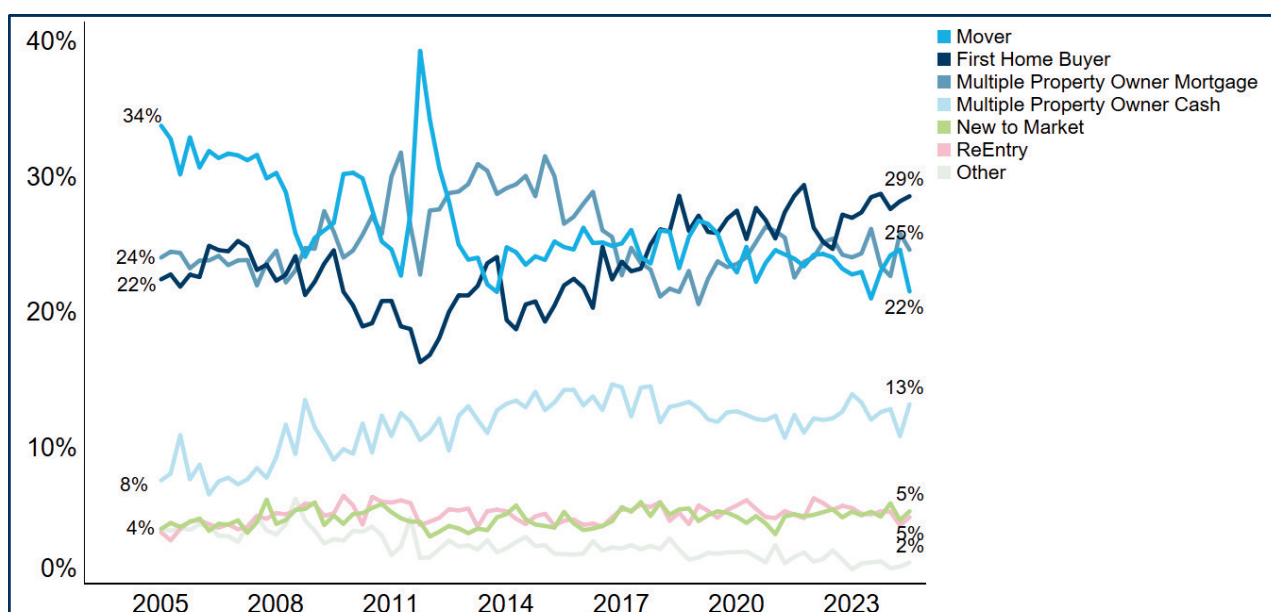
Buyer classification

Selected main centres

Auckland



Christchurch

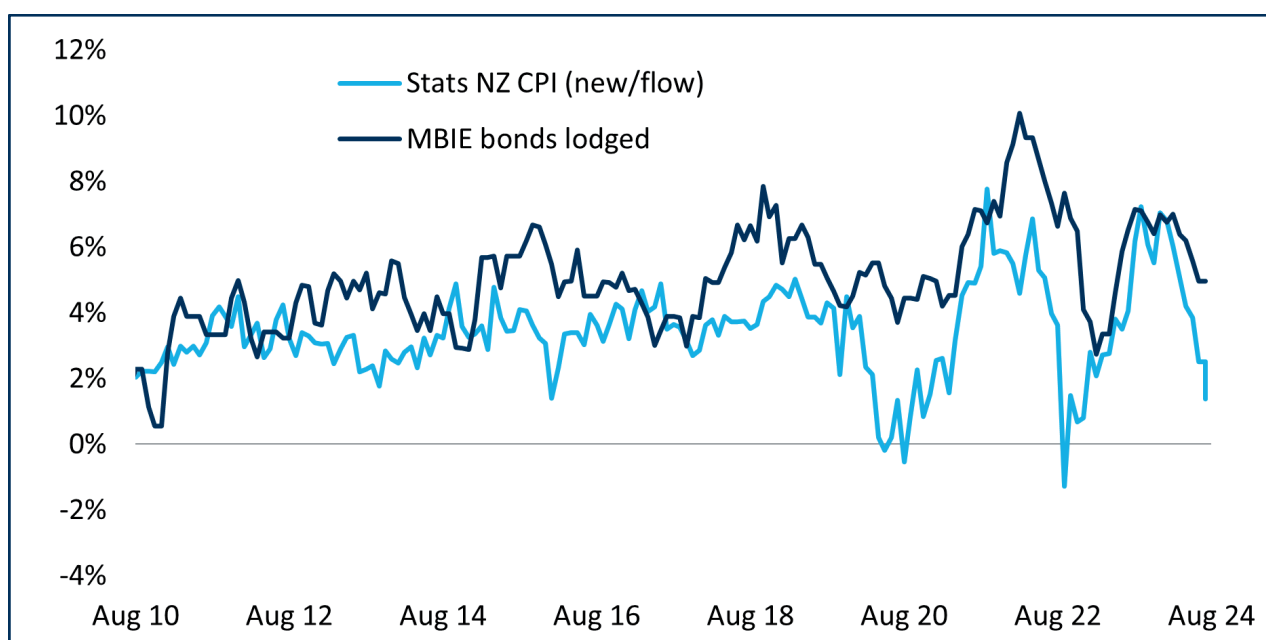


Rental Market

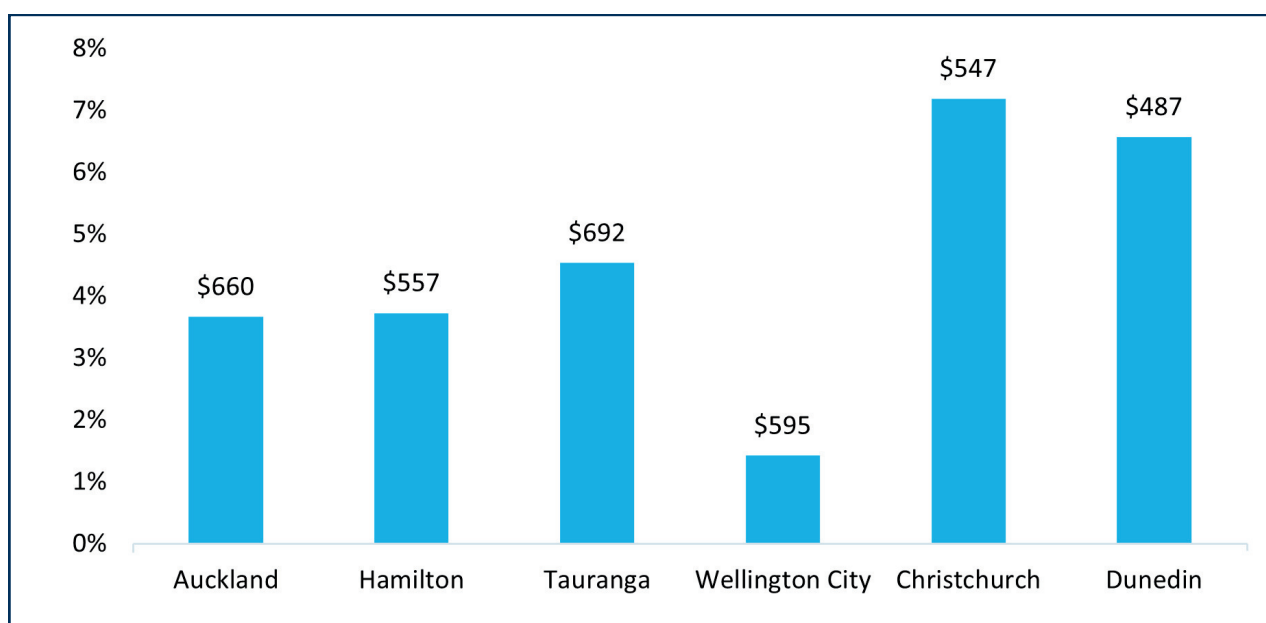
Rental Rates

Rental growth has now clearly settled into a more subdued phase, and was only 1.4% in the year to August on the Stats NZ flow/new tenancy measure. That's comfortably below the long-term average of 3.2%. Rents are already high in relation to household incomes, so a slowdown was always likely at some stage. But subdued rental demand (from slowing net migration) and more available listings on the market are also adding to the slowdown too.

Annual change in national rents to July/August 2024



Annual change in median rents (MBIE)*



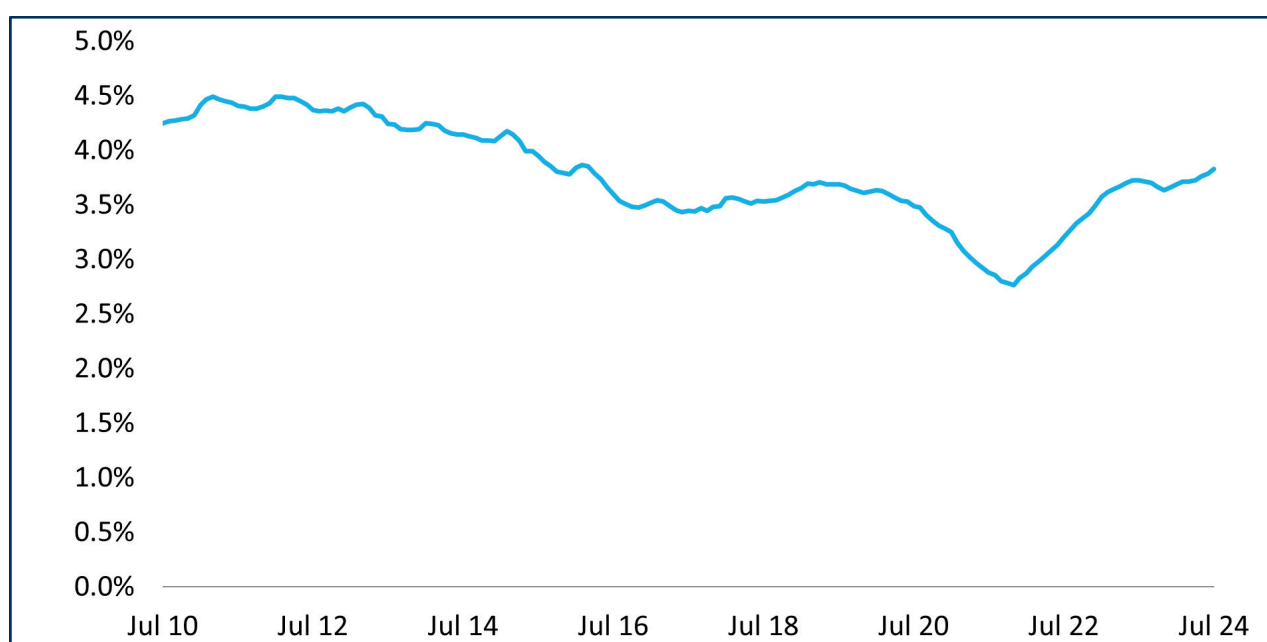
* Labels on the bars are the latest levels for weekly rents

Source: Stats NZ, MBIE

Rental Yields

Over the past 2-3 years, gross rental yields have been trending slowly higher, as values have weakened and rents have risen. From a floor of 2.8% in late 2021, they now stand at 3.8%, which is the highest level since around mid-2016. Auckland and Wellington City are hovering at around the 3% mark, with Hamilton and Tauranga closer to 4%, and Christchurch and Dunedin a bit above 4%. Even though rental yields have trended higher, they're still quite low compared to mortgage rates, so no doubt some would-be property investors are watching and waiting for interest rates to start falling to a more favourable level.

Gross rental yields, national



Gross rental yields, main centres



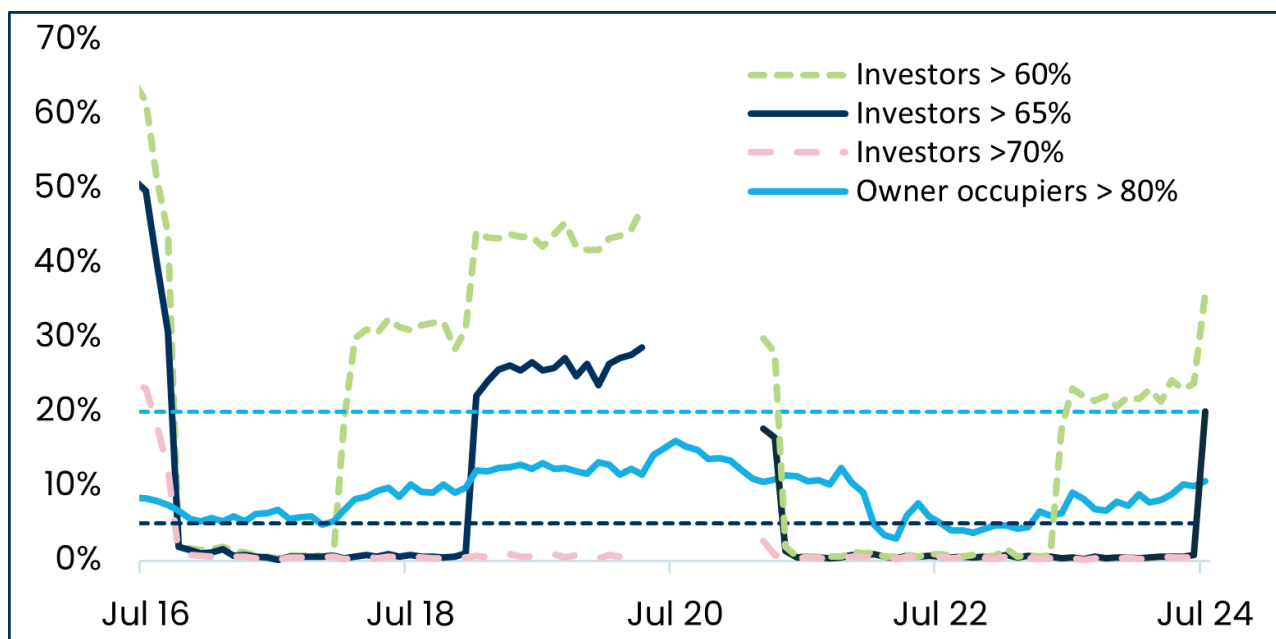
Credit Conditions

Credit Conditions

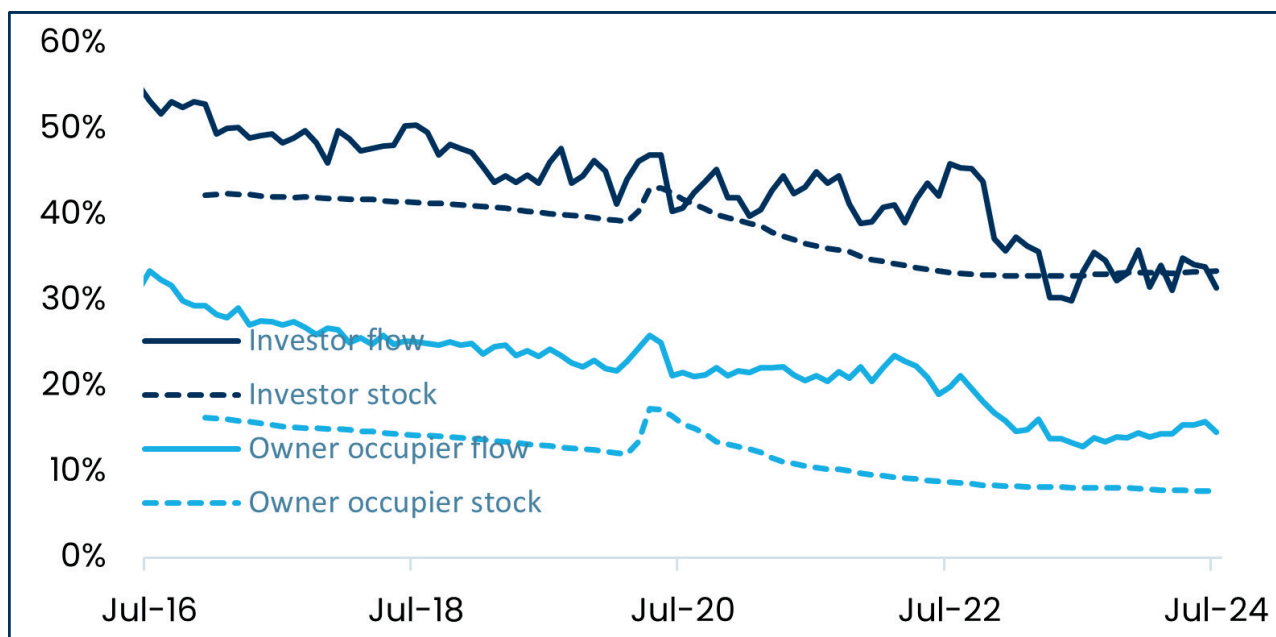
Lending *flows*

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 owner occupiers; something worth watching.

Percentage share of lending at high LVR



Percentage share of lending on interest-only terms

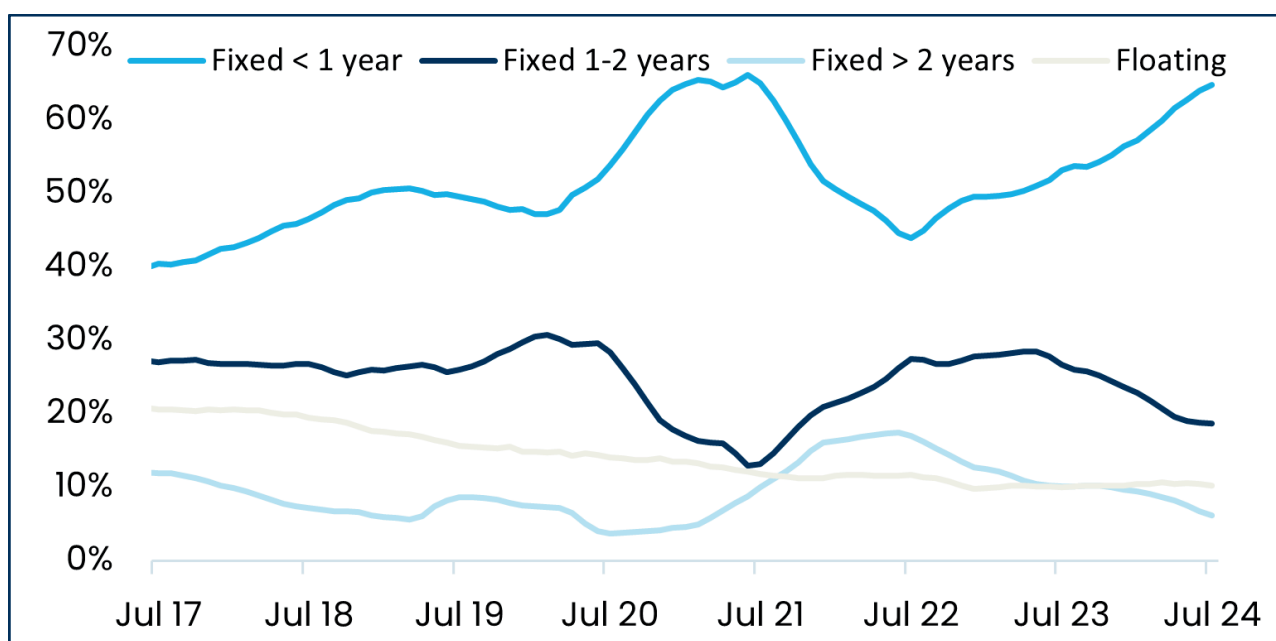


Credit Conditions

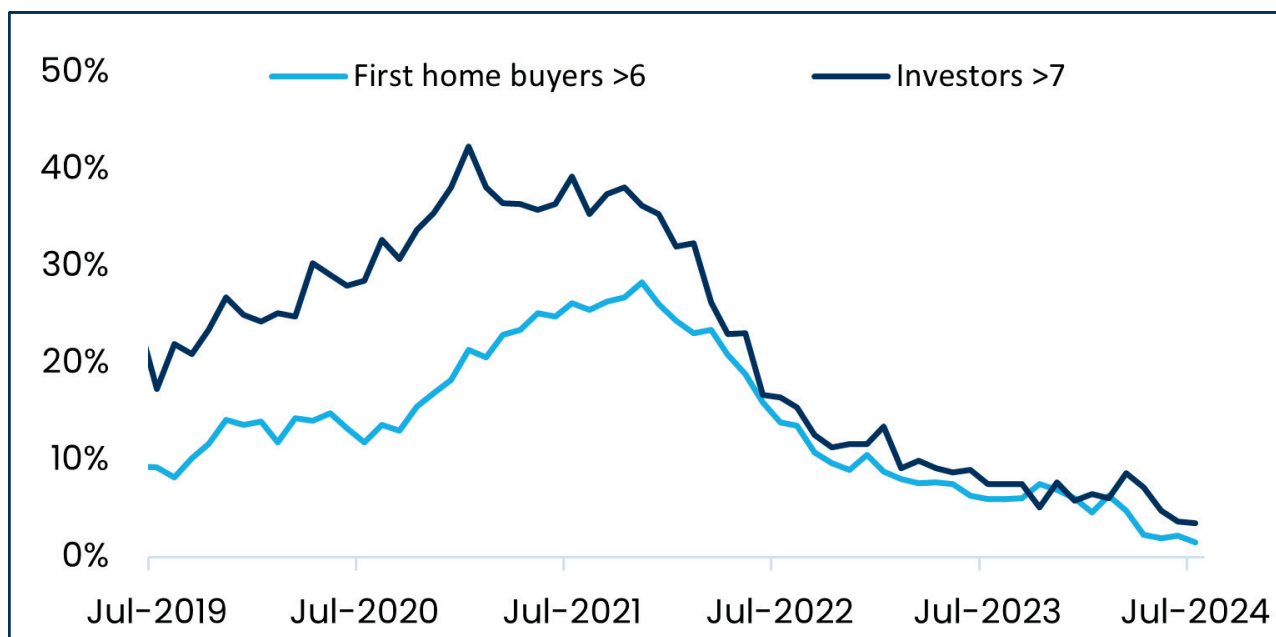
Lending *flows*

Around 65% of NZ's existing mortgages by value are currently fixed but due to reprice onto a new mortgage rate over the next 12 months. For the past 2-3 years these repricing events have generally meant a higher mortgage rate, but in the coming months more borrowers are going to start seeing their rates fall. It may not necessarily be a dramatic or fast process, but any fall in rates will be welcomed by cash-strapped borrowers.

Percentage share of existing loans on various terms to repricing



Percentage share of lending at high DTI

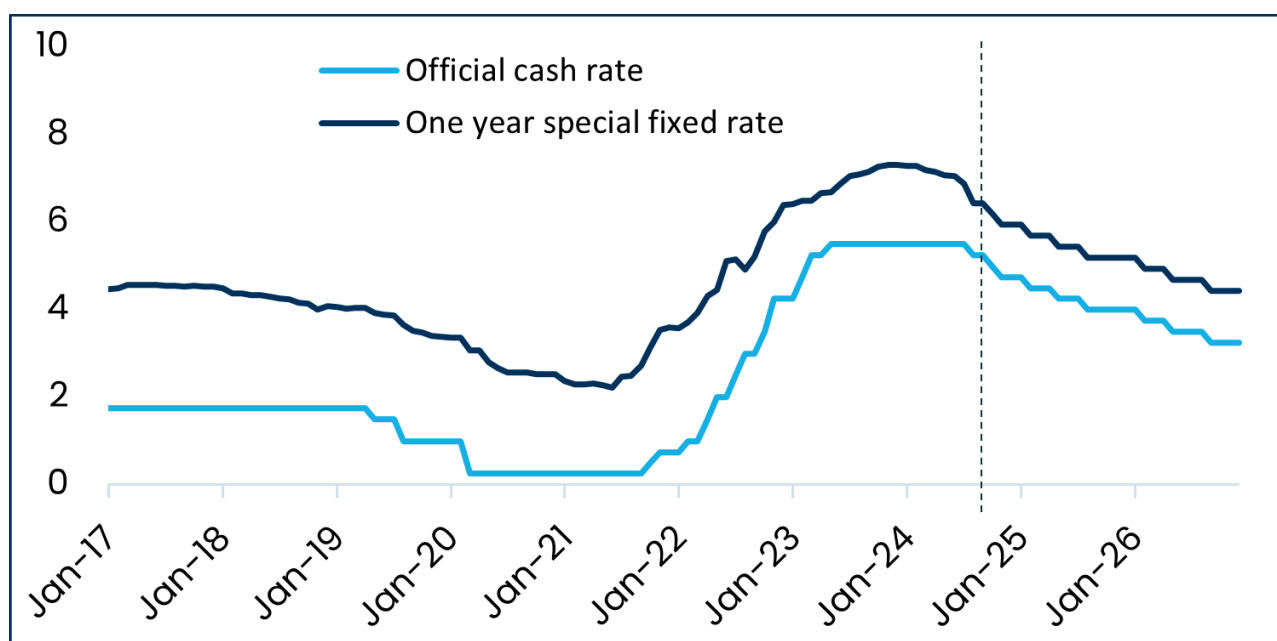


Credit Conditions

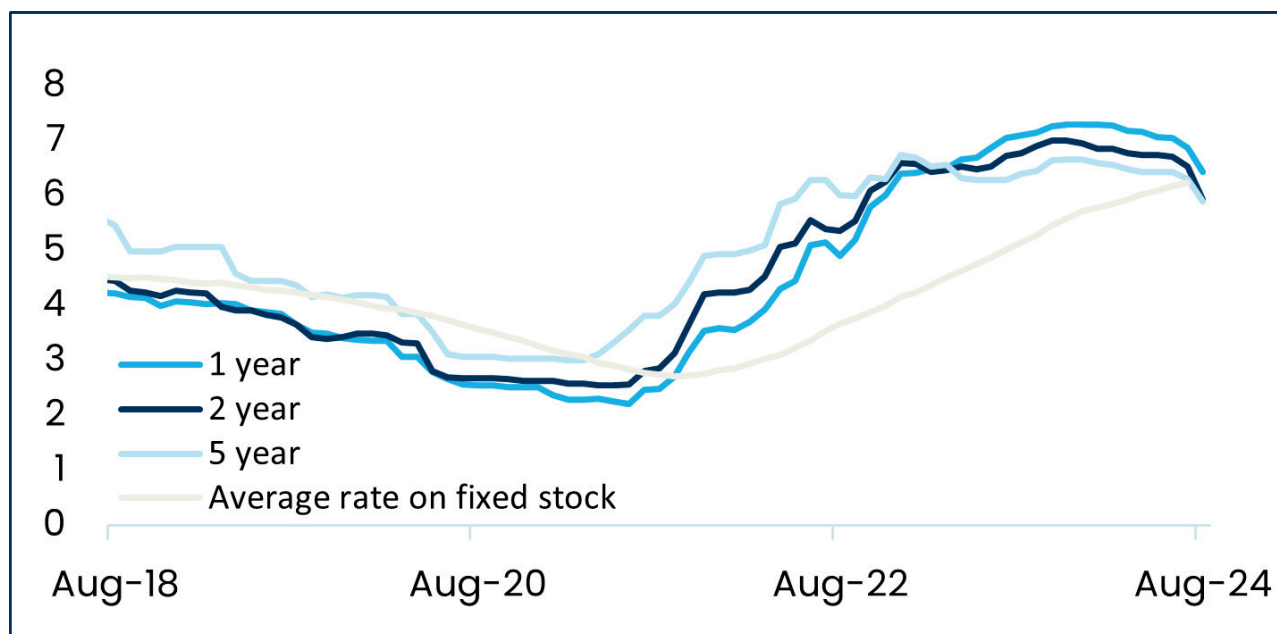
The OCR *and* mortgage rates

The economy continues to struggle and, although it's still above target for now, inflation is clearly trending back down towards the 1-3% target range. These factors help to explain why the Reserve Bank has now cut the OCR from 5.5% to 5.25%, with more to come in the next 6-12 months – which points to lower mortgage rates too.

Official cash rate and 1-year special fixed rate



Current special mortgage rates and average on existing stock



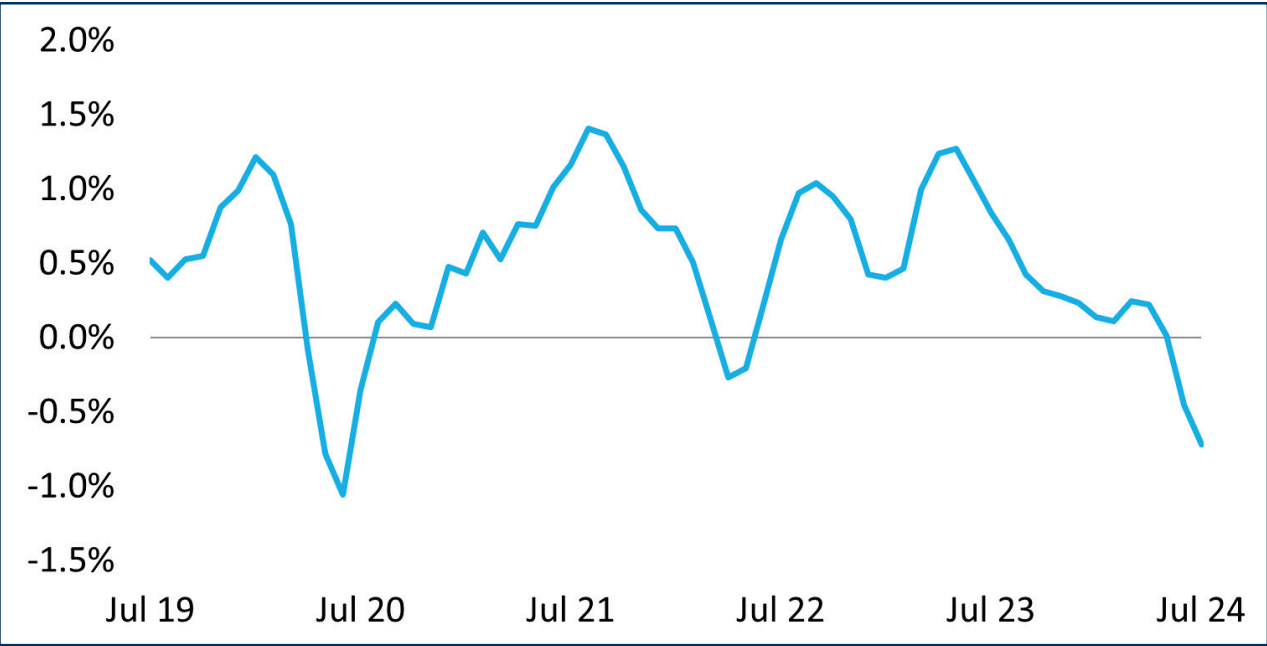
Economic Indicators

Economic Indicators

Unemployment rate percentage

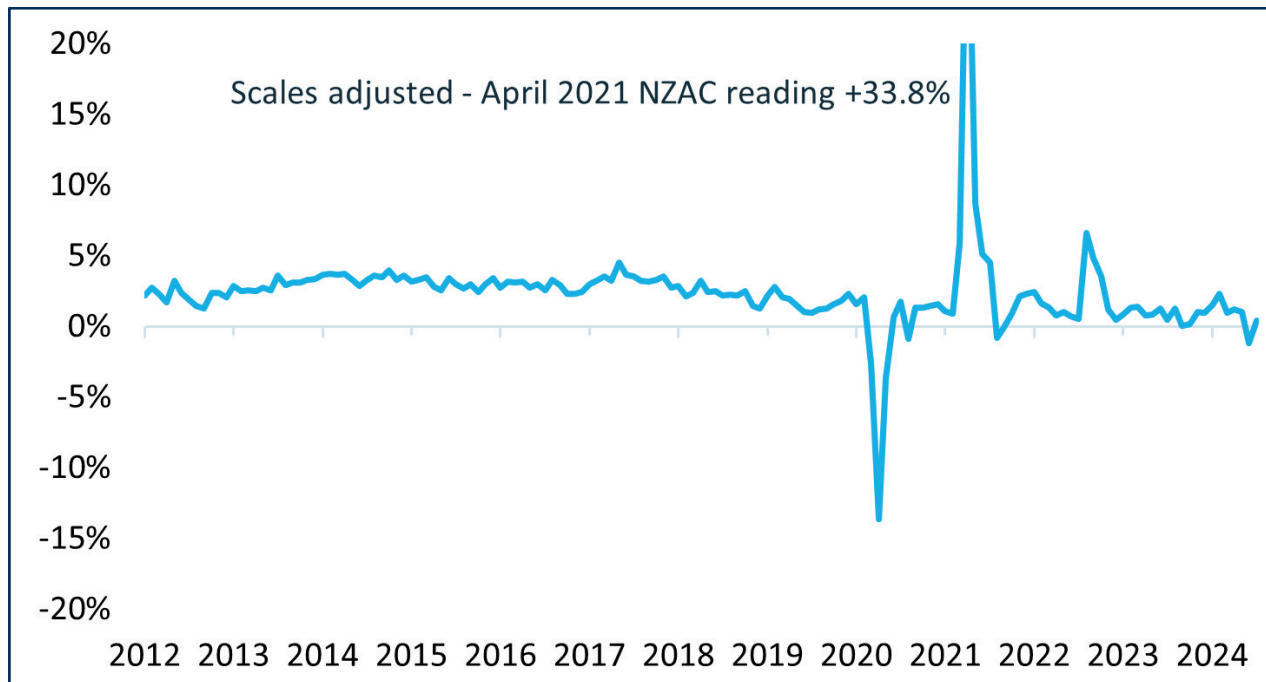


Percentage three month change in filled jobs

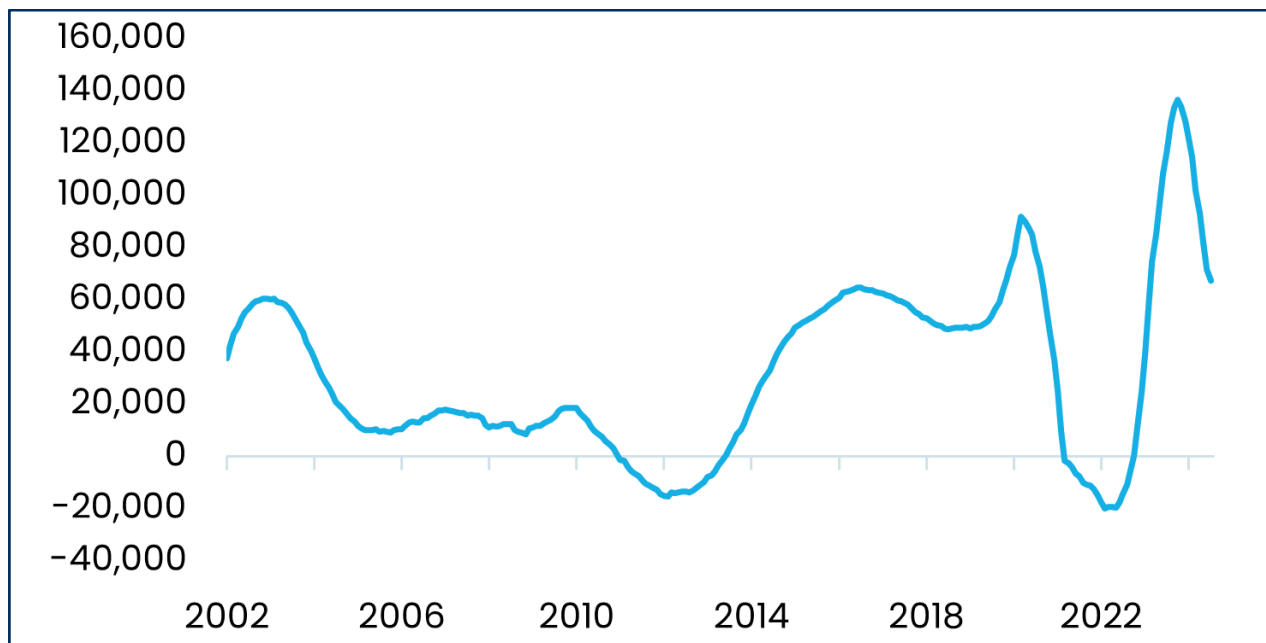


Economic Indicators

Percentage annual change NZ Activity Index

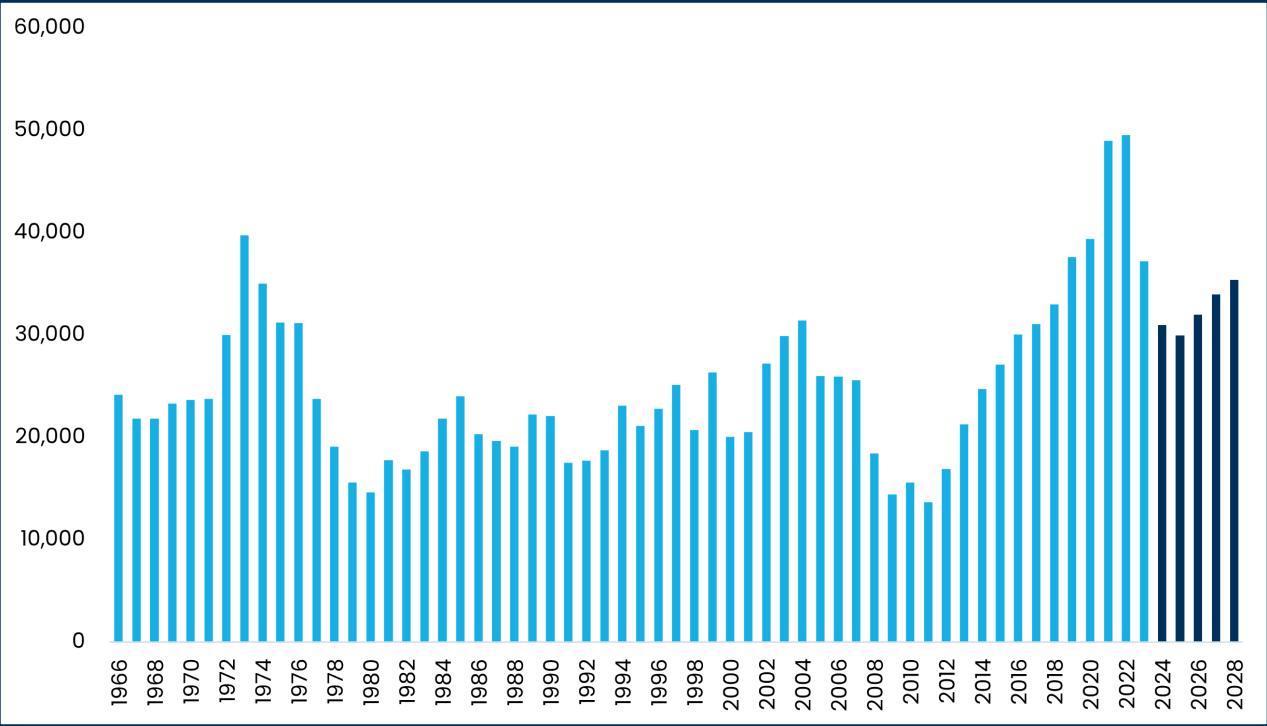


Annual net migration flow



Economic Indicators

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



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