CoreLogic

CoreLogic QV November House Price Index: ‘The upswing is building steam’

4 Dec 2019

Highlights over the three months to November 2019

- Best performing main city: **Dunedin +8.6%**
- Weakest performing main city: **Auckland +1.3%**

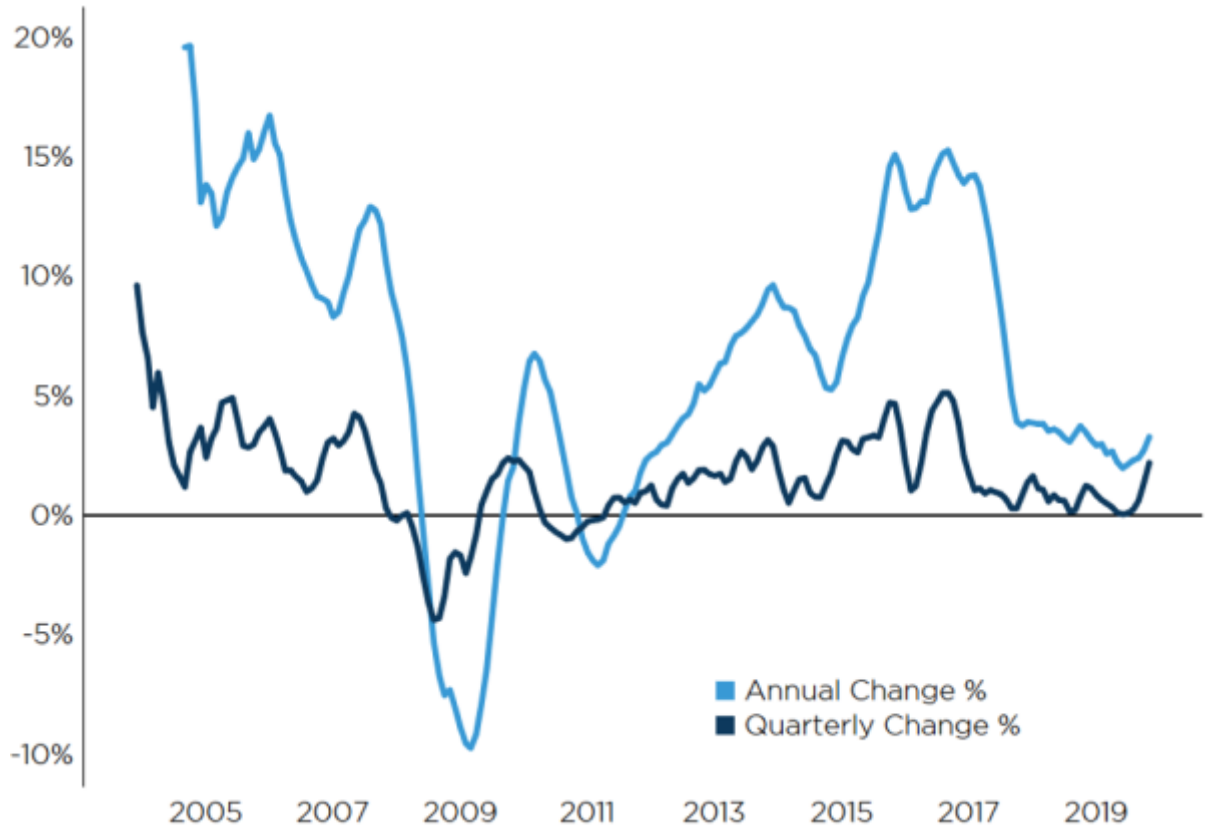
Recent momentum in the NZ housing market continues in November – fresh upswing

now clearly underway.

	Change in property values			Average Value
	Month	Quarter	Annual	
Auckland	0.7%	1.3%	-1.2%	$1,038,477
Hamilton	0.8%	1.5%	5.5%	$596,912
Tauranga	0.4%	2.3%	6.5%	$760,560
Wellington	0.8%	3.0%	7.3%	$735,507
Christchurch	1.0%	1.7%	1.9%	$504,952
Dunedin	3.9%	8.6%	17.1%	$505,461

Index results as at 2 December 2019

According to the CoreLogic QV House Price Index, average property values rose by 1.0% from October to November, with the annual rate of growth now sitting at 3.3%. That's up from the 2.0% lull in June, and the strongest annual growth figure since November last year.



NZ average property values

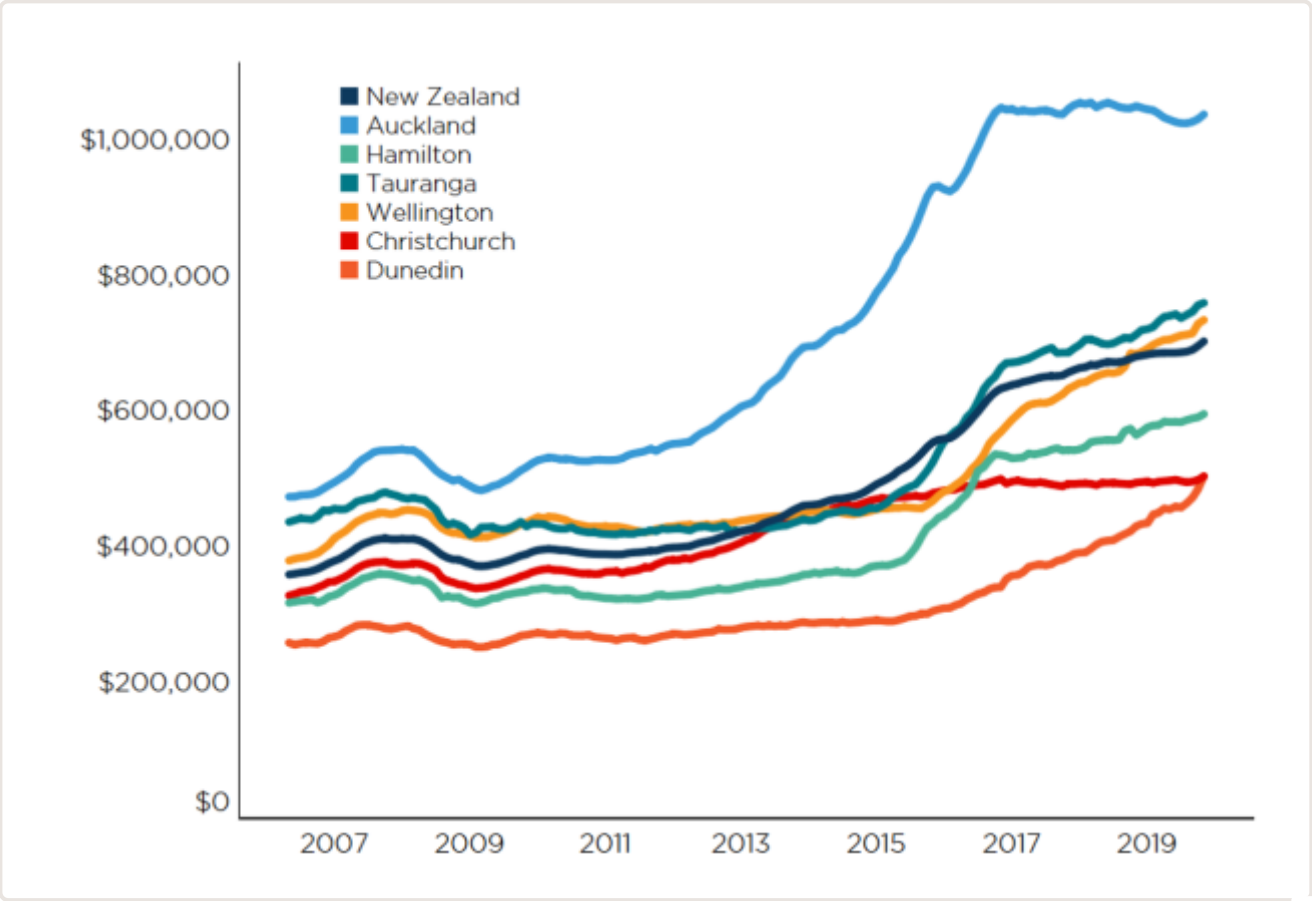
The strengthening in property values over the past few months has been reasonably broad-based around the country, with Auckland's mini-downturn, for example, now looking to have passed (values there have risen by 1.3% in the past three months), and other areas remaining buoyant – take Dunedin, for example, where values have soared by 17.1% in the past year (equivalent to about $73,800). Nationally, average property values have now risen above $700,000 for the first time.

CoreLogic Senior Property Economist, Kelvin Davidson said *"The property market has clearly enjoyed a solid spring and looks likely to build further momentum as we hit summer and move into 2020, most notably because of the eased mortgage serviceability tests used by the banks. Indeed, this easing has had a significant and immediate effect in terms of allowing more borrowers to access finance, and mortgage lending activity in October was $550m higher than a year ago – an impressive result."*

"However, the solid economy – especially low unemployment – and favourable mortgage rates are playing a key housing market role too. Given the strength of the incoming data on mortgage activity and property values, the Reserve Bank will most likely feel very comfortable with their decision not to loosen the loan to value speed limits".

As noted, Dunedin remains a hot market. This can be illustrated in many different ways, but consider this – back in April 2015, average property values in Christchurch were more than $181,000 higher than Dunedin. Now, Dunedin's average value ($505,461) is higher than Christchurch's ($504,952) for the first time. Admittedly, Christchurch has had its own special factors that have dampened growth (e.g. high construction activity around the wider city area), but this comparison still illustrates the sheer scale of Dunedin's boom, driven by a strong economy and a lack of supply relative to demand.

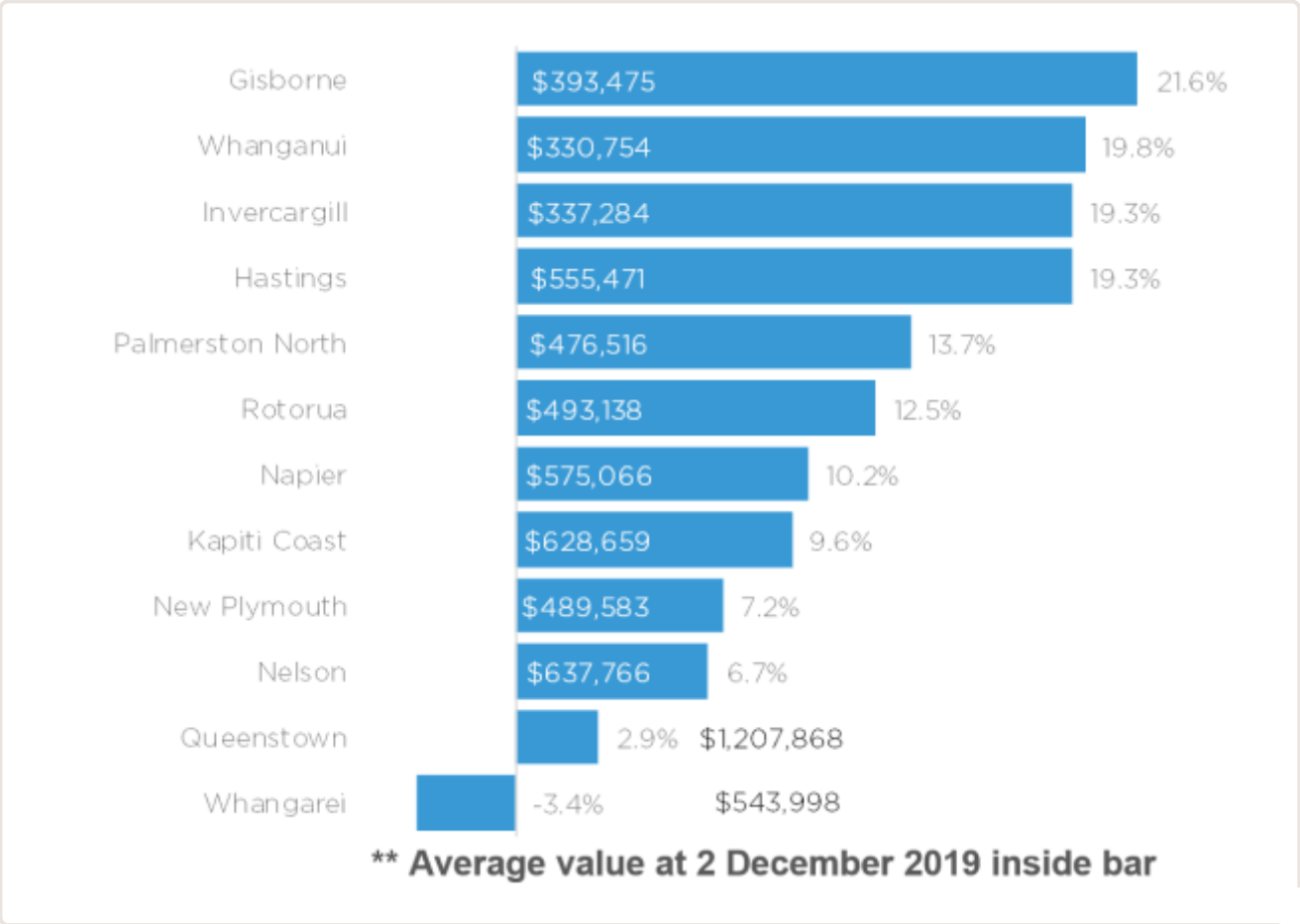
Around the other main centres, the market continued its steady growth in November. Average values in Hamilton have risen by 1.5% since August, and by 5.5% over the past year, with the same figures for Tauranga coming in at 2.3% and 6.5% respectively. Across the four main areas of wider Wellington, values have risen by 7.3% over the past year, with Upper Hutt (15.1%), Lower Hutt (9.7%), and Porirua (8.2%) leading the rise, with Wellington City itself (5.2%) slightly more subdued.



Average Property Values, Main Centres

Davidson said *"Capital growth across the main centres has been solid over the past year, and property owners will no doubt be feeling buoyed by these gains as we rocket towards Christmas. However, the flipside of that growth has been little let-up in affordability pressures for would-be buyers, and of course, for owner-occupiers you're generally buying and selling in the same market – so a rise in property values isn't always as great as it seems."*

Strong housing market conditions are also evident in many of our provincial centres. In particular, the 'sub-$400k' club had a very strong November – Gisborne's values rose by 3.9% last month alone (to $393,475), Whanganui by 3.6% (to $330,754), and Invercargill by 5.8% (to $337,284). Recent speculation around the future of the Tiwai Point smelter certainly hasn't thrown Invercargill's boom off course just yet. Elsewhere, previously strong markets such as Napier and Nelson are just showing signs of cooling off, as affordability pressures remain top of the concerns list for would-be buyers.



Annual change in dwelling values**, Provincial Centres

Overall, the latest CoreLogic QV property value data was as we expected, with growth picking up as we hit the last days of 2019. It will be 2020 before the next set of index results is available (December 2019 figures publicly released Wednesday 8th January), so at this time of year many thoughts turn to what might lie in store for the next 12 months ahead.

As Davidson notes *"2019 has been another intriguing year for the property market, with capital gains tax ruled out, tax ring-fencing brought in, KiwiBuild restructured, mortgage rate wars frequent, and foreign buyers barred (from October 2018). Amongst all of that, the market itself has kept ticking along, and will have a head of steam building into 2020."*

"We see a 'window of opportunity' for at least the first half of next year, where credit conditions should be favourable, and property market activity levels rising, along with further growth in prices. Although first home buyers are holding their ground, investors' share of purchases has risen in the past few months, and they could play a key role in overall market trends next year. One factor that has seemingly brought some investors

back to property is the low returns available on other 'safe' assets, such as term deposits".

"Before we get there, the Reserve Bank has one last decision to announce for 2019 – around bank capital requirements. It seems almost certain that the banks will be required to hold more. The question is, 'how much and how long do they have to achieve it'? Either way, as we reach the end of next year, brighter conditions in the first half of 2020 may have given way to some upwards pressures on mortgage rates and/or crimped finance supply, as effects of the capital rules start to become reality in the market".

"Next year, we've also got the General Election to factor in – unfortunately, they tend to create uncertainty for property. That said, a more positive impact on the economy (and hence property) could well start to come through via the Government's recent announcement that they intend to borrow more money to bring forward a number of large infrastructure projects. More detail will come from the Government on 11th December."

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