

QV says housing values have already come down from recent highs but it will be several months before we see the full effect of the COVID-19 pandemic on prices

3rd Jun 20, 5:02am
by Greg Ninness NZ Herald



Quotable Value has warned that house prices are teetering on a cliff edge and it's no longer a question of if they will fall but how far they will fall.

In its report on the market for May, QV said prices were showing the first signs of fragility as the easing of lockdown rules allowed the market to start returning to normal.

It warned of a gap developing between the prices vendors were expecting to receive and the price buyers were prepared to pay.

"A disconnect in expectations is developing between vendors and purchasers amidst declining sales volumes, suggesting we are on the brink of material declines for the first time in nearly 12 years," the report said.

"The market is teetering on a cliff's edge as we enter winter, the question now is how far will it fall."

The warning appears to contradict the data in QV's House Price Index for the three months to the end of May, which showed the average value of homes throughout the country was \$739,539, up slightly from \$735,979 in the three months to April.

Average values in the three months to May were also up compared to the three months to April in Auckland, Wellington, Christchurch and Dunedin, suggesting values generally were continuing to rise.

However, QV's report says the Index doesn't yet illustrate the dramatic impact COVID-19 was having on sales volumes.

"The key point we can note from the QV House Price [Index] data this month is the gradual decline in quarterly growth in May, with 14 of the 16 major cities we monitor

showing a reduction in the rate of growth since April," QV General Manager David Nagel said.

"This trend is likely to continue as a greater proportion of post-lockdown sales are used in the HPI calculations.

"The data shows the property market was continuing to perform strongly throughout early to mid-March, indicating strength right across the country.

"However, with sales volumes for April and May being down significantly on normal April and May activity, the data is skewed towards earlier stages of the three month period when volumes were much higher.

"When we look at just the April and May transactions in isolation, it shows a definite impact, with post-lockdown sales on average down by around 5% on pre-lockdown levels," he said.

Nagel said it would likely take several months before the full effects of the COVID-19 pandemic would be felt by the real estate market.

"While the data is still sketchy, we're now very confident that the market has come back already from value levels we saw in February and March, particularly in some of the high risk locations that had previously experienced a sustained period of value growth," he said.

"What we don't know yet is the quantum of correction that the market can expect to see as the economy transitions post-pandemic.

"Over the coming months we'll likely see more listings gradually coming on stream after the cushioning effect of the Government wage subsidy comes to an end and bank mortgage holiday periods expire.

"Unfortunately this will be when the full impact of the pandemic will be reflected on real estate values," Nagel warned.

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QV House Price Index May 2020			
Territorial authority	Average current value	12 month change%	3 month change %
Auckland Area	1,086,223	5.4%	2.7%
Main Urban Areas	847,497	7.2%	2.4%
Wellington Area	787,288	11.4%	1.6%
Total NZ	739,539	7.7%	2.4%
Far North	492,137	10.7%	0.9%
Whangarei	586,665	7.9%	4.4%
Kaipara	577,135	5.6%	2.7%
Auckland - Rodney	984,069	2.5%	2.1%
Rodney - Hibiscus Coast	962,786	2.7%	2.2%
Rodney - North	1,005,310	2.3%	2.0%
Auckland - North Shore	1,257,549	6.6%	3.6%

North Shore - Coastal	1,433,058	6.0%	3.8%
North Shore - North Harbour	1,213,823	5.9%	1.9%
North Shore - Onewa	1,025,011	8.6%	4.9%
Auckland - Waitakere	857,957	5.5%	3.0%
Auckland - City	1,285,679	6.2%	2.6%
Auckland City - Central	1,120,273	6.2%	2.2%
Auckland City - Islands	1,139,027	2.6%	-3.5%
Auckland City - South	1,150,720	7.2%	2.7%
Auckland_City - East	1,621,782	5.6%	3.4%
Auckland - Manukau	937,860	5.1%	2.7%
Manukau - Central	722,671	4.6%	3.1%
Manukau - East	1,198,734	5.6%	1.9%
Manukau - North West	819,547	4.9%	3.2%
Auckland - Papakura	723,750	2.3%	1.0%
Auckland - Franklin	688,500	2.2%	0.9%
Thames Coromandel	820,759	7.9%	4.3%
Hauraki	461,644	9.2%	3.4%
Waikato	525,823	6.3%	-2.0%
Matamata Piako	504,510	4.4%	0.6%
Hamilton	628,992	7.5%	1.0%
Hamilton - Central & North West	590,005	9.3%	1.3%
Hamilton - North East	774,291	6.0%	1.4%
Hamilton - South East	585,008	8.3%	1.1%
Hamilton - South West	557,493	7.1%	0.1%
Waipa	637,689	11.6%	1.9%
Otorohanga	N/A		
South Waikato	322,854	24.7%	15.8%
Waitomo	246,397	4.6%	3.7%
Taupo	569,868	9.9%	3.7%
Western BOP	707,391	4.7%	2.7%
Tauranga	792,643	6.9%	3.2%
Rotorua	517,916	9.0%	0.0%
Whakatane	515,250	9.5%	0.7%
Kawerau	295,923	13.9%	-2.4%
Opotiki	369,224	13.8%	1.4%

Gisborne	434,358	24.3%	4.2%
Wairoa	N/A		
Hastings	593,522	14.2%	4.6%
Napier	611,969	9.9%	4.1%
Central Hawkes Bay	405,052	7.2%	-1.0%
New Plymouth	507,023	9.7%	0.6%
Stratford	322,034	14.5%	1.2%
South Taranaki	285,157	17.9%	6.7%
Ruapehu	259,370	21.7%	3.6%
Whanganui	370,057	25.0%	5.6%
Rangitikei	285,094	23.2%	-1.7%
Manawatu	466,009	21.0%	2.6%
Palmerston North	509,859	15.3%	1.8%
Tararua	282,279	22.0%	2.5%
Horowhenua	439,748	20.6%	4.7%
Kapiti Coast	669,337	12.0%	2.8%
Porirua	692,364	16.7%	3.1%
Upper Hutt	633,343	13.5%	1.9%
Hutt	688,394	17.7%	3.2%
Wellington City	894,710	7.9%	0.7%
Wellington - Central & South	886,705	8.3%	0.2%
Wellington - East	964,454	7.9%	2.0%
Wellington - North	817,550	7.6%	0.4%
Wellington - West	1,016,824	8.7%	0.5%
Masterton	426,012	11.5%	-0.4%
Carterton	475,628	9.6%	0.9%
South Wairarapa	583,811	15.1%	4.7%
Tasman	629,768	4.5%	1.0%
Nelson	658,374	5.4%	0.7%
Marlborough	515,394	6.9%	0.7%
Kaikoura			
Buller	208,475	7.8%	-2.7%
Grey	228,338	5.0%	-3.0%
Westland	277,150	9.7%	4.3%
Hurunui	398,995	2.8%	-3.0%

Waimakariri	463,281	3.4%	0.6%
Christchurch	517,376	3.7%	1.0%
Christchurch - Banks Peninsula	547,999	5.0%	-0.1%
Christchurch - Central & North	605,070	3.0%	1.4%
Christchurch - East	394,006	4.4%	1.4%
Christchurch - Hills	701,439	2.8%	-1.3%
Christchurch - Southwest	491,701	4.0%	0.9%
Selwyn	564,650	1.7%	0.7%
Ashburton	374,168	4.2%	2.1%
Timaru	392,001	5.5%	1.5%
MacKenzie	594,010	8.9%	6.8%
Waimate	290,466	13.1%	0.5%
Waitaki	352,206	9.6%	1.6%
Central Otago	597,205	13.9%	3.5%
Queenstown Lakes	1,218,418	3.0%	0.5%
Dunedin	552,475	21.1%	4.2%
Dunedin - Central & North	562,304	18.6%	3.1%
Dunedin - Peninsular & Coastal	492,355	20.4%	-0.3%
Dunedin - South	539,072	23.4%	5.8%
Dunedin - Taieri	577,302	21.7%	5.4%
Clutha	290,886	26.8%	13.5%
Southland	355,928	13.2%	0.8%
Gore	279,245	18.2%	4.4%
Invercargill	350,019	16.8%	2.0%
Auckland Area	1,086,223	5.4%	2.7%
Main Urban Areas	847,497	7.2%	2.4%
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