

## Auckland rebounds

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Auckland values have rebounded again after dropping for only two months according to the latest QV House Price Index release. The index had dropped in both January and February meaning that Auckland values had dropped very slightly by 0.8% from the December peak. However the latest results show that in March the index rebounded 0.6%.

I had been expecting a brief and shallow drop in Auckland values due to the new restrictions on investors and the dramatic fall in Chinese buyer activity since September. However I didn't expect the drop to be quite this brief and shallow. That is making the assumption of course that this rebound in values in our largest city is going to continue. More on that later.

There had been an expectation that Auckland investor activity would drop following the rule changes, however it appears that instead they just spent a couple of months waiting for the dust to settle. Our buyer classification analysis has long shown investor activity in Auckland to be going from strength to strength. Their share of sales dipped very slightly for a couple of months late last year but they are now back in the market and they are now at 42% of all Auckland sales and climbing. First home buyers, who had been increasingly more active in the market for the past 18 months have dipped again since the New Year.

I know for many of you outside Auckland that all this talk about our largest city can get a bit boring. I get that, but I lead with it because Auckland is the market that the Government and Reserve Bank, economists, ratings agencies, and a raft of others are watching closely amid concerns of the impact on our economy of both continued rising prices and any subsequent major drop. And there does seem to be a continuing desire in some quarters to see value increases in Auckland curbed, potentially with more regulatory intervention.

But let's turn our attention to the rest of our beautiful country. The rapid rise in values in Hamilton and Tauranga since about mid last year has been well documented. This increase in values has continued but at a slower pace than at the end of last year. In Hamilton the last three months have seen values increase 3.7% which is much slower than the 10.2% we saw in the three months to October. Likewise in Tauranga where the latest three months have increased 5.5% compared to 7.8% in December.

Both of these cities continue to see significant numbers of Aucklanders moving or investing there. Our buyer classification analysis shows 14% of the sales in Hamilton so far this year were to Auckland investors, which incidentally is down from a peak of 27% in late 2015. In Tauranga it is 12% and climbing. We [\[MJ1\]](#) can also see an increase in Auckland homeowners moving to Tauranga and Hamilton but the numbers are much lower.

Of course it's not just those two cities seeing values driven up by Aucklanders. To the north of Auckland values in Kaipara have risen 6.8% in the last three months, and a slightly more sedate 4.0% in Whangarei. To the south it is Aucklanders and to a lesser extent Hamiltonians seeking more affordable properties helping to drive up values in Waikato District, Thames-Coromandel, Waipa, Hauraki, Matamata-Piako, and Western Bay of Plenty.

As we move further afield values in Opotiki, Rotorua, Napier and Ruapehu are all up around 4% while much of the rest of the central North Island is increasing but only very slowly.

The heat comes on again in the Wellington area, which some are describing as the new Auckland when it comes to property market fervour.

Over the past year the Wellington market has become progressively tighter as sales activity outstripped the number of new properties coming up for sale. We now see the total number of properties listed for sale in Wellington being only half of what they were this time last year. This comes at a time when demand is astronomical with attendances at open homes in Wellington City by dozens or even hundreds of groups not unheard of, and multiple offers being made very quickly. Unsurprisingly values have been rising quickly since September, and over the last three months are up 4.2%. The rise in values in the Hutt Valley, Porirua and Kapiti Coast are slower but the demand is beginning to spread there as the city market heats.

The impact of Auckland investors is much less in Wellington than further north. According to our buyer classification only 4% of Wellington sales in the past three months have been to Auckland investors, up from the 2 to 3% we have seen for the past few years. First home buyers have remained steady at 26% for the past few months; meanwhile other investor activity has climbed further to account for 40% of all sales.

In a sign that it isn't just the movement of Aucklanders causing values to rise, parts of the South Island are also on the rise. Nelson, McKenzie and Queenstown Lakes have all risen over 4% in the past three months, with Kaikoura, Central Otago and Gore not far behind.

Mine closures in particular have hurt the West Coast with values down 8.4% over the past year in Buller and 5.2% down in the Grey District.

The Christchurch market remains stubbornly flat despite most of the rest of the country beginning to rise. Christchurch City is up just 0.8% over the past three months, and the surrounding areas of Waimakariri and Selwyn which were very hot in the year or two after the major quakes have also been increasing only slowly. The lack of recent increases reflects a market that has returned closer to normality and suggests that the post-earthquake rise in values slightly overshot the true value.

Dunedin is also now on the rise after several years of dormancy but the rate of value growth at 2% per quarter is slower than most other main centres.

What then of the outlook? Migration continues to be strong, and is likely to stay that way for some time yet. A good chunk of that migration is kiwis either not going to Australia or returning home. This lack of people leaving for the 'West Island' is in part a contributor to regional market strength.

Meanwhile there is a building shortage in Auckland and the latest building consent statistics don't look too promising for fixing that. While the headlines trumpeted the highest February since 2003, what they failed to mention was that building consents in Auckland have actually been trending down for the past few months according to Statistics NZ.

The fundamental drivers of high demand and low supply mean rising prices in Auckland. Then we have multiple reports of Chinese buyers getting active in the market again which will add a little more spice. That is why I expect Auckland values to keep rising although not at the frenetic pace of the past three years.

Buyer demand is another key thing to watch. Using our measure of valuations ordered by banks on behalf of their customers, this surged hugely in mid-February in Auckland to record levels following a very sluggish start to the year. Wellington has also surged in the New Year and has been at record levels for several weeks. But, and this is a big but, we have just had Easter. This cools things down

every year as people disappear on holiday and usually that marks the start of the winter slowdown as demand steadily drops away until September. Will this year be any different or will the strong demand persist after Easter? I suspect the latter but we won't see for another week or two as the first post-Easter data comes through.

Similarly, the number of new properties being listed for sale usually drops away quickly after Easter. There are already signs of that being the case and if so and demand remains strong then values will continue to rise.

My expectation is that with plenty of buyers out there, particularly in Auckland and Wellington who are now looking further out from the central areas that values will continue to rise throughout winter.

- See more at: <https://www.qv.co.nz/resources/news/article?blogId=225#sthash.r0lkCQaU.dpuf>